# North Africa: Unlocking India's Trade and Investment Potential

Occasional Paper No. 191

एक्ज़िम बैंक
EXIM BANK
भारतीय निर्यात-आयात बैंक
EXPORT-IMPORT BANK OF INDIA

## EXPORT-IMPORT BANK OF INDIA

## OCCASIONAL PAPER NO. 191

# North Africa: Unlocking India's Trade and Investment Potential

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**October 2019**

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# Executive Summary

The northern region of Africa, comprising Algeria, Egypt, Libya, Mauritania, Morocco, Sudan, and Tunisia, stretches from the far west to the east including all the countries to the northmost part of the African continent. North Africa is an integral part of Africa, sharing the same challenges, vision and aspirations of the other African regions. Notwithstanding the challenges face by few countries in the region, North Africa in general has several advantages including a privileged geographical location at the crossroads of Europe, Sub-Saharan Africa and Asia; accessibility to several markets in Europe, the United States, the Arab world and Africa through preferential trade agreements with those regions; a young and increasingly educated population; and great potential in sectors such as renewable energy, manufacturing, information technology (IT), tourism and business development services. Over the past decades, North African countries have witnessed high economic growth rates.

North Africa enjoys abundant natural resources, such as oil, gas, phosphate and others. Hydrocarbons from Algeria, Sudan, and Libya, as well as Mauritanian iron ore, Moroccan copper, zinc and lead are in high demand, supporting industrialization of many non-African countries. Morocco alone has more than 30 percent of the world's phosphate rock.

Africa as a region witnessed an average economic growth of 3.5 percent in 2018. Growing by 4.3 percent, North Africa was the second fastest growing sub-region in Africa, after East Africa which led the regional growth at an estimated 5.7 percent in 2018. Africa's projected growth rate for 2019 is 4 percent, of which 1.6 percentage points are accounted for by North Africa. The North Africa region has recovered strongly since the Arab Spring in 2010. Gross Domestic Product (GDP) of the region stood at US$ 670.9 billion in 2018, accounting for 28.9 percent of total Africa's GDP (US$ 2.3 trillion) in the same year. North Africa, accounting for around 20 percent of total population of Africa, is a market of 239 million population in 2018.

North Africa, on an average, has witnessed a per capita income of US$ 3,177

in 2018, improving from US$ 2,871 witnessed in the previous year. The high growth witnessed by the region in 2018 was mainly due to 17.9 percent growth witnessed by Libya during the year. Libya's GDP witnessed higher growth during 2017 and 2018 because of higher oil production. Egypt, followed Libya with a growth rate of 5.3 percent, supported by its stabilization program. Growth is driven by the return of investor confidence, private consumption, and higher exports, which have benefited from adjustments in the real exchange rate.

Most of the North African countries experienced large increases in their fiscal deficit and concomitant increases in their debt-to-GDP ratio in recent years. The public debt is mainly domestic in case of Egypt. Algeria and Libya, the two major oil exporters in the region, finance their current account deficit by drawing on their foreign exchange reserves, limiting an increase in their debt-to-GDP ratios. All countries in the region are engaged in fiscal consolidation with some combination of higher revenues and lower expenditures. Egypt and Tunisia have implemented structural reforms and exchange rate adjustments, generating major depreciations.

**Foreign Trade in North Africa**

The inter and intra trade in North Africa has been limited due to a number of reasons, including political and economic instability, border disputes, lack of favorable climatic conditions, etc., yet the countries have taken efforts over the years to improve trade relation with nations within Africa as well as outside. North African countries including Algeria, Egypt, Mauritania, Morocco and Tunisia, have trade agreements with European Union as part of a broader effort to integrate the north and south shores of the Mediterranean and the Near East. Consequently, European Union is a major trade partner of the North African countries. The total exports of the North Africa region were around US$ 153.2 billion in 2018 which has significantly increased from US$ 126.7 billion in 2017.

The major export commodity of the region is mineral fuels, oil and other related products, which accounted for 51.2 percent of exports of North Africa in 2018. Over the years, the share of petroleum, natural gas and other related products in the region's exports has reduced, while other industrial goods are being increasingly exported. However, for most countries in the region, petroleum products are still the major contributors to the GDP growth. Other than petroleum products, electrical machinery and devices and other electrical parts accounted for 7 percent of total exports of the region. Textile products, fertilizers, vehicles and

automobile parts, precious and semiprecious stones, fruits and nuts, inorganic chemicals and compounds are some of the other exported commodities that have a significant share in the total exports of the region. North African manufactured exports are dominated by resource-based and low-technology products and concentrate on a limited number of products and markets.

The major export destinations of North African countries include France (accounting for 13.2 percent of total exports of the region), Spain (12.3 percent), Italy (11.8 percent), USA (6.5 percent), China (5.7 percent), and Germany (5.6 percent). India was the 8th largest export destination of the region in 2018, accounting for 3.2 percent share in the region's exports. France exported around US$ 20 billion from North African countries in 2018, followed by Spain and Italy with over US$ 18 billion exports, reiterating the strong relation between North African countries and European Union.

Algeria is the largest exporter among North African countries, with total exports of US$ 41.6 billion in 2018, with a share of 27.2 percent in total exports of the region. Other major exporting countries in the region include Libya, Egypt, Morocco and Tunisia.

The total imports of the region have gradually increased over the years, with imports in 2018 reaching US$ 226.4 billion, a 12.5 percent increase from US$ 201.2 billion in 2017. The major imports of North Africa region include mineral oils, mineral fuels and products of their distillation, which accounted for 14.3 percent of the total imports of the region. The other major imports comprise machinery and mechanical appliances (10.1 percent of total imports), electrical devices and parts (8.8 percent), vehicles (7.6 percent), cereals (4.9 percent), and plastic and articles (4.5 percent). The region also imports iron and steel and its articles and pharmaceuticals to a large extent.

China is the largest source of imports for North Africa, supplying products worth US$ 29.5 billion, and accounting for 13 percent of total imports of the region in 2018. The other major supplying markets for imports by North Africa region are France (8.1 percent of total imports), Spain (7.3 percent), Italy (6.9 percent), Russia (5.7 percent) and USA (5.2 percent). India's exports to the region has been increasing over the years; in 2018 it stood at US$ 5.3 billion making it the 12th largest exporter, with a 2.3 percent share in total imports of the region.

Egypt is the major importer among North African countries, importing products

worth US$ 81 billion in 2018, with a 35.9 percent share in total imports of the region. Other major importers include Morocco, Algeria, Tunisia and Libya.

Intra-regional trade of North African countries remains small compared to its trade with rest of the world. In 2009, intra-regional exports accounted for 4.3 percent of total exports of North African countries. In 2018, the share of intra-regional exports in total exports of the region has improved to 5.2 percent. In case of Sub-Saharan Africa, this share has improved from 17.2 percent in 2009 to 17.6 percent in 2018. In case of intra-regional imports, North Africa's share has improved from 3.9 percent in 2009 to 4.3 percent in 2018, while that of Sub-Saharan Africa declined marginally to 19.3 percent from 19.6 percent.

Intra-regional trade was dominated by a few flows of goods: gas and oil exports from Algeria to Morocco and Tunisia; iron, steel, and clothing from Morocco to Algeria; iron and steel from Tunisia to Algeria; and animal and vegetable oil from Tunisia to Libya. Some important exportable commodities do not enter the intra-regional trade flow at all. An important reason for low intra-regional trade is the low trade complementarities between countries in the region. For instance, five countries in the region - Algeria, Egypt, Libya, Sudan and Tunisia are well-endowed with oil reserves and oil remains a significant export of these countries. Intra-regional trade in North Africa is also fractured by divisions between Algeria and Morocco and the two countries have faced each other in a military stand-off multiple times in the past. Recent attempts to diversify trade to Sub-Saharan Africa, and the emergence of China as a major export market have also limited intra-regional trade.

**Current Trends in FDI Flows in North Africa**

In 2018, North Africa accounted for 30.9 percent of total investments to Africa. FDI inflows to North Africa increased by 2.4 percent in 2018 to US$ 14.2 billion, from US$ 13.9 billion in 2017, due to elevated investments in most countries of the region. Proximity to European Union gives a unique advantage to North African countries in attracting FDI.

Egypt continued to remain the largest FDI recipient in Africa in 2018, although FDI inflows decreased by 8.2 percent to US$ 6.8 billion compared to previous year. FDI inflows in Egypt was oriented towards the oil and gas industry, as significant discoveries of offshore gas reserves attracted investments from multinational enterprises, and the country became a net exporter of gas in January

2019. Morocco is the second largest recipient of FDI inflows to the region, with FDI inflows rising by 35.5 percent to US$ 3.6 billion in 2018 from US$ 2.7 billion in 2017. Morocco benefits from a relatively stable economic performance and a diversified economy, attracting FDI in sectors such as finance, renewable energy, infrastructure and the automotive industry, among others. Political stability, strategic geographic location, and good infrastructure including a thriving port has been conducive in attracting FDI to Morocco in recent years. For instance, Tanger-Med Port of Morocco, the largest port in Africa, is located less than 10 miles from Europe and is connected by rail and highway to free zones and industrial parks.

FDI flows to Algeria increased by 22.2 percent in 2018 to US$ 1.5 billion, and is mostly skewed towards oil and gas sector and automotive industry. FDI to Sudan increased by 6.6 percent to US$ 1.1 billion in 2018, and is aimed primarily towards oil and gas exploration and agriculture. Political issues, foreign exchange shortages and expensive banking channels constrain FDI to the country, despite the lifting of major components of its sanctions by the United States.

In Tunisia, FDI inflows increased by 17.6 percent to US$ 1 billion in 2018 from US$ 881 million in 2017, with the industrial sector receiving maximum investment, followed by energy and services. France was the largest investor country in Tunisia in 2018, followed by Qatar. FDI flows to Mauritania contracted sharply by 88 percent to US$ 71 million in 2018, as compared to US$ 587 million in 2017.

North Africa has very limited global presence as a foreign direct investor. The FDI outflows from the countries have shown major fluctuations over the years. Total FDI outflows from North Africa increased sharply to US$ 2.2 billion in 2018, from US$ 1.4 billion in 2017. The region accounted for 22.7 percent of total outflows from Africa in 2018.  Algeria recorded the highest FDI outflows from the region, followed by Morocco, Egypt and Libya.

**India’s Trade with North Africa**

During the last ten years, India’s total trade with North African countries increased by a compound annual growth rate (CAGR) of 4.5 percent from US$ 7.5 billion in 2009 to US$ 11.1 billion in 2018**.** While India’s total exports to North Africa has risen from US$ 3.3 billion in 2009 to US$ 5.6 billion in 2018, India’s total imports from North Africa have witnessed a moderate rise, from US$ 4.2 billion in 2009 to US$ 5.6 billion in 2018. North Africa’s share in Indian exports to Africa has

witnessed a decline from 24.6 percent in 2009 to 20.7 percent in 2018. Similarly, its share in India's imports from Africa also witnessed a fall from 19.9 percent to 13.4 percent over the last decade.

While electrical machinery and equipment and articles of iron and steel dominated India's export basket to North Africa in 2009, their shares have witnessed a fall, while that of vehicles and mineral fuels have increased during the last ten years. North Africa accounted for around 25 percent of India's exports of vehicles other than railway or tramway to Africa in 2018. Another notable aspect of India's exports to North Africa region is that, share of mineral fuels in India's export basket to the region has almost doubled in the last decade. Other important items of India's exports to North Africa include cotton, organic chemicals, plastics and articles, sugars and sugar confectionery and pharmaceutical products.

Egypt is India's largest export destination in North Africa, accounting for half of India's exports to the region in 2018. Egypt is also the second largest export destination of India in Africa. Egypt was followed by Algeria and Sudan, who are among the top ten export destinations of India in Africa. There also has been an increase in India's exports to Morocco in the recent years.

India's imports from North Africa is largely dominated by mineral fuels, oils and its products, the share of which witnessed a fall from 69.7 percent in 2009 to 58.3 percent in 2018. Algeria and Egypt are the 4$^{th}$ and 5$^{th}$ largest sources of India's imports of mineral fuels from Africa. Other major import products from North Africa include inorganic chemicals, fertilizers and salt, sulphur, earths, stone and cement. North Africa exported over 95 percent of Africa's exports of fertilisers to India; over 56 percent of inorganic chemicals; over 27 percent of cotton; and over 13 percent of Africa's mineral fuel exports to India in 2018.

Mauritania, Morocco and Tunisia have relatively diversified export basket with India. All other countries in the region are major suppliers of crude oil and gas. Egypt is also among the top exporters of cotton from Africa to India. As in the case of exports, Egypt is the largest import market for India in the North Africa region. India's imports from Algeria also remain relatively high because of hydrocarbon imports. Similarly, India is one of the major markets for Moroccan phosphate and its derivatives.

**Indian Investment from North Africa**

According to the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India (GOI), FDI inflows to India from North Africa stood at US$ 153.5 million during April 2000-March 2019. Almost 91 percent of investment came from Morocco, followed by Egypt (5.7 percent) and Tunisia (3.2 percent). The Moroccan phosphate company, Office Cherifian des Phosphates (OCP), has invested in Paradip Phosphates Ltd in India, which is the major importer of rock phosphates from Morocco to India. Paradeep Phosphate Ltd is controlled by Zuari Maroc Phosphate Ltd (ZMPL), a JV between Chambal Fertilisers, Zuari Fertilisers and OCP. Egyptian Investment in India include investments by Elsewedy Group (smart electrometers); KAPCI Coatings (car paints) and Modern Waterproofing Group/ Bitumode (waterproofing membranes and protection boards for construction industry).

**India's Investment in North Africa**

Cumulatively, during April 1996 to March 2019, the Indian direct investments in North African countries, in joint ventures (JVs) and wholly owned subsidiaries (WOS), in terms of equity, loan and guarantees issued amounted to US$ 2.9 billion, accounting for 4.5 percent of India's overseas investments in Africa during the period. During 2018-19, FDI outflows to these countries stood at US$ 48.6 million. Out of the total FDI outflows from India to the region during 2018-19, FDI to Egypt were the highest, accounting for 45.3 percent of the total FDI outflows to the region, followed by Morocco (27.6 percent), Algeria (16.2 percent) and Libya (10.6 percent).

**Opportunities for Indian Investment in North African Countries**

**ALGERIA**

While Algeria continue to invite investments in energy sector, Government of Algeria is focussing on export diversification and enhancing the manufacturing value chain. In this regard, Indian investors has opportunity in all the major sectors in the country, specifically investment in fertiliser sector, tourism, automobile sector, agriculture and food industry, renewable energy, pharmaceuticals and ICT sectors.

- Fertilizers are the second largest imported commodity of India from Algeria. India mostly imports urea from the country. India is the second largest

producer of nitrogenous fertilizers and third largest producer of phosphatic fertilizers globally. India is also one of the largest consumers of fertilizers, to support its strong agriculture sector. Most of the phos phate being used by Indian fertilizer companies is import ed and hence, the production cost remains very high. Besides, the GOI provides subsidies for fertilizer production. As Algeria has huge phos phate reserves, setting up fertilizer companies in Algeria through joint ven tures with a buy back agreement is a lucrative investment opportunity. This will reduce the cost of production of fertilizers and thus, the price of fertilizers for Indian farmers. The cheaper fuels, coal and electricity in Algeria would support these investments.

- Investing in automobile sector of Algeria is another lucrative opportunity for Indian investors. Most of the foreign automotive companies are engaged in assembling of heavyweight vehicles. The Indian automobile company, Mahindra and Mahindra group is already established in Algeria in assem bling commercial vehicles and agricultural tractors. As Indian companies have already established a hold in this sector, it should be easier to initiate into full-fledged production of automobiles, along with manufacture of spare parts and other accessories. Algeria imports light vehicles and spare parts of the same from India, and investment in automobile production will bring Indian know how and technology to the country, while reducing the import cost of Algeria.

- Algeria is among the world's largest consumer of cereals. The food industry of Algeria is dominated by private sector. The food industry of Algeria is also the second largest industry, after oil industry. It is also the leading consumer of dairy products in North Africa. The Indian food industry is well established and could expand to Algeria. India has the capability to compete with Middle East and EU companies already established in food and food processing sectors in the country.

- The pharmaceutical sector of Algeria is amongst the top 10 sectors that received the highest investment over the last 10 years. The pharmaceutical commodities constitute the second largest exports from India to Algeria in 2018. Many Indian companies are operating in the pharma industries and healthcare in Africa. Algeria's healthcare industry has lot of scope for devel opment, and the country relies heavily on imported goods. Algeria requires in

vestment in manufacturing plants for medical equipment and devices, labora tory equipment and pharmaceutical products.

- Algeria has witnessed significant development in its ICT sector over the last few years. Algeria has also updated its legal framework and introduced a series of new regulations to accompany sectoral growth. The e-Algeria 2013 strategy was adopted by the Government of Algeria to provide around 300 e-government and e-business services to the internet users. Algeria is also deploying a country-wide fiber optic network to provide high quality, reliable, fast and cost-effective telephony and Internet services. The Indian companies can capitalize on the supportive policy for the sector.

**EGYPT**

Priority sectors for investment in Egypt include energy (oil and gas transmission, distribution; electricity generation, transmission, and distribution); transport (multi-modal freight transport and logistics, including ports, airports, railways and inland waterways, and related logistics infrastructure; urban transport in the Greater Cairo Metropolitan Area (GCMA); water and sanitation (bulk water supply, distribution, and wastewater treatment); and agriculture (value addition and transformation, enhanced efficiency of value chains and sustainable water and land resource management).

- Egypt aims to expand basic digital infrastructure including the broadband network, submarine cables and cloud computing infrastructure. With increasing digitalization of the country, there exist opportunity for the Indian telecom companies to expand their market to Egypt. The Bharat Broadband Network Ltd. can also establish partnership with Egypt's public sector companies. Recently, Airtel has entered into a strategic partnership with Telecom Egypt for global submarine cable systems.

- Indian companies can explore investment opportunities in Egyptian trans port system including Egyptian railways. Egypt is currently reforming its national railway system, and the Ministry of Transportation aims to implement three high speed railway lines over phases to link all new cities together. Besides, other infrastructure opportunities for construction involve roadways, development of port and metro construction. Indian private companies have enough experience in these fields and are currently undertaking development and construction projects in various countries. Similar ventures can be carried out by Indian companies in Egypt under PPP.

- Egypt possesses an abundance of land, sunny weather and high wind speed, making it a prime resource for three renewable energy sources: wind, solar and biomass. Moreover, Egypt is one of the countries lying in the solar belt re gion which is the most convenient for the solar energy applications. The Gov ernment of Egypt aims to supply 20 percent of electricity generation from re-newable resources by 2022 (wind energy providing 12 percent, hydro power 5.8 percent and solar energy 2.2 percent). The new unified electricity law removed the red tape to encourage private sector investment. The investors can own land for projects generating solar energy for 20 to 25 years. India was ranked 4th by the EY Renewable Energy Country Attractiveness Index in 2019, while Egypt was ranked 14th out of 40 countries. According to Renewable Capacity Statistics 2019, published by International Renewable Energy Agency (IRENA), Egypt has the third largest installed capacity in wind energy among African countries in 2018, behind South Africa and Morocco. Indian investors have huge potential to set up joint ventures with domestic companies for renewable energy production in the country.

- Egypt has the advantages to be developed as a manufacturing base in the North Africa region. Indian investments in light and medium industries such as, automotive (auto parts, tyres and rubbers, automobile manufacturers), machinery (construction machinery & heavy trucks, agriculture & farm ma chinery, and industrial machinery), chemicals (industrial chemicals and household chemicals), packaging (paper packaging, metal and glass con tainers), food products (agriculture products, packaged foods and meats), building material (construction material) and electrical equipment (electron ics & home appliances, and household products) could support the development of the manufacturing sector of Egypt.

- Egypt has a wide range of agrarian products that it produces and exports. The agricultural sector has been improving with the better irrigation facilities and introduction of technology for enhanced agricultural yields. Though pri vate investment is not yet fully encouraged in the very initial stages of agricul ture, the manufacturing and food processing industry has enough opportuni ties to provide for private investment from India.

- There also exist opportunities for investment in the Suez Canal Economic Zone, in sectors such as petro-chemicals, energy, agriculture, healthcare, education, skills and ICT.

- There exists opportunities in trading and investment in cotton and textiles in case of Egypt. Opportunities also exist in promoting and marketing Egyptian cotton products and setting up of manufacturing facility for Egyptian cotton home textile products. Potential of exporting pharmaceuticals are also immense.

**LIBYA**

There exists investment opportunities in nearly every sector of the economy including retail, healthcare, construction, telecommunication, education, training and oil.

- India companies have achieved expertise in the sectors of IT, engineering and automobiles. India can support Libya in setting up of IT excellence centers in partnership with the Government of Libya.

- The healthcare sector of Libya is in an infant stage. Limited financial resources, deficient human resources, acute shortage of lifesaving medicines and basic equipment, a debilitated primary health-care (PHC) network, and neglected health services in some areas predominantly in the south has been affecting the development of sector. Libya also has insignificant local production of pharmaceuticals, resulting in the country heavily depending on imported pharmaceuticals. Libya needs to upgrade every aspect of its existing public sector healthcare facilities with investments in better medical equipment, technology, training, and medicines. Indian companies can participate in the health sector through JVs and public private partnerships. Private investment is encouraged, where hospitals and care centers may be set up, owned and managed entirely by foreigners. Investment is encouraged for setting up laboratories and research centers along with manufacturing medical equipment.

- According to Libya's National Oil Corporation (NOC), oil production in the country is expected to reach 1.6 million bpd by 2022. Investment in oil production is an important opportunity for Indian investors. The price of gasoline in Libya is one of the lowest compared to the rest of the world.

- The energy resources in Libya are highly subsidized. Indian companies can also set up industries of plastic and chemicals that require heavy electricity consumption.

**MAURITANIA**

Focus sectors for investment in Mauritania include tourism, transport and logistics, agriculture, livestock, fishing, mining and petroleum sectors.

- Hydrocarbon Sector: Mauritania is one of the latest countries in Africa to start producing oil, and possesses considerable offshore natural gas deposits. Mauritania's hydrocarbon sector is attracting more global oil companies in the recent years. Mauritania's Inland and coastal areas lies on giant oil and gas reserves, making the country a potential major oil producer in North Africa that also benefits from its geographical location to transform into a major crude exporter to international markets, particularly Europe. BNP Paribas has named Mauritania along with French Guiana, Kenya and Gabon, as one of the four top exploration hot-spots for oil and gas in 2013.
- Fisheries Sector: Mauritania's Strategic Plan for Accelerated Growth and Shared Prosperity has identified agro-processing, fisheries, hotel construc tion and related logistics and infrastructure as the key sectors for develop ment. Its coastal waters and ocean territory is a highly biodiverse ecoregion having some of the most abundant fish stocks in the world. This is reflected in the fishery sector, a crucial sector for the Mauritanian economy in terms of its contribution to GDP, exports, income for the national budget and job cre ation. A joint investment venture between India and the locals involved in the fishery industry would be very lucrative.
- Ship-building and infrastructure development including port development are other two major areas offering opportunities for investment.

**MOROCCO**

Morocco is among the favourite investment destinations in Africa. Sectors having huge investment potential in the country include food industry (food processing), automotive sector; renewable energy sector; infrastructure for tourism; textile; fishing industry; mineral exploration; and ICT.

- The Moroccan automobile industry is fast growing and is the leading car manufacturer in North Africa. Over the past 10 years it is the sector receiving highest investment in the country and generating the highest number of jobs. Morocco's auto-making output is still modest compared to other major global producers. Foreign car companies setting up shop in Morocco benefit from a va-

riety of incentives, including a five-year corporate tax holiday, VAT exemp tions, and land purchase subsidies. Additionally, the Hassan II Fund for Eco nomic and Social Development generously covers up to 30 percent of investment costs and up to 15 percent of new equipment costs in the automo tive sector.

- The renewable energy generation is another growing sector in the country. As India also has a prominent renewable energy generation sector, leading Indian companies can expand to Morocco. India was ranked 4th by the EY Renewable Energy Country Attractiveness Index in 2019, while Mo rocco was ranked 13th out of 40 countries. Morocco plans to fulfill half of its en ergy needs using renewable energy resources by 2030. According to IRENA, Morocco has the second largest installed wind capacity in Africa during 2018, behind South Africa.

- The textile industry of Morocco is also growing at a fast pace. Indian textiles are known for its quality and India has managed to improve the efficiency and production of textiles over the years. Indian companies can collaborate with Moroccan textile firms for producing improved textile products.

**SUDAN**

Sudan has provided companies with tax holidays for the first 5 to 10 years depending on different sectors. Investment opportunities exist in sectors such as transportation, warehousing, agriculture (organic farming, wheat and oil seeds production, sugar factories, and food processing), mining (especially gold), energy, leather industry, and healthcare sectors.

- The agricultural sector of Sudan is growing and could be benefitted by tech nological upgradation. Many technologies used in India can be adapted to im prove Sudan's agricultural produce. India can transfer its expertise in agri culture by setting up agricultural research centers and improving the yield by conducting research on pattern of agriculture.

- Oil exploration and gold mining also offer investment opportunities for Indian investors.

- Sudan offers great opportunities for investment in the transport sector. The weakness in the transport network remains one of the greatest constraints to the economy.

## TUNISIA

Tunisia offers great investment potential in a number of sectors including ICT sector, renewable energy sector; agribusiness; mechanical, electrical and electronic industries; plastics; chemical industry; textile and apparel; and leather and footwear.

- There is a huge scope for India to expand in Tunisia's agricultural sector. Agricultural land can be farmed under long term leases. Agricultural research centers can also be established in partnership with the Tunisian Government to start technology-based agriculture to improve production.
- Tunisia's organic farming sector has come up with remarkable quality of products and has received recognition from all over the world. It should be one of the most attractive sectors for private investors from India.
- The renewable energy generation is the priority sector under the New Investment Law. Tunisia is committed to produce 250 MW of energy from renew able resources by 2030. The leading Indian companies in energy generation sector can use this opportunity to enter into Tunisia's renewable energy generation sector.
- Opportunities for investment also exist in infrastructure sector such as investment in water desalination plants and related pumping stations and sup ply network.

### Potential for Enhancing India's Exports to North Africa

Although India is a major source of imports of North African countries in many products, there still exists considerable untapped potential for Indian exporters in North Africa's growing market. An analysis has been made to identify such potential items of exports from India to North African countries so as to enhance bilateral trade, based on an analysis of North African countries' top imports, India's share in their imports, and India's global export capability. Potential commodities for exports identified in each of the North African countries are given below:

## ALGERIA

- Machinery and mechanical appliances (HS-84)
- Electrical machinery and equipment (HS-85)

- Mineral fuels, oils and products of distillation (HS-27)
- Cereals (HS-10)
- Plastics and articles (HS-39)
- Articles of iron or steel (HS-73)
- Dairy produce, eggs, honey and edible products of animal origin (HS-04)
- Optical, photographic, medical and surgical apparatus (HS-90)
- Aircraft, spacecraft and parts (HS-88)

**Egypt**

- Mineral fuels, oils and products of distillation (HS-27)
- Electrical machinery and equipment (HS-85)
- Machinery and mechanical appliances (HS-84)
- Cereals (HS-10)
- Iron and steel (HS-72)
- Articles of iron or steel (HS-73)
- Pharmaceutical products (HS-30)
- Oil seeds and oleaginous fruits (HS-12)

**LIBYA**

- Mineral fuels, oils and products of distillation (HS-27)
- Electrical machinery and equipment (HS – 85)
- Vehicles other than railway or tramway (HS-87)
- Machinery and mechanical appliances (HS-84)
- Cereals (HS-10)
- Pharmaceutical products (HS-30)

**MAURITANIA**

- Mineral fuels, oils and products of distillation (HS-27)
- Machinery and mechanical appliances (HS-84)
- Cereals (HS-10)
- Vehicles other than railway or tramway (HS-87)
- Plastics and articles (HS-39)
- Dairy produce, eggs, honey and edible products of animal origin (HS-04)

- Electrical machinery and equipment (HS-85)

**MOROCCO**

- Mineral fuels, oils and products of distillation (HS-27)
- Machinery and mechanical appliances (HS-84)
- Vehicles other than railway or tramway (HS-87)
- Electrical machinery and equipment (HS-85)
- Plastics and articles (HS-39)
- Cereals (HS-10)
- Aircraft, spacecraft and parts (HS-88)
- Iron and Steel (HS-72)

**SUDAN**

- Cereals (HS-10)
- Plastics and articles (HS-39)
- Iron and steel (HS-72)
- Articles of iron or steel (HS-73)
- Animal or vegetable fats and oils (HS-15)

**TUNISIA**

- Mineral fuels, oils and products of distillation (HS-27)
- Electrical machinery and equipment (HS-85)
- Machinery and mechanical appliances (HS-84)
- Plastics and articles (HS-39)
- Iron and Steel (HS-72)
- Cereals (HS-10)
- Pharmaceutical products (HS-30)

**Suggestions and Way Forward**

North African countries have come a long way after the Arab Spring in stabilizing their economies and improving doing business environment, yet a lot more is to be done to make these countries achieve their full potential. The economic and political issues face by few countries in the region has limited both inter-and intra-regional trade. Though Egypt and Morocco have been identified

as the most attractive investment destinations not just in North Africa, but in the Africa continent; the case with other countries are not the same. There exist a lot of scope to improve the trade and investment conditions in these countries.

***Export Diversification***

Most of the countries in North Africa are heavily dependent on hydrocarbon exports. Mineral oils and mineral fuels account for over 90 percent of total exports of Algeria and Libya, depicting the heavy dependence on production and export of minerals in these countries. Over a quarter of exports of Egypt and Sudan comprise of mineral fuels. Similarly, Morocco and Tunisia are dependent on exports of fertilizer and inorganic chemicals. As a result, North African countries remain vulnerable to changes in the international prices of these commodities. North African countries need to focus more on their export diversification strategy.

***Policy Implementation***

Despite setting up 'Special Export Promotion Fund' (ESPF) and the National Agricultural Regulation Development Fund (FNRDA) for improving exports of non-hydrocarbons and diversifying the production as well as exports by Algeria, country's dependence on hydrocarbon products remain high. Mauritania has been issuing fisheries agreements or fleet licenses to many countries including the EU member countries along with Morocco, Algeria, Japan, and others. Fishing licenses fee does form a significant part of Mauritania's income. However, the country need to focus on local value added processing of the marine resources that can enhance its exports. Sudan has huge gold reserves which can be of immense help to the economy through production and exports. However, the mining happens on a very small scale, requiring better organization of the mining sector along with better technology to increase annual production substantially.

***Industrial Sector Development***

Industrial development in North Africa may play a leading role in bringing about the necessary structural transformation of the region and ensure the sustained and substantial economic growth necessary to create jobs and improve the population's living standards. For this to happen, the suboptimal performance of the North African industrial sector needs to be reversed and its growth, sophistication and diversification, both in terms of production and trade, need to be boosted.

### *Speedy Resolution of Disputes*

The dispute between Morocco and Algeria has been a long one for both the countries. The issue of Western Sahara has caused hindrance to the development of both the countries, affecting intra-regional trade and development.

After the succession of South Sudan, the oil reserves of the erstwhile Sudan mostly lie in the South Sudanese territory, while pipelines and major oil refineries are in Sudan. The loss of this key source of foreign reserves was a major blow to Sudan's economy, as the country highly depends on oil exports and oil production. Agreements on usage and repair of pipeline, and protection and security of pipelines need to be strengthened.

### *Easing of Investment Laws*

The investment laws in many of the North African countries are lengthy, bureaucratic and difficult to undertake, making these countries an unattractive site to invest in, despite the immense scope for investment. There have been instances where policies changed without giving much notice to the investors or consulting the business community. Major sectors, especially the high earning ones including hydrocarbons and phosphates are still regulated by governments in many of these countries. If these sectors are made open to foreign companies, huge FDI inflows would take place. Price regulations for many commodities, though benefit the households are not very attractive for investors.

### Informal Sector/ Middlemen

After the succession of South Sudan in 2011, Sudan lost major oil production sites which formed the backbone of its economy. Currently, gold remains the second major exported commodity of Sudan. It has been noted by many that a lot of gold produced in the country is smuggled from Sudan to its neighboring nations with no taxes being paid. Artisanal/small scale mining is one of the major reasons behind this, as artisanal mining makes it easier to sell gold to the middle men which in turn lead to smuggling. A study by KPMG and the Royal United Services Institute for Defense and Security Studies found that 26 percent of 'illicit cigarettes' in the French market originates from Algeria. Other countries in the region are also affected by porous borders, creating favourable conditions for the emergence and sustenance of various illicit markets in the region. Addressing these issues through co-ordinated policy efforts among the countries are necessary for realizing full export potential of North African countries.

## India-North Africa Cooperation – Way Forward

***G20 Compact with Africa:*** Three North African countries Egypt, Morocco and Tunisia have joined the G20 Compact with Africa (CwA) Initiative. Reforms have been laid out by these three countries for setting commitments to maintain macroeconomic stability and to undertake business and financing. India, being a member of G20 is in a very favourable position to work with these countries in enabling investments, especially in infrastructure sector. India could also link the CwA initiative with the Asia Africa Growth Corridor (AAGC) initiative. As the AAGC aims to link economies from Asia and Africa not only through physical infrastructure, but also institutional, regulatory and digital connectivity, there exist complementarities between AAGC and CwA initiatives. India's involvement in the CwA initiative could be earmarked based on the potential of CwA countries, while considering India's comparative advantage and interests. By engaging in CwA initiative, India can have a positive impact on the G20's partnership with Africa and strengthen the India-Africa partnership in the process.

***AfCFTA:*** In May 2019, African Continent Free Trade Agreement (AfCFTA) came into force. All the North African countries have signed the agreement. AfCFTA is expected to create opportunities for Indian firms and investors to tap into a larger, unified, simplified and more robust African market. With India considering Africa as not just a destination for short-term returns but as a partner for medium and long-term economic growth, the cooperation between both regions would prove to be beneficial for both India and Africa.

***India- Egypt Cooperation*****:** Egypt, which is chairing the African Union in 2019 is critically positioned to exert a geostrategic influence over the African continent. There are wide range of opportunities that can be availed by Indian exporters by making Egypt the hub for Africa and benefiting from the progress in realizing the Tripartite Free Trade Agreement, which has brought together the markets common to the Regional Economic Communities (RECs) of Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and Southern African Development Community (SADC). Egypt can also be the manufacturing hub for Arab and EU markets, with the help of the free trade agreements between the two sides.

***International Solar Alliance (ISA)****:* ISA is an alliance of 121 countries initiated by India, most of them being sunshine countries, which lie either completely or partly between the Tropic of Cancer and the Tropic of Capricorn. The primary ob-

jective of the alliance is to work for efficient exploitation of solar energy to reduce dependence on fossil fuels. Among North African countries, Algeria, Egypt and Sudan have signed the ISA Framework Agreement. This creates a vast investment opportunity for Indian companies in the field of solar energy. Egypt could play a key role as a regional and global energy hub because of its geographical proximity and strategic location.

Egypt can also become a regional electricity inter-connection hub by establishing electricity connections with neighboring countries, including Jordan, Sudan and Libya, supplementing ongoing electricity connection projects with Saudi Arabia, Cyprus and Greece. Egypt has recently inaugurated the Benban Solar Complex in the city of Aswan, southern Egypt, consisting of 200,000 solar panels and 780 sun trackers. Most African countries lie in the solar belt, which is most convenient for solar energy applications. The huge potential in the field of solar energy in these African countries can attract Indian investments, particularly for supplying electricity in the off-grid regions.

# 1. Background

The northern region of Africa, comprising Algeria, Egypt, Libya, Mauritania, Morocco, Sudan, and Tunisia,[1] stretches from the far west to the east including all the countries to the northmost part of the African continent. Mauritania being the westernmost country, the region stretches to the east, till Sudan. Mauritania forms a geographic and cultural bridge between the North African Maghreb and the westernmost portion of Sub-Saharan Africa.

North Africa is an integral part of Africa, sharing the same challenges, vision and aspirations of the other African regions. Notwithstanding the challenges face by few countries in the region, North Africa in general has several advantages including a privileged geographical location at the crossroads of Europe, Sub-Saharan Africa and Asia; accessibility to several markets in Europe, the United States, the Arab world and Africa through preferential trade agreements with those regions; a young and increasingly educated population; and great potential in sectors such as renewable energy, manufacturing, information technology (IT), tourism and business development services. Over the past decades, North African countries have witnessed high economic growth rates.

Notwithstanding the fact that the North Africa region is afflicted by harsh climates, limited groundwater and rainfall, and scarce arable land (for instance, available arable land in Egypt constitutes only about 3 percent of total land area, despite the reclamation of desert land since the 1950s), it enjoys abundant natural resources, such as oil, gas, phosphate and others. Hydrocarbons from Algeria, Sudan, and Libya, as well as Mauritanian iron ore, Moroccan copper, zinc and lead are in high demand, supporting industrialization of many non-African countries. Morocco alone has more than 30 percent of the world's phosphate rock.

Some of the organizations and agreements involving North African countries are given below:

[1] IMF Country Classification. The UN has included Western Sahara also as a part of North Africa, but data on economic parameters are not readily available for Western Sahara.

## Arab League

The Arab League, formally known as the League of Arab States is a regional organization of Arab speaking countries in Africa and Asia. It was formed in Cairo in 1945 to promote the independence, sovereignty, affairs and interests of its 22 member countries and four observers. It aims to promote trade and economic growth as well as sovereignty and political stability in the region. The 22 members of the Arab League as of 2018 were Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, UAE and Yemen. The four observers are Brazil, Eritrea, India and Venezuela. A council composed of representatives from the member states is the highest body of the League, working together to settle disputes peacefully. Arab league has five major committees: political, economic, social and cultural, legal and Palestinian affairs.

## Council of Arab Economic Unity (CAEU)

The Council of Arab Economic Unity agreement was established in June 1957 by a resolution of the Arab Economic and Social Council of the Arab League[2]. The Council's objective is to achieve economic integration among Arab countries, with the view of establishing an Arab Common Market. The Council of Arab Economic Unity (CAEU) held its first session in Cairo in June 1964, being responsible for administrating the Agreement on Arab Economic Unity and supervising its implementation. The founding members of the Council include Egypt, Iraq, Jordan, Kuwait, Libya, Mauritania, Palestine, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates (UAE) and Yemen.  Other North African countries, Algeria and Morocco, joined the Council later.

The Arab Common Market (ACM) has been established by the CAEU in 1964. Though not an independent organization, its long term goal is to establish a full customs union that will abolish trade restrictions, trade quotas, and restrictions on employment, residence and transportation. Its members include Egypt, Iraq, Jordan, Kuwait, Libya, Mauritania, Syria, and Yemen.

## Organisation of Islamic Cooperation (OIC)

The Organisation of Islamic Cooperation (OIC) is the second largest inter-governmental organization after the United Nations with a membership of 57 states

[2]Ministry of Industry Trade and Supply, Jordan

spread over four continents[3]. The Organization was established upon a decision of the historical summit which took place in Rabat, Morocco on September 25, 1969. In 1970, the first meeting of the Islamic Conference of Foreign Minister (ICFM) was held in Jeddah, which decided to establish a permanent secretariat. The first OIC charter was adopted by the 3rd ICFM session held in 1972, which laid down the objectives and principles of the organization and fundamental purposes to strengthen the solidarity and cooperation among the member states. The charter was amended to keep pace with the developments that have unraveled across the world. The present charter of the OIC was adopted by the 11th Islamic Summit held in Dakar in March 2008.

Islamic Development Bank (IsDB) is a specialized organ under the banner of the OIC. IsDB is an international financing institution inaugurated in 1975 to foster the economic development and social progress of member states and muslim communities individually as well as collectively in accordance with the principles of the Shariah. The functions of the Bank are to provide equity participation and grant loans for productive projects and enterprises. It also gives financial assistance to member states in other forms for their economic and social development and to foster foreign trade among member countries.

A blueprint called the Ten-Year Program of Action adopted in 2005, to address the 21st century challenges faced by member countries, was successfully concluded in 2015. A successor programme for the next decade (2016-2025) was adopted in 2015. The new programme OIC-2025 focuses on 18 priority areas with 107 goals. The priority areas include issues of Peace and Security, Palestine and Al-Quds, Poverty Alleviation, Counter-terrorism, Investment and Finance, Food Security, Science and Technology, Climate Change and Sustainability, Moderation, Culture and Interfaith Harmony, Empowerment of Women, Joint Islamic Humanitarian Action, Human Rights and Good Governance, among others.

All the seven North African countries, Algeria, Egypt, Libya, Mauritania, Morocco, Sudan and Tunisia are members of the OIC. India has been invited for the first time to a meeting of the OIC in March 2019, where the then Minister of External Affairs, Government of India attended the Inaugural Plenary Session of the Foreign Ministers' Conclave of the OIC, held at Abu Dhabi, as the Guest of Honour.

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[3]Organisation of Islamic Cooperation (OIC) Website

### Arab Monetary Fund (AMF)

Arab Monetary Fund is a regional financial Arab organization, founded in 1976, and has started operations in 1977[4]. The Fund has 22 members which include: Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, UAE and Yemen. The Fund was set up to lay the monetary foundations of Arab economic integration and accelerating the process of economic development in all Arab countries. It aims to achieve a number of objectives including correcting disequilibria in the balance of payments of member countries, removal of restrictions on current payments between member countries, establishing policies and modes of Arab monetary cooperation, advising on policies related to the investment of financial resources of member countries in foreign markets, promoting the development of Arab financial markets, and paving the way towards the creation of a unified Arab currency.

### Arab Maghreb Union (AMU)

Arab Maghreb Union (AMU), established in 1989 by the Treaty of Marrakech, was founded by 5 Maghreb countries - Algeria, Libya, Mauritania, Morocco and Tunisia, with the objective of strengthening brotherhood among the Arab nations and achieve sustainable development in all sectors of human actives.[5] Trade liberalization was one of the major objectives behind the formation of AMU. The aim was to achieve trade liberalization through the establishment of a free trade area, by dismantling all tariff and non-tariff barriers to trade. Additionally, it also strives to form a common market for free movement of persons, services, goods and capital between the member nations. All the five Maghreb countries are maritime economies strategically located between the advanced economies of Europe across the Mediterranean Sea to the north, and the high-potential, developing economies of Sub-Saharan Africa to the south.

The countries in the Maghreb, though remain geographically close, are economically diverse. Free trade area is yet to be established among the AMU states, resulting in low intra-regional trade, that remain below 5 percent of total regional trade, substantially lower than that in all other regional trading blocs around the world[6]. Geopolitical considerations and restrictive economic policies

[4]Arab Monetary Fund Website

[5]United Nations Economic Commission for Africa (UNECA)

[6]Economic Integration in the Maghreb: An Untapped Source of Growth, IMF, 2018

including the Arab Spring of 2010 and political instability among the nations are the major reasons behind this low share of the trade among members in the region.

### Greater Arab Free Trade Area (GAFTA)

The Greater Arab Free Trade Area (GAFTA), also known as the Pan-Arab Free Trade Area (PAFTA), was created by the Arab League in 1997 to facilitate and develop trade among League members through a gradual elimination of trade barriers. In 2001, the Arab League decided to speed up the liberalization process, and on January 1, 2005, the elimination of most tariffs among GAFTA members was enforced. North African countries except Mauritania are members of the GAFTA. Mauritania is in the process of joining the GAFTA. GAFTA offers many beneficial returns to the involved countries, including the expansion of their market, increase of investment opportunities, regulation of fair competition, and enhancement of research and development[7]. It is one of the most important economic achievements in the area of Arab common work. It contributes to efforts towards establishing the Arab Common Market. To further contribute to economic integration among Arab countries through liberalizing trade in both goods and services, Arab countries are currently engaged in negotiations to liberalize services and investments among them.

### Agadir Agreement

Three North African countries (Egypt, Morocco and Tunisia), along with Jordan signed the Agadir Agreement in 2004, to establish a free trade area. The Agadir Agreement came into force in 2007 and is open to further membership by all Arab countries that are members of the Arab League and the GAFTA, and is linked to the EU through an Association Agreement[8]. Its purpose is to facilitate integration between Arab states and the EU under the broader EU-Mediterranean process. The Agadir Agreement adopts the Euro-Mediterranean rules of origin and there is freedom of movement of goods through the EuroMed certificate in all countries of the EuroMed area.

### Euro-Mediterranean Partnership (EUROMED)

In November 1995, a Euro-Mediterranean Conference of Foreign Affairs Ministers launched the Euro-Mediterranean Partnership, also known as the Barcelona

[7]Palestine Trade Center

[8]Bilaterals.org

Process[9]. The Barcelona Declaration laid down the foundations of a new regional relationship, aiming at achieving peace, stability and growth in the Mediterranean Partner Countries. In 2008, a new impetus was given to the Euro-Mediterranean Partnership through the Union for the Mediterranean (UfM). The UfM gave a new impulse to the Barcelona Process and turned into more concrete and more visible relations. New regional and sub-regional projects with real relevance for those living in the region were initiated. Projects address areas such as economy, environment, energy, health, migration, and culture.

Along with the 28 EU Member States, 15 Southern Mediterranean, African and Middle Eastern countries are members of the UfM: Albania, Algeria, Bosnia and Herzegovina, Egypt, Israel, Jordan, Lebanon, Mauritania, Monaco, Montenegro, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey.

The *system of Pan-Euro-Mediterranean cumulation of origin* allows for the application of diagonal cumulation between the EU, European Free Trade Association (EFTA) States, Turkey, the countries which signed the Barcelona Declaration, the Western Balkans and the Faroe Islands. It is based on a network of Free Trade Agreements having identical origin protocols. Those origin protocols are being replaced by a reference to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention).

The key objective of the trade partnership is the creation of a deep Euro-Mediterranean Free Trade Area, which aims at removing barriers to trade and investment between both the EU and Southern Mediterranean countries and between the Southern Mediterranean countries themselves. Euro-Mediterranean Association Agreements are in force with most of the partners including Algeria, Egypt, Morocco and Tunisia. The scope of these agreements is essentially limited to trade in goods and several bilateral negotiations are on-going or being prepared in order to deepen the Association Agreements. These negotiations are related to further liberalisation of trade in agriculture, liberalisation of trade in services and investment, accreditation and acceptance of industrial products and to establish deep and comprehensive free trade areas.

**The Community of Sahel-Saharan States (CEN-SAD)**

The Community of Sahel-Saharan States (CEN-SAD) was established on Feb-

[9]European Union Commission

ruary 4, 1998, following the Conference of Leaders and Heads of States held in Tripoli, Libya[10]. CEN-SAD became a regional economic community during the thirty-sixth ordinary session of the Conference of Heads of State and Government of the Organization of African Unity, held in Lomé, Togo, in July 2000. The member States of CEN-SAD are: Benin, Burkina Faso, Central African Republic, Chad, Comoros, Côte d'Ivoire, Djibouti, Egypt, Eritrea, the Gambia, Ghana, Guinea-Bissau, Libya, Mali, Mauritania, Morocco, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan, Togo and Tunisia. Market integration is at the heart of CEN-SAD objectives for cooperation among its member states. The Community has partnership agreements with many regional and international organizations with the aim of promoting common and shared action in political, cultural, economic and social fields.

**Common Market for Eastern and Southern Africa (COMESA)**

The Common Market for Eastern and Southern Africa (COMESA) is one of the major trading blocs in the African region, with the Treaty establishing a Preferential Trade Area for Eastern and Southern Africa (PTA) was signed in December 1981, and the PTA came into force on September 30, 1982. The PTA was established with the intent to take advantage of a larger market size, to share the region's common heritage and to allow greater social and economic co-operation, with the ultimate objective of creation of an economic community. Subsequently, the Treaty establishing COMESA was signed on November 5, 1993 in Kampala, Uganda and was ratified a year later in Lilongwe, Malawi on December 8, 1994. The FTA was achieved on 31st October, 2000, when nine of the member states namely Djibouti, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe eliminated their tariffs on COMESA originating products, in accordance with the tariff reduction schedule adopted in 1992. This followed a trade liberalisation programme that commenced in 1984 on reduction and eventual elimination of tariff and non-tariff barriers to intra-regional trade. Burundi and Rwanda joined the FTA on January 1, 2004. These eleven FTA members have not only eliminated customs tariffs but are working on the eventual elimination of quantitative restrictions and other non-tariff barriers.

COMESA envisions becoming a fully integrated, internationally competitive regional economic community with high standards of living for its people, ready to integrate into an African Economic Community. COMESA trade bloc comprises

[10] UNECA

21 nations, namely Burundi, Comoros, DR Congo, Djibouti, Egypt, Eritrea, Eswatini, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tunisia, Uganda, Zambia and Zimbabwe.

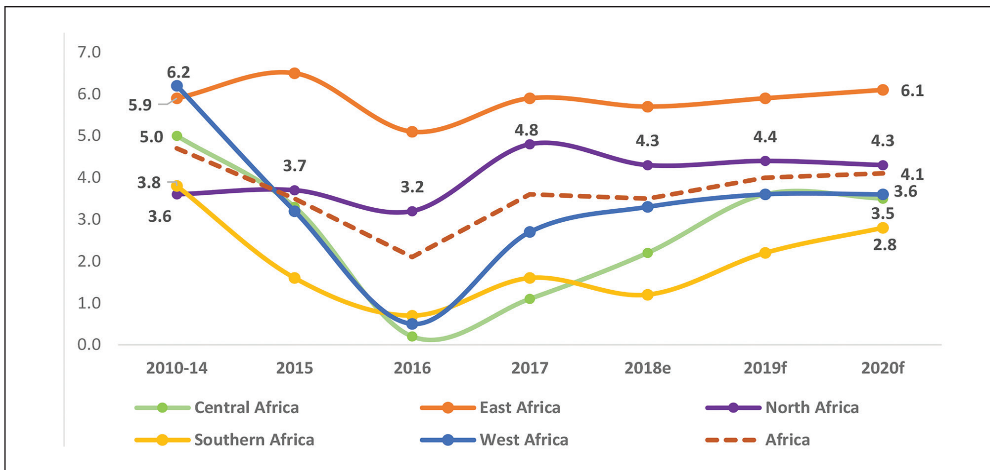
The various trade agreements among the North African countries are yet to achieve all their objectives. Recent geopolitical and economic events have worsened the pattern of low intra-regional trade. Political and security tensions have affected trade relationships, resulting in imposition of tighter border controls. The Morocco-Algeria border has been closed since 1994, and Mauritania, Morocco, Algeria, Tunisia, and Egypt have all implemented the 1992 United Nations embargo on Libya. The global food and financial crises in 2007- 2008 has also impacted intra-regional trade in the region. Moreover, North African countries have been affected by the Arab revolution of 2010, when the region saw a disruption of economic activity, a decline in investments, a sharp decrease in foreign direct investment inflows, and a reduction in tourism receipts.

# 2. Economic Environment in North Africa

North Africa accounts for 29 percent of total GDP of Africa, around 20 percent of Africa's population and 30 percent of Africa's land area. North Africa is a significant part of Africa's development. North Africa majorly strives on its large phosphate, oil and gas reserves, which are the major economic driving forces for its countries.

Africa as a region witnessed an average economic growth of 3.5 percent in 2018. Growing by 4.3 percent, North Africa was the second fastest growing sub-region in Africa, after East Africa which led the regional growth at an estimated 5.7 percent in 2018 **(Chart 2.1).** Africa's growth is expected to accelerate to 4 percent in 2019 and 4.1 percent in 2020. Of Africa's projected 4 percent growth in 2019, North Africa is expected to contribute around 40 percent[11]. However, average GDP growth in North Africa remains unpredictable due to rapidly changing economic circumstances in Libya.

**Chart 2.1: Regional Real GDP growth in North Africa, 2010-2020**




*Source: African Economic Outlook, 2019, AfDB*

[11]African Economic Outlook

The North Africa region has recovered strongly since the Arab Spring in 2010. The 'Arab Spring' severely affected the economies of Egypt, Libya, and Tunisia. Arab Spring was a movement that included series of anti-government protests, uprisings and armed conflicts throughout the region. It also became a major reason for the increasing unemployment that has been on a rise ever since. With the recovery in mineral prices, the region's export receipts from natural resources has increased substantially. Improved security in Egypt and Tunisia has also promoted a rebound of tourism, which had been severely impaired by political and security turmoil in the region. Nominal GDP of North Africa stood at US$ 670.9 billion in 2018, increasing from US$ 581 billion in 2009. Egypt (at US$ 1.3 trillion) is the largest economy in Africa based on GDP measured in PPP terms in 2018, followed by Nigeria and South Africa. Algeria and Morocco hold the fourth and fifth positions in Africa.

North Africa, on an average, has witnessed a per capita income of US$ 3,177 in 2018, improving from US$ 2,871 witnessed in the previous year. The region witnessed a real GDP growth of 4.3 percent in 2018, mainly due to 17.9 percent growth witnessed by Libya during the year. Libya's GDP witnessed higher growth during 2017 and 2018 because of higher oil production. Egypt followed Libya with a growth rate of 5.3 percent, supported by its stabilization program. Growth is driven by the return of investor confidence, private consumption, and higher exports, which has benefited from adjustments in the real exchange rate.

Most of the North African countries experienced large increases in their fiscal deficit and concomitant increases in their debt-to-GDP ratio in recent years. The public debt is mainly domestic in case of Egypt. Algeria and Libya, the two major oil exporters in the region, on the other hand, finance their current account deficit by drawing on their foreign exchange reserves, limiting an increase in their debt-to-GDP ratios. All countries in the region are engaged in fiscal consolidation with some combination of higher revenues and lower expenditures. Egypt and Tunisia have implemented structural reforms and exchange rate adjustments. Egypt has adopted full exchange rate flexibility from limited flexibility in November 2016.

### Algeria

Ranked as the third most important economy in the MENA region[12] and a leader in the Maghreb, Algeria is a gateway between Africa and Europe. Algeria covers

[12]World Bank

an area of around 2,381.7 sq. thousand kilometers, making it the largest country in Africa, with a population of around 42.6 million as of 2018. It shares its borders with Morocco, Western Sahara, Mauritania, Mali, Niger, Libya and Tunisia, with the Mediterranean Sea to its north. Algeria is also the largest member country of Organization of the Petroleum Exporting Countries (OPEC). Algeria's economy is dominated by its export of petroleum and natural gas commodities. Algeria is the leading natural gas producer in Africa and is one of the top three oil producers in Africa. Algeria is estimated to hold the third-largest amount of shale gas resources in the world. Algeria's economy is heavily reliant on revenues generated from its hydrocarbon sector, which account for about 25 percent of the country's GDP, more than 95 percent of export earnings, and 60 percent of budget revenues.

**Table 2.1: Macroeconomic Indicators of Algeria**

| Indicator | 2014 | 2015 | 2016 | 2017 | 2018[e] | 2019[f] | 2020[f] |
|---|---|---|---|---|---|---|---|
| Nominal GDP (US$ bn) | 213.8 | 166.0 | 160.1 | 167.6 | 180.4 | 183.7 | 193.1 |
| Real GDP Growth (%) | 3.8 | 3.7 | 3.2 | 1.4 | 2.1 | 2.3 | 1.8 |
| GDP per capita, current prices (US$) | 5466.3 | 4153.3 | 3921.3 | 4016.1 | 4237.5 | 4229.8 | 4362.5 |
| Inflation, average consumer prices (%) | 2.9 | 4.8 | 6.4 | 5.6 | 4.3 | 5.6 | 6.7 |
| Population (mn) | 39.1 | 40.0 | 40.8 | 41.7 | 42.6 | 43.4 | 44.3 |
| Current account balance (US$ bn) | -9.4 | -27.3 | -26.5 | -22.1 | -16.4 | -23.0 | -17.9 |
| Current account balance (% of GDP) | -4.4 | -16.4 | -16.5 | -13.2 | -9.1 | -12.5 | -9.3 |
| External Debt (US$ bn) | 5.5 | 4.7 | 5.5 | 5.7 | 6.0 | 6.4 | 7.8 |
| Forex Reserves (US$ bn) | 179.9 | 144.9 | 114.7 | 97.9 | 80.5 | 73.9 | 68.0 |

*Note: [e] – Estimates; [f] - Forecasts*
*Source: World Economic Outlook April 2019, International Monetary Fund (IMF) and Economist Intelligence Unit (EIU)*

The oil and gas sector forms the backbone of the country's economy, contributing 20 percent to its GDP growth and accounting for 97 percent of its total exports. Algeria has a proven crude oil reserves of 12,200 million barrels and crude oil production of 1,040.1 (1,000 b/d) as of 2018. The total crude oil exports stood at 571 (1000 b/d)[13] and that of petroleum products were 532.1 (1000 b/d) as of 2018. Algeria also has proven natural gas reserves of 4,504 billion cu.m., with a marketed production of 95,898.5 million cu. m. and exports of 51,424 million cu. m.[14] in 2018. The country's other natural resources include iron ore, phosphates, uranium and lead. Electrical, petrochemical, and food processing industries are

[13]b/d (barrels per day)
[14](cu. m.) cubic meters

some other major industries that contribute to the nation's GDP growth.[15] Algerian Government, in 2016, unveiled a new growth model aimed at fostering economic growth through diversification by 2030.

The agricultural products of Algeria mainly comprises wheat, barley, oats, grapes, olives, citrus, fruits; sheep and cattle rearing. The agricultural sector contributed to 13.3 percent of the country's GDP in 2017. The industrial sector has a far greater contribution of about 39.3 percent. Some of the important industries of Algeria are petroleum, natural gas, light industries, mining, electrical, petrochemical and food processing. The highest contribution to GDP was by the service sector, which was about 47.4 percent in 2017.

The trend in GDP growth has witnessed a decline since 2014, majorly due to the decreasing value of exports, while there was a rising increase in imports **(Table 2.1)**. The growth was affected by a slow-down in the economy, along with lesser revenues generated from the oil production. After the imposition of production limits set by OPEC, revenues contracted even though the oil prices increased internationally. The further recovery of oil prices is expected to improve Algeria's growth rate and economic situation.

Unlike other main commodity exporters in Africa, Algeria relatively weathered the commodity price shock in 2015 and 2016 through expansionary fiscal policies, witnessing an estimated real GDP growth of 2.1 percent in 2018. Growth is expected to weaken in the medium term to 1.8 percent in 2020, due to a slight decline in hydrocarbon production. Though the non-hydrocarbon production remained constant, it did not have a significant impact on GDP growth. Algeria has benefitted from a recovery in global crude oil prices but a large proportion of energy revenue is still being used to pay for goods imports due to limited domestic production.

Algeria's fiscal stance suffered from the falling prices of hydrocarbons, with the deficit reaching 15.3 percent of GDP in 2015. By reducing fiscal expenditures and increasing non tax revenues, the country contained its deficit at 5.3 percent in 2018. The government expenditure was 35.5 percent in 2017 which increased as the government went back to increased public spending especially in the housing sector. The situation further worsened with decreasing exports from 2014 and the rising gap between the value of imports and exports. Until 2017, when Algeria's oil stabilization fund was depleted, the government

[15]OPEC countries – Algeria

drew on it to finance the shortfall. Since then, authorities have used direct monetary financing from the Central Bank, and gross public debt rose from a low 7.7 percent of GDP in 2014 to a moderate 32.9 percent in 2018. The inflation rate (consumer price index) has been fluctuating over the years further affecting the economic growth. The inflation moderated to 4.3 percent in 2018 from 5.6 percent in 2017.

In Algeria, current account deficit reached 16.5 percent of GDP in 2016. By containing its imports, Algeria pushed the deficit down to 9.1 percent of GDP in 2018. Since Algeria financed its current account deficits by drawing on their foreign assets, it did not incur higher external debts. Algeria experienced pressure on its exchange rates resulting in a major depreciation of currency before 2016, and with recovering oil prices, the official exchange rate depreciation slowed and even reversed since March 2018, leading to a currency appreciation. The current situation of Algeria called for reformation of public spending, managing external accounts and diversifying the sources of revenue and growth. The overall economic outlook of Algeria looks promising, though requiring efforts to solve the problems of fiscal deficit and limited economic growth.

**Egypt**

Egypt is one of the largest countries of the region, with a population of around 97 million. The geographical location of Egypt has always been beneficial to the nation for trade opportunities. Sudan and Libya are the neighboring countries, with Red Sea to the east of Egypt and the Suez Canal situated to the north east. Egypt is a part of number of trade initiatives including COMESA, GAFTA, EU-Egypt Partnership, Agadir Free Trade, Egypt-Turkey and Egypt-EFTA Free Trade Agreements. Egypt is emerging as a regional energy hub for the Eastern Mediterranean region. The country has been undergoing major economic reforms in the recent years resulting in notable improvements. Due to its strategic location, Egypt plays an important role in ensuring regional stability and economic cooperation among the countries in the MENA region.

Real GDP growth of Egypt increased to 5.3 percent in 2018, compared to an average of 4.3 percent over the last three years **(Table 2.2)**. This pickup in growth has been driven by public investments, private consumption, and exports of goods and services. In November 2016, the IMF approved a three-year US$ 12 billion extended fund facility (EFF) for Egypt, and the government has pushed through major reforms, including the introduction of value-added tax

(VAT), reduction of fuel subsidies, and adoption of a more flexible exchange-rate policy.

The agricultural produce of Egypt includes, cotton, rice, corn, wheat, beans, fruits and vegetables along with cattle rearing as a major occupation, other animals reared are water buffalo, sheep and goats. The agricultural sector accounted for 13.3 percent of GDP as estimated in 2017, while the industrial sector's contribution was 34.3 percent. The industrial sector of Egypt is a lot more advanced as compared to other countries in the region. Textiles, food processing, tourism, chemicals, pharmaceuticals and hydrocarbons are the industries that majorly contribute to the GDP of the country, besides construction, cement, metals, and light manufactures.

Egypt has laid out its vision to become a regional energy hub following discoveries of large offshore gas reserves in the East Mediterranean. This vision is critical as the energy sector remains the major driver of the country's balance of payments. With total proven reserves of 65 trillion cubic feet (tcf), Egypt is the 16$^{th}$ largest gas reserve-holder globally and the third largest gas producer in Africa, after Algeria and Nigeria. Hydrocarbons account for nearly half of total exports, mainly in the form of light crudes and naphtha. Egypt plays a vital role in international energy markets through its operation of the Suez Canal and the Suez-Mediterranean (SUMED) Pipeline. The Suez Canal is an important transit route for oil and liquefied natural gas (LNG) shipments moving from the Persian Gulf to Europe and to North America and for shipments traveling southbound from North Africa and from countries along the Mediterranean Sea to Asia. Egypt is also a significant producer of cement, crude steel and direct reduced iron (DRI).

**Table 2.2: Macroeconomic Indicators of Egypt**

| Indicator | 2014 | 2015 | 2016 | 2017 | 2018$^e$ | 2019$^f$ | 2020$^f$ |
|---|---|---|---|---|---|---|---|
| Nominal GDP (US$ bn) | 305.6 | 332.1 | 332.5 | 236.5 | 249.6 | 299.6 | 331.4 |
| Real GDP Growth (%) | 2.9 | 4.4 | 4.3 | 4.2 | 5.3 | 5.5 | 5.9 |
| GDP per capita, current prices (US$) | 3524.4 | 3731.2 | 3686.1 | 2495.0 | 2573.3 | 3019.7 | 3264.9 |
| Inflation, average consumer prices (%) | 10.1 | 11.0 | 10.2 | 23.5 | 20.9 | 14.5 | 12.3 |
| Population (mn) | 86.7 | 89.0 | 90.2 | 94.8 | 97.0 | 99.2 | 101.5 |
| Current account balance (US$ bn) | -2.7 | -12.1 | -19.8 | -14.4 | -6.0 | -7.1 | -5.7 |
| Current account balance (% of GDP) | -0.9 | -3.7 | -6.0 | -6.1 | -2.4 | -2.4 | -1.7 |
| External Debt (US$ bn) | 41.7 | 48.3 | 67.6 | 82.9 | 96.7 | 109.1 | 118.5 |
| Forex Reserves (US$ bn) | 14.4 | 15.5 | 23.2 | 35.9 | 41.3 | 48.4 | 54.7 |

*Note: $^e$ – Estimates; $^f$ - Forecasts*

*Source: World Economic Outlook April 2019, IMF and EIU*

One of the major challenges faced by Egypt in the recent past is high inflation. Inflation has remained high since 2014, accelerating to 23.5 percent in 2017, though moderated marginally to 21 percent in 2018. The main reasons behind high inflation are fuel and electricity subsidy cut by the government, along with currency depreciation. Further, the government's attempt to increase the money supply has resulted in double digit inflation. In addition, the unemployment rate has been increasing since 2013, with an estimated unemployment rate of 13.1 percent by 2018. The citizens still suffer from the rising prices of common goods and lack of employment opportunities. To alleviate the adverse effects of the economic reforms on the poor and vulnerable and increase investments in Egypt's human capital, the government has scaled up key short-term social protection mitigating measures, including higher allocations of food smart cards and targeted conditional and unconditional cash transfer programs.

The positive impact of macroeconomic and policy reforms have markedly improved Egypt's external position. The current account deficit narrowed to 2.4 percent of GDP in 2018, down from 6.1 percent in the previous year, driven primarily by strong remittances and the recovery in tourism. A revival of portfolio and international financial institution inflows has supported the capital and financial accounts of the country. Important fiscal reforms on both the expenditure and revenue sides have prompted a gradual decline in the fiscal deficit, to 9.7 percent of GDP in 2018.

**Libya**

Libya is bordered by Algeria, Chad, Egypt, Niger, Sudan, and Tunisia, and Mediterranean Sea to the north. Libya is the 16$^{th}$ largest country in the world in terms of land mass, comprising a surface area of 1759.5 sq. thousand kilometers with a population of 6.5 million. Libya is a member of AMU, COMESA and OPEC. Libya has been witnessing erratic economic growth due to political instability. The 2018 Fragile State Index of the Fund for Peace ranked Libya as the 25$^{th}$ most fragile of 178 countries.

Libya holds the largest amount of proved crude oil reserves in Africa, the fifth-largest amount of proved natural gas reserves on the continent, and has traditionally been an important contributor to the global supply of crude oil, which is mostly exported to European markets. Libya has proven crude oil reserves of 48,363 million barrels, with total crude oil production reaching 951.2 (1,000 b/d) as of 2018. Apart from petroleum, Libya's other natural resources are natural gas and gypsum. Proven natural gas reserves stood at 1,505 billion cu. m., while market-

ed production of natural gas was 13,880.0 million cu.m. Its economy depends primarily on the oil sector, which represents about 69 percent of export earnings. Moreover, the oil and gas sector accounts for about 60 percent of total GDP. Substantial revenues from the energy sector, coupled with a small population, resulted in Libya having one of the highest per capita GDP in Africa. The Central Bank of Libya uses its large stock of foreign reserves to undertake various measures towards macro stability and prioritizes funding subsidies.

**Table 2.3: Macroeconomic Indicators of Libya**

| Indicator | 2014 | 2015 | 2016 | 2017 | 2018[e] | 2019[f] | 2020[f] |
|---|---|---|---|---|---|---|---|
| Nominal GDP (US$ bn) | 24.3 | 17.2 | 18.5 | 30.6 | 43.6 | 45.0 | 50.4 |
| Real GDP Growth (%) | -53.0 | -13.0 | -7.4 | 64.0 | 17.9 | 4.3 | 1.4 |
| GDP per capita, current prices (US$) | 3876.4 | 2720.0 | 2903.7 | 4739.9 | 6692.4 | 6835.6 | 7589.8 |
| Inflation, average consumer prices (%) | 2.4 | 9.8 | 25.9 | 28.5 | 23.1 | 15.0 | 15.0 |
| Population (mn) | 6.3 | 6.3 | 6.4 | 6.4 | 6.5 | 6.6 | 6.6 |
| Current account balance (US$ bn) | -19.0 | -9.3 | -4.6 | 2.4 | 0.9 | -0.1 | -3.9 |
| Current account balance (% of GDP) | -78.4 | -54.4 | -24.7 | 7.9 | 2.0 | -0.2 | -7.8 |
| External Debt (US$ bn) | 5.2 | 4.1 | 3.2 | 3.0 | 3.2 | 3.4 | 3.9 |
| Forex Reserves (US$ bn) | 89.3 | 73.8 | 66.1 | 74.7 | 80.7 | 86.2 | 87.9 |

*Note: [e] – Estimates; [f] - Forecasts*

*Source: World Economic Outlook April 2019, IMF and EIU*

Libya's economy is heavily dependent on hydrocarbon production. Oil and natural gas traditionally covered almost entirely the country's total government revenue. As the oil sector is the major source of growth in Libya, economic activities remain constrained by recurrent clashes around oil infrastructure aiming to control oil wealth. The economy of Libya has been in severe recession for the past four years, which has changed with the situation improving in 2017. The real GDP has recovered by 64 percent in 2017, amid improved political situation, security arrangements, government expenditure and recovery in oil production **(Table 2.3)**. However, real GDP growth moderated in the subsequent year, mainly due to gradual fall in oil production, particularly in the first half of the year. The GDP growth may get affected by the security issues in the country.

The Libyan government has adopted fiscal consolidation, by cutting down on the government subsidies that accounts for 10 percent of the nation's GDP. One of the major challenges faced by the country is its double digit inflation rate that though reducing, has affected the Libyans severely by reducing their purchasing

power. Libya experience a high rate of inflation at 23.1 percent in 2018 as prices of most goods and services remain high due to supply chains disruptions and still active parallel markets. The high fee (183 percent which was reduced subsequently to 163 percent) on foreign exchange transactions instituted in September 2018 contributed to limiting speculation and smuggling, thus reducing pressure on prices. Inflation is expected to be contained to 15 percent in 2019 on the back of the relative improvement of the exchange rate and supply of foreign currency. Oil revenues, though, increased are still insufficient to cover the wage bill and subsidy outlays.

Libya's major agricultural production consists of wheat, barley, olives, dates, citrus, vegetables, peanuts, soybeans and cattle rearing. However, it does not contribute much to the GDP growth. Most of the consumer goods are imported, along with other commodities like machinery, semi-finished goods, food and transport equipment. Besides petroleum which forms the major part of exports, the country also exports crude oil, natural gas and chemicals. Oil exports faced a decline in 2011 and the growth rate of exports dropped from 3.1 percent in 2010 to -66 percent in 2011 and continued to remain negative till 2017, draining  the foreign currency reserves from the Central Bank of Libya (CBL).

The current account is estimated to have registered a small surplus in 2018, underpinned by higher oil revenues and still constrained imports. Higher oil exports and prices allowed revenues to more than double in 2018 compared to the previous year's, while imports were repressed by the high fee instituted on hard currency transactions and the CBL's control of access to foreign exchange. Foreign reserves accumulated to reach US$ 80.7 billion by end 2018.

**Mauritania**

Mauritania is located at the north-west part of Africa, with the Atlantic Ocean to its west and is surrounded by Senegal, Mali, Algeria, Morocco, and Western Sahara. It has a population of 4.5 million residing on a surface area of 1030.7 sq. thousand kilometers. It is a desert country, with just around 0.5 percent arable land and is among the fourth least densely populated countries in Africa. Mauritania is relatively one of the newest oil producers in Africa. Mauritania bridges the Arab Maghreb and western Sub-Saharan Africa. The country has extensive mineral resources, including significant deposits of iron ore, gold and copper.

The agricultural sector contributes to 27.8 percent of the GDP, while the industrial

sector contributes slightly higher with 29.3 percent share in Mauritania's GDP, with mining playing a major role in the economy. Most of the foreign investment into the country is attracted towards this sub-sector. The country imports around 70 percent of its food requirements, making it vulnerable to rising world prices for staple commodities. The agricultural produce includes dates, millet, sorghum, rice, corn cattle rearing, while other livestock include camel and sheep. The major industries of the country are fish processing, oil production, and mining (mainly iron ore, gold, and copper). Gypsum, which is also available in huge quantities, has never been much exploited. Services sector dominate the economy with a 42.9 percent share in the country's GDP. In December 2017, Mauritania and the IMF agreed to a three-year agreement under the Extended Credit Facility to foster economic growth, maintain macroeconomic stability, and reduce poverty.

**Table 2.4: Macroeconomic Indicators of Mauritania**

| Indicator | 2014 | 2015 | 2016 | 2017 | 2018[e] | 2019[f] | 2020[f] |
|---|---|---|---|---|---|---|---|
| Nominal GDP (US$ bn) | 5.4 | 4.8 | 4.7 | 4.9 | 5.2 | 5.6 | 5.7 |
| Real GDP Growth (%) | 5.6 | 0.4 | 1.8 | 3.0 | 3.0 | 6.4 | 4.7 |
| GDP per capita, current prices (US$) | 1326.7 | 1155.0 | 1089.4 | 1112.9 | 1142.5 | 1191.5 | 1185.6 |
| Inflation, average consumer prices (%) | 3.8 | 0.5 | 1.5 | 2.3 | 3.1 | 3.9 | 4.0 |
| Population (mn) | 4.1 | 4.2 | 4.3 | 4.4 | 4.5 | 4.7 | 4.8 |
| Current account balance (US$ bn) | -1.5 | -1.0 | -0.7 | -0.7 | -0.9 | -1.0 | -1.0 |
| Current account balance (% of GDP) | -27.3 | -19.8 | -15.1 | -14.4 | -18.0 | -17.1 | -17.8 |
| External Debt (US$ bn) | 3.5 | 3.8 | 3.9 | 4.2 | 4.6 | 4.8 | 5.2 |
| Forex Reserves (US$ mn) | 621.5 | 810.1 | 835.3 | 858.9 | 762.0 | - | - |

*Note: [e] - Estimates; [f] – Forecasts; '-' denotes not available/ negligible*

*Source: World Economic Outlook April 2019, IMF and EIU*

The GDP growth of Mauritania, which stood at 5.6 percent in 2014, has been growing at a moderate level over the years. While growth recovered in 2017 and sustained at 3 percent in 2018, it is still considered below potential **(Table 2.4)**. Growth was driven by robust activities in the telecommunications, transportation, electricity, and primary sectors. Continued expansion of the primary sector, strengthening of the services sector through the implementation of structural reforms, and an increase in mining production are expected to support growth in the medium term. The government has adopted fiscal consolidation; however there was an increase in subsidies for drought affected livestock areas for gasoline. Recurring droughts are a major issue that slows down the economy. Mauritania has experienced an increase in aggregate demand which has led

to increase in consumption and corporate tax, thus, increasing the tax revenue earned by the government. Revenues have also benefitted from a one-time royalty fee for a new gas and oil exploration license.[16]

Inflation rate in the nation has remained low as compared to other countries in the region. The inflation rate was 2.3 percent in 2017 and is estimated to have risen to 3.7 percent in 2018. The economy is however very sensitive to the changes in international food and extractive commodity prices. The fiscal position of the country continued to improve in 2018. Efforts to achieve fiscal rebalancing helped transform the fiscal deficit of 0.2 percent of GDP in 2017 into a surplus of 1.5 percent in 2018, the first surplus recorded since 2013. However, unfavorable terms of trade, combined with persistent production challenges in the extractive industries, exacerbated the current account deficit, which rose from 14.4 percent of GDP in 2017 to 18 percent of GDP in 2018. Despite the deepening deficit, financing was ensured by an increase of foreign direct investment linked to offshore gas exploration and financial flows from the extractive sectors. An improvement in the terms of trade owing to an increase in international iron prices is expected to mitigate external pressures and allow the central bank to respond to financing needs in the medium term.

According to the World Bank, as the country mostly depends on 'extract and export' policy, weak management of extractive rents is acting as a binding constraint to inclusive growth in the country. Similarly, the failure to harness Mauritania's other natural resources constrains diversification potential and employment opportunities. This requires enhanced government policies, so that the country will be able to withstand internal commodity price related uncertainties. The country needs to adopt the right mix between economic growth supporting policies and ensuring macroeconomic stability through fiscal consolidation, and a more responsive monetary and exchange rate policies[17]. The 2016–2030 National Strategic Framework for Accelerated Growth and Shared Prosperity has emphasized the need for diversifying the economy through increased private sector participation in non-extractives sectors.

**Morocco**

Morocco is surrounded by Western Sahara and Algeria, with the Mediterranean Sea to its north and the Atlantic Ocean to the west. The country has a population

[16]Mauritania Economic Outlook 2018 (World Bank)

[17]World Bank Public Document on Mauritania

of 35.2 million and a surface area of 44.6 sq. thousand kilometers. Located at the north-west corner of Africa, just 15 km from Europe across the Strait of Gibraltar, Morocco has a strategically important location as a gateway to Africa and the Arab world, and a meeting point for civilizations and continents. With its re-entry into the African Union in January 2017 and in-principle membership of ECOWAS, Morocco has assumed the position of a key player in the African continent.

In recent years, the Moroccan economy has been characterized by macroeconomic stability and low levels of inflation. The Moroccan economy in the recent years has been supported by strong exports, a boom in private investment and tourism. Its economy is well diversified, particularly relative to many countries in the MENA region. Export growth is supported by an “advanced status” agreement with the EU, signed in 2008, and a bilateral free trade agreement signed with the US in 2006.

After being hit by a drought in 2016, which led to a slowdown in GDP growth, economic activity picked up again in 2017. The GDP growth has slowed down from 4.1 percent in 2017 to an estimated 3.1 percent in 2018 as agricultural value-added growth declined despite high cereal production **(Table 2.5)**. Morocco is considered as one of the fastest growing economies in the area. Though the real GDP growth slowed down in 2018 as compared to 2017, it has shown a positive growth rate over the years. Over the medium term, economic performance is expected to improve enabled by sound fiscal and monetary policies, more consistent sector strategies, and an improved investment environment, all of which are aimed at supporting gradual competitiveness gains.

Agricultural sector contributed 14 percent to the GDP, while 29.5 percent was contributed by the industrial sector. The highest contributor was the service sector, accounting for 56.5 percent of the GDP. According to the International Forum for Agriculture (SIAM) Association in Morocco, Morocco’s agricultural output reached MAD 125 billion (US$ 13.1 billion) in 2018, recording a 60 percent increase since the launch of the Green Morocco Plan Agricultural Strategy in 2008. Morocco lacks the large oil or gas reserves that other North African countries boast, and it is a net energy importer. Noor Complex Solar Power Plant in Morocco is the world’s largest concentrated solar power (CSP) plant located in the Sahara Desert. The Solar Plant capacity is of 580 megawatts, and by 2020, it is expected to provide electricity for over 1 million people, once completed. The country is rich in phosphates, having around three-quarters of the world’s reserves.

### Table 2.5: Macroeconomic Indicators of Morocco

| Indicator | 2014 | 2015 | 2016 | 2017 | 2018[e] | 2019[f] | 2020[f] |
|---|---|---|---|---|---|---|---|
| Nominal GDP (US$ bn) | 110.1 | 101.2 | 103.3 | 109.7 | 118.3 | 121.4 | 129.1 |
| Real GDP Growth (%) | 2.7 | 4.6 | 1.1 | 4.1 | 3.1 | 3.2 | 3.8 |
| GDP per capita, current prices (US$) | 3259.7 | 2965.0 | 2996.7 | 3147.8 | 3359.1 | 3409.9 | 3589.7 |
| Inflation, average consumer prices (%) | 0.4 | 1.5 | 1.6 | 0.8 | 1.9 | 1.4 | 2.0 |
| Population (mn) | 33.8 | 34.1 | 34.5 | 34.9 | 35.2 | 35.6 | 36.0 |
| Current account balance (US$ bn) | -6.5 | -2.2 | -4.4 | -4.0 | -5.3 | -4.9 | -4.5 |
| Current account balance (% of GDP) | -5.9 | -2.1 | -4.2 | -3.6 | -4.5 | -4.1 | -3.5 |
| External Debt (US$ bn) | 42.9 | 43.1 | 46.3 | 49.8 | 49.0 | 50.6 | 51.0 |
| Forex Reserves (US$ bn) | 20.3 | 22.8 | 25.1 | 26.2 | 24.4 | 24.6 | 24.0 |

*Note: [e] – Estimates; [f] - Forecasts*

*Source: World Economic Outlook April 2019, IMF and EIU*

Given the richness of Morocco's soil, the economic growth of the country is heavily reliant on agricultural sector. The agricultural produce of Morocco includes barley, wheat, citrus fruits, grapes, vegetables and olives. Livestock is also reared to a certain extent along with some production of wine. Morocco has a relatively small amount of mineral resources, phosphates being its main source of wealth. The major industrial production of Morocco includes automotive parts, phosphate mining and processing, aerospace, food processing, leather goods, textiles, construction, energy and tourism in the order of highest output producing industries. Phosphate production and exports are significant in contributing to the growth of the economy. A rapidly improving business environment and infrastructural base, the gradual liberalization of the local currency, and increased investment into export-oriented industries are all set to raise living standards and drive the emergence of a large national middle class.

With an exchange rate pegged to a basket of euro and the US dollar, inflation remained below 2 percent, which is low as compared to the other economies in the region. The rate of inflation was 0.8 percent in 2017 which is estimated to have increased to 1.8 percent in 2018 by the IMF. The country has adopted fiscal consolidation and is constantly trying to improve the taxation policy and increase the tax revenue.[18] Over the years Morocco has given emphasis on improving the infrastructure, transportation and industries, which is evident by the new ports coming up in Morocco along with the new free trade zone near Tangier.

[18]Economic Outlook 2018, Morocco (World Bank)

The current account deficit stood at 4.5 percent of GDP, though increased from 3.6 percent of GDP in 2017. Morocco's continued strategy of nurturing foreign direct investment, stabilizes the country's external funding and limits pressure on its international reserves. The external debt of the country has been rising marginally and reached US$ 51 billion in 2019. The high foreign reserves of the nation helps create a balance and maintain economic stability. The current account deficit is expected to stay below 4 percent of GDP due to growth in exports, tourism receipts and remittances, which would offset increasing energy import costs.

Even though the economic growth of Morocco seems to show a positive upward trend, the country deals with a number of problems including unemployment, poverty and illiteracy.

**Sudan**

Sudan is located at the northeast part of Africa with the Red sea to its northeast. Sudan sits at the crossroads of Sub-Saharan Africa and the Middle East, and is bordered by seven countries: Egypt, Eritrea, Ethiopia, South Sudan, Central African Republic, Chad, and Libya. Its capital, Khartoum, lies at the confluence of the White and Blue Niles, and its main port on the Red Sea. Most of the country is desert, though Sudan has resources such as fertile land, mountains, and livestock.

Sudan is still recovering from the separation of its southern states, forming the Republic of South Sudan in 2011. The secession of South Sudan induced multiple economic shocks to Sudan. The most important and immediate shock was the loss of the oil revenue that accounted for more than half of Sudan's government revenue and 95 percent of its exports. This has reduced economic growth, and resulted in double-digit consumer price inflation, which, together with increased fuel prices, triggered protests in September 2013. The outbreak of civil war in South Sudan in 2013 has deprived Sudan of much needed pipeline revenues. It also resulted in war damaged oil infrastructure, further eroding revenue availability to Sudan. Although, comprehensive U.S. sanctions on Sudan, levied in 1997 and expanded in 2006, were lifted in October 2017, foreign investors and commercial banks have been reluctant to re-engage their activities in the country. Trade and financial transactions between Sudan and rest of the world still remain limited as the country is yet to achieve normalization of its relations with the US.

### Table 2.6: Macroeconomic Indicators of Sudan

| Indicator | 2014 | 2015 | 2016 | 2017 | 2018[e] | 2019[f] | 2020[f] |
|---|---|---|---|---|---|---|---|
| Nominal GDP (US$ bn) | 60.7 | 65.3 | 55.6 | 45.7 | 33.9 | 31.5 | 31.1 |
| Real GDP Growth (%) | 4.7 | 1.9 | 2.9 | 1.7 | -2.1 | -2.3 | -1.3 |
| GDP per capita, current prices (US$) | 1628.5 | 1698.9 | 1403.2 | 1120.0 | 807.5 | 728.1 | 701.6 |
| Inflation, average consumer prices (%) | 36.9 | 16.9 | 17.8 | 32.4 | 63.3 | 49.6 | 58.1 |
| Population (mn) | 37.3 | 38.4 | 39.6 | 40.8 | 42.0 | 43.2 | 44.3 |
| Current account balance (US$ bn) | -3.5 | -5.5 | -4.2 | -4.8 | -3.9 | -3.1 | -3.1 |
| Current account balance (% of GDP) | -5.8 | -8.4 | -7.6 | -10.5 | -11.5 | -9.9 | -10.0 |
| External Debt (US$ bn) | 46.8 | 49.8 | 52.7 | 56.1 | 63.8 | 66.9 | 69.1 |
| Forex Reserves (US$ mn) | 182.0 | 174.0 | 199.0 | 198.0 | 122.0 | 148.0 | 170.0 |

*Note: [e] - Estimates; [f] - Forecasts*

*Source: World Economic Outlook April 2019, IMF and EIU*

The GDP growth of Sudan has been rather slow and fluctuating over the years. In 2018, the economy of Sudan entered recession, with (-) 2.1 percent growth, despite lifting of almost all major US sanctions in 2017 **(Table 2.6)**. Growth is expected to remain negative in 2019. Lack of integration into international trade and a weak business environment are restricting private investment, while new austerity measures are expected to reduce public investment expenditure.

One of the major problems faced by Sudan is the growing inflation. The inflation rate in Sudan was as high as 36.9 percent in 2014 which eventually fell for two consecutive years. In 2017, after the sanctions were lifted by the US, the inflation was expected to fall with an increase in GDP due to higher investment. However, inflation surged to 63.3 percent in 2018, due to the withdrawal of subsidies and devaluations of the Sudanese pound, putting pressure on the economic growth.

The service sector is the major contributor to the GDP, with a share of 57.8 percent, while agricultural sector contributed 39.6 percent. Industrial sector has a marginal share of 2.6 percent in the GDP of the country. Sudan needs to work on improving its industries as the industrial development in the country is significantly low as compared to other countries in the region. The main contributors to the GDP growth are mining, manufacturing and agriculture. Meanwhile, increased gold production is expected to support the mining sector.

The agricultural produce include cotton, groundnuts (peanuts), sorghum, millet, wheat, gum Arabic, sugarcane, cassava (manioc, tapioca), mangoes, papaya, bananas, sweet potatoes, sesame seeds as well as animal feed, sheep and other livestock. Sudan is the largest producer of gum Arabic in the world, making the crop an important export commodity of Sudan.

Industrial growth in Sudan is largely driven by oil sector, supported by a number of sectors and activities such as cotton ginning, textiles, cement, edible oils, sugar, soap distilling, shoes, petroleum refining, pharmaceuticals, automobile/light truck assembly and milling.

Sudan has experienced a current account deficit which stood at 11.5 percent of the GDP in 2018. The effect of pressure on its foreign reserves and current economic situation is seen on Sudan's external debt. The external debt has increased over the years and in 2018 it was estimated at US$ 63.8 billion.

Sudan has introduced a new currency after the succession of South Sudan. However, the value of the currency has fallen ever since, causing sharp exchange rate depreciation. It is also dealing with high level of unemployment which was 19.6 percent in 2017. Besides, poverty and illiteracy are also of serious concern to the country. About 63 percent of Sudan's land area is agricultural land, which is suitable for a wide variety of crop cultivation and animal husbandry. Sudan holds huge private investment opportunities in large-scale irrigated agriculture, dairy farming and animal husbandry, forest enterprises involving gum Arabic, and the leather supply chain for regional and global export.

This high inflation and devaluations, combined with low confidence in the banking system, have triggered a liquidity crisis, which could continue to hinder trade in a country where most transactions are made in cash. However, the oil sector is expected to benefit from stable oil prices, as well as from improved relations with South Sudan. The recovery of oil production in South Sudan is expected to support growth, as the neighbouring country pays royalties to use Sudan's oil facilities to export its production. In October 2018, the government announced a 15-month economic reform plan, which includes a few fiscal austerity measures, such as the removal of customs tax exemptions and reductions in current expenditure. Non-oil exports (gold, gum Arabic, livestock, and sesame) are nonetheless expected to increase, while imports are expected to remain significant, as they are made up of basic necessities. As foreign exchange reserves are already low, international financial assistance will be required to finance current account

deficit, and the Sudanese pound is expected to remain under pressure. External debt remain high at US$ 63.8 billion in 2018. Lifting of the US sanctions is expected to normalize relations with creditors and speed negotiations of debt relief under the Heavily Indebted Poor Country Debt Relief Initiative.

**Tunisia**

Tunisia is the northern most point in the North African region, surrounded by the two large countries of Algeria and Libya with the Mediterranean Sea to the north and east. Tunisia has a population of 11.7 million and surface area of 163.3 sq. thousand kilometers.

Tunisia is a member of number of trade associations including La Francophonie, the Union for the Mediterranean, COMESA, Arab Maghreb Union, Arab League, GAFTA, Community of Sahel-Saharan States, and the African Union, along with the Group of 77. Tunisia was the first Mediterranean country to sign an Association Agreement with the EU in 1995.

Tunisia has made important strides to advance its democratic transition, but the country remains fragile to economic, security and social shocks. GDP growth has been insufficient to make a significant dent in unemployment and other socio-economic conditions.

The GDP growth became negative in 2011 following the Arab Spring Revolution after which it gained pace. The GDP growth rate in 2018 was 2.5 percent, increasing, from 2.0 percent in 2017 **(Table 2.7)**. This modest rise in the growth was supported by agriculture, tourism, and export-oriented manufacturing, particularly electrical and mechanical industries. Growth was driven by exports and investment on the demand side. The inflation rate shows an increasing trend over the years, and is estimated to have increased to 7.3 percent in 2018, from 5.3 percent in 2017. This sudden hike was fueled by currency depreciation, administered energy price increases, wage inflation and credit growth. The Central Bank of Tunisia responded to this by increasing its bank rate 3 times in less than a year's time.

The service sector contributes the highest to GDP with a 63.8 percent share as of 2017 estimations, followed by the industrial sector with 26.2 percent share in GDP. The agricultural produce of Tunisia includes olives, olive oil, grain, tomatoes, citrus fruit, sugar beets, dates, almonds, beef and dairy products. With an average

production of 190,000 tons, Tunisia became the world's second largest olive oil producer in 2017, after Spain[19].

**Table 2.7: Macroeconomic Indicators of Tunisia**

| Indicator | 2014 | 2015 | 2016 | 2017 | 2018[e] | 2019[f] | 2020[f] |
|---|---|---|---|---|---|---|---|
| Nominal GDP (US$ bn) | 47.6 | 43.2 | 41.8 | 40.0 | 39.9 | 36.2 | 35.2 |
| Real GDP Growth (%) | 3.0 | 1.2 | 1.1 | 2.0 | 2.5 | 2.7 | 3.2 |
| GDP per capita, current prices (US$) | 4274.5 | 3827.6 | 3666.3 | 3464.7 | 3423.2 | 3072.5 | 2953.0 |
| Inflation, average consumer prices (%) | 4.9 | 4.8 | 3.6 | 5.3 | 7.3 | 7.5 | 5.6 |
| Population (mn) | 11.1 | 11.3 | 11.4 | 11.5 | 11.7 | 11.8 | 11.9 |
| Current account balance (US$ bn) | -4.7 | -4.2 | -3.9 | -4.1 | -4.5 | -3.7 | -3.2 |
| Current account balance (% of GDP) | -9.8 | -9.7 | -9.3 | -10.2 | -11.2 | -10.1 | -9.1 |
| External Debt (US$ bn) | 26.4 | 27.2 | 27.9 | 32.2 | 35.0 | 37.0 | 39.5 |
| Forex Reserves (US$ bn) | 7.7 | 7.4 | 5.9 | 5.6 | 5.2 | 5.2 | 5.3 |

*Note: [e] - Estimates; [f] - Forecasts*

*Source: World Economic Outlook April 2019, IMF and EIU*

The industrial sector of the country is growing at a faster pace, with the major industries being petroleum, mining (particularly phosphate and iron ore), tourism, textiles, footwear, agribusiness and beverages. Tunisia has substantial phosphate deposits and was the world's fifth largest producer until 2011. The social problems experienced in production areas had a significant impact on the actual working days, negatively affecting production levels, resulting in Tunisia losing a number of global markets due to its inability to meet its obligations. It also has gas deposits for domestic consumption.

The economic growth of Tunisia is increasing, albeit at a slow pace. Unemployment has been persistent since 2011. It fell to 13 percent in 2017 and further to 12 percent in 2018, however, the Government needs to take quick actions to resolve this issue. The country has challenging external position with wide trade and current account deficits, limited FDI, and shrinking international reserves. The higher tourism receipts and growth in Europe, one of Tunisia's leading trade partners is expected to support the economy.

Tunisia's external position is challenging with the current account deficit being persistent at 11.2 percent of GDP in 2018, along with growing external debt.

[19]African Economic Outlook (AEO) 2019

Proximity of the country to Europe, huge potential in agricultural and agro food sectors and availability of mineral resources are the favorable factors to support the country in the days to come. The improved security situation is reopening possibilities for new investment in tourism. Though Tunisia has a diversified industrial base (aeronautics, chemical industry, and textiles), further upgradation is required to enable them to play a decisive role in the structural transformation of the economy.

**Recent Reforms in North Africa Region**

North Africa represents one of the most important oil and gas producing regions in the world, and has the potential to be a renewable energy powerhouse. Energy is the most important factor determining the economic situation in these countries, and the energy situation is characterized by increasing demand, but low energy efficiency and low domestic energy prices due to extensive and universal consumption subsidies. In most North African countries, energy prices are held artificially low for all customers for social and political reasons. These energy consumption subsidies act as strong disincentives to more rational and efficient use of energy and investment in the energy sector, including renewable energy, while creating a major burden on state budgets.

Countries in the region are slowly adapting reforms to ensure a sustainable energy and economic development for the region. Egypt, the largest economy in the North Africa region has largely eliminated energy subsidies, resulting in freeing resources for other development purposes and to a gradual reduction in corporate tax rates[20]. Petroleum sector of the country is currently implementing an integrated strategic plan that aims to transform Egypt into a regional hub for gas and oil trade. The development of renewable energy projects in these countries would free up natural gas for additional exports. Other countries in the region have focused on stimulating their private sector by creating more business friendly environment. Morocco has set up the Casablanca Finance City (CFC), which is aimed at bolstering intra-African trade by increasingly taking a more prominent role in the area. It aims to be a financial and economic hub connecting Africa with Europe. Nonetheless, political and security concerns remain the biggest risks in the region.

[20]North Africa: What You Need To Know, PWC, 2015

# 3. Foreign Trade in North Africa

The inter and intra trade in North Africa has been limited due to a number of reasons including political and economic issues, border disputes, lack of favorable climatic conditions, etc., yet the countries have taken efforts over the years to improve trade relations with nations within Africa as well as outside. Several trade associations have been established over the years to promote fair trade that would benefit the economies of the region. North African countries belong to many different Regional Economic Communities (RECs), but their most effective trade agreements have been signed on a bilateral basis with the European Union (EU).

North African countries including Algeria, Egypt, Mauritania, Morocco and Tunisia, have trade agreements with the EU as part of a broader effort to integrate the north and south shores of the Mediterranean and the Near East. Consequently, EU is a major trade partner of the North African countries.

The total exports of the North Africa region were US$ 153.2 billion in 2018 which has significantly increased from US$ 126.7 billion in 2017 **(Table 3.1)**. Neverth less, the total share of exports by North Africa to global exports has reduced over the last decade, from 1.1 percent in 2009 to 0.8 percent 2018.

**Table 3.1: Foreign Trade of North Africa**

**(US$ billion)**

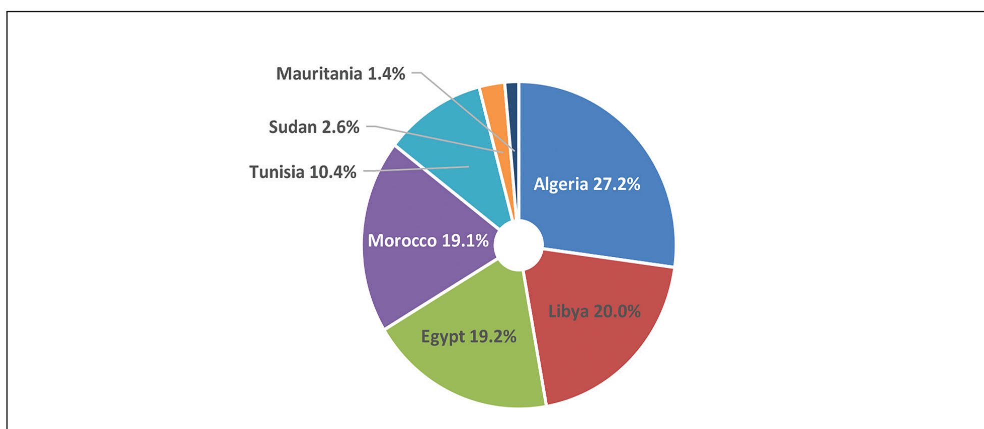
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Exports** | 135.4 | 167.4 | 174.7 | 205.0 | 185.2 | 156.5 | 111.4 | 103.9 | 126.7 | 153.2 |
| **Imports** | 158.9 | 182.9 | 196.9 | 221.3 | 230.6 | 231.3 | 208.9 | 186.0 | 201.2 | 226.4 |
| **Total Trade** | 294.3 | 350.2 | 371.6 | 426.3 | 415.8 | 387.8 | 320.2 | 289.8 | 327.9 | 379.6 |
| **Trade Balance** | -23.5 | -15.5 | -22.2 | -16.3 | -45.3 | -74.8 | -97.5 | -82.1 | -74.5 | -73.2 |

*Source: ITC Trade Map and Exim Bank Analysis*

The major exported commodity from the region is mineral fuels, oil and other related products, which accounted for 51.2 percent of exports in 2018. Over the years, the share of petroleum, natural gas and other related products in the region's exports has reduced, while other industrial goods are being increasingly exported. However, for most countries in the region, petroleum products are still the major contributors to the GDP growth. Other than petroleum products, electrical machinery and devices and other electrical parts accounted for 7 percent of total exports of the region. Textile products, fertilizers, vehicles and automobile parts, precious and semiprecious stones, fruits and nuts, and inorganic chemicals and compounds are some of the other exported commodities that have a significant share in the total exports of the region. North African manufactured exports are dominated by resource-based and low-technology products and concentrate on a limited number of products and markets[21].

The major export destinations of North African countries include France (accounting for 13.2 percent of total exports of the region), Spain (12.3 percent), Italy (11.8 percent), USA (6.5 percent), China (5.7 percent), and Germany (5.6 percent). India was the 8th largest export destination of the region in 2018, accounting for 3.2 percent share (increasing from 2.6 percent share) in the region's exports. France exported around US$ 20 billion from North African countries in 2018, followed by Spain and Italy with over US$ 18 billion exports, reiterating the strong relation between North African countries and European Union.

**Chart 3.1: Major Exporting Countries in North Africa, 2018**




*Source: ITC Trade Map and Exim Bank Analysis*

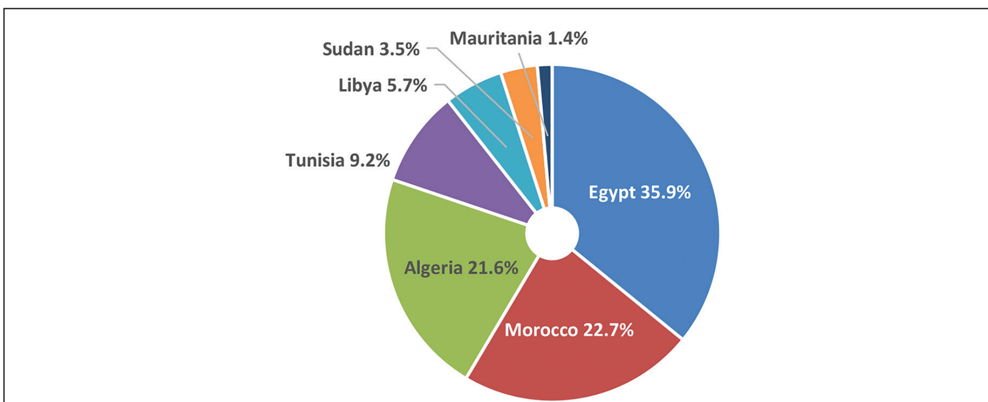
[21]UNIDO

Algeria is the largest exporter among North African countries, with total exports of US$ 41.6 billion in 2018, with a share of 27.2 percent in total exports of the region. Other major exporting countries in the region include Libya, Egypt, Morocco and Tunisia **(Chart 3.1)**.

The total imports of the region have gradually increased over the years. Imports in 2018 amounted to US$ 226.4 billion, a 12.5 percent increase from US$ 201.2 billion in 2017. The major imports of North Africa region include mineral oils, mineral fuels and products of their distillation, which account for 14.3 percent of the total imports of the region. The other major imports of the region comprise machinery and mechanical appliances (10.1 percent of total imports), electrical devices and parts (8.8 percent), vehicles (7.6 percent), cereals (4.9 percent), and plastic and articles (4.5 percent). The region also imports iron and steel and its articles, and pharmaceuticals. North African countries are the main importers of tea in Africa, with Egypt and Morocco alone accounting for over 18 percent of total tea imports.  Similar is the case with cocoa imports.

China is the largest source of imports for North Africa, supplying products worth US$ 29.5 billion, and accounting for 13 percent of total imports of the region in 2018. The other major supplying markets for imports by North Africa region are France (8.1 percent of total imports), Spain (7.3 percent), Italy (6.9 percent), Russia (5.7 percent) and USA (5.2 percent). India's exports to North Africa has been increasing over the years; in 2018 it stood at US$ 5.3 billion making it the 12th largest exporter, with a 2.3 percent share in total imports of the region.

**Chart 3.2: Major Importing Countries in North Africa, 2018**




*Source: ITC Trade Map and Exim Bank Analysis*

The share of North Africa in total global imports stood at 1.2 percent in 2018, decreasing from 1.3 percent share in 2009. Egypt is the major importer among North African countries, importing products worth US$ 81 billion in 2018, with a 35.9 percent share in total imports of the region. Other major importers include Morocco, Algeria, Tunisia and Libya **(Chart 3.2)**.

A major issue facing North African countries is that these countries export resources and low-value products and in return imports manufactured goods, an increasing share of which are high-tech products. This resource-for-manufacturing exchange and flood of cheap goods especially from China has resulted in a negative impact on regional industries.

***Logistics Performance Index***

While the trade condition was seen improving in the region, the countries have a long way to go with respect to increasing and diversifying their exports. Taking into consideration the Logistics Performance index (LPI) published by the World Bank, it can be seen that the countries in North Africa have a much lower rank as compared to the other countries in the world **(Table 3.2)**. The LPI gives a fair idea about the nation's trade conditions and improvements. The LPI is an interactive benchmarking tool created to help countries identify the challenges and opportunities they face in their performance on trade logistics and what they can do to improve their performance.[22] The Index compares 160 countries across the globe on the basis of a number of parameters such as customs clearance, quality of trade and transport infrastructure, ease of arranging competitively priced shipments,

**Table 3.2: Logistics Performance Index Rankings, 2018**

| Country | LPI Rank | Customs Rank | Infrastructure Rank | International shipments Rank | Logistics competence Rank | Tracking & tracing Rank | Timeliness Rank |
|---|---|---|---|---|---|---|---|
| Egypt | 67 | 77 | 58 | 73 | 63 | 89 | 74 |
| Tunisia | 105 | 107 | 133 | 115 | 123 | 71 | 70 |
| Morocco | 109 | 115 | 93 | 103 | 101 | 112 | 114 |
| Algeria | 117 | 138 | 96 | 122 | 113 | 103 | 124 |
| Sudan | 121 | 136 | 125 | 102 | 96 | 115 | 139 |
| Mauritania | 135 | 128 | 112 | 145 | 144 | 119 | 134 |
| Libya | 154 | 149 | 115 | 159 | 153 | 160 | 123 |

*Source: Trade Logistics in Global Economy Report 2018, World Bank*

[22]World Bank – Logistic Performance Index (LPI)

competence and quality of logistics services, ability to track and trace consignments, and frequency with which shipments reach consignees within scheduled or expected delivery times. The three relatively most industrialized countries of the region, namely, Egypt, Morocco and Tunisia, rank highly in terms of logistics performance.

### *Global Enabling Trade Index*

The World Economic Forum Enabling Trade Index assesses 136 countries in terms of the quality of institutions, policies and services facilitating the free flow of goods over borders to their destinations. In comparing the individual performances of the countries of the sub region in relation to the different pillars, the ranking of Mauritania seems to be low due to its poor transport and communications infrastructure **(Table 3.3)**. The development of infrastructure is a major challenge the country has to meet, if it is to improve its connectivity to the regional and world markets. Border Administration is seen as the priority area of action for trade promotion for North African countries.

**Table 3.3: Enabling Trade Index Rankings, 2016**

| Country | General Index | Market Access Index | Border Administration Index | Infrastructure Index | Operating Environment Index |
|---|---|---|---|---|---|
| Morocco | 49 | 69 | 54 | 52 | 46 |
| Tunisia | 91 | 65 | 115 | 84 | 95 |
| Egypt | 116 | 98 | 128 | 67 | 118 |
| Algeria | 121 | 112 | 127 | 98 | 111 |
| Mauritania | 131 | 107 | 125 | 133 | 133 |

*Source: The Global Enabling Trade Report 2016, World Economic Forum*

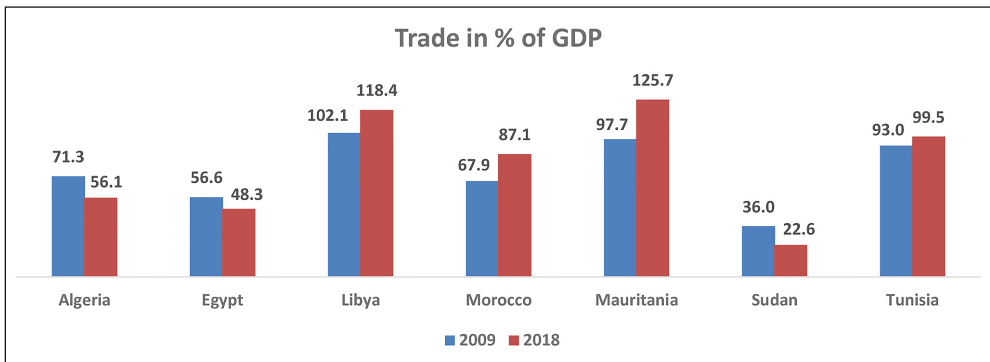
### *Trade Openness in North Africa*

Most of the North African countries depend highly on trade. Thus, major economic shocks or prices in the international market severely affect the economies of these countries. Export diversification is an important issue face by these countries. Most of these countries have limited agrarian resources and thus their exports consist mainly of mineral oils and mineral fuels. Due to lack of product diversification in exports, a slight setback to the exports can create high debt and affect the fiscal stability of the economy. Product quality and export diversification have improved in recent years in Morocco and Tunisia, but have been broadly static in Mauritania and deteriorated in Algeria. Exports of Algeria, Libya, and

Mauritania are highly concentrated. In Algeria and Libya, mineral fuels accounted for over 90 percent of total exports. Mauritania's exports are dominated by primary commodities such as minerals, metals, and fisheries. In contrast, Morocco and Tunisia have a more diversified export base including manufacturing (chemicals, machinery, and equipment parts), agriculture, and services (tourism, financial, medical).[23]

The ratio of trade to GDP is an indicator of 'trade openness' of a country. It refers to the external orientation of a given country's economy. Trade includes exports and imports of goods and services. Among the North African countries, Mauritania and Libya have trade to GDP ratios which are over 100 percent **(Chart 3.3)**. In terms of export to GDP, Libya is majorly depended on export revenues, with an export-GDP ratio of 60.4 percent in 2018. Libya is followed by Tunisia, with an export-GDP ratio of 43.5 percent, Mauritania 43.2 percent, Morocco 38.3 percent, Algeria 22.6 percent and Egypt 18.9 percent. Sudan has the lowest export-GDP ratio at 10.2 percent.

**Chart 3.3: Trade Openness of North African Countries, 2018**




*Source: World Development Indicators, World Bank*

### *Intra-regional Trade in North Africa*

Regional integration is a key aspect of the economic development of the countries of North Africa. Afrobarometer, in its 2016 regional integration survey analyzed regional integration among 36 African countries[24], and found that support for cross-border movement of people across North Africa remained the lowest.

[23]Economic Integration in the Maghreb: An Untapped Source of Growth, IMF, 2018

[24]The Afrobarometer is a Pan-African, independent research network that measures public attitudes on economic, political and social matters. https://afrobarometer.org/sites/default/files/publications/Dispatches/ab_r6_dispatchno91_regional_integration_in_africa_en.pdf

Five North African countries were included in the survey, where support for free movement across borders remained lowest in Egypt at 31 percent, followed by Tunisia and Morocco with 40 percent, and Algeria and Sudan with 41 percent support. Around 46 percent of people in North Africa perceived difficulty in crossing international borders.

Intra-regional trade of North African countries remains small compared to its trade with rest of the world. In 2009, intra-regional exports accounted for 4.3 percent of total exports of North African countries. In 2018, the share of intra-regional exports in total exports of the region has improved to 5.2 percent. In case of Sub-Saharan Africa, this share has improved from 17.2 percent in 2009 to 17.6 percent in 2018. In case of intra-regional imports, North Africa's share has improved from 3.9 percent in 2009 to 4.3 percent in 2018, while that of Sub-Saharan Africa declined marginally to 19.3 percent from 19.6 percent.

Intra-regional trade was dominated by a few flows of goods: gas and oil exports from Algeria to Morocco and Tunisia; iron, steel, and clothing from Morocco to Algeria; iron and steel from Tunisia to Algeria; and animal and vegetable oil from Tunisia to Libya. Some important exportable commodities do not enter the intra-regional trade flow at all. For example, cars and their parts from Morocco, fertilizers from Algeria, seafood from Mauritania, and electric semi-conductors from Tunisia are not traded regionally on a meaningful scale.[25]

An important reason for low intra-regional trade is the low trade complementarity between countries in the region. For instance, five countries in the region - Algeria, Egypt, Libya, Sudan and Tunisia are well-endowed with oil reserves and oil remains a significant export of these countries. Intra-regional trade in North Africa is also fractured by divisions between Algeria and Morocco and the two countries have faced each other in a military stand-off multiple times in the past.

Recent attempts to diversify trade to Sub-Saharan Africa, and the emergence of China as a major export market have also limited intra-regional trade. North Africa is actively seeking closer trade ties with Sub-Saharan Africa, led by Morocco, which has successfully stepped up its presence in North Africa in recent years. In 2017, Morocco applied to join the West-African trade bloc ECOWAS, and became an in-principle member of ECOWAS in the same year. Tunisia joined COMESA, its East-African counterpart in 2018. Trans-Mediterranean trade is extensive, and Algeria, Egypt, Morocco and Tunisia have free-trade agreements

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[25]Economic Integration in the Maghreb: An Untapped Source of Growth, IMF, 2018

with the EU. These countries face lower tariffs with Europe than when trading among themselves. In addition to tariff barriers, intra-regional trade also faces multiple non-tariff impediments. Average cost to export among countries in the region is one of the highest in the world and varies substantially across the region.

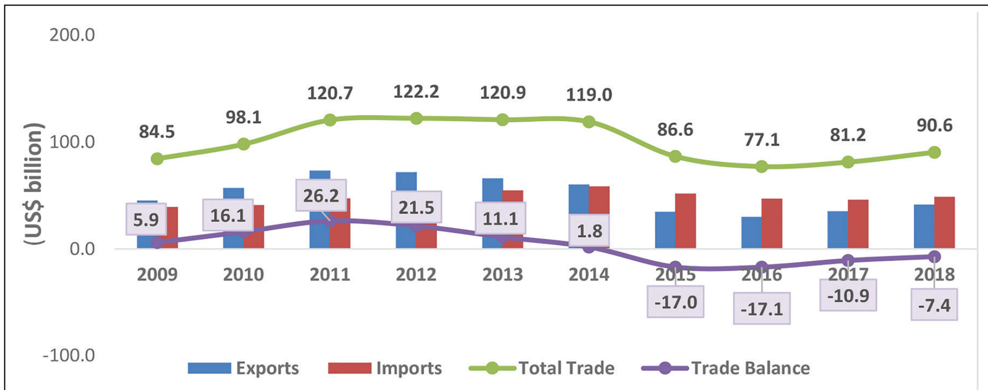
Egypt is among the leading diversified and industrialised economies in Africa. According to Africa Trade Report, 2019, Egyptian authorities are looking to further boost trade with the region and Africa, drawing on the strength of its industrial and manufacturing base, as industrial products account for the major share of cross-border trade.Trade facilitation measures, such as the development of infrastructures, improved border management and removal of non-tariff barriers can contribute to promoting trade within North Africa. Implementing these measures requires the political will to introduce reforms to remove obstacles and support economic operators.

**Algeria**

Algeria is a member of the AMF, League of Arab States, the Maghreb Arab Union (MAU), the Organization of Arab Petroleum Exporting Countries (OAPEC) and OPEC. It is also an active member in African Union and the New Partnership for Africa's Development (NEPAD) initiative. Algeria, though, not a member of the World Trade Organisation (WTO) has made substantial progress in amending its trade regime and expressed strong support for the country's prompt accession to the WTO.

Algeria has substantial trade, but is extremely reliant on hydrocarbon exports. Algeria contributes to 27.2 percent of the total exports of the North Africa region, while accounting for 0.2 percent of world exports as of 2018. Its share in the world imports is only 0.3 percent while that in the North Africa was 21.6 percent in 2018. Total exports of the country increased by 18.3 percent to US$ 41.6 billion in 2018 from US$ 35.2 billion in 2017. Meanwhile, imports of the country witnessed a growth of 6 percent to US$ 49 billion in 2018 from US$ 46.1 billion in 2017. Algeria has not been able to limit its spending on imports despite import restrictions on few goods, including cell phones, home appliances, raw materials, some foodstuffs and other products, in 2018 (the broad ban on imports has been replaced with higher customs duty in 2019). Algeria has a negative trade balance of US$ 7.4 billion in 2018, a decline from US$ 10.9 billion deficit in 2017 **(Chart 3.4)**.

**Chart 3.4: Foreign Trade of Algeria, 2009-2018**




*Source: ITC Trade Map and Exim Bank Analysis*

Mineral fuels, mineral oils and products of their distillation accounted for 94.3 percent of the country's exports in 2018. Other commodities like fertilizers and inorganic chemicals constitute a very small percent of total exports. The major export destination of Algeria in 2018 include Italy, Spain, France, USA and UK with a share of 16.2 percent, 13.5 percent, 11.8 percent, 11.5 percent and 7.0 percent, in Algeria's exports, respectively. Other major export partners are Brazil, South Korea, and India. The Algerian government is initiating measures to open trade and encourage inward investment especially from the western countries. Algeria hopes to improve its manufacturing sector by establishing strong ties with foreign multinational companies to improve their exports. Export diversification by facilitating non hydrocarbon exports requires proper implementation of new and existing structural reform programmes in the country.

The major commodities imported by Algeria in 2018 include capital goods like machinery, mechanical appliances, consumer goods and foodstuffs, along with iron and steel. Machinery and mechanical appliances accounted for 14.4 percent of total imports of Algeria in 2018, followed by vehicles (9.4 percent), electrical machinery (6.4 percent), petroleum products (6.3 percent), and cereals (5.6 percent). The country's major sources of imports are China, France, Russia, Spain and Italy, with shares of 16.2 percent, 12.7 percent, 9.8 percent, 8.2 percent and 7.5 percent, respectively in 2018. The other import partners are Germany, Turkey, Argentina and USA.

Over the years, Algeria has gotten into a number of trade agreements for improving its trade relations. The European Union-Algeria Agreement Association signed in 2002 is one such attempt to improve trade between the two partners.

European Union is Algeria's main trading partner, with a 51.7 percent share in its trade and also the main export destination and import supplier. Since Algeria has a Free Trade Agreement with the EU which already grants preferential treatment to its exports to the EU, Algeria has stopped benefiting from Generalised Scheme of Preferences (GSP) treatment since January 2014.

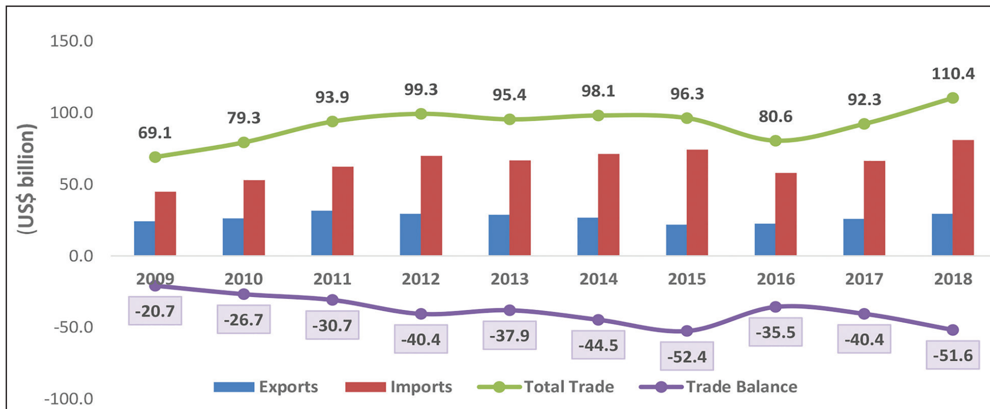
**Egypt**

Egypt has signed a number of trade agreements over the years, the General Agreement on Tariffs and Trade (GATT), the General Agreement on Trade in Services (GATS), Agadir Free Trade Agreement, European Union-Egypt Free Trade Agreement (Association Agreement), Free Trade Agreement with EFTA States, Turkey-Egypt Free Trade Agreement, GAFTA, Egyptian-European Mediterranean Partnership Agreement, COMESA, Southern Common Market (MERCOSUR) – Egypt FTA, and AfCFTA being some of them.

Egypt has also signed bilateral trade agreements with the neighboring nations including Libya, Morocco, and Tunisia, however, its intra-trade in the North Africa region has not shown significant improvements. EU is Egypt's most important trading partner, both for import and export. Over the years, it has been observed that imports of Egypt are increasing much faster as compared to its exports. Egypt aims to become a leading industrial economy in the Middle East and North Africa region and a main export hub for medium-technology manufactured products by 2025. Egypt is the entry point to the Pan-Arab Free Trade Area and COMESA. According to Africa Trade Report, 2019, Egypt has indicated its commitment to help in capacity building in other countries in the region as they seek to upgrade and promote the development of higher-productivity sectors, including manufacturing and high-end services.

Total Trade of Egypt has witnessed a 19.6 percent increase from US$ 92.3 billion in 2009 to US$ 110.4 billion in 2018. The exports of Egypt in 2018 were around US$ 29.4 billion which has increased from US$ 25.9 billion in 2017 **(Chart 3.5).** Over the years, the trends in export of Egypt has remained largely stagnated. Exports are still not reflecting the potential of the country's natural resources. Egypt's contribution to the total exports of North Africa is 19.2 percent in 2018, while its share in world exports was only 0.2 percent.

**Chart 3.5: Foreign Trade of Egypt, 2009-2018**




*Source: ITC Trade Map and Exim Bank Analysis*

In 2018, mineral oils and petroleum accounted for 24.5 percent of total exports of Egypt, though the share has reduced significantly over the years as emphasis was given to the promotion of export of other industrial products. Plastic is another important commodity of export to Egypt as it accounts for 6.1 percent of total exports. Electrical machinery (5.3 percent of total exports), natural or cultured pearls, precious or semi-precious stones (5 percent), edible fruits and nuts (4.8 percent), and fertilizers (4.7 percent) are some other major products that have contributed to the total exports of the country.

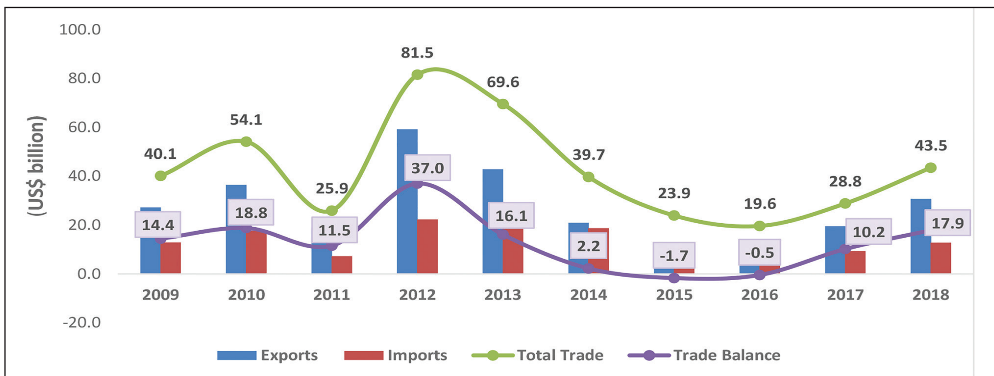
Egyptian exports are likely to benefit from the lifting of a ban on agricultural exports to Sudan. Sudan is a major export destination of Egypt among African countries. The major export destinations of Egypt include Italy (accounting for 7 percent of total exports of Egypt), Turkey (6.9 percent), UAE (6.8 percent), USA (5.9 percent), Saudi Arabia (4.9 percent), and UK (4.6 percent).

The total merchandise imports of Egypt increased enormously in 2018 to US$ 81 billion as compared to US$ 66.3 billion in 2017. Egypt is the major importer in North Africa, with a 35.9 percent share in North Africa's total imports, and its share in the world imports stood at 0.4 percent as of 2018. The major sources of imports for Egypt in 2018 include China (14.2 percent of total imports by Egypt), Saudi Arabia (7 percent), USA (6.7 percent), Russia (6 percent), and Germany (5.1 percent). The major commodities imported by Egypt include, mineral fuels, mineral oils and bituminous products (17.4 percent), electrical machinery and equipment (8.3 percent), machinery, mechanical appliances and devices (8 percent), vehicles other than railway or tramway (5.9 percent), cereals (5.6 percent), iron and steel (5.5 percent), and plastic and articles (4.8 percent).

### Libya

Libya is an upper middle-income country heavily dependent on hydrocarbon with limited private sector initiative. Libya is a part of GAFTA, AMU, CEN-SAD, AfCFTA and COMESA. It has bilateral trade agreements with its neighboring countries, Morocco in the North Africa region and Jordan. Libya is the only Mediterranean country - except for Syria – that has not yet concluded a Free Trade Agreement with the EU. Libya is also not a WTO member, and negotiations for Libya's accession to the WTO started in 2004. Libya has long enjoyed a favorable trade balance because of exports of crude oil, mostly to Europe.

**Chart 3.6: Foreign Trade of Libya, 2009-2018**




*Source: ITC Trade Map and Exim Bank Analysis*

The total exports of Libya is valued at US$ 30.7 billion in 2018, increasing sharply by over 57 percent from US$ 19.5 billion in 2017. The economy of Libya remains highly dependent on hydrocarbon exports. The exports are a major contribut or for the GDP growth of the nation. The exports dropped significantly during 2013-2016 due to political issues, affecting hydrocarbon production. The major export commodities of Libya are crude oil, petroleum gas and oil which accounted for 95.7 percent of total exports. The product diversification of Libya with respect to exports is considered low. The other commodities exported to certain extent are pearls, precious or semi-precious stones, iron and steel, and copper and articles, along with fertilizers.

The major source of revenue for Libya is from manufacturing and exporting minerals. Libya's contribution to total exports of North Africa is around 20 percent while that in the world is 0.2 percent. As Libyan economy is closely linked to volatile oil revenues, it was impacted by a drop in the oil production in the first half of

2018 and the subsequent disruption over June-July in the aftermath of temporary control of the oil fields in the east of the country by militias. Production fell to as low as 500,000 barrels per day (bpd) during that period, but has recovered since, to rise to nearly 1.3 million in November, its highest in five years.

The share of Libyan mineral fuels in the world market is 1.2 percent, and the country ranked 30th among mineral fuel exporters globally in 2018. The major export destinations of Libya in 2018 include Italy (16.1 percent of total exports of Libya), China (15.5 percent), Germany (13.3 percent), Spain (13.0 percent), France (8.7 percent), and USA (4.7 percent). Most of the major export destinations are part of European Union, even though Libya does not have a trade agreement with EU. The exports of Libya, however, are affected by political and security issues affecting the mining and manufacturing of minerals. The export products of the country has limited competitiveness in the global market and require diversification.

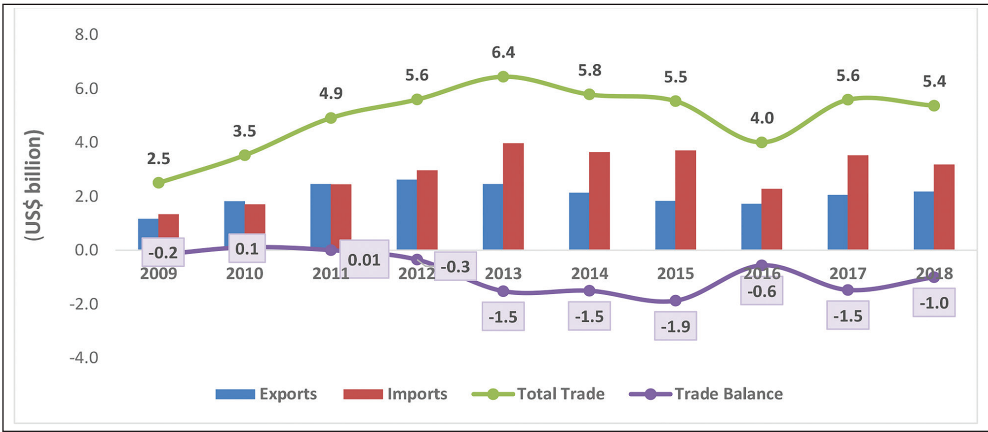
Imports of Libya witnessed a 38.7 percent increase in 2018 to US$ 12.9 billion from US$ 9.3 billion recorded in 2017. Libya does heavily depend on imports of consumer goods and intermediate products. The imports of Libya in 2018 majorly constitute of mineral oil products (16.7 percent of total imports of Libya), electrical machinery (12.1 percent), vehicles and transport equipment (6.0 percent), machinery (5.7 percent), cereals (4.9 percent), and pharmaceutical products (4.0 percent). The major import suppliers of Libya include Turkey, accounting for 11.7 percent of total imports in 2018, UAE (11.3 percent), China (11.2 percent), Italy (11.1 percent), Spain (5.6 percent), and Egypt (5.0 percent). With sharp increase in exports, Libya's trade surplus has increased to US$ 17.9 billion in 2018 from US$ 10.2 billion in 2017 **(Chart 3.6).**

### Mauritania

Mauritania is member of the League of Arab States and the Arab Maghreb Union. It is also part of the Cotonou Agreement between the EU and the African, Caribbean and Pacific Group of States. It also signed economic and commercial agreements with many Arab, African, Asian and European Countries. Being a Least Developed Country (LDC), Mauritania benefits from the Enhanced Integrated Framework, the Aid for Trade and other trade initiatives, but the benefits so far have been limited.  It is also a member of WTO since 1996. The country signed an Association Agreement with ECOWAS in August 2017; the regional Economic Partnership Agreement between West Africa and the EU in September

2018 and is a signatory of the African Continental Free Trade Agreement. Mauritania used to be a beneficiary under African Growth and Opportunity Act (AGOA), but has been suspended from AGOA preferences since beginning of 2019. Regarding the production of liquefied natural gas, an agreement has been reached between Mauritania and Senegal on equal distribution of revenues from operating the Grande Tortue Ahmeyim (GTA) offshore platform, planned for 2021.

**Chart 3.7: Foreign Trade of Mauritania, 2009-2018**




*Source: ITC Trade Map and Exim Bank Analysis*

Mauritania has the lowest contribution to the total exports of North Africa, with a marginal share of 1.4 percent of total exports of the region. Its contribution to world exports is only 0.01 percent. Mauritania's exports are estimated to have increased by 6.2 percent to US$ 2.2 billion in 2018 from US$ 2.1 billion in the previous year. Imports, however, decreased by 9.8 percent to record an estimated US$ 3.2 billion in 2018 from US$ 3.5 billion in 2017. The share of Mauritania's imports in the total imports of North Africa is a meagre 1.4 percent and globally it is 0.02 percent which is very low compared to other countries in the region. Subsequently, Mauritania's trade deficit narrowed to an estimated US$ 1 billion in 2018, compared to US$ 1.5 billion in 2017, due to increased fishing and gold exports' revenues and a stabilization of imports (lowering of imports in equipment in mining sector) **(Chart 3.7).**

The country has limited agrarian resources, but contains extensive mineral deposits, most notably iron ore but also copper and gold. Mauritania's coastal waters are among the world's richest fishing grounds, and the country benefits from a fishing agreement with the European Union. As a result, Mauritania's main

source of foreign revenue comes from exporting fish and iron ore. Major commodities exported by the country are iron ore, fish and frozen fish products, gold and copper along with crude oil. The share of mineral exports by the country remains very low as compared to other countries.

As Mauritania's coastal belt is a rich fishing ground, fish, crustaceans and molluscs accounted for 41 percent of total exports in 2018. The other major export items in 2018 included ores, slag and ash (33.6 percent), pearls, precious or semi-precious stones and metals (15.3 percent), residues and animal fodder (7.0 percent), and animal or vegetable fats and oils (2.1 percent). Mauritania benefits from its fishing agreement with EU. The major destinations of Mauritania's exports in 2018 were China (30.0 percent of total exports), Switzerland (14.9 percent), Spain (14.2 percent), Japan (8.5 percent), Russia (6.3 percent) and Côte d'Ivoire (4.3 percent).

Mauritania does not have extensive agrarian resources and thus depends heavily on food import. The major commodities imported include machinery and equipment, petroleum products, capital goods, foodstuffs, and consumer goods. Around 32.8 percent of imported commodities in 2018 are mineral fuels, oils and distillation products. Other major import items in the same year included machinery and mechanical appliances (16.6 percent), cereals (6.6 percent), articles of iron and steel (4.7 percent) and vehicles other than railway and tramway (4.3 percent). The main origins of Mauritania's imports in 2018 were UAE (14.4 percent of total imports), Spain (11 percent), Belgium (10.9 percent), China (7.6 percent), and UK (6.2 percent).

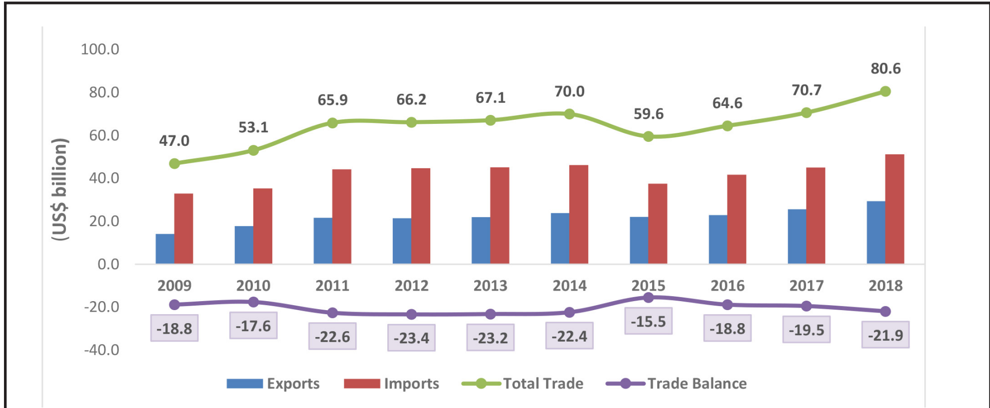
**Morocco**

Morocco is a member of the WTO since 1995, and also a member of various regional trade agreements such as AMU, GAFTA, and the Arab-Mediterranean Free Trade Agreement. The Kingdom has signed bilateral Free Trade Agreements with regional groupings such as the European Free Trade Association (EFTA), the European Community (EC), and the United States. Morocco also formally applied to join the ECOWAS in 2017 and is a signatory of AfCFTA.

Morocco majorly depends on the revenue received from exports, though low value-added exports are a major issue. The total exports of the country cover around just 50 percent of the imports, leading to the country being affected by the international market price volatility. Morocco accounts for 19.1 percent of total

exports of North Africa and 0.2 percent of global exports. In terms of imports, 22.7 percent of total North African imports are by Morocco, though its global imports share is a marginal 0.3 percent. Morocco has a structurally negative trade balance, which continues to deplete its foreign exchange reserves.

**Chart 3.8: Foreign Trade of Morocco, 2009-2018**




*Source: ITC Trade Map and Exim Bank Analysis*

Exports have increased over the years, and in 2018 the total exports stood at US$ 29.3 billion increasing from US$ 25.6 billion during 2017. Morocco has taken the effort to implement new initiatives to improve its export contribution to the GDP. Food industry is a strategic sector for Morocco's economy, with agri-business benefitting from government subsidies. Morocco has unrealized export potential outside its home region, notably to Sub-Saharan Africa and Europe. Morocco is emerging as Africa's leader in automotive production, leaving South Africa behind and is on the fast track to becoming a global manufacturing hub for cars as well as automotive part. It is also a key supplier for world-renowned automobile factories, including Ford. Morocco's balanced automotive market managed to attract several renowned automotive firms, including the Renault and Peugeot. Morocco has also become a major aerospace industry manufacturing platform. The aerospace manufacturers including Boeing, Bombardier, Daher, Safran, and Thales have established operations in Morocco.

Electrical machinery and equipment constitute 16.8 percent of total exports of Morocco, followed by vehicles (13.2 percent), fertilizers (10.8 percent), clothing and textiles (8.6 percent), and inorganic chemicals (5.1 percent). Other major export commodities are marine products, edible vegetables, citrus fruits, and phosphates. The major export destinations of the country are Spain (accounting

for 23.6 percent of total exports), France (21.8 percent), USA (4.7 percent), Italy (4.3 percent), and India (3.7 percent).

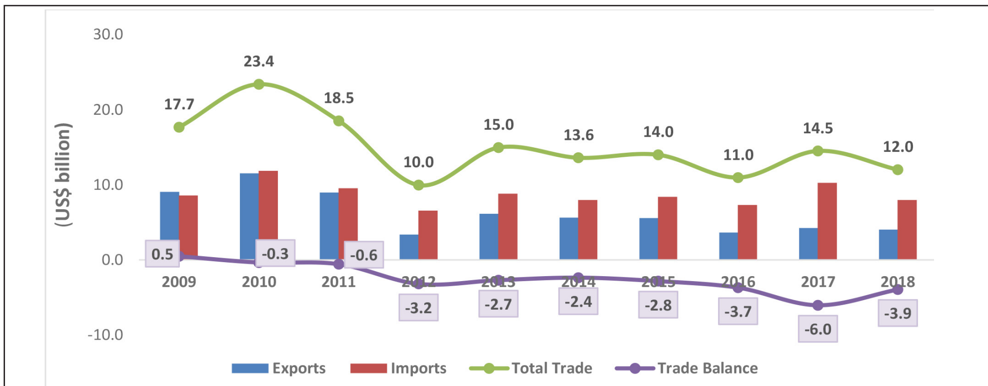
Morocco's imports increased from US$ 45.1 billion in 2017 to US$ 51.3 billion in 2018 **(Chart 3.8).** Unlike the other countries in the region, Morocco's hydrocarbon reserves are still to be fully exploited, thus, making it a major import commodity, accounting for 17.1 percent of total imports of the country in 2018. Among hydrocarbon products, it imports petroleum oil products and gas. Other major import items include machinery and mechanical appliances (10.2 percent of imports), vehicles (10 percent), electrical machinery and equipment (9.6 percent), plastics and articles (4.1 percent), and cereals (3 percent). The top import suppliers of the country are Spain (15.8 percent of imports), France (11.9 percent), China (9.8 percent), USA (7.9 percent), Italy (5.6 percent), and Germany (4.9 percent).

**Sudan**

Sudan is generally open to trade and in the recent years has been taking efforts to improve exports of non-oil products. Sudan's recent trade policies are aimed at expanding its export base, reinforcing competitiveness in the export of non-oil products and opening new exports markets to encourage more foreign direct investment. Sudan's economy boomed on its oil exports and high oil prices in the global market and inflow of FDI before the succession of South Sudan. The trade was severely hampered after the split and Sudan since then, has been trying to stabilize the trade. Currently, Sudan is the world's biggest exporter of live sheep and goats, accounting for nearly 30 percent of the global exports. Sudan has long had an adverse foreign trade balance, as the trade has been negatively influenced by political and security issues.

Sudan is a member of COMESA, GAFTA and 'Counsel of Economic Unity' and is a signatory to AfCFTA. Sudan is yet to become a member of the WTO, and is in the process of WTO accession talks. Sudan also has various bilateral agreements with a number of countries. After the July 2011 secession of South Sudan, the country undertook ongoing efforts to diversify its economy, as the southern region of the country had been responsible for about three fourths of the former Sudan's total oil production. The oil sector had driven much of Sudan's growth since it began exporting oil in 1999, and now, oil earnings have a far lower share in the country's economy.

**Chart 3.9: Foreign Trade of Sudan, 2009-2018**




*Source: ITC Trade Map and Exim Bank Analysis*

The exports of Sudan witnessed a marginal fall from US$ 4.2 billion in 2017 to US$ 4.0 billion in 2018, mainly due to decline in exports of live animals. Sudan accounted for 2.6 percent of North Africa's exports in 2018, while its share in global exports was marginal at 0.02 percent. Sudan is the largest producer of gum Arabic which is a natural gum consisting of the hardened sap of various species of the acacia tree, making it an important export commodity.

Mineral fuels and mineral oils accounted for 26.8 percent of exports of Sudan, closely followed by pearls, precious or semi-precious stones and metals with a 25.7 percent share in Sudan's exports. Other major exported items in 2018 include oil seeds, oleaginous fruits, and miscellaneous grains and seed accounting for 19.9 percent of total exports, followed by live animals (13.8 percent), cotton (2.9 percent), and gum specifically gum Arabic accounting for 2.9 percent share. The top export destinations of Sudan include UAE (accounting for 27.3 percent of total exports), India (18.7 percent), China (16.6 percent), Saudi Arabia (14.0 percent), Indonesia (6.0 percent), and Egypt (5.2 percent). Sudan aims to become a net crude exporter by 2023 as it invites foreign oil companies to invest upstream and plans a US$ 6 billion Red Sea refinery. Sudan has also signed an oil deal with South Sudan to co-operate to boost production and as per the agreement South Sudanese oil industry professionals will receive training in Sudan, with other agreements in place to allow for exports via Khartoum.

Similarly, Sudan's imports also decreased from US$ 10.3 billion in 2017 to US$ 8 billion in 2018, due to a decline in almost all major import items **(Chart 3.9).** Sudan accounted for 3.5 percent of North Africa's imports, while it accounted

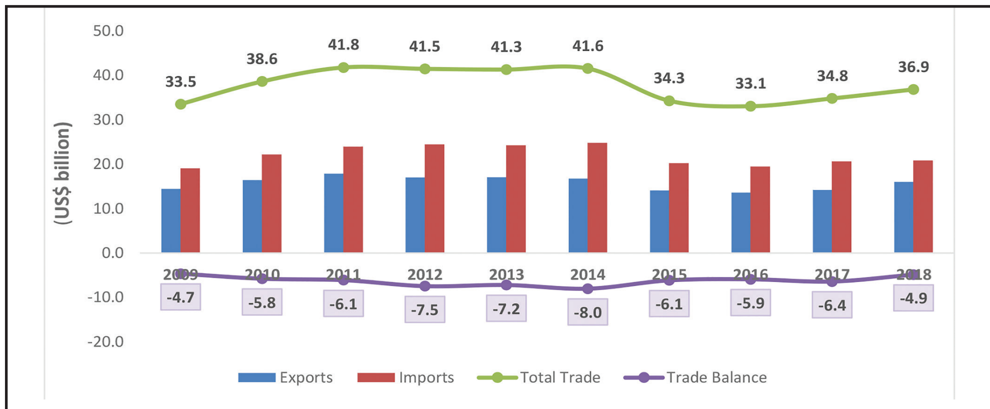
for a marginal 0.04 percent of global imports in 2018. China is the major source of imports of Sudan, accounting for 23.6 percent of total imports in 2018. China is followed by UAE (11.2 percent of imports), India (10.0 percent), Saudi Arabia (8.2 percent), Russia (6.4 percent), Uganda (5.2 percent), Egypt (5.0 percent) and Turkey (4.6 percent). The major commodities that Sudan imports include machinery and mechanical appliances, accounting for 12.6 percent of imports, cereals with a share of 8.1 percent, vehicles (7.6 percent), electrical machinery (6.5 percent), sugar and confectionery (6.1 percent), plastic and articles (5.4 percent), pharmaceutical products (4.6 percent), and iron and steel (3.6 percent).

**Tunisia**

Tunisia's economy depends on exports and the country has witnessed significant improvements in trade conditions over the years. Tunisia is the member of WTO since 1995 and enjoys strong trade ties with many countries. The trade sector in Tunisia has undergone changes including establishment of unilateral tariff liberalization, reform of import procedures and removal of quantitative import restrictions. The country has dismantled all tariffs on imports of industrial goods from European Union under its Association Agreement with the EU. They have a similar agreement with the Arab countries under GAFTA. Tunisia enjoys strong international relations with Europe, the wider Arab region and Sub-Saharan Africa. Tunisia is also a member of the league of Arab States, the Maghreb Arab Union and the African Union. The European Union is Tunisia's main trading partner, accounting for more than three fourth of its exports and more than half of its imports. It is also a signatory of AfCFTA.

Tunisia's trade balance is structurally negative. Total exports of Tunisia increased by 12.6 percent in 2018 to US$ 16.0 billion as compared to US$ 14.2 billion in 2017. Electrical machinery and electrical equipment remains the major export item of the country, accounting for 26.1 percent of exports in 2018. Other major export commodities include articles of apparel and clothing accessories (21.1 percent of exports), mineral fuels, oils and products (7.1 percent), and animal or vegetable fats and oil (5.3 percent). Tunisia has substantial phosphate deposits and is the sixth largest exporter of phosphates in the world. Recent protests and demonstrations against unemployment in the main producing region of Gafsa has affected phosphate exports in 2018. With an average production of 190,000 tons, Tunisia is currently world's third largest olive oil producer, behind Spain and Italy.

**Chart 3.10: Foreign Trade of Tunisia, 2009-2018**




*Source: ITC Trade Map and Exim Bank Analysis*

Major export destinations of Tunisia in 2018 include France, accounting for 33.2 percent of total exports, Italy (18.3 percent of exports), Germany (13.1 percent), and Spain and USA (4.2 percent each). Tunisia accounted for 0.08 percent of global exports and 10.4 percent of North Africa's exports in 2018. Tunisia has focused on bolstering exports, foreign investment and tourism all of which has become a central part of the country's economy.

The imports of Tunisia increased marginally to US$ 21.1 billion in 2018 as compared to US$ 20.6 billion in 2017 **(Chart 3.10).** Tunisia's share in global imports is 0.1 percent while its share in imports of North Africa was 9.2 percent as of 2018. The major imported commodities include mineral fuels and mineral oils (14.8 percent of Tunisia's imports), electrical machinery and equipment (14.4 percent), machinery and mechanical appliances (9.0 percent), plastic and articles (6.0 percent), vehicles (5.9 percent), iron and steel (3.6 percent) and cereals (3.4 percent).

Italy remains the major source of Tunisia's imports, accounting for 19.6 percent of total import commodities as of 2018, followed by France (18.8 percent of imports), Germany (8.5 percent), China (6.8 percent), Spain (4.8 percent), and Turkey (4.3 percent).

Export diversification in North African countries has been limited, with most countries in the region relying heavily on a few export commodities including energy products and a limited range of Mediterranean agricultural products. Majority of exports are concentrated towards a few countries and mostly to EU as a region.

High concentration of exports in primary commodities and high concentration of export markets, have made the region vulnerable towards volatile global prices. Though most countries have undertaken diversification policies, the diversification level remains quite low compared to other resource-rich countries globally. Moreover, exports are generally produced with low skill, low technology and having limited value addition. Hence, economic diversification remains a policy imperative for North African countries. Low regional integration is another barrier to trade, which has to be deepened through trade facilitation measures such as reducing cost of trading across borders. Investments in trade-related infrastructure and logistics would support diversification into non-resource intensive activities, such as manufacturing and services, as well as reduce delays and improve market access.

# 4. Foreign Direct Investment in North Africa

Most of the North African countries are considered attractive destinations for foreign direct investment (FDI), although, the region has limited presence as a foreign investor globally. The special economic zones (SEZs) have been a major source of attracting investment and promoting growth in the North African countries. Most of the North African countries have adopted various pro investment laws in the recent years. These countries are actively taking the efforts to attract investment from Western countries along with European nations. The FDI inflow in North Africa has shown an upward trend along with ups and downs over the years. A few North African countries also severely depend on FDI inflows due to heavy debt situation.

**Current Trends in FDI Flows**

North Africa faces various constraints on competitiveness and the growth of the region to some extent has been undermined by weak infrastructure, political instabilities and poor governance. Increased FDI flows could act as a strong external growth driver for the region.

In 2018, North Africa accounted for 30.9 percent of total investments to Africa. FDI inflows to North Africa increased by 2.4 percent in 2018 to US$ 14.2 billion, from US$ 13.9 billion in 2017, due to elevated investments in most countries of the region **(Table 4.1).** Proximity to the European Union gives a unique advantage to North African countries in attracting FDI.

Egypt continued to remain the largest FDI recipient in Africa in 2018, although FDI inflows decreased by 8.2 percent to US$ 6.8 billion compared to previous year. FDI inflows in Egypt was oriented towards the oil and gas industry, as significant discoveries of offshore gas reserves attracted investments from multinational enterprises, and the country became a net exporter of gas in January 2019. Reforms in the foreign exchange market which increased the flexibility of the exchange rate and improved competitiveness have supported FDI flows into the country. According to UNCTAD, Egypt signed at least 12 exploration and

production agreements with international oil companies in 2018. Alongside these projects, a few large foreign projects were announced in other sectors in 2018 such as upgrading Egypt's grain storage infrastructure, construction of a medical city and construction of a textile area in the Suez Canal SEZ.

Morocco is the second largest recipient of FDI inflows to the region, with FDI inflows rising by 35.5 percent to US$ 3.6 billion in 2018 from US$ 2.7 billion in 2017. Morocco benefits from a relatively stable economic performance and a diversified economy, attracting FDI in sectors such as finance, renewable energy, infrastructure and the automotive industry, among others. Political stability, strategic geographic location, and good infrastructure including a thriving port has been conducive in attracting FDI to Morocco in recent years. For instance, Tanger-Med Port of Morocco, the largest port in Africa, is located less than 10 miles from Europe and is connected by rail and highway to free zones and industrial parks.

**Table 4.1: FDI Inflows in North Africa**

**(US$ million)**

| Country | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| Algeria | 2,754 | 2,301 | 2,580 | 1,499 | 1,697 | 1,507 | -584 | 1,637 | 1,232 | 1,506 |
| Egypt | 6,712 | 6,386 | -483 | 6,031 | 4,256 | 4,612 | 6,925 | 8,107 | 7,409 | 6,798 |
| Libya | 3,310 | 1,909 | - | 1,425 | 702 | - | - | - | - | - |
| Mauritania | -3 | 131 | 589 | 1,389 | 1,126 | 501 | 502 | 271 | 587 | 71 |
| Morocco | 1,952 | 1,574 | 2,568 | 2,728 | 3,298 | 3,561 | 3,255 | 2,157 | 2,686 | 3,640 |
| Sudan | 1,726 | 2,064 | 1,734 | 2,311 | 1,688 | 1,251 | 1,728 | 1,064 | 1,065 | 1,136 |
| Tunisia | 1,688 | 1,513 | 1,148 | 1,603 | 1,117 | 1,064 | 1,003 | 885 | 881 | 1,036 |
| **North Africa** | **18,138** | **15,876** | **8,137** | **16,987** | **13,883** | **12,496** | **12,829** | **14,121** | **13,860** | **14,187** |
| Africa | 56,507 | 46,687 | 46,747 | 51,985 | 50,075 | 53,906 | 56,874 | 46,482 | 41,390 | 45,902 |
| ***Share of North Africa in Africa (%)*** | ***32.1*** | ***34.0*** | ***17.4*** | ***32.7*** | ***27.7*** | ***23.2*** | ***22.6*** | ***30.4*** | ***33.5*** | ***30.9*** |

*Note: '-' denotes not available/ negligible*

*Source: UNCTAD*

FDI flows to Algeria increased by 22.2 percent in 2018 to US$ 1.5 billion, and is mostly skewed towards oil and gas sector and automotive industry. FDI to the Sudan increased by 6.6 percent to US$ 1.1 billion in 2018, and is aimed primarily towards oil and gas exploration and agriculture. Political issues, foreign exchange shortages and expensive banking channels constrain FDI to the country, despite the lifting of major components of its sanctions by the United States.

In Tunisia, FDI inflows increased by 17.6 percent to US$ 1 billion in 2018 from US$ 881 million in 2017, with the industrial sector receiving maximum investment, followed by energy and services. France was the largest investor country in Tunisia in 2018, followed by Qatar. FDI flows to Mauritania contracted sharply by 88 percent to US$ 71 million in 2018, as compared to US$ 587 million in 2017.

North Africa has very limited global presence as a foreign direct investor. The FDI outflows from these countries have shown major fluctuations over the years. Total FDI outflows from North Africa increased sharply to US$ 2.2 billion in 2018, from US$ 1.4 billion in 2017 **(Table 4.2)**. The region accounted for 22.7 percent of total outflows from Africa in 2018. Algeria recorded the highest FDI outflows among the countries in the region, followed by Morocco, Egypt and Libya.

**Table 4.2: FDI Outflows from North Africa**

**(US$ million)**

| Country | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| Algeria | 215 | 220 | 534 | -41 | -268 | -18 | 103 | 46 | -4 | 880 |
| Egypt | 571 | 1,176 | 626 | 211 | 301 | 253 | 182 | 207 | 199 | 324 |
| Libya | 1,165 | 2,722 | 131 | 2,509 | 6 | 77 | 395 | 440 | 110 | 315 |
| Mauritania | - | 17 | 1 | -3 | 19 | 28 | - | 1 | 10 | 4 |
| Morocco | 470 | 589 | 179 | 406 | 332 | 436 | 653 | 580 | 1,021 | 666 |
| Sudan | - | - | - | - | - | - | - | - | - | - |
| Tunisia | 77 | 74 | 21 | 13 | 22 | 22 | 31 | 242 | 57 | 34 |
| **North Africa** | **2,498** | **4,798** | **1,491** | **3,095** | **412** | **798** | **1,364** | **1,516** | **1,393** | **2,223** |
| Africa | 6,390 | 10,374 | 5,305 | 12,393 | 11,119 | 10,533 | 9,654 | 9,497 | 13,252 | 9,801 |
| ***Share of North Africa in Africa (%)*** | ***39.1*** | ***46.2*** | ***28.1*** | ***25.0*** | ***3.7*** | ***7.6*** | ***14.1*** | ***16.0*** | ***10.5*** | ***22.7*** |

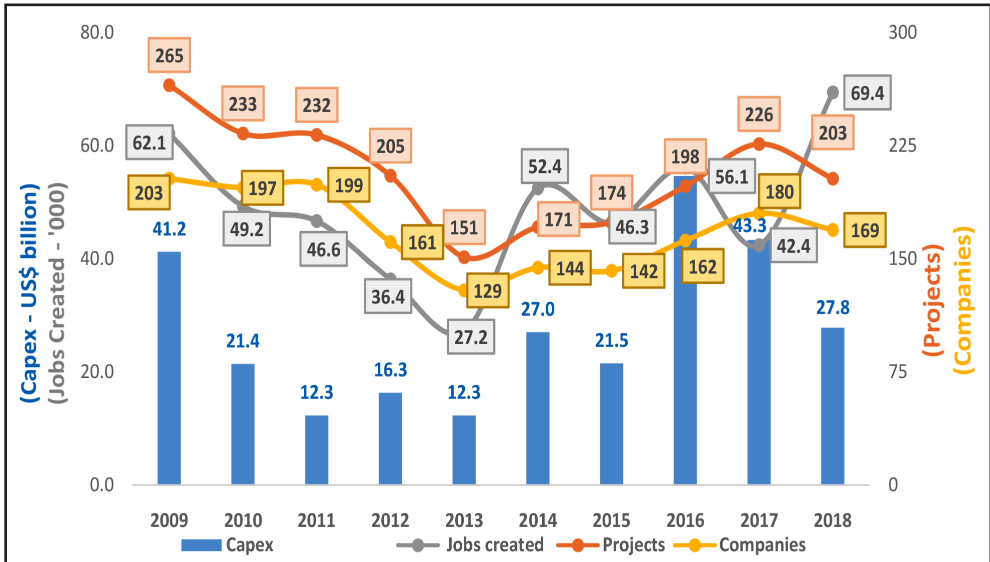
*Note: '-' denotes not available / negligible*

*Source: UNCTAD*

## North Africa's FDI Inflows - Projects, Capex and Jobs Created

According to Financial Times' fDi Markets[26], during 2009-2018 (i.e January 2009 to December 2018) envisaged capital investments in North Africa stood at a cumulative amount of US$ 277.7 billion, invested in 2,056 projects, resulting in 488,093 jobs **(Chart 4.1)**.[27]

**Chart 4.1: Envisaged FDI Inflows in North Africa**




*Source: fDi Markets.com (accessed on September 25, 2019)*

Among the North African countries, Egypt received maximum investment at US$ 179.7 billion during 2009-2018, accounting for 64.7 percent of total envisaged investment to the region. Egypt was followed by Morocco (14.2 percent), Algeria (10.9 percent) and Tunisia (5.7 percent) **(Table 4.3).** Country-wise summary of job creation, projects and companies invested in North Africa is presented in **Table 4.4.**

[26]fDi Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of me, and can channel their investment through different countries for tax efficiency.

[27]Data from fDi Markets may differ from that of UNCTAD, as fDi Markets tracks the capital investment at the date of announcement of the investment, while official data tracks FDI at the date the capital effectively crosses borders. Further, UNCTAD receives data from national authorities, whereas fDi Markets collects data from media sources, industry organisations and investment agencies as well as information from market research and publication companies.

**Table 4.3: Destination-wise Envisaged FDI Inflows in North Africa**

**(US$ billion)**

| Country | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Egypt | 21.6 | 12.7 | 6.3 | 11.1 | 5.0 | 17.6 | 14.8 | 40.6 | 37.5 | 12.5 | 179.7 |
| Morocco | 6.8 | 2.3 | 3.0 | 1.2 | 2.5 | 5.2 | 4.1 | 6.3 | 3.7 | 4.5 | 39.5 |
| Algeria | 1.5 | 1.4 | 1.3 | 2.4 | 4.2 | 0.6 | 0.8 | 7.4 | 1.4 | 9.3 | 30.2 |
| Tunisia | 7.6 | 1.6 | 1.3 | 1.1 | 0.3 | 2.1 | 0.3 | 0.3 | 0.7 | 0.6 | 15.8 |
| Sudan | 1.9 | 2.3 | 0.1 | 0.1 | 0.1 | 0.1 | 1.6 | 0.03 | - | 0.03 | 6.1 |
| Libya | 1.8 | 1.0 | 0.04 | 0.1 | 0.1 | 0.2 | - | - | - | 1.0 | 4.3 |
| Mauritania | - | 0.05 | 0.3 | 0.3 | 0.01 | 1.3 | - | 0.02 | 0.03 | - | 2.1 |
| **Total** | **41.2** | **21.4** | **12.3** | **16.3** | **12.3** | **27.0** | **21.5** | **54.6** | **43.3** | **27.8** | **277.7** |

*Note: '-' denotes not available/negligible*

*Source: fDi Markets (accessed on September 25, 2019)*

**Table 4.4: Country-wise Summary of Jobs, Projects and Companies in North Africa**

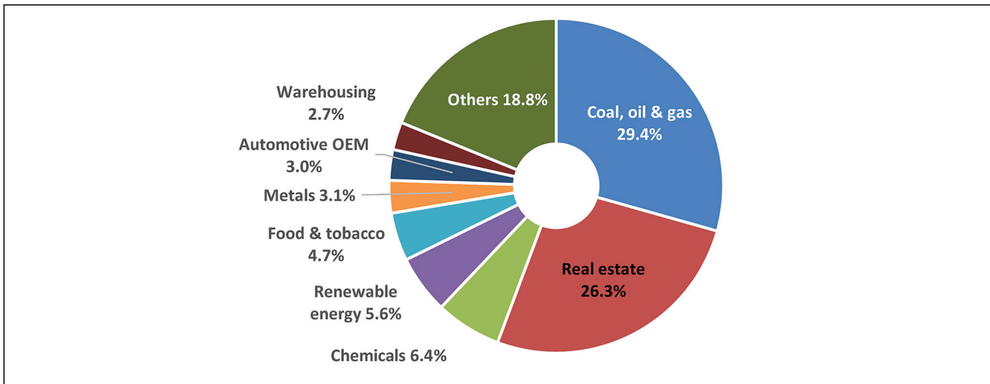
| Country | Projects | Capex (US$ million) | Jobs Created | Companies |
|---|---|---|---|---|
| Egypt | 744 | 179,747.2 | 180,585 | 501 |
| Morocco | 711 | 39,492.2 | 162,373 | 575 |
| Tunisia | 275 | 15,816.9 | 65,583 | 239 |
| Algeria | 198 | 30,203.0 | 54,206 | 164 |
| Libya | 68 | 4,264.5 | 10,145 | 65 |
| Sudan | 42 | 6,061.7 | 10,597 | 34 |
| Mauritania | 20 | 2,067.4 | 4,604 | 18 |
| **Total** | **2,058** | **277,652.9** | **488,093** | **1,596** |

*Source: fDi Markets.com (accessed on September 25, 2019)*

'Coal, oil and natural gas' sector received the maximum investment of US$ 81.5 billion during 2009-2018, followed by real estate (US$ 73.1 billion), chemicals (17.7 billion), renewable energy (US$ 15.7 billion), and 'food and tobacco sector' (US$ 12.9 billion) **(Chart 4.2).** Investments in real estate sector created maximum employment in the region. The automotive Original Equipment Manufacturers (OEM) sector created second largest job opportunity. Maximum

number of projects were in financial services sector (258 projects), business services (215 projects), software & IT services (131 projects), food and tobacco (123 projects), and textiles (122 projects). Maximum number of companies invested in business services (180), followed by financial services (119), software & IT services (104), and textiles (85).

**Chart 4.2: Major Sectors Attracting FDI in North Africa, 2009-2018**




*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

## Business Environment in North Africa

Although natural resources and primary commodities continue to remain as sectors of interest for foreign investment, consumption demand is increasingly playing a role in attracting foreign investment in Africa. For any business to thrive, the economic and political environment needs to be conducive. Two parameters "Doing Business" and "Competitiveness" have been used to analyze the business environment of the North African countries.

The World Economic Forum publishes two competitiveness reports, Global Competitiveness Report and Travel & Tourism Competitiveness Report. Global Competitiveness Index 4.0 measures the ability of a country to provide high levels of prosperity to its citizens based on the set of institutions, policies, and factors that set the sustainable current and medium-term levels of economic prosperity, and ranks countries from 1-141. The Travel & Tourism Competitiveness Report provides a strategic benchmarking tool for policy-makers, companies and complementary sectors to advance the future development of the travel & tourism sector by providing insight into the strengths and development areas of each country/economy to enhance industry competitiveness and ranks countries from 1-140.

Morocco is ranked as the 75th most competitive economy, globally and first among the North African countries by the World Economic Forum's Global Competitiveness Index for 2018. In terms of Travel & Tourism Competitiveness, Egypt ranked first in North Africa, followed by Morocco (**Table 4.5)**.

**Table 4.5: North Africa - Competitiveness Index Ranking**

| Country | Global Competitiveness Rank, 2018 | Travel & Tourism Competitiveness Rank, 2019 |
|---|---|---|
| Morocco | 75 | 66 |
| Tunisia | 87 | 85 |
| Algeria | 92 | 116 |
| Egypt | 94 | 65 |
| Mauritania | 131 | 135 |

*Source: Global Competitiveness Report 2018 and Travel & Tourism Competitiveness Report 2019, World Economic Forum*

Doing Business Report, published by the World Bank, ranks economies based on their ease of doing business, from 1–190. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. This index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic. As per the Doing Business Report 2019, Morocco is ranked first among the North African countries in terms of ease of doing business and quality of the business climate **(Table 4.6)**. It is ranked 60th globally, improving by nine places from its previous rank in 2018. Morocco is ranked the second best country for doing business in the MENA region, behind UAE and came third in Africa, behind Mauritius and Rwanda.

**Table 4.6: North Africa - Ease of Doing Business Ranking**

| Country | Rank | |
|---|---|---|
| | 2019 | 2018 |
| Morocco | 60 | 69 |
| Tunisia | 80 | 88 |
| Egypt | 120 | 128 |
| Mauritania | 148 | 150 |
| Algeria | 157 | 166 |
| Sudan | 162 | 170 |
| Libya | 186 | 185 |

*Source: Doing Business Reports – 2018 & 2019, World Bank*

Except for Libya, all countries in the North Africa region have received a higher ranking in 2019, indicating that these countries have managed to create an investment friendly environment. Some of the recent reforms undertaken by North African countries are highlighted in **Table 4.7.**

**Table 4.7: Recent Reforms Introduced by North African Countries**

| Country | Reforms Introduced |
|---|---|
| **Algeria** | • Algeria made the process for getting an electricity connection easier by streamlining internal administrative processes and by granting new licenses to vendors selling pre-built substations. |
| | • Importing made easier by implementing joint inspections between control agencies. |
| **Egypt** | • Egypt made starting a business easier by removing the requirement to obtain a bank certificate and establishing a one-stop shop. |
| | • Strengthened access to credit by introducing the possibility of granting a no possessory security right in a single category of movable assets without requiring a specific description of the collateral. Secured creditors are now given absolute priority over other claims, such as labor and tax, both outside and within bankruptcy proceedings. |
| | • Strengthened minority investors' protections by increasing corporate transparency. |
| | • The country made paying taxes easier by extending value added tax cash refunds to manufacturers in case of a capital investment. |
| | • Resolving insolvency made easier by introducing the reorganization procedure, allowing debtors to initiate the reorganization procedure and granting creditors greater participation in the proceedings |
| **Mauritania** | • Mauritania made starting a business less costly by eliminating the company deed registration fees. |
| | • Increased transparency of dealing with construction permits by publishing regulations related to construction online free of charge. |
| | • Improved credit information system by guaranteeing by law borrowers' right to inspect their personal data. |

| | |
|---|---|
| **Morocco** | • Morocco made starting a business less costly by abolishing the deed registration fee and stamp duties. |
| | • Registering property easier by increasing the transparency of the land registry and cadaster and by streamlining administrative procedures. |
| | • Morocco made exporting and importing easier by implementing a paperless customs clearance system and improving infrastructure at the port of Tangier. |
| | • Insolvency resolution made easier by facilitating the commencement of proceedings, encouraging the continuation of the debtor's business during insolvency proceedings and by making insolvency proceedings more accessible for creditors and granting them greater participation in the proceedings. |

*Source: Doing Business Report 2019, World Bank*

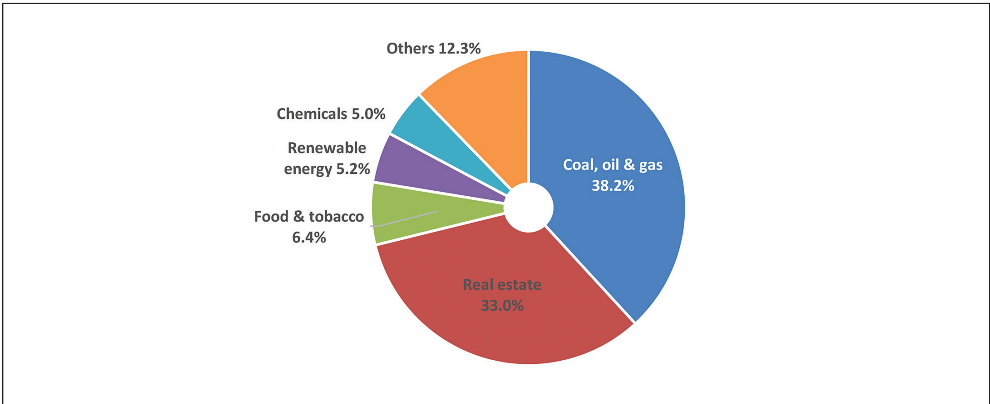
### Egypt

Egypt is the largest recipient of envisaged FDI in Africa. These inflows were mainly due to Chinese investment across light manufacturing industries in the country. The intra African Mergers and Acquisitions (M&A) was largely located in Egypt and Morocco during the past few years. The energy, mining and utilities sector are responsible for the rise in the deal value of M&A. Over the years, Egypt has come up with many laws that have helped attract FDI inflows to the country. In 2017, Egypt adopted the new 'Investment Law' with performance requirements including, labor-intensive projects and geographical location for certain investment incentives. In order to open the gas market to competition, a natural gas regulatory authority charged with regulating gas market activities was introduced by Egypt. The wide-ranging economic reforms like financial liberalization that was undertaken by Egypt has been attracting more and more investment to Egypt every year. Egypt has established two special economic zones under the SEZ Law: the Suez Canal Special Economic Zone (SCZone), which was established in 2015, and the Golden Triangle Economic Zone (GTZone), established in 2017, attracting increased FDI inflows to the country. FDI is mainly concentrated in the oil, construction, manufacturing, real estate and financial service sectors.

The major sectors attracting investment in Egypt currently are 'coal, oil and gas' sector which received total capital investment of US$ 68.6 billion, creating almost 14,213 job opportunities by 29 companies. 52 projects were undertaken in the past decade in this sector. The next sector to receive the highest investment is real estate, with capital investment worth US$ 59.3 billion, creating the highest

number of jobs over the decade at 41,919. The other significant sectors attracting investment and providing job opportunities were food and tobacco, renewable energy sector, chemicals, business services, communication and transportation, industrial equipment, plastic and tourism **(Chart 4.3).**

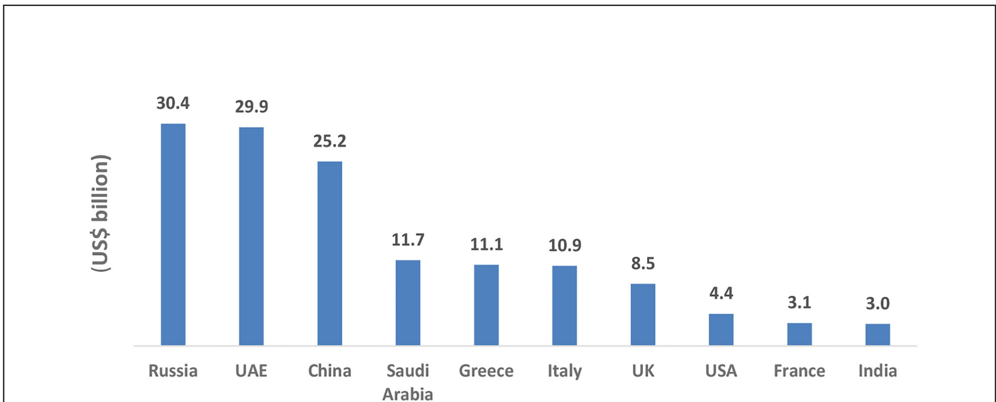
**Chart 4.3: Major Sectors Attracting FDI in Egypt, 2009-2018**




*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

Russia is the largest investor in Egypt, accounting for 16.9 percent of the investments during 2009 and 2018, followed by UAE (16.6 percent), China (14.0 percent) and Saudi Arabia (6.5 percent) **(Chart 4.4).**

**Chart 4.4: Major Sources of FDI in Egypt, 2009-2018**




*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

## Morocco

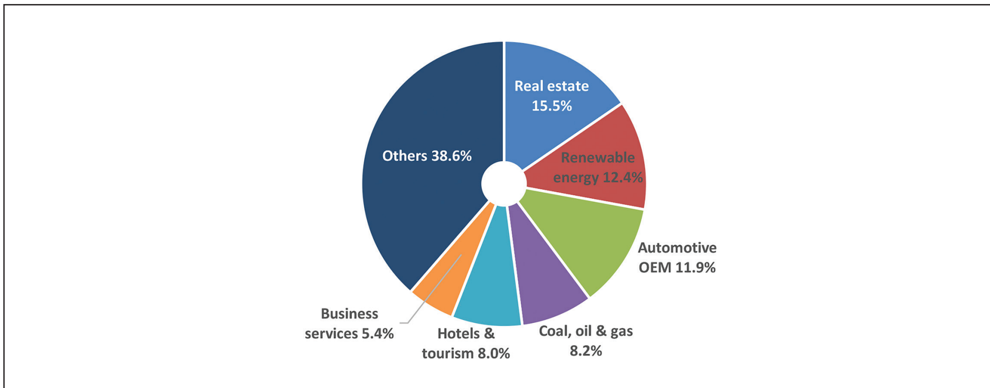
Morocco is one among the top 20 exporters among developing economies globally, having a relatively diversified exports compared to rest of the countries in the region, except Egypt. As per UNCTAD data, even when FDI inflows declined in other countries of North Africa in 2017, Morocco was on the receiving end of higher FDI inflow due to investment in the new car technologies. The Government of Morocco declared that in 2017 there were investments worth US$ 1.45 billion in 26 auto industries in the country. The deal included Renault (France) for increasing the local sourcing of components. As the banking relations with China deepened, investments in the country's financial sector also experienced an increase. The expansion of Uber (USA) operations, in both Morocco and Egypt also contributed to high FDI inflows[28]. The underlying causes behind increased investments are many; however, the new pro-investment laws adopted by the country have been of great help. The country has enacted a new Finance Law, which provides, inter alia, for corporate income tax exemptions for newly established industrial companies for a certain period, making it a favourable destination to attract new business. In 2015, Morocco created an industrial development fund to grant support to projects undertaken by firms wanting to expand with a significant structural impact on economic fabric of suppliers along with training and technological transfer, inviting investments from over the world.

FDI plays an important role in job and income creation in Morocco. Moroccan government actively gives income tax holidays, import duty exemptions and subsidies to foreign firms along with infrastructure development and monopoly rights. The Government of Morocco strongly believes that the positive spillovers resulting from the investment will outweigh the cost of subsidies.

The major sectors that have attracted maximum amount of investment in Morocco are, real estate, renewable energy sector, automotive OEM, 'coal, oil and gas' sector, hotel and tourism, business services, building materials, metals sector, warehousing and communications **(Chart 4.5).** Automotive OEM sector in the past decade has managed to create 30,818 jobs through 21 projects. The sector to receive maximum investment of US$ 6.1 billion is the real estate sector which managed to create 18,091 job opportunities from 26 projects.

[28]World Investment Report, UNCTAD

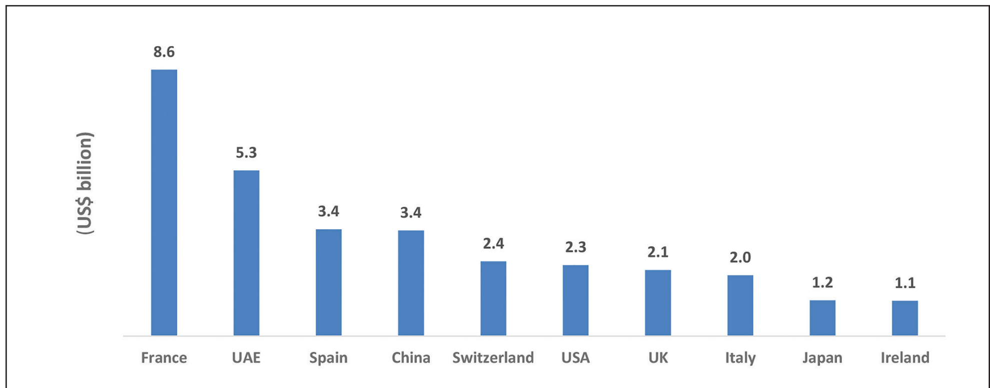
**Chart 4.5: Major Sectors Attracting FDI in Morocco, 2009-2018**




*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

France is the largest investor in Morocco, accounting for 21.8 percent of the investments during 2009 - 2018, followed by UAE (13.5 percent), Spain (8.7 percent), China (8.6 percent) and Switzerland (6.1 percent) **(Chart 4.6).**

**Chart 4.6: Major Sources of FDI in Morocco, 2009-2018**




*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

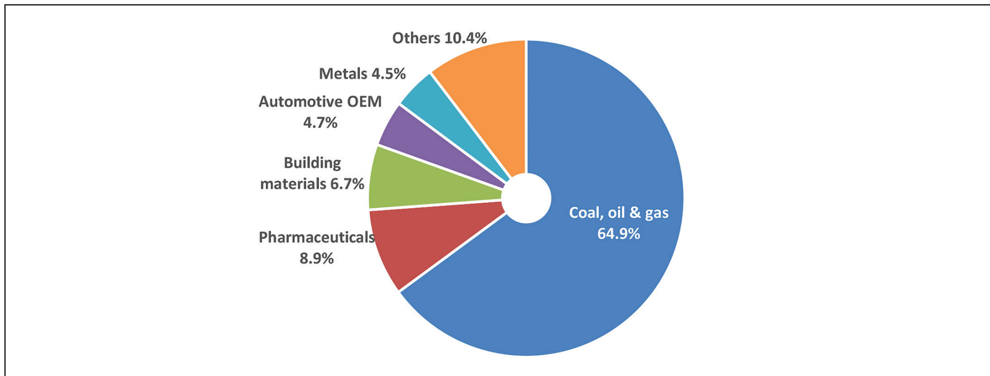
### Sudan

Sudan has amended a number of laws in recent years that were stringent earlier, in order to become a more business friendly economy. Sudan has also amended its 'National Investment Encouragement Act, 2013' which now offers tax and custom privileges in strategic industries. FDI inflow in Sudan remained more or less stable, but an increase in investment would be of immense help to the country. South Sudan now controls a substantial amount of the oil-producing fields

of the undivided Sudan, and is dependent on Sudan for transporting oil through its pipelines for processing and export. The transit and processing fees South Sudan pay to Sudan to transport its crude oil is an important revenue stream for Sudan. In 2017, USA lifted most of its sanctions on Sudan which is expected to encourage investments in the next few years.

Major sectors receiving highest investment in Sudan during 2009- 2018 include 'coal, oil and gas', pharmaceuticals, building material sector, automotive OEM, metals, financial services, communications, hotels and tourism, paper-packaging and business services (**Chart 4.7)**. Of the total 42 envisaged projects in all sectors, financial service sector has the maximum number of projects, at 14. 'Coal, oil and gas' sector attracted the highest amount of investment at US$ 3.9 billion, out of 3 projects, creating 411 jobs. The highest number of jobs were created in the pharmaceutical sector, at around 3,189 over the last decade.

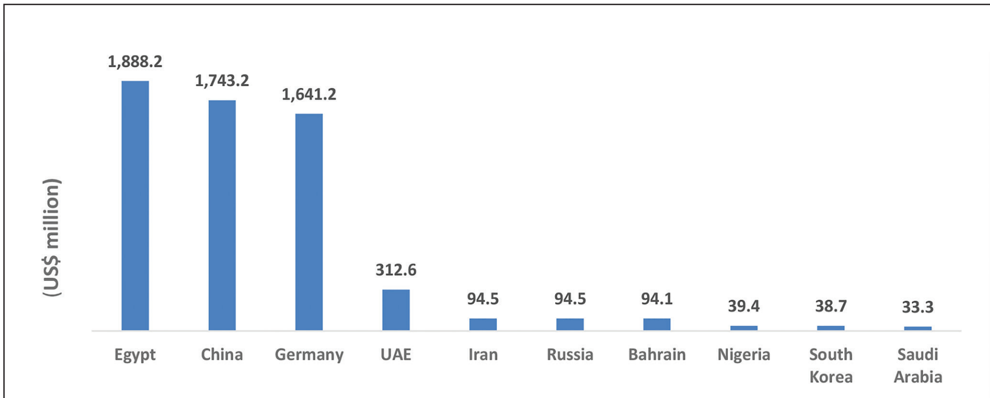
**Chart 4.7: Major Sectors Attracting FDI in Sudan, 2009-2018**




*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

Around 31 percent of investment to Sudan during 2009-2018 came from Egypt. Other major investors during the same period include China (28.8 percent), Germany (27.1 percent), and UAE (5.2 percent) **(Chart 4.8).**

**Chart 4.8: Major Sources of FDI in Sudan, 2009-2018**




*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

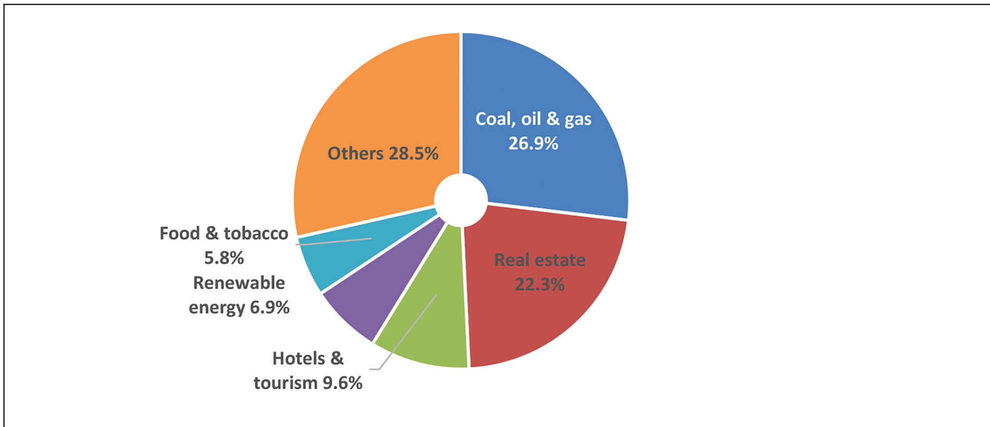
## Tunisia

Tunisia adopted a new Investment law in 2017, the purpose of which is to promote investment and encourage creation of business and its development according to the priorities of the economy. It aims to achieve these objectives through improving the value addition, competitiveness and export capacity of national economy, job creation, balanced regional development and ensuring sustainability.

The law created a High Investment Authority which is to be the focal point for foreign investors and to facilitate the administrative procedures in order to reduce the involvement of bureaucracy. Tunisia is also trying to encourage investments through setting up of SEZs. The SEZs in Tunisia are majorly for creation of employment, which has been successful to a certain extent. Supported by these positive measures undertaken by Tunisia, the country has experienced increased inflow of investment in renewable energy industries, and software and IT industries in recent years.

The major sectors receiving investment in Tunisia include 'coal, oil and gas', real estate, hotels and tourism, renewable energy sector, food & tobacco, automotive components, communications, automotive OEM, business services and financial service sector **(Chart 4.9).** The 'coal, oil and gas' sector received highest investment of US$ 4.3 billion, creating 1,095 jobs in 13 projects. Maximum number of jobs - 11,315, were created through 14 projects in automotive components sector.

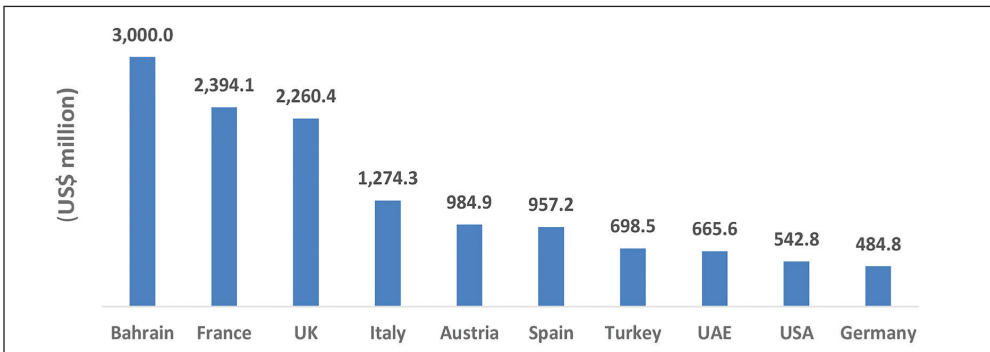
**Chart 4.9: Major Sectors Attracting FDI in Tunisia, 2009-2018**




*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

Bahrain is the largest investor in Tunisia, accounting for 19 percent of the investments during 2009 - 2018, followed by France (15.1 percent), UK (14.3 percent), Italy (8.1 percent) and Austria (6.2 percent) **(Chart 4.10).**

**Chart 4.10: Major Sources of FDI in Tunisia, 2009-2018**




*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

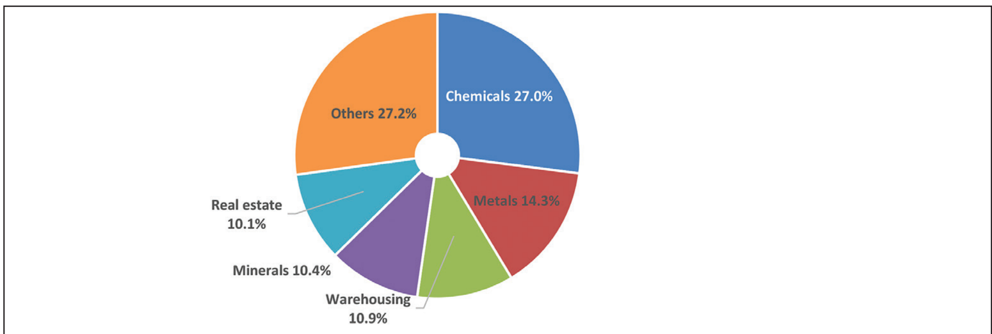
## Algeria

Algeria has adopted a new investment Law in 2016 with the main aim of improving the business climate outside the oil sector and has identified industry, agriculture and tourism as priority sectors in which investors will have "additional benefits". The country is also planning to amend its hydrocarbon laws that should increase foreign participation in the oil sector and thus, bring in investment.

Algeria has witnessed investments in 198 projects in all sectors over the last de-

cade, with the financial service sector receiving the highest number of projects at 22 over the last decade by 12 companies. The sector to attract most investment during 2009-2018 is the chemicals sector, with capital investment of US$ 8.2 billion, creating 4,643 jobs by 9 companies in 13 projects. This was followed by the metals sector with a capital investment of US$ 4.3 billion, and creating a total of 5,632 jobs by 9 companies in 10 projects over a span of 10 years. The other sectors to receive highest investment are warehousing, minerals, real estate, automotive OEM, textiles, building materials sector, 'coal, oil and gas', and pharmaceuticals **(Chart 4.11).**

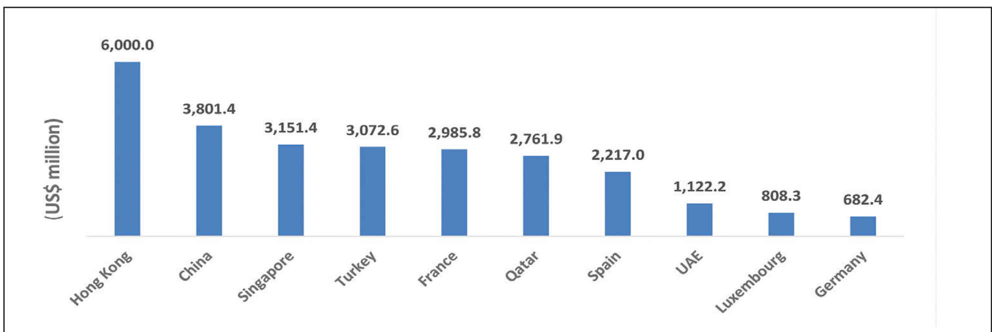
**Chart 4.11: Major Sectors Attracting FDI in Algeria, 2009-2018**




*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

Hong Kong is the largest investor in Algeria, accounting for 19.9 percent of the investments during 2009 - 2018, followed by China (12.6 percent), Singapore (10.4 percent), Turkey (10.2 percent) and France (9.9 percent) **(Chart 4.12).**

**Chart 4.12: Major Sources of FDI in Algeria, 2009-2018**



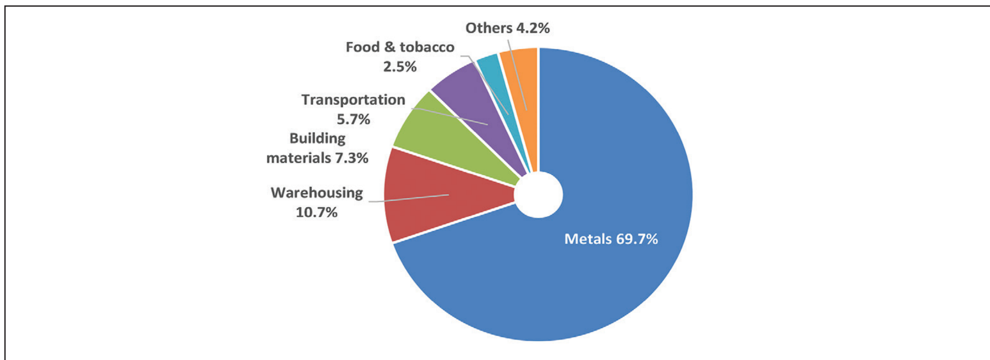

*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

## Mauritania

Mauritania has been relatively open to FDI, and with the exception of sectors where public companies hold monopolies such as water and electricity distribution, Mauritania has no discriminatory policies against foreign investment, imports or exports. Most of debt issues faced by the country are compensated by the FDI inflows.

Over the span of 2009 to 2018, Mauritania witnessed just 20 projects in 12 sectors namely, metals, warehousing, building materials, transportation, food and tobacco, business services sector, financial services, real estate, 'coal, oil and gas', software and IT services, communications and space and defense. The sectors that have created the maximum number of jobs are metals sector (3,289 jobs), followed by building materials sector (404 jobs), and food and tobacco (339 jobs). Metal sector received maximum envisaged capital investment of US$ 1.4 billion during 2009-2018 **(Chart 4.13).**

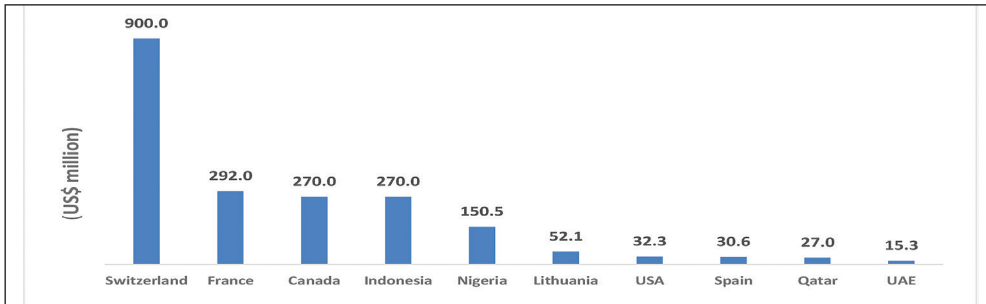
**Chart 4.13: Major Sectors Attracting FDI in Mauritania, 2009-2018**




*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

Switzerland remained the major FDI investor in Mauritania during 2009-2018, accounting for 43.5 percent of total investments to the country. Other major investors include France (14.1 percent), Canada and Indonesia (13.1 percent each), and Nigeria (7.3 percent) **(Chart 4.14).**

**Chart 4.14: Major Sources of FDI in Mauritania, 2009-2018**



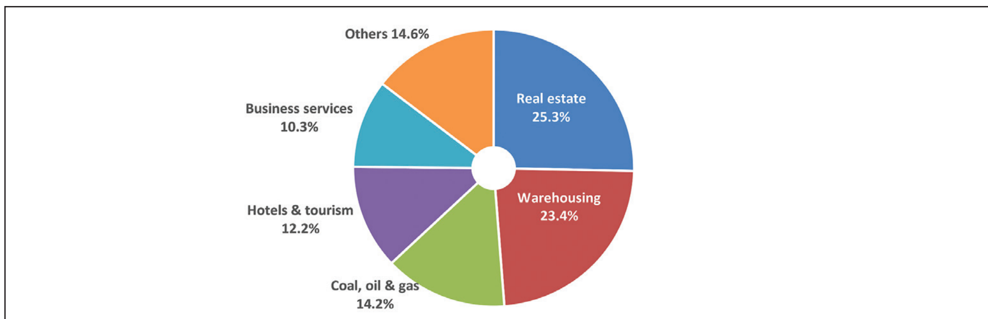

*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

## Libya

Political and security issues in Libya has severely affected the inflow of FDI into the country. Libya, in recent years has actively been making an effort to restore a stable environment to attract investment and improve the economic condition.

A total of 68 projects were undertaken in the past 10 years in Libya, creating 10,415 jobs in the country. The sector generating the highest number of jobs was real estate sector, which also received the highest envisaged investment at US$ 1.1 billion, from 4 projects by 4 companies. Warehousing sector received an envisaged capital investment of US$ 1 billion from the US based the Guidry Group in a logistics, distribution and transportation project, creating 1,670 jobs in the country. Other major sectors receiving investment in the country include, 'coal, oil and gas', hotel and tourism, business services, building materials sector, financial services, non-automotive transport OEM, textiles, transportation, consumer products and 'food and tobacco' sector **(Chart 4.15).**

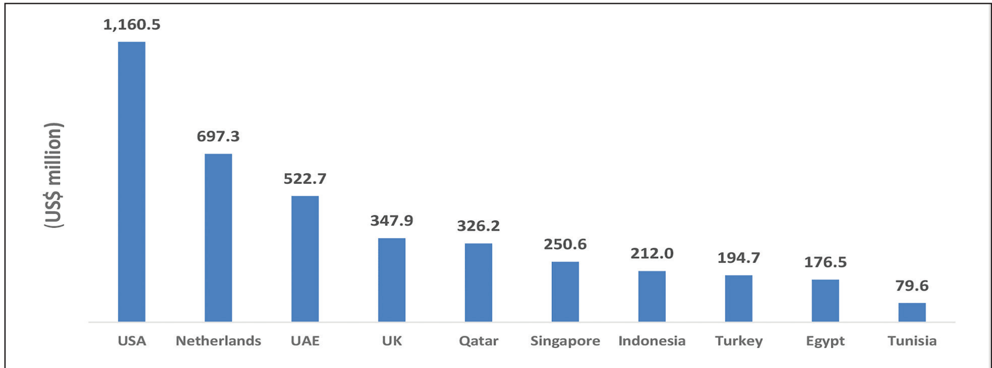
**Chart 4.15: Major Sectors Attracting FDI in Libya, 2009-2018**




*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

USA was the major investor in Libya during 2009-2018, with its FDI accounting for 27.2 percent of total investments to the country. Other major investors include Netherlands (16.4 percent), UAE (12.3 percent), UK (8.2 percent), and Qatar (7.6 percent) **(Chart 4.16).**

**Chart 4.16: Major Sources of FDI in Libya, 2009-2018**




*Source: fDi Markets.com (accessed on September 25, 2019) and Exim Bank Analysis*

# 5. India's Trade and Investment Relations with North Africa

India and Africa share a strategic partnership, encompassing cooperation in a wide array of areas ranging from trade to security, physical infrastructure to human development, having similar views on global challenges, and participating in same multilateral organisations. As reiterated time and again by the Government of India, India's cooperation with Africa is demand driven, consultative, and participative, involves local resources, builds capacity and is based on Africa's own prioritisation of its needs. India has been engaged in multifaceted partnerships in terms of strong political, economic and culture linkages with all of the North African countries.

## India's Trade with North Africa

During the last ten years, India's total trade with North African countries increased by a compound annual growth rate (CAGR) of 4.5 percent, from US$ 7.5 billion in 2009 to US$ 11.1 billion in 2018 **(Table 5.1).** India's total exports to North

**Table 5.1: India's Trade with North Africa**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| **India's Exports to North Africa (US$ bn)** | **3.3** | **3.9** | **4.4** | **5.5** | **6.0** | **6.0** | **4.8** | **4.5** | **4.9** | **5.6** |
| *Share in India's Global Exports (%)* | *1.8* | *1.8* | *1.5* | *1.9* | *1.8* | *1.9* | *1.8* | *1.7* | *1.6* | *1.7* |
| *Share in North Africa's Global Imports (%)* | *2.1* | *2.2* | *2.2* | *2.5* | *2.7* | *2.7* | *2.3* | *2.5* | *2.4* | *2.5* |
| **India's Imports from North Africa (US$ bn)** | **4.2** | **5.9** | **7.3** | **6.9** | **5.7** | **4.3** | **3.2** | **2.8** | **3.7** | **5.6** |
| *Share in India's Global Imports (%)* | *1.6* | *1.7* | *1.6* | *1.4* | *1.2* | *0.9* | *0.8* | *0.8* | *0.8* | *1.1* |
| *Share in North Africa's Global Exports (%)* | *3.1* | *3.5* | *4.2* | *3.4* | *3.2* | *2.9* | *2.9* | *2.8* | *2.9* | *3.6* |
| **India's Total Trade with North Africa (US$ bn)** | **7.5** | **9.8** | **11.7** | **12.4** | **11.8** | **10.3** | **7.9** | **7.3** | **8.6** | **11.1** |
| **India's Trade Balance with North Africa (US$ bn)** | **-0.9** | **-2.0** | **-2.9** | **-1.4** | **0.3** | **1.6** | **1.6** | **1.7** | **1.1** | **0.004** |

*Source: ITC Trade Map and Exim Bank Analysis*

Africa has risen from US$ 3.3 billion in 2009 to US$ 5.6 billion in 2018. Similarly, India's total imports from North Africa have also witnessed a moderate rise, from US$ 4.2 billion in 2009 to US$ 5.6 billion in 2018. North Africa's share in Indian exports to Africa has witnessed a decline from 24.6 percent in 2009 to 20.7 percent in 2018. Similarly, share of North Africa in India's imports from Africa also witnessed a fall from 19.9 percent to 13.4 percent over the last decade.

### India's Major Export Items to North Africa

**Table 5.2** presents commodity-wise trends in India's exports to North Africa. While electrical machinery and equipment and articles of iron and steel dominated India's export basket to North Africa in 2009, their shares have witnessed a fall, while that of vehicles and mineral fuels have increased during the last ten years. North Africa accounted for around 25 percent of India's exports of vehicles other than railway or tramway to Africa in 2018.

Another notable aspect of India's exports to North Africa region is that, share of mineral fuels in India's export basket to the region has almost doubled in the last decade. Other important items of India's exports to North Africa include machinery, cotton, organic chemicals, plastics and articles, sugar and sugar confectionery, and pharmaceutical products.

**Table 5.2: India's Major Export Items to North Africa**

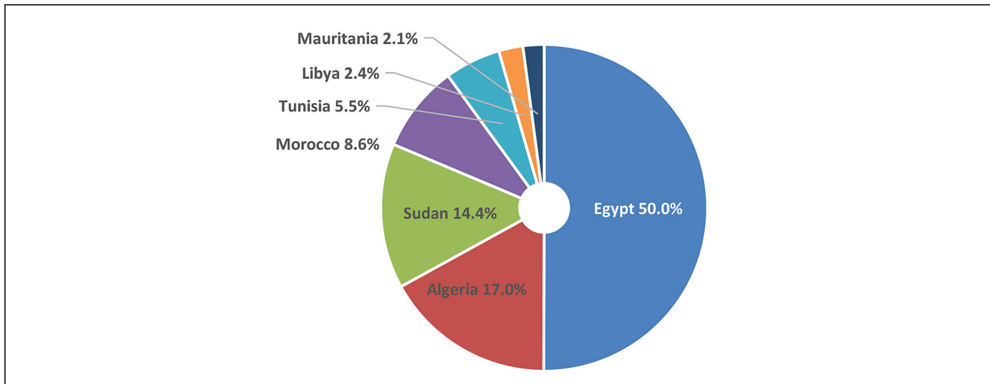
| HS Code | Product | 2009 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **3,268.9** | **100.0** | **5,573.7** | **100.0** |
| 87 | Vehicles other than railway or tramway | 350.7 | 10.7 | 722.1 | 13.0 |
| 27 | Mineral fuels, oils and its products | 175.1 | 5.4 | 547.5 | 9.8 |
| 84 | Machinery and equipment | 359.7 | 11.0 | 400.5 | 7.2 |
| 52 | Cotton | 149.4 | 4.6 | 334.6 | 6.0 |
| 29 | Organic chemicals | 111.9 | 3.4 | 318.5 | 5.7 |
| 85 | Electrical machinery and equipment | 440.5 | 13.5 | 312.1 | 5.6 |
| 39 | Plastics and articles | 119.3 | 3.7 | 272.4 | 4.9 |
| 17 | Sugars and sugar confectionery | 5.0 | 0.2 | 218.5 | 3.9 |
| 30 | Pharmaceutical products | 99.1 | 3.0 | 208.4 | 3.7 |
| 73 | Articles of iron or steel | 364.0 | 11.1 | 158.3 | 2.8 |

*Source: ITC Trade Map and Exim Bank Analysis*

## India's Major Export Destinations in North Africa

Egypt is India's largest export destination in North Africa, accounting for half of India's exports to the region in 2018 **(Chart 5.1)**. Egypt is also the second largest export destination of India in Africa. Egypt was followed by Algeria and Sudan**,** which are among the top ten export destinations of India in Africa. There has been an increase in India's exports to Morocco in the recent years.

**Chart 5.1: India's Major Export Destinations in North Africa, 2018**




*Source: ITC Trade Map and Exim Bank Analysis*

## India's Major Import Items from North Africa

India's imports from North Africa is largely dominated by mineral fuels, oils and its products, the share of which witnessed a fall from 69.7 percent in 2009 to 58.3 percent in 2018 **(Table 5.3).** Algeria and Egypt are the 4$^{th}$ and 5$^{th}$ largest sources of India's imports of mineral fuels from Africa. Other major import products from North Africa include inorganic chemicals, fertilizers and salt, sulphur, earths, stone and cement. North Africa exported over 95 percent of Africa's exports of fertilisers to India; over 56 percent of inorganic chemicals; over 27 percent of cotton; and over 13 percent of Africa's mineral fuel exports to India in 2018.

Mauritania, Morocco and Tunisia have relatively diversified export basket with India. All other countries in the region are major suppliers of crude oil and gas. Egypt is also among the top exporters of cotton from Africa to India.

**Table 5.3: India's Major Import Items from North Africa**

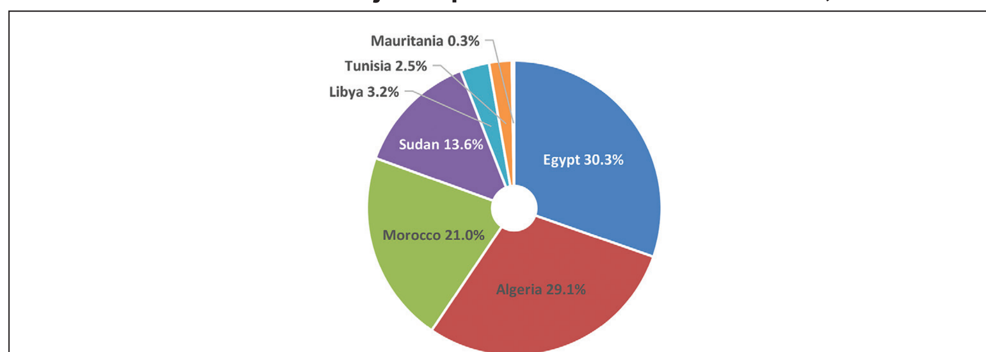
| HS Code | Product | 2009 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **4,212.7** | **100.0** | **5,570.1** | **100.0** |
| 27 | Mineral fuels, oils, and distillation products | 2,935.8 | 69.7 | 3,247.8 | 58.3 |
| 28 | Inorganic chemicals | 653.9 | 15.5 | 794.0 | 14.3 |
| 31 | Fertilisers | 177.4 | 4.2 | 484.3 | 8.7 |
| 25 | Salt, Sulphur, earths and cement | 268.6 | 6.4 | 345.9 | 6.2 |
| 12 | Oil seeds and oleaginous fruits | 9.6 | 0.2 | 120.5 | 2.2 |
| 55 | Man-made staple fibres | 0.8 | 0.02 | 80.7 | 1.4 |
| 52 | Cotton | 19.0 | 0.5 | 77.8 | 1.4 |
| 07 | Edible vegetables, certain roots and tubers | 0.1 | 0.002 | 45.8 | 0.8 |
| 08 | Edible fruit and nuts | 0.9 | 0.02 | 43.8 | 0.8 |
| 84 | Machinery and equipment | 3.2 | 0.1 | 31.7 | 0.6 |

*Source: ITC Trade Map and Exim Bank Analysis*

### India's Major Sources of Imports in North Africa

As in the case of exports, Egypt is largest import market for India in the North Africa region **(Chart 5.2).** India's imports from Algeria also remain relatively high because of hydrocarbon imports. Similarly, India is one of the major markets for Moroccan phosphate and its derivatives.

**Chart 5.2: India's Major Import Sources in North Africa, 2018**



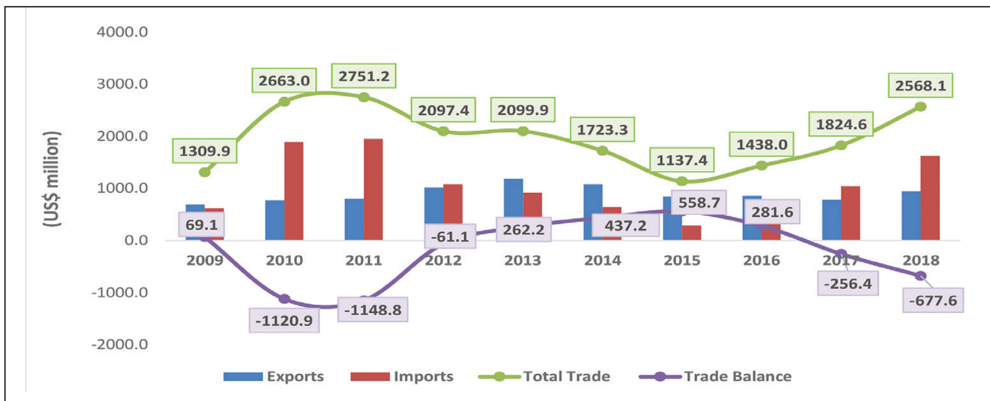

*Source: ITC Trade Map and Exim Bank Analysis*

### Bilateral Trade between India and Algeria

Algeria is the second largest export destination a well as source of imports for India among North African countries, with a 17 percent share in India's exports and 29.1 percent share in India's imports from the region. Bilateral trade between

India and Algeria has increased by a CAGR of 7.8 percent to reach US$ 2.6 billion in 2018 from US$ 1.3 billion in 2009. While India's export to Algeria has grown by a CAGR of 3.6 percent over the last decade to US$ 945.2 million in 2018, India's imports from Algeria more than doubled during the same period to reach US$ 1.6 billion in 2018 (**Chart 5.3)**. There has been a fall in Indian exports to Algeria during 2015-2017, resulting from Algerian government's effort to curb imports due to their falling revenue, the oil price shocks and the general slowing down of the Algerian economy, while fall in imports during 2014-2015 can be partially attributed to declining oil and gas prices. Depending on international oil and gas prices, India has been witnessing fluctuating trends in its trade balance with Algeria.

**Chart 5.3: India's Trade with Algeria**




*Source: ITC Trade Map and Exim Bank Analysis*

India's exports to Algeria is dominated by vehicles other than railway or tramway, the share of which has increased from 18.5 percent in 2009 to 35.2 percent in 2018. Algeria is India's third largest export destination of vehicles to Africa. Other major export commodities include pharmaceutical products, machinery and mechanical appliances and meat and edible meat offal. A notable change over the decade is that of a sharp decline in India's exports of articles of iron and steel, which was the major exported item in 2009, with a 40.9 percent share in India's exports, but has come down to having a meagre 0.9 percent share in 2018 **(Table 5.4).**

## Table 5.4: India's Major Exports to Algeria

| HS Code | Product | 2009 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **689.5** | **100.0** | **945.2** | **100.0** |
| 87 | Vehicles other than railway or tramway | 127.2 | 18.5 | 333.1 | 35.2 |
| 30 | Pharmaceutical products | 24.6 | 3.6 | 75.1 | 7.9 |
| 84 | Machinery and mechanical appliances | 62.6 | 9.1 | 74.0 | 7.8 |
| 02 | Meat and edible meat offal | - | - | 64.6 | 6.8 |
| 39 | Plastics and articles | 13.8 | 2.0 | 55.2 | 5.8 |
| 29 | Organic chemicals | 13.4 | 1.9 | 53.9 | 5.7 |
| 07 | Edible vegetables, certain roots and tubers | 11.8 | 1.7 | 38.6 | 4.1 |
| 85 | Electrical machinery and equipment | 62.8 | 9.1 | 37.5 | 4.0 |
| 10 | Cereals | 0.1 | 0.01 | 29.8 | 3.2 |
| 12 | Oil seeds and oleaginous fruits | 1.0 | 0.1 | 20.9 | 2.2 |
| 68 | Articles of stone, plaster, cement, asbestos, mica | 4.2 | 0.6 | 11.4 | 1.2 |
| 25 | Salt, sulphur, stone and cement | 0.4 | 0.1 | 11.1 | 1.2 |
| 54 | Man-made filaments, like of man-made textile materials | 1.4 | 0.2 | 11.1 | 1.2 |
| 03 | Fish and crustaceans, molluscs | 0.8 | 0.1 | 10.8 | 1.1 |
| 90 | Optical, photographic, cinematographic, medical instruments | 2.7 | 0.4 | 10.0 | 1.1 |
| 73 | Articles of iron or steel | 282.0 | 40.9 | 8.4 | 0.9 |

*Note: '-' denotes not available/ negligible*

*Source: ITC Trade Map and Exim Bank Analysis*

India's imports from Algeria are dominated by mineral fuels and oils, contributing 92.4 percent to the total imports from Algeria **(Table 5.5)**. Within mineral fuels category, India primarily imports crude oil (around 61 percent of total exports) from Algeria. Apart from mineral fuels, leading imports from Algeria in 2018 included fertilizers, 'salt, sulphur, stone and cement', machinery and mechanical equipment, iron and steel, wood pulp and 'edible fruits and nuts'.

## Table 5.5: India's Major Imports from Algeria

| HS Code | Product | 2009 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **620.4** | **100.0** | **1,622.9** | **100.0** |
| 27 | Mineral fuels, mineral oils and products of distillation | 576.9 | 93.0 | 1,500.2 | 92.4 |
| 31 | Fertilisers | - | - | 66.3 | 4.1 |
| 25 | Salt, sulphur, stone and cement | 34.7 | 5.6 | 19.3 | 1.2 |
| 84 | Machinery and mechanical appliances | 0.1 | - | 17.1 | 1.1 |
| 72 | Iron and steel | 0.2 | 0.03 | 8.1 | 0.5 |
| 47 | Pulp of wood or of other fibrous cellulosic material | 0.1 | 0.02 | 6.1 | 0.4 |
| 08 | Edible fruit and nuts | 0.03 | - | 2.0 | 0.1 |
| 41 | Raw hides, skin and leather | 2.6 | 0.4 | 1.5 | 0.1 |
| 51 | Wool, fine or coarse animal hair and woven fabric | - | - | 1.0 | 0.1 |
| 45 | Cork and articles of cork | 0.1 | 0.02 | 0.5 | 0.03 |

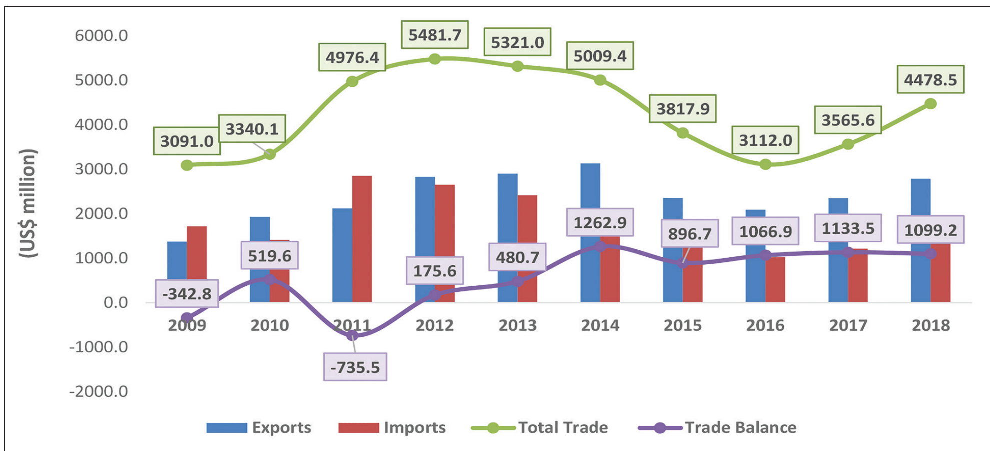
*Note: '-' denotes not available/ negligible*

*Source: ITC Trade Map and Exim Bank Analysis*

### Bilateral Trade Relations between India and Egypt

India shares a close relationship with Egypt, and the country has traditionally been one of India's most important trading partners in Africa. India-Egypt Bilateral Trade Agreement has been in operation since March 1978. India has a positive trade balance with Egypt since 2012, with trade surplus increasing from US$ 175.6 million in 2012 to US$ 1.1 billion in 2018. Total trade between both countries has increased by a CAGR of 4.2 percent over the last decade to US$ 4.5 billion in 2018 from US$ 3.1 billion in 2009. Indian exports to Egypt has increased by a CAGR of 8.2 percent over 2009-2018 to US$ 2.8 billion from US$ 1.4 billion. As regards imports, India's imports from Egypt witnessed a fall from US$ 1,717 million in 2009 to US$ 1,690 million in 2018 **(Chart 5.4).**

**Chart 5.4: India's Trade with Egypt**




Source: ITC Trade Map and Exim Bank Analysis

India's exports to Egypt is dominated by mineral fuel, oil and products, accounting for 18.9 percent of total exports to the country in 2018. Other major exports during the year include vehicles, organic chemicals, cotton, and electrical machinery and equipment **(Table 5.6).** At a disaggregated level, petroleum oils and

**Table 5.6: India's Major Exports to Egypt**

| HS Code | Product | 2009 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **1374.1** | **100.0** | **2788.9** | **100.0** |
| 27 | Mineral fuels, mineral oils and products of their distillation | 146.2 | 10.6 | 528.2 | 18.9 |
| 87 | Vehicles other than railway or tramway | 110.4 | 8.0 | 215.8 | 7.7 |
| 29 | Organic chemicals | 65.5 | 4.8 | 214.4 | 7.7 |
| 52 | Cotton | 81.8 | 6.0 | 212.8 | 7.6 |
| 85 | Electrical machinery and equipment | 151.8 | 11.0 | 190.8 | 6.8 |
| 84 | Machinery and mechanical appliances | 140.6 | 10.2 | 170.6 | 6.1 |
| 39 | Plastics and articles | 52.0 | 3.8 | 143.6 | 5.2 |
| 28 | Inorganic chemicals | 24.4 | 1.8 | 140.4 | 5.0 |
| 02 | Meat and edible meat offal | 96.6 | 7.0 | 92.1 | 3.3 |
| 73 | Articles of iron or steel | 26.7 | 1.9 | 86.5 | 3.1 |

*Source: ITC Trade Map and Exim Bank Analysis*

products obtained from bituminous minerals (excluding crude) and cotton yarn other than sewing thread, containing >= 85 percent cotton by weight are the major export items, with 18.6 percent and 6 percent share, respectively, of Indian exports to Egypt. Egypt is the largest export destination for Indian exports of cotton, vegetable textile fibres, man-made filaments, and man-made staple fibres to Africa. Egypt is also India's fourth largest export destination of vehicles to Africa.

Mineral fuels, oils and products of distillation was the major imported item from Egypt to India, accounting for over 61 percent of India's imports from Egypt in 2018. Egypt is the 5$^{th}$ largest source of India's imports of mineral fuels from Africa. Other major import items include fertilisers, inorganic chemicals, and salt, sulphur, stone and cement **(Table 5.7).**

**Table 5.7: India's Major Imports from Egypt**

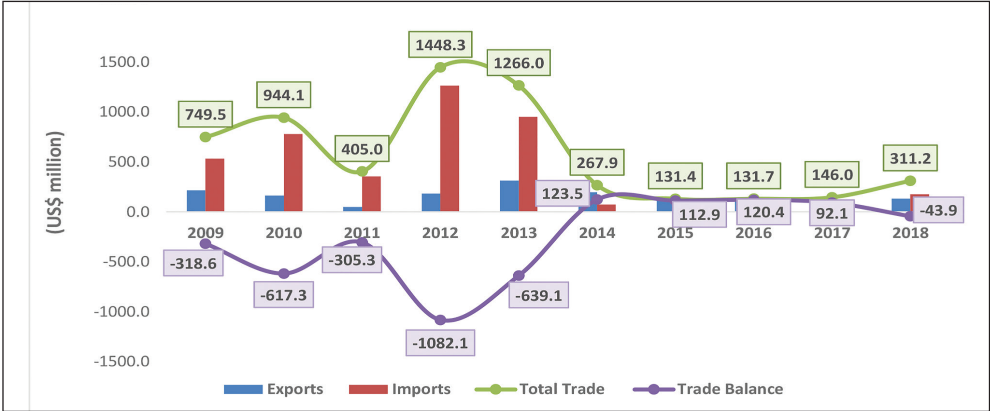
| HS Code | Product | 2009 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **1716.9** | **100.0** | **1689.6** | **100.0** |
| 27 | Mineral fuels, oils and products of distillation | 1464.8 | 85.3 | 1036.4 | 61.3 |
| 31 | Fertilisers | 20.0 | 1.2 | 110.3 | 6.5 |
| 28 | Inorganic chemicals | 2.0 | 0.1 | 110.1 | 6.5 |
| 25 | Salt, sulphur, stone and cement | 118.1 | 6.9 | 95.2 | 5.6 |
| 55 | Man-made staple fibres | 0.8 | 0.05 | 80.7 | 4.8 |
| 52 | Cotton | 16.4 | 1.0 | 76.0 | 4.5 |
| 08 | Edible fruit and nuts | 0.7 | 0.04 | 39.6 | 2.3 |
| 39 | Plastics and articles | 8.1 | 0.5 | 28.9 | 1.7 |
| 70 | Glass and glassware | 0.2 | 0.01 | 18.8 | 1.1 |
| 41 | Raw hides and skins and leather | 15.0 | 0.9 | 14.1 | 0.8 |

*Source: ITC Trade Map and Exim Bank Analysis*

### Bilateral Trade Relations between India and Libya

Bilateral trade between India and Libya has been affected by the political turmoil in the country and decrease in oil production. Total trade between India and Libya stood at US$ 311.2 million in 2018, compared to US$ 749.5 million in 2009. In 2018, India recorded a trade deficit of US$ 43.9 million with Libya due to increased mineral fuel imports from the country. There has been a pickup in India's trade with Libya in 2018 from 2017. India's exports to Libya stood at US$ 133.7 million in 2018, as compared to US$ 215.4 million recorded in 2009. Imports also witnessed a fall from US$ 534.1 million in 2009 to US$ 177.6 million in 2018 **(Chart 5.5).**

## Chart 5.5: India's Trade with Libya




*Source: ITC Trade Map and Exim Bank Analysis*

Coffee, tea, and spices are the major export item from India to Libya, accounting for 18.1 percent of India's total exports to the country in 2018. India was the largest exporter of coffee to Libya in 2018. Other products of export to the Libyan market include articles of stone, plaster, cement, asbestos, and mica, pharmaceuticals, and automobiles and parts **(Table 5.8).** India is a major source of granite and marble imports by the country.

## Table 5.8: India's Major Exports to Libya

| HS Code | Product | 2009 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **215.4** | **100.0** | **133.7** | **100.0** |
| 09 | Coffee, tea, and spices | 4.0 | 1.9 | 18.1 | 13.5 |
| 68 | Articles of stone, plaster, cement, asbestos, mica | 8.8 | 4.1 | 14.0 | 10.5 |
| 30 | Pharmaceutical products | 4.4 | 2.0 | 13.3 | 10.0 |
| 87 | Vehicles other than railway or tramway | 30.2 | 14.0 | 12.3 | 9.2 |
| 72 | Iron and steel | 1.0 | 0.5 | 10.6 | 7.9 |
| 10 | Cereals | 0.2 | 0.1 | 8.5 | 6.4 |
| 07 | Edible vegetables, roots and tubers | 0.8 | 0.4 | 7.0 | 5.2 |
| 24 | Tobacco and manufactured tobacco substitutes | 4.2 | 1.9 | 6.8 | 5.1 |
| 84 | Machinery and mechanical appliances | 43.5 | 20.2 | 6.3 | 4.7 |
| 69 | Ceramic products | 1.2 | 0.6 | 3.8 | 2.8 |

*Source: ITC Trade Map and Exim Bank Analysis*

Mineral fuels, mineral oils and products of distillation accounted for around 83 percent of India's imports from Libya in 2018. Other major import items from Libya include electrical machinery and equipment, aluminium and articles, lead and articles, and copper and articles **(Table 5.9)**.

**Table 5.9: India's Major Imports from Libya**

| HS Code | Product | 2009 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **534.1** | **100.0** | **177.6** | **100.0** |
| 27 | Mineral fuels, mineral oils and products of distillation | 524.6 | 98.2 | 147.2 | 82.9 |
| 85 | Electrical machinery and equipment | - | - | 10.0 | 5.6 |
| 76 | Aluminium and articles | - | - | 5.1 | 2.9 |
| 78 | Lead and articles | - | - | 5.0 | 2.8 |
| 74 | Copper and articles | - | - | 4.9 | 2.7 |
| 72 | Iron and steel | 9.3 | 1.7 | 2.9 | 1.7 |
| 51 | Wool, fine or coarse animal hair and woven fabric | 0.1 | 0.01 | 1.6 | 0.9 |
| 47 | Pulp of wood or of other fibrous cellulosic material | - | - | 0.6 | 0.4 |
| 79 | Zinc and articles | 0.1 | 0.01 | 0.2 | 0.1 |
| 07 | Edible vegetables and certain roots and tubers | - | - | 0.1 | 0.1 |

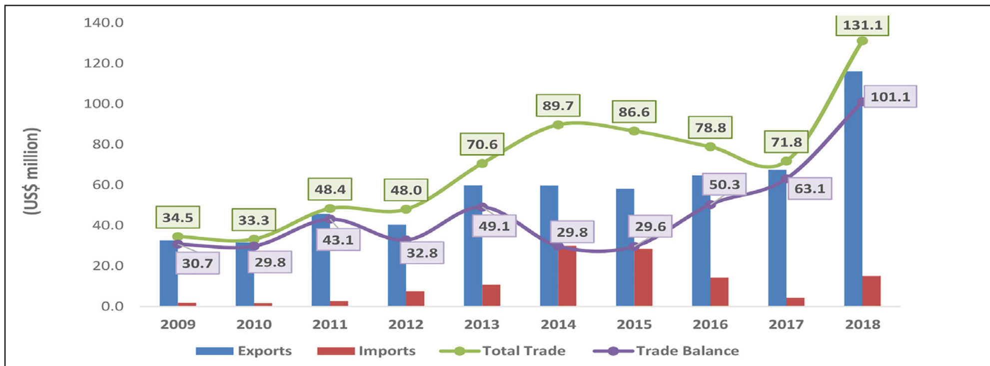
*Note: '-' denotes not available/ negligible*

*Source: ITC Trade Map and Exim Bank Analysis*

### Bilateral Trade Relations between India and Mauritania

India's bilateral trade with Mauritania has witnessed a sharp increase in the recent years, growing at a CAGR of 16 percent to reach US$ 131.1 million in 2018 from US$ 34.5 million in 2009. Consequent to India's large scale of exports to Mauritania compared to its imports, India has a structural trade surplus with Mauritania. India's trade surplus with Mauritania increased to US$ 101.1 million in 2018 as compared to US$ 30.7 million surplus in 2009. India's exports to Mauritania increased by a CAGR of 15.1 percent to stand at US$ 116.1 million in 2018, up from US$ 32.6 million in 2009. Similarly, India's imports from Mauritania increased by a CAGR of 25.9 percent to reach US$ 15 million in 2018 from US$ 1.9 million in 2009 **(Chart 5.6).**

**Chart 5.6: India's Trade with Mauritania**




*Source: ITC Trade Map and Exim Bank Analysis*

Articles of iron and steel are the major export items from India to Mauritania, accounting for 30.1 percent of total exports to the country in 2018. Other major commodities in India's export basket to Mauritania in 2018 include cotton (16 percent of India's exports), aluminium and articles (10 percent), articles of apparel and clothing accessories, not knitted or crocheted (9.4 percent) and machinery (4.6 percent) **(Table 5.10).** India was the second largest source of Mauritania's imports of articles of iron and steel, and cotton in 2018.

**Table 5.10: India's Major Exports to Mauritania**

| HS Code | Product | 2009 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **32.6** | **100.0** | **116.1** | **100.0** |
| 73 | Articles of iron or steel | 0.3 | 1.0 | 35.0 | 30.1 |
| 52 | Cotton | 15.0 | 45.9 | 18.6 | 16.0 |
| 76 | Aluminium and articles | - | - | 11.6 | 10.0 |
| 62 | Articles of apparel and clothing accessories, not knitted or crocheted | 0.1 | 0.2 | 10.9 | 9.4 |
| 84 | Machinery and mechanical appliances | 0.2 | 0.6 | 5.4 | 4.6 |
| 30 | Pharmaceutical products | 2.7 | 8.4 | 4.0 | 3.4 |
| 10 | Cereals | 1.0 | 3.0 | 3.7 | 3.2 |
| 39 | Plastics and articles | 0.9 | 2.7 | 3.0 | 2.6 |
| 69 | Ceramic products | 0.1 | 0.2 | 2.3 | 2.0 |
| 32 | Tanning or dyeing extracts | 1.2 | 3.5 | 2.2 | 1.9 |

*Note: '-' denotes not available/ negligible*

*Source: ITC Trade Map and Exim Bank Analysis*

### Table 5.11: India's Major Imports from Mauritania

| HS Code | Product | 2009 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ (million | Share % | Value (US$ (million | Share % |
| | **All products** | **1.9** | **100.0** | **15.0** | **100.0** |
| 85 | Electrical machinery and equipment | - | - | 4.2 | 28.1 |
| 72 | Iron and steel | 1.6 | 84.9 | 3.4 | 22.6 |
| 74 | Copper and articles | 0.01 | 0.5 | 2.7 | 18.1 |
| 76 | Aluminium and articles | 0.04 | 1.8 | 2.6 | 17.6 |
| 23 | Residues and waste from food industries | - | - | 1.5 | 9.8 |
| 78 | Lead and articles | - | - | 0.4 | 2.9 |

*Note: '-' denotes not available/ negligible*

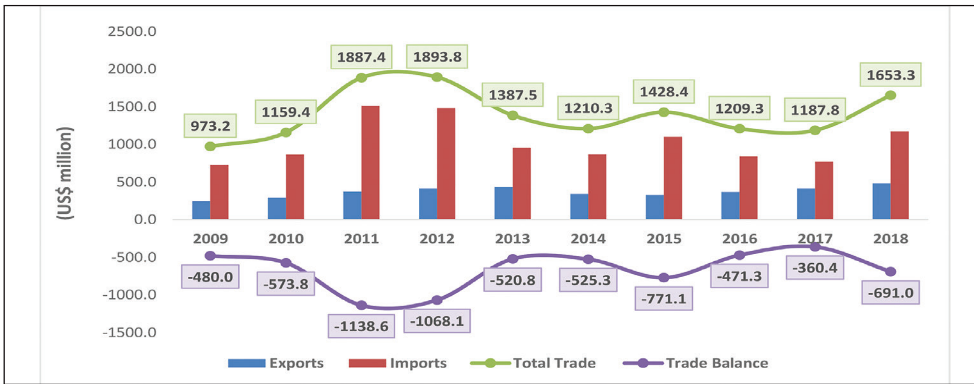
*Source: ITC Trade Map and Exim Bank Analysis*

Regarding India's import basket from Mauritania, 'electrical machinery, equipment and parts' (waste and scrap of primary cells, primary batteries and electric accumulators) dominate the import basket, accounting for 28.1 percent of India's total imports from Mauritania in 2018. Other major items in India's import basket from Mauritania in 2018 include iron and steel (22.6 percent of total imports), copper and articles (18.1 percent), and aluminium and articles (17.6 percent) **(Table 5.11).**

### Bilateral Trade Relations between India and Morocco

India and Morocco share a cordial relationship, and the country is a strategic trading partner for India. Morocco's total trade with India has increased by a CAGR of 6.1 percent over the last decade to US$ 1.7 billion in 2018 from US$ 973.2 million in 2009. Morocco accounted for 8.6 percent of total exports and 21 percent of total imports of India from North Africa. India continued to have a trade deficit with Morocco throughout the last decade, with deficit reaching US$ 691 million in 2018. India's exports to Morocco has increased by a CAGR of 7.7 percent over the last decade, to reach US$ 481.2 million in 2018 from US$ 246.6 million in 2009. India's imports from Morocco increased by a CAGR of 5.5 percent over the decade to reach US$ 1.2 billion in 2018 from US$ 726.6 million in 2009. Morocco is a major source of phosphate for India **(Chart 5.7).**

## Chart 5.7: India's Trade with Morocco




*Source: ITC Trade Map and Exim Bank Analysis*

India's exports to Morocco is relatively diversified compared to rest of the North African countries. Machinery and mechanical appliances are the largest export item of India to Morocco, accounting for 9.1 percent of India's total exports to the country in 2018. Other major items exported from India to Morocco in 2018 include electrical machinery and equipment, and plastics and articles (7.2 percent share each in India's exports), and man-made filaments and coffee, tea, and spices (7.1 percent each) in 2018 **(Table 5.12).**

## Table 5.12: India's Major Exports to Morocco

| HS Code | Product | 2009 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **246.6** | **100.0** | **481.2** | **100.0** |
| 84 | Machinery and mechanical appliances | 27.8 | 11.3 | 43.8 | 9.1 |
| 85 | Electrical machinery and equipment | 38.0 | 15.4 | 34.7 | 7.2 |
| 39 | Plastics and articles | 14.1 | 5.7 | 34.7 | 7.2 |
| 54 | Man-made filaments | 15.1 | 6.1 | 34.3 | 7.1 |
| 09 | Coffee, tea, and spices | 3.4 | 1.4 | 34.2 | 7.1 |
| 55 | Man-made staple fibres | 17.1 | 7.0 | 31.3 | 6.5 |
| 52 | Cotton | 18.3 | 7.4 | 30.4 | 6.3 |
| 87 | Vehicles other than railway or tramway | 23.7 | 9.6 | 28.9 | 6.0 |
| 30 | Pharmaceutical products | 9.5 | 3.8 | 28.0 | 5.8 |
| 29 | Organic chemicals | 10.7 | 4.3 | 19.1 | 4.0 |

*Source: ITC Trade Map and Exim Bank Analysis*

Inorganic chemicals account for half of India's imports from Morocco in 2018. Other major imported commodities from Morocco include fertilisers (26.3 percent of India's imports) and salt, sulphur, stone and cement (19.6 percent) in 2018 **(Table 5.13).** At a disaggregated level, phosphoric acid, diammonium, calcium phosphates and waste and scrap remain the major imported products from the country. India is the largest destination of Morocco's exports of inorganic chemicals and salt, sulphur, stone and cement; and the third largest destination of fertilisers in 2018.

### Table 5.13: India's Major Imports from Morocco

| HS Code | Product | 2009 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **726.6** | **100.0** | **1172.2** | **100.0** |
| 28 | Inorganic chemicals | 491.1 | 67.6 | 575.5 | 49.1 |
| 31 | Fertilisers | 98.3 | 13.5 | 307.7 | 26.3 |
| 25 | Salt, Sulphur, stone and cement | 112.8 | 15.5 | 230.2 | 19.6 |
| 76 | Aluminium and articles | 4.3 | 0.6 | 14.6 | 1.2 |
| 84 | Machinery and mechanical appliances | 0.1 | - | 7.8 | 0.7 |
| 72 | Iron and steel | 2.7 | 0.4 | 6.2 | 0.5 |
| 23 | Residues and waste from food industries | - | - | 4.4 | 0.4 |
| 74 | Copper and articles | 1.5 | 0.2 | 3.3 | 0.3 |
| 12 | Oil seeds and oleaginous fruits | 0.6 | 0.1 | 3.2 | 0.3 |
| 79 | Zinc and articles | 0.2 | - | 3.1 | 0.3 |

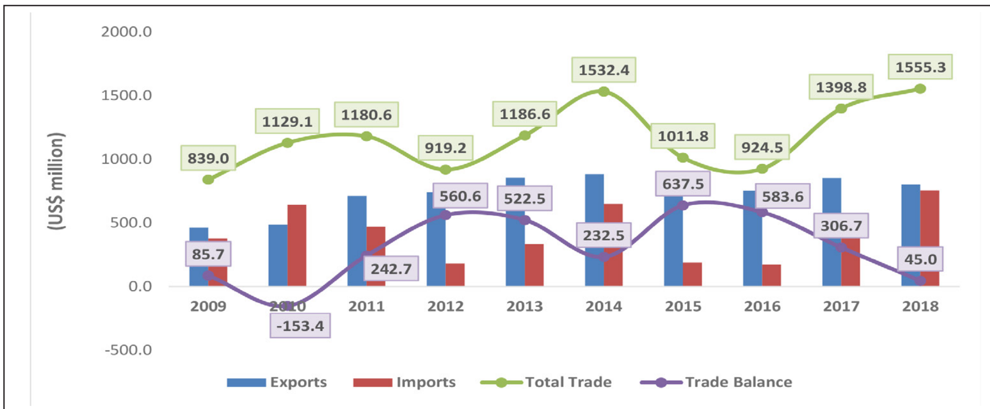
*Note: '-' denotes not available/ negligible*

*Source: ITC Trade Map and Exim Bank Analysis*

### Bilateral Trade Relations between India and Sudan

Total trade between both countries has reached US$ 1.6 billion in 2018 from US$ 839 million in 2009. India's exports to Sudan has increased from US$ 462.4 million in 2009 to US$ 800.1 million in 2018, growing at a CAGR of 6.3 percent. India's imports from Sudan almost doubled to US$ 755.2 million in 2018 from US$ 376.6 million in 2009 **(Chart 5.8).** India has been experiencing a positive trade balance with Sudan throughout the last decade, except for 2010. Sudan is a beneficiary under India's Duty Free Tariff Preference (DFTP) Scheme for LDCs.

**Chart 5.8: India's Trade with Sudan**




*Source: ITC Trade Map and Exim Bank Analysis*

Sugar and sugar confectionery accounted for 27 percent of total exports of India to Sudan in 2018 **(Table 5.14)**. Sudan was the major destination of India's exports of sugar and sugar confectionery in 2018. India mostly exports cane or

**Table 5.14: India's Major Exports to Sudan**

| HS Code | Product | 2012 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **739.9** | **100.0** | **800.1** | **100.0** |
| 17 | Sugars and sugar confectionery | 239.8 | 32.4 | 216.1 | 27.0 |
| 62 | Articles of apparel and clothing accessories, not knitted or crocheted | 23.9 | 3.2 | 104.1 | 13.0 |
| 84 | Machinery and mechanical appliances | 49.9 | 6.7 | 72.1 | 9.0 |
| 52 | Cotton | 25.2 | 3.4 | 45.7 | 5.7 |
| 30 | Pharmaceutical products | 52.1 | 7.0 | 43.7 | 5.5 |
| 87 | Vehicles other than railway or tramway | 53.9 | 7.3 | 38.2 | 4.8 |
| 85 | Electrical machinery, equipment and parts | 21.7 | 2.9 | 32.9 | 4.1 |
| 10 | Cereals | 14.7 | 2.0 | 26.0 | 3.3 |
| 39 | Plastics and articles | 20.8 | 2.8 | 23.9 | 3.0 |
| 48 | Paper and paperboard | 14.4 | 1.9 | 17.6 | 2.2 |

*Note: 2012 data is used instead of 2009*

*Source: ITC Trade Map and Exim Bank Analysis*

beet sugar and chemically pure sucrose to Sudan. Other major export commodities in the same year include articles of apparel and clothing accessories, not knitted or crocheted (13 percent of exports), machinery and mechanical appliances (9 percent), cotton (5.7 percent), pharmaceuticals (5.5 percent) and vehicles (4.8 percent).

Mineral fuels, oils and products of distillation accounted for three fourths of India's imports from Sudan in 2018. Other major commodities imported from Sudan in the same year include oil seeds and oleaginous fruits (13.8 percent), and edible vegetables and certain roots (6 percent) **(Table 5.15)**. Sudan is a major source of India's imports of oil seeds and oleaginous fruits, with India mostly importing melon seeds and sesame seeds from the country. Sudan is also the major source of natural gum Arabic imports to India.

**Table 5.15: India's Major Imports from Sudan**

| HS Code | Product | 2012 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **179.3** | **100.0** | **755.2** | **100.0** |
| 27 | Mineral fuels, oils and products of distillation | 134.8 | 75.2 | 562.4 | 74.5 |
| 12 | Oil seeds and oleaginous fruits | 3.5 | 2.0 | 103.9 | 13.8 |
| 07 | Edible vegetables and certain roots | 0.8 | 0.5 | 45.5 | 6.0 |
| 44 | Wood and articles of wood | 11.1 | 6.2 | 21.5 | 2.9 |
| 13 | Lac, gums, resins and other vegetable saps and extracts | 5.7 | 3.2 | 10.2 | 1.4 |
| 76 | Aluminium and articles | 3.3 | 1.8 | 3.5 | 0.5 |
| 52 | Cotton | 1.3 | 0.7 | 1.7 | 0.2 |
| 10 | Cereals | - | - | 1.6 | 0.2 |
| 74 | Copper and articles | 2.1 | 1.2 | 1.3 | 0.2 |
| 39 | Plastics and articles thereof | 0.3 | 0.2 | 1.2 | 0.2 |

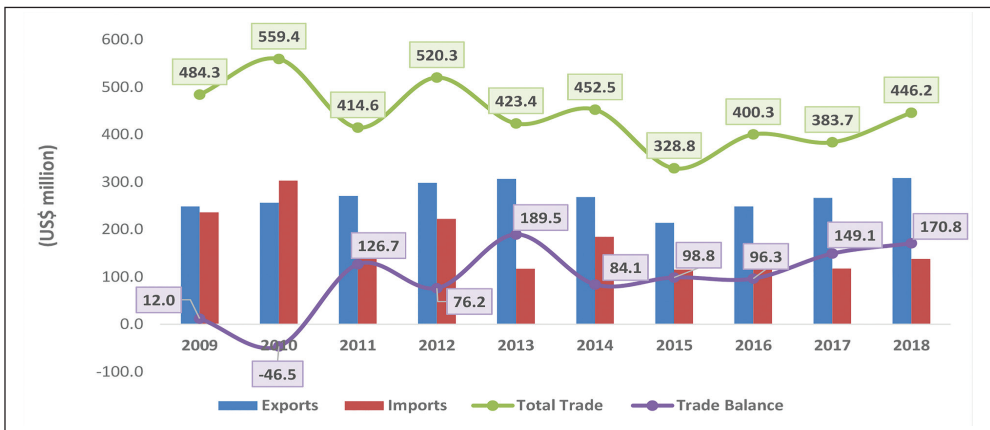
*Note: '-' denotes not available/ negligible; 2012 data is used instead of 2009*

*Source: ITC Trade Map and Exim Bank Analysis*

### Bilateral Trade Relations between Tunisia and India

Tunisia is the smallest country in North Africa. Tunisia's total trade with India witnessed a marginal decline over the last decade to US$ 446.2 million in 2018 from US$ 484.3 million in 2009. Tunisia accounted for 5.5 percent of total exports and 2.5 percent of total imports of India from North Africa. India continued to have a trade surplus with Tunisia throughout the last decade except for 2010,

**Chart 5.9: India's Trade with Tunisia**




*Source: ITC Trade Map and Exim Bank Analysis*

with trade surplus reaching US$ 170.8 million in 2018. India's exports to Tunisia has increased by a CAGR of 2.4 percent over the last decade, to reach US$ 308.5 million in 2018 from US$ 248.2 million in 2009. India's imports from Tunisia, on the other hand, decreased over the decade to reach US$ 137.7 million in 2018 from US$ 236.1 million in 2009 **(Chart 5.9).**

India's exports to Tunisia is dominated by vehicles other than railway or tramway, accounting for 30.2 percent of India's exports to the country in 2018. Other main items in India's export basket to Tunisia in 2018 include machinery and instruments (9.2 percent of total exports), fish and crustaceans, molluscs (8.5 percent), cotton (6.2 percent), and organic chemicals (5.7 percent) **(Table 5.16).**

Inorganic chemicals dominate India's imports from Tunisia with a share of 78.7 percent in total imports **(Table 5.17).** At a disaggregated level, India mostly imports phosphoric acid and sodium triphosphate from the country. Other principal import items from Tunisia include electrical machinery, equipment and parts (3.9 percent of total imports), raw hides, skins and leather (2.4 percent), and other made-up textile articles (2.1 percent). Tunisia was the third largest source of India's imports of products of animal origin, which mostly includes coral and similar materials.

### Table 5.16: India's Major Exports to Tunisia

| HS Code | Product | 2009 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **248.2** | **100.0** | **308.5** | **100.0** |
| 87 | Vehicles other than railway or tramway | 19.6 | 7.9 | 93.1 | 30.2 |
| 84 | Machinery and mechanical appliances | 13.5 | 5.4 | 28.2 | 9.2 |
| 03 | Fish and crustaceans, molluscs | 5.6 | 2.2 | 26.3 | 8.5 |
| 52 | Cotton | 11.7 | 4.7 | 19.0 | 6.2 |
| 29 | Organic chemicals | 11.1 | 4.5 | 17.7 | 5.7 |
| 09 | Coffee, tea, and spices | 8.6 | 3.4 | 16.1 | 5.2 |
| 85 | Electrical machinery, equipment and parts | 66.2 | 26.7 | 11.5 | 3.7 |
| 30 | Pharmaceutical products | 1.2 | 0.5 | 11.0 | 3.6 |
| 39 | Plastics and articles | 16.4 | 6.6 | 10.6 | 3.5 |
| 67 | Prepared feathers, articles, artificial flowers | 3.4 | 1.4 | 9.0 | 2.9 |

*Source: ITC Trade Map and Exim Bank Analysis*

## India-North Africa Investment Relations

With the increasing diversification of India's global trade towards other developing countries, the North Africa region has emerged as an important partner for India, both as export market as also import source. Despite concerted efforts to boost bilateral relations between India and African countries over the years, North Africa's participation as an investment partner to India has remained relatively limited.

**Table 5.17: India's Major Imports from Tunisia**

| HS Code | Product | 2009 | | 2018 | |
|---|---|---|---|---|---|
| | | Value (US$ million) | % Share | Value (US$ million) | % Share |
| | **All products** | **236.1** | **100.0** | **137.7** | **100.0** |
| 28 | Inorganic chemicals | 160.8 | 68.1 | 108.4 | 78.7 |
| 85 | Electrical machinery, equipment and parts | 0.6 | 0.3 | 5.3 | 3.9 |
| 41 | Raw hides, skins and leather | 0.9 | 0.4 | 3.4 | 2.4 |
| 63 | Other made-up textile articles | 0.2 | 0.1 | 2.9 | 2.1 |
| 05 | Products of animal origin | 0.4 | 0.2 | 2.4 | 1.8 |
| 71 | Pearls, precious or semi-precious stones and metals | - | - | 2.2 | 1.6 |
| 08 | Edible fruit and nuts | 0.1 | 0.1 | 2.1 | 1.5 |
| 51 | Wool, fine or coarse animal hair and woven fabric | 0.1 | 0.05 | 1.8 | 1.3 |
| 84 | Machinery and mechanical appliances | 1.3 | 0.6 | 1.5 | 1.1 |
| 72 | Iron and steel | 0.6 | 0.2 | 1.4 | 1.0 |

*Note: '-' denotes not available/ negligible*

*Source: ITC Trade Map and Exim Bank Analysis*

### Indian Investment from North Africa

According to the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, GOI, FDI inflows to India from North Africa stood at US$ 153.5 million during April 2000-March 2019. Almost 91 percent of investment came from Morocco, followed by Egypt (5.7 percent) and Tunisia (3.2 percent) **(Table 5.18).** The Moroccan phosphate company, Office Cherifian des Phosphates (OCP), has invested in Paradip Phosphates Ltd in India, which is the major importer of rock phosphates from Morocco to India. Paradeep Phosphate Ltd is controlled by Zuari Maroc Phosphate Ltd (ZMPL), a JV between Chambal Fertilisers, Zuari Fertilisers and OCP. Egyptian Investment in India include investments by Elsewedy Group (smart electrometers); KAPCI Coatings (car paints) and Modern Waterproofing Group/ Bitumode (waterproofing membranes and protection boards for construction industry).

**Table 5.18: FDI Equity Inflows to India from North Africa**

| Country | FDI Inflow during April 2000 to March 2019 | |
|---|---|---|
| | Value (US$ million) | % Share |
| Morocco | 138.9 | 90.5 |
| Egypt | 8.7 | 5.7 |
| Tunisia | 5.0 | 3.2 |
| Algeria | 0.8 | 0.5 |
| Libya | 0.1 | 0.05 |
| Sudan | 0.1 | 0.03 |
| **North Africa** | **153.5** | **100.0** |

*Source: Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India and Exim Bank Analysis*

## India's Investment in North Africa

Cumulatively, during April 1996 to March 2019, the Indian direct investments in seven North African countries, in joint ventures (JVs) and wholly owned subsidiaries (WOS), in terms of equity, loan and guarantees issued amounted to US$ 2.9 billion, accounting for 4.5 percent of India's overseas investments in Africa during the period **(Table 5.19).** During 2018-19, FDI outflows to these countries stood at US$ 48.6 million. Out of the total FDI outflows from India to the region during 2018-19, outflows to Egypt were the highest, accounting for 45.3 percent of the total FDI outflows to the region, followed by Morocco (27.6 percent), Algeria (16.2 percent) and Libya (10.6 percent).

The RBI data on overseas direct investments only captures the approved overseas investments rather than actual flow of funds and the ultimate destination of fund flows; and this could lead to distorted picture of the extent of the linkages between India and the rest of the world in terms of actual outward investments. To overcome this limitation, and to get a more meaningful understanding on the trends in Indian overseas investments, the analysis would require supplementing RBI data with other reliable sources tracking micro level data on cross-border investments. For this purpose, this study had drawn upon the data collated by the Financial Times through its online database tracking cross-border greenfield investment, viz. fDi Markets, which provides real-time monitoring of investment projects and capital investment to track and profile companies investing overseas.

### Table 5.19: India's Approved Overseas Direct Investment in North African Countries

**(US$ million)**

| Country | April 1996 to March 2013 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | April 1996 to March 2019 |
|---|---|---|---|---|---|---|---|---|
| Algeria | 3.3 | - | 3.1 | 5.5 | 3.5 | 3 | 7.9 | 26.4 |
| Egypt | 934.3 | 29.2 | 17.6 | 8.3 | 1 | 13.8 | 22.0 | 1026.1 |
| Libya | 220.0 | 27.2 | 7.4 | 0.1 | 0.5 | 0.6 | 5.2 | 261.0 |
| Mauritania | 5.9 | 0.2 | - | - | - | 0.4 | 0.1 | 6.6 |
| Morocco | 78.8 | 5.8 | 14.9 | 21.7 | 11.5 | 18.5 | 13.4 | 164.6 |
| Sudan | 1,238.8 | - | 0.01 | - | - | - | - | 1238.8 |
| Tunisia | 9.9 | 103.5 | - | 82.2 | 0.1 | 2.5 | - | 198.2 |
| **North Africa** | **2,491.0** | **165.9** | **43.0** | **117.8** | **16.5** | **38.9** | **48.6** | **2921.7** |
| Africa | 37,790.2 | 7,492.5 | 4,790.2 | 3,970.5 | 5,520.9 | 1,651.6 | 3,335.5 | 64,551.4 |
| ***North Africa's Share in India's FDI Outflow to Africa (%)*** | 6.6% | 2.2% | 0.9% | 3.0% | 0.3% | 2.4% | 1.5% | 4.5% |

*Note: '-' denotes not available/ negligible*

*Source: RBI and Exim Bank Analysis*

**Table 5.20** shows the trend in Indian investment in North Africa region for the last ten years in terms of capital expenditure, number of new FDI projects and number of jobs created as a result of these greenfield investments. During 2009 to 2018, North African countries received an envisaged investment of US$ 3.9 billion from India in 35 FDI projects, creating 15,683 jobs. Indian investments in North Africa peaked in 2009 at US$ 1.3 billion, with Sanmar Group investing over US$ 1.0 billion in Egypt in chemicals sector. The total amount of capital investment received by North Africa from India during 2009 to 2018 represents 11.9 percent of total Indian FDI in Africa.

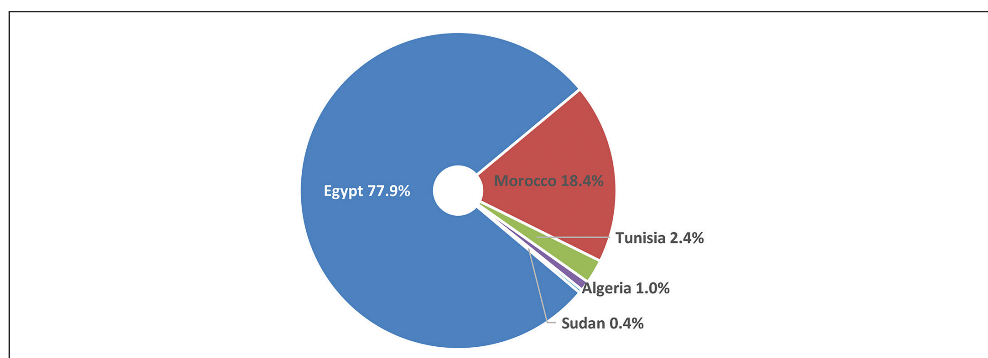
**Table 5.20: Envisaged Indian Investments in North Africa**

| Year | Capex (US$ million) | Projects | Jobs Created | Companies Invested |
|---|---|---|---|---|
| 2009 | 1,323.20 | 3 | 1,661 | 3 |
| 2010 | 217.7 | 6 | 1,749 | 6 |
| 2011 | 883.2 | 5 | 5,558 | 4 |
| 2012 | 468.5 | 6 | 3,261 | 6 |
| 2015 | 398 | 6 | 585 | 6 |
| 2016 | 43.2 | 2 | 49 | 2 |
| 2017 | 336.7 | 3 | 2,342 | 3 |
| 2018 | 195.8 | 4 | 478 | 4 |
| **North Africa** | **3,866.3** | **35** | **15,683** | **28** |
| **Africa** | **32,622.5** | **370** | **94,566** | **200** |
| *Share in Africa* | *11.9%* | *9.5%* | *16.6%* | *14.0%* |

*Source: fDi Markets.com (accessed on September 28, 2019) and Exim Bank Analysis*

Egypt accounted for the largest share of Indian investment during 2009-2018, with a share of 77.9 percent among the North African countries, followed by Morocco, Tunisia, Algeria and Sudan (**Chart 5.10 and Table 5.21**). According to fDi Markets database, no Indian investments are recorded in case of Libya and Mauritania. No investments were recorded during 2013-2014 in any of the North African countries.

**Chart 5.10: Country-wise Share in Indian Investment to North Africa, 2009-2018**




*Source: fDi Markets.com (accessed on September 28, 2019) and Exim Bank Analysis*

### Table 5.21: Indian Investment in North African Countries, 2009-2018

(US$ million)

| Country | 2009 | 2010 | 2011 | 2012 | 2015 | 2016 | 2017 | 2018 | Total |
|---|---|---|---|---|---|---|---|---|---|
| Egypt | 1,323.2 | 205.5 | 301.3 | 400.9 | 351.0 | 43.2 | 312.5 | 72.6 | 3,010.2 |
| Morocco | - | 12.2 | 487.4 | 53.8 | 32.0 | - | 24.2 | 100.0 | 709.6 |
| Tunisia | - | - | 94.5 | - | - | - | - | - | 94.5 |
| Algeria | - | - | - | - | 15.0 | - | - | 23.2 | 38.2 |
| Sudan | - | - | - | 13.8 | - | - | - | - | 13.8 |
| **North Africa** | **1,323.2** | **217.7** | **883.2** | **468.5** | **398.0** | **43.2** | **336.7** | **195.8** | **3,866.3** |

*Note: '-' denotes not available/ negligible*

*Source: fDi Markets.com (accessed on September 28, 2019) and Exim Bank Analysis*

### Table 5.22: Sector wise Indian Investment in North Africa, 2009-2018

| Sectors | Capex (US$ million) | Share in Capex (%) | Projects | Jobs Created | Companies Invested |
|---|---|---|---|---|---|
| Plastics | 1,367.1 | 35.4 | 8 | 6,762 | 7 |
| Chemicals | 1,325.4 | 34.3 | 3 | 1,637 | 3 |
| Automotive OEM | 475.0 | 12.3 | 4 | 4,247 | 2 |
| Renewable energy | 180.0 | 4.7 | 1 | 53 | 1 |
| Hotels & tourism | 131.2 | 3.4 | 1 | 219 | 1 |
| Business services | 89.6 | 2.3 | 4 | 117 | 3 |
| Automotive components | 61.7 | 1.6 | 2 | 995 | 2 |
| Food & tobacco | 49.4 | 1.3 | 1 | 312 | 1 |
| Industrial equipment | 48.2 | 1.2 | 1 | 401 | 1 |
| Leisure & entertainment | 38.1 | 1.0 | 1 | 141 | 1 |
| Pharmaceuticals | 27.5 | 0.7 | 2 | 207 | 2 |
| Consumer products | 24.3 | 0.6 | 3 | 315 | 1 |
| Software & IT services | 23.9 | 0.6 | 2 | 186 | 2 |
| Coal, oil & gas | 22.2 | 0.6 | 1 | 54 | 1 |
| Healthcare | 2.7 | 0.1 | 1 | 37 | 1 |
| **Total** | **3,866.3** | **100.0** | **35** | **15,683** | **28** |

*Note: OEM - Original Equipment Manufacturer*

*Source: fDi Markets.com (accessed on September 28, 2019) and Exim Bank Analysis*

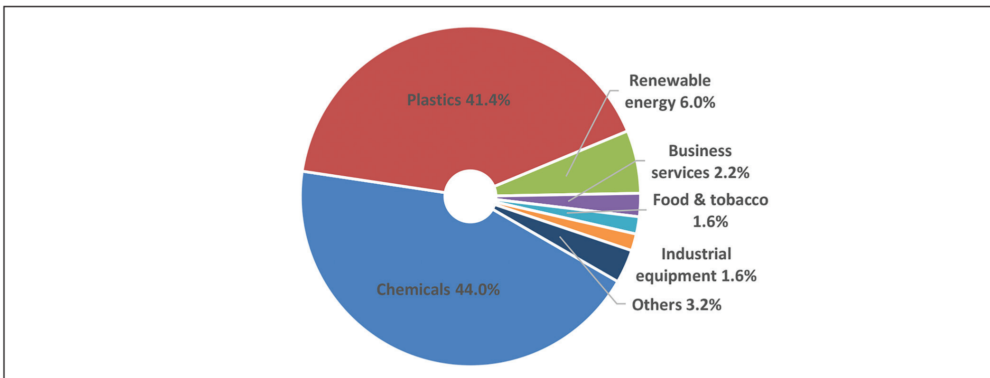
The major sectors that received Indian FDI in terms of capital invested are shown in **Table 5.22.** The plastics sector received the highest investment, accounting for 35.4 percent of total investment to North Africa during 2009-2018, followed by chemicals, automotive OEM and renewable energy. The maximum number of projects have taken place in plastics sector, where maximum number of jobs were also created.

### Egypt

During 2009 to 2018, Egypt has received Indian investment amounting to US$ 3 billion in 22 FDI projects by 19 Indian companies, creating 9,480 jobs in the country. Egypt is the third largest destination of Indian Investment to Africa during 2009-2018, after Mozambique and Zimbabwe, and the largest destination in North Africa. Egypt accounted for 9.2 percent of total Indian Investment to Africa and 77.9 percent of Indian investments to North Africa during this period.

The major sectors receiving Indian investment in Egypt during 2009-2018 are plastics (US$ 1.3 billion), chemicals (US$ 1.2 billion), renewable energy (US$ 180 million), business services (US$ 66.4 million), food & tobacco (US$ 49.4 million), and industrial equipment (US$ 48.2 million) as shown in **Chart 5.11.**

**Chart 5.11: Indian Investment in Major Sectors in Egypt, 2009-2018**

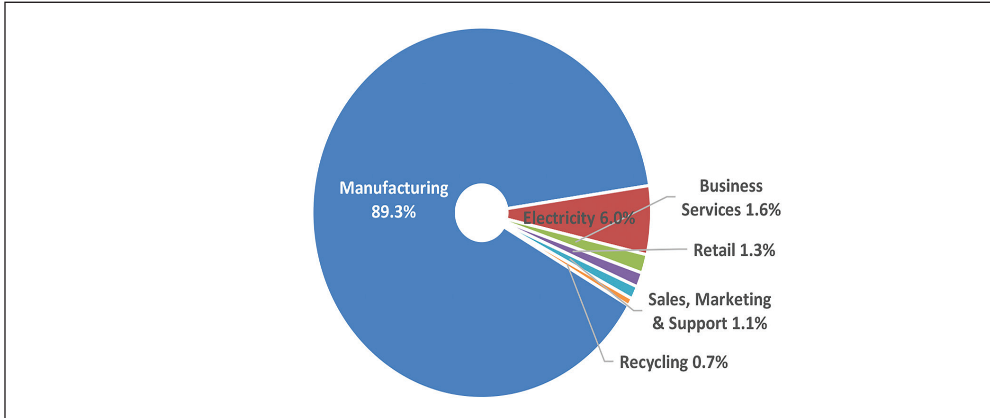



*Source: fDi Markets.com (accessed on September 28, 2019) and Exim Bank Analysis*

**Chart 5.12** shows the major business activities receiving Indian investment in Egypt during 2009-2018. Manufacturing, with an investment of US$ 2.7 billion was the major business activity, accounting for almost 90 percent of total Indian investment to Egypt. Other major business activities during 2009-2018 include

electricity (US$ 180 million), business services (US$ 49.1 million), retail (US$ 38.1 million), and sales, marketing & support (US$ 34.3 million).

**Chart 5.12: Indian Investment in Major Business Activities in Egypt, 2009-2018**




*Source: fDi Markets.com (accessed on September 28, 2019) and Exim Bank Analysis*

Over 450 Indian companies are registered in Egypt of which around 50 are in manufacturing and construction. Approximately, half are joint ventures or wholly owned Indian subsidiaries while the rest operate through their representative offices and execute projects for government organizations. Major Indian investors in Egypt include TCI Sanmar, Alexandria Carbon Black, the Alexandria Fibre Co., Dabur India's production facility for its cosmetics line, Egypt-India Polyester Company (EIPET) for manufacture of PET Resin, SCIB Paints, Godrej, Mahindra, Sun Pharma, and Monginis. The Oberoi Group manages a hotel and runs Nile cruises; Kirloskar Brothers sells diesel engines and irrigation pump sets in Egypt; Ashok Leyland, Tata Motors, Maruti Suzuki and Mahindra & Mahindra market their vehicles in Egypt, Bajaj Auto dominates the three-wheelers market, and Indian pharmaceutical major Hetero Drugs Ltd is involved in Hepatitis-C drug production. Indian Public Sector Undertakings like Gas Authority of India Ltd, ONGC Videsh Ltd (OVL), and Gujarat State Petroleum Corporation (GSPC) also have presence in Egypt. Indian companies also execute projects in railway signalling, pollution control including air pollution equipment, water treatment, irrigation, anti-collision devices etc.[29]

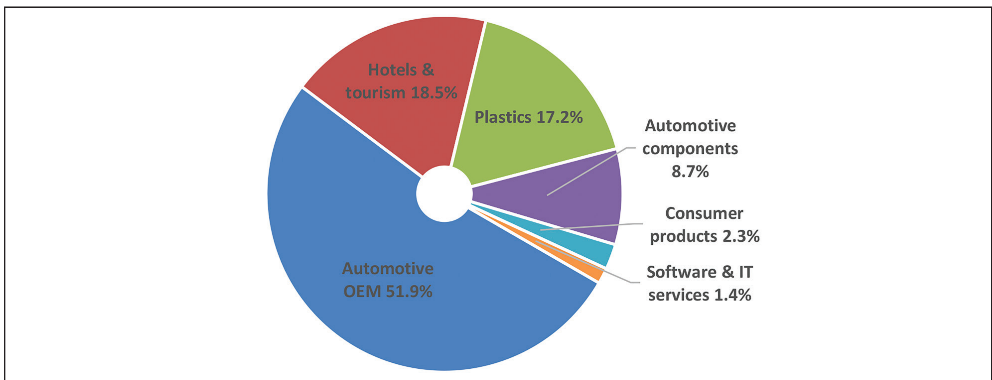
[29]Ministry of External Affairs, Brief on Foreign Relations, Egypt

## Morocco

Morocco received a total of US$ 709.6 million of capital investment during 2009-2018 from India in 9 FDI projects, creating 5,144 jobs. In 2018, Morocco was the 5th largest investment destination of India in Africa, accounting for 8.7 percent of total Indian Investment to Africa and over half of Indian investments to North Africa, supported by a US$ 100 million investments by Sumilon Eco Pet, a subsidiary of India-based Sumilon Industries, in a new PET plastic plant in Morocco.

Automotive OEM Sector alone accounted for over half of Indian investment in Morocco, with an investment value of US$ 368.4 million during 2009 to 2018. The other major sectors receiving Indian investment in Morocco during 2009-2018 include hotels & tourism (US$ 131.2 million), plastics (US$ 121.9 million), and automotive components (US$ 61.7 million) as shown in **Chart 5.13**.

**Chart 5.13: Indian Investment in Major Sectors in Morocco, 2009-2018**




*Note: OEM - Original Equipment Manufacturer*

*Source: fDi Markets.com (accessed on September 28, 2019) and Exim Bank Analysis*

As regards business activities, manufacturing alone accounted for 77 percent of Indian investments in Morocco, with an investment value of US$ 546.3 million during 2009-2018. Other major business activities receiving Indian investment in Morocco are construction (US$ 131.2 million – 18.5 percent share), followed by recycling (US$ 21.9 million), and business services (US$ 10.1 million).

Indian companies present in Morocco include IMACID (a Birla-Tata joint Venture with OCP Morocco), Onshore Construction, Sun Pharma, Cipla, Varun Beverages (Pepsi), Tata Motors, Sterling and Wilson, Larsen and Toubro, Sumilon, Furnace Fabrica, Satguru Travels, Gujarat Fluorochemicals Ltd. (GFL), Tejas Net-

work, Varroc Lighting Systems India Pvt. Ltd. and the Oberoi Group. Companies such as Mahindra & Mahindra, Ashok Leyland, Shakti Pump, Fieldking, Kirloskar, Sonalika, NaanDanJain (a subsidiary of Jain Irrigation), Shaktiman and Varuna are also present through their local representatives in Morocco.[30]

**Tunisia**

Tunisia received US$ 94.5 million Indian investment from one FDI project in automotive OEM sector during 2009 to 2018, creating 864 jobs in the country. The investment was made by Mahindra & Mahindra Limited in 2011 for manufacturing heavy duty trucks in the country.

According to Ministry of External Affairs, Government of India (GOI), Tunisia-India Fertilizer SA (TIFERT), which produces 360,000 tonnes of phosphoric acid per annum in Tunisia, is a joint venture of 2 Indian companies - Coromandel Fertilizers Ltd and the Gujarat State Fertilizers Ltd with Tunisian state-owned Groupe Chimique Tunisian (GCT) and Compagnie Des Phosphat De Gafsa (CPG). Other Indian companies present in Tunisia include M/s KEC International Ltd and Jyoti Structures Ltd in transmission line projects, Mahindra (assembly plant of pickup trucks) and Tata Motors (production of pick-up trucks with Tunisian companies 'Le Moteur' and 'Icar').[31]

**Algeria**

According to fDi Markets analysis, during 2009-2018, Algeria has received Indian investment of US$ 38.2 million in 2 FDI projects, creating 146 jobs in the country. These include a US$ 23 million investment in business services sector by BLS International Services Limited and a US$ 15 million investment in pharmaceuticals sector by Cipla.

According to Ministry of External Affairs, GOI, Indian public sector companies, Engineers India Ltd. (EIL), Larsen and Toubro (L&T), and IRCON International Ltd. and private sector companies including, L&T, KEC International and Kalpataru (power transmission sector), Vijay Electricals (manufacturing power transformers), Dodsal Engineering and Construction FZE (oil and gas sector), Shapoorji Pallonji (construction), and Zydus Cadila, Dabur, Sun Pharma, Cipla, and Hetro Drugs (pharmaceutical sector) are present in Algeria.[32]

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[30]Ministry of External Affairs, Brief on Foreign Relations, Morocco

[31]Ministry of External Affairs, Brief on Foreign Relations, Tunisia

[32] Ministry of External Affairs, Brief on Foreign Relations, Algeria

### Sudan

During 2009 to 2018, Sudan received US$ 13.8 million Indian investment from one FDI project in Software & IT services sector by Ramco Systems. Indian public sector company, ONGC Videsh Ltd (OVL) and private sector companies including Orient Fan, Tata Motors, Mahindra and Mahindra, and Bajaj are also present in Sudan. Indian investors are also present in sectors such as manufacturing steel units, packaging industry, beverage, food, agro commodities, pharmaceuticals, and vegetable oil machinery etc.[33]

### Libya

According to Ministry of External Affairs, Government of India, a number of projects have been executed in Libya by major Indian PSUs like BHEL, NBCC, OVL, IOC, Oil India, and private companies including, Punj Llyod, Unitech, KEC, SSB, Dastur Engineering, Shapoorji Pallonji, SECON, Global Steel (Ispat Group Company), NIIT, Sun Pharma, Simplex Projects, and DS Construction in projects such as construction of hospitals, housing, schools, roads, power plants, airports, dams, hydrocarbons, transmission lines etc. IT companies like JMR, DSS Software, and I-flex Solutions provide software solutions to various Libyan companies, especially in banking sector[34].

Indian investments in Africa have seen an upward trend in recent years across countries and sectors. But the share of North Africa in Indian investments remain small, with many countries in the region receiving marginal or nil investments from India. With heavy energy potential, availability of a variety of mineral resources and human capital, North Africa is among the top resource rich regions in Africa. As many of the North African countries are implementing a number of business reforms, investor friendly investor codes and one-stop shop for investments, along with slow, but gradual improvements in political situation in many countries of the region, Indian investors could turn towards North Africa as a major destination for long term investment.

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[33]Ministry of External Affairs, Brief on Foreign Relations, Sudan

[34]Ministry of External Affairs, Brief on Foreign Relations, Libya

# 6. Opportunities for Indian Investment in North Africa

North Africa region has a very unique strategic location, connecting Middle East, Africa and Europe. The region is blessed with abundance of natural resources. Most countries in the region are taking efforts to attract investments and diversify exports from hydrocarbon sector. According to UNIDO, Egypt and Morocco have the two largest industrial bases in the region, while Tunisia has traditionally been the country with the highest industrial intensity[35].

The countries in the region are adopting various FDI reforms aimed at removing obstacles to FDI, so that foreign investors can participate in development of most sectors of national interest. According to the Where to invest in Africa Report, published by Rand Merchant Bank (RMB), Egypt is ranked as the most favoured destination in Africa **(Table 6.1)**. The introduction of key reforms by the Egyptian government and a renewed focus on infrastructure, together with Egypt's favourable demographic profile, has attracted increased FDI inflows to the country. Morocco was the third most attractive investment destination in Africa, behind Egypt and South Africa.

**Table 6.1: Investment Attractiveness Index Ranking of North African Countries**

| Country | 2018 | 2017 |
|---|---:|---:|
| Algeria | 15 | 15 |
| Egypt | 1 | 1 |
| Libya | 36 | 23 |
| Mauritania | 37 | 38 |
| Morocco | 3 | 3 |
| Sudan | 25 | 24 |
| Tunisia | 11 | 9 |

*Source: Where to invest in Africa 2019, Rand Merchant Bank (RMB)*

[35]Industrial development in North African countries – A statistical profile, UNIDO, March 2014

### Africa Investment Index

Quantum Global Research Lab's Africa Investment Index (AII) is a unique index covering 54 African countries, developed with the aim of providing investors in Africa a guide as to which countries and markets are most attractive for investment in the short to medium term. This index ranked African nations based on their level of attractiveness to foreign investments. The index considered six different factors to determine its ranking system – Growth, Risk, Demography, Liquidity, Business Environment and Social Capital. According to AII 2018, Morocco emerged as the most attractive investment destination in Africa, followed by Egypt and Algeria **(Table 6.2).**

**Table 6.2: Africa Investment Index Ranking of North African Countries**

| Country | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| Morocco | 2 | 1 | 2 | 1 |
| Egypt | 1 | 3 | 3 | 2 |
| Algeria | 4 | 10 | 7 | 3 |
| Tunisia | 20 | 20 | 27 | 24 |
| Sudan | 24 | 21 | 25 | 25 |
| Mauritania | 34 | 37 | 44 | 39 |
| Libya | 44 | 40 | 35 | 40 |

*Source: Africa Investment Index 2018, Quantum Global Research Lab*

### Africa Infrastructure Development Index

AfDB has introduced Africa Infrastructure Development Index (AIDI) to monitor and evaluate the status and progress of infrastructure development across the continent; to assist in resource allocation within the framework of ADF replenishments; and to contribute to policy dialogue within the Bank and between the Bank and other development organizations. As per AIDI 2019, five North African countries are included among the top ten performers in Africa in terms of infrastructure development. Egypt ranked second in AIDI 2019, followed by Libya (3), Tunisia (6), Morocco (7), and Algeria (8). Sudan was ranked 33rd, while Mauritania stood at 35th position. The high rankings of majority of North African countries emphasis the commitment of these countries towards infrastructure development.

Of the US$ 81.6 billion new commitments made to Africa's infrastructure sector-both at national and regional level in 2017, North Africa[36] received US$ 15.9 billion (19.5 percent of total commitments). Transport sector received the maximum investment in the region (47 percent), followed by Energy (30.8 percent), and water (16.5 percent)[37].

**ALGERIA**

Algeria is rich in natural resources such as petroleum, natural gas, iron ore, phosphates, uranium, lead and zinc. Algeria is the largest country in the region, mostly covered by desert with a coastline to its north. Over the years, Algeria has developed gradually, and is currently among the most stable countries in North Africa. Algeria has a strategic geographical location for investment and trade, and has strong trade relations with most countries in the EU. Its geographical location makes it an interface between Europe and Africa including Maghreb region; having low cost of energy due to the availability of mineral oil and natural gas; large liquidity reserves, cushioning the country from external debt; availability of immense renewable resources which are yet to be fully exploited; a growing tourism sector; and skilled and inexpensive workforce offering support to labor intensive industries make the country a favourable investment destination in Africa. The country has benefitted from improvements in its business climate with the support of the World Bank.

The National Agency for Investment Development (ANDI) and the National Agency for Intermediation and Property Regulation (ANIREF) operating under the Ministry for Investment Promotion (MIPMEPI) are the executing authorities for FDI inflows into the country. Investment in Algeria is governed by a number of principles, such as the freedom to invest, non-discrimination, the protection of investments and the intangibility of benefit.

The Government of Algeria aims to attract FDI in sectors that will provide employment and reduce imports of assembled goods. Some of the priority sectors identified by the country for investment include tourism, agriculture, renewable energy sector, industries (automobile, food, electric, electronic and home appliances, pharmaceuticals, metallurgy, and textiles, among others), and ICT. Alge-

[36]Excluding Sudan

[37]Infrastructure Financing Trends in Africa – 2017,The Infrastructure Consortium for Africa

ria imports most of its manufactured goods, and with the government aiming to reduce imports, manufacturing sector offers great potential for investors. Other sectors that have potential to absorb investment are health, information and communication technologies, hydrocarbons, renewable energy, tourism, construction industry as a solution to housing shortages, infrastructure development to enable the industrial development, treatment and water management, banking and financial sector, automobiles, mass retail, and food processing sector.

In order to attract investment, the Government of Algeria has adopted several measures including the reduction of corporate taxes for investment in specific locations, reduction in social security contributions for recruitment of young employees, mutual agreements that provide concession of land and tax exemption for the entire duration of projects involving exports. On the other hand, to support growth of local industries, Algeria has put few restrictions on FDI inflow. For instance, for setting up new investment projects in Algeria the majority capital of 51 percent must be held by the local firms.

Privatization of companies is encouraged to a great extent in Algeria. Though there are no defined monopolist sectors in the country, the hydrocarbon and tobacco sectors remain difficult to enter for new investors.

Despite the efforts taken by the government to improve its investment conditions, Algeria suffers from a relatively slow administrative system; huge dependence on hydrocarbon production and exports, due to which other transformed goods are imported; insufficiently developed regional markets; and issues with neighbouring countries.

**Investment Law in Algeria[38]**

The new Investment Code adopted in July 2016, along with the 2016 Finance Law has overhauled the earlier legal framework applicable to investments in Algeria. The Investment Code is a part of the economic reforms plan carried out by the Government of Algeria, which has brought about various changes, some of which include:

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[38]Algeria: New Investment Code, PWC and Oxford Group

- *Incentives for Investors*

The incentives granted to the investors have been revised and the procedures have been simplified. The benefits are provided to the investors at three levels:

- Common Benefits for all eligible investments – which falls into the realization phase and the exploitation phase and is related to tax exemptions, discounts or fee reductions.

- Additional benefits for investments within the sectors of industry, agriculture and tourism.

- Exceptional benefits for projects of particular interest to the national economy.

The additional and exceptional benefits concern the extension of the duration of common benefits to 5 years for additional benefits, and 10 years for exceptional benefits. The investments made in the south part of the country, the highlands and regions that require state intervention receive specific benefits. The new Law removed the obligation to present a positive foreign exchange balance throughout the life of the investment.

- *Negative lists.*

Decree 17-101 lays down the list of activities, goods and services excluded from the advantages provided by the Investment Law (for example, import activities, cement plants, grey cement, etc.)

- *Transfer of Shares or Assets*

Article 25 of the Investment Law made the benefits of transfer guarantee conditional upon the satisfaction of certain thresholds, which had to be fixed by regulation. Article 16 of Decree 17-101 defines the minimum thresholds provided for in Article 25 of the Investment Law for the benefit of the transfer guarantee calculated in instalments on the basis of the foreign shareholding's in the total cost of the investment, as follows: 30 percent when the investment amount is lower than or equal to AD 100 million; 15 percent when the investment amount is in excess of

AD 100 million and is lower than or equal to AD 1 billion; and 10 percent when the investment amount is in excess of AD 1 billion. Additionally, in cases with foreign shareholders, their share of financing in the total investment cost is proportional to the share they hold in the company's capital.

The foreign investors no longer have to notify the Algerian authorities for transfer of shareholdings in locally incorporated firms unless that shareholding is greater than 10 percent, which reduces the reporting burden on investors.

- *51/49 Rule*

The rule that 51 percent of shares must be owned by Algerian nationals who are residents of Algeria or by companies which are wholly-owned by Algerian resident shareholders has been moved from the Investment Code to Article 66 of the Finance Law, 2016. The country is in process of amending the rule to allow foreign firms to have a majority stake in "non-strategic" sectors of its economy.

**Areas of Interest for Indian Investment in Algeria**

While Algeria continue to invite investments in energy sector, the Government of Algeria is focussing on export diversification and enhancing the manufacturing value chain. In this regard, Indian investors have opportunity in all the major sectors in the country, specifically investment in fertilizer sector, tourism, automobile sector, agriculture and food industry, renewable energy, pharmaceuticals and ICT sectors.

- Fertilisers are the second largest imported commodity of India from Algeria. India mostly imports urea from the country. India is the second largest producer of itrogenous fertilizers and third largest in phosphatic fertilizers, globally. India is also one of the largest consumers of fertilizers, to support its strong agriculture sector. Most of the phosphate being used by Indian fertilizer companies is imported and hence the production cost remains very high. Besides, the Government of India provides subsidies for fertilizer production. As Algeria has huge phosphate reserves, setting up fertilizer companies in Algeria through joint ventures with a buy back agreement is a lucrative investment opportunity. This will reduce the cost of production of fertilizers and thus, the price of fertilizers for Indian farmers. The cheaper fuels, coal and electricity in Algeria would support these investments.

- Investing in automobile sector of Algeria is another lucrative opportunity for Indian investors. Most of the foreign automotive companies are engaged in the assembling of heavyweight vehicles. The Indian automobile company, Mahin dra and Mahindra group is already established in Algeria in assembling com mercial vehicles and agricultural tractors. As Indian companies have already es tablished Indian a hold in this sector, it should be easier to initiate into full-fledged production of automobiles, along with manufacture of spare parts and oth er accessories. Algeria imports light vehicles and spare parts of the same from India, and investment in automobile production will bring Indian know how and technology to the country, while reducing the import cost of Algeria.

- Algeria is among the world's largest consumer of cereals. The food industry of Algeria is dominated by private sector. The food industry of Algeria is also the second largest industry, after oil industry. It is also the leading consumer of dairy products in North Africa. The Indian food industry is well established and could expand to Algeria. India has the capability to compete with Middle East and EU companies which are already established in food and food pro cessing sectors in the country.

- The pharmaceutical sector of Algeria is amongst the top 10 sectors that re ceived the highest investment over the last 10 years. The pharmaceutical prod ucts constitute the second largest exports from India to Algeria in 2018. Many Indian companies are operating in the pharma industries and healthcare in Africa. Algeria's healthcare industry has a lot of scope for development, and the country relies heavily on imported goods. Algeria requires investment in man ufacturing plants for medical equipment and devices, laboratory equipment and pharmaceutical products.

- Algeria has witnessed significant development in its ICT sector over the last few years. Algeria has also modified its legal framework and introduced a series of new regulations to accompany sectoral growth. The e-Algeria 2013 strategy was adopted by the Government of Algeria to provide around 300 e-govern ment and e-business services to the internet users. Algeria is also deploying a country-wide fiber optic network to provide high quality, reliable, fast and cost-effective telephony and internet services. The Indian companies can cap italize on the supportive policy for the sector.

## EGYPT

Egypt is the major investment destination among North African countries. The Government of Egypt is determined to attract more investment from around the world. In 2017, Egypt adopted the 'Investment Law' with performance requirements which included more labor intensive projects in order to solve the problem of youth unemployment and provided investment incentives to specific geographical locations. The special economic zones set up across Egypt are also responsible for attracting FDI. The regulations in SEZs are more liberal along with having efficient administration. There also exists tax incentives, facilitation of registration and customs procedures, and better infrastructure. The advantages of investing in Egypt are many, including, a strategic geographical location connecting Europe as well as the Middle East with a long coast line; inexpensive labor; well-developed tourism sector; and ample natural resources. The economy is diversified, with revenue being earned from various sources and not solely dependent on a single sector. Energy resources, revenues from the Suez Canal and the industrial development help maintain stability in the country in case of economic crisis. Egypt also has a good manufacturing base, as evident from the fact that two-thirds of the value of African manufacturing production is located in Nigeria, South Africa, Egypt, and Morocco.[39]

### Investment Law in Egypt

Egypt has incorporated Vision 2030, with the aim of improving GDP, investment rate, the export contribution to GDP and reduction in unemployment. This vision set by Egypt states the fast-moving path of development it has chosen to take, thus making it one of the most attractive regions in North Africa for investment. The Supreme Council of Investment headed by the President was also established by the Government of Egypt in 2016. At the end of 2016, the Supreme Council of Investment of Egypt announced 17 presidential decrees which included tax exemptions in certain manufacturing, agrarian and industrial sectors which are considered strategic. From 2016, the Government of Egypt started allowing the enterprises importing goods in Egypt to be 51 percent Egyptian-owned, which used to be 100 percent before. The General Authority for Free Zones and Investment (GAFI) has implemented a new online system in order to ease and

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[39]The Potential of Manufacturing and Industrialization in Africa, Brookings, September 2018

facilitate all required procedures within a shorter time. In addition to this, procedures for inspecting company premises by the National Authority for Social Insurance (NASI) have been abolished, and an electronic connection has been furnished between GAFI and NASI. The government has started increasingly focusing on the non-traditional sectors in the country namely, education, agriculture and land reclamation as well as PPP projects in water and sewage sectors, along with hydrocarbon sector.

Egypt's old Law of Investment 1997 was replaced with its new law of investment in 2017, after the amendments of the old law failed to achieve its objectives. The major features of the new investment law, include:

- **Equitable Treatment to Local and Foreign Investors**

The Law guarantees fair and equitable treatment to both foreign and Egyptian investors and prohibits confiscation of private investments. It also grants investors the right to repatriate profits without restriction and provides a residence permit for foreign investors throughout the term of their investment projects in Egypt. Investment projects can employ up to 10 percent foreign employees in their companies, which may be increased to 20 percent in case of insufficient local employees with the necessary qualifications. Investments will not be governed by arbitrary procedures or discriminatory decisions. Foreign employees of investment companies have the right to transfer their compensation abroad.

- **Investment Incentives**

To help attract global investors, the law contains policies to encourage significant and targeted investments:

- General Incentives: Companies will receive a 2 percent overall customs tax exemption on the value of imported equipment and machinery. They will also be exempted from stamp tax and registration fees on articles of association, mortgages, loan agreements and land contract notarizations related to their investment.

- Special Incentives: The new law provides deductions from taxable net profits according to a forthcoming investment map that will identify investment areas

as Sectors A and B. Investors will receive a 50 percent discount off invest ment costs in Sector A and a 30 percent discount off investment costs in Sec tor B for specified priority activities.

- Additional Incentives: Egypt's Council of Ministers may decree additional incentives, which will be awarded by the head of the General Authority for Investment and Free Zones (GAFI). These may include subsidized utilities, the allocation of lands free of charge for strategic activities, and other incentives.

- **Investment Systems**

The investment system has been divided into three types by the Law:

- *Internal Investment System:* The Law provides the possibility of investing in any area, other than the Investment and Free Zones, whereby the relevant investment projects shall be made in full compliance with the provisions of all applicable laws without having any special treatments other than those stated in the law.

- *Investment Zones System:* An investment zone can be established by a de cree from the Prime Minister and covers any of the investment sectors that do not have limitations applied to Free Zones.

- *Free Zones System:* Free Zones can be established in a form of Public or Private Free Zones by a decree from the Prime Minister mainly for the export purpose.

- *Establishment of Technological Zones:* All the equipment used in the technological zones are exempted from custom duties. The aim of these zones is to increase manufacturing, developing electronics programming and supporting technological education.

**Other Features of Investment Law**

- Unified Approval: Companies undertaking strategic or national interest projects, either as public-private partnerships or related to public utilities, infrastructure, new and renewable energy, roads and ports, are eligible to receive

a single approval to cover the establishment, operation, and management of their project. This will include building licenses and allocation of real es tate for the project.

- Investor Services: Investors will be able to obtain all licenses from GAFI and will not need to interact with any other authority. GAFI will provide incorpora tion and post-incorporation services, will collect all fees from applicants, and will decide on completed incorporation applications within one business day of their submission. GAFI will also establish electronic means by which incor poration activities may be conducted. Private sector Approval Offices that are licensed and accredited by GAFI will assist and represent investors before government authorities.

- Investment Zones: The Prime Minister may designate geographic areas for specific developments, including logistics, agriculture, and industry. In areas designated for communications and information technology, equipment for these enterprises will not be subject to taxes or customs duties.

- Investment Map: GAFI will prepare a map to identify special investment zones, needed investment projects and government owned land available to inves tors.

**Areas of Interest for Indian Investment in Egypt**

Priority sectors for investment in Egypt include energy (oil and gas transmission, distribution; electricity generation, transmission, and distribution); transport (multi-modal freight transport and logistics, including ports, airports, railways and inland waterways, and related logistics infrastructure; urban transport in the Greater Cairo Metropolitan Area (GCMA); water and sanitation (bulk water supply, distribution, and wastewater treatment); and agriculture (value addition and transformation, enhanced efficiency of value chains and sustainable water and land resource management).

- Egypt aims to expand basic digital infrastructure including the broadband net work, submarine cables and cloud computing infrastructure. With increasing digitalization of the country, there exist opportunity for the Indian telecom companies to expand their market to Egypt. The Bharat Broadband Network

Ltd. can also establish partnership with Egypt's public sector companies. Recently, Airtel has entered into a strategic partnership with Telecom Egypt for global submarine cable systems.

- Indian companies can explore investment opportunities in Egyptian transport system including Egyptian railways. Egypt is currently reforming its national railway system, and the Ministry of Transportation aims to implement three high speed railway lines over phases to link all new cities together. Besides, other infrastructure opportunities for construction involve roadways, devel opment of port and metro construction. Indian private companies have enough experience in these fields and are currently undertaking development and construction projects in various countries in Africa. Similar ventures can be carried out by Indian companies in Egypt under PPP.

- Egypt possesses an abundance of land, sunny weather and high wind speed, making it a prime resource for three renewable energy sources: wind, solar and biomass. Egypt is one of the countries lying in the solar belt re gion which is most convenient for having solar energy applications. The Government of Egypt aims to supply 20 percent of electricity generation from re newable resources by 2022 (wind energy providing 12 percent, hydro power 5.8 percent and solar energy 2.2 percent). The new unified electricity law removed the red tape to encourage private sector investment. The investors can own land for projects generating solar energy for 20 to 25 years. India was ranked 4th by the EY Renewable Energy Country Attractiveness Index in 2019, while Egypt was ranked 14th out of 40 countries. According to Renewable Capacity Statistics 2019, published by International Renewable Energy Agency (IRENA), Egypt has the third largest installed capacity in wind energy among African countries in 2018, behind South Africa and Morocco. Indian investors have a huge potential to set up joint ventures with domestic companies for renewable energy production in the country.

- Egypt has the advantage to be developed as a manufacturing base in the North Africa region. Indian investments in light and medium industries such as, automotive (auto parts, tyres and rubbers, automobile manufacturers), machinery (construction machinery & heavy trucks, agriculture & farm ma chinery, and industrial machinery), chemicals (industrial chemicals and household chemicals), packaging (paper packaging, metal and glass con-

tainers), food products (agriculture products, packaged foods and meats), building material (construction material) and electrical equipment (electronics & home appliances, and household products) will support further in developing the manufacturing sector of Egypt.

- Egypt has a wide range of agrarian products that it produces and exports. The agricultural sector has been improving with better irrigation facilities and introduction of technology for enhanced agricultural yields. Though private investment is not yet fully encouraged in the very initial stages of agriculture, the manufacturing and food processing industry offer enough opportunities for private investment from India.

- There exist opportunities for investment in the Suez Canal Economic Zone, in sectors such as petro-chemicals, energy, agriculture, healthcare, education, skills and ICT.

- There also exists opportunities in trading and investment in cotton and textiles in case of Egypt. Opportunities also exist in promoting and marketing Egyptian cotton products and setting up of manufacturing facility for Egyptian cotton home textile products. Potential for exporting pharmaceuticals are also immense.

**LIBYA**

Libya's Investment Law encourages investment of national and foreign capital in the country. The Government of Libya aims to diversify its economy in order to reduce its vulnerability to the international price movements, and thus, tax benefits are granted to companies that contribute to the diversification of the local economy, development of rural areas, and increase employment. It also provides a 5 year exemption from tax on distributions and gains arising from a merger, sale or change in the legal form of enterprise, provided the profits are reinvested. Tourism, industry, health, services or agriculture are some of the sectors defined by the General People's Committee as being open to foreign investment, and was provided advantages such as tax exemptions. However, the percentage held by Libyans or Libyan companies within this framework cannot be less than 51 percent.

Some of the advantages of Libya for attracting investment include: a favourable geographical location with Europe, Africa and Middle East forming a triangle

around it; amble natural resources including oil, natural gas and minerals; skilled and relatively less expensive labour; and a gradual movement towards liberalization in favor of private investment. On the other hand, political issues, administrative inefficiency, import restrictions, high unemployment rates and dependence on oil resources affect investment flows negatively.

**Investment Law in Libya**

Foreign investment in Libya is regulated by the Libyan Foreign Investment Board (LFIB). The Government of Libya aims to open up the economy to more industrialization with increased private sector participation and investment of foreign capital. Law No. 9/2010 was enacted to attract the investment of foreign capital. According to the Law, investment shall take place in all production and service areas. The areas that are excluded by this Law, or are restricted for investment by Libyans only or by way of partnership between Libyans and foreigners will be determined by the Executive Regulation.

- **Permission for Investment**

Permission to set up, develop, restore, run, or operate an investment project shall be issued under a decision by the Secretary, based on an offer from the administrative authority. This authority shall be concerned with the issuance of all licenses and necessary approvals of an offer from the administrative authority. Investment shall be in all production and service areas. It also determines the percentage of contribution by Libyans and foreign nationals in the project, the legal form of the project and the minimum capital that conforms with the nature of the activity.

- **Privileges and exemptions**

  - Exemption of machinery, equipment and apparatuses necessary for the exe cution of a project from all taxes and customs duties and other fees.

  - For the period of 5 years, facilities, spare parts, transport means, furniture, raw materials, publicity and advertising items, related to the operation and management of the project are exempted from all taxes and fees, irrespective of the type or source.

- Commodities produced for export will be exempted from production tax and customs duties.

- For a period of 5 years, from the date of permission for licensing the activity, the investment projects will be exempted from income tax for any activity.

- Shares and equities, arising from the distribution of the investment project's interests during the period of exemption, as well as interests arising from the merger, sale, division or change of the legal form of the project, are exempted from all taxes and levies, provided they occur during the period of exemption.

- Exemption of interest arising from the project's activity if re-invested.

- All documentary records, registers, transactions, agreements that are made, ratified, signed or used by the investment project are exempted from stamp duty payable according to the effective legislation.

- **Additional Privileges and Exemptions**

The investment projects may be offered tax privileges and exemption for a period not more than 3 years, along with other additional privileges if those projects prove that –

- They contribute to the achievement of food security in the country.

- They are capable of achieving abundance in energy or water or contribute to environment protection.

- They contribute to the development of area.

- **The 51/49 Rule**

Libyan law requires that all companies formed in Libya must be Libyan-controlled. Foreign companies operating in Libya tend to operate through a branch or a branch of subsidiary. A foreign company must register its branch with the Ministry of Economy & Trade and International Co-operation. Once registration is completed a three to five years renewable business license is issued.

### Areas of Interest for Indian Investment in Libya

There exists investment opportunities in nearly every sector of the economy including retail, healthcare, construction, telecommunication, education, training and oil.

- India companies have achieved expertise in the sectors of IT, engineering and automobiles. India can support Libya in setting up of IT excellence centers in partnership with the Government of Libya.

- The healthcare sector of Libya is in an infant stage. Limited financial resources, deficient human resources, acute shortage of life saving medicines and basic equipment, a debilitated primary health-care (PHC) network, and neglected health services in some areas predominantly in the south has been affecting the development of sector. According to the Service Availability and Readiness Assessment survey, conducted by WHO and MOH in 2017, 17 out of 97 hospitals are closed and only 4 hospitals are functional between 75-80 percent of its capacity. Over 20 percent primary health care facilities are closed and the rest are not well ready for service delivery.[40] Libya also has insignificant local production of pharmaceuticals, resulting in country heavily depending on imported pharmaceuticals. Libya needs to upgrade every aspect of its existing public sector healthcare facilities with investments in better medical equipment, technology, training, and medicines. Indian companies can participate in the health sector through JVs and public private partnerships. Private investment is encouraged, where hospitals and care centers may be set up, owned and managed entirely by foreigners. Investment is encouraged for setting up laboratories and research centers along with manufacturing medical equipment.

- According to Libya's National Oil Corporation (NOC), oil production in the country is expected to reach 1.6 million bpd by 2022. Investment in oil production capacity is an important opportunity for Indian investors. The price of gasoline in Libya is one of the lowest compared to the rest of the world.

- The energy resources in Libya are highly subsidized. Indian companies can also set up units in plastic and chemicals sectors that require heavy electricity consumption.

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[40] Review of Health Sector in Libya, 2017 (World Health Organization)

## MAURITANIA

The discovery of offshore oil fields and their exploitation, which began in February 2006, has deeply modified the profile and the economic dynamics of Mauritania. The country has huge investment potential in mining sector activities, with large reserves of iron, copper, gold, gypsum, phosphate, diversified and pure mud, rare earth, and salt. The country is rich with minerals and fishery products which are yet to be fully explored. There are indicators of the presence of uranium and diamonds. The country's geographical location, at the crossroad between Maghreb and Sub-Saharan Africa; and at the crossroads of major shipping routes in the Atlantic between Europe, Middle East, West Africa and the Americas; an oil market in full expansion; the establishment of privatization policies and trade liberalization with the collaboration of the IMF; and equal treatment between foreign and domestic investors are some of the favourable factors supporting investment in the country. The majority of the investments into the country has targeted the sectors of oil exploration and exploitation, mineral mining of iron ore and gold, telecommunications with the acquisition of mobile phone licenses and the construction sector. Mauritania, being an LDC, receives financial aid from donors and international organizations.

In order to encourage investment, the Government of Mauritania has updated provisions in the 'Investment Code' to enhance the security of investment and facilitate administrative procedures. Small and Medium Enterprises (SMEs) are exempted from payment of any taxes or custom duties to encourage regional development. The code has established the formation of SEZs. The investment code does not impose restrictions based on the origin of the investment concerning the access to Mauritanian company capital. However, there are restrictions based on the type of activity. The fishing sector allows the foreign investors to hold only up to 49 percent of shares.

### Investment Law in Mauritania

Mauritania's 'Investment Code' 2012, aims to encourage direct investment by domestic and foreign capital, to secure them and facilitate related administrative procedures. The investment code specifies in article 4 that "the enterprise (investor) is guaranteed against any measure of nationalization or requisition

throughout the national territory". The freedom to transfer without delay, after payment of Mauritanian duties and taxes, income or proceeds of any kind resulting from its exploitation, any transfer of assets or its liquidation is clearly enacted by the Article 7 of the Investment Code.

• **Preferred Investment Plans**

The code provides for three privileged schemes that benefit from incentives:

**Enterprises governed by the SME regime:** This applies to any investment below 200 million ouguiya and generating at least 10 direct jobs. These investments benefit from fiscal and customs advantages during the installation phase, limited to three years and during the exploitation phase:

a. During the installation phase limited to three (3) years:

i. payment of 3.5 percent of import tax duty, excluding any other duty or tax payable to the customs on capital goods whose list of eligible products is fixed by Order of the Minister of Finance;

ii. Exemption from the Financial Transactions Tax (TOF) on the products of first investment loans or extension of activities contracted with banks and financial institutions, in the framework of medium and long-term financing agreements.

b. During the exploitation phase:

i. Payment of 3.5 percent of tax duty on imports, excluding any other duty or tax payable to the customs authorities on capital goods whose list of eligible products is fixed by Order of the Minister of Finance, as well as on spare parts recognizable as being intended for them.

ii. Industrial inputs are subject to the customs tariff rates throughout the license period.

**Enterprises located in "Special Economic Zones":** This regime comprises two types of enterprises: those established in export processing zones and enterprises located outside Nouakchott and which are aimed at regional development. Enterprises established in the free zones are subject to the levy

of the profits tax at the rate of the ordinary law regime. Losses will be carried forward over the next five years.

a. Undertakings which have invested at least 500 million Ouguiya and generate at least 50 permanent jobs in the free zones and have an export potential of at least 80 percent are exempted from:

i. any tax on the basis of staff costs, including the total amount of salaries, wages, allowances and any other remuneration, including benefits in kind, paid by the enterprises and borne by them, excluding the contribution employers' liability;

ii. the contribution of the patents, the land tax on the built properties, the land tax on the undeveloped properties, the contribution of the licenses. This exemption is replaced by a single communal tax which cannot be higher than an annual amount of 5 million ouguiyas.

b. Enterprises established in the free zones benefit from:

i. Exemption from customs duties and taxes on imports of capital goods, equipment, commercial vehicles intended for production (the list of eligible goods is fixed by Order of the Minister of Finance).

ii. Exemption from customs duties and taxes on exports.

c. Finished products to be sold on the domestic market are subject to the payment of customs duties and taxes. This procedure will be in accordance with the customs regulations in force.

**Establishment Agreements with the State**: This scheme targets large-scale investments (from 500 million to 5 billion UM and which aim to create between 20 and 500 direct jobs and 50 and 2000 indirect jobs) in seven broad sectors of the national economy: (i) agriculture, (ii) processing of livestock products, (iii) on-shore processing of industrial fishery products with the exception of fishmeal, (iv) artisanal and coastal fisheries, (v) industrial and manufacturing units, (vi) renewable wind and solar energy production, and (vii) hotels and tourism outside Nouakchott. The installation conditions as well as the specific advantages to be agreed are defined under a negotiated agreement with the relevant departments with the Ministry of Economic Affairs and Development and the Ministry of Finance. The Establishment Agreements are granted for a period of 20 years.

**Investment Protection**

The Investment Code provides following protections for all investors legally incorporated in Mauritania regardless of the regime under which they exercise (common law or privileged regime):

- guarantee and protection of the property;
- guarantee of stability of the legal, fiscal and customs conditions granted during a period of 20 years;
- currency availability guarantee;
- guarantee of capital transfers after payment of Mauritanian duties and taxes;
- guarantee of transfer of salary/remunerations according to the exchange reg ulations in force;
- guaranteed access to raw or semi-processed raw materials produced through out the territory;
- equal treatment of investors to acquire all rights of all kinds in terms of owner ship, concessions and administrative authorization and participate in public contracts; and
- commercial, economic and competitive freedom.

**Areas of Interest for Indian Investment in Mauritania**

Focus sectors for investment in Mauritania include tourism, transport and logistics, agriculture, livestock, fishing, mining and petroleum sectors.

- Hydrocarbon Sector*:* Mauritania is one of the latest countries in Africa to start producing oil. It possesses considerable offshore natural gas deposits. Mauritania's hydrocarbon sector is attracting more and more global oil companies in the recent years. Mauritania's Inland and coastal areas lies on giant oil and gas reserves making the country a potential major oil producer in North Africa that also benefits from its geographical location to transform into a

major crude exporter to international markets, particularly Europe. BNP Parib as has named Mauritania along with French Guiana, Kenya and Gabon, as one of the four top exploration hot-spots for oil and gas in 2013.

- Fisheries Sector*:* Mauritania's Strategic Plan for Accelerated Growth and Shared Prosperity has identified agro-processing, fisheries, hotel construction and related logistics and infrastructure as the key sectors for development. Its coastal waters and ocean territory is a highly biodiverse eco-region, having some of the most abundant fish stocks in the world. This is reflected in the fishery sector, a crucial sector for the Mauritanian economy in terms of its con tribution to GDP, exports, income for the national budget and job creation. A joint investment venture between India and the locals involved in the fishery industry would be very lucrative.

- Ship-building and infrastructure development including port development are other two major areas offering opportunities for investment.

**MOROCCO**

Morocco has been referred to as the most preferred investment destination in Africa, and the country's doing business ranking is much higher than other North African countries and India. Morocco is among the fastest growing economies in the North Africa region. The investor favourable legal framework and assistance measures; relatively cheap labour; geographic location right in between Europe and Sub-Saharan Africa with a coast line; skilled work force and political stability are some of the factors making the country attractable for investors.

The Moroccan Government has adopted the Investment Charter in 1995 and has made relevant amendments to it recently. Morocco has various infrastructural development plans including Road Plan 2035, Rail Plan 2040, Port Strategy 2030, Airports Development Plan 2030, and Logistics Competitiveness 2030, with ambitious targets for infrastructure development[41] in the country. These targets encourage a lot of private investors to invest in Morocco or at least expand their activities in the country. Some of the issues faced by the investors in Morocco are the relatively small internal market, dependence on agricultural produce, vulnerability to international prices of hydrocarbon, high unemployment rates and limited transparency in public procurement.

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[41] Investment Opportunities – Morocco (G20 Compact with Africa)

## Morocco's Investment Law

The Investment Charter of 1995 was replaced by the new Charter in July 2016. The Charter restructured investment promotion activities under a centralised agency and has decided to develop free zones in each of the country's 12 regions. As investment is the key to attain sustainable economic growth, the new law has liberalized the economy by easing the procedures, and providing better protection to private operators. The law aims at improving investment conditions in Morocco and acquiring a significant flow of investment from both domestic and foreign investors.

The foreign investors are free to create new enterprises, participate in the already existing ones, and subscribe to capital increase of existing societies, create branches or "liaison offices" of their existing foreign firms and to acquire real estate in Morocco. Foreign firms can also legally hold bank accounts in hard currency or foreign accounts in convertible Dirhams, and no specification for the same is required. Foreign companies are liable on Moroccan-sourced income, even when this is of an occasional nature, at the same rates as local companies (unless a preferential treatment is granted under foreign investment schemes).

## Incentives to Investors

The Moroccan Government provides incentive packages that can be enjoyed by investors if a certain criterion is met by the project. The two important incentive packages are Investment and Industry development fund and Hassan II Fund.

*Exemption from Value Added Tax (VAT):* Equipment goods, materials and tools needed for investment projects involving an amount higher than or equal to MAD 100 million are exempt from VAT on imports, within the framework of an agreement concluded with the State, in favor for the beneficiaries during a period of 36 months from the start of business. This exemption is also granted to parts, spare parts and accessories imported at the same time as the aforesaid equipment.

*Import Duty Exemption:* Businesses that commit to making an investment of an amount equal to or greater than 100 million dirhams can benefit, as part of agreements to be concluded with the government, are exempted from import duty and VAT applicable to goods, materials and tools needed for their project and import-

ed directly by the companies or on their behalf. This exemption is also granted to the parts, spare parts and accessories imported at the same time as capital goods, machinery and equipment for which they are intended. The investment must be made within 36 months from the date of the signature of the above mentioned agreement.

In addition to the tax exemptions granted under the common law, Moroccan law provides specific financial, tax and customs advantages to investors, as part of agreements or investment contracts to be concluded with the State, provided they meet the required criteria.

Morocco offers tax incentives in the form of tax exemption or taxation at more advantageous rates for local and foreign investors. Hotel companies are fully exempted from corporate tax income on their profits relating to foreign currency turnover for the first five years, and can benefit from a reduced income tax rate of 17.5 percent on such profits for subsequent years. Exporting companies and businesses operating tourism facilities (subject to certain conditions) are exempted from corporation tax for the first five years of activity and are subject to a 17.5 percent rate beyond that period. Certain companies established in free trade zones are exempted from corporation tax on export turnover during the first five years of activity (followed by a taxation of their export turnover at a rate of 8.75 percent after these five years for a period of 20 years).

Transfer of funds from Morocco**:** The transfer of revenues from Morocco by a foreign investor initially in hard currency is guaranteed by the State.

**Areas of Interest for Indian Investment in Morocco**

Morocco is among the favourite investment destinations in Africa. Sectors having huge investment potential in the country include food industry (food processing); automotive sector; renewable energy sector; infrastructure for tourism; textile; fishing industry; mineral exploration; and ICT.

- The Moroccan automobile industry is fast growing and the country is the lead ing car manufacturer in North Africa. Over the past 10 years, it is the sector receiving highest investment in the country and generating the highest number of jobs. Morocco's auto-making output is still modest compared to the global

marketplace. Foreign car companies setting up shop in Morocco benefit from a variety of incentives, including a five-year corporate tax holiday, VAT exemptions, and land purchase subsidies. Additionally, the Hassan II Fund for Economic and Social Development generously covers up to 30 percent of invest ment costs and up to 15 percent of new equipment costs in the automotive sector.

- The renewable energy generation is another growing sector in the country. As India also has a prominent renewable energy generation sector, leading Indian companies can expand to Morocco. India was ranked 4th by the EY Renewable Energy Country Attractiveness Index in 2019, while Morocco was ranked 13th out of 40 countries. Morocco plans to fulfill half of its energy needs using renewable energy resources by 2030. Morocco also has the second largest installed wind capacity in Africa.

- The textile industry of Morocco is also growing at a fast pace. Indian textiles are known for its quality and India has managed to improve the efficiency and production of textiles over the years. Indian companies can collaborate with Moroccan textile firms for producing improved textile products.

**SUDAN**

Sudan is one of the largest and most geographically diverse countries in Africa. It has great economic potential including a strategic location, gold reserves, oil & gas fields, other mineral resources, a favourable climate, as well as excellent irrigation and soil conditions. Sudan's National Investment Encouragement Act of 2013 promotes foreign direct investment and prohibits discrimination against foreigners in investments. The Act defines three types of investment projects: national, strategic and state. Sudan has put in place an open investment legislative framework with several laws and regulations that are modern and based on best practices. The Act also establishes the National Investment Council, chaired by the President of Sudan. The focus and objective of this council is to facilitate investment in all sectors of the Sudanese economy. The Act allows foreign and domestic private entities to establish and own business enterprises and to repatriate capital and profits.

The banking and insurance sector of Sudan is rapidly improving, providing

additional incentives to the investors. The investment law of Sudan provides number of fundamental guarantees that include right to re-transfer capital in case the project is not executed or is liquefied, confiscation of property will not occur except through legal system after the payment of a reasonable compensation.

With the upliftment of US sanctions, it is now open to the world in a new sense and is trying to restore faith among investors. The country, though lost major oil reserves to South Sudan, has continued to make improvements to diversify its economy. The mining sector of Sudan can benefit immensely from investments.

Some sectors that have investment potential in the country are agro-processing, food, spinning and textiles, leather, chemicals, pharmaceuticals, oil and soap, engineering, building materials and refractories, and printing and packing. Sudan also has farmlands that are uncultivated, thus the agricultural sector also is open to investment and gains.

**Investment Law in Sudan**

The national 'Investment Encouragement Act, 2013' of Sudan, replaced the old Act of 1999.

- **Exemptions and Concessions**

The council of Ministers may, upon recommendation of the Minister, grant exemption of business profit tax to strategic investment projects. The project's capital expenditures shall be exempted from value added tax.

- **Exemption of Customs Duty**

The authorities may be able to grant exemption of customs duty on capital expenditures which are not enrolled in custom tariff. Customs duty of transport conveyances, excluding administrative vehicles, may be granted.

- **Survey and Demarcation of Lands allotted for National Projects**

The authorities may allot the land for investment projects of strategic and national importance at an encouraging rate. The land allotted for the projects shall be handed over within the duration of one month.

- **Important Guarantees or Facilities of Investment**

The law guarantees transfer of profit and financing cost of foreign capital or loans in the currency by which the Central Bank of Sudan deals or the loans on maturity date, after the payment of all legally due obligations of the project.

The law also provides for:

- Non-discriminatory treatment of the capital of investment, whether be it public, private, cooperative or multi-sector capital.

- The project of investment enjoys all privileges and would have all guarantees: not to be nationalized, confiscated or ex-appropriated, except through a law and against indemnity.

- The money of the project shall not be confiscated or frozen, except through a judicial order.

- The investor has the right to transfer his money, in case the project was not implemented, and is entitled to transfer the profits, financing cost to import raw materials and to export products.

- The project of investment is also exempted from tax of business profits for a term of not less than 10 years and will be given a free piece of land for the project or at an incentive price, beside custom privileges for cars.

- **Advantages of investment in free zones:**

One needs to obtain a license to carry out a project in Sudan's free zones. However, the benefits provided are very attractive to investors.

- Exemption of profit tax for 15 years commencing from the 1st year of production, which can be renewed for a longer duration, which is decided by the concerned minister.

- The personal income tax is exempted from salaries of expatriates working for projects within the free zones.

- The custom duty and taxes are exempted from imported products in the free zone, but the service fees and fees imposed by the board of Sudan Free Zones Company prevail.

- The establishment of real estate inside this zone is exempted from all taxes and fees.

- Capital invested and profits obtained are transferable abroad by any bank which is licensed to operate in the free zones.

- There is an exemption of products of industrial projects established in the free zones from customs fees; depending on materials used and local costs in curred in production, provided that the value be estimated by a committee assigned for this purpose by the board of the Sudanese Free Zones Company.

**Areas of Interest for Indian Investment in Sudan**

Sudan has provided companies with tax holidays for the first 5 to 10 years depending on different sectors. Investment opportunities exist in sectors such as transportation, warehousing, agriculture (organic farming, wheat and oil seeds production, sugar factories, and food processing), mining (especially gold), energy, leather industry, and healthcare sectors.

- The agricultural sector of Sudan is growing and could be benefitted from technological upgradation. Many technologies used in India can be adapted to improve Sudan's agricultural produce. India can transfer its expertise in agriculture by setting up agricultural research centers and improving the yield by conducting research on pattern of agriculture.

- Oil exploration and gold mining also offer investment opportunities for Indian investors.

- Sudan offers great opportunities for investment in the transport sector. The weakness in the transport network remains one of the greatest constraints to the economy.

## TUNISIA

Tunisia has been improving its doing business climate in the recent years. The Government of Tunisia has adopted laws that are pro-investment, allowing foreign companies to gain voting rights in companies established in Tunisia by acquiring Tunisian securities. The main sectors that attract investment in the country are electronics, tourism, mechanical manufacturing and energy. Tunisia has been diversifying its economy, encouraging sectors like tourism, mining of phosphates and the oil sector. The number of agreements that Tunisia has with other countries allows the investors to avoid double payment of taxes, guaranteeing the transfer of dividends in full (no tax on that income will be paid to the country of origin under the Agreement of Double Taxation). Besides this, Tunisia also has zero VAT rate and low tax rate of 10 percent applied to profits of off-shore companies making it an attractive investment deal.

The new laws adopted by the Government have cancelled provisions that limited entry of companies in certain sectors, fixed prices and controlled productions, distribution and manufacturing to a certain extent. The free trade zones of Tunisia in Bizerte and Zarzis exempt taxes and custom duties and benefit from unrestricted foreign exchange transactions. The new investment law of 2017 simplifies the procedure for obtaining licenses, permits and investment authorizations. It also limits restrictions to hire foreign workers in Tunisia.

Tunisia has been promoting tourism and the investment opportunities in this sector are immense. Clothing and textile and electronics also offer high investment potential.

### Investment Law in Tunisia

The Law of Investment of Tunisia aims to promote and encourage the creation of businesses and their development according to the priorities of national economy. Investment operations must comply with the legislation on the exercise of economic activities.

### Investor's Guarantees and Obligations

The investors are free to acquire, lease or exploit the non-agricultural real estate

in order to carry out direct investment operations. Foreign equity participation for offshore companies is possible. The law states a desire to provide an atmosphere that ensures equal access to information for both the Tunisian as well as the foreign investors.

The law also provides guarantees to foreign investors for developing a relationship between the Tunisian authorities and investors. Any company can recruit foreign executives up to 30 percent of its total number until the end of 3rd year from the date of legal incorporation of the company or the date of entry into the activity. The rate however, should be reduced to 10 percent from the 4th year. In any case, 4 executives of foreign nationality can be recruited.

The foreign investors can freely transfer their funds abroad, in foreign currency. In case it requires an authorization from the Central Bank of Tunisia, the necessary legislative rules may apply. Projects having national importance enjoy certain benefits including deduction of taxation on projects for 10 years, in the limit of the third of the investment costs including the resulting internal infrastructure expenditure.

Tunisia provides a temporary visa for those investors that do not want to set up permanent residence, which can be renewed or replaced for a permanent visa if the investor resides in the country for continuous 5 years. Tunisia provides total income tax reduction to fully exporting companies. VAT and customs duties on inputs for products to be re-exported is completed exempted.

The companies that are operating in the regional development zones have total tax exemption of benefits up to 10 years. Other than this, specific investment grants are provided in regional development zones covering up to 30 percent of investment cost capped at 3 MTND. The Government of Tunisia provides subsidy of employers' contribution to mandatory schemes and subsidy for expenses incurred by a certified training program. Economic yield is granted on intangible investment and research and development expenditure.

**Areas of Interest for Indian Investment in Tunisia**

Tunisia offers great investment potential in a number of sectors including ICT sector; renewable energy sector; agribusiness; mechanical, electrical and electronic industries; plastics; chemical industry textile and apparel; and leather and footwear.

- There is a huge scope for India to expand in Tunisia's agricultural sector. Agri cultural land can be farmed under long term leases. Agricultural research cen ters can also be established in partnership with the Tunisian Government to have technology-based agriculture to improve production.

- Tunisia's organic farming sector has come up with remarkable quality products and has received recognition from all over the world. It should be one of the most attractive sectors for private investors from India.

- The renewable energy generation is the priority sector under the New Invest ment Law. Tunisia is committed to produce 250 MW of energy from renewable resources by 2030. The leading Indian companies in energy generation sector can use this opportunity to enter into Tunisia's renewable energy generation sector.

- Opportunities for investment also exist in infrastructure sector such as invest ment in water desalination plants and related pumping stations and supply network.

# 7. Potential for Enhancing India's Exports to North Africa

As highlighted in the previous chapter, bilateral trade between India and North African countries have witnessed a significant rise in recent years, having risen by a CAGR of 4.5 percent from US$ 7.5 billion in 2009 to US$ 11.1 billion in 2018. Although India is a major source of imports of North African countries in many products, there still exists considerable untapped potential for Indian exporters in North Africa's growing market. This section attempts to identify such potential items of exports from India to North African countries so as to enhance bilateral trade, based on an analysis of North African countries' top imports, India's share in their imports, and India's global export capability. The identification of potential items of India's exports is based on the following criteria:

- Identification of major items in North African countries' import basket, and share of India in each product line of imports, based on 2-digit HS commodity code; and

- Selection of potential items of India's exports based on low share of India in North African countries' import basket of major commodities, keeping in view India's global export capability. This would entail identification of potential export items under each 2-digit HS code.

The analysis of commodities that have been mainly imported by North African countries, and India's share in the global imports of each country with respect to these commodities reveal that there are ample avenues for escalating India's trade with these partner countries.

**Algeria**

Bilateral trade between India and Algeria has increased by a CAGR of 7.8 per-cent to reach US$ 2.6 billion in 2018 from US$ 1.3 billion in 2009. While India's export to Algeria has grown by a CAGR of 3.6 percent over the last decade to

US$ 945.2 million in 2018, India's imports from Algeria more than doubled to reach US$ 1.6 billion in 2018. India's share in Algeria's imports in 2013 was a marginal 2.2 percent, which further decreased in 2018 to 1.9 percent.

Algeria had imposed a ban on 877 products in 2018 in order to reduce the financial burden on the country due to the fall in the oil prices. This ban has been lifted in January 2019, but the customs duty on these products continue to remain high. India mostly exports commodities such as vehicles other than railway or tramway, pharmaceutical products, machinery, meat and edible meat offal, plastics and articles and organic chemicals to Algeria.

**Table 7.1: Potential Items of Exports from India to Algeria**

| HS Code | Product Label | Algeria's Imports from World (US$ million) | | India's Exports to Algeria (US$ million) | | India's Share in Algeria's Imports (%) | | India's Exports to World (US$ million) | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2013 | 2018 | 2013 | 2018 | 2013 | 2018 | 2013 | 2018 |
| | **All products** | **54910.0** | **48984.6** | **1181.1** | **945.2** | **2.2** | **1.9** | **336611.4** | **323056.4** |
| 84 | Machinery and mechanical appliances | 8392.7 | 7079.8 | 61.0 | 74.0 | 0.7 | 1.0 | 13126.1 | 20403.9 |
| **87** | **Vehicles other than railway or tramway** | **7772.1** | **4548.9** | **463.8** | **333.1** | **6.0** | **7.3** | **13800.1** | **18238.9** |
| 85 | Electrical machinery and equipment | 4073.6 | 3127.3 | 58.5 | 37.5 | 1.4 | 1.2 | 11275.9 | 11788.0 |
| 27 | Mineral fuels, oils and products of distillation | 4324.5 | 3092.9 | 5.3 | 3.0 | 0.1 | 0.1 | 69571.3 | 48293.2 |
| 10 | Cereals | 3273.1 | 2724.1 | 20.6 | 29.8 | 0.6 | 1.1 | 11592.5 | 7773.9 |
| 39 | Plastics and articles | 2076.8 | 2176.1 | 27.8 | 55.2 | 1.3 | 2.5 | 6222.7 | 7844.0 |
| **30** | **Pharmaceutical products** | **2287.6** | **1782.7** | **47.0** | **75.1** | **2.1** | **4.2** | **11731.9** | **14277.2** |
| 73 | Articles of iron or steel | 1847.8 | 1775.6 | 43.1 | 8.4 | 2.3 | 0.5 | 7347.6 | 7082.9 |
| 72 | Iron and steel | 3255.5 | 1735.4 | 4.9 | 1.6 | 0.1 | 0.1 | 10206.5 | 9975.5 |
| 04 | Dairy produce, eggs, honey and other edible products of animal origin | 1263.3 | 1282.9 | 40.3 | - | 3.2 | - | 737.6 | 479.5 |
| 90 | Optical, photographic, medical and surgical apparatus | 712.1 | 908.0 | 5.3 | 10.0 | 0.7 | 1.1 | 2288.9 | 3204.6 |
| 88 | Aircraft, spacecraft, and parts | 112.1 | 825.6 | 0.04 | 0.1 | 0.04 | 0.02 | 4151.8 | 2059.3 |
| 15 | Animal or vegetable fats and oils | 964.7 | 758.5 | 0.2 | 0.1 | 0.02 | 0.02 | 984.2 | 1122.4 |
| 48 | Paper and paperboard; articles of paper pulp | 688.4 | 719.6 | 0.7 | 3.4 | 0.1 | 0.5 | 1141.3 | 1819.3 |
| 17 | Sugars and sugar confectionery | 945.8 | 719.3 | 0.6 | 0.1 | 0.1 | 0.01 | 1180.0 | 1164.7 |

*Note: '-' denotes not available/ negligible*

*Source: ITC Trade Map and Exim Bank Analysis*

As can be seen in **Table 7.1**, India's share in Algeria's imports of the identified commodities is marginal, thus, highlighting the potential to enhance these exports to Algeria, in light of the demand in the country, and also India's global export capability. India's total exports to Algeria accounted for just a meagre share of 1.9 percent of Algeria's global imports. Except for a few commodities including cereals, vehicles and pharmaceutical products, India is not among the top ten sources of major imported items of Algeria. The commodities with higher export potential from India to Algeria would include:

- Machinery and mechanical appliances (HS-84)
- Electrical machinery and equipment (HS-85)
- Mineral fuels, oils and products of distillation (HS-27)
- Cereals (HS-10)
- Plastics and articles (HS-39)
- Articles of iron or steel (HS-73)
- Dairy produce, eggs, honey and other edible products of animal origin (HS-04)
- Optical, photographic, medical and surgical apparatus (HS-90)
- Aircraft, spacecraft and parts (HS-88)

According to Export Potential Map of ITC, at a 6-digit HS code level, the products with highest export potential from India to Algeria are bovine cuts boneless, frozen; semi-milled or wholly milled rice; oil cake of soya-bean oil; polyethylene terephthalate in primary forms; medicaments consisting of mixed or unmixed products; motor vehicles; maize; durum wheat; ground nuts (excluding roaster or cooked); chickpeas (dried and shelled); tractors and oil/gas line pipe.

**Egypt**

Total trade between India and Egypt has increased by a CAGR of 4.2 percent over the last decade to US$ 4.5 billion in 2018 from US$ 3.1 billion in 2009. Indian exports to Egypt has increased by a CAGR of 8.2 percent over 2009-2018 to US$ 2.8 billion from US$ 1.4 billion. As regards imports, India's imports from Egypt witnessed a fall from US$ 1,717 million in 2009 to US$ 1,690 million in

2018. Mineral fuels, oils and products of distillation, vehicles other than railway or tramway, organic chemicals, cotton, and electrical machinery and equipment are the major commodities exported by India to Egypt.

It can be seen from **Table 7.2** that India's share in Egypt's imports has declined in the last five years from 4.4 percent in 2013 to 3.4 percent in 2018. The strong bilateral relations between both countries imply the existence of vast scope for enhancing trade between both countries.

### Table 7.2: Potential Items of Exports from India to Egypt

| HS Code | Product Label | Egypt's Imports from World (US$ million) | | India's Exports to Egypt (US$ million) | | India's Share in Egypt's Imports (%) | | India's Exports to World (US$ million) | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2013 | 2018 | 2013 | 2018 | 2013 | 2018 | 2013 | 2018 |
| | **All products** | **66666.4** | **80992.3** | **2900.8** | **2788.9** | **4.4** | **3.4** | **336611.4** | **323056.4** |
| 27 | Mineral fuels, oils and products of distillation | 9290.4 | 14099.3 | 530.5 | 528.2 | 5.7 | 3.7 | 69571.3 | 48293.2 |
| 85 | Electrical machinery and equipment | 4192.8 | 6744.5 | 150.6 | 190.8 | 3.6 | 2.8 | 11275.9 | 11788.0 |
| 84 | Machinery and mechanical appliances | 6181.3 | 6456.6 | 143.7 | 170.6 | 2.3 | 2.6 | 13126.1 | 20403.9 |
| **87** | **Vehicles other than railway or tramway** | **3336.2** | **4777.9** | **319.6** | **215.8** | **9.6** | **4.5** | **13800.1** | **18238.9** |
| 10 | Cereals | 4729.4 | 4555.2 | 16.9 | 29.7 | 0.4 | 0.7 | 11592.5 | 7773.9 |
| 72 | Iron and steel | 3935.7 | 4445.0 | 59.6 | 49.7 | 1.5 | 1.1 | 10206.5 | 9975.5 |
| 39 | Plastics and articles | 3302.9 | 3892.9 | 118.5 | 143.6 | 3.6 | 3.7 | 6222.7 | 7844.0 |
| 73 | Articles of iron or steel | 2647.2 | 3297.5 | 53.4 | 86.5 | 2.0 | 2.6 | 7347.6 | 7082.9 |
| 30 | Pharmaceutical products | 1806.4 | 2308.9 | 19.0 | 33.4 | 1.1 | 1.4 | 11731.9 | 14277.2 |
| 12 | Oil seeds and oleaginous fruits | 1289.8 | 1746.5 | 21.7 | 10.7 | 1.7 | 0.6 | 1880.3 | 1622.2 |
| **29** | **Organic chemicals** | **1438.3** | **1733.3** | **130.8** | **214.4** | **9.1** | **12.4** | **13340.4** | **17742.5** |
| **02** | **Meat and edible meat offal** | **1214.2** | **1675.4** | **315.0** | **92.1** | **25.9** | **5.5** | **4770.6** | **3727.0** |
| 44 | Wood and articles; wood charcoal | 1448.0 | 1573.7 | 0.3 | 1.5 | 0.02 | 0.1 | 351.5 | 432.9 |
| 48 | Paper and paperboard; articles of paper pulp | 1302.7 | 1399.2 | 12.5 | 13.0 | 1.0 | 0.9 | 1141.3 | 1819.3 |
| 15 | Animal or vegetable fats and oils | 1620.8 | 1281.6 | 2.4 | 2.3 | 0.1 | 0.2 | 984.2 | 1122.4 |

*Source: ITC Trade Map and Exim Bank Analysis*

The commodities having export potential to Egypt include,

- Mineral fuels, oils and products of distillation (HS-27)
- Electrical machinery and equipment (HS-85)
- Machinery and mechanical appliances (HS-84)
- Cereals (HS-10)
- Iron and steel (HS-72)
- Articles of iron or steel (HS-73)
- Pharmaceutical products (HS-30)
- Oil seeds and oleaginous fruits (HS-12)

According to Export Potential Map of ITC, at a disaggregated level, bovine cuts boneless, frozen; medicaments consisting of mixed or unmixed products, for retail sale; black tea, packings>3kg; copper cathodes; semi-finished products of iron or steel; shrimps and prawns, frozen; maize (excluding seed for sowing); motor vehicles; cotton, not carded/combed; textured filament yarn of polyester and Polyethylene terephthalate, in primary forms are the products with highest export potential from India to Egypt.

**Libya**

Libya is a major exporter of oil and natural gas, while its imports are relatively diversified. India's share in Libya's imports remains marginal as trade between India and Libya has been affected by the political turmoil and civil strife in the country. Total trade between India and Libya stood at US$ 311.2 million in 2018, compared to US$ 749.5 million in 2009. India's exports to Libya stood at US$ 133.7 million in 2018, while imports stood at US$ 177.6 million in 2018. Coffee, tea, and spices; articles of stone, plaster, cement, asbestos, mica or similar materials; pharmaceutical products; vehicles other than railway or tramway rolling stock, parts and accessories; iron and steel; cereals and edible vegetables and certain roots and tubers are the major items exported by India to Libya during 2018.

**Table 7.3** provides a snapshot of major commodities imported by Libya and India's share in those products, which is very marginal as EU countries currently dominate the Libyan market.

## Table 7.3: Potential Items of Exports from India to Libya

| HS Code | Product Label | Libya's Imports from World (US$ million) | | India's Exports to Libya (US$ million) | | India's Share in Libya's Imports (%) | | India's Exports to World (US$ million) | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2013 | 2018 | 2013 | 2018 | 2013 | 2018 | 2013 | 2018 |
| | **All products** | **26769.9** | **12929.1** | **313.4** | **133.7** | **1.2** | **1.0** | **336611.4** | **323056.4** |
| 27 | Mineral fuels, oils and products of distillation | 3379.8 | 2214.6 | 0.4 | 0.3 | 0.01 | 0.01 | 69571.3 | 48293.2 |
| 85 | Electrical machinery and equipment | 2732.8 | 1551.8 | 4.1 | 2.8 | 0.2 | 0.2 | 11275.9 | 11788.0 |
| 87 | Vehicles other than railway or tramway | 2691.9 | 776.8 | 99.1 | 12.3 | 3.7 | 1.6 | 13800.1 | 18238.9 |
| 84 | Machinery and mechanical appliances | 3091.5 | 736.6 | 31.9 | 6.3 | 1.0 | 0.9 | 13126.1 | 20403.9 |
| 10 | Cereals | 1028.6 | 626.9 | 2.2 | 8.5 | 0.2 | 1.4 | 11592.5 | 7773.9 |
| 30 | Pharmaceutical products | 587.1 | 518.5 | 14.3 | 13.3 | 2.4 | 2.6 | 11731.9 | 14277.2 |
| 04 | Dairy produce, eggs, honey and other edible products of animal origin | 482.1 | 373.9 | 0.5 | 1.0 | 0.1 | 0.3 | 737.6 | 479.5 |
| 24 | Tobacco and manufac-tured tobacco substitutes | 329.7 | 354.3 | 6.1 | 6.8 | 1.9 | 1.9 | 1084.7 | 984.6 |
| 39 | Plastics and articles | 736.4 | 311.1 | 4.6 | 1.3 | 0.6 | 0.4 | 6222.7 | 7844.0 |
| 61 | Articles of apparel and clothing accessories, knitted or crocheted | 367.2 | 245.2 | 1.0 | 0.5 | 0.3 | 0.2 | 6959.3 | 7561.1 |
| 90 | Optical, photographic, medical and surgical apparatus | 376.5 | 244.8 | 1.7 | 2.6 | 0.5 | 1.1 | 2288.9 | 3204.6 |
| **72** | **Iron and steel** | **591.3** | **227.0** | **0.1** | **10.6** | **0.01** | **4.7** | **10206.5** | **9975.5** |
| 94 | Furniture, bedding, mattresses, mattress sup-ports, cushions and similar stuffed furnishings | 607.2 | 221.4 | 0.2 | 0.1 | 0.02 | 0.03 | 1193.9 | 1655.8 |
| 62 | Articles of apparel and clothing accessories, not knitted or crocheted | 316.9 | 221.2 | 11.7 | 1.2 | 3.7 | 0.5 | 8743.4 | 8126.0 |
| 19 | Preparations of cereals, flour, starch or milk | 312.5 | 208.0 | 0.4 | 1.5 | 0.1 | 0.7 | 491.2 | 521.2 |

*Source: ITC Trade Map and Exim Bank Analysis*

Accordingly, commodities having high potential to export by India at a 2 digit HS code level include the following:

- Mineral fuels, oils and products of their distillation (HS-27)
- Electrical machinery and equipment (HS–85)
- Vehicles other than railway or tramway (HS-87)
- Machinery and mechanical appliance (HS-84)
- Cereals (HS-10)
- Pharmaceutical products (HS-30)

According to Export Potential Map of ITC, at a 6-digit HS code level, major commodities having greatest export potential from India to Libya include semi-milled or wholly milled rice; motor vehicles for the transport of persons; bovine cuts boneless, frozen; monumental/building stone, granite; cane or beet sugar & chemically pure sucrose; medicaments consisting of mixed or unmixed products, for retail sale; rice in the husk; jewellery, of precious metal; oilcake of soyabean oil; parts & accessories of motor vehicles; jewellery, of silver; cashew nuts, shelled; coffee, not roasted, not decaffeinated; and electric conductors >=1.000v.

**Mauritania**

India's bilateral trade with Mauritania witnessed a sharp increase in the recent years, though trade value remains small compared to rest of the North African countries. India's exports to Mauritania increased by a CAGR of 15.1 percent to US$ 116.1 million in 2018, up from US$ 32.6 million in 2009. Similarly, India's imports from Mauritania increased by a CAGR of 25.9 percent to reach US$ 15 million in 2018 from US$ 1.9 million in 2009. India's major exports to Mauritania comprise articles of iron and steel, cotton, aluminium and articles, articles of apparel and clothing accessories, not knitted or crocheted, machinery, pharmaceutical products and cereals.

### Table 7.4: Potential Items of Exports from India to Mauritania

| HS Code | Product Label | Mauritania's Imports from World (US$ million) | | India's Exports to Mauritania (US$ million) | | India's Share in Mauritania's Imports (%) | | India's Exports to World (US$ million) | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2013 | 2018 | 2013 | 2018 | 2013 | 2018 | 2013 | 2018 |
| | **All products** | **3978.5** | **3183.2** | **59.9** | **116.1** | **1.5** | **3.6** | **336611.4** | **323056.4** |
| 27 | Mineral fuels, oils and products of distillation | 801.5 | 1043.9 | 0.1 | 0.8 | - | 0.1 | 69571.3 | 48293.2 |
| 84 | Machinery and mechanical appliances | 716.9 | 526.9 | 1.4 | 5.4 | 0.2 | 1.0 | 13126.1 | 20403.9 |
| 10 | Cereals | 167.5 | 209.6 | 4.6 | 3.7 | 2.8 | 1.8 | 11592.5 | 7773.9 |
| **73** | **Articles of iron or steel** | **100.5** | **150.4** | **0.9** | **35.0** | **0.9** | **23.2** | **7347.6** | **7082.9** |
| 87 | Vehicles other than railway or tramway | 234.8 | 137.5 | - | 0.7 | - | 0.5 | 13800.1 | 18238.9 |
| 39 | Plastics and articles | 48.2 | 106.3 | 1.8 | 3.0 | 3.7 | 2.9 | 6222.7 | 7844.0 |
| 04 | Dairy produce, eggs, honey and edible products of animal origin | 75.4 | 93.3 | 0.5 | 0.1 | 0.7 | 0.1 | 737.6 | 479.5 |
| 85 | Electrical machinery and equipment | 114.5 | 88.5 | - | 1.9 | - | 2.1 | 11275.9 | 11788.0 |
| 15 | Animal or vegetable fats and oils | 51.6 | 56.2 | - | - | - | - | 984.2 | 1122.4 |
| 07 | Edible vegetables, roots and tubers | 20.7 | 49.5 | - | - | - | - | 1404.4 | 1230.4 |
| 25 | Salt, sulphur, stone and cement | 60.4 | 48.2 | 0.1 | - | 0.1 | 0.1 | 2037.4 | 2252.6 |
| **30** | **Pharmaceutical products** | **18.0** | **47.4** | **5.3** | **4.0** | **29.5** | **8.4** | **11731.9** | **14277.2** |
| 17 | Sugars and sugar confectionery | 20.9 | 46.2 | 0.7 | 1.8 | 3.5 | 3.9 | 1180.0 | 1164.7 |
| 40 | Rubber and articles | 64.4 | 42.2 | 0.3 | 0.1 | 0.4 | 0.1 | 2974.7 | 3159.8 |
| 89 | Ships, boats and floating structures | 1003.0 | 41.2 | - | - | - | - | 3597.5 | 3591.2 |

*Note: '-' denotes not available/ negligible*

*Source: ITC Trade Map and Exim Bank Analysis*

**Table 7.4** identifies Mauritania's major imports and India's share in the same. Except for exports of articles of iron and steel and pharmaceutical products to Mauritania, India's share in all other major imported commodities of Mauritania remain very small.

The major products with highest export potential from India to Mauritania include:

- Mineral fuels, oils and products of distillation (HS-27)
- Machinery and mechanical appliances (HS-84)
- Cereals (HS-10)
- Vehicles other than railway or tramway (HS-87)
- Plastics and articles (HS-39)
- Dairy produce, eggs, honey and other edible products of animal origin (HS-04)
- Electrical machinery and equipment (HS-85)

According to Export Potential Map of ITC, at 6-digit HS code level, commodities with highest export potential from India to Mauritania include cane or beet sugar & chemically pure sucrose; semi-milled or wholly milled rice; broken rice; plain wovens, >=85 percent cotton,<=100g/$m^2$, printed; scarves, veils & similar; onions & shallots, fresh; wovens, >=85 percent cotton,<=200g/$m^2$, bleached; medicaments consisting of mixed or unmixed products, for retail sale; wovens, >=85 percent artificial staples, dyed; plain wovens, >=85 percent cotton,<=200g/$m^2$, unbleached; flat-rolled products of iron or non-alloy steel; new pneumatic tyres, of rubber; t-shirts & vests of cotton, knit/crochet; malt extract; parts of machinery for working mineral substances and cement clinkers.

**Morocco**

India and Morocco share a strategic partnership. The trade has evolved from the single commodity composition of import of phosphate by India to a multi-product trade basket. Morocco's total trade with India has increased by a CAGR of 6.1 percent over the last decade to US$ 1.7 billion in 2018 from US$ 973.2 million in 2009. While India's exports to Morocco has increased by a CAGR of 7.7 percent over the last decade to reach US$ 481.2 million in 2018, India's imports from Morocco increased by a CAGR of 5.5 percent over the decade to reach US$ 1.2 billion in 2018.

India's exports to Morocco is relatively diversified, with machinery and mechanical appliances, electrical machinery and equipment, plastics and articles, man-

made filaments, coffee, tea, and spices, man-made staple fibres, cotton and vehicles being the major exported items. Despite this, India's share in Morocco's total imports was a marginal 0.9 percent in 2018. **Table 7.5** identifies major import commodities of Morocco, along with India's share in those commodities.

### Chart 7.5: Potential Items of Exports from India to Morocco

| HS Code | Product Label | Morocco's Imports from World (US$ million) | | India's Exports to Morocco (US$ million) | | India's Share in Morocco's Imports (%) | | India's Exports to World (US$ million) | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2013 | 2018 | 2013 | 2018 | 2013 | 2018 | 2013 | 2018 |
| | **All products** | **45172.7** | **51251.4** | **433.3** | **481.2** | **1.0** | **0.9** | **336611.4** | **323056.4** |
| 27 | Mineral fuels, oils and products of distillation | 12150.1 | 8745.6 | 2.2 | 11.8 | 0.02 | 0.1 | 69571.3 | 48293.2 |
| 84 | Machinery and mechanical appliances | 4209.2 | 5233.1 | 36.2 | 43.8 | 0.9 | 0.8 | 13126.1 | 20403.9 |
| 87 | Vehicles other than railway or tramway | 3527.3 | 5136.2 | 57.0 | 28.9 | 1.6 | 0.6 | 13800.1 | 18238.9 |
| 85 | Electrical machinery and equipment | 3485.2 | 4898.8 | 22.6 | 34.7 | 0.6 | 0.7 | 11275.9 | 11788.0 |
| 39 | Plastics and articles | 1821.7 | 2111.0 | 16.8 | 34.7 | 0.9 | 1.6 | 6222.7 | 7844.0 |
| 10 | Cereals | 1520.9 | 1551.6 | 1.4 | 5.5 | 0.1 | 0.4 | 11592.5 | 7773.9 |
| 88 | Aircraft, spacecraft and parts | 356.9 | 1328.5 | 0.5 | 0.1 | 0.2 | 0.01 | 4151.8 | 2059.3 |
| 72 | Iron and steel | 1533.8 | 1315.6 | 6.6 | 9.1 | 0.4 | 0.7 | 10206.5 | 9975.5 |
| 96 | Miscellaneous manufactured articles | 207.6 | 993.5 | 0.8 | 1.9 | 0.4 | 0.2 | 510.9 | 602.8 |
| 25 | Salt, sulphur, stone and cement | 592.4 | 912.8 | 0.4 | 0.5 | 0.1 | 0.1 | 2037.4 | 2252.6 |
| 73 | Articles of iron or steel | 858.5 | 830.3 | 15.2 | 11.0 | 1.8 | 1.3 | 7347.6 | 7082.9 |
| **55** | **Man-made staple fibres** | **673.5** | **805.3** | **44.6** | **31.3** | **6.6** | **3.9** | **2185.6** | **1911.9** |
| 48 | Paper and paperboard; articles of paper pulp | 705.9 | 776.1 | 0.1 | 0.6 | 0.02 | 0.1 | 1141.3 | 1819.3 |
| 28 | Inorganic chemicals | 561.3 | 735.6 | 3.3 | 3.4 | 0.6 | 0.5 | 1466.2 | 2032.7 |
| **30** | **Pharmaceutical products** | **560.4** | **626.5** | **19.4** | **28.0** | **3.5** | **4.5** | **11731.9** | **14277.2** |

*Source: ITC Trade Map and Exim Bank Analysis*

The commodities having the highest potential for export from India to Morocco include:

- Mineral fuels, oils and products of distillation (HS-27)
- Machinery and mechanical appliances (HS-84)

- Vehicles other than railway or tramway (HS-87)
- Electrical machinery and equipment (HS-85)
- Plastics and articles (HS-39)
- Cereals (HS-10)
- Aircraft, spacecraft and parts (HS-88)
- Iron and Steel (HS-72)

According to Export Potential Map of ITC, at 6-digit HS code level, commodities having highest export potential from India to Morocco include shrimps and prawns, frozen; motor vehicles for the transport of persons; oilcake of soya-bean oil; maize (excluding seed for sowing); jewellery of precious metal; textured filament yarn of polyester; polyethylene terephthalate in primary forms; motorcycles, piston engine >50$cm^3$ but <=250$cm^3$; medicaments consisting of mixed or unmixed products, for retail sale; single yarn, >=85 percent cotton, combed fibres 192,31-232,56 dtex; coffee, not roasted, not decaffeinated; insecticides, rodenticide, fungicides, herbicides & similar; and durum wheat.

**Sudan**

Sudan majorly imports intermediate goods and capital goods. Total trade between India and Sudan has reached US$ 1.6 billion in 2018 from US$ 839 million in 2009. India’s exports to Sudan stood at US$ 800.1 million in 2018, while India’s imports from Sudan registered US$ 755.2 million in the same year. Sugar and sugar confectionery, articles of apparel and clothing accessories, not knitted or crocheted, machinery and mechanical appliances, cotton, pharmaceuticals, vehicles, and electrical machinery and equipment are the major exports of India to Sudan.

As seen from **Table 7.6**, India accounted for 10 percent of Sudan’s total imports in 2018. Though, India’s share in most of the major import commodities of Sudan remain high, there still exist scope to further Indian exports to the country.

## Table 7.6: Potential Items of Exports from India to Sudan

| HS Code | Product Label | Sudan's Imports from World (US$ million) | | India's Exports to Sudan (US$ million) | | India's Share in Sudan's Imports (%) | | India's Exports to World (US$ million) | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2012 | 2018 | 2012 | 2018 | 2012 | 2018 | 2012 | 2018 |
| | **All products** | **6580.6** | **8003.7** | **739.9** | **800.1** | **11.2** | **10.0** | **336611.4** | **323056.4** |
| **84** | **Machinery and mechanical appliances** | **787.1** | **1004.9** | **49.9** | **72.1** | **6.3** | **7.2** | **13126.1** | **20403.9** |
| 10 | Cereals | 328.9 | 645.9 | 14.7 | 26.0 | 4.5 | 4.0 | 11592.5 | 7773.9 |
| **87** | **Vehicles other than railway or tramway** | **706.0** | **611.5** | **53.9** | **38.2** | **7.6** | **6.2** | **13800.1** | **18238.9** |
| **85** | **Electrical machinery and equipment** | **424.6** | **515.7** | **21.7** | **32.9** | **5.1** | **6.4** | **11275.9** | **11788.0** |
| **17** | **Sugars and sugar confec-tionery** | **460.7** | **486.8** | **239.8** | **216.1** | **52.1** | **44.4** | **1180.0** | **1164.7** |
| 39 | Plastics and articles | 301.4 | 428.7 | 20.8 | 23.9 | 6.9 | 5.6 | 6222.7 | 7844.0 |
| **30** | **Pharmaceutical products** | **304.8** | **368.7** | **52.1** | **43.7** | **17.1** | **11.8** | **11731.9** | **14277.2** |
| 72 | Iron and steel | 375.0 | 283.3 | 45.5 | 14.1 | 12.1 | 5.0 | 10206.5 | 9975.5 |
| 73 | Articles of iron or steel | 135.3 | 207.6 | 23.2 | 11.7 | 17.2 | 5.6 | 7347.6 | 7082.9 |
| **62** | **Articles of apparel and cloth-ing accessories, not knitted or crocheted** | **84.3** | **199.8** | **23.9** | **104.1** | **28.3** | **52.1** | **8743.4** | **8126.0** |
| **40** | **Rubber and articles** | **104.1** | **177.1** | **8.9** | **15.4** | **8.6** | **8.7** | **2974.7** | **3159.8** |
| 15 | Animal or vegetable fats and oils | 35.7 | 169.2 | 0.2 | 0.2 | 0.5 | 0.1 | 984.2 | 1122.4 |
| 27 | Mineral fuels, oils and products of distillation | 734.4 | 149.1 | 1.8 | 3.2 | 0.2 | 2.1 | 69571.3 | 48293.2 |
| **48** | **Paper and paperboard; articles of paper pulp** | **121.8** | **138.6** | **14.4** | **17.6** | **11.8** | **12.7** | **1141.3** | **1819.3** |
| 61 | Articles of apparel and clothing accessories, knitted or cro-cheted | 1.0 | 127.1 | 15.7 | 5.3 | - | 4.2 | 6959.3 | 7561.1 |

*Note: '-' denotes not available/ negligible; Sudan's import data is not available for 2013; mirror data is taken for 2018*

*Source: ITC Trade Map and Exim Bank Analysis*

The commodities having export potential to Sudan include:

- Cereals (HS-10)
- Plastics and articles (HS-39)
- Iron and steel (HS-72)
- Articles of iron or steel (HS-73)
- Animal or vegetable fats and oils (HS-15)

According to Export Potential Map of ITC, at 6-digit HS code level, commodities having highest export potential from India to Sudan include cane or beet sugar & chemically pure sucrose; medicaments consisting of mixed or unmixed products, for retail sale; semi-milled or wholly milled rice; motor vehicles for the transport of persons; plain wovens>=85 percent cotton,<=100g/$m^2$, printed; wheat (excluding durum) and meslin; insecticides, rodenticides, fungicides, & herbicides; men's shirts; tractors; men's shirts of cotton; medicaments containing antibiotics, for retail sale; black tea, packings >3kg; parts & accessories of motor vehicles; women's suits; sacks & bags of jute and bast fibres for packing; motorcycles, piston engine >50$cm^3$ but <=250$cm^3$; and semi-finished products of iron or steel.

**Table 7.7: Potential Items of Exports from India to Tunisia**

| HS Code | Product Label | Tunisia's Imports from World (US$ million) | | India's Exports to Tunisia (US$ million) | | India's Share in Tunisia's Imports (%) | | India's Exports to World (US$ million) | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2013 | 2018 | 2013 | 2018 | 2013 | 2018 | 2013 | 2018 |
| | **All products** | **24266.4** | **21059.8** | **306.4** | **308.5** | **1.3** | **1.5** | **336611.4** | **323056.4** |
| 27 | Mineral fuels, oils and products of distillation | 4318.4 | 3163.0 | 0.4 | 0.3 | 0.01 | 0.01 | 69571.3 | 48293.2 |
| 85 | Electrical machinery and equipment | 2727.2 | 3053.1 | 28.4 | 11.5 | 1.0 | 0.4 | 11275.9 | 11788.0 |
| 84 | Machinery and mechanical appliances | 2518.7 | 1885.6 | 15.8 | 28.2 | 0.6 | 1.5 | 13126.1 | 20403.9 |
| 39 | Plastics and articles | 1286.9 | 1270.6 | 25.1 | 10.6 | 1.9 | 0.8 | 6222.7 | 7844.0 |
| **87** | **Vehicles other than railway or tramway** | **1745.8** | **1250.0** | **60.1** | **93.1** | **3.4** | **7.4** | **13800.1** | **18238.9** |
| 72 | Iron and steel | 659.4 | 758.1 | 6.8 | 3.0 | 1.0 | 0.4 | 10206.5 | 9975.5 |
| 10 | Cereals | 993.0 | 710.7 | 6.8 | 4.9 | 0.7 | 0.7 | 11592.5 | 7773.9 |
| 30 | Pharmaceutical products | 604.0 | 488.5 | 1.9 | 11.0 | 0.3 | 2.3 | 11731.9 | 14277.2 |
| 52 | Cotton | 763.1 | 468.5 | 28.4 | 19.0 | 3.7 | 4.1 | 11294.0 | 8130.1 |
| 90 | Optical, photographic, medical or surgical instruments | 434.0 | 453.4 | 4.0 | 2.2 | 0.9 | 0.5 | 2288.9 | 3204.6 |
| 74 | Copper and articles | 417.1 | 414.7 | 0.7 | 1.5 | 0.2 | 0.4 | 3066.6 | 1638.4 |
| 48 | Paper and paperboard; articles of paper pulp | 345.7 | 346.4 | 0.2 | 1.8 | 0.1 | 0.5 | 1141.3 | 1819.3 |
| 73 | Articles of iron or steel | 416.0 | 336.9 | 4.1 | 1.9 | 1.0 | 0.6 | 7347.6 | 7082.9 |
| 60 | Knitted or crocheted fabrics | 132.7 | 328.6 | - | - | - | - | 256.5 | 419.7 |
| 55 | Man-made staple fibres | 289.8 | 319.6 | 9.2 | 6.3 | 3.2 | 2.0 | 2185.6 | 1911.9 |

*Note: '-' denotes not available/ negligible*

*Source: ITC Trade Map and Exim Bank Analysis*

**Tunisia**

Tunisia's total trade with India witnessed a marginal decline over the last decade to US$ 446.2 million in 2018 from US$ 484.3 million in 2009. India's exports to Tunisia stood at US$ 308.5 million in 2018, while India's imports from Tunisia was US$ 137.7 million in 2018. India's exports to Tunisia is dominated by vehicles other than railway or tramway, machinery and instruments, fish and crustaceans, molluscs, cotton, and organic chemicals.

**Table 7.7** identifies major import items of Tunisia and India's share in those products. As can be seen from the table, India's share in major imported products of Tunisia remain marginal at 1.5 percent in 2018. There exist scope to enhance India's exports to Tunisia in products including:

- Mineral fuels, oils and products of distillation (HS-27)
- Electrical machinery and equipment (HS-85)
- Machinery and mechanical appliances (HS-84)
- Plastics and articles (HS-39)
- Iron and Steel (HS-72)
- Cereals (HS-10)
- Pharmaceutical products (HS-30)

According to Export Potential Map of ITC, at 6-digit HS code level, the products with greatest export potential from India to Tunisia are motor vehicles for the transport of persons; cane or beet sugar and chemically pure sucrose; denim >=85 percent cotton, >=200g/$m^2$ of different colours; polyethylene terephthalate in primary forms; semi-milled or wholly milled rice; semi-finished products of iron or steel; uppers and parts; coffee, not roasted, not decaffeinated; medicaments consisting of mixed or unmixed products, for retail sale; maize (excluding seed for sowing) textured filament yarn of polyester; single yarn >=85 percent cotton, combed fibres 192, 31-232,56 dtex; black tea, packings >3kg; oilcake of soyabean oil; sesamum seeds; chassis; durum wheat; and medicaments consisting of two or more constituents mixed together.

# 8. Export-Import Bank of India in Africa

Export-Import Bank of India (Exim Bank) commenced operations in 1982. The Bank was set up under an Act of Parliament (Export-Import Bank of India Act 1981), for providing financial assistance to exporters and importers, and for functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade. In its endeavour to promote India's international trade, Exim Bank's vision has evolved from financing, facilitating and promoting trade and investment, to a conscious and systematic effort at creating export capabilities; Exim Bank today seeks to develop commercially viable business relationships with externally oriented companies.

The countries in the African continent have always been a focus region for Exim Bank, and thus a critical component of its strategy to promote and support two-way trade and investment. As a partner institution to promote economic development in Africa, the commitment towards building relationships with the African Region is reflected in the various activities and programmes, which Exim Bank has set in place.

While the three representative offices of Exim Bank in Africa - Abidjan, Côte d'Ivoire; Addis Ababa, Ethiopia; and Johannesburg, South Africa cater to the West, East and South regions of Africa; Dubai office of the Bank caters to Northern Africa. The representative offices play key roles in facilitating economic cooperation with the African Region, and are closely associated with several of the Bank's initiatives. The representative offices interface with multilateral institutions such as African Development Bank (AfDB), Afreximbank, regional financial institutions such as Trade and Development Bank (TDB) (erstwhile PTA Bank), West African Development Bank (BOAD), and developmental financial institutions such as Industrial Development Corporation of South Africa Ltd. (IDC), as well as Indian missions in the region, with the aim of increasing bilateral commercial engagements between the two regions.

**Lines of Credit**

To enhance bilateral trade and investment relations, Exim Bank has in place several Lines of Credit (LOCs) extended to developing partner countries in Africa. These LOCs supplement the 'Focus Africa' programme of the Government of India (GOI) and are extended especially to priority sectors, identified by GOI for mutual cooperation and benefit. Besides these operating LOCs extended at the behest of GOI, Exim Bank extends its own commercial LOCs to various financial institutions and other entities in Africa, such as TDB (covering 17 countries in the eastern and southern African region), BOAD (covering 8 countries in the West African region), Indo-Zambia Bank, Nigerian Exim Bank and Afreximbank. These LOCs facilitate import of project-related equipment and services from India on deferred credit terms. At the same time, many of these LOCs are earmarked for infrastructure and related projects. As on August 31, 2019, the total number of operative GOI-supported LOCs to Africa stood at 170, which were extended to 39 countries and amounting to US$ 9.7 billion. In addition, Exim Bank also extended a commercial LOC amounting to US$ 30 million to Ecowas Bank of Investment & Development (EBID). Select examples include:

- **Angola –** Railway rehabilitation project; industrial park; and textile project;
- **Benin** – Supply of railway equipment; agricultural equipment; tractor assembly plant; water supply project; and cyber city project;
- **Burkina Faso** – Rural electrification; agricultural projects including acquisition of tractors, harvesters, agricultural processing equipment; and low cost housing and economical buildings project;
- **Burundi** – Hydro-electric project; farm mechanization; and integrated food processing complex;
- **Cameroon** – Plantation projects;
- **Central African Republic** – Cement plant and procurement of buses; hy dro-electric project; and mining project;
- **Chad** – Setting up of cotton yarn plant, bicycle plant and rolling mill; agro-pro essing plants for tomato and mango and Irrigation equipment;
- **Comoros** – Power project;

- **Côte d'Ivoire** – Project for renewal of urban transport system in Abidjan and for agricultural projects; IT & biotechnology park; fisheries and coconut fibre processing plant; electricity interconnection project; rice production pgramme; and electricity interconnection project;
- **Djibouti** – Supply of diesel generator sets; and setting-up cement plants;
- **DR Congo** – Hydroelectric project; setting up a cement factory, acquisition of buses, rehabilitation of manganese mine and acquisition of equipment; transmission and distribution project; and installation of pumps;
- **ECOWAS Bank for Investment and Development (EBID) –** Financing private sector projects**.**
- **Eritrea** – Agricultural and educational projects;
- **Eswatini** – IT project; and agricultural development and mechanization of agriculture;
- **Ethiopia** - Energy transmission and distribution project; and development of sugar industry;
- **The Gambia** – Setting up of tractor assembly plant; national assembly build ing complex; electrification expansion project; and replacement of asbestos water pipes with UPVC pipes project;
- **Ghana** – Rural electrification, agriculture, communication and transporta tion projects; construction project; sugar plant; fish harvesting and processing project; procurement of high capacity wagons and spares; waste manage ment equipment and management support project; and sugarcane development and irrigation project
- **Guinea** – Strengthening of Health System;
- **Guinea Bissau** – Electricity project; food processing unit; and purchase of tractors and water pumps for development of the agricultural sector;
- **Kenya** – Power transmission lines; agriculture mechanization project; and development of various small and medium enterprises;
- **Lesotho** – Export of tractors, pump sets, consultancy services and irrigation equipment; and vocational training centre project;

- **Liberia** – Power transmission and distribution project;
- **Madagascar** – Rice productivity and fertilizer production project;
- **Malawi** – Cotton processing; one-village one-project; green belt initiative; irrigation and threshing plant; procurement of design, supply, installation commissioning of fuel storage facilities; irrigation network; commissioning of sugar processing facility; and construction of water supply system;
- **Mali** – Rural electrification, and setting up of agro machinery and tractor as sembly plant; electricity transmission and distribution project; agriculture and food processing project; and acquisition of railway coaches and locomotives from India.
- **Mauritania** – Potable water project; and milk processing plant;
- **Mauritius** – Supply of offshore patrol vessel; purchase of specialised equip ment and vehicles; and acquisition of Waterjet Fast Attack Craft;
- **Mozambique** – Gaza Electrification Project; water drilling project; IT park project; housing project; road rehabilitation project; rural drinking water and electricity project; and solar photovoltaic module manufacturing plant;
- **Niger –** Acquisition of transport equipment, transformers, motor pumps and flourmills; power projects; supply of potable project; and electrification of villages using solar photovoltaic system;
- **Nigeria –** Supply and commissioning of transmission lines; solar mini grid electrification and solar street lighting; and construction of gas-based power plant;
- **Republic of Congo –** Rural electrification projects; development of transport system; and cement plant project;
- **Rwanda** – Power projects; irrigated agriculture project; establishment of vocational training centres; road project; and development of SEZ;
- **Senegal –** Supply of medical equipment; supply of buses and accessories; fruit processing units; rural electrification project and fishing industry development project; irrigation project; and acquisition of railway coaches and locomotives from India; rice self-sufficiency programme; setting meat processing, cold storage, rendering and tannery plant and market place; IT training projects; and women poverty alleviation programme;

- **Seychelles –** Implementation of integrated health information system; and import of goods and services from India for specific projects;
- **Sierra Leone –** Procurement of tractors and connected implements, harvesters, rice threshers, rice mills, maize shellers and pesticide spray equipment; rehabilitation of existing facilities and addition of new infrastruc ture to supply potable water; and transmission lines;
- **Sudan –** Transmission and sub-station project; project for setting up power plant; agricultural equipment; scientific equipment; solar electric panels; supply of equipment for railways; micro-industrial projects; development of livestock production and services; and sugar plant project;
- **Tanzania –** Export of tractors, pumps and vehicles; water supply schemes; and extension of pipeline;
- **Togo –** Rural electrification project; power transmission line; and farming and cultivation projects;
- **Zambia –** Hydroelectric project; and Pre-fabricated Health Posts; and
- **Zimbabwe –** Up-gradation of pumping station and river water intake system; and renovation/ upgradation of thermal power plant.

**Project Exports**

Exim Bank has been providing 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). Exim Bank also supports existing or new projects, plants or processes that require additional assistance in processes such as international competitive bidding including multilaterally funded projects in India.

**Buyer's Credit under National Export Insurance Account (NEIA)**

In order to provide further impetus to project exports from India on medium- or long-term basis, especially in the infrastructure sector, a product called Buyer's

Credit under National Export Insurance Account (BC-NEIA) was introduced in April 2011. Under this programme, Exim Bank facilitates project exports from India by way of extending credit facility to overseas sovereign governments and government-owned entities for import of goods and services from India on deferred credit terms. Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. NEIA is a Trust, set up by the Ministry of Commerce and Industry and administered by the ECGC Ltd. As on August 31, 2019, a positive list of 91 countries have been identified by ECGC for which Indian exporters can avail BC-NEIA, of which 37 countries belong to Africa. All the countries in North Africa, except Sudan are included in the positive list. Exim Bank has sanctioned an aggregate amount of US$ 1.6 billion under BC-NEIA for 14 projects in Africa, valued at US$ 1.7 billion.

**Finance for Joint Ventures Overseas**

Further, Exim Bank supports Indian companies in their endeavour to globalise their operations, through overseas joint ventures (JVs) and wholly owned subsidiaries (WOS). Such support includes loans and guarantees, equity finance and in select cases direct participation in equity along with Indian promoters to set up such ventures overseas. In Africa, Exim Bank has supported several such ventures in countries such as Egypt, Morocco**,** South Africa, Ghana, Kenya, Mauritius, Nigeria, Sudan**,** Tanzania, Uganda, and Zambia, across a range of sectors like agriculture and food processing, agro-based products, auto and auto components, chemicals, construction, electronics, engineering goods, EPC services, mining and minerals, plastics and rubber products, packaging, pharmaceuticals, software and IT enabled services, and textiles. These ventures serve to promote value addition, as also contribute to capacity building and capacity creation in host countries. As on August 31, 2019, Exim Bank through its overseas investment finance programme has supported 48 Indian companies in Africa with an aggregate sanction of ₹ 57.2 billion.

**Association with African Development Bank (AfDB)**

India is a member of the African Development Bank (AfDB) Group. Many Indian companies participate in projects funded by the AfDB Group. Exim Bank works

very closely with the AfDB and has an active programme which 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. Exim Bank assists Indian companies in projects supported by the AfDB, through fund and non-fund based assistance, while also providing advance alerts on upcoming opportunities. With the support from Exim Bank, Indian project exporters have secured a number of overseas contracts in Africa in sectors such as power, telecommunications, transport, water supply and sanitation. Exim Bank also organizes Business Opportunities seminars in Projects funded by the AfDB across various centres in India.

*Africa – India Partnership Day*

Exim Bank together with Federation of Indian Chambers of Commerce and Industry (FICCI) organizes the Africa – India Partnership Day, on the sidelines of the AfDB's Annual Meeting, with an objective of sharing India's developmental experiences with Africa, particularly in Public-Private Partnership (PPP) model of financing infrastructure development. Exim Bank, along with FICCI, has so far hosted six such events; first being on May 30, 2013 in Morocco; followed by Rwanda on May 22, 2014; Côte d'Ivoire on May 27, 2015; Zambia on May 24, 2016; Ahmedabad, India on May 24, 2017; and Equatorial Guinea on June 13, 2019. The Africa-India Partnership Day has become a regular feature of the AfDB Annual Meeting, and showcases the immense scope for expanding the mutually enriching partnership between India and Africa.

**Project Development Company (PDC) in Africa**

Africa is a region of opportunities, as the continent is receiving plenty of investments in the infrastructure space. The PPP structure is slowly getting popularised by the national governments, increasing the interest of the private sector in infrastructure development. However, institutional capacity in several African nations is in a nascent stage.

Addressing the limited institutional capacity in Africa on conceptualisation, management, execution and imparting project development initiatives, Exim Bank, along with other Indian institutions have joined hands with the AfDB, and promoted a Project Development Company (PDC) for infrastructure development in Africa.

The PDC, named Kukuza Project Development Company, has been incorporated in Mauritius in July 2015. 'Kukuza' in Swahili means 'a cause to growth'. Reflecting the name, the PDC is expected to provide specialist project development expertise to take the infrastructure project from concept to commissioning in the African Continent. The PDC will provide the entire gamut of project development expertise to various infrastructure projects, such as project identification, pre-feasibility/ feasibility studies, preparation of detailed project reports, environmental and social impact assessment, etc.

The PDC shall utilise the domain expertise of each partner during the project development process to establish a bankable and sustainable implementation format based on an in-depth understanding of the concerns of all the stake holders - public authority, users community, developers/ investors and lenders.

**Exim Bank's Country Mission**

With a view to enhancing India's bilateral trade and investment relations and in order to support Indian entrepreneurs in their globalisation endeavours, Exim Bank had mounted a country mission to select countries in Africa in the year 2014. The Mission endeavoured to provide a framework for enhancing India's engagement in select countries in Africa by way of identifying key areas for commercial engagement while also assisting these countries in achieving their developmental objectives. This initiative was backed by Exim Bank's longstanding strategic and commercial relations with various institutions, bodies and organisations in Africa through its various capacity building programmes in various sectors in these countries.

The Mission to Africa covered countries including Mozambique, Rwanda and Tanzania. The Mission team closely coordinated with Indian Missions, and held various rounds of interactions with Government officials of partner countries, multilateral institutions, business community, exporters, banks, Indian business diaspora, and other stakeholders, with a view to identifying business, trade and investment opportunities for Indian entrepreneurs.

## Exim Bank's Engagements in ITC's SITA

On March 9, 2014, Department for International Development (DFID) mandated the International Trade Centre (ITC), United Kingdom, to design and implement a project, called 'Supporting India's Trade Preferences for Africa' now called 'Supporting Indian Trade and Investment for Africa' (SITA). SITA is a six-year (2014-2020) project that aims at promoting exports from five East African countries – Ethiopia, Kenya, Rwanda, Tanzania and Uganda – to India through investment and skills transfer from the Indian side. Exim Bank has entered into an MOU with ITC in Geneva on March 26, 2014, through which the Bank has been associated with ITC's SITA initiative. The Project was in its inception Phase during March 2014 to March 2015, where a roadmap for SITA, including the focus sectors, was defined. The implementation phase of SITA (March 2015-March 2020) was officially launched in New Delhi, India, during March 19-20, 2015.

## Member of Association of African Development Finance Institutions (AADFI)

Exim Bank is a member of Association of African Development Finance Institutions (AADFI), a forum of institutions/ banks with the objective of creating co-ordination and economic solidarity among the development finance institutions in the African continent. The membership of AADFI helps to provide a platform for building linkages with other institutions in Africa, which are members of AADFI.

## Association with Other Indian Institutions

Exim Bank's equity in Agricultural Finance Corporation, which offers consultancy support in development of agro-technology; and promoter membership in 'Small Farmers' Agri-Business Consortium (SFAC)', an investment institution whose objectives include promoting small and medium agri-business ventures, places Exim Bank in a vantage position to share its expertise and support development related activities in Africa.

## Global Network of Exim Banks and Development Finance Institutions (G-NEXID)

Exim Bank has entered into a Memorandum of Understanding (MOU) with four Exim Banks/ Development Financial Institutions (DFIs) to form Global Network of Exim Banks and Development Financial Institutions (G-NEXID). The five signato-

ries are Export-Import Bank of India, Export-Import Bank of Malaysia, African Export-Import Bank, Andean Development Corporation and Export-Import Bank of Slovakia. G-NEXID was formally launched at its inaugural meeting at UNCTAD, Geneva on March 13, 2006. Annual Meetings are held to deliberate upon measures to foster long-term relationship, share experience and strengthen financial cooperation to promote trade and investment relations among developing countries. G-NEXID has been granted 'Observer' status by UNCTAD.

G-NEXID members in the African Region include: African Export-Import Bank, Cairo; Banque Nationale d' Investissement, Côte d'Ivoire; Banque Pour Le Financement De Petites Et Moyennes Entreprises, Tunis; Central African States Development Bank, Brazza Ville; Development Bank of Mali, Bamako; Development Bank of Namibia, Windhoek; Development Bank of Zambia, Lusaka; Development Bank of Southern Africa, Midrand; East African Development Bank, Kampala; Economic Community of Western African States, Lome; Industrial Development Bank of Kenya, Nairobi; Industrial Development Corporation South Africa, Sandton; Nigerian Export-Import Bank, Nigeria; and Trade and Development Bank (TDB), Nairobi.

**Inter-Bank Cooperation Mechanism among BRICS members**

BRICS, which comprise Brazil, Russia, India, China and South Africa, is an association of five major emerging national economies. In order to develop and strengthen economic ties and investment cooperation between BRICS countries, in 2010 state financial institutions for development and export support of the BRICS nations entered into an MOU, laying the foundation of BRICS Inter-Bank Cooperation Mechanism. Exim Bank is the nominated member development bank under the BRICS Inter-bank Cooperation Mechanism, along with other nominated member development banks from member nations of BRICS, namely Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Brazil; State Corporation Bank for Development and Foreign Economic Affairs – VEB. RF, 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. Inter-bank cooperation is a first step toward closer cooperation within BRICS, and the member countries will jointly finance projects in high technology, innovation and energy saving.

Exim Bank signed two multilateral financial cooperation agreements with member development banks of BRICS (Brazil, Russia, India, China, and South Africa) nations during the fifth BRICS Summit held in March 2013 at Durban, South Africa. The two Agreements signed are 'BRICS Multilateral Infrastructure Co-finance ing for Africa' and 'BRICS Multilateral Cooperation and Co-financing Agreement for Sustainable Development in Africa'. Another agreement on 'Collaborative Research on Distributed Ledger and Blockchain Technology in the Context of the Development of the Digital Economy' was signed with BRICS development banks on July 26, 2018.

**GPCL as a Consultant**

Global Procurement Consultants Ltd. (GPCL) has been promoted by Exim Bank in association with leading public sector and private sector consultancy organizations. GPCL's shareholding pattern creates a synergetic fusion of expertise, thereby providing a unique platform for sharing of collective Indian experience in a partnership mode with developing countries and emerging economies, in the professional management of projects, with particular reference to procurement services. GPCL synthesizes India's consultancy expertise in project management and procurement across varied sectors of the economy including finance, infrastructure, energy, transportation, environment, information and communication technology, industry, agriculture, mining, water resources, health and education. GPCL provides technical assistance in enhancing quality, transparency, efficiency and effectiveness of procurement and implementation services to help attain desired institutional and corporate objectives. GPCL supports, enhances and extends scope of project supervision, monitoring and evaluation as also strengthening of institutional capacity for effective programme/ project implementation. In doing so, GPCL leverages upon its demonstrated strengths derived from its core staff, panel of specialists, and resources of its shareholders to assist funding and project executing agencies.

GPCL has a demonstrated track record spanning all stages of the procurement cycle covering procurement advisory services, procurement management, procurement review, performance review, provision of support services, valuations, financial advisory services, overall procurement audit and governance, as also associated services related to training and capacity building. GPCL has under-

taken a number of assignments, in India and numerous countries abroad, directly for multilateral funding agencies or in projects funded by them. GPCL also has the distinction of being selected in some instances by the World Bank on a sole source basis, both in India and abroad.

GPCL has extensive experience supporting projects in Africa, and assignments undertaken include:

1. **Procurement Audit** of contracts in the World Bank funded projects in Eritrea, Ghana, Malawi, Nigeria and Uganda covering Health, Education, Agriculture, Infrastructure, Power, Privatization and Emergency rehabilitation.
2. **Comprehensive re-appraisal** of Water Supply Projects in Nigeria funded by the AfDB.
3. **Country Procurement Assessment Review (CPAR)** in the Kingdom of Es watini for the AfDB in order to examine the existing public procurement framework, benchmark them with good procurement practices, and provide recommendations to revamp the system for better governance.
4. **Procurement Monitoring Agent** for a World Bank funded health project in Kenya calling for review of the procurement of goods, services and minor works including an audit of the procurement processes of the institutions and procurement units supported by the project.

**Partner in Institutional Building in Africa**

As a partner institution in promoting economic development in Africa, Exim Bank shares its experience in the setting up of institutional infrastructure for enhancing international trade. In this regard, the Bank has taken active participation in the institutional building process in a number of countries in Africa. Besides being associated in the setting up of the Afreximbank, Exim Bank undertook an assignment to design, develop, and implement a programme on Film Financing for Nigerian Export-Import Bank (NEXIM Bank) for expanding its exposure in financing films (under Film Financing Programme). Exim Bank has also been involved in the design and implementation of Export Finance Programmes for

Industrial Development Corporation, South Africa; Consultancy Assignment for the Government of Mauritius on 'Projecting Mauritius as an investment hub for Indian Firms'; establishment of Export Credit Guarantee Company in Zimbabwe; and preparing a blue print for setting up of Export-Import Bank of Zimbabwe.

In 2015, International Trade Centre (ITC), Geneva, under its 'Supporting Indian Trade and Investment for Africa (SITA)' Project, awarded Exim Bank 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.

In 2018-19, Exim Bank concluded an assignment for the Ghana Export-Import Bank (GEXIM) for providing technical assistance across its various operational areas. Exim Bank also delivered a 21-day training programme for GEXIM officials in Ghana, and organised a skill enhancement programme for the top management of GEXIM in Mumbai.

**Institutional Linkages**

Exim Bank has been consciously forging a network of alliances and institutional linkages to help further economic co-operation with the African Region. Towards this end, Exim Bank has taken up equity in Afreximbank, BOAD, and Development Bank of Zambia. These endeavours are supplemented by the various Memoranda of Cooperation (MOCs) / Memoranda of Understanding (MOUs), the Bank has in place, with key institutions in the African Region including: AfDB; Trade and Development Bank (TDB); Afreximbank; Banque De Financement Des Petites Et Moyennes Entreprises (BFPME), Tunisia; Banque Internationale Arabe de Tunisie, Tunisia; Board of Investment (BOI), Mauritius; Ecobank (Pan African Bank); Foreign Investment Promotion Agency, Tunisia; Industrial Development Bank of Sudan; Industrial Development Corporation of South Africa Limited (IDC); Nigerian Export-Import Bank (NEXIM); National Bank of Egypt; and Societe Tunisienne de Banque, Tunisia.

**Knowledge Building and Technology Transfer**

In the area of knowledge building and technology transfer, Exim Bank's research

studies focus on potential areas for boosting India's trade and investment relations with various regions in Africa, which include, among others, 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), Least Developed Countries (LDCs), Maghreb region and East African Community (EAC). In order to support the AfDB's High 5 agenda, Exim Bank released five studies namely, Integrate Africa: A Multi dimensional Perspective; Feed Africa: Achieving Progress Through Partnership; Water, Sanitation and Healthcare in Africa: Enhancing Facility, Enabling Growth; Power Sector in Africa: Prospect and Potential; and Manufacturing in Africa: A Roadmap for Sustainable Growth.

**In a Nutshell**

In sum, Exim Bank, with its comprehensive range of financing, advisory and support services, seeks to create an enabling environment for enhancing two-way flow of trade, investment and technology between India and the African Region. While promoting infrastructure development and facilitating private sector development in host countries, the various efforts of Exim Bank, ensconced in its range of activities, also contribute towards institutional building in the African Region.

# 9. Suggestions and Way Forward

North African countries have come a long way after the Arab Spring in stabilizing their economies and improving their doing business environment, yet a lot more is to be done to make these countries achieve their full potential. The economic and political issues face by few countries in the region has limited both inter-and intra-regional trade. Though Egypt and Morocco have been identified as the most attractive investment destinations not just in North Africa, but in the Africa continent; the case with other countries are not the same. There exist a lot of scope to improve the trade and investment conditions in these countries.

**Export Diversification**

Most of the countries in North Africa are heavily dependent on hydrocarbon exports. Mineral oils and mineral fuels account for over 90 percent of total exports of Algeria and Libya, depicting the heavy dependence on production and export of minerals in these country. Over a quarter of exports of Egypt and Sudan comprise mineral fuels. Similarly, Morocco and Tunisia are dependent on exports of fertilizer and inorganic chemicals. As a result, North African countries remain vulnerable to changes in the international prices of these commodities.

North African countries need to focus more on their export diversification strategy. A number of reasons are responsible for lack of non-hydrocarbon exports in Algeria and Libya despite the structural adjustment programs undertaken by the governments. There are various reasons for the dismal performance of non-hydro carbon sectors in these countries including inadequate productivity of firms, insufficient public policies to encourage exports, weak industrial sector, ineffective implementations of export promotions schemes, etc. It has been estimated that Algeria's gas reserves would be depleted in 49 years, and its oil reserves in 21 years at current usage level, which is a major threat to the country[42].

[42]THE REPORT Algeria 2017, Oxford Business Group

**Policy Implementation**

Despite setting up 'Special Export Promotion Fund' (ESPF) and the National Agricultural Regulation Development Fund (FNRDA) for improving exports of non-hydrocarbons and diversifying the production as well as exports by Algeria, country's dependence on hydrocarbon products remain high. Mauritania has been issuing fisheries agreements or fleet licenses to many countries including the EU member countries along with Morocco, Algeria, Japan, and others. Fishing licenses fee does form a significant part of Mauritania's income. However, the country should also focus on local value added processing of the marine resources that can enhance its exports. Sudan has huge gold reserves which can be of immense help to the economy through production and exports. However, the mining happens on a very small scale, requiring better organization of the mining sector along with better technology to increase annual production substantially.

**Industrial Sector Development**

Industrial development in North Africa may play a leading role in bringing about the necessary structural transformation of the region and ensure the sustained and substantial economic growth necessary to create decent jobs and improve the population's standard of living. Nevertheless, for this to happen the sub-optimal performance of the North African industrial sector needs to be reversed and its growth, sophistication and diversification, both in terms of production and trade, need to be boosted.

**Speedy Resolution of Disputes**

The dispute between Morocco and Algeria has been a long and tiring one for both the countries over the North African country of 'Western Sahara'. Western Sahara is a region on the North African Atlantic Coast bordering Morocco, Algeria and Mauritania. The region is rich with phosphates and iron ore reserves with untouched offshore oil deposits. The issue has caused hindrance to the development of both the countries, affecting intra-regional trade and development.

After the succession of South Sudan, the oil reserves of the erstwhile Sudan mostly lie in the South Sudanese territory, while pipelines and major oil refineries

are in Sudan. The loss of this key source of foreign reserves was a major blow to Sudan's economy as the country highly depends on oil exports and oil production. Agreements on usage and repair of pipeline, and protection and security of pipelines need to be strengthened.

**Easing of Investment Laws**

The investment laws in many of the North African countries are lengthy, bureaucratic and difficult to undertake, making these countries an unattractive site to invest in, despite the immense scope for investment. There have been instances where policies changed without giving much notice to the investors or consulting the business community. Major sectors, especially the high earning ones including hydrocarbons and phosphates are still regulated by governments in many of these countries. If these sectors are made open to foreign companies, huge FDI inflows would take place. Price regulations for many commodities though benefit the households, are not attractive for investors.

**Border Threats: Informal Sector/ Middlemen**

After the succession of South Sudan in 2011, Sudan lost major oil production sites which formed the backbone of its economy. Currently, gold remains the second major exported commodity of Sudan. It has been noted by many that a lot of gold produced in the country is smuggled from Sudan to its neighboring nations with no taxes being paid. Artisanal/small scale mining is one of the major reasons behind this, as artisanal mining makes it easier to sell gold to the middle men which in turn lead to smuggling.

A study by KPMG and the Royal United Services Institute for Defense and Security Studies found that 26 percent of 'illicit cigarettes' in the French market originates from Algeria[43]. It has been noted that Libya has a huge shadow economy that has been hampering its growth altogether. Many industries are unable to pick up pace due to lack of liquidity and limited use of electronic cash systems. Cash is exchanged in the black market at a very high rate, further discouraging foreign investors along with local enterprises[44]. Other countries in the region are

[43]Project SUN: A study of the illicit cigarette market in the European Union, Norway and Switzerland, KPMG, 2018

[44]Humanitarian Access Team (Libya's Shadow Economy- April 2017)

also affected by porous borders, creating favourable conditions for the emergence and sustenance of various illicit markets in the region. Addressing these issues through co-ordinated policy efforts among the countries are necessary for realizing full export potential of North African countries.

**Research and Development for Product and Market Diversification**

Many of the industrial exports by North African countries have been unable to compete with products by other countries following international standards. The competitiveness of the products will be developed by enhancing the quality of the products. This can be possible with adequate investments in research and development in the high exporting products. Moreover, market research needs to be conducted to identify and match export products with regions.

**Better Protection and Security**

Few countries in North Africa are prone to political instability and civil wars, limiting investments. Libya, though rich in oil and gas, has been severely affected by the conflicts, resulting in significant reduction in their oil production. Improving the production by investing in infrastructure and bringing back the foreign companies that left the country during the conflict will support the country. The oil and gas fields in Libya are located in areas prone to attacks; and hence better security in these regions will help in sustaining production and thus, improve exports.

**India-North Africa Cooperation – Way Forward**

**G20 Compact with Africa:** Three North African countries Egypt, Morocco and Tunisia have joined the G20 Compact with Africa (CwA) Initiative. The CwA's primary objective is to increase attractiveness of private investment in Africa including in infrastructure, through substantial improvements of the macro, business and financing frameworks. Along with this, reforms have been laid out by these three countries for setting commitments to maintain macroeconomic stability and to undertake business and financing. India, being a member of G20 is in a very favourable position to work with these countries in enabling investments, especially in infrastructure sector. India could also link the CwA initiative with the Asia Africa Growth Corridor (AAGC) initiative. As the AAGC aims to link economies from Asia and Africa not only through physical infrastructure, but also

institutional, regulatory and digital connectivity, there exist complementarities between AAGC and CwA initiatives. India's involvement in the CwA initiative could be earmarked based on the potential of CwA countries, while considering India's comparative advantage and interests. By engaging in CwA initiative, India can have a positive impact on the G20's partnership with Africa and strengthen the India-Africa partnership in the process.

**AfCFTA:** In May 2019, African Continent Free Trade Agreement (AfCFTA) came into force. All the North African countries have signed the agreement. AfCFTA is expected to create opportunities for Indian firms and investors to tap into a larger, unified, simplified and more robust African market. With India considering Africa as not just a destination for short-term returns, but as a partner for medium and long-term economic growth, the cooperation between both regions would prove to be beneficial for both India and Africa.

**India- Egypt Cooperation:** Egypt, which is chairing the African Union in 2019 is critically positioned to exert a geostrategic influence over the African continent. There are wide range of opportunities that can be availed by Indian exporters by making Egypt the hub for Africa and benefiting from the progress in realizing the Tripartite Free Trade Agreement, which has brought together the markets common to the Regional Economic Communities (RECs) of COMESA, the East African Community (EAC) and the Southern African Development Community (SADC). Egypt can also be the hub for Arab and EU markets, with the help of the free trade agreements between the two sides.

**International Solar Alliance (ISA**): ISA is an alliance of 121 countries initiated by India, most of them being sunshine countries, which lie either completely or partly between the Tropic of Cancer and the Tropic of Capricorn. The primary objective of the alliance is to work for efficient exploitation of solar energy to reduce dependence on fossil fuels. The initiative was launched by the Hon'ble Prime Minister of India, Shri Narendra Modi at the India Africa Summit, and a meeting of member countries ahead of the 2015 United Nations Climate Change Conference in Paris in November 2015.The framework agreement of the International Solar Alliance opened for signatures in Marrakech, Morocco in November 2016. Algeria, Egypt and Sudan have signed the ISA Framework Agreement. This creates a vast investment opportunity for Indian companies in the field of solar energy. Egypt could play a key role as a regional and global energy market because of its geographical proximity and strategic location.

Egypt can also become a regional electricity inter-connection hub by establishing electricity connections with neighboring countries, including Jordan, Libya and Sudan supplementing ongoing electricity connection projects with Saudi Arabia, Cyprus and Greece. Egypt has recently inaugurated the Benban Solar Complex in the city of Aswan, southern Egypt, consisting of 200,000 solar panels and 780 sun trackers. Most African countries lie in the solar belt, which is most convenient for solar energy applications. The huge potential in the field of solar energy in these African countries can attract Indian investments, particularly for supplying electricity in the off-grid regions.

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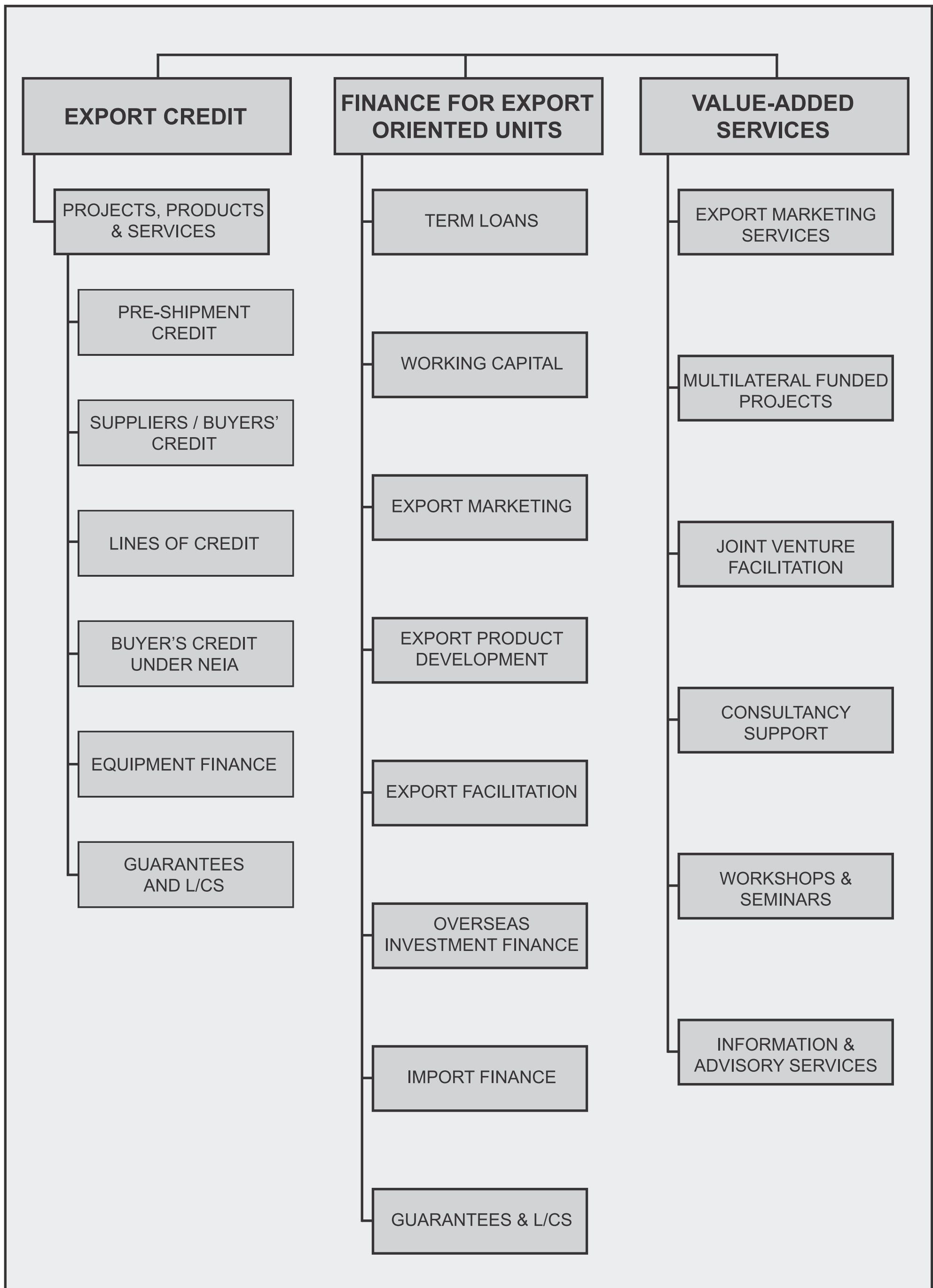
# EXIM BANK'S MAJOR PROGRAMMES

## Bank's Major Programmes



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