Southern African Development Community (SADC) :		
A Study of India's Trade &		
Investment Potential ————————————————————————————————————		

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EXPORT-IMPORT BANK OF INDIA

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SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC): A STUDY OF INDIA'S TRADE & INVESTMENT POTENTIAL

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Project Team:

Mr. David Sinate, General Manager

Mr. Viswanath Jandhyala, Manager

Ms. Sara Joy, Manager

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EXECUTIVE SUMMARY

INTRODUCTION

The Southern African Development Community (SADC) has been in existence since 1980, when it was formed as a loose alliance of seven states in Southern Africa known as the Southern African Development Coordination Conference (SADCC), with the main aim of political liberation of Southern Africa. SADCC was formed in Lusaka, Zambia on April 1, 1980, following the adoption of the Lusaka Declaration - Southern Africa: Towards Economic Liberation. The founding member states are: Angola, Botswana, Lesotho, Mozambique, Swaziland, Tanzania, and Zambia.

The transformation of the organization from a Coordinating Conference into a Development Community (SADC) took place on August 17, 1992 in Windhoek, Namibia when the SADC Treaty and Declaration was signed at the Summit of Heads of State and Government thereby giving the organization a legal character. The objective also shifted to include economic integration following the independence of the Southern African countries. The treaty was amended on August 14, 2001 recognizing new

challenges and need for institutional reforms. SADC was established under Article 2 of the SADC Treaty by SADC member states represented by their respective Heads of State and Government or duly authorised representatives to spearhead economic integration of Southern Africa.

SADC VISION

The SADC vision is one of a common future, a future within a regional community that will ensure economic well-being, improvement of the standards of living and quality of life, freedom and social justice; peace and security for the people of Southern Africa. This shared vision is anchored on the common values and principles and the historical and cultural affinities that exist among the people of Southern Africa.

SADC OBJECTIVES

Provided for in Article 5 of the SADC Treaty, the SADC objectives are, among others, to:

 achieve development and economic growth, alleviate poverty, enhance the standard and quality of life of the people of Southern Africa and support the socially disadvantaged through regional integration;

- evolve common political values, systems and institutions;
- promote and defend peace and security;
- promote self-sustaining development on the basis of collective self-reliance, and the inter-dependence of member states;
- achieve complementarity between national and regional strategies and programmes;
- promote and maximise productive employment and utilisation of resources of the region;
- achieve sustainable utilisation of natural resources and effective protection of the environment; and
- strengthen and consolidate the long-standing historical, social and cultural affinities and links among the people of the region.

Accordingly, to achieve its aims, SADC endeavours to:

- harmonise political and socioeconomic policies and plans of member states;
- mobilise the people of the region and their institutions to take initiatives to develop economic, social and cultural ties across the region, and to participate

- fully in the implementation of the programmes and projects of SADC:
- recreate appropriate institutions and mechanisms for the mobilisation of requisite resources for the implementation of the programmes and operations of SADC and its institutions;
- develop policies aimed at the progressive elimination of obstacles to free movement of capital and labour, goods and services, and of the people of the region generally within member states;
- promote the development of human resources;
- promote the development, transfer and mastery of technology;
- improve economic management and performance through regional cooperation;
- promote the coordination and harmonisation of the international relations of member states;
- secure international understanding, cooperation and support, mobilise the inflow of public and private resources into the region; and
- develop such other activities as member states may decide in furtherance of the objectives of SADC.

SADC currently comprises of Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. SADC headquarters is located in Gaborone, Botswana.

In pursuit of its vision and objectives, SADC has adopted milestones to facilitate the attainment of the SADC Free Trade Area (FTA) by 2008, the Customs Union (CU) by 2010, the Common Market (CM) by 2015, Monetary Union (MU) by 2016 and the Single Currency by 2018. The SADC Free Trade Area (FTA) was officially launched on August 17, 2008 at Sandton, South Africa during the 28th Summit of SADC Heads of State and Government. Among the 15 member countries of SADC, 12 countries (other than Angola, DR Congo and Seychelles) are members of the FTA, which is expected to fully liberalize trade in the region by 2012. During the 30th SADC summit in August 2010, the launch of the SADC customs union, originally planned for 2010, was postponed to 2012 to allow further study of the impact of such a reform on member states. The SADC member states nonetheless reaffirmed their commitment to set up a monetary union in 2016.

ECONOMIC PROFILE OF THE SADC REGION

SADC is the largest contributor (in terms of GDP) to the African region. SADC accounted for 54.3 percent of the nominal GDP of Sub-Saharan

Africa; 35.7 percent of GDP of Africa and 0.9 percent of global GDP in 2011.

Despite the continuous difficulties experiencing by the global economy, the SADC region is estimated to have performed well in 2011. Although real GDP has not yet touched the precrisis level of 5.4 percent growth, SADC's economy is estimated to have rebounded to reach 3.9 percent growth in 2011 from 3.6 percent in 2010. In 2011, the combined gross domestic product (GDP) for SADC countries increased to an estimated US\$ 662.7 billion from US\$ 572.4 billion in 2010. The total GDP of SADC countries are expected to touch US\$ 702 billion in 2012, with an estimated real GDP growth of 5 percent. Per capita GDP, at current prices, of the region as a whole, was estimated at US\$ 3,768 in 2011, a 10.3 percent increase from US\$ 3,416 in 2010.

The economies within the SADC region are at varying stages of development. For instance, the GDP of South Africa was much larger than the combined GDP of the remaining 14 SADC countries, with GDP of US\$ 422 billion and US\$ 240.7 billion respectively in 2011. Positive growth rates were recorded in all the member countries in 2011, except for Swaziland, accompanied by moderate inflation in most of the countries. Inflation remains in single digit, as

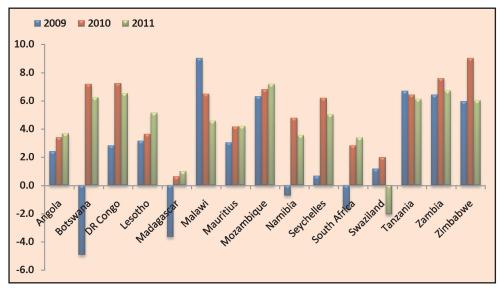


Chart 1: GDP Growth in SADC Countries, 2009-11 (percent)

Source: International Monetary Fund (IMF), World Economic Outlook (WEO), September 2011

compared to the double digit inflation in 2008. But average consumer price inflation has moderately increased to 7.7 percent in 2011 from 6.9 percent in 2010. The increased inflation can be attributed to increased inflation in member states of South Africa, Mauritius and Seychelles.

SADC as a bloc witnessed a decline in its current account deficit from US\$ 11.7 billion in 2010 to US\$ 8.9 billion in 2011. All countries in the SADC region, with the exception of Angola and Zambia, have experienced a current account deficit. Angola experienced a current account surplus of US\$ 11.9 billion in 2011. Total international reserves of SADC stood at US\$ 88.1 billion in 2010, representing an import cover of 6.4 months. Reserves are estimated to have increased almost two-folds to US\$ 103.1 billion in 2011, as compared to that recorded in 2007.

FOREIGN TRADE IN THE SADC REGION

SADC as a bloc has shown small but stable performance in terms of its global trade. The share of SADC in Africa's total trade is around 34 percent in 2010. Total trade (exports plus imports) of SADC has increased more than three-fold from US\$ 95.8 billion in 2001 to US\$ 339.1 billion in 2010, growing at a compound annual growth rate of 15.1 percent over the period, reflecting favourable growth performance of both exports and imports.

Exports of SADC increased more than three-fold from US\$ 48.7 billion in 2001 to US\$ 173.1 billion in 2010. Exports of all SADC countries except Malawi registered positive growth in 2010 as a result of various stimulus packages and the recovery henceforth. The higher increase in exports in 2010 is driven by exports of South Africa and Angola, the two giants in the bloc. Growing at a similar pace, imports of SADC rose more than three-fold from US\$ 47.2 billion to US\$ 166 billion over the period 2001-10. Angola, Madagascar and Seychelles witnessed a decline in their imports in 2010.

The main exports of the SADC as a bloc are mineral fuels, oils and their distillation products, accounting for 37.5 percent of total exports of the bloc, followed by pearls, precious stones and metals (11.4 percent of exports), ores, slag and ash (8.6 percent), copper and articles thereof (5.3 percent) and iron and steel (5.2 percent). The principal items of imports of the SADC as a bloc are petroleum products, accounting for 16.9 percent of global imports, machinery (13.9 percent), electrical and electronic equipment (9 percent) and transport equipments (8.6 percent).

China is the main trading partner of SADC in 2010, with a share of 25.7 percent in exports and 13.6 percent in imports of SADC. Other main export destinations of SADC in 2010 included

the US (13.1 percent of total exports), India (5.6 percent), UK (4.8 percent) and Germany (4.6 percent). As regards imports, Germany (9 percent of the SADC's total imports), the US (6.2 percent), India (5.6 percent), UK (4.5 percent) and Japan (3.7 percent) are the major suppliers of SADC's imports in the same year.

FOREIGN DIRECT INVESTMENT IN THE SADC REGION

SADC is seen as a favourable investment destination in Africa with its abundant natural resources. SADC members are in the process of adopting common investment throughout the policies region. Trends in investment during the last decade show pick up in both inflows as well as outflows. The total foreign direct investment (FDI) inflows to SADC have peaked in 2008 to US\$ 32.7 billion driven by the resource boom, from US\$ 4.5 billion in 2000. FDI inflows to SADC declined by 30 percent to reach US\$ 22.9 billion in 2009, due to the contraction of global demand and the fall in commodity prices, which further fell by 10.9 percent to US\$ 20.4 billion in 2010.

The cumulative FDI inflows into SADC from 2000-10 was US\$ 166 billion. In 2010, SADC accounted for 38.9 percent of FDI inflows to Africa and 4 percent of total FDI inflows to developing economies. Angola accounted for the largest share of

the FDI inflows to SADC as well as to Africa in 2010, with a share of about 50.3 percent in SADC's total inflows. Angola was followed by South Africa (23.2 percent of total FDI inflows to SADC), DR Congo (5.1 percent), and Zambia (3.8 percent). In 2010, Angola, South Africa, Madagascar, Mozambique and Botswana witnessed a decline in the level of FDI inflows. Angola witnessed a decline of around 15 percent in 2010, due to problems in country's oil industry as Angola's oil production has exceeded country's OPEC quota. South Africa's inflows decreased by over 71 percent in 2010, and were almost 6 times lower than FDI inflows in 2008. On the other hand, DR Congo witnessed a growth of more than four-fold in 2010 driven by oil related investments. FDI inflows has resulted in positive developments in many host countries in Africa. In Zambia, investments from foreign farmers have helped in revitalizing country's agriculture.

Outflow of investment from SADC was much lower compared to the inflows, with outward direct investments (ODI) recorded the maximum amount in 2006 at US\$ 6.3 billion. ODI from SADC declined in 2007 and became negative in 2008. In 2010, ODI from SADC stood at US\$ 2 billion. The cumulative outward SADC investment during 2000-10 amounted to US\$ 14 billion, which is 32 percent of total FDI from Africa during the same period. South Africa accounted

for the largest share of the outflows from the region in 2010, with a share of 50 percent. FDI has been unevenly distributed among the member countries in SADC.

All SADC Member States welcome foreign direct investment (FDI) and provide a liberal FDI regime though there are variations between them with respect to the extent of liberalisation. Though some SADC member states are fully open to foreign investment in many sectors, there are still limits on foreign investment in sectors that are considered strategic and of national importance. In particular, foreign investment restrictions are targeted at strategic sectors such as mineral resources, especially oil and gas; transport and telecommunications; banking and insurance; media (both print and electronic); and small scale activities such as personal services. Access to these sectors are governed byaffirmativepolicies and programmes enacted with clear benchmarks on how to economically empower the historically disadvantaged indigenous race.

INDIA'S BILATERAL TRADE RELATIONS WITH SADC COUNTRIES

India's trade and investment relations with the SADC region have strengthened in recent years. India's total trade with the SADC region

has risen more than eight-folds from US\$ 2.4 billion to US\$ 20.4 billion during the decade 2001-02 to 2010-11, with India's exports to the region amounting to US\$ 8.4 billion, and India's imports from the region aggregating US\$ 12 billion in 2010-11. The importance of the SADC region can be gauged from the fact that the region accounted for 40 percent of India's total exports to Africa during 2010-11, up from 27.5 percent recorded in 2001-02. India's total imports from the SADC region, as a percentage share of India's total imports from Africa, accounted for 37 percent during 2010-11. Countries such as South Africa, Mauritius, Tanzania, Mozambique and Zambia, among others, are not only important trading partners for India, but also major destinations for India's overseas investments in the African region.

India's exports to SADC increased at a robust compound annual growth rate (CAGR) of 30 percent during the period 2001-02 to 2010-11, while India's imports from SADC grew at a CAGR of 25.3 percent during the same period. On account of increased imports from the region, India's trade balance which recorded a surplus of US\$ 959 mn in 2006-07 has turned into a deficit of around US\$ 2 billion in 2008-09 and further to US\$ 5.8 billion in 2009-10. However, with a sharper pickup in exports in 2010-11 vis-à-vis imports, trade deficit narrowed down to US\$ 3.6 billion in 2010-11.

South Africa is India's leading export market among the SADC members, accounting for half of India's total exports to SADC in 2010-11. The other major export markets during the same year were Tanzania (18 percent), Mauritius (10 percent), Angola (8 percent), and Mozambique (7 percent). India's exports to Tanzania, Mauritius, Angola, Mozambique and Swaziland have shown a sharp rise in recent years.

As far as imports are concerned, South Africa is again the largest supplier to India among the SADC members, accounting for 54 percent of India's total imports from the region in 2010-11. Angola (accounting for 40 percent), and Tanzania (2 percent) are the other important import sources from the SADC region in the same year. India's imports from Angola, Swaziland and Mozambique have registered sharp rise in recent years.

TRENDS IN INDIA - SADC INVESTMENT FLOWS

Africa has remained a significant investment partner for India over the past years, with Indian investments mostly in services and manufacturing sectors, and also in Africa's natural resources, including the oil sector. In recent years, besides being major recipient of global foreign direct investment (FDI) inflows, India is emerging as an important global

investor with increasing overseas investments in target markets.

According to data from Reserve Bank of India and the Ministry of Finance, Government of India, cumulative Indian investments in SADC during the period April 1996 to January 2012, amounted to around US\$ 28.1 billion, accounting for 17.6 percent of India's global overseas investments during the period. SADC's share in India's direct investment abroad has increased from 9.1 percent in 2002-03 to 30 percent in 2010-11. This quantum jump in investment figures in 2010-11 can be mainly attributed to a US\$ 6.8 billion investment in Mauritius by Reliance Industries in manufacturing sector (oil and gas exploration) and also acquisition of the telecoms operations of Zain telecom in 15 African countries including few SADC countries by the Indian mobile operator Bharati Airtel for US\$ 10.7 billion.

Among the SADC countries, Mauritius has been the major destination, with total investments amounting to US\$ 27.8 billion during April 1996 to January 2012, accounting for a significant 98.7 percent of total investments from India in the SADC region. Mauritius is also the major destination of India's outward investment among the African countries, and hence SADC receives more than 90 percent of Indian investments in Africa. Other top

destinations of India's investments in SADC during the same period include South Africa (US\$ 249.4 mn), Tanzania (US\$ 42.6 mn), Botswana (US\$ 26.4 mn) and Mozambique (US\$ 22.2 mn).

In 2010-11, SADC's manufacturing sector (incl. extractive industries) is the major recipient of India's FDI outflows, accounting for 62 percent of India's total FDI to SADC. Other major sectors include financial, insurance, real estate and business services (17.3 percent of total FDI outflows), wholesale, retail trade, restaurants and hotels (13.4 percent), agriculture, hunting, forestry and fish (3.8 percent), transport, storage and communication services (1.4 percent), construction (1.1 percent), community, social and personal services (0.8 percent) and electricity, gas and water (0.02 percent).

India's overall FDI inflows from SADC economies other than Mauritius has been low. As far as cumulative inflows of foreign direct investments into India is concerned, FDI inflows during April 2000 to November 2011 amounted to US\$ 62.2 billion. The largest investment flowed in from Mauritius to the tune of US\$ 62 billion, accounting for almost the entire investment flow into India from the SADC region during the period, accounting for 40.7 percent of FDI to India. The other sources of investment flow from SADC into India were South Africa,

Seychelles, Tanzania, DR Congo and Zambia. Investments from South Africa amounted to US\$ 111.6 mn, while investments from Seychelles amounted to US\$ 17.7 mn during the period.

INSTITUTIONAL FRAMEWORKS & POLICY INITIATIVES

With a view to facilitate and further enhance bilateral trade and commercial relations with countries in Africa, India has put in place important policy measures as also institutional frameworks to create an enabling trade and business environment. Such initiatives have been effective in giving a new dimension to mutual cooperation and the already existing close relations between the two sides. Major policy initiatives would include, among others, Focus Africa Programme, Pan-African E-Network, IBSA Initiative, Inter-bank cooperation among BRICS members to boost bloc profile, India-Africa Partnership Conclaves and India Africa Summit.

POTENTIAL FOR ENHANCING BILATERAL TRADE AND INVESTMENT RELATIONS

Both imports and exports of SADC member countries have shown an overall increasing trend in recent times. India too has registered a positive growth in its trade with these countries. Both regions are characterized by large markets and large work force. While India

imports most of natural resources for processing as well as final production, SADC countries exports natural resources and imports processed inputs. Hence, there is large scope and potential for expanding bilateral trade and investment relations among India and SADC.

Export Potential of India to SADC Countries

The analysis of the export potential of India has been done on the basis of following criteria, namely, import basket of SADC nations was analyzed in detail for its commodity composition; India's export capability was matched with the demand pattern and corresponding import demand: Commodities where India has a comparative advantage in global exports based on India's share in global trade; India's exports of commodities, which have registered high growth rate in recent years, to these countries; and Commodities where India has been doing well in the global markets. Some of the major commodities in which India has potential for exports to the SADC member countries are listed below.

South Africa - Machinery & boilers (HS-84), Electrical and electronic equipment (HS-85), Vehicles other than railway (HS-87), Optical, photographic and medical apparatus (HS-90), Plastics and articles (HS-39), Miscellaneous chemical products (HS-38), Rubber and articles (HS-40),

Inorganic chemicals and precious metal compounds (HS-28), Paper and paperboards (HS-48), Footwear and parts (HS-64) and Furniture and lighting materials (HS-94).

Tanzania - Vehicles other than railway (HS-87), Plastics and articles (HS-39), Rubber and articles (HS-40), Sugar and sugar confectionary (HS-17), Milling products (HS-11), Photographic and medical apparatus (HS-90), Ceramic products (HS-69), Beverages and spirits (HS-22) and Tools and implements (HS-82).

Angola - Machinery and boilers (HS-84), Articles of iron and steel (HS-73), Electrical and electronic equipment (HS-85), Vehicles other than railway (HS-87), Furniture and lightings (HS-94), Plastics and articles (HS-39), Iron and steel (HS-72), Footwear and parts (HS-64), Paper and paperboard (HS-48), Ceramic products (HS-69), Aluminium and articles (HS-76), Rubber and articles (HS-40) and Glass and glassware (HS-70).

Mozambique - Vehicles other than railway (HS-87), Machinery and boilers (HS-84), Electrical and electronic equipments (HS-85), Cereals (HS-10), Plastics and articles (HS-39), Rubber and articles (HS-40), Paper and paperboard (HS-48), Optical and medical apparatus (HS-90) and Furniture and lightings (HS-94).

Zimbabwe - Vehicles other than railway (HS-87), Mineral fuels and

oils (HS-27), Tobacco (HS-24), Printed books and newspaper (HS-49), Machinery and boilers (HS 84), Electrical and electronic equipment (HS-85) and Iron and steel (HS-72).

Zambia - Machinery and boilers (HS-84), Mineral fuels and oils (HS-27), Vehicles other than railway (HS-87), Electrical and electronic equipment (HS-85), Copper and articles (HS-74), Inorganic chemicals and precious metal compounds (HS-28), Articles of iron and steel (HS-73) and Iron and steel (HS-72).

Import Potential of India from SADC Countries

Some of the major commodities in which India has potential for imports from the SADC member countries are listed below.

South Africa - Organic chemicals, Copper and articles thereof, Edible fruit, nuts, peel of citrus fruit and melons, Miscellaneous chemical products, Plastics and articles thereof, Salt, sulphur, earth, stone, plaster, lime and cement, Rubber and articles thereof, Paper & paperboard, Articles of iron or steel, Animal, vegetable fats and oils, Edible vegetables and certain roots and tubers and Wood and articles of wood, wood charcoal.

Tanzania - Pearls and precious stones, Coffee, tea, mate and spices, Copper and articles thereof, Ores, slag and ash, Essential oils,

perfumes, cosmetics and toiletries, Oil seed, vegetable textile fibres nes, Paper yarn and woven fabric, Cotton, Miscellaneous chemical products, Animal, vegetable fats and oils, Products of animal origin, Machinery and boilers, and Lac, gums, resins, vegetable saps and extracts nes.

Angola - Salt, sulphur, earth, stone, plaster, lime and cement, Tools, implements, cutlery, etc of base metal, Plastics and articles thereof, Other made textile articles, sets, worn clothing etc, Optical, photo, technical, medical, etc apparatus and Vehicles other than railway or tramway.

Mozambique - Edible fruit, nuts, peel of citrus fruit, melons, Articles of iron or steel, Wood and articles of wood, wood charcoal, Coffee, tea, mate and spices, Oil seed, Copper and articles thereof, Aluminium and articles thereof, Mineral fuels, oils and distillation products, Ships, boats and other floating structures, Tobacco and manufactured tobacco substitutes, and Marine products.

Zimbabwe - Nickel and articles thereof, Raw hides and skins (other than fur skins and leather), Salt, sulphur, earth, stone, plaster, lime and cement, Stone, plaster, cement, asbestos, mica, etc articles, Tools, implements, cutlery, etc of base metal, Furniture, lighting, signs, prefabricated buildings, Works of art, collectors pieces and antiques,

Pearls, precious stones, metals, coins, etc, Iron and steel, Ores, slag and ash, Printed books, newspapers, pictures etc, Cotton, and Coffee, tea, mate and spice.

Zambia - Copper and articles thereof, Ores, slag and ash, Other base metals, cermets, articles thereof, Iron and steel, Soaps, lubricants, waxes, candles, modelling pastes, Cotton, Dairy products, eggs, honey, edible animal product nes, Milling products, malt, starches, inulin, wheat gluten, Sugars and sugar confectionery, and Beverages, spirits and vinegar.

INVESTMENT POTENTIAL IN SADC COUNTRIES

Some SADC member countries have streamlined their investment laws and have identified priority sectors for increased investment inflows and development. In line with these priority sectors as also resources available in these countries, potential sector for Indian investments have been identified.

South Africa - The Government of South Africa in 2011 has announced an 802 billion South African Rand investment on infrastructure development over the next three years as part of a government drive to ease bottlenecks and reduce costs in the economy, crowding in of private investment and improve access to export markets. Potential

sectors for investment in South Africa could include energy sector, film & television, tourism, fish processing, information technology, and food & beverages.

Angola Angola offers wide investment opportunities for Indian Angola is the second investors. largest oil producer in Sub-Sahara Africa. Investment in oil exploration sector is encouraged through low operation costs, favorable geology and good business terms. Angola is also one of the world's largest and least explored mineral treasure troves. Angola has rich deposits of gold, iron ore, phosphates, manganese, copper, lead, quartz, gypsums, marbles, black granite, beryl, zinc and numerous base and strategic metals. The Government awards concession to both foreign and national companies for prospecting as well as production. Potential sectors for investment include oil exploration, mining and extraction, timber, manufacturing, and hotels and tourism.

Tanzania - Tanzania is an emerging economy with high growth potential. Whilst the economy is relatively diversified, a number of opportunities remain unexplored in many sectors. The Government of Tanzania is striving to create an enabling environment in order to encourage foreign direct investment into the country. Tanzania is among the countries which host the most vibrant

exploration and mining scene in Africa. It is one of the fastest growing sectors in Tanzania in terms of its contribution to GDP and its share of exports. The development of Tanzania as a multicentre tourism destination too offers considerable potential growth prospect provides ideal opportunities investment. Moreover, opportunities in infrastructure investment are wide ranging from highways, bridges, telecommunication, airports, ways, water distribution and power generation. Foreign ownership up to 100 percent is also allowed in these ventures. Investment opportunities broadly exist in the following sectors agriculture and namely. allied activities, mining, petroleum and gas, livestock, tourism, infrastructure, energy and health & education.

Mauritius - Mauritius is among the most open, competitive and lowest tax economies in the world, with a liberal investment policy. Mauritius removed significant foreign investment barriers by lowering taxes, simplifying administrative procedures, keeping interest rates low, investing in education, lowering trade barriers and maintaining the preferential access to main markets. Mauritius is encouraging emerging sectors with a view to diversifying its economic base. Investment opportunities broadly exist in various sectors such as agro industry, renewable energy, seafood industry, gems and jewellery, manufacturing, textile & apparel, construction & public works, ICT, medical services, and tourism, besides others.

Mozambique - Mozambique's main attractions for foreign investors are its cheap electricity and its commercially viable gas reserves. Investors have also been offered favourable tax and duty incentives under industrial free zone regulations. Mozambique has immense agricultural potential with an estimated 36 mn hectares of arable land. Mozambique has also huge and diverse mineral resources which are largely untapped. Potential sectors for investment include Infrastructure development and construction. agriculture, railways, coal mining and exploration, energy exploration, rural electrification, water management, and hotel & tourism.

Malawi - Malawi offers an attractive investment climate, supported by a stable political environment, liberalized economy, preferential access to world markets under COMESA, SADC, LOME, and AGOA, competitive investment incentives. modern telecommunications, and existence of number of Export Processing Zones. Malawi has always been a free market economy with a free trade and investment environment. There are various sectors which provide opportunities for foreign investors especially in agri-business like for instance the cotton sector where

investment opportunities include: cotton growing; cotton ginning; spinning, weaving and knitting; as well as manufacturing of textiles and garments. Other investment opportunities exist in infrastructure development, production of cut flowers, fruit juice processing, mining, manufacturing of phosphate fertilizer, rubber products and other industrial products and in the tourism industry particularly hotels and ecotourism.

Namibia - The Namibian government is committed towards attracting foreign direct investment and regards investment promotion as one of its priority activities. Namibia's marine resources are among the richest in the world and Namibia has thus, emerged as a significant player in the international fish industry, ranking among the top 10 countries in the world for the value of its catches. Investment opportunities also exist value-added local processing of livestock, as well as in leather and tallow products such as glue and gelatine. Namibia continues to encourage new investment in exploration and development of new mines. The government also encourages offshore and onshore oil and gas exploration. Namibia also offers tremendous scope in the manufacturing sector as it imports almost all of its consumer goods. Investment opportunities also exist in the growing textiles, and leather & hide processing industries, automotive components, food and beverage processing, pharmaceuticals, and business services.

Zambia - Potential sectors for investment include banking and insurance, hotels and tourism, mining, agriculture and horticulture.

Zimbabwe Zimbabwe has abundant natural resources, well developed infrastructure and access to regional and international markets. The Government of Zimbabwe has recognised the need for foreign direct investment to improve the country's competitiveness. The priority sectors for foreign investment in the country are manufacturing, mining and infrastructure development. Investment opportunities exist in agriculture, horticulture, SME, mining, tourism and health care sectors.

EXIM INDIA IN THE SADC REGION

Export-Import Bank of India (Exim India) operates a comprehensive range of financing, advisory and support programmes to promote and facilitate India's trade and investment relations with countries in Africa, including the SADC region.

Financing Programmes

Lines of Credit

Exim India extends Lines of Credit (LOCs) to overseas governments, parastatal organisations, financial institutions, commercial banks and

regional development banks to support export of eligible goods and services on deferred payment terms. Exim India also extends overseas buyers' credit directly to foreign entities for import of eligible Indian goods and related services or for financing eligible turnkey projects. Exim India also extends LOCs on behalf and at the behest of Government of India.

In Africa, Exim India has 106 operative LOCs valued at US\$ 4,203 mn, as on January 31, 2012, covering more than 40 countries in the African region. In SADC region, Exim India has 39 operative LOCs amounting to US\$ 1007.3 mn, covering most of the SADC countries. GOI-supported operative LOCs in SADC region include:

- Government of Angola 3 LOCs for financing railway rehabilitation project; setting up an industrial park; and a textile project (cotton ginning & spinning);
- Government of DR Congo 4 LOCS for setting up a cement factory, acquisition of buses, acquisition of equipment for MIBA; installing hand pumps and submersible pumps; execution of Kakobola Hydroelectric Power Project and Ketende Hydroelectric Project;
- Government of Lesotho 2 LOCS for exporting tractors, pump sets, consultancy services and irrigation equipment; and

- vocational training centre for empowerment of youth and women;
- Government of Madagascar
 LOC to a project for rice productivity and a project for fertilizer production;
- Government of Malawi 2 LOCs for supplying irrigation, storage, tobacco threshing plant, one village - one project, cotton processing facilities and green belt initiative:
- Government of Mauritius LOC for purchasing offshore Patrol Vessel from M/s Garden Reach Shipbuilders & Engineers Ltd;
- Government of Mozambique -8 LOCs for supply and transfer of water drilling machinery, equipments, accessories, components and spares, support vehicles, water and fuel tankers and electrical equipments; Gaza Electrification Project; transfer of water drilling technology and equipment; financing IT Park Project which will comprise construction of building, incubator facility, research and learning center, technology park and administrative facility; Rural Electrification Projects and Enhancing productivity of rice, wheat, maize cultivation and for a Solar Photo Voltaic Module Manufacturing Plant;

- Government of Seychelles LOC for export of rice, potatoes and buses:
- Government of Swaziland LOC for IT Park Project;
- Government of Tanzania 2 LOCs for exporting tractors, pumps and equipments from India; and for financing the purchase of vehicles; and
- Government of Zambia 2 LOCs for export of buses, motor vehicles, motor cycles and supply of vocational tool kits; and Hydro power project.

Support for Project Exports

Exim India extends both funded and non-funded facilities to Indian project exporters for overseas industrial turnkey projects, civil, civil construction contracts, supplies as well as technical and consultancy services contracts. Indian companies have implemented numerous projects in Africa, including SADC region, with the support of Exim India. As on January 31, 2012, the value of project contracts secured by Indian project exporters in the SADC region amounted to ₹ 5.8 billion. Some of the projects are highlighted below:

 Contract for supply, installation, testing and commissioning of electrical, airconditioning,

- plumbing, drainage and fire fighting works for Balaclava Hotel Resort Project, Mauritius;
- Contract for supply, installation, testing and commissioning of electrical, airconditioning, plumbing, drainage and fire fighting works for Apollo Bramwell Hospital at Moka, Mauritius;
- External Cladding Works for Cyber Tower in Mauritius;
- Contract for engineering, procurement, and supply of equipment for the construction of 110 KV Overhead line between macomia and auassee tee off point in Mozambique;
- Contract for supply of plant & machinery for plant at Dondo and manufacture of concrete sleeper for Joint venture of CETA-RICON (i.e.JV of IRCON & RITES), Mozambique;
- Contract for setting up of 187 km, 132 KV transmission line from Lusaka to Luangwa along with distribution network and three 132 KV substations in Zambia;
- Design, execution and completion of 330 KV transmission line from Kansanshi sub-station to Lumwana sub-station in Zambia; and
- Contract for Structural & Mechanical Erection of copper smelting plant for M/s Konkola Copper Mines Plc in Zambia.

Exim India has been a key partner in the conclaves on India-Africa

Project Partnerships, which seek to create platforms for decision makers from African countries and relevant multilateral, regional and national funding agencies to meet, in one place, the entire range of Indian companies involved in engineering consultancy, turnkey projects, construction and supply of project goods among others.

Besides, Exim India and African Development Bank (AfDB) have signed an agreement for co-financing projects in Africa. The agreement envisages joint financing of projects (priority being given to support projects of small and medium enterprises) in regional member countries of AfDB. Under the Technical Co-operation Agreement between Government of India (GOI) and AfDB, Exim India also provides a list of Indian consultants for consideration of AfDB in respect of technical assistance being supported by GOI under Indian Consultancy Fund. Exim India also periodically organizes in various centres in India, Business Opportunities seminars Projects funded by African Development Bank.

Finance for Joint Ventures Overseas

Exim India supports Indian companies in their endeavour to globalise their operations, through 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 the Africa region, the Bank has supported several such ventures in countries including SADC member such states as South Africa, Mauritius. Tanzania and Zambia in areas such as pharmaceuticals, chemicals, fertilizers, textiles, agrobased products, plastics & rubber products, electronics, engineering goods, cycles and telecom systems. These ventures serve to promote value addition, as also contribute to capacity building and capacity creation in host countries.

INSTITUTIONAL LINKAGES AND ARRANGEMENTS

Exim India has been consciously network of alliances forging а and institutional linkages to help further economic cooperation while promoting and facilitating bilateral trade and investment between India and the African region. These, in turn, serve to create an enabling environment and support capacity creation and enhance institutional strengthening. The network alliances are with financial institutions, trade promotion agencies, investment promotion agencies, export promotion agencies, chambers of commerce and information providers across the globe for assisting externally oriented Indian companies in their quest for excellence and globalisation.

Towards this end, Exim India has taken up equity in Development Bank of Zambia, Afreximbank and West African Development Bank (BOAD). These endeavours are supplemented by the various Memoranda Cooperation (MOCs) / Memoranda of Understanding (MOUs), the Bank has in place, with key institutions in the African region and especially SADC members including: Board of Investment, Mauritius; Industrial Development Corporation South Africa Limited (IDC); African Development Bank (AfDB); Eastern and Southern African Trade and Development Bank (PTA Bank); Afreximbank; Nigerian Export-Import Bank (NEXIM); Banque Internationale Arabe de Tunisie, Tunisia; Industrial Development Bank of Sudan; Foreign Investment Promotion Agency, Tunisia: and Societe Tunisienne de Banque, Tunis.

Association with African Development Bank (AfDB)

India is a member of African Development Bank (AfDB). Many

Indiancompaniesparticipateinprojects funded by African Development Bank Group. Exim India works very closely with African Development Bank 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 such as African Development Bank. Exim India assists Indian companies in projects supported by AfDB by not only fund and non-fund based assistance, but also by providing advance alerts on upcoming opportunities. With support from Exim India, Indian project exporters have secured a number of overseas contracts in Africa and specifically in SADC countries in sectors such as power, telecommunications, transport, water supply & sanitation. Exim India and African Development Bank have also signed an agreement for co-financing projects in Africa. The agreement envisages joint financing of projects (priority being given to support projects of small and medium enterprises) in regional member countries of AfDB. Exim India also organizes Business Opportunities seminars in Projects funded by African Development Bank across various centres in India.

Recognizing the potential for increasing effective participation by

Indian companies in AfDB funded projects, Exim India had organised series of seminars on "Business Opportunities in African Development Bank Funded Projects" during April 18-21, 2011 at Bangalore, Mumbai and New Delhi. The programme was specifically targeted towards Indian corporates who are keen to explore business opportunities in African Development Bank funded projects and contracts in Africa region.

Global Network of Exim Banks and Development Finance Institutions (G-NEXID)

With a view to facilitating South-South trade and investment cooperation, at the joint initiative of Exim India and UNCTAD, a Global Network of Exim Banks and Development Financial Institutions (G-NEXID) was launched in March 2006 in Geneva. 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 between developing countries. A number of institutions from Africa are G-NEXID members, such as Afreximbank, PTA Bank, East African Development Bank, Development Bank of Namibia, Development Bank Zambia. Industrial Development Bank of Kenya, Industrial Development Corporation of South Africa. Bank of Southern Development Africa, ECOWAS Bank for Investment and Development, Central African States Development Bank, Exim Bank of Nigeria, SME Bank of Tunisia, Development Bank of Mali, and National Bank for Investment, Côte d'Ivoire.

Partner in Institutional Building in Africa

As a partner institution in promoting economic development in Africa, Exim India shares its experience in the setting up of institutional infrastructure for 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 AfrExim Bank, Exim India has 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.

GPCL as a Consultant

Global Procurement Consultants Ltd. (GPCL) has been promoted by Exim India in association with leading public sector and private sector consultancy organizations. GPCL's shareholding pattern creates a synergetic fusion of expertise. This creates 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 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 undertaken a number of assignments, in India and numerous countries abroad, directly for multilateral funding agencies or in projects funded by them.

Knowledge Building and Technology Transfer

In the area of knowledge building and technology transfer, with a view to enhancing competitiveness of Indian exporters, as also identifying Indian trade and investment potential, Exim India periodically conducts research studies on countries/regions; sectors/industry; and on macro-economic issues relating to international trade and finance.

The recent research publications relating to Africa include:

- IBSA: Enhancing Economic Cooperation across Continents;
- West African Region : A Study of India's Trade and Investment Potential:
- ECOWAS : A Study of India's Trade and Investment Potential;
- COMESA: A Study of India's Trade and Investment Potential:
- Select West African Countries;
- Select Southern African Countries;
- Maghreb Region; and
- Southern African Customs Union (SACU).

EXIM INDIA'S OFFICE IN AFRICA

Exim India has representative offices in Addis Ababa, Ethiopia; Johannesburg, South Africa; and

Dakar, Senegal, which play a key role in facilitating economic cooperation with the African region. The representative offices interfaces with various institutions such as Industrial Development Corporation of South Africa Ltd., African Development Bank, regional financial institutions such as Eastern and Southern African Trade and Development Bank (PTA Bank), AfrExim Bank, and West African Development Bank (BOAD) as well as Indian missions in the region, thereby being closely associated with the Bank's initiatives in the African region.

STRATEGIES AND RECOMMENDATIONS TO ENHANCE COMMERCIAL RELATIONS WITH THE SADC REGION

Countries in the SADC region have witnessed increased economic activities in recent years, reflected in GDP growth as also rise in foreign trade. The analysis also traced recent trends in India's trade and investment relations with countries in the SADC region, and identified potential areas for boosting bilateral trade and investment relations. This chapter strategies discusses broad recommendations that would build upon the analysis and findings of the previous chapters, and thereby serve

to enhance two-way transfer of trade and investment flows between India and countries in the SADC region.

Cooperation in Agriculture Sector Development

Agriculture and related activities constitutes the bedrock of most of the countries in SADC, and exports from the sector are important foreign exchange earners for these countries. Many countries in SADC are home to the world's richest agricultural resources. Indian companies can explore the possibilities of investment in the agriculture sector such as joint ventures or contract farming, setting up agro processing firms and investments in key stages of value chains. India's investment in specific countries could result in improving the agricultural sector of the host country through skill development, job creation, technological upgradation, supply of quality inputs like seed, better supply chain management, and biotechnology. India's transfer of knowledge/ technology could help these countries to deal with the problem of food crisis. Indian scientific and agricultural research institutions have assisted many entrepreneurs for developing their business ideas in SADC countries. Indian investors could also focus on providing quality infrastructure to enhance the farm productivity in these countries.

Development of Manufacturing Sector

Development of manufacturing sector in SADC member states is very import for the development and growth of the region. The dependence of many of the SADC member states on primary commodity exports, combined with reliance on manufactured imports has negatively affected the growth of the region. Also the recent global economic crisis has reduced development assistance and private capital flows to the region. Hence, development of a strong manufacturing sector is necessary. At present, Africa's share in global manufacturing production and trade is very small. India could support SADC countries in creating productive capacity-building through various support and training programmes and technical cooperation.

Natural Resource Development

With many of the countries in SADC are endowed with mineral wealth and natural resources, enhanced bilateral cooperation for development/ exploration of natural resources in these countries could benefit both India

and SADC. Mineral production and development constitute a significant part of many SADC countries, and remain a key factor in their future economic growth. According World Gold Council, China and India together demanded more than half of the world's jewellery and bar and coin purchases of gold. In light of these, increased cooperation between India and the resource-rich countries in Africa and specifically SADC countries in developing/ exploring natural and mineral resources, with bilateral arrangements such as buyback arrangements, could be an important strategy to enhance Indo-SADC commercial relations.

Cooperation in Hotel and Tourism Industry

Countries in SADC such as Mauritius and South Africa, besides others, have emerged as major tourism destinations, receiving large number of tourist population visiting Africa. With India being an emerging player in hospitality industry, Indian companies could explore the vast opportunities available in such countries. Indian companies can focus more on developing world-class hotels and resorts. Indian hotel groups could also try to acquire and renovate some hotels in the region. Given the rich cultural and geographical diversities and vast biodiversity in flora and fauna of African nations, Indian entrepreneurs could also specifically focus on different kinds of tourism products, such as adventure tourism, coastal and safari tourism; medical tourism; wildlife tourism; eco-tourism and cultural tourism.

Focus on Information Technology (IT) Development

With the strength and capability that India possesses in the realm of Information Technology sector, Indian IT firms could explore the opportunities in SADC countries, and focus on investing in subsidiaries or joint ventures in the areas of e-governance, financial services and e-education. Indian companies could also share their expertise in providing software programmes and services for banks and financial institutions in the region. Such initiatives would help industry and commerce, promote education in remote areas, create employment opportunities and provide healthcare to remote areas in the region, thereby contributing to overall development of nations in the region.

Investment in Human Resource Development

Human resource development is recognised as the premiere need of most SADC member states. Businesses focusing on health, education and skill development are more likely stable businesses, which are in increasingly high demand in many countries, due to their direct impact on improving the standard of life. Towards this end. SADC member countries could also tie up with Indian institutions such as the Central Food Technological Research Institute (CFTRI), Mysore; Entrepreneurship Development Institute of India (EDI), Ahmadabad; and National Small Industries Corporation Ltd. (NSIC), New Delhi. Further, Indian institutions could also share their expertise in the fields of export capability creation in the region, institutional strengthening and export development in the form of technical assistance and sharing of expertise through site visits.

Cooperation in Infrastructure Development

Investment in infrastructure development, due to an increasing need for better infrastructural facilities, coupled with the endeavour SADC countries for rapid economic growth, could prove to be a mutually rewarding area of bilateral cooperation. Lack of forward and backward linkages among different modes of transportation, declining air connectivity, poorly equipped ports, ageing rail networks, and inadequate access to all-season roads are key challenges facing many of the SADC economies. Areas that hold

immense investment opportunities include development of highways and roadways, development of railway networks and power systems, which would also help in regional integration, and the African continent at large, to a great extent. Large Indian construction companies could explore business opportunities to meet the infrastructural requirements in SADC member states, also contributing largely to economic development in the host countries.

Cooperation in the Banking/ Financial Sector

With a view to enhance commercial relations with countries in the SADC region, some Indian banks have set up operations in select countries in SADC. In view of the potential for enhancing bilateral trade and investment relations with the countries in SADC, opening branches/subsidiaries/representative offices in the region, and developing correspondent banking relations with select banks in the region would serve to facilitate and promote commercial relations.

Developing Linkages with Investment Promotion Agencies/ Chambers Of Commerce

Besides streamlining their investment regimes, many countries in the region have set up specialised investment promotion agencies/ Chambers of Commerce to promote and facilitate inflow of foreign investment into these countries, while also serving as one-stop-shop for investment related activities. In light of the key role of these institutions, building closer cooperation and linkages with these investment promotion agencies in SADC would serve to enhance access to information about investment opportunities in the region.

Such relationship would serve to enhance knowledge about potential areas for investment, upcoming projects in different sectors, prospective investment partners, also procedures, rules and regulations required for venturing into specific sectors in these countries and incentives offered to investors. Further, investment promotional events with select investment promotion agencies would foster interaction increased between potential investors and concerned agencies in potential sectors in target countries in the region.

Cooperation in Energy and Power Generation

Another area, which holds immense potential for investment and cooperation, is electricity generation and power transmission. Energy

deficit to continue posing a serious challenge for the overall development of countries in the SADC region. Insufficient investment in the energy sector leading to underdeveloped infrastructure including electricity transmission and distribution networks have exacerbated the energy problem in the region. Despite the potential for energy generation, insufficient use of existing energy systems has resulted in generation of electricity which is less than installed capacity due to drought, lack of maintenance and rehabilitation and also general system losses of electricity which includes transmission and distribution. In light of these, development of the energy infrastructure is a priority area for governments in African countries especially SADC countries.

Cooperation in SME Sector

At present MSMEs (micro, small and medium-sized enterprises) make up the majority of businesses in Africa and especially in SADC and there is enormous scope for the development of this sector. For instance, it is estimated that around 91 percent of formal business entities in South Africa are SMEs. But SADC SME sector development is constrained by a number of factors like lack of accessibility to modern technology, limited access to international markets, lack of management skills

and training and lack of finance. Towards developing entrepreneurship and human capability, India could share its expertise and experience with countries in SADC, particularly in the SME sector wherein India has developed successful SME clusters.

Focus on Multilateral Funded Projects

Multilateral institutions such as the World Bank and the African Development Bank (AfDB) support and fund a number of projects in Africa and SADC. These funded projects are mainly in sectors such as agriculture, infrastructure development, rural and urban development, environment and natural resource development, health care, education, financial market development and tourism development. Focus on these funded projects and increased participation by Indian project and service exporters in such projects would serve to enhance India's commercial presence in these countries. At the same time, efforts to participate in technical assistance in terms of project preparation and advisory services in such funded projects would support increased presence in the region.

1. SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC): AN OVERVIEW

The Southern African Development Community (SADC) has been in existence since 1980, when it was formed as a loose alliance of seven states in Southern Africa known as the Southern African Development Coordination Conference (SADCC), with the main aim of political liberation SADCC was of Southern Africa. formed in Lusaka, Zambia on April 1, 1980, following the adoption of the Lusaka Declaration - Southern Africa: Towards Economic Liberation. The founding member states are: Angola, Botswana, Lesotho, Mozambique, Swaziland, Tanzania, and Zambia.

The transformation of the organization from a Coordinating Conference into a Development Community (SADC) took place on August 17, 1992 in Windhoek, Namibia when the SADC Treaty and Declaration was signed at the Summit of Heads of State and Government thereby giving the organization a legal character. The objective also shifted to include economic integration following the independence of the Southern African countries. The treaty was amended on August 14, 2001 recognizing new challenges and need for institutional reforms.

SADC was established under Article 2 of the SADC Treaty by SADC member states, represented by their respective Heads of State and Government or duly authorised representatives to spearhead economic integration of Southern Africa.

Currently SADC has 15 member states, namely; Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. SADC headquarters is located in Gaborone, Botswana.

SADC VISION

The SADC vision is one of a common future, a future within a regional community that will ensure economic well-being, improvement of the standards of living and quality of life, freedom and social justice; peace and security for the people of Southern Africa. This shared vision is anchored on the common values and principles and the historical and cultural affinities that exist among the people of Southern Africa.

Democratic Republic of Congo Seychelles Tanzania Angola Malawi Zambia Mauritius Zi mbabwe Namibia Botswana Mozambique Madagascar Swaziland South Africa Lesotho

Exhibit 1.1: Member Countries of SADC

Source: www.sadc.int

SADC OBJECTIVES

Provided for in Article 5 of the SADC Treaty, the SADC objectives are, among others, to:

- achieve development and economic growth, alleviate poverty, enhance the standard and quality of life of the people of Southern Africa and support the socially disadvantaged through regional integration;
- evolve common political values, systems and institutions;
- promote and defend peace and security;

- promote self-sustaining development on the basis of collective self-reliance, and the inter-dependence of member states;
- achieve complementarity between national and regional strategies and programmes;
- promote and maximise productive employment and utilisation of resources of the region;
- achieve sustainable utilisation of natural resources and effective protection of the environment; and
- strengthen and consolidate the long-standing historical, social

and cultural affinities and links among the people of the region.

Accordingly, to achieve its aims, SADC endeavours to:

- harmonise political and socioeconomic policies and plans of member states;
- mobilise the people of the region and their institutions to take initiatives to develop economic, social and cultural ties across the region, and to participate fully in the implementation of the programmes and projects of SADC:
- create appropriate institutions and mechanisms for the mobilisation of requisite resources for the implementation of the programmes and operations of SADC and its institutions;
- develop policies aimed at the progressive elimination of obstacles to free movement of capital and labour, goods and services, and of the people of the region generally within member states;
- promote the development of human resources;
- promote the development, transfer and mastery of technology;
- improve economic management and performance through regional cooperation;
- promote the coordination and harmonisation of the international relations of member states;

- secure international understanding, cooperation and support, mobilise the inflow of public and private resources into the region; and
- develop such other activities as member states may decide in furtherance of the objectives of SADC.

The signatories of the SADC Treaty that underdevelopment. exploitation, deprivation and backwardness in Southern Africa will only be overcome through economic cooperation and integration. The member states recognised achieving regional economic integration in Southern Africa requires them to put their full support behind SADC towards common prosperity, peace and unity among countries of the region.

In pursuit of this agenda, SADC has adopted milestones to facilitate the attainment of the SADC Free Trade Area (FTA) by 2008, the Customs Union (CU) by 2010, the Common Market (CM) by 2015, Monetary Union (MU) by 2016 and a Single Currency by 2018. The SADC Free Trade Area (FTA) was officially launched on August 17, 2008 at Sandton, South Africa during the 28th Summit of SADC Heads of State and Government. Among the 15 member countires of SADC, 12 countires (other than Angola, DR Congo and Seychelles) are members of the FTA, which is expected to fully liberalize trade in the region by 2012. During the 30th SADC summit in August 2010, the launch of the SADC customs union, originally planned for 2010, was postponed to 2012 to allow further study of the impact of such a reform on member states. The SADC member states nonetheless reaffirmed their commitment to set up a monetary union in 2016.

In 2010, the European Union (EU) and SADC discussed the benefits of an Economic Partnership Agreement (EPA) and Mozambique, Botswana, Lesotho and Swaziland were invited to complete internal procedures to bring the June 2009 interim agreement into force. However, the countries decided not to implement the interim EPA until the EU addresses grievances raised by Namibia, South Africa and Angola. In June 2011, a Tripartite Grand Free Trade Area Negotiations among the COMESA-EAC-SADC was launched, which if realize would provide a large market for the member countries.

SADC PRIORITIES AND COMMON AGENDA

The SADC Common Agenda is based on various principles including development orientation; subsidiarity; market integration and development; facilitation and promotion of trade and investment and variable geometry. The Common Agenda includes:

· the promotion of sustainable and

- equitable economic growth and socio-economic development that will ensure poverty alleviation with the ultimate objective of its eradication:
- promotion of common political values, systems and other shared values which are transmitted through institutions which are democratic, legitimate and effective; and
- the consolidation and maintenance of democracy, peace and security.

FRAMEWORK FOR SADC REGIONAL INTEGRATION

The Regional Indicative Strategic Development Plan (RISDP) and the Strategic Indicative Plan for the Organ (SIPO) remain the frameworks for SADC Regional integration that provide SADC Member States with a consistent and comprehensive programme of long-term economic and social policies, and at the same time, it provides the SADC Secretariat and other SADC Institutions insights of SADC approved economic and social policies and priorities.

The RISDP reaffirms the commitment of SADC Member States to good political, economic and corporate governance entrenched in a culture of democracy, full participation by civil society, transparency and respect for the rule of law. In this context, the African Union's New

Partnership for Africa's Development (NEPAD) is embraced as a credible and relevant continental framework, and the RISDP as SADC's regional expression and vehicle for achieving the ideals contained therein. The RISDP emphasises that good political, economic and corporate governance are prerequisites for sustainable socioeconomic development, and that SADC's quest for poverty eradication and deeper integration levels will not be realised in the absence of good governance.

The Organ on Politics, Defence and Security Cooperation plays a vanguard role as part of the institutional mechanisms for promoting and maintaining peace and stability in the region and the SIPO provides the institutional framework for the daily implementation of the Organ's Objectives.

The SIPO, alongside the SADC Mutual Defence Pact of 2004 guides the implementation of the Protocol on Politics, Defence and Security Cooperation. The SIPO is divided into four main sectors of political; defence; state security; and public security.

THE SADC PROGRAMME OF ACTION (SPA)

The SPA is a totality of sectoral programmes, with their policy objectives, strategies and projects designed to realise the overall goals

and objectives of SADC. The SPA has evolved over time in line with the priorities and challenges facing the organisation. The number of projects under the SPA now stands at 407 with an estimated cost of over US\$ 8.1 billion. Approximately 90 percent of this amount is from external sources and close to 50 percent has already been secured.

Under the SPA, several protocols have been developed and signed in the areas of Shared Water Course Systems, Energy, Combating Illicit Drug Trafficking, Transport, Communication and Meteorology, Trade, Education and Training, Mining, Immunities and Privileges, Health, Wildlife Conservation and Law Enforcement, Tribunal and Legal Affairs. Most of these have been ratified and are at various stages of implementation. The Trade Protocol is critical for SADC's integration process and entered into force on January 25, 2000 following its ratification by the required number of member states. The implementation of this protocol was launched on September 1, 2000.

ACHIEVEMENTS

A lot has been achieved in SADC since its inception in April 1980 in Lusaka, Zambia. Some of the foremost achievements of SADC include:

 demonstrating that regional cooperation is not only desirable but possible;

- inculcating a sense of regional belonging as well as a tradition of consultation among the people and governments of Southern Africa;
- putting in place a regional programme of action - the SADC Programme of Action - which covers cooperation in various economic sectors; and
- undertaking a number of infrastructural projects under the SADC Programme of Action for rehabilitation and construction of roads, railway lines and harbours as well as the development of agriculture.

These hard-earned achievements have provided a firm foundation without which any attempt at building a regional development community would have definitely failed.

MULTILATERAL COOPERATION

At multilateral level, SADC continues to enjoy mutually beneficial cooperation at continental and international level. In this regard, at the April 2006 Consultative Conference, SADC and its International Cooperating Partners (ICPs) adopted the Windhoek Declaration, which is a Framework for a New Partnership between SADC and its ICPs. The Windhoek Declaration encompasses establishment of Thematic Groups as a platform to give attention to specific priority by SADC and

ICPs interested in particular areas of opportunity for pooling resources for implementing specific programmes in areas of common interest.

SUMMIT OF SADC HEADS OF STATE AND GOVERNMENT

The 31st Summit of Heads of State and Government of the Southern African Development Community (SADC) was held in Luanda, Republic of Angola from August 17 to 18, 2011. During the summit, José Eduardo dos Santos, the President of Angola and Armando Emilio Guebuza, President of Mozambique were selected as Chairperson and Deputy Chairperson of SADC, respectively. The next Summit of Heads of State and Government is expected to be held at Mozambique in 2012.

OBJECTIVES OF THE STUDY

Considering the above-mentioned developments in the SADC region, the present study attempts to examine India's trade and investment relations and potential for further expansion with the SADC region. The main objectives of the study include:

- a) To explore the emergence of SADC, its macro economy, trade and investment, and recent developments;
- b) To analyse India's trade and investment relations with SADC countries;

- c) To examine India's trade and Investment potential with SADC countries; and
- d) To suggest broad strategy implications of the study to enhance India's trade and investment relations with SADC.

SCHEME OF CHAPTERISATION

The first chapter highlights historical background and evolution of SADC. The introductory chapter also presents the objectives and scheme of the study. The second chapter discusses economic profile of select SADC member countries, covering recent macroeconomic scenarios and policies. Chapters three and

four examine trends in trade and investment in SADC countries, while discussing investment policies and regimes in those countries. Trend in India's trade and investment relations with SADC is examined in chapter five. Focus is given to aggregate and commodity-wise trade with major SADC countries. Chapter six examines potential for India's trade and investment with SADC countries. In chapter seven, Exim Bank's presence in Africa, with special focus on SADC region has been discussed. The final chapter provides broad policy recommendations based on the analysis, in order to enhance India's trade and investment relations with the SADC region.

2. ECONOMIC PROFILE OF SADC COUNTRIES

The present chapter presents the economic profile and background of SADC countries. It provides an overview of the prevailing economic environment by studying the recent trends in the macroeconomic indicators, sectoral performance in the member countries and recent developments.

ECONOMIC PROFILE OF THE SADC REGION

SADC is the largest contributor (in terms of GDP) to the African region. SADC accounted for 54.3 percent of nominal GDP of Sub-Saharan Africa;

35.7 percent of GDP of Africa and 0.9 percent of global GDP in 2011. The global economic crisis of 2007-08 resulted in a global decline in GDP. In 2009, Global GDP has declined by 5.4 percent to US\$ 57.7 trillion from US\$ 61.2 trillion in 2008. The crisis also affected Africa, with most African trading blocs witnessing a decline in GDP in 2009 (Table 2.1). However, GDP rebounded during 2010 for all the major blocs in Africa, and economic activity is expected to strengthen further.

Twelve member states of SADC have set up a free trade area (FTA)

Table 2.1: Nominal GDP of Trading Blocs in Africa (US\$ billion)

	2007	2008	2009	2010	2011e	2012 ^f
SADC	442.0	470.7	468.8	572.4	662.7	702.0
SACU	311.6	302.6	309.4	396.2	458.0	481.1
ECOWAS	257.5	315.6	273.0	315.4	374.8	406.9
COMESA	123.2	148.6	153.1	166.0	182.3	201.2
CEMAC	61.7	79.0	64.1	72.7	88.9	93.0
EAC	59.0	69.4	73.9	78.7	82.9	90.1
UEMOA	58.1	70.0	68.5	70.3	78.2	85.5
Sub-Saharan Africa	826.5	944.3	893.7	1049.3	1220.0	1308.8
Africa	1323.7	1566.3	1472.1	1702.5	1854.6	1976.6
World	55680.1	61190.9	57722.1	62911.3	70011.7	73741.4

Note: e-Estimate; f-Forecast

Source: International Monetary Fund (IMF), World Economic Outlook (WEO),

September 2011 and Exim Bank Research

in August 2008, which is expected to fully liberalise trade in the region by 2012, excluding Angola, DR Congo and Seychelles. The launch of the FTA is seen as an initial step towards trade integration, and is expected to move the Southern African region towards establishing a customs union which was originally scheduled for 2010; a common market by 2015; a monetary union by 2016; and a regional central bank and a common currency by 2018. Although Angola is a signatory to the SADC protocol on trade, it has not yet fully phased down its tariffs. Eleven member countries of the FTA have already reached the 85 percent liberalisation threshold.

There is another grand plan of SADC, COMESA and EAC to launch an FTA, which will encompass the three blocs and is widely viewed to offer tremendous trade opportunities. The overlapping of country membership among the SADC, COMESA and EAC has presented certain technical challenges, as a country cannot belong to more than one customs union.

Despite the continuous difficulties experiencing by the global economy, the SADC region is estimated to have performed well in 2011. Although real GDP has not yet touched the precrisis level of 5.4 percent growth, SADC's economy is estimated to have rebounded to reach 3.9 percent growth in 2011 from 3.6 percent in 2010. In 2011, the combined gross domestic product (GDP) for SADC Countries increased to an estimated US\$ 662.7 billion from US\$ 572.4

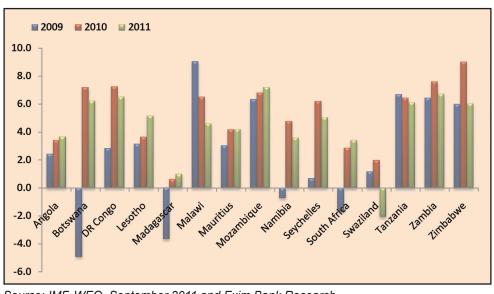


Chart 2.1: GDP Growth in SADC Countries, 2009-11 (percent)

Source: IMF, WEO, September 2011 and Exim Bank Research

Table 2.2: Select Macro Economic Indicators of SADC (2007-12)

	2007	2008	2009	2010	2011e	2012 ^f
Nominal GDP (US\$ bn)	442.0	470.7	468.8	572.4	662.7	702.0
Real GDP Growth	7.7	5.4	-0.1	3.6	3.9	5.0
Real Non-Oil GDP Growth	7.9	5.6	0.6	4.1	4.4	5.0
GDP Per capita (US\$)	3,000.9	3,124.6	2,872.7	3,415.6	3,768.2	3,926.2
Consumer Price Inflation (avg, % change)	8.0	11.5	9.1	6.9	7.7	7.0
Government Debt (% of GDP)	30.5	31.4	35.5	34.4	-	-
Population (mn)	257.3	262.9	268.6	274.3	280.3	286.4
Current Account Balance (US\$ bn)	-11.7	-22.5	-28.5	-11.7	-8.9	-18.2
International Reserves (US\$ bn)	65.1	72.8	77.5	88.1	103.1	-

Note: e-Estimate: f-Forecast: -: Not Available

Source: IMF, WEO, September 2011 and Exim Bank Research

billion in 2010. The total GDP of SADC countries are expected to touch US\$ 702 billion in 2012, with an estimated real GDP growth of 5 percent. Per capita GDP, at current prices, of the region as a whole, was estimated at US\$ 3,768 in 2011, a 10.3 percent increase from US\$ 3,416 in 2010 (Table 2.2).

The factors responsible for this improved growth can be attributed to both internal as well as external situations. Rebound in global economy, particularly in emerging economies improved commodity prices accelerated by higher external demand, increase in grants and

aids by partner countries are the major external factors supporting the positive economic prospects of the region. Continued implementation of policy reforms by member states, especially aimed at improving the business climate, and low inflation supported by an increase in food production are the internal factors supporting this improved growth.

The economies within the SADC region are at varying stages of development. For instance, the GDP of South Africa was much larger than the combined GDP of the remaining 14 SADC countries, with GDP of US\$ 422 billion and US\$ 240.7

Table 2.3: Select Macroeconomic Indicators of SADC Countries

								rent
	_	DP billion)		OP per ta (US\$)	CPI (avg; % change)		% account balance	
	(00)			oup the (oot)		(% of GDP)		
	2010	2011e	2010	2011°	2010	2011e	2010	2011°
South Africa	363.7	422.0	7274.4	8342.2	3.4	6.5	-2.8	-2.8
Angola	82.5	99.3	4328.5	5061.3	14.5	15.0	8.9	12.0
Tanzania	22.5	23.2	545.2	550.0	4.5	5.0	-8.8	-8.8
Zambia	16.2	18.4	1221.4	1355.1	3.0	3.6	3.8	3.2
Botswana	14.9	16.4	8116.9	8843.9	23.5	14.8	-4.9	-4.3
DR Congo	13.1	15.3	186.0	210.9	12.7	10.8	-6.9	-5.8
Namibia	11.7	13.0	5517.7	6087.2	10.5	7.0	-1.3	-0.7
Mozambique	9.5	12.1	439.9	551.4	7.0	7.8	-10.5	-11.8
Mauritius	9.7	11.0	7589.6	8519.7	4.5	8.3	-8.2	-9.9
Madagascar	8.8	9.4	414.9	428.3	8.5	9.1	-8.2	-8.2
Zimbabwe	7.5	9.2	594.5	735.0	-2.4	2.6	-23.3	-11.4
Malawi	5.4	5.7	343.5	350.3	7.4	8.6	-1.2	-5.3
Swaziland	3.7	3.9	3133.4	3332.1	4.3	5.9	-18.5	-11.8
Lesotho	2.3	2.7	911.1	1039.5	9.2	10.3	-17.7	-26.2
Seychelles	0.9	1.0	10616.7	11116.9	2.9	6.7	-31.6	-32.2
SADC	572.4	662.7	3415.6	3768.2	6.9	7.7	-2.0	-1.4

Note: e-Estimate.

Source: IMF, WEO, September 2011 and Exm Bank Research

billion respectively in 2011. Positive growth rates were recorded in all the member countries in 2011, except for Swaziland, accompanied by moderate inflation in most of the countries. Inflation remains in single digit, as compared to the double digit inflation in 2008. But average consumer price inflation has moderately increased to 7.7 percent in 2011 from 6.9 percent

in 2010. The increased inflation can be attributed to increased inflation in member states of South Africa, Mauritius and Seychelles (Table 2.3).

SADC as a bloc witnessed a decline in its current account deficit from US\$ 11.7 billion in 2010 to US\$ 8.9 billion in 2011. All countries in the

SADC region, with the exception of Angola and Zambia, have experienced a current account deficit. Angola experienced a current account surplus of US\$ 11.9 billion in 2011. Total international reserves of SADC stood at US\$ 88.1 billion in 2010, representing an import cover of 6.4 months. Reserves are estimated to have increased almost two folds to US\$ 103.1 billion in 2011, as compared to that recorded in 2007.

ECONOMIC PROFILES OF SADC COUNTRIES

The following section provides a broad overview of the prevailing economic environment in select SADC member countries. The countries are selected on the basis of their absolute GDP.

South Africa

South Africa is the third-largest country in the SADC region and tenth-largest country in Africa, and occupies a land area of 1.2 mn sq km. Located at the Southern tip of Africa, Namibia, Botswana and Zimbabwe form the northern border; Mozambique and Swaziland are to the east; and with Lesotho as an enclave surrounded by South Africa. It has one of the longest coastlines in the region with 2,798 kilometres on the Atlantic and Indian oceans.

In 2011, South Africa had an estimated population of 50.6 mn,

which is the second highest in SADC and sixth-highest in Africa. Urbanized population comprise of 61.7 percent of total population. South Africa has a predominantly young population with 65.2 percent of total population in the 15-64 age group, indicating the potential for a better skilled and educated work force.

With a great diversity in climate, large range of crops are grown Total arable land in South Africa. is 11.8 percent of the total land, and around 67 percent is meadow and pasture. South Africa is well endowed with natural resources. The country's mineral wealth is significant, with gold, platinum, coal, iron and diamonds being some of its key exports. Other important natural resources include reserves of aluminium, copper, feldspar, garnet, gypsum, ferroalloys, manganese ore, phosphate rock, antimony, chromium, fluorspar, cobalt, lead, zinc, and uranium.

Domestic Economy

South Africa is the largest economy in Africa and thirty-first-largest in the world. Considered as an upper middle income country by World Bank, South Africa has an estimated GDP of US\$ 422 billion in 2011. South Africa is a service-oriented economy, with the services sector accounting for 65.8 percent of its GDP; followed by the industrial sector (31.2 percent) and agriculture sector (3 percent). South

Africa has a comparative advantage in minerals and metals due to its rich natural resources. The finance, real estate and business service was the largest contributor to GDP among services sector, accounting for 21.2 percent in 2010. The mining sector accounted for 9.6 percent of GDP total value added.

South Africa is more globally integrated than the rest of SADC countries, and hence is one of the countries severely affected by the global economic crisis. In 2009, real GDP growth of South Africa declined by 1.7 percent due to continued contraction of domestic demand resulting from the impact of global financial crisis (Table 2.4). However,

the economy rebound in 2010 to 2.8 percent growth resulting from the FIFA World Cup dividends, robust exports and increased activities in mining and manufacturing sectors. The trend continued in 2011, when South African economy is estimated to have grown by 3.4 percent. The economy has not yet reached the pre-crisis levels as a surge in unemployment, high household debt, low capacity utilization, the slowdown in advanced economies, and substantial real exchangerate appreciation hampering the full recovery of the economy.

The agricultural sector rebound in 2010-11 primarily as a result of a bumper harvest in maize. The maize harvest, the biggest in nearly

Table 2.4: Select Macroeconomic Indicators of South Africa

	2007	2008	2009	2010	2011°	2012 ^f
Nominal GDP (US\$ bn)	285.8	275.6	284.0	363.7	422.0	443.3
Real GDP Growth	5.6	3.6	-1.7	2.8	3.4	3.6
GDP Per capita (US\$)	5,909.5	5,634.7	5,741.1	7,274.4	8,342.2	8,658.3
Consumer Price Inflation (avg, % change)	7.1	11.5	7.1	4.3	5.9	5.0
Government Debt (% of GDP)	28.3	27.3	31.5	34.8	-	-
Population (mn)	48.4	48.9	49.5	50.0	50.6	51.2
Current Account Balance (US\$ bn)	-19.9	-19.6	-11.5	-10.1	-11.6	-16.6
International Reserves (US\$ bn)	32.9	34.1	39.7	43.8	50.3	50.0

Note: e-Estimate; f-Forecast; -: Not Available

Source: IMF, WEO, September 2011 and Exim Bank Research

three decades, was due to the unexpectedly good rains, an increase in maize plantings, and greater use of genetically modified seeds; resulting in a reduction in food price inflation. The gross value of animal products, horticultural products and field crops contributed 49.4 percent, 25.5 percent and 25.1 percent, respectively, to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 18 percent, followed by cattle and calves slaughtered with 11.4 percent and maize with 10.9 percent.

The mining sector is considered as one of the main drivers of the South African economy, accounting for 9.6 percent of GDP total value added. In 2010-11, output recovery was uneven across sectors owing to diminishing gold reserves, infrastructure constraints and an uneven recovery in global demand. The recent political debates on a mining tax and nationalization of mines, and the labour unrests in the sector are estimated to have impacted the performance of the sector in 2011. This has resulted in a slip down in South Africa's rank in the annual "policy potential index" from the Fraser Institute, covering 79 countries to 67th position in 2010-11 from 61st in 2009-10 and 49th in 2008-09.

Industry sector growth is estimated to have slowed down moderately to 4 percent in 2011 from 4.5 percent in 2010. The construction

sector boomed in 2010 because of infrastructure projects in transport and electricity, related to the hosting of the FIFA 2010 World Cup, including several new stadiums and hotels. Real value added by manufacturing sector increased by 5.1 percent in 2010, recovering from a 10.4 percent contraction in 2009. It has resulted in recovery of industry confidence and strong demand for iron and steel, non-ferrous metals, machinery, and electrical equipment. The appreciation of South African Rand against major currencies impacted the export-oriented manufacturing sectors in 2010-11. Structural constraints are expected to have restrained the manufacturing growth potential in 2011. Tertiary sector grew by 2.7 percent in 2011 led by higher growth in financial services, wholesale and retail trade, and transport services.

The Government of South Africa has introduced strong stimulus packages including expansionary monetary and fiscal policies to counter the effects of global economic crisis, resulting in a 16 percent increase in 2010 to US\$ 363.7 billion and further to US\$ 422 billion in 2011. The growth is helped by a more favourable global environment, ongoing public and private investment and spin-offs from the 2010 Football World Cup such as high tourism. The GDP per capita is estimated to have increased to US\$ 8,342 in 2011 from US\$ 7,274 in 2010.

Average inflation rose in 2011 to 5.9 percent spurred by rising electricity prices and wage growth. Monetary policy of the South African Reserve Bank focuses mainly on inflation targeting. Inflation is expected to reduce moderately in 2012 to 5 percent helped by more stable commodity prices, slower growth in the domestic economy, stricter competition policy and efficiency gains arising from investment in infrastructure.

South African The Rand has appreciated in 2011 underpinned by strong foreign investment inflows and high commodity prices and inflows into local bonds. Also the ongoing large interest rate differential of the country with rich-country markets has further strengthened the currency. But, South Africa's persistent currentaccount deficit, relatively high inflation and political uncertainty surrounding the 2014 elections are expected to weaken the Rand in 2012. Current account deficit is estimated to have widened moderately to US\$ 11.6 billion in 2011 (2.8 percent of GDP) from US\$ 10.1 billion in 2010 due to higher invisible deficits. South Africa's international reserves stood at US\$ 43.8 billion in 2010, representing an import cover of 5.6 months. International reserves are estimated to have increased to US\$ 50.3 billion in 2011. South Africa's total government increased from 31.5 percent of GDP

in 2009 to 34.8 percent in 2010, due to continued expansionary policies and investments in infrastructure. The country follows a financial year which is similar to India (April-March).

Financial System

South Africa has a sophisticated financial sector with well-developed financial institutions and a stock exchange in Johannesburg (JSE) that ranks among the top exchanges in the world. The banking sector of the country was relatively resilient during the global economic crisis. South Africa's banks are well capitalized and comply with international banking standards. Six of the 35 banks in South Africa are foreign-owned and 12 are branches of foreign banks. The "Big Four" (Standard, ABSA, First Rand, and Nedcor) dominate the sector, accounting for almost 85 percent of the country's banking assets, which total over US\$ 240 billion. The South African Reserve Bank (SARB) regulates the sector according to the Bank Act of 1990. The Financial Services Board (FSB) governs South Africa's non-bank financial services industry. The FSB regulates insurance companies, pension funds, unit trusts (i.e., mutual funds), participation bond schemes, portfolio management, and the financial markets. The JSE Securities Exchange, SA (JSE) is the fourteenth largest exchange measured by market capitalization in the world. The Bond Exchange of South Africa (BESA) is licensed under the Financial Markets Control Membership includes banks, Act. investors. insurers. stockbrokers. and independent intermediaries. The exchange consists principally of bonds issued by government, state-owned enterprises, and private The JSE acquired corporations. BESA in June 2009.

Angola

Angola, an African energy giant, is the second-largest country in the SADC region and seventh-largest country in Africa, and occupies a land area of 1.3 mn sq km. It is located in Southern Africa, bordered by Namibia on the south, DR Congo on the north, Zambia on the east, and Atlantic Ocean on the west.

Angola has an estimated population of 19.6 mn in 2011. More than half of the population belongs to the age group of 15-64, showing the potential availability of skilled and educated labour force. Angola is highly urbanized with 58.5 percent of population living in urban areas. Portuguese is the official language of the country.

Angola has large reserves of oil, gas and diamonds. It also has reserves of iron ore, copper and gold. The country has over 1,600 km of coastline and is rich in marine resources. The country has substantial water resources

provided by the Kwanza, Cunene and Cuango rivers, and has only partially developed its agricultural and hydroelectric potential. Arable land as a percentage of total land area is only 3.2 percent. The Angolan economy is dominated by the capitalintensive oil sector, which accounts for around 45 percent of GDP and majority of its export revenue. Refining, storage, transportation and distribution of petroleum products are under the monopoly of the stateowned oil company Sonangol, but these activities are scheduled for liberalisation by 2012. Diamond is the second largest export commodity after oil. Angola also has substantial natural gas reserves estimated at 297 billion cubic meters (bcm), the second largest in Africa.

Domestic Economy

Angola is the third-largest economy in Sub-Saharan Africa, after South Africa and Nigeria. It is one of the seven oilexporters in the region and was the second largest oil producer in Africa in 2010 after Nigeria. Industry sector contributes the most to the GDP, accounting for around 63 percent of the GDP. Within industry sector, mining sector contributes around 45 percent of GDP. Services sector contributes around 27 percent of GDP, followed by agriculture sector contributing 10 percent. The slow implementation of Government's Public Investment Programme (PIP) and accumulated arrears of government contracted the construction sector in 2010.

Agriculture, although contributing less to the GDP compared to other sectors, is one of the fastest growing sector (11.5 percent growth in 2010). As a part of its US\$ 1.2 billion 2009-12 investment plan, the Government of Angola is heavily investing in agriculture with the help of international donors, with the aim of tackling the major issue of food security. The services sector has also been increasingly dynamic, dominated by sub-sectors such as tourism, real estate, financial services and, lately, retailing and commerce.

Angola used to be one of the fastest growing economies in the world. However, after recording a high growth of 13.8 percent in 2008, real GDP of Angola declined to 2.4 percent in 2009, following the global economic downturn. Due to its high dependence on oil, the country was heavily affected by the collapse in oil prices and demand in 2009. Fiscal balances in the country have improved compared to previous years, supported by high hydrocarbon revenues. The economy rebounded moderately with the recovery in oil prices resulting in a real GDP growth of 3.4 percent in 2010 and further to an estimated growth of 3.7 percent in 2011. It is expected to recover to 10.8 percent in 2012, reflecting continued strength in domestic public investment spending, and a strong rebound in oil production in Angola (**Table 2.5**).

Nominal GDP is estimated to have increased to US\$ 99.3 billion in 2011, from US\$ 82.5 billion in 2010. This is due to higher oil and gas production levels sustained by continued strong oil demand. Nonoil activity, particularly in the public sector, is being underpinned by the resurgence of hydrocarbon revenues. Despite the recovery in oil prices, growth was partially hampered by government arrears in construction and infrastructure payments. The GDP per capita is estimated to have increased to US\$ 5,061 in 2011 from US\$ 4,329 in 2010.

Angola witnessed double inflation of 14.5 percent in 2010, which moderately increased to 15 percent in 2011. Inflation has increased as a result of sharp increase in domestic fuel prices following the removal of subsidies feeding into price increases. A deteriorating exchange rate is another factor responsible for the high demand. High aggregate demand pressures are reflected by an expansionary fiscal policy driven by higher oil revenues. Inflation, although is expected to fall moderately, would remain at a two digit level in 2012 due to structural constraints in public transportation and agricultural distribution.

Table 2.5: Select Macroeconomic Indicators of Angola

	2007	2008	2009	2010	2011°	2012 ^f
Nominal GDP (US\$ bn)	60.4	84.2	75.5	82.5	99.3	109.0
Real GDP Growth	22.6	13.8	2.4	3.4	3.7	10.8
Real Non-Oil GDP Growth	24.4	15.0	8.1	7.6	7.7	10.4
GDP Per capita (US\$)	3,443.4	4,671.1	4,081.1	4,328.5	5,061.3	5,390.5
Consumer Price Inflation (avg, % change)	12.2	12.5	13.7	14.5	15.0	13.9
Government Debt (% of GDP)	20.8	31.5	36.3	35.0	-	-
Population (mn)	17.6	18.0	18.5	19.1	19.6	20.2
Current Account Balance (US\$ bn)	10.6	7.2	-7.6	7.3	11.9	7.9
International Reserves (US\$ bn)	11.2	17.9	13.7	19.8	27.3	26.9

Note: e-Estimate; f-Forecast; -: Not Available

Source: IMF, WEO, September 2011 and Exim Bank Research

The currency of Angola is Kwanza. The management of both monetary and exchange rate policies are jointly shared between the Banco Nacional de Angola (BNA), the Ministries of Finance, Economy, Economic Cooperation and Economic Adviser to the President. Kwanza was unofficially pegged to US dollar till 2009, but was loosened by government in October 2009 resulting in a rapid depreciation of the currency. The currency has stabilized since, supported by rising international reserves. Angola normally has a current account surplus except in 2009, supported by the huge hydrocarbon revenue. Current account surplus is estimated to have increased to US\$ 11.9 billion in 2011 compared to US\$ 7.3 billion recorded in the previous year. Current account surplus as a percentage of GDP has also increased to 12 percent in 2011 from 8.9 percent in 2010. International reserves of the Angola are steadily rising with increased oil production and revenue. Reserves stood at US\$ 19.8 billion in 2010, representing an import cover of 11 months. Although the level of foreign-exchange reserves of Angola is at a record level, it remains vulnerable to any future decline in oil prices.

Financial System

The financial market is regulated by the central bank, Banco Nacional

de Angola (BNA), and Ministry of Finance. The banking sector largely dominates the Angolan financial system. There are 23 commercial banks, most of which are foreignowned, operating in the country. The Angolan banking sector is dynamic but highly concentrated with five major banks collectively accounting for 85.4 percent of deposits and 83.9 percent of loans. The insurance sector was liberalized in 1999, and five companies are currently operating in the country. Their revenues are derived mainly from the oil and gas sector.

Tanzania

Tanzania is located in East Africa and is bordered by Kenya and Uganda to the north, Rwanda, Burundi, and DR Congo to the west, Zambia, Malawi, and Mozambique to the south, and Indian Ocean to the East. It is the fourth-largest among SADC countries, with a land area of 0.9 mn sq.km. Tanzania's capital is Dar es Salaam. It is also the commercial capital and a major sea port of the country. It also serves as the gateway to East Africa and Central Africa.

Tanzania has an estimated population of 42.2 mn in 2011. Around 52 percent of the population belongs to the age group of 15-64, indicating a large work force. Population of Tanzania is mostly rural with only 26.4 percent of population living in urban areas.

Swahili and English are the official languages of Tanzania.

Tanzania is recognized as a low income country by World Bank, and has also reached the completion point for Heavily Indebted Poor Countries (HIPC) initiative. Tanzania has made significant progress over the past two decades to achieve and maintain macro-economic stability, and is considered one of the best performers in Sub Saharan Africa. Tanzania has commercially exploitable deposits of a range of minerals including gold, diamonds and various gemstones. There are also substantial reserves of uranium, nickel, platinum and natural gas. Tanzania also has deposits of tanzanite, a blue gemstone unique to the country. Total arable land as percentage of total land area in Tanzania is 11.3 percent.

Domestic Economy

Tanzania maintained high а economic growth over the last decade, propelled by structural reforms, increasing exports, significant financial deepening. Tanzania is heavily dependent on agriculture, with over two-thirds of the labour force employed in the sector, mostly in subsistence farming and smallholder cash-cropping. The sector contributes to 28.1 percent of GDP and 85 percent of the exports of the country. The main subsistence crops are maize, sorghum, millet,

cassava, rice, plantains, wheat and pulses. The Tanzanian government is investing an increasing share of its budget in agriculture and is encouraging broader commitments to agribusiness development. These commitments have been confirmed in the Comprehensive Africa Agriculture Development Program (CAADP) for Tanzania, which is linked both to the Agriculture and Food Security Investment Plan and to the Southern Agricultural Growth Corridor of Tanzania (SAGCOT), which involves ramping up agricultural production. Tanzania signed CAADP in July 2010. SAGCOT is a public-private partnership scheme launched by Tanzania, to boost commercial activity in agriculture.

Industrial sector accounts for 24.5 percent of GDP, with manufacturing contributing to 9.8 percent. Tanzania relies heavily on manufacturing to provide employment to its growing population. Mining is another subsector which is an important foreign exchange earner of the country. Tanzania is the fourth-largest gold producer in Sub-Saharan Africa, behind South Africa, Ghana, and Mali. But recently the significance of oil and gas and other minerals is becoming prominent. Tanzania is a service oriented economy, with the sector accounting for 47.4 percent of total GDP. This is due to a rapid expansion and growth in tourism, telecommunications and the financial sector

Table 2.6: Select Macroeconomic Indicators of Tanzania

	2007	2008	2009	2010	2011°	2012 ^f
Nominal GDP (US\$ bn)	15.2	19.0	21.0	22.5	23.2	24.1
Real GDP Growth	6.9	7.3	6.7	6.4	6.1	6.1
GDP Per capita (US\$)	389.7	478.8	517.0	545.2	550.0	560.9
Consumer Price Inflation (avg, % change)	6.3	8.4	11.8	10.5	7.0	9.4
Government Debt (% of GDP)	37.0	35.0	37.1	40.1	-	-
Population (mn)	39.0	39.7	40.5	41.3	42.2	43.0
Current Account Balance (US\$ bn)	-1.5	-2.1	-2.1	-2.0	-2.0	-2.5
International Reserves (US\$ bn)	2.9	2.8	3.2	3.6	3.6	3.8

Note: e-Estimate; f-Forecast; -: Not Available

Source: IMF, WEO, September 2011 and Exim Bank Research

The fiscal year of the country is July-June. Though the real GDP of Tanzania is estimated to have slowed down moderately to 6.1 percent in 2011 from 6.4 percent in 2010 due to poor rains and electricity constraints, growth continues to remain at a sustainable level. Improvement in the growth rate of the agricultural sector, which is the largest employer, is the main reason behind this sustained high growth, supported by the ongoing commercial investments in the sector. Construction, mining and services sectors are the other major contributors to the growth.

GDP Nominal of Tanzania is estimated to have increased from US\$ 22.5 billion in 2010 to US\$ 23.2 billion in 2011, supported by high construction growth driven by donorfunded infrastructure development mainly in road building and the power sector. Recent investments in gold sector have also resulted in high gold exports. Tanzania recorded a per capita GDP of US\$ 550 in 2011, higher than US\$ 545 in 2010 (Table 2.6)

The main thrust of the monetary policy of the Bank of Tanzania, the central bank, is to control the growth of broad money supply and credit growth to the private sector, in order to keep inflation under control and support economic growth. The central bank has tightened its monetary policy aggressively in late 2011, forced by the ongoing rise in inflation coupled with a weak shilling and other regional pressures. As a result, consumer price inflation is estimated to have declined sharply from 10.5 percent in 2010 to 7 percent in 2011. The total government debt of the country reached 40.1 percent of GDP in 2010. The currency of Tanzania is Tanzanian shilling. The shilling depreciated in 2011 to TSh 1,575: US\$ 1 from TSh 1,409: US\$ 1 against the background of large fiscal deficits and broader global economic uncertainty. Tanzania is structurally in a current account deficit, with the deficit estimated to have increased to US\$ 2.05 billion in 2011 (8.8 percent of GDP) compared to US\$ 2.0 billion recorded in the previous year. International reserves of Tanzania stood at US\$ 3.6 billion in

Box 2.1: New Minerals Act - Tanzania

The Government of Tanzania has passed a new Minerals Act in 2010. The main provisions in the Act include: the removal of tax breaks for mining companies; an increase in the royalty payments made by companies from 3 percent to 4 percent for gold mines and 5 percent for other mines; a change in calculating the royalty on the gross value of minerals produced; mining companies would have to seek a local listing, like a recent provision for mobile phone companies; and the government should have a stake of up to 10 percent in all Tanzanian mining companies.

2010, representing an import cover of 5.6 months.

Financial System

The Bank of Tanzania is the Central Bank of Tanzania, which supervises the banking system of the country and is entrusted with the responsibility of licensing of banks and financial institutions. As of November 2011. the Bank of Tanzania listed a total of 30 commercial banks licensed and operating in Tanzania, over half of which are foreign-affiliated. The banking system showed a high concentration of total assets - 57 percent being held by four large banks. Foreign owned banks in Tanzania account for about 48 percent of the banking industry's total assets. The Bank of Tanzania has a legal mandate to promote and safeguard financial stability as stipulated in various provisions under the Bank of Tanzania Act, 2006 and the Banking and Financial Institutions Act, 2006. The Tanzanian Capital Markets and Securities Authority (CMSA) Act of 1994 facilitates the free flow of capital and financial resources to support the product and factor markets in the country.

Zambia

Zambia is a landlocked country located in Southern Africa; surrounded by DR Congo in north, Tanzania in northeast, Malawi in east, Mozambique, Zimbabwe, Botswana and Namibia in south, and Angola in west. Lusaka is the capital city of Zambia. Zambia has a total land area of 752,618 sq km.

Zambia has an estimated population of 13.6 mn in 2011. Zambia is also urbanized to some extent with 35.7 percent of the population concentrated in a few urban areas, especially along the major transport corridors. Zambia has one of the lowest population to land ratio in Africa. More than half of Zambia's population belongs to the age group of 15-64. The official language of the country is English. Nyanja, Bemba, Tonga, Lozi and other local languages are also widely used.

Zambia is known for its high-quality copper and cobalt reserves. Zambia is Africa's top copper producer. Zambia is internationally recognised as a major producer of various precious and semi-precious gems including emeralds, aquamarines, amethyst and tourmalines and the quality of the gems are highly competitive with world markets. There are also reserves of gold and coal. The country also has abundant hydroelectric potential. Total arable land amounts to only 4.5 percent of total land area.

Domestic Economy

In July 2011, World Bank reclassified Zambia to a lower middle income country from its poor country status in the wake of improved macroeconomic indicators, including

sustained economic growth and improved credit rating. World Bank's re-assessment is based on the value of a country's GNI, which means that per capita income for Zambia is now above the low income countries' threshold of US\$ 1,005. Reclassification of Zambia to a lower middle income country by the World Bank has emanated from the country's economic growth sustained almost 11 consecutive years, whose contribution has come mainly from the mining, agriculture and service sectors. As a result of this sustained economic growth, the International Monetary Fund ranked Zambia as the fourth best performing economy in Africa, while two international rating agencies Standard and Poor's, and Fitch ranked Zambia with a B+ rating, meaning that the country is credit worthy to borrow.

Zambia's Vision 2030 envisages the country attaining a prosperous middle income status by the year 2030, growing at an annual average rate of about 6-7 percent, slightly higher than the rates of five percent plus attained during the past five years. Zambia has reached the heavily indebted poor countries (HIPC) Completion Point and Multi-donor Debt Reduction Initiative (MDRI) in 2005 and 2006 respectively. In the recent years, Zambia has turned around its image of a country performing considerably below its potential, to a country with

good economic management and years of strong economic growth.

Agriculture sector accounts for 20.9 percent of GDP in 2010. Agriculture is the main employer, with subsistence agriculture as the biggest single provides for employer. lt livelihood of more than 60 percent of the population, and provides jobs for 70 percent of the Zambian population. Less than 50 percent of potential arable land is cultivated, mostly with maize. Zambia has laid the foundations for a 2-year visionary agricultural investment plan from 2011-2013 that provides a unique opportunity to achieve their vision as a "middle income" country by 2030. Zambia signed Comprehensive Africa Agricultural Development Programme (CAADP) Compact in 2011 which puts forth a commitment of 10 percent investment of Zambia's annual national budget, which would stimulate private sector investment in agriculture, promote food productivity, technology and production, and tackle hunger and malnutrition.

Industrial sector contributes to 32.8 percent of GDP, of which manufacturing sector contributes 9.2 percent. Manufacturing sector has benefited from partnerships with emerging economies. To revitalise the sector, the government has built infrastructure and made investment easier through the Multi-Facility

Table 2.7: Select Macroeconomic Indicators of Zambia

	2007	2008	2009	2010	2011e	2012 ^f
Nominal GDP (US\$ bn)	11.5	14.6	12.8	16.2	18.4	20.1
Real GDP Growth	6.2	5.7	6.4	7.6	6.7	6.7
GDP Per capita (US\$)	937.3	1160.1	990.0	1221.4	1355.1	1443.8
Consumer Price Inflation (avg, % change)	10.7	12.4	13.4	8.5	9.1	7.5
Government Debt (% of GDP)	25.8	26.9	25.6	24.6	-	-
Population (mn)	12.3	12.6	12.9	13.3	13.6	13.9
Current Account Balance (US\$ bn)	-0.8	-1.0	0.5	0.6	0.6	0.1
International Reserves (US\$ bn)	1.1	1.1	1.9	2.1	2.9	3.0

Note: e-Estimate; f-Forecast; -: Not Available

Source: IMF, WEO, September 2011 and Exim Bank Research

Economic Zones (MFEZs). Service sector dominates the economy with a share of 46.3 percent in 2010. Services sector is dominated by wholesale and retail trade, hotel and restaurant services. Tourism sector in Zambia is thriving after the ceasing of global economic crisis, with the promotion of areas such as the Kafue National Park.

The real GDP growth of Zambia is estimated to have slowed down to 6.7 percent in 2011 from 7.6 percent in 2010, mainly due to less than expected output in mining sector constrained by heavy rains. Although real GDP growth has declined, it remained at a relatively higher level

than many of the neighbouring countries, supported by high maize production and increased FDI inflows. In absolute terms, GDP increased from US\$ 16.2 billion in 2010 to US\$ 18.4 billion in 2011, supported by increased maize production, copper revenues and a rebound in tourism. Zambia is expected to maintain its real GDP growth at 6.7 percent in 2012, with a higher nominal GDP of US\$ 20.1 billion (Table 2.7). The steady decline in the world copper prices and the likely withdrawal of donor support due to the sovereign debt crisis in the Euro Zone coupled with Zambia's attainment of the lower middle income status acts as a threat to the national

Box 2.2 : Sixth National Development Plan (SNDP) - Zambia

The Zambian Government in 2011 launched and started implementing the Sixth National Development Plan (SNDP) which aims at actualizing the Vision 2030 of becoming "a prosperous Middle-Income nation by 2030". The theme of the SNDP is "sustained economic growth and poverty reduction". The objectives of the SNDP are to accelerate infrastructure development, economic growth and diversification, rural investment and poverty reduction, and enhance human development. The Plan also focuses on policies, strategies and programs that will contribute to addressing the challenges of realizing broad based pro-poor growth, employment creation, and human development. Strategies would include addressing the constraints of infrastructure and human development, reducing poverty levels and promoting rural development, stimulating agriculture productivity and promotion of agro-businesses, improving the provision of basic services such as water and sanitation, health, education and skills development. Investment in key economic infrastructure such as feeder roads, tourist access roads, electricity, water canals as well as cross cutting issues such as governance, gender, environment and disaster risk management will also be Government's priorities.

economy in 2012. GDP per capita of the country has increased from US\$ 1221 in 2010 to US\$ 1355 in 2011, enforcing Zambia's new status as a lower middle income country.

Average consumer price inflation of the country has increased to 9.1 percent in 2011, from 8.5 percent in 2010 due to increased non-food inflation due to higher oil and electricity prices. Inflation is expected to decline to 7.5 percent in 2012. Zambian kwacha is the currency of the country. The kwacha is estimated to have depreciated from ZK 4,797: US\$ 1 in 2010 to ZK 4,851: US\$ 1 in 2011, supported by strong import demand and a strong US dollar offsetting the impact of large FDI inflows. Zambia's government debt stood at 24.6 percent of GDP in 2010. Zambia's

current account deficit has turned into a surplus in 2009 and has continued to remain in surplus. Current account surplus declined moderately to US\$ 0.59 billion (3.1 percent of GDP) in 2011 from US\$ 0.61 billion (3.8 percent of GDP) in 2010. International reserves of the country has increased from US\$ 2.1 billion in 2010 to US\$ 2.4 billion in 2011, reflecting an import cover of 4.7 months.

The Government of Zambia has announced two mining policies in October 2011. The new policies include all copper and cobalt exports to be verified by the Bank of Zambia (BoZ, the central bank) prior to export to ensure that their volume and value is being accurately reported, and to raise the government's stakes in all mines in Zambia to 35 percent.

At present it holds stakes between 10 percent and 20.6 percent in the mines through the state-owned Zambia Consolidated Copper Mines-Investments Holdings (ZCCM-IH)

Financial System

Bank of Zambia is responsible for the formulation and implementation monetary and supervisory policies that achieve and maintain price stability and promote financial system stability in the country. As at end December 2010, the number of commercial banks in the country increased to 18. The number of NBFIs rose to 91 as on December 2010 from 87 as on December 2009. There are 11 leasing companies, 3 building societies, 1 development bank, 1 savings and credit bank, 1 credit reference bureaux, 50 bureaux de change and 24 micro-finance institutions. Zambia also has a stock exchange (Lusaka Stock Exchange (LuSE). In view of various outstanding issues from the initial Financial Sector Development Plan (FSDP) and other challenges arising from the 2008/09 global financial crisis, a three-year extension of the FSDP was approved by the Government of Zambia in January 2010. The FSDP Phase II addresses various weaknesses that had been identified in the Zambian financial sector, focusing on three main pillars, namely: enhancing market infrastructure; increasing competition; and increasing access to finance.

Democratic Republic of Congo (DR Congo)

Democratic Republic of Congo is located in Central Africa, with Central African Republic and South Sudan bordering the north; Uganda, Rwanda, and Burundi in the east; Zambia and Angola to the south; Republic of Congo, Angolan enclave of Cabinda, and the Atlantic Ocean to the west. DR Congo is a member of SADC and COMESA.

DR Congo, covering a land area of 2.3 mn sq km, is the second-largest country in Africa by area after Algeria, and the eleventh largest in the world. With a population of 72.6 mn in 2011, DR Congo is the fourth most populous nation in Africa and eighteenth most populous nation in the world. French is the official language of the country. Other languages like Lingala, Swahili, Kikongo, Chiluba etc are also widely used. Around 60 percent of population lives in rural areas. More than 50 percent of population belongs to the age group of 15-64.

In terms of resources, DR Congo is one of the richest in Africa. It has huge potential for mineral production, hydroelectricity and agriculture. Its untapped deposits of raw minerals are estimated to be worth US\$ 24 trillion. The major minerals are copper, cobalt, zinc, diamonds and columbo-tantalite (coltan). Cadmium,

cassiterite (tin ore), gold, silver, wolframite (tungsten ore) and uranium are mined on a smaller scale. Most mining of base metals takes place in Katanga. Most diamond production is in the Kasai province. There are vast gold deposits said to be the richest undeveloped gold deposits in Africa in the Kilomoto concessions of Orientale province and around Twangiza in South Kivu. DR Congo is considered to have the world's largest deposits of cobalt. Arable land covers only 3 percent of the country's area, permanent pasture occupies a further 7 percent, and roughly three quarters of the country is forested.

Domestic Economy

DR Congo is a low income country, with agriculture as the dominant sector in the economy. Positive developments in the external environment and the country's achievement of completion point under the Heavily Indebted Poor Countries (HIPC) Initiative in 2010 have improved the external position of DR Congo. DR Congo has the potential to become one of Africa's richest countries and one of the key engines for Africian growth.

Agriculture sector accounts for around 43 percent of DR Congo's GDP, employing more than 75 percent of the working population. Coffee, sugar, palm oil, rubber, tea, quinine, cassava (tapioca), palm oil, bananas, root crops, corn, and fruits are the major

agricultural products of the country. Economic growth of the country is largely driven by mining, which was buoyed by higher world prices, which in turn stimulated the services sector and infrastructure rehabilitation. Industrial sector accounts for 24 percent of GDP in 2011, with mining accounting for around 7 percent and manufacturing contributing 5.5 percent. Mining, mineral processing, consumer products (including textiles. footwear, cigarettes, processed foods and beverages), cement and diamonds are the major industries of the country. Services sector contributes about 33 percent of GDP, the dominant sectors being wholesale and retail trade, hotels and restaurants.

Since 2003, DR Congo is recovering from a series of conflicts that occurred throughout 1990s and early 2000s. But the country has come a long way since 2001 with improvements in almost all the sectors. Economy of DR Congo recovered in 2010, from a 2.8 percent growth in 2009 to 7.2 percent growth in 2010. The country is estimated to have maintained a steady growth of 6.5 percent in 2011, following increased investment and growth in the extractive industries and the contribution of the civil engineering and service sectors. Construction sector of the country is growing at a higher level, mainly due to public infrastructure projects. Nominal GDP of DR Congo increased to US\$ 15.3

Table 2.8: Select Macroeconomic Indicators of DR Congo

	2007	2008	2009	2010	2011°	2012 ^f
Nominal GDP (US\$ bn)	10.0	11.6	11.1	13.1	15.3	16.5
Real GDP Growth	6.3	6.2	2.8	7.2	6.5	6.0
GDP Percapita (US\$)	155.5	174.6	162.4	186.0	210.9	220.6
Consumer Price Inflation (avg, % change)	16.7	18.0	46.2	23.5	14.8	12.5
Government Debt (% of GDP)	129.4	117.2	124.3	33.8	-	-
Population (mn)	64.5	66.4	68.4	70.5	72.6	74.7
Current Account Balance (US\$ bn)	-0.1	-2.0	-1.2	-0.9	-0.9	-0.8
International Reserves (US\$ bn)	0.2	0.1	0.4	0.8	-	-

Note: e-Estimate; f-Forecast; -: Not Available

Source: IMF, WEO, September 2011 and Exim Bank Research

billion in 2011, from US\$ 13.1 billion of the preceding year (Table 2.8). The economy of DR Congo relies heavily on mining. In 2002, DR Congo signed the Extractive Industries Transparency Initiative, which requires all revenues and payments by mining companies to be made public. This move is credited with attracting high capital investments in the country in the recent period.

Consumer price inflation of the country is at a two digit level. Although inflation came down sharply to 14.8 percent in 2011 from 23.5 percent in 2010, it still remains at a higher level compared to many neighbouring countries. Improved agricultural production and better distribution of produce around

the country helped in reducing inflation. Continued restrictive monetary policy and fiscal discipline are crucial to staying below the 10 percent inflation target. Currency of DR Congo is Congolese franc. Growing foreign-exchange reserves, stemming from savings generated by debt relief, the recovery in export earnings and higher inflows of foreign direct investment is supporting the Congolese franc. However, the currency has depreciated in 2011 owing to persistent fiscal and currentaccount deficits to FC 922: US\$ 1 from FC 912: US\$ 1 in 2010.

Government debt as percent of GDP of the country declined sharply to 33.8 percent in 2010

from 124.3 percent in 2009. In June and July 2010 respectively, the IMF and World Bank approved a US\$ 12.3 billion in external debt relief for DR Congo under the HIPC (US\$ 11.1 billion) and the Multilateral Debt Relief Initiative (MDRI) (US\$ 1.2 billion). In November 2010, the Paris Club of creditors also rescheduled 97 percent of the service on DR Congo's debt (including arrears) due in the 2009-12 extended credit facility (ECF) period, the equivalent of US\$ 7.35 billion. The budget deficit of the country improved in 2010 owing to more government revenue from better prices of raw materials and use of a cash flow forecast and budget commitment plan in managing the deficit. Current account deficit of the country declined moderately to US\$ 0.88 billion (5.8 percent of GDP) in 2011 from US\$ 0.9 billion (6.9 percent of GDP) in 2010. Foreign exchange reserves of the country stood at US\$ 0.8 billion in 2010, reflecting an import cover of 2 months.

Financial Sector

Banque Centrale du Congo is the central bank of DR Congo. The soundness of the banking sector of the country has improved in recent years, with the closure and initiation of the liquidation process of troubled banks. The central bank of Congo has stepped up various financial sector reforms with the goal of bringing the legal and regulatory framework in

line with international best practices. There are 21 licensed commercial banks in the country.

Mozambique

Mozambique is located in south-east Africa, with a land area of 0.8 mn sq kms. The country is bordered by the Indian Ocean to the east, Tanzania to the north, Malawi and Zambia to the northwest, Zimbabwe to the west and Swaziland and South Africa to the southwest. The capital city Maputo is located at the pointy southern tip of the country's territory.

Mozambique has an estimated population of 22 mn in 2011, with 52.6 percent of population belonging to the age group of 15-64 implying the availability of a large labour force. Majority of the population lives in rural areas, with only 38.4 percent living in urban areas. Portuguese is the official language of the country. The three main African language groups: Makua-Lomwe, Tsonga and Sena –Nyanja are also widely used.

An abundance of cheap hydroelectricity is one of the country's most significant resources, which has helped in attracting foreign investment. Mozambique has hydroelectric generation potential of about 12,500 mw, 80 percent of which is concentrated in the Zambezi basin. In addition, Mozambique, with a 2,500-km coastline, has significant

marine resources. and prawns were the country's main export until the development of the aluminium industry. Mineral resources (including reserves of aluminium, beryllium, gold, gemstones, titanium, coal and bauxite) are also substantial, although they have only recently begun to be exploited. Titanium deposits have been discovered in Moma district of the country that could be sufficient for 120 years of production. Natural gas has also been found in commercial quantities in the country, which is expected to improve the economic status of the country. In view of this, the Government has issued a new National Strategy for the Development of the Natural Gas Market in Mozambique in 2009 with key principles like royalty gas to be allocated with priority to projects with large impact on the country's development; continue to promote the participation of national companies in the Mozambican natural gas industry; contracts for the sale of gas by concessionaires should have the consent of the Government etc. Only 6.4 percent of total land area of the country is arable land.

Domestic Economy

Mozambique, one of the poorest countries in the world at independence, has emerged to become one of Africa's best-performing economies with a high growth rate. Mozambique is categorized as a low income country by World Bank on the basis

of per capita income. The country has the best growth record for any nonpetroleum economy in Sub-Saharan Africa in the recent decade.

Mozambique is a service oriented economy with the sector contributing to 44.8 percent of GDP in 2010. Wholesale and retail trade, hotels and restaurants are the dominant sectors in the services category, followed by transport, storage and communication and health services. Service sector is closely followed by agriculture sector with a share of 31.9 percent of GDP in 2010. Industrial sector contributes 23.3 percent of GDP, with a 13.1 percent share of manufacturing sector. Mining sector's contribution to GDP was only 1.5 percent in 2009, but the sector has high potential in the event of discovery of large scale natural gas reserves during the last 2 years.

Mozambique's economy continued to perform well in 2011, growing by an estimated 7.2 percent compared to 6.8 in the preceding year, bolstered by expansion of the mining industry, particularly coal. Mozambique has also been favoured by the high price of mineral sand helped by the construction and infrastructure investment boom in Asia. Unlike many oil exporters of Sub-Saharan Africa, Mozambique's high growth has been more diverse. The high investments to exploit vast coal and offshore gas discoveries are also supporting the growth. In absolute terms, GDP

has increased to US\$ 12.1 billion in 2011 from US\$ 9.5 billion in 2010. The growth is expected to continue at 7.5 percent during 2012 driven by minerals boom and infrastructure mega projects in the country (Table 2.9).

The inflation rate hit double digits in 2010 to 12.7 percent as a result of the scrapping of fuel subsidies in 2010, the rise in international oil and food prices, the depreciation of the currency against the US dollar and the South African Rand, a poor agricultural year and loose monetary policy. The trend continued in 2011 with a moderated inflation of 10.8 percent, driven by higher global food and oil prices. Although Mozambique is a net producer of many foodstuffs

in the consumer price basket, several key commodities including wheat are mainly imported. Due to poor infrastructure in many parts of the country, it is considered to be more cost-effective to buy crops from other countries rather than from Mozambique's surplus regions. Hence, changes in global market prices for food exert a huge influence on local prices. Inflation is expected to revert back to single digit in 2012 on the back of an expected downward trend in global commodity prices.

Metical is the currency of Mozambique. The metical has strengthened in 2011 to MT 28.5: US\$ 1 from MT 34: US\$ 1 in 2010, driven by strong investment inflows. Mozambique is experiencing a boom in mining investment,

Table 2.9: Select Macroeconomic Indicators of Mozambique

	2007	2008	2009	2010	2011°	2012 ^f
Nominal GDP (US\$ bn)	8.1	9.9	10.0	9.5	12.1	13.1
Real GDP Growth	7.3	6.8	6.3	6.8	7.2	7.5
GDP Per capita (US\$)	399.3	479.2	471.0	439.9	551.4	582.0
Consumer Price Inflation (avg, % change)	8.2	10.3	3.3	12.7	10.8	7.2
Government Debt (% of GDP)	41.9	42.1	41.5	37.8	-	-
Population (mn)	20.3	20.7	21.2	21.6	22.0	22.5
Current Account Balance (US\$ bn)	-0.8	-1.2	-1.2	-1.0	-1.4	-1.5
International Reserves (US\$ bn)	1.4	1.6	2.1	2.2	2.8	3.1

Note: e-Estimate; f-Forecast; -: Not Available

Source: IMF, WEO, September 2011 and Exim Bank Research

particularly coal, where several large, multi-billion dollar investments are on the verge of making the country a major new international coal producer. Government debt of Mozambique stood at 37.8 percent of GDP in 2010. Mozambique reached the completion point under the enhanced HIPC Initiative in 2001. Current account deficit of the country has moderately increased to US\$ 1.4 billion (11.8 percent of GDP) in 2011 from US\$ 1 billion (10.5 percent of GDP) in 2010, mainly attributed to increased services deficit. Due to a lack of local supply of technical services, the minerals boom resulted in large scale services imports from abroad. Total international reserves of the country increased to US\$ 2.8 billion in 2011, from US\$ 2.2 billion in 2010, reflecting an import cover of 6 months.

Financial Sector

Banco de Moçambique, the central bank of the country was created on May 17, 1975 with the mission of safeguarding the national currency value and promoting a sound and efficient financial sector. At present, there are 18 commercial banks operating in the country. The financial sector is dominated by a few large, foreign banks. Banks account for almost all the financial sector's assets, and the 3 largest banks accounts for around 85 percent of total assets. Almost all major banks are majorityforeign owned, either by Portuguese or other African banks, although the government maintains participation in some. Microfinance institutions (MFIs) and micro-banks are small, although they have expanded rapidly in recent years. Like the commercial banking sector, the MFI sector is highly concentrated, with four MFIs controlling more than 60 percent of the loan portfolio. The insurance sector is also small, consisting of 5 private and one majority state-owned company. Mozambique's stock exchange, Bolsa de Valores de Moçambique (BVM), is the smallest stock exchange in Africa. The BVM had a market capitalisation of MT12.43 billion (US\$ 439.7 mn) as on July 14, 2010.

Box 2.3: New Mining Law - Mozambique

The Ministry of Mineral Resources of Mozambique has recently released a draft copy of the government's proposed new mining law. The new law is to ensure that Mozambique would remain an attractive and competitive destination for private-sector investment. The draft includes certain provisions including: mining companies to begin production no later than 36 months after obtaining a mining licence and other regulatory approvals. This measure is intended to speed project development and to ensure that companies holding mining licenses prove that they have the means and intention to bring their projects to production. The government also would have the right to gain a stake in and participate in any mining project that it considers to be "strategic".

3. TRENDS IN FOREIGN TRADE OF SADC COUNTRIES

The inception of SADC paved a smoother route for trade in the member countries. This chapter presents a broad overview of select major regional trade blocs in Africa and intra-bloc merchandise trade of these trade blocs. This chapter also highlights the trends in foreign trade of select SADC member countries, trend in total trade, major commodities and major trade partners.

MAJOR TRADING BLOCS IN AFRICA AND INTRA-BLOC MERCHANDISE EXPORTS

Africa accounted for 3.3 percent of the total world trade in 2010. The main trading blocs in Africa include the Common Market for Eastern and Southern Africa (COMESA), Economic Community of West African States (ECOWAS), Southern African Development Community (SADC), the West African Economic and Monetary Union (UEMOA) and the East African Community (EAC).

It is interesting to note that the blocs are somewhat intertwined with each other, with most countries being members of more than one distinct bloc. For instance, the eight member

countries of ECOWAS, namely Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo, in order to further reinforce their economic ties, regrouped to form the West African Economic and Monetary Union (UEMOA) in 1994. Similarly, eight member countries of Common Market for Eastern and Southern Africa (COMESA) viz., Democratic Republic of Congo, Madagascar, Malawi, Mauritius, Sevchelles, Swaziland, Zambia and Zimbabwe, are also members of the Southern African Development Community (SADC). Likewise, four countries of COMESA namely, Burundi, Kenya, Rwanda and Uganda in addition to Tanzania formed the East African Community (EAC) in 1996. Tanzania is a member country of both EAC and SADC.

An analysis of the trend in intra-bloc merchandise exports of these African trade blocs reveals that SADC, ECOWAS and COMESA are the largest trade blocs in the region, in terms of magnitude, with intra-bloc merchandise exports amounting to US\$ 11.7 billion, US\$ 7.3 billion and US\$ 6.1 billion respectively in 2009 (Table 3.1).

Reflecting the elimination of tariff and non-tariff barriers among the member nations, intra-bloc trade has registered significant rise in recent years, with the exception in 2009. The economic crisis of 2009 affected all the major trade blocs in Africa. The merchandise exports within the SADC bloc have shown a steady growth, more than doubling from US\$ 7.8 billion in 2005 to US\$ 16.0 billion in 2008, before declining to US\$ 11.7 billion in 2009 driven by the international crisis. ECOWAS has also recorded a moderate growth from US\$ 5.5 billion

in 2005 to US\$ 9.4 billion in 2008, but declined to US\$ 7.3 billion in 2009. Similarly COMESA also experienced a strong growth, more than doubled from US\$ 2.7 billion in 2005 to US\$ 6.7 billion in 2008, before declining to US\$ 6.1 billion in 2009.

GLOBAL TRADE OF SADC COUNTRIES

SADC as a bloc has shown small but stable performance in terms of its global trade. The share of SADC in Africa's total trade is around 34 percent in 2010. Total Trade (exports

Table 3.1: Trends in Trade Performances of Select African Trade Blocs

	2005	2006	2007	2008	2009
Merchandise Exports within Blocs (US\$ billion)				
Southern African Development Community (SADC)	7.8	8.7	12.1	16.0	11.7
Economic Community of West African States (ECOWAS)	5.5	6.0	6.7	9.4	7.3
Common Market for Eastern and Southern Africa (COMESA)	2.7	3.4	4.0	6.7	6.1
West African Economic and Monetary Union (UEMOA)	1.4	1.5	1.7	2.3	1.9
East African Community (EAC)	1.1	1.1	1.4	1.8	1.6
Merchandise Exports within Bloc (as percent	of total	bloc exp	oorts)		
SADC	9.3	9.1	10.2	10.3	11.0
ECOWAS	9.3	7.9	7.8	8.5	9.9
COMESA	4.6	4.0	4.5	5.3	7.2
UEMOA	13.4	13.1	14.9	15.9	13.2
EAC	18.0	15.9	17.8	19.2	18.9

Source: World Development Indicators, various issues, World Bank

Table 3.2: Trends in Trade of SADC Countries (US\$ billion)

	Ex	ports	lm	ports	Tota	al Trade
	2009	2010	2009	2010	2009	2010
Angola	40.8	53.5	22.7	21.5	63.5	75.0
Botswana	3.5	4.7	4.7	5.7	8.2	10.4
DR Congo	3.5	5.3	3.9	4.5	7.4	9.8
Lesotho	0.7	8.0	2.0	2.2	2.7	3.0
Madagascar	1.1	1.1	3.2	2.7	4.3	3.7
Malawi	1.8	1.7	1.8	1.9	2.9	3.0
Mauritius	1.9	2.2	3.7	4.4	5.7	6.6
Mozambique	2.1	3.2	3.8	4.5	5.9	7.7
Namibia	3.2	4.1	5.0	5.4	8.1	9.4
Seychelles	0.4	0.4	0.8	0.7	1.2	1.1
South Africa	61.7	81.8	73.2	94.0	134.8	175.9
Swaziland	1.5	1.6	1.6	1.7	3.1	3.3
Tanzania	2.9	3.7	6.4	7.8	9.3	11.5
Zambia	4.3	7.2	3.8	5.3	8.1	12.5
Zimbabwe	2.3	2.5	2.9	3.8	5.2	6.3
SADC	130.9	173.1	139.4	166.0	270.3	339.1
Africa	390.8	507.6	406.4	469.1	797.1	976.7
% share of SADC in Africa	33.5	34.1	34.3	35.4	33.9	34.7

Source: World Trade Organization (WTO)

plus imports) of SADC has increased more than three-fold from US\$ 95.8 billion in 2001 to US\$ 339.1 billion in 2010, growing at a compound annual growth rate of 15.1 percent over the period, reflecting favourable growth performance of both exports and imports.

Exports of SADC increased more than three-fold from US\$ 48.7 billion in 2001

to US\$ 173.1 billion in 2010. Exports of all SADC countries except Malawi registered positive growth in 2010 as a result of various stimulus packages and the recovery henceforth. The higher increase in exports in 2010 is driven by the exports of South Africa and Angola, the two giants in the bloc. Growing at a similar pace, imports of SADC rose more than three-fold from US\$ 47.2 billion to US\$ 166

Table 3.3: Global Trade of SADC (2001-10)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Exports (US\$ bn)	48.7	51.7	62.0	79.7	98.0	116.7	144.2	177.7	130.9	173.1
% growth	-4.0	6.3	19.8	28.6	22.9	19.1	23.6	23.2	-26.3	32.2
Imports (US\$ bn)	47.2	49.2	65.8	85.3	99.7	119.7	140.4	169.3	139.4	166.0
% Growth	151.7	4.2	33.9	29.7	16.8	20.0	17.3	20.6	-17.7	19.1
Total Trade	95.8	100.9	127.8	165.1	197.7	236.4	284.6	347.1	270.3	339.1
Trade Balance	1.5	2.6	-3.8	-5.6	-1.7	-3.0	3.8	8.4	-8.5	7.1

Note: -: Not Available

Source: WTO

billion over the period 2001-2010. Angola, Madagascar and Seychelles witnessed a decline in their imports in 2010 (Table 3.2).

The main exports of the SADC as a bloc are mineral fuels, oils and their distillation products, accounting for 37.5 percent of total exports of the bloc, followed by pearls, precious stones and metals (11.4 percent of exports), ores, slag and ash (8.6 percent), copper and articles thereof (5.3 percent) and iron and steel (5.2 percent). The principal items of imports of the SADC as a bloc are petroleum products, accounting for 16.9 percent of global imports, machinery (13.9 percent), electrical and electronic equipment (9 percent) and transport equipments (8.6 percent). China is the main trading partner of SADC in 2010, with a share of 25.7 percent in exports and 13.6 percent in imports of SADC.

Other main export destinations of SADC in 2010 included the US (13.1 percent of total exports), India (5.6 percent), UK (4.8 percent) and Germany (4.6 percent). As regards imports, Germany (9 percent of SADC's total imports), the US (6.2 percent), India (5.6 percent), UK (4.5 percent) and Japan (3.7 percent) are the major suppliers of SADC's imports in the same year.

Global Trade of Select SADC Member Countries

Having analysed the trade pattern of major trade blocs in Africa and the trade performance of the SADC bloc, an attempt is made in this section to highlight the trade performance of select SADC countries selected on the basis of their global trade.

South Africa

South Africa is the largest economy in Africa. The nation emerged from Apartheid and reentered the global economy in 1990s. With the aim of establishing a fast growing economy, the government of South Africa unveiled its 'Growth, Employment, and Redistribution' (GEAR) strategy in 1995. To achieve the necessary growth, GEAR emphasized need for a "transformation towards competitive outward-oriented economy" and accordingly, trade liberalization has been one of the central policies of South Africa's development strategy. In line with WTO commitments, South Africa adapted various trade liberalization, tariff rationalization and tariff reduction measures. In line with the Common External Tariff (CET) of the SACU, South Africa's average MFN applied tariff is 7.7 percent.

Department of Trade and Industry (the dti) is responsible for trade policy related aspects of South Africa. The Trade and Investment South Africa (TISA) Department of the dti aims to increase export capacity and support direct investment flows though the implementation of strategies directed at targeted markets, and effectively manage the dti's network of foreign trade offices. The country is a member of SACU and SADC which plays a role in enhancing trade promotion among the member nations as well

as other countries. The country also has entered into comprehensive FTA with EU, preferential trade agreement with MERCOSUR etc. The ambitious plan for unification of three major regional trade blocs in Sub-Saharan Africa – SADC, EAC and COMESA is another big step towards the new trade focus of the country. This will create a massive market and thereby deepen economic integration in Sub-Saharan Africa.

At present, South Africa accounts for more than half of the global trade of SADC countries. South Africa's trade is heavily dependent on the nation's natural resources and highly liberal trade incentives of the government. It has a comparative advantage in terms of cheap energy and other natural resources. South Africa ranks 50th in the global competitiveness report 2011-12, up by 4 positions from the 2010-11 ranking. Net gold exports of the country have shown a remarkable increase in the recent days on the back of a strong demand from China and India as well as high gold prices.

South Africa's total trade has grown at a CAGR of 13.2 percent in the last decade, from US\$ 57.5 billion in 2001 to US\$ 181.3 billion in 2008, before declining sharply to US\$ 134.8 billion in 2009, owing to the global economic crisis. The trend reversed in 2010 with trade increasing to US\$ 175.9 billion, although the country is yet to surpass its pre-crisis level trade figures. The

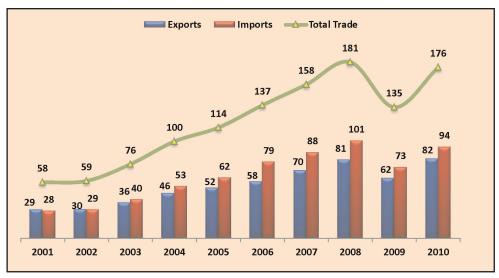


Chart 3.1: Trends in Trade Performance of South Africa

Source: WTO

strong demand from China and India especially for gold as well as high commodity prices were the reasons behind this positive growth in trade.

Exports recorded a CAGR of 12.1 percent in the last decade. Rapid growth in Chinese and Indian economies has strengthened the exports of South Africa, two of the largest recipients of South African exports. However, the collapse in global demand in 2009 resulted in a reduction in the export revenue of the country by 23.7 percent to US\$ 61.7 billion from US\$ 80.8 billion of the preceding year. Exports recovered in 2010 by 32.7 percent to reach an all time high level of US\$ 81.8 billion. Buoyant mining exports to both China and India were the main contributors to this positive growth (Chart 3.1).

China became the major destination of South Africa's exports in 2009, surpassing the traditional partners Japan, the US, Germany and UK. South Africa exported 11.4 percent of its total exports to China in 2010, followed by the US (9.9 percent), Japan (9 percent), Germany (7.7 percent), UK (5.2 percent) and India (4.2 Other major destinations percent). Netherlands include the Switzerland. South Africa's exports to India have seen a remarkable increase from 1.5 percent share in 2006 to 4.2 percent share in 2010, reflecting the growing importance of India in the country's trade. Export demand from emerging economies, particularly from Asia, gained further ground in 2010.

South Africa is one of the largest producers of platinum, manganese, gold, and chrome in the world. It also has significant coal, copper and aluminum production. Exports of mining products witnessed a significant rise in 2010. The steep rise in the price of gold, copper and aluminum resulted in increased exports of these commodities. Some of the major commodities exported by the nation in 2010 were pearls, precious stones and metals (16.5 percent of total exports), ores, slag and ash (13.7 percent), iron and steel (11.1 percent), mineral fuels and distillation products (10.1 percent), and transport equipments (9 percent). There were also significant exports of machinery, edible fruits, aluminium, electrical electronic and and equipments.

Although Imports grew at a CAGR of 14.3 percent in the last decade, it did not witness the same remarkable recovery as exports after the global economic crisis and is yet to surpass the pre-crisis levels. South Africa's imports dropped by 27.2 percent in 2009 to US\$ 73.2 billion, but increased to US\$ 94 billion in 2010. The need for infrastructure projects for the 2010 FIFAWorld Cup tournament supported import growth of 28.5 percent, while the lower imports of raw materials due to relatively weak levels of domestic production and investment restrained

the imports from reaching the 2008 level of US\$ 100.5 billion.

China became the major supplier of import requirements of South Africa in 2009, replacing Germany. China accounted for 14.3 percent of South Africa's imports in 2010, and was followed by Germany (11.3 percent), the US (7.3 percent), Japan (5.3 percent), Saudi Arabia (4 percent), Iran (3.9 percent) and UK (3.8 percent). South Africa's import from China mainly comprised electrical and electronic equipments machinery. India's contribution to South Africa's import needs increased from 2.4 percent in 2006 to 3.5 percent in 2010.

South Africa's major imports in 2010 included mineral fuels and mineral oils that accounted for 19.6 percent of the total imports, machinery and equipments (14.8 percent), electrical machinery and equipment (10.7 percent) and vehicles other than railway or tramway (8.8 percent).

Though trade deficit has increased compared to the 2009 levels, it still remain at a much lower level of US\$ 12.2 billion in 2010 compared to US\$ 19.8 billion in 2008. A combination of strong commodity prices and less than expected imports resulted in this improvement in the trade sector of South Africa.

Angola

Angola being a major oil producer, oil exports dominate the export performance of the whole economy. Contribution of oil sector to GDP is almost 50 percent. Since the end of almost 30 years of civil conflict, Angola has focused on revising its trade related policies. The country has considerably liberalized its trade regime in recent years as reflected in its average MFN applied tariff of 7.3 percent in 2009, which is below that of both the average Sub-Saharan Africa country (12.5 percent) and the average lower-middle-income country (11.4 percent). Since Angola is an LDC, it receives duty-free, quota-free access to its main markets. Angola is not a participant of SADC FTA as the country is yet to submit a tariff offer. The Ministry of Commerce of Angola is the supreme government agency responsible for developing, implementing and monitoring of trade policy, aimed at regulating and disciplining the activities in trade, promoting development, planning modernising of business and infrastructure, and ensuring the free and fair competition between traders. and safeguarding consumers' rights.

Administration of Angola's customs service has improved in the last few years. The Angolan government implemented a new customs code in January 2007 which follows the guidelines of the World Customs

Organization, WTO, and SADC. Customs duties of the country are relatively low, between 5 to 10 percent. But, importing certain products, such as pharmaceuticals and agricultural products. still requires license authorizations from the concerned ministries. The government established a tax on imports of luxury products, which are now subject to a one percent surcharge. With the introduction of a new customs code, the country has taken a big leap towards reforming its foreign trade.

Angola is a country that has registered a large trade surplus over the years, a trend that is expected to continue in the coming years. Trade surplus of the country increased almost tenfolds to US\$ 32 billion in 2010 from US\$ 3.4 billion in 2001. In 2009, trade surplus saw a sharp decline of 57.7 percent over the preceding year, reflecting Angola's over-reliance on petroleum earnings and therefore its exposure to the global factors. A sharp drop in international oil prices and a decrease in production due to OPEC's mandatory cut in production quotas left the economy suffering from sharp revenue losses in 2009. Total trade of the Angola witnessed a CAGR of 26.3 percent to US\$ 75 billion in 2010 from US\$ 10 billion in 2001 (Chart 3.2). Stronger international oil prices and an improvement in oil production spurred a recovery in the petroleum sector in 2010, which supported a pick-up in non-oil sector.

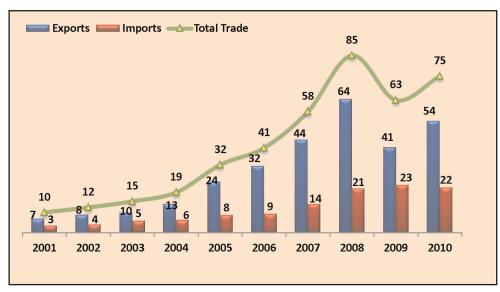


Chart 3.2: Trends in Trade Performance of Angola

Source: WTO

Angola's exports witnessed an increase from US\$ 7.9 billion in 2001 to US\$ 63.9 billion in 2008 bolstered by huge oil demand and oil prices. The global economic crisis of 2009 strongly affected the two core export sectors of the economy; oil and diamond sector resulting in a 36.1 percent decline in exports. Exports picked up with the recovery in global demand and prices in 2010 by 31 percent to US\$ 53.5 billion.

China is the major export destination of Angola in 2010, accounting for 44.3 percent of Angola's total exports in 2010, followed by the US (23.8 percent), India (7.2 percent), Taiwan (5.6 percent). Other major export markets of Angola were France, South Africa and Canada. Angola

is highly diversified in terms of its economic partners, particularly non-African emerging economies. While in 2001, oil exports to developing economies accounted for 26.5 percent of oil exports of the country, this increased to 50 percent in 2006 and to 63 percent in 2010. Crude oil is mainly exported to China, followed by the US and India.

Angola is the second largest exporter of mineral fuels in Sub-Saharan Africa, after Nigeria. Mineral fuels and mineral oils amounted to 98.7 percent of Angola's exports in 2010. It was followed by pearls, precious stones and metals; vehicles other than railway and tramway; machinery; salt, sulphur, earth and stone; articles of iron or steel, and electrical and electronic equipments.

Angola's imports were not so much affected by global economic crisis as its exports. Imports witnessed an 8 percent growth in 2009, reaching an all time higher level of US\$ 22.7 billion. The country is structurally dependent on food imports which represent over half of goods imports. But in 2010, imports of Angola decreased by 5.1 percent mainly due to the accumulated arrears owed to the private sector. Construction sector of the economy was severely affected by government's payment arrears.

Since the colonial period, Portugal has been the major import partner of Angola. In 2010, Portugal accounted for 18 percent of Angola's imports. Other major sources of Angola's imports in 2010 included China (14.2 percent of total imports), the US (9.2 percent), Brazil (6.7 percent), France (6 percent), UK (5.9 percent), South Africa (5 percent) and India (4.2 percent). The role of emerging partners has expanded in Angola's imports in the recent years. In 2001, only Brazil ranked in the top ten importers of Angola, whereas in 2010 three countries ranked in top ten (China, Brazil and India). Other developing countries like Argentina, South Korea, and UAE also gained prominence as exporters to Angola.

Machinery was the main item of Angola's imports, accounting for 20.6 percent of total imports. Other major

items of imports in the same year included articles of iron or steel (9.3 percent), electrical and electronic equipments (9.3 percent), transport equipments (7 percent), mineral oils (5 percent), meat and edible meat offal (3.6 percent), and beverages (3.6 percent).

Zambia

Zambia is largely a trade-based economy. Zambia undertook comprehensive trade reform programme in the 1990s, removing exchange controls, reducing import duties, eliminating import and export licence requirements, abolishing export bans and introducing a number incentives, export removing subsidies, and decontrolling prices. Today Zambia has a relatively open economy, which depends on the mining sector that is the backbone of the economy and is the major source of foreign exchange. In the past few years, the non-traditional export sectors have emerged and contributed to GDP. The Department of Foreign Trade under the Ministry of Commerce, Trade and Industry (MCTI) is responsible for stimulating the growth of commercial and trading sectors in the country through the formulation of strategies and policy instruments, that will enhance the competitiveness of the country in the foreign commercial and trade sectors and facilitating international trade relations.

Although the simple average applied MFN tariff of Zambia is high at 13.4 percent, Zambia continues to work towards lower trade barriers, especially through the COMESA and SADC free-trade areas. The Government has abandoned efforts to establish export processing zones, instead focuses on establishing multifacility economic zones (MFEZs) which offer a wider set of incentives to both exporting and non-exporting enterprises. Customs administration in Zambia is under the responsibility of the Customs and Excise Department of the Zambia Revenue Authority (ZRA). The Department has undergone significant changes in the context of a Customs Reform and Modernization Program linked to the implementation of ASYCUDA++. The First Schedule to the Customs and Excise Act specifies the structure of Zambia's customs tariff, and establishes four duty rates; 0 percent, 5 percent, 15 percent and 25 percent. Zambia's applied import duty rates range from 0 percent to 5 percent for raw materials, 15 percent for intermediate goods, and 25 percent for final or consumption goods. Goods imports from COMESA partners are duty free on a reciprocal basis.

Despite the Government's efforts to diversify the economy, the structure of production and trade in Zambia continues to rely heavily on the primary sector. The performance of mining sector has improved

after privatization. Copper remains Zambia's largest export commodity, and the country is able to take advantage of rising copper prices in the recent years.

Zambia started registering a trade surplus since 2006, boosted by high copper prices. In 2010, the country recorded the highest ever trade surplus of US\$ 1.9 billion with huge export revenue from the sale of raw materials, and non-traditional exports. A bumper harvest of 3,020,380 metric tons of maize and other staple crops further supported the export earnings. Total trade of Zambia registered a CAGR of 22.1 percent in the last decade. Zambia's trade has witnessed a steady increase from US\$ 2.1 billion in 2001 to US\$ 10.2 billion in 2008. With a reduction in both exports and imports of the country, total trade decreased to US\$ 8.1 billion in 2009, before increasing to the highest ever level of US\$ 12.5 billion in 2010 (Chart 3.3). Government is trying to reduce country's over dependence on copper exports by diversifying the export sector in the recent years.

Zambia started recording huge exports from 2006 onwards, when exported increased to US\$ 3.8 billion from US\$ 1 billion in 2001. Supported by higher copper prices, exports increased almost two-folds to US\$ 5.1 billion in 2008. With the price of copper, Zambia's principal export, suffering from a severe worldwide

Exports Imports Total Trade 12.5 10.2 8.6 6.8 72 5.1 5.1 4.6 3.7 4.3 3.8 2.6 2.6 3.1 1.6 2.2 1.8 1.0 1.6 1.0 1.1 1.0 1.12002 2001 2003 2004 2005 2006 2007 2008 2009 2010

Chart 3.3: Trends in Trade Performance of Zambia

Source: WTO

decline, along with decline in other major export sectors due to lack of external demand, exports decreased to US\$ 4.3 billion in 2009. The precrisis trend continued in 2010 with exports reaching US\$ 7.2 billion. Since the country's exports heavily depend on the performance of one particular sector, copper, any turbulence in global markets could hence have a severe impact on Zambia's exports.

Zambia's export sector is traditionally being dominated by Switzerland, accounting for 51 percent of Zambia's exports in 2010. This is due to high volumes of metals purchased by Swiss-based metal traders from Zambian mining companies. China replaced South Africa as the second largest export destination of Zambia

in 2009. China accounted for 20.2 percent of Zambia's exports, followed by South Africa (9.1 percent), DR Congo (4.6 percent) and UAE (2.4 percent). While China mainly imports metals from Zambia, South Africa imports copper wire, DR Congo imports food items, cement, sulphuric acid, industrial boilers and chemicals. European Union is the major region wise export destination of Zambia.

Zambia is the leading copper producer in Africa and hence, copper and articles of copper remained the major export item of Zambia, with a share of 75.2 percent in Zambia's global exports. Other major items exported by Zambia in 2010 included ores, slag and ash (7.3 percent of exports), other base metals

(2.7 percent), sugars (2.1 percent), and tobacco and manufactured tobacco substitutes (1.6 percent).

Zambia's imports registered a six-fold increase in the last decade, growing at a CAGR of 19.4 percent. Imports increased from US\$ 1.1 billion in 2001 to US\$ 5.1 billion in 2008, before declining to US\$ 3.8 billion in 2009. Zambia's imports witnessed a sharper decline in 2009 compared to its exports. In 2010, imports increased to US\$ 5.3 billion with increased imports from SADC member countries and China. Zambia mainly imports mining products like copper ore and concentrate for processing as well as heavy duty mining machinery.

South Africa is the major supplier of Zambia's imports in 2010, accounting for 34.4 percent of Zambia's global imports. Other sources of imports to Zambia in the same year included DR Congo (23.8 percent of imports), Kuwait (9.6 percent), China (5.4 percent), India (2.7 percent) and UAE (2.2 percent). While Zambia mostly imports heavy duty mining machinery and parts from South Africa, it imports mining products like copper ore and concentrate for processing from DR Congo; petroleum products from Kuwait; and mining machinery, cell phones and cables from China.

The main items in Zambia's import basket in 2010 included machinery and boilers (16.3 percent of Zambia's

global imports), ores, slag and ash (15.8 percent), mineral fuels, oils, and distillation products (11.6 percent), vehicles other than railway or tramway (7 percent), electrical and electronic equipments (4.7 percent), copper and articles thereof (4.6 percent), inorganic chemicals (4.4 percent) and fertilizers (3.6 percent).

Tanzania

Tanzania implemented various trade reforms in the 1990s and early 2000s, resulting in a substantial reduction in its average tariff. The Government adopted its first market oriented National trade policy in February 2003. The vision of Tanzania's trade policy is to transform the economy from a supply constrained one into a competitive export-led entity responsive to enhanced domestic integration and wider participation in the global economy through national trade liberalization. The country keeps on implementing a number of policy measures to create a stable liberalized external sector. Tanzania being a member of East African Community Customs Union, mutual trade among the member countries has increased in the recent years, improving overall trade balance of the economy. The recently launched common market protocol in the EAC region necessitates the need for liberalization in different sectors of the economy.

Tanzania's simple average MFN applied tariff was 12.5 percent in 2010 which is at the same level as the average Sub-Saharan African country. The Board of External Trade, Ministry of Industries and Trade, Tanzania, is responsible for promotion of international trade through bilateral, multilateral and regional co-operation with a view to maximising net foreign exchange earnings and savings through the provision of a range of technical and advisory services to public and private sector enterprises active in the field of external trade. It advices the Government on matters related the formulation, development, supervision and implementation of National export policy. The Customs and Excise Department administers all taxes on international trade.

Total trade of the country improved in recent years from US\$ 2.6 billion in 2001 to US\$ 10.2 billion in 2008, before declining to US\$ 9.3 billion. In 2010, with the improvements in external and internal demand, Tanzania's trade reached the highest ever level of US\$ 11.5 billion in 2010. Although the trade sector of the country has improved, it remains vulnerable to exogenous factors such as climatic conditions and trade shocks. The country is experiencing a negative balance in its trade balance, which steadily increased to US\$ 4.1 billion in 2010 from as low as US\$ 0.9 billion a decade ago.

Total exports of the country increased over four-folds in the last decade from US\$ 0.9 billion in 2001 to US\$ 3.7 billion in 2010 (Chart 3.4).



Chart 3.4: Trends in Trade Performance of Tanzania

Source: WTO

The economic crisis of 2009 resulted only in a moderate fall of 3.6 percent in 2009. Gold being the major exports of the country, rising gold prices helped the economy in maintaining a better than average export revenue. Due largely to improvements in the export of gold and manufactured goods, as well as the strong economic recovery in the emerging markets and developing Asia, Tanzania's export earnings were able to surpass the pre-crisis levels.

Switzerland remains the major export destination of Tanzania in 2010. But the share of the country in Tanzania's exports witnessed a decline from 19.3 percent in 2006 to 17.5 percent in 2010. China overtook South Africa as the second largest export market in 2008. At present China accounts for 16.2 percent of exports of Tanzania, which is a substantial increase from the 8 percent share in 2006. Other principal export markets of the country in 2010 included South Africa (10.7 percent of exports), Kenya (8 percent), India (5.6 percent) and the Netherlands (2.3 percent). Although, there was a decline in Tanzanian exports to EU countries, it was offset by an increase in exports to Asian economies.

Tanzania is Africa's fourth largest gold producer. Also the country has good potential in the exports of natural gas in the coming years, which would substantially increase the export

revenues of the country. Tanzania's exports have also become more diversified in the recent years. The share of traditional sector exports had decreased considerable while that of non traditional sector exports continuous to rise. Pearls, precious stones, metals and coins accounted for 24.8 percent of total exports of Tanzania in 2010, followed by ores, slag and ash (20.3 percent), coffee, tea and spices (4.3 percent), marine products (3.7 percent), copper and articles thereof (3.7 percent), tobacco and manufactured tobacco substitutes (3.5 percent), edible fruit and nuts (3.2 percent), cotton (2.5 percent), edible vegetables (2.5 percent), and fertilisers (2.5 percent).

Imports of Tanzania are increasing at a larger scale than the exports of the country, mostly as a result of imports of oil and staple food. Imports grew at a CAGR of 18.4 percent in the last decade. Althogh, Tanzania's imports witnessed a substantial decrease of 10 percent in 2009, the trend changed with the rebound in global economy. In 2010, imports increased by 22.1 percent to US\$ 7.8 billion from US\$ 6.4 billion in 2009, mainly due to higher value and quantities of imported oil, food and other consumables. The robust import growth was mainly due to high imports of food items (mostly wheat), pharmaceuticals, plastic goods as well as paper, and partly because of demand for re-exports to the neighbouring countries.

In the recent years Tanzania has identified certain emerging economies import partners, as apart from traditional European partners. At present, India accounts for significant proportions of the country's merchandise imports. India is an important source of essential machinery and pharmaceutical products to the country. In 2010, India accounted for 11.2 percent of Tanzania's imports, a substantial rise from its 5.3 percent share in 2006. It was followed by China (10.9 percent), South Africa (9.6 percent), UAE (8.4 percent), Japan (7.1 percent), Switzerland (7 percent), Singapore (5.5 percent) and Kenya (3.4 percent).

Tanzania is a major importer of oil which accounted for 27.6 percent of total imports in 2010 (the highest share for a single item). Vehicles other than railway or tramway accounted for 11.3 percent of total imports, followed by machinery (11.1 percent), electrical and electronic equipments (5.9 percent), plastics and articles thereof (5.2 percent), iron and steel (4 percent), and cereals (3.9 percent).

Botswana

Botswana's status has changed from that of a Least Developed Country to a Middle Income Country in three decades, supported by country's good performance in external trade especially owing to revenues from mineral resources following discovery of large diamond reserves. Botswana depends heavily on its diamond exports and hence makes the country vulnerable to any slump on the demand for diamonds. The government of Botswana is actively pursuing the diversification of its exports sectors from diamonds. A national export strategy was set up with the vision that by 2016 Botswana should be classified as a developed economy built upon a sustainable, diversified, competitive export base. As a part of the strategy, the National Development Plan (NDP 10) and Vision 2016 of the country define the broad trade policy framework for the country and envisage Botswana achieving economic prosperity in which trade plays a dominant role in the realization of economic diversification and poverty reduction.

The Department of International Trade (DIT) established in September 2003 under the Ministry of Trade and Industry (MTI) is responsible for the development, implementation and monitoring of trade policy negotiation and monitoring the implementation of trade agreements and control of imports. The basic objective of the Department is to ensure that Botswana's exports have improved access to foreign markets as well as Botswana benefits from its membership to international trade organizations.

Minerals, especially diamonds accounts for more than half of the export earnings of the country. Botswana's tariff policy is governed by the provisions of Southern African Customs Union (SACU). In line with the Common External Tariff (CET) of the SACU, Botswana's average MFN applied tariff is 7.7 percent.

The country had a positive trade balance of US\$ 1.1 billion in 2007. Due to decreasing exports, the trade surplus turned into a deficit of US\$ 260 mn in 2008, which further increased to US\$ 964 mn in 2010, though lesser than US\$ 1.3 billion in 2009. Total trade of the country registered a CAGR of 10.2 percent in the last decade. Total trade increased from US\$ 4.3 billion in 2001 to US\$ 10.2 billion in 2008, before declining to US\$ 8.2 billion in 2009. The trade sector recovered in 2010 to US\$ 10.4 billion which even surpassed the pre-crisis trade levels (Chart 3.5).

Total exports of the country grew by a CAGR of 7.2 percent in the last decade, to US\$ 5.2 billion in 2007, up from US\$ 2.5 billion in 2001. Exports witnessed a negative growth in 2008 and 2009. The massive power shortages in the country in early 2008 affecting the mining sector coupled with lower external demand in major industrialized countries were responsible for this early decline of exports in the country which is

actually in contrast with other African countries. The exports of the country recovered in 2010 to US\$ 4.7 billion, following the recovery in mining exports and the overall increase in non-mining exports. Main non-mining exports include agricultural products especially livestock production, which is the main agricultural export. As a part of export diversification strategy, local organizations in the country like the Botswana Development Corporation (BDC) and the Botswana **Export Development and Investment** Authority (BEDIA) are focusing on the export promotion of certain niche industries in the economy including textiles and garments, jewellery, tannery and leather products, glass and information and technology products, etc.

Botswana's exports are highly concentrated among a few partners. United Kingdom is the major export destination of Botswana in 2010, accounting for 55.5 percent of total exports in 2010. Though UK still accounts for more than half of Botswana's exports, its share has substantially come down from 72.3 percent in 2006 owing to the growing importance of emerging economies in Botswana's trade. Other major export destinations in 2010 included South Africa (12.9 percent of total exports), Norway (9.3 percent), Israel (5.3 percent), Zimbabwe (3.8 percent), Belgium (3.3 percent) and Switzerland (1.5 percent).

India's share in Botswana's exports increased from negligible levels to 0.9 percent in 2010.

Pearls, precious stones, metals, and coins continued to account for around 70 percent of total export earnings in 2010. Among precious stones, diamonds exports alone accounted for 68.4 percent of total exports. The other main export products are nickel and articles (10.9 percent of total exports), meat and edible meat offal (3.4 percent), ores, slag and ash (2.3 percent), articles of apparel, accessories, not knit or crochets (2.1 percent) and transport equipments (1.6 percent).

Imports of the country grew at a better rate compared to exports, growing

at a CAGR of 13.5 percent in the last decade. Imports increased from US\$ 1.8 billion in 2001 to US\$ 5.2 billion in 2008, before declining by 9.3 percent to US\$ 4.7 billion in 2009. Imports recovered in 2010, growing at 19.6 percent to US\$ 5.7 billion.

South Africa continues to be the major supplier of imports to Botswana, with a share of 72.8 percent in 2010. South Africa's share has come down by a substantial amount from the 85.8 percent share in 2006. South Africa was followed by UK with a 9.3 percent share in Botswana's imports increasing from 1.1 percent share in 2006. Other major import sources in 2010 included China (4.9 percent) of total imports), Israel (1.9 percent), the US (1.3 percent), Namibia

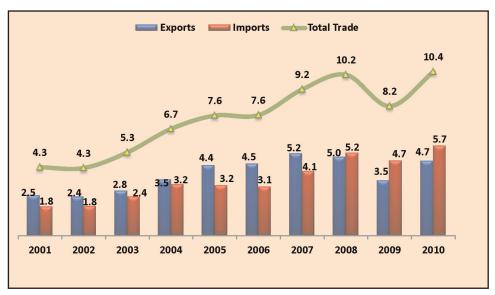


Chart 3.5: Trends in Trade Performance of Botswana

Source: WTO

(1.2 percent), Belgium (0.9 percent) and India (0.7 percent).

Mineral fuels, oils, and their distillation products, accounted for 14.9 percent of Botswana's imports in 2010, followed by pearls, precious stones, and metals (11.7 percent), machinery (10.3 percent), vehicles other than railway or tramway (8.8 percent), electrical machinery and equipments (6.8 percent), articles of iron or steel (3.9 percent) and pharmaceutical products (2.4 percent).

Democratic Republic of Congo

DR Congo has a thriving mining sector, with an estimated US\$ 24 trillion worth of untapped deposits of raw minerals. The constitution of DR Congo adopted on February 18, 2006, enshrines the primacy of inter-

national treaties and agreements over domestic law. At 11 percent, the Democratic Republic of Congo's average MFN applied tariff is in line with that of the average country in Sub-Saharan Africa or the average low-income country. The responsibility of direction and formulation of trade policy rests with the Ministry responsible for trade, along with the ministries in charge of finance (mainly for customs related matters) and those responsible for sectoral policies. The private sector participates in trade policy through the Foreign Trade Facilitation Committee.

DR Congo maintained a trade deficit from 2003 to 2007, which turned into surplus of US\$ 100 mn in 2008. Due to the weaker external demand in 2009, exports of the country declined more than its imports pushing the economy

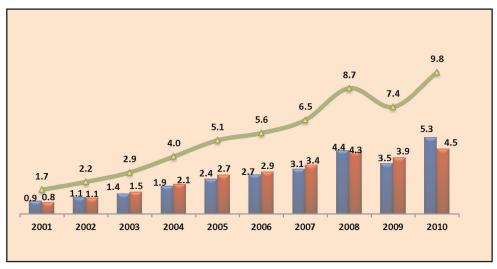


Chart 3.6: Trends in Trade Performance of DR Congo

Source: WTO

further back to a deficit trade balance. The situation improved in 2010, with DR Congo registering a trade surplus of US\$ 800 mn. Total trade of the country grew at a CARG of 21.7 percent over the period of 2001-10. In 2008, trade reached US\$ 8.7 billion from US\$ 1.7 billion in 2001 (Chart 3.6). Due to the lower demand for its mining products, and weakened internal and external situation, trade decreased by 14.9 percent in 2009 to US\$ 7.4 billion. The external sector of DR Congo recovered in 2009 to US\$ 9.8 billion with rebound in both exports and imports.

DR Congo's exports grew by a CAGR of 22.1 percent over 2001 to 2010, supported by increased mining revenues. Exports reached US\$ 4.4 billion in 2008 from US\$ 0.9 billion in 2001. Due to declining demand arised out of the crisis in most of the industrialized countries, many mining firms in the country had shut down or reduced their activities in 2009. resulting in a decrease of exports by 20.5 percent to US\$ 3.5 billion in 2009. However, increased production of copper and cobalt outputs helped the exports to reach an all time higher level of US\$ 5.3 billion in 2010, growing at 51.4 percent. Exports reacted positively to the higher world prices for raw materials, especially minerals.

China is the major export destination of DR Congo, accounting for 44.4 percent of the country's total exports in 2010. China's position in export market has increased tremendously in the recent years as the country only accounted for 25 percent of DR Congo's exports in 2006. Other major export markets of DR Congo in 2010 were Zambia (22.5 percent of total exports), the US (9.7 percent), Belgium (5.2 percent), Saudi Arabia (3.5 percent), Finland (2.3 percent) and Republic of Korea (1.7 percent).

Copper and articles of copper are the major exports item of DR Congo in 2010, accounting for 34.3 percent of DR Congo's total exports. Other major items in DR Congo's export baskets in 2010 included ores, slag and ash (29.2 percent of total exports), mineral fuels (13 percent), other base metals (10.1 percent), inorganic chemicals (2.5 percent), pearls and precious stones (3.1 percent), and wood and articles of wood, wood charcoal (2.3 percent).

Imports of the country grew at a CAGR of 21.3 percent over the last decade. Imports reached US\$ 4.3 billion in 2008 from US\$ 0.8 billion in 2001, before declining by 9.3 percent to US\$ 3.9 billion in 2009 owing to financial slump in global economy. Imports recovered in 2010, growing at

15.4 percent to reach US\$ 4.5 billion with increased demand for production of machinery and manufactures.

South Africa is the major supplier of the imports of DR Congo, with a share of 20.4 percent in total imports in 2010, increasing from 12.2 percent in 2006. South Africa was followed by China, accounting for 11.2 percent of DR Congo's total imports. China is slowly emerging as a major supplier to DR Congo as evident from the fact that in 2006 China only supplied 2.3 percent of the country's import needs. Other major import sources of the country in 2010 included Belgium

(8.3 percent), Zambia (7.9 percent), Nigeria (6.7 percent), France (5.3 percent), Uganda (4.3 percent) and Cameroon (4.1 percent).

The import basket of DR Congo in 2010 consisted mainly of mineral fuels, oils, and distillation products (13.6 percent of total imports), machinery (11.6 percent), vehicles other than railway or tramway (6.5 percent), electrical and electronic equipment (5.3 percent), articles of iron or steel (4.5 percent), plastics and articles thereof (3.5 percent) and pharmaceutical products (3.2 percent).

4. RECENT TRENDS IN INVESTMENT FLOWS, INVESTMENT PROMOTION POLICIES AND EXPORT INCENTIVES OF SADC COUNTRIES

In an attempt to encourage the economic development of its member countries, SADC offers a wide market area and a big consumer population to investors. The formation of the SADC was a great step for the 15 Southern African states toward their economic development. The major goals of SADC are to form common political interests and support greater trade and investment flows between Member States.

The Trade, Industry, Finance and Investment (TIFI) Directorate of SADC coordinates regional trade and financial liberalization; and increased investment in the region. TIFI undertakes its investment mandate through designated Unit, Finance and Investment. The key functions of the Directorate in investment area are Financial and Capital Market Development; Attainment of Deeper Monetary Co-operation; Attainment of Common Tax Policies; Increasing Levels of Intra-SADC Investment and Foreign Direct Investment; Enhancing Productive Competitiveness Industry and Mining; and Effective Coordination to Ensure Compliance

of Regional Trade Arrangements with International Agreements.

The Protocol of Finance and Investment (FIP) was adopted by SADC member states to give legal and practical efforts to their commitments under the SADC treaty. The FIP was approved by the SADC summit in Maseru, Lesotho on August 18, 2006. It deals with the finance, investment and macroeconomic policy issues in the context of overall regional economic integration process and complements measures to promote intra-regional trade. FIP commits member states to co-ordinate their investment regimes and to co-operate to create a favourable investment climate throughout SADC region. The aim of promoting co-operation on investment is to facilitate crossborder investment inflows within the region, and to make the region more attractive for inward FDI.

All SADC Member States welcome foreign direct investment (FDI) and endeavour to provide a liberal FDI regime though there are variations between them with respect to the

extent of liberalization. Though some SADC member states are fully open to foreign investment in many sectors, there are still limits on foreign investment in sectors that are considered strategic and of national importance. In particular, foreign investment restrictions are targeted at strategic sectors such as mineral resources, especially oil and gas; transport and telecommunications; banking and insurance; media (both print and electronic); and small scale activities such as personal services. Access to these sectors are governed byaffirmativepolicies and programmes enacted with clear benchmarks on how to economically empower the historically disadvantaged indigenous race.

Sector wise restrictions in SADC member states include; five SADC countries restrict foreign investment in telecommunications; only Mauritius and Zambia permit 100 percent foreign ownership in telecommunications; while Madagascar and Mozambique restrict foreign ownership on fixed line telecommunications sub-sector, they both allow 100 percent foreign ownership in the mobile sub-sector; Angola restricts foreign ownership in banking, insurance and transport to 10 percent, 50 percent and 80 percent respectively; Tanzania has a restriction of 66 percent in insurance; and most SADC countries restrict media ownership by foreign investors, especially TV broadcasting with only

Madagascar and Zambia permiting 100 percent foreign ownership in the media sector.

TRENDS IN INVESTMENT

SADC is seen as a favourable investment destination in Africa with its abundant natural resources. SADC members are in the process of adopting common investment policies throughout the region. Trends in investment during the last decade show pick up in both inflows as well as outflows. The total foreign direct investment (FDI) inflows to SADC peaked in 2008 to US\$ 32.7 billion driven by the resource boom, from US\$ 4.5 billion in 2000. FDI inflows to SADC declined by 30 percent to reach US\$ 22.9 billion in 2009, due to the contraction of global demand and the fall in commodity prices, which further fell by 10.9 percent to US\$ 20.4 billion in 2010 (Chart 4.1).

The cumulative FDI inflows into SADC from 2000-10 was US\$ 166 billion. In 2010, SADC accounted for 38.9 percent of FDI inflows to Africa and 4 percent of total FDI inflows to developing economies. Angola accounted for the largest share of the FDI inflows to SADC as well as to Africa in 2010, with a share of about 50.3 percent in SADC's total inflows. Angola was followed by South Africa (23.2 percent of total FDI inflows to SADC), DR Congo

32.7 ■ Investment inflow Investment Outflow 22.9 22.6 20.4 15.4 11.9 11.4 8.6 6.8 4.5 2.0 0.3 -0.5 2001 2002 2000 2003 2004 2005 2006 2007 2008 2009 2010

Chart 4.1: Trends in FDI Inflows and Outflows in the SADC Region (US\$ billion)

Source: UNCTADStat, UNCTAD and Exim Bank Research

(5.1 percent), and Zambia (3.8 percent) (Table 4.1). In 2010, Angola, South Africa, Madagascar, Mozambique and Botswana witnessed a decline in the level of FDI inflows. Angola witnessed a decline of around 15 percent in 2010, due to problems in country's oil industry as Angola's oil production has exceeded country's OPEC quota. South Africa's inflows decreased by over 71 percent in 2010, and were almost 6 times lower than FDI inflows in 2008. On the other hand, DR Congo witnessed a growth of more than four-fold in 2010 driven by oil related investments. FDI inflows has resulted in positive developments in many host countries in Africa. In Zambia, investments

from foreign farmers have helped in revitalizing country's agriculture.

Outflow of investment from SADC was much lower compared to the inflows, with outward direct investments (ODI) recorded the maximum amount in 2006 to US\$ 6.3 billion. In 2010, ODI from SADC stood at US\$ 2 billion. The cumulative outward SADC investment during 2000-2010 amounted to US\$ 14 billion, which is 32 percent of total ODI from Africa during the same period. South Africa accounted for the largest share of the outflows from the region in 2010, with a share of 50 percent (Table 4.2). FDI has been unevenly distributed among the member countries in SADC.

Table 4.1: Inward Foreign Direct Investment Flows, Annual, 2000-10 (US Dollar at current prices and current exchange rates in million)

	2000	2005	2008	2009	2010	Aggregate (2000-10)
World	1402680.2	982593.4	1744101.0	1185030.1	1243670.9	12759104.8
Developing economies	257625.1	332306.8	658002.2	510577.7	573568.1	4201782.7
Africa	10967.0	38160.4	73412.6	60166.6	55040.4	426275.8
SADC	4504.5	15406.6	32725.3	22906.1	20403.2	166033.2
Angola	2174.4	6794.2	16581.0	11671.5	9941.6	83505.9
South Africa	887.3	6646.9	9006.3	5365.4	1553.0	38511.6
DR Congo	72.0	-	1726.8	663.8	2939.3	8487.7
Zambia	121.7	356.9	938.6	694.8	1041.4	6247.8
Tanzania	282.0	494.1	679.3	645.0	700.0	5538.0
Madagascar	83.0	86.0	1169.4	1066.1	860.4	4677.4
Namibia	186.5	348.0	720.3	516.4	857.6	4669.5
Mozambique	139.3	107.9	591.6	892.5	788.9	4285.7
Botswana	57.2	278.6	528.1	579.4	529.3	4196.7
Mauritius	276.8	41.6	382.9	257.2	430.0	1912.5
Seychelles	24.3	85.9	179.3	274.9	369.0	1525.9
Malawi	39.6	52.3	8.8	60.4	140.0	739.3
Swaziland	105.8	-45.9	105.7	65.7	92.7	613.6
Lesotho	31.5	57.3	55.6	48.0	54.7	582.5
Zimbabwe	23.2	102.8	51.6	105.0	105.4	539.1

Note: -: Negligible

Source: UNCTADStat, UNCTAD and Exim Bank Research

Table 4.2: Outward Foreign Direct Investment Flows, Annual, 2000-10

(US Dollar at current prices and current exchange rates in million)

						Aggregate
	2000	2005	2008	2009	2010	(2000-10)
World	1232117.1	882131.7	1910509.2	1170527.1	1323337.4	12892554.6
Developing economies	134194.0	122142.8	308890.8	270749.6	327564.2	1984064.9
Africa	1495.2	1968.3	9750.2	5626.6	6635.8	43435.3
SADC	289.8	1312.4	-490.7	1450.8	2026.9	14071.2
South Africa	270.6	930.3	-3133.7	1151.4	450.3	7037.6
Angola	-21.4	221.2	2569.6	8.3	1163.3	5097.0
Zambia	-	-	-	269.6	288.7	643.9
Botswana	2.3	55.9	-91.4	-64.9	-38.2	553.9
Mauritius	12.7	47.5	52.2	37.5	128.7	384.3
DR Congo	-1.8	13.4	54.1	34.8	7.2	188.8
Seychelles	7.7	33.4	13.0	5.3	6.2	124.4
Zimbabwe	7.5	1.1	8.0	20.0	15.0	62.2
Malawi	-0.6	1.0	24.5	1.3	1.3	38.5
Swaziland	10.0	21.0	7.9	-7.0	7.8	13.9
Tanzania	-	-	-	-	-	3.3
Lesotho	-	-	-	-	-	0.2
Mozambique	-	0.2	-	-2.8	0.8	-1.9
Madagascar	-	-	-	-	-	-3.4
Namibia	2.6	-12.6	5.1	-2.7	-4.2	-71.4

Note: -: Negligible

Source: UNCTADStat, UNCTAD and Exim Bank Research

HIGHLIGHTS OF INVESTMENT REGIMES AND INVESTMENT INCENTIVES IN SADC COUNTRIES¹

Angola

Angola has emerged as the major

destination of global FDI to Africa in the recent years. Angola's rich natural resources especially oil is mainly responsible for this. Total FDI inflows to Angola increased from US\$ 2.2 billion in 2000 to reach the highest at US\$ 16.6 billion in 2008. In 2009, the

¹Details of investment regimes and Investment Incentives in SADC countries can be accessed from SADC website: www.sadc.int/english/regional-integration/tifi/investment/

FDI inflows decreased by 30 percent to reach US\$ 11.7 billion in 2009, and fell further by 10.9 percent to reach US\$ 9.9 billion in 2010.

Institutions

The National Agency for Private Investment (ANIP - Agência Nacional para o Investimento Privado), established in July 2003, is responsible for private investment (both national and international) in Angola. It conducts investment promotion activities in accordance with the Private Investment Law, May 2003, the Tax and Customs Incentives Law, July 2003, and the Company Law, February 2004).

ANIP is solely responsible for the approval of Angolan Nationals projects of US\$ 50,000 to US\$ 5 mn, and foreign investor projects of US\$ 100,000 to US\$ 5 mn. All investments have to be registered with ANIP, even though the competent institution for approval may be the Council of Ministers or another body.

The Council of Ministers - Projects with a value above US\$ 5 mn have to be approved by ANIP and the Council of Ministers according to the Contractual Regime (Regime contractual). The Council also approves all projects that are subject to concession agreements (e.g. oil production and diamond mining) as

well as projects that require public enterprise participation.

Banco de Desinvolvimento Angolano (BDA) is the Angolan DevelopmentBankestablishedinJune 2006. Its main functions are to finance and mobilise financial resources for economic and social development projects, provide technical assistance to these projects, analyse, monitor and plan investment projects in the framework of the programme, provide and mobilise funds to minimise the environmental impact of development programmes and provide project management advice.

The Guiché Único de Empresas (GUE) is a One-Stop-Shop for Companies, established in December 2003. The GUE is a public institution that provides public service to companies by concentrating all public processes in one location.

Investment and Export Incentives

Generally, all investments must enable the achievement of social and economic objectives. The minimum requirements for investment incentives granted under the New Investment Law (2003) are:

 minimum investment by national investors with capital domiciled in the country of US\$ 50,000, and by foreign investors with capital

- domiciled abroad of US\$ 100,000; and
- Investment incentives depend on the sector, the area of investment (development zone) or if the investment occurs in a Special Economic Zone. Incentives are defined in the Law on Incentives and Fiscal Benefits for Private Investment, Law 17/03, from July 25, 2003.

Restricted Sectors

Reserved areas of investment are infrastructure related to the telecommunicationssystemandpostal services in which the Government has to have majority ownership or senior partnership. Some sectors are exclusively reserved for the Government namely: production. distribution and sale of military materials, central banking and matters related to the national currency, and ownership and management of seaports and airports.

Development Zones

Development zones eligible for financial incentives are:

Zone A: Province of Luanda, the capital-municipalities of the Provinces of Benguela, Huíla, Cabinda and the Municipality of Lobito.

Zone B: Remaining municipalities of

the provinces of Benguela, Cabinda, Huíla, the Province of Kwanza Norte, Bengo, Uíge, Kwanza Sul, Lunda Norte and Lunda Sul.

Zone C:Provinces of Huambo, Bié, Moxico, Cuando Cubango, Cunene, Namibe, Malanje and Zaire.

Eligible Industries

Eligible industries for financial incentives are defined in Article 24 of the New Investment Law (2003) and Article 4 of the Tax and Customs Incentives Law (2003). These industries are:

Farming & Animal Breeding;
 Processing, Fishing &
 Derivatives; Civil Construction;
 Health & Education; Energy
 & Water Infrastructure; Roads
 & Railroads; Ports & Airports;
 Telecommunications; and Heavy
 Cargo & passenger Equipment.

In addition, **Bonus incentives** are granted for the above mentioned eligible sectors:

- 1. Industrial Tax exemption for a period of up to 10 years for:
 - Investments creating 50 or more full-time jobs for national citizens;
 - o Investments in new undertakings & in the

Financial Incentives

Development Zone	Customs Duties: Exemption from payment of duties & fees	Industrial Tax: Profits yielded from investments are exempted from payment of industrial tax	Capital Gains Tax Companies promoting capital investments are exempted from payment of capital gains tax
Zone A	3 years	8 years	5 years
Zone B	4 years	12 years	10 years
Zone C	6 years	15 years	15 years

rehabilitation of destroyed or paralyzed undertakings in the priority areas (Zone C only).

- 2. Investment expenditures can be assessed as costs for:
 - o Up to 100 percent of the expenses incurred in the construction & repair of roads, railroads, telecommunications, water supply and social infrastructure for the workers, their families and local inhabitants;
 - Up to 100 percent of the expenses incurred in vocational training in all fields of social & productive activity; and
 - o Up to 100 percent of the expenses incurred in investments carried out in the cultural sector and/or purchase of works of art of Angolan authors & creators, provided they remain in

Angola and are not sold for a period of 10 years.

Special Contracts

Separate contracts are issued between the State of Angola and the foreign investor in case of the following private investments:

- Development of a Naval Shipyard: Foreign investors who intend to develop a naval shipyard to support the oil industry receive a special contract which provides clauses for resolving disputes, regarding the transfer of profits and guarantees as well as the protection of rights and guarantees.
- Beer Factory: for the establishment of a beer factory in Angola. ANIP is the representative of the State.
- Assembly of Cars: when installing a factory for the assembly of cars at an amount of US\$ 30 mn.

Foreign Investors

The Private Investment Law, May 2003, provides the basis for all investment-related issues, sets the specifications, requirements, and processes of investment. All investment intentions have to be registered by ANIP and all proposals for project both national and international have to be handed in at ANIP, even though another entity may be responsible for approval.

Definition of Investments

There is a distinctive difference in the definition of foreign and national investment (Article 2 of the Private Investment Law) which has further implications on the operation of investment projects.

- National investor means the resident individual or legal entity, regardless of nationality, who conducts investments in the country with capitals domiciled in Angola, not entitled to transfer dividends or profits abroad.
- resident or non-resident individual or legal entity, regardless of nationality, who introduces or uses in domestic territory, under the terms of the preceding paragraph, capital domiciled abroad and is entitled to transfer profits and dividends abroad.

 Foreign investors are allowed to transfer foreign currency to Angola, import capital investments and equipment which would otherwise be restricted.

Investment Restrictions

Foreign equity participation is restricted in several economic sectors, such as:

- 49 percent in the oil and gas sector:
- 50 percent in the insurance sector;
- 80 percent in the transport sector;
- 30 percent in the publishing, TV broadcasting and newspaper media sectors; and
- 10 percent in the banking sector.

Foreign Investment Establishment, Registration & Licensing Processes

Investors interested in investing in Angola have to apply for approval of their investment according to the Prior Declaration System (Declaraçao Previa), Private Investment Law, 2003. Investors have firstly to obtain an application form from ANIP in Luanda office for a fee of US\$ 150. Together with the completed application form, a package of information and documents needs to be supplied to ANIP. Projects valued at US\$ 5 mn and more need to provide an expanded proposal including financial, economic and

technical feasibility studies and a draft contract.

Once the completed package is handed over to ANIP, the process of approval occurs according to two systems:

- Prior Declaration Regime: Projects from Angolan nationals with a value of US\$ 50,000 to US\$ 5 mn and foreign investors with a value of US\$ 100,000 to US\$ 5 mn. After providing the completed documents as required, ANIP will assess the proposal and decide within 15 days. ANIP has the full power of approval or rejection of proposals.
- Contractual Regime: Projects at a value of US\$ 5 mn and more will be reviewed by ANIP and the Council of Ministers, as well as projects that may only be carried out by means of concession of rights of temporary operations, and projects carried out with the participation of public companies.

Forms of Business Entity

Local Company: may be organised as a: (i) General Partnership (Sociedade em Nome collectivo); (ii) Limited Partnership (Sociedade em Comandita); (iii) Limited Partnership with Share Capital (Sociedade em Comandita por acções); (iv) Limited Liability Company by Quotas (Sociedade Limitada or LDA); or

(v) Joint Stock Company (Sociedade Anónima or SA). The most common legal entities used by investors are the Limited Liability Company by Quotas and the Joint Stock Company.

General Partnership: The stakeholder covers the general obligations of the company without limit and together with the other stakeholders, irrespective of his share.

Limited Partnership: For this type of company, the provisions for general partnerships apply to the extent that they comply with the Commercial Company Law.

Limited Partnership with share capital: provisions relating to corporations (joint stock company) are applied to the extent that they comply to the Commercial Company Law.

Limited Liability Company by Quotas (Sociedade Limitada, LDA): The LDA has a minimum of 2 shareholders and a minimum capital requirement in national currency (Kwanza) equivalent of US\$ 1,000. 5 percent of the minimum capital can be deferred provided that the full minimum is paid up on the effective date of incorporation.

Joint Stock Company (Sociedade Anónima, SA): The SA has a minimum of 5 shareholders. In case that one shareholder is a State entity, the minimum number of shareholders

is reduced to 2. The minimum capital requirement is the equivalent of US\$ 20,000 in national currency, of which 30 percent must be fully paid on the effective date of incorporation. The SA appoints a General Assembly, a Board of Directors and an Audit Committee.

Mining Sector

The Mining sector is regulated by the Mining Law from 1992, and the Diamond Law no. 16/94, from 17 October 1994. All minerals belong to the State. The Ministry of Geology, Mining and Industry is in charge of mineral exploration and development activities and grants relevant prospecting and mining titles. The law prescribes that any mineral prospect has to be transferred to a state company for further development.

In the diamond sector, ENDIAMA, the State Diamond Mining Company is in charge. FERRANGOL is the state ownedcompanyresponsibleformining iron ore and manganese, ROREMINA is responsible for mining ornamental stone, FOSFANG for mining rock phosphate, and MINAQUARTZ for mining quartz. Information on the individual processes for application for prospecting and exploration permits can be found in the Mining Law from 1992, and for the Diamond Sector in the Diamond Law no.16/94.

Private Investment in the Utility Sector

The government encourages the establishment of public-private partnerships and the participation of private investors in public utilities such as the electricity and water sector. Private companies can receive concessions to operate hydroelectric dams as well as shipping terminals in the Port of Luanda.

Energy and Electricity Sector

The energy sector is regulated by the General Electricity Law of 1996. The Council of Ministers is authorized to grant concessions for power capacity superior to 1MW or when there are more than 50,000 inhabitants. Provincial governments have the power to grant licenses.

Foreign Investment Operations

Angolanisation

The General Labour Law 1981 outlines responsibilities of employers and employees. The Private Investment Law 2003 and other regulations favour the hiring of Angolan nationals ("Angolanisation"). They mandate equal pay for Angolan and expatriate staff with the same job functions and responsibilities and enforce the investor to promote training of local workforce up to management responsibilities. Especially in the oil

industry, Government strictly controls the hiring of Angolan nationals and is enforcing the "Angolanisation" policy since late 2008. A company may request government permission to hire expatriates only where a qualified national is not available. In general, expatriate staff in Angola is limited to 30 percent of a company's workforce.

Business Taxation

Business taxation is regulated under the Corporate Income Tax Code of 1972. All companies and selfemployed individuals are subject to business income tax. Domestic dividends, interest and royalties are furthermore subject to withholding of an investment income tax under Law 7/97 Withholding Tax.

- Business Income Tax The standard corporate income rate is 35 percent and entities in the mining sector 35 percent. Oil enterprises have an income tax of 50 percent for production sharing agreement partners, and 66.8 percent for joint venture partners taxed as business income.
- Tax on Dividends from Capital Gains - Dividends from capital gains are taxed with 10 percent from domestic sources, from foreign sources they are taxed as business income. The tax rate for

- interest is 15 percent for loans and 10 percent for corporate bonds.
- Tax on Royalties Royalties coming from a domestic source are taxed at 10 percent; from foreign source they are exempted. Fees and rent are taxed as business income.
- rax on Capital Gains Worldwide capital gains obtained by resident companies are treated as business income and taxed at the standard flat rate of 35 percent. Capital gains from the sale of shares, quotas and other corporate right do not attract any income tax.
- Tax on Transactions The standard tax rate of consumption is 10 percent and in some cases the consumption tax is reduced to 2 percent (e.g. for domestic supplies and some commodities) while increased tax rates of 20 to 30 percent apply to commodities which are essentially luxury goods.
- Stamp Duty & Transfer Duty

 In case of any transactions, acts, deeds, documents, papers, receipts and other transactions, a stamp duty has to be paid. In certain cases the amount of duty is fixed; in others, however, it is a percentage in the range of 0.3 percent to 10 percent. The most common stamp duty rate is 1 percent.

Foreign Exchange and Foreign Investors

The entry and exit of capital is not liberalised in Angola and any foreign exchange trade needs the official authorisation of the National Bank of Angola (BNA) according to the Foreign Exchange Law, June 1997. Entities operating in fields linked to tourism, such as hotels, tour operators, or travel agents are authorised to buy and sell foreign currency, traveller cheques or other payment instruments, but only under terms and provisions of the BNA.

For new investors, BNA will be informed by ANIP to authorise the entry of foreign capital in the framework of the applied investment project after approval of the investment license as well as thereafter. All the transactions fall under national laws such as the Currency Exchange Law for transaction fees, amortisations, taxes and other duties.

The Private Investment Law (2003) specifies how the transfer of profits and dividends has to occur in compliance with this law and the Foreign Exchange Law. The foreign investor can transfer abroad (Article 13):

- distributed dividends or profits;
- liquidation proceeds of investments, including capital gains, after deduction of the taxes levied thereon;

- any credits, after deduction of the relevant taxes, arising out of acts and contracts considered as private investment operations under this law;
- proceeds of indemnities;
- royalties and other income obtained from indirect investment revenues associated with the assignment of transfer of technology.

Accordingly, the Central Bank must authorise repatriation of profits and dividends exceeding US\$ 100,000 by Central Bank Order 4/2003. Furthermore, it can temporarily suspend repatriation of dividends or impose repatriation in instalments if immediate repatriation would have an adverse effect on the country's balance of payments.

Investments in diamonds, petroleum and financial institutions are covered by separate legislations such as the Law of Diamonds, Law no.16/04, the Law of Petrol Activities, Law no. 10/04, from 12 November 2004, and the Law of Financial Institutions, Low no. 13/05, from 30 September 2005.

Botswana

Institutions

The Ministry of Trade and Industry is responsible for industrial, investment and trade policies. Private sector and public enterprises are represented by the Botswana Confederation of

Commerce, Industry and Manpower (BOCCIM) and the Botswana Exporters and Manufacturing Association (BEMA).

The Botswana Export Development and Investment Authority (BEDIA) promotes, attracts, encourages and facilitates the establishment of export-oriented enterprises and select services. BEDIA is to identify markets for local manufactured products and identify or provide factory buildings for start up manufacturing enterprises. BEDIA provides support and services to potential and existing investors.

Botswana International Financial Service Centre (BIFSC) was established in 2000 to improve the macro-economic environment and introduce a liberalised foreign exchange regime by stimulating cross-border financial services from Botswana in currencies other than the Botswana pula (BWP).

Botswana Development Corporation Limited (BDC) was established in 1970 as the main Government agency for commercial and industrial development. BDC provides a wide range of financial services. BDC may take an equity shareholding in projects of a significant size and strategic importance. BDC provides loan finance at competitive interest rates usually repayable over ten years. BDC offers investors a wide range of business premises at competitive rentals.

Investment and Export Incentives

Botswana relies mainly on a favourable investment climate as the major attraction to investors. Botswana has stable political and economic systems and policies, a respected legal system, available land and labour resources, access to international markets, liberalised foreign capital and income transfers and relatively low tax rates.

Botswana Export Credit Insurance and Guarantee Company (BECI) provides export credit insurance for Botswana and foreign exporters. The company was established in 1996 as a wholly owned subsidiary of BDC. BECI offers insurance against nonpayment by foreign buyers resulting from commercial risk (default and insolvency) and political risk (transfer delays, strikes, war or import restrictions that prevent entry in the buying country). The insurance cover is for up to 85 percent of commercial risks and up to 90 percent of political risks on exports of goods and services. The Government reinsures political risks under the Political Risk Reinsurance Act 1997, and commercial risks are reinsured by the private reinsurance market.

Tax Incentives

- A corporate tax rate of 15 percent until 2020;
- Exemption from withholding taxes on interest, dividends,

- management fees and royalties paid to a non-resident;
- Exemption from VAT and Capital Gains Tax;
- Access to 200 percent tax rebate;
- Income from disposal of shares in IFSC company is tax exempted;
- Credits for withholding taxes in other jurisdictions;
- Access to double taxation treaties; and
- Tax exemptions for collective investment undertakings (for unit trusts and collective investment structures).

Customs Incentives

Industrial rebate Concession: This exempts from payment of customs duties of some raw materials used for products sold either for local or external market. The customs duty liability will cease once the goods are manufactured or exported. This concession applies to industries such as textiles, foodstuff and beverages.

General Rebates: This is available for companies that are exclusively exportoriented. It applies to raw materials that are not exempted above, but are imported for manufacturing and reexported and the raw materials are not available locally.

Customs Duty Drawback Facility: This facility is limited to manufacturing companies that export outside the Common Customs Area (CCA), where they claim refund on customs duties they paid for imported raw materials. The application for the drawback must be lodged with proper documentary evidence within one month after export of the final goods.

Schedule 470.03: Manufacturing companies registered under this schedule are allowed to import raw materials duty-free, provided that 100 percent of output is exported outside the CCA. The company that sells some of its produce within the CCA will pay duty only on raw materials used to manufacture goods sold in the CCA.

Machinery and equipment: All machinery and equipment for purposes of manufacturing is imported duty-free.

Registration and bonded store: For a company to import raw materials under any of the above duty rebate concessions, it must first apply to the Director of Customs and Excise to be licensed to operate a rebate store. All materials imported under the concessions will be taken direct from port of entry to the rebate store and no other material will be allowed. Machinery and equipment imported temporarily for a specific project does not require bonded storage.

Duty Credit Certificate Facility: This is a product-specific duty rebate facility and it applies to clothing and accessories, clothing household textiles, yarns, fabrics and other textiles. The companies should have been exporting products from these materials to markets outside the SACU area for at least a year. The amount of duty rebated is a given percentage of the value of the exported goods, not the actual rate of customs duty. These percentages are 25 percent for clothing and accessories, 8 percent for yarn, 17.5 percent for household textiles and 12.5 percent for fabrics and other textiles.

Foreign Investment & Capital Mobility

Botswana does not have a standalone foreign direct investment law and there are no restrictions on portfolio investment. Botswana has no restrictions on investment ownership, the sources of financing for investments, the marketing of products, the sources of technology used by companies, or the methods of training used by companies. Foreign and domestic private entities may freely establish, acquire, and dispose of interests in business enterprises. There are activities reserved for ownership by citizens and a minimum value for foreign investment in a number of industries.

Activities Reserved for Botswana Citizens

Under the Industrial Development (Amendment) Regulations, 2008, small-scale manufacturing reserved for Botswana citizens or companies wholly owned by Botswana citizens. Activities included in this reservation are: manufacture of school uniforms. manufacture of school furniture, burglar manufacture of bars. manufacture of protective clothing, milling of sorghum, manufacture of cement bricks and baked earth (mud) bricks, baking of bread and confectionery, manufacture of peanut butter, bottling of water, production of traditional sour milk, packaging, manufacture of floor polish, manufacture of traditional leather products, manufacture of traditional crafts, signage, including electronic signage, fencing materials, excluding gum poles, manufacture of candles, ice making, and meat processing.

The **Trade Act, 2003** provides that certain activities are reserved for Botswana citizens or companies wholly owned by Botswana citizens. Joint ventures in the reserved activities are permitted with up to 49 percent foreign participation (or otherwise subject to approval by the Minister of Industry and Trade) in medium business enterprises with less than 100 employees and annual

sales between P 1.5 mn and P 5 mn. Activities included in this reservation Auctioneers, are: bookshops. boutiques, car wash, cleaning services, curio shops, department stores, distributors, dry cleaning, fresh produce, funeral parlours, furniture shops, general clothing, general dealers, hair dressers, hardware, hire services, laundromats, motor dealers, petrol filling stations, restaurants, supermarkets / chain stores, takeaway restaurants, wholesale, and workshops.

Under the **Liquor Act 2003**, a reservation similar to that under the Trade Act applies to: Liquor bars / clubs (other than bars linked to hotel establishments), bottle stores, liquor depots, discotheques / night clubs and liquor distribution and wholesaling.

Under the Mines and Minerals Act, 1999, there is a small scale mining reservation for Botswana citizens or companies wholly owned by Botswana citizens. Small-scale mining is the intentional mining of minerals other than diamonds in operations involving the mining and processing of less than 50,000 tonnes of raw ore per annum and in which the overall investment in fixed assets does not exceed P 1 mn.

Botswana has made full GATS commitments on market access to hotels and restaurants, including catering, and travel agencies and tour

operators. The commitments cover camping and caravan site services.

Foreign Investment Establishment, Registering and Licensing Processes

The Industrial Development Act 2007 provides for service delivery improvement, by reducing the time taken to issue manufacturing licences from one month to one week, and for the issue of manufacturing licenses for an indefinite period, subject to payment of an annual fee. The Industrial Licensing Authority at the Ministry of Trade and Industry is responsible for licensing of large scale and complex manufacturing enterprises. The Act provides for joint venture arrangements between wholly citizen-owned small and medium scale enterprises (SMEs) and non-citizens, where citizens retain a minimum of 51 percent shareholding.

The Industrial Development Act applies to any manufacturing enterprise which:

- is wholly or partly owned by citizens of Botswana and employs, in the aggregate at any given moment anywhere in Botswana, 10 or more persons, including managers, directors, or sales or clerical or other staff:
- any person not being a citizen of Botswana carries on by himself or herself or with others; or

 irrespective of the number of persons employed therein, uses any engine, motor or other appliances providing energy derived from steam, water, sun, wind, electricity, the combustion of fuel or any other source of not less than 20 kilowatts or equivalent power in aggregate.

The Companies Act 2004 - A foreign investor is required to register a company under the Companies Act. The Act which came into force in July 2007 introduced simplified company registration procedures and aims to reduce registration time from twelve weeks to five working days.

Mining Sector

The legal framework for mining operations is based on the Mines and Minerals Act 1999. The Ministry of Mineral Resources and Water Resources promotes, regulates and assists in the mining sector and collects, synthesises and disseminates mining and mineral related information.

The Act provides for prospecting licences, retention licences, mining licences, and mineral permits for small-scale mining operations. Retention licences allow prospectors to defer mining of uneconomic deposits for up to six years. Except for diamonds, the legislation provides for automatic progression from exploration to mining.

Mining licences are issued only to Botswana-registered companies. The tax regime and level of state participation in diamond mining are subject to negotiation between the Government and the investor.

Telecommunications and ICT Sectors

Liberalisation of the telecommunications market began in 1996 following the adoption of the TelecommunicationsPolicyof1995and enactment of the Telecommunications Act (Act No. 15 of 1996), which abolished the de jure monopoly of Botswana Telecommunications Corporation (BTC) in some segments of the market and established the independent regulator, Botswana **Telecommunications** Authority (BTA). The Government plans to consolidate the framework for telecommunications, broadcasting, postal services. computer technologies, and all other subsectors (Communications Authority Bill). It is intended that BTA would be merged into a new regulatory body, the Botswana Communications Regulatory Authority.

Tourism Sector

The Ministry of Environment, Wildlife, and Tourism (the Department of Tourism) is responsible for policy formulation and oversees development of the tourism industry.

Botswana's tourism policy seeks to address issues of sustainable use of natural resources for tourism, and of increasing benefits for the local population. The Botswana Tourism Board (BTB), established in 2006, is responsible for investment promotion. product development, and grading of tourism facilities (Botswana Tourism Board Act, 2004). Licensing of tourist enterprises is governed by the Tourism Act of 1992, and the Tourism Regulations of 1996. Licences are granted by the Tourism Industry Licensing Board, a five-member board appointed by the Minister of the Environment, Wildlife and Tourism.

Foreign Investment Operations

Employment

The Employment Act regulates terms of employment and minimum conditions of service for employees and it applies to citizens, expatriates, private and parastatal sectors. Employment of Non-Citizens Act regulates employment of non-citizens.

Business Taxation

Corporate tax rates in Botswana are the lowest in the SADC region, at 15 percent for all manufacturing concerns and all companies operating within the jurisdiction of the BIFSC and 25 percent for other non-manufacturing. The 15 percent manufacturing tax comprises 10 percent additional tax

and 5 percent basic company tax. VAT is imposed comprehensively on an end-user basis and the rate of 10 percent on standard rated supplies and 0 percent on zero-rated supplies.

Diamond Projects

The taxation regimes for large diamond projects may be negotiated on a case-by-case basis and the tax agreements are subject to ratification by Parliament. Non-diamond mining companies are subject to the standard tax rate of 25 percent. The legislated royalties are 10 percent of the gross market value for precious stones, petroleum, and natural gas, 5 percent for precious metals and 3 percent for all other minerals.

Tax Allowances

Capital allowances - the maximum allowance is 100 percent of the cost.

Plant and machinery - an annual allowance ranging from 10 percent to 25 percent of the cost can be claimed.

Buildings - an initial allowance of 25 percent applies to new buildings and improvements to existing buildings used in an industrial business.

Training - an employer is allowed a deduction of 200 percent of the cost of training employees, for such training as is approved by the Commissioner.

Foreign Exchange and Foreign Investors

Profits, dividends, and capital can be readily repatriated. The Bank of Botswana administers exchange control regulations through commercial banks that act as authorised dealers.

Democratic Republic of Congo

Institutions

The National Agency for Promotion of Investment (ANAPI) has been set up by the Investment Code, in 2002. ANAPI is a public technical institution with legal status that is placed under the provision of the Ministries of Planning and Portfolio. ANAPI is set up as a One-Stop-Shop for public, private and semi-public investments in DR Congo.

The aims of ANAPI are: a) to receive investment projects for approval within the framework of the Investment Code and investment projects governed by laws according to the Investment Code, or to provide technical advice in regard to the other laws; and b) to ensure the promotion of investments in DR Congo within the country as well as abroad.

ANAPI is responsible for promotional activities and approval of applications in all sectors of economic activity, except to some sectors in which

ANAPI only intervenes through providing its opinion for respective projects as required. Accordingly, the Investment Code is not applicable to the following sectors as they are handled by separate laws:

- · Mining and hydrocarbons;
- · Banking;
- Insurances;
- Production of munitions and activities related to the military;
- · Production of explosives;
- Assembly of military equipment and paramilitary security services;
- Production of munitions, military and paramilitary activities or security services; and
- Commercial activities.

Investment and Export Incentives

Priority Regions

The Investment Code defines 3 economic regions that have been classified according to their degree of economic development. Incentives for investors have been developed depending on the region they invest in:

- Region A: City of Kinshasa
- Region B: Bas Congo, Town of Lubumbashi, Town of Likasi, Town of Kolwezi
- Region C: Bandundu, Equator, Eastern Kasai, Western Kasai, Maniema, Kivu North, Kivu South, Eastern Province, Katanga

Priority Sectors

ANAPI and the government have identified investment opportunities and encourage investments in the following sectors:

- · Mining and Hydrocarbons;
- Agriculture, Forestry, Farming and Fishing;
- Industry: Manufacturing & Basic metallurgic industries;
- Electricity and Potable Water;
- · Banking;
- Infrastructure;
- Tourism:
- Transport & Harbours;
- Telecommunications; and
- Building, Public Works and Habitat (civil engineering).

General Incentives

Investments accepted to qualify for the Investment Code shall benefit from advantages referred to below for a period of:

- Three (3) years if in economic Region A
- Four (4) years if in economic Region B
- Five (5) years if in economic Region C

The Government grants various customs and tax advantages when investment projects are approved to qualify according to the Investment Code.

Customs Incentives

Customs advantages are stated in Articles 10-12 of the Investment Code:

- With the exception of the administrative tax (5 percent), a full exemption from duties and taxes on import for machinery, new tools and equipment, new spare parts not exceeding 10 percent of CIF value of the said equipment for public utility investments;
- Exoneration from duties and taxes on export for all or part of finished products, carved or semi-carved in good conditions for the balance of payment; and
- Second hand heavy engines, ships and aircraft are allowed a total exemption.

Exemption from fees and taxes at importation can only be granted if one of the following conditions is fulfilled:

- The concerned goods are not manufactured in DR Congo.
- The price before tax of the local product is 10 percent higher than the price of the same imported product.

Approved investments, which envisage the exportation of all or part of their finished products, processed or semi processed goods under conditions that are favourable for

Summary of Customs regime on imports

	Common Law	Investment Code
Equipment, machinery, plant, tools, heavy vehicles	8 percent	Exemption (5 percent administrative charge not exempted)
Agricultural and breeding inputs	5 percent	5 percent
Raw Materials	5 percent	5 percent
Pharmaceutical inputs	5 percent	5 percent
Spare parts	10 percent	Exempted
Other inputs and intermediate products	10 percent	10 percent

the balance of payment shall benefit from exemption from fees and tax at exportations. This exemption applies from the first exportation with exportation documents proving so. (Article 12)

Restrictions

According to Article 32 of the Investment Code, any material, equipment, goods and tools imported under the benefits of the Investment Code are not allowed to be transferred, leased or used for other purposes other than the initial purpose within a period of 5 years. However, an exception can be granted by the Ministry of Planning and after notification by ANAPI. A reason for granting such exception could be that lease, transfer or envisaged use could improve the development of a disadvantaged region.

Tax Incentives

Tax incentives provided under the Investment Code are the following:

- The benefits realised by new approved investments are completely exempted from professional contributions on revenue,
- Investments in socioeconomic infrastructure such as schools, hospitals, sporting facilities and roads realised under approved projects are redeemable according to the regulations on degressive repayments (sliding scale of charges);
- Full exemption from professional tax on income for profits made by approved investments;
- Exemption from land tax (on land concessions and developed properties);

- During their constitution or the increase of their share capital, approved limited liability companies are exempted from proportional rights/fees. Approved companies, other than those mentioned above, are exempted from fixed rights/fees;
- Exemption from ad valorem duty on the constitution or increase of the share capital of Limited Liability Companies (SARL);
- Approved enterprises that buy equipment/material from local producers and industrial inputs manufactured in DR Congo or solicit the services of workers on immovable property, are exempted from paying tax on the turnover on these products and services;
- Benefits for SMEs / SMIs are furthermore:
 - Full exemption from duties and taxes on import of machinery and equipment, even second hand tools (besides the administrative tax);
 - Possibility of calculating the depreciation according to a degressive mode;
 - Deduction of expenses made for the training or improvement of the staff, protection and conservation of the environment from the taxable income; and
 - o Exemption from duties on charters and registration fees in the new trade register.

Depending on the economic region where the investment will take place, the above stated advantages are granted for a period between 3 and 5 years which starts as soon as the goods and services produced by the approved company are on the market.

Foreign Investment & Capital Mobility

Investor Definitions

The Investment Code, 2002 defines the different terms relevant to investment operations in Article 2.

- Direct Investment: All investment coming from the field of application of this law envisaged through a new enterprise or existing enterprise whose objective is to put in place a new capacity or to increase production capacity; expand the range of products or to improve the quality of products and services.
- Direct Foreign Investment:
 All investment whose foreign participation in the share capital of an enterprise in which the investment realised is at least equal to 10 percent.
- Direct Investor: All natural persons, public or private doing direct investment in DR Congo.
- Direct Foreign Investor: All natural persons who are not of Congolese nationality or of

Congolese nationality and resident in a foreign country and all natural persons public or private whose cooperate headquarters is not within the Congolese territory and is carrying out a direct investment in Congo.

Requirements & Obligations

Every investor/ investment that wants to qualify for benefits under the Investment Code, has to fulfil the following requirements:

- Being an economic entity of Congolese rights;
- Should have a minimum amount equivalent to US\$ 200,000;
- Do respect the laws as far the protection of the environment and nature is concerned;
- Engage in training local personnel for specialised technical posts, and management posts; and
- Guarantees a value added rate equal to or more than 35 percent.

Once approved, investors have to follow certain obligations as stated in the Investment Code.

Foreign Investment Establishment, Registering and Licensing Processes

The Investment Code (Article 5) specifies that all investors that want to take advantage of benefits granted under the Code need to provide a

complete file including all relevant project information and proofs according to the prescribed format to ANAPI. ANAPI will examine the project proposal and transfer it to the Ministries of Planning and Finance for the issue of the approval in form of a Ministerial Decree.

Investing in the Mining Sector

The basic law in the Mining Sector is Law no. 007/2002 from 11 July 2002 stating the Mining Code. In addition to this law, different Ministerial Decrees and Orders have been specified, which are given in the website of the Ministry of Environment, Nature Conservation and Tourism which is the authority in charge of this sector.

Mining Prospecting

The company must be registered under Congolese law. A prospecting permit shall be acquired from the Mining Land Registry (CAMI) for a fee of US\$ 2.55 to US\$ 124.03 per sq.m. Conditions for this license are that the company is eligible according to the mining laws, can prove his/her financial capacity equal to at least ten times the total amount of annual superficiary duties per square to be paid for the last year of the 1st validity period of that duty; and that is has prepared and got approval for the buffering/ lightening and rehabilitation plan within the six months of delivery of the prospecting permit.

Mining Exploration

The company must be registered under Congolese law and obtain a prospecting permit from the Mining of Land Registry (CAMI). Conditions for this license are that the company can show evidence of the existence of an economically exploitable deposit (providing a feasibility study); the company can proof the necessary financial resources, and that it has obtained a prior approval of the environmental impact study and of the plan of project environmental management. The cost for this license will be US\$ 195.4 to US\$ 679.64 per sq.m.

Foreign Investment Operations

Labour Law 2006

The Labour law, (Law No. 015/2002 from 16 October 2002) stating the Labour Code covers is the basic law covering labour issues in DR Congo. It contains regulations on contracts, professional training and education, rights and obligations of employers and employees, remuneration and forms of salary payment, the general work conditions, administration, the regulations on employment of minors, women and handicapped workers, leaves, and additional allowances such as the provision of meals and transport allowance.

Business Taxation

The Value Added Tax (VAT) is known as CCA and currently rates at 13 percent with the exemption being granted to petroleum-related activities of companies approved by the Hydrocarbons Code. Staple foods are also mainly exempted.

The highest marginal corporate income tax for corporations is 40 percent and for individuals 50 percent. The tax rate on income, profits and capital gains is 32 percent.

Foreign Exchange and Foreign Investors

International transfers that are linked to investment operations are regulated by the Investment Code, 2002 in Articles 27. They are guaranteed by the state as long as they conform to exchange regulations. If the government applies restrictions to this liberty, foreign investors are, however, granted the following benefits (Articles 28-30) of the Investment Code:

- Dividends and revenues generated by reinvestments in the company are guaranteed;
- Transfer of royalties, loan payments, interests and other charges that a Congolese company admitted to this Law has to pay in order to service a loan or obligations abroad for financing this investment are guaranteed;

 Without prejudice to the dispositions of the regulation on foreign exchange, all payments due to foreigners are transferable as indicated in Article 27.

The central bank is responsible for foreign exchange and trade regulations. Exporters and importers have to be licensed by the Central Bank and declare their foreign exchange transactions. Importers also have to declare their currency at commercial banks. The Central Bank maintains a relatively liberal system of payments for trade which is finances through commercial banks.

Investment Protection and Dispute Settlement

DR Congo is a member of MIGA as well as ICSID and has ratified the Convention of ICSID on April 29, 1970 to adhere to its procedures on settling investment disputes.

Lesotho

Institutions

The Ministry of Trade and Industry, Cooperatives and Marketing (MTICM) seeks to:

 attract foreign investment in order to broaden the country's industrial base and improve employment opportunities for the local population;

- identify and assist local entrepreneurs and the farming community to utilise export opportunities in order to improve the country's foreign exchange earnings, and create growth in the industrial, commercial, and agriculture sectors;
- facilitate the creation of a conducive and appropriately regulated environment for commercial and marketing activities in order to improve the performance, and to support the growth, of local entrepreneurs and farmers; and
- foster Lesotho's effective participation in international and regional trade organisations and maximizing its benefits from treaties to which it is a signatory, and increasing market shares, profit margins, and on-farm income.

Trade Promotion Unit (TPU) - TPU in MTICM is responsible for supporting exporters to market products outside Lesotho. TPU was established in 1978 to promote, coordinate and develop exports. TPU offers technical assistance and advice to exporters, promotes and publicises exports, undertakes research and studies on specific exportable products, and assists foreign buyers. TPU facilitates participation of local manufacturers and exporters at regional and international trade fairs and exhibitions. The Government provides marketing assistance, but does not provide direct financial support for costs of trade fair participation.

The One Stop Shop, set up in 2007 at MTICM, gives guidance and support to complete the steps of obtaining a Manufacturing or Trading License, registering as an importer, import and export permits and obtaining work and residency permits.

Lesotho National Development Corporation (LNDC) while the mandate of the LNDC is to initiate, promote and facilitate the development of manufacturing and processing industries, mining and commerce, its core functions include finance, foreign investment promotion. domestic investment promotion, monitoring and appraisal, legal services, property management. In these matters, it works as a onestop shop for investors. LNDC seeks to promote Lesotho as a location for investment and the establishment of commercially viable medium to largescale enterprises by foreign and domestic investors.

Investment and Export Incentives

LNDC as well as the One Stop Shop at MTICM can assist with getting a business started

- Reserving a company name
- Registering a company
- Getting a manufacturing license
- · Registering for tax

- Registration of a workplace
- Registering for municipal rates
- Immigration Issues Visitors visas, Residence permits, 6 month border concessions
- Connecting to Utilities Electricity, Water, Telecommunications
- Labour issues Work permits

LNDC may provide loans to finance projects or take equity investments in projects.

Export Finance and Insurance Scheme

The Central Bank supports an exporter by guaranteeing 50 percent of credit extended by the exporter's bank. The credit facility is only for working capital requirements. The key objective of the scheme is to enhance economic growth by assisting local exporters gain competitive advantage in the international markets, with the aim of achieving poverty reduction and job creation. Exporters must meet the following criteria:

- The applicant must have been in the export business for at least one year;
- The applicant's business must export at least 50 percent of its annual production;
- All of the exporter's merchandise/ service must be manufactured in Lesotho with a Value Added component of least 35 percent;

- The applicant must have a valid export order;
- A large scale exporter must have a linkage with Lesotho businesses; and
- The applicant must keep a proper set of business records.

The minimum amount that can be borrowed under the scheme is M50,000 (US\$ 6700) and the maximum for a small business is M1,000,000 (US\$ 134,000) while a large business can borrow up to M5,000,000 (US\$ 670,000). A small business has less than 50 employees or annual turnover less than M5,000,000 (US\$ 670,000).

The term of the guarantee cover is one year from the date of issue. The scheme is administered by commercial banks that charge interest up to the maximum of the prevailing prime rate and there is an application fee. A financed exporter is charged a quarterly guarantee fee at the rate of 0.75 percent on the highest amount outstanding in each quarter. The exporter must take insurance cover against commercial and political risk. The uninsured component of the lending is secured against the exporter's assets or irrevocable letters of credit, bills insured by the bank of the buyer, advance payments or any other form of security that may be agreed upon between the bank and the exporter.

Tax Incentives

The Lesotho tax regime contains the following incentives:

- 0 percent tax on income generated from exporting manufactured goods outside of SACU;
- A maximum manufacturing tax rate of 10 percent on profits derived from sales within SACU;
- No withholding tax on dividends distributed by manufacturing firms to local or foreign shareholders;
- No advanced corporation taxes are paid by companies on the distribution of manufacturing profits;
- Mining companies are exempted from taxes on capital items during mine evaluation and construction, and there are exemptions from withholding taxes on dividends and interest payments;
- Training costs are allowable at 125 percent for tax purposes;
- Payments made in respect of external management skills and royalties related to manufacturing operations are subject to withholding tax of 15 percent;
- Easy repatriation of manufacturing profits;
- VAT rate of 14 percent; and
- Lesotho Revenue Authority has flexible VAT payment systems for tax compliant enterprises to ease cash flow constraints.

Foreign Investment & Capital Mobility

There is no FDI legislation but FDI regime is liberal, does not discriminate between foreign and domestic investors, and there are no limitations on foreign ownership of a Lesotho registered company. Most foreign investors form a company under the Companies Act 1967. Smallscale activities with less than ten employees in artisan and personal service activities are reserved for citizens and require a reserved trading licence.

Foreign Investment Operations

Value Added Tax

In 2003, VAT replaced the GST and VAT is applied to all imported and locally produced goods and services. There are four rates of VAT:

- 14 percent (the standard rate) on most goods and services;
- 15 percent on alcoholic beverages and cigarettes;
- 5 percent on electricity and telephone services; and
- Zero on certain goods (e.g. maize and pulses) as well as exports of goods and services (except exports of diamonds for which the VAT rate is 14 percent).

VAT is levied on all imports based on the cost, insurance, freight (cif)

price, plus duties and storage fees on board. VAT does not include storage fees at destination.

VAT Exempt Items

The following goods and services are exempted from VAT: education, financial services. passenger transport services, public postal services, supply of unimproved land, leasing or letting of immovable (for manufacturing property purposes), water supply, supplies to diplomats and diplomatic missions upon identification, sales or transfer of second-hand motor vehicles already registered in Lesotho, services of doctors and dentists, sporting activities (non professional), cultural activities, supply of charity arrangements, and sale/lease of residential property.

Mining Royalty

Under the Mines and Minerals Act No. 37 of 2005, the Government requires payment of a 10 percent royalty on precious stones and 3 percent on other minerals or mineral products. Royalty is defined in the Act as the gross sale value receivable at the mine gate.

Foreign Exchange and Foreign Investors

Lesotho is a member of the Common Monetary Area along with South Africa, Namibia and Swaziland and the South African Rand and Loti are pegged at par in a fixed exchange rate. There is ready access to foreign exchange. Authorised dealers are appointed by the Central Bank of Lesotho to administer foreign exchange in accordance with rulings.

Malawi

Institutions

The Malawi Investment Promotion Agency (MIPA) is in charge of investment promotion, investor assistance and advice to the Malawi Government on investment matters. It was established by the Act of Parliament in 1991 and became operational in 1993. MIPA operates as one-stop assistance to investors by providing services free of charge.

Priority Sectors

Priority sectors identified by the Government for investment are stated in the Investment Promotion Act (1991) and are:

- Manufacturing
- Agriculture
- Mining
- Fisheries
- Tourism
- Forestry
- Other productive sectors as MIPA may determine.

Ministry of Industry and Trade - It is responsible for all matters relating

to trade, such as import and export licensing and legislation, trade policy formulation, export promotion programs, and the Export Processing Zones. It also has some regulatory power in the financial services sector together with the Registrar General in terms of savings and credit cooperatives, pension funds and development finance institutions.

Investment and Export Incentives

Malawian legislation allows for a number of incentives for investment in specific industries as well as in export industries. The incentives include customs duty, tax concession and exemptions, VAT exemptions and tax allowances.

Manufacturing

Investments in the manufacturing sector are presently granted the following incentives:

- 100 percent investment allowance on qualifying expenditure for new building and machinery;
- Allowance up to 40 percent for used buildings and machinery;
- 50 percent allowance for qualifying training costs;
- Allowance for manufacturing companies to deduct all operating expenses incurred up to 25 months prior to the start of operations;
- Zero duty on raw materials used in manufacturing;
- Loss carry forward of up to seven

- years, enabling companies to take advantage of allowances;
- Additional 15 percent allowance for investment in designated areas of the country;
- No duties on imports of capital equipment and machinery; and
- Any other incentives upon investors' request to the Minister of Finance.

Manufacturing under Bond

Business entities operating in manufacturing under bond can presently receive the following incentives.

- Export tax allowance of 15 percent of export revenues for non-traditional exports;
- Transport tax allowance equal to 25 percent of international transport costs, excluding traditional exports;
- No duties on imports of capital equipmentused in the manufacture of exports;
- No Value Added Tax;
- No excise taxes or duties on purchases of raw material and packaging materials; and
- Any other incentives upon investors' request to the Minister of Finance.

Export Incentives

Current incentives applicable to exporting industries include:

- Tax allowance amounting to 15 percent of export revenues for non-traditional exports (i.e. other than tobacco, tea, sugar and coffee):
- Transport tax allowance in the amount of 25 percent of international transport costs, excluding traditional exports;
- No duties on imports of capital equipment used mainly in the manufacture of exports for those manufacturing in bond;
- No surtax (value added tax) on exports;
- No excise taxes on purchases of raw materials and packaging materials made in Malawi for those manufacturing under bond;
- Timely refund of all duties (duty drawback) on imports of raw materials and packaging materials used in the production of exports; and
- No duties on raw materials and packaging materials for those manufacturing in bond.

Duty Drawbacks

The Export Incentives Act of 1989 gives a provision for tariff and excise drawbacks on goods exported within two years of manufacture on certain imported inputs used in the manufacturing process. Depending on the specific product, the drawback can be used in partial or total on products used in the manufacturing

process. In order to qualify for such incentive, registered manufacturers have to apply to the Malawi Revenue Authority (MRA) for drawbacks and submit documentary evidence showing the use of materials and the export of the product. The MRA then determines the amount of duty drawback through a process of consultation with the manufacturer. Authorities state that the refunds process takes approximately 30 days. Exporters have to file their claims within six months of the date of export.

Registered Exporters

The Export Incentives Act also provides assistance to exporters of non-traditional exports. They have to be registered with the Malawi Export Promotion Council (MEPC). Incentives for them are a 15 percent income tax allowance, duty drawback on imported raw materials including packaging materials for export production, technical assistance in promoting and marketing of export products and other activities, dutyfree import of capital equipment used in the manufacture of exports, and a transport allowance that equals 25 percent of the international transport costs incurred to the exporter.

Additional incentives for attracting export-oriented zones have been

developed with the time which led to the establishment of Export Processing Zones (EPZ) and other incentives for all exporters not operating in EPZs and including manufacturing in bond.

EPZs, Freeports and other Special Economic Zones

Export Processing Zones (EPZs) are regulated under the Export Processing Zones Act of 1995. Individual companies can apply for EPZ status at the Ministry of Industry and Trade which is the responsible authority for the Act. An Export Processing Zones Appraisal Committee is established through the Act. responsible appraising reviewing for and applications and for making appropriate recommendations to the Minister. Important criteria influencing the approval of business entities as EPZs are job creation, technology transfer, export diversification, use of local raw materials, warehousing capability, and the proof of export markets. The EPZ status is granted for 5 years and can be renewed for two-year periods thereafter. The establishment of EPZs is based on the idea to encourage the production of non-traditional products in these zones.

Investors operating in Export Processing Zones enjoy the following incentives:

- Zero corporate tax rate;
- No withholding tax on dividends;
- No duty on capital equipment and raw materials;
- No excise taxes on purchases of raw materials and packaging materials made in Malawi; and
- No value added tax.

Forms of Investment

Malawi has no restrictions on maximum ownership by foreign investors. Private investors can either conduct greenfield investment or partner up with a local company in a joint venture. Investment opportunities arising through privatisation exist especially in the energy sector where government supports the creation of public-private partnership programmes.

Investment Requirements & Restrictions

The minimum investment level for foreign investments is US\$ 50,000. Foreign investors cannot enter small-scale prospecting and mining operations which are reserved for Malawians as well as foreigners that already lived in Malawi for at least 4 years. Other restrictions apply to industries that pose health, security and environmental concerns such as manufacture of firearms, ammunition, biological and chemical weapons, explosives, and industries involving

hazardous waste and radioactive materials.

Access to Local Financing

National and foreign investors have unrestricted access to local financing facilities. The government is committed to establish a diversified banking sector with competition and new banking institutions. It furthermore guarantees no direct Government controls on credit and market based interest rates.

Investment License

According to the Investment Promotion Act (1991), all new companies have to register with the Registrar of Companies as a Limited Liability Company. Foreign investors that invest a minimum amount of US\$ 50,000 have to apply for an Investment License from MIPA.

Industrial License

For manufacturing, no license is required except for some small industries that raise safety and health concerns, such as:

- 1. Firearms, ammunition and chemical and biological weapons;
- 2. Explosives;
- Manufacturing involving hazardous waste treatment or disposal; and

4. Manufacturing involving radioactive material.

Mining Sector

The Mines and Minerals Act of 1981 is regulating any mining operation in Malawi and is administered by the Department of Mines being part of the Ministry of Natural Resources and Environmental Affairs. For large-scale prospecting and mining operations, three different licenses can be issued.

- Reconnaissance License: issued for 1 year for an agreed programme and an area which is not exceeding 100,000 sq. km; subsurface operations are not allowed unless they are specifically authorised.
- Exclusive Prospecting License (EPL): It provides exclusive rights to carry out prospecting operations for a specified mineral and in an area of 2,500 sq. km. which is reduced by 50 percent each time the license is renewed. This license can be issued for a maximum of 3 years and can be renewed twice for a period of two years. Requirement for this license is to provide a proposal for the training and employment of Malawian citizens.
- Mining license conferring exclusive rights: Holders and non-holders of an EPL can receive exclusive rights to prospect, mine,

produce and sell specified minerals from a designated area not bigger than the area under the EPL. The validity of such mining license is 25 years or the estimated life time of the mine and is renewable for a period of 15 years. The mining licenses entails terms specifying the requirements for employment and training of Malawians.

Foreign Investment Operations

Business Taxation

In general, Malawi is considered to have numerous taxes and levies.

- Corporate Tax Malawi has a corporate tax rate of 30 percent for domestic companies and 35 percent for foreign branches. For dividends, a withholding tax of 3 percent applies.
- Income Tax The threshold level for exemption from personal income tax is MK120,000, and all income in excess is taxed at varying rates with MK156,000 being taxed at 30 percent. Non-residents have to pay a 15 percent withholding tax on their gross income in Malawi. There is also a payroll levy of 2 percent.
- VAT- VAT applies to most goods and rates at 16.5 percent.
- Estate Tax Estate taxes vary from 0 to 9 percent and depend on the value of the estate.
- Stamp Duty Stamp duties apply

to instruments such as mortgages, bonds, leases, and insurance policies. They vary according to the nature of the instruments and the value of the transaction.

Foreign Exchange and Foreign Investors

General Rights - Access to foreign exchange is free to foreign investors as well as paying for imports and transferring financial payments. Full remittance is allowed for dividends, investment capital on repatriation, interest and principal payments for approved international loans, and approved fees for management, licenses, royalties and similar obligations.

Exporter Requirements - The current regulations oblige exporters to surrender 40 percent of proceeds to the banking system, while tobacco exporters have to retain 60 percent of their export proceeds in Foreign Currency Deposit Accounts (FCDAs) and 40 percent to commercial banks. Tobacco exporters who do not possess an FCDA have to retain 100 percent of their proceeds to commercial banks at the commercial bank rate.

Investment Protection and Dispute Settlement

Malawi is member of the International Centre for the Settlement of Investment Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA).

Mauritius

Institutions

Board of Investment (BOI) - The Investment Promotion Act 2000 sets out the legal framework and makes provision for the promotion and facilitation of investment in Mauritius including the establishment of BOI. The aims of BOI are (a) to stimulate the development, expansion and growth of the economy by promoting Mauritius as an international investment, business and service centre; (b) to promote and facilitate the development of all forms of investment and business activities: (c) to formulate investment promotion policies and plans and marketing strategies and undertake promotion to attract foreign and local investments: and (d) to advise Government on strategies for investment policies, national investment marketing and investment after care, economic and industrial planning and country image building.

Investment Opportunities

BOI indicate that investment opportunities exist in a wide variety of sectors including: Agro industries, Financial Services, Healthcare and Life Sciences, Hospitality and Property Development, Information

Technology and Business Process Outsourcing, Logistics and Distribution, Creative Industries, Manufacturing and Light Engineering, Renewable Energy, Environment, Seafood and Aquaculture and Land Based Oceanic industry.

Tourism Authority - The Tourism Authority Act 2006 regulates tourism activities and establishes the Authority with the objectives of: promote the sustainable development of the tourism industry; foster and encourage the conduct of activities in the tourism industry in a responsible manner in order to preserve the integrity of the Mauritian destination; co-ordinate, support and interact with organisations and institutions aimed at promoting the tourism industry; foster research for the effective implementation of tourism policies; promote public understanding and interest in the tourism industry; develop and implement tourism and tourism related projects; promote coordination and co-operation between the public sector agencies and the private sector organisations engaged in the tourism industry.

The Mauritius Tourism Promotion Authority (MTPA) was established by the MTPA Act 1996 with a view to promote, among others, Mauritius abroad as a tourist destination by conducting advertising campaigns, participating in tourism fairs and organising, in collaboration with the

local tourism industry, promotional campaign and activities in Mauritius and abroad.

Development Bank of Mauritius (DBM) - The role and functions of DBM Ltd has been reviewed to ensure a more effective channeling of funds and to strengthen the delivery of business development services to SMEs. DBM is concentrating on enterprises with an annual turnover of less than Rs 15 mn, while commercial banks will cater for SMEs with annual turnover between Rs 15 mn, and Rs 50 mn.

Investment and Export Incentives

EPZs, Freeport and other Special Economic Zones

Freeport - The Mauritius Freeport (free-trade zone) was established in 1992 as a customs-free zone for goods destined for re-export. The objective is to promote the country as a regional warehousing, distribution, marketing, and logistics centre for Eastern and Southern Africa and the Indian Ocean rim.

Activities that can be carried out in the Freeport include warehousing and storage, breaking bulk, sorting, grading, cleaning and mixing, labeling, packing and re-packing, minor processing, trans-shipment, cash and carry sales, export-oriented port based activities, export-oriented airport based activities, freight forwarding, express courier services, mail order, simple assembly, reshipment, and quality control and inspection services.

EPZs - Export Processing Zones were a key part of the industrial and export development effort but are being phased out and integrated with the rest of the economy in pursuit of the objective of making Mauritius a duty free island. Mauritius does not have an EPZ scheme but some incentives for companies involved in spinning, weaving, dyeing and knitting have been "grand-fathered" (i.e. remain in existence for those companies that already possessed them).

Jin Fei - The Chinese Jin Fei project is an integrated development project with US\$ 650 mn FDI expected over five years. Chinese investors will avail of the business friendly environment in Mauritius and preferential market access to the EU, US, COMESA and SADC.

Tax Incentives

Mauritius offers an advantageous tax jurisdiction:

- (i) corporate and income tax of 15 percent;
- (ii) tax free dividends;
- (iii) no capital gains tax;

- (iv) up to 100 percent foreign ownership;
- (v) exemption from customs duty on equipment;
- (vi) free repatriation of profits, dividends, and capital;
- (vii) no minimum foreign capital required;
- (viii) 50 percent annual allowance on declining balance for the purchase of electronic and computer equipment; and
- (ix) an extensive tax treaty network with several countries.

Global business companies have special fiscal regimes and incentives such as possibility to benefit from foreign tax credit, no withholding tax on dividends, interest and royalties, no Capital Gains Tax, possibility to benefit from a wide network of double taxation treaty (including more than 13 with African countries).

Import and Export Permits

There are a limited number of products subject to import control related to health, sanitary and phyto-sanitary, security, social and environmental concerns. Permits are provided by relevant ministries or agencies including Commerce, Health, Agriculture, and Fisheries. There are no restrictions on exports except for a few products of strategic importance where export permits e.g. cement, silver and gold.

Enterprise Mauritius

Export promotion has been undertaken by Enterprise Mauritius (EM) mainly by organising participation in trade fairs, market surveys and improving export capacity. EM is a Trade Promotion Organisation, resulting from а partnership between the Mauritian public and private sectors. It supports locally based business through market development, financial assistance, consultancy, product and quality improvement, market intelligence, skills and trends monitoring, networking, and strategy development. EM provides services to companies in textile, garments and accessories, light engineering and jewellery, agroindustry (including beverages and seafood), consultancy services, ICT / BPO, logistics, printing, packaging, publishing and plastics, furniture, paints and chemicals.

Foreign Investment & Capital Mobility

The Investment Promotion Act 2000 defines investor as:

- (a) any person carrying on or who intends to carry on any economic activity and satisfying the criteria referred to in item 1 of Part I of the Schedule; and
- (b) and includes:
 - i. a person who is not a citizen of Mauritius; or
 - ii. an association or body of persons, whether corporate

or incorporate, the control or management of which is vested in persons who are not citizens of Mauritius, and registered as such under this Act; but

(c) does not include a small enterprise or handicraft enterprise registered under the Small Enterprises and Handicraft Development Authority Act 2005.

The Investment Promotion (Amendment of Schedule) Regulations 2010 sets out criteria for registration:

- Company: Initial Investment US\$ 100,000 or eqivalent in freely convertible currency and annual turnover exceeding 4 mn rupees (US\$ 120,000).
- Self-employed person: Initial investment of US\$ 35,000 or equivalent in freely convertible currency at time of issue of occupation permit, engaged in services sector only and with annual income exceeding 600,000 rupees (US\$ 18,300).
- 3. Professional: Monthly salary exceeding 75,000 rupees (US\$ 1800).
- Retired non-citizen: transfer US\$ 40,000 or equivalent in freely convertible currency at time of grant of residence permit and annual transfer of at least US\$ 40,000 or its equivalent in convertible foreign currency.

The Government of Mauritius suspended foreign exchange controls in 1994. Approval is not required for the repatriation of profits, dividends, and capital gains earned by a foreign investor in Mauritius.

Foreign Investment Establishment, Registering and Licensing Processes

The *Business Registration Act* **2002** provides for the registration of persons carrying on business in Mauritius, registration of business names, allocation of a single business registration number and issue of a business registration card.

Regulations governing incorporation of a company are contained in the Companies Act of 2001. The Insolvency Act 2009 simplifies winding up while protecting rights of creditors. Companies can be formed as either a public or private company. A private company cannot have more than 25 members, may restrict share transfers and cannot offer its shares to the public. A company is considered to be a public company unless its constitution or application for incorporation states that it is private. A company may be limited by shares, limited by guarantee or limited by both shares and guarantee or may be an unlimited company. A company can be incorporated with a single shareholder, without a Constitution and no minimum paid up share capital, within 3 working days – in practice it may be completed in a half day. According to Companies Act 2001 s (276)(1)(e), for foreign companies, there should be two or more members residing in Mauritius.

Branch of Foreign Company - A foreign company which desires to establish a place of business in Mauritius but does not want to incorporate a local company may register as a branch of a foreign company. A foreign company must register a branch in Mauritius within one month of establishing a place of business in Mauritius.

Management companies (MCs) -MCs are specially licensed by the Financial Services Commission (FSC) to provide services such as company formation, trusteeship and administration and management to the Global Business Sector. Applications for a Global Business Licence must be channelled through a MC which is required to exercise due diligence and perform Know Your Client (KYC) duties on its clients. Applications for licences are processed and approved by the FSC. A Category 1 or a Category 2 Global Business Licence is issued by the Financial Services Commission of Mauritius.

Foreign Investment Operations

Business Taxation

From January 2010 the fiscal year is on the basis of a calendar year. Income Tax Act 1995 as amended by subsequent Finance Acts. Corporate and Personal Taxes are embodied under one heading of Income Tax and are payable by all resident companies and individuals on non-exempt income derived from Mauritius and from other sources. The profits of all Resident Sociétés (Partnerships) are taxable in the hands of the associates based on receipts of profits. A non-resident société is liable to income tax as if the société was a company.

Resident

In relation to an income year resident means:

- A company which is incorporated in Mauritius or has its central management and control in Mauritius;
- An individual who (a) has his / her domicile in Mauritius unless his / her permanent place of abode is outside Mauritius, (b) has been present in Mauritius in that income tax year for a period of, or an aggregate period of, 183 days or more or has been present in Mauritius in that income year and the two preceding income years for an aggregate period of 270 days or more;

- A societé which has its seat in Mauritius and includes a societé which has at least one associate resident in Mauritius;
- Trust where the trust is administered in Mauritius and a majority of the trustees are resident of Mauritius or where the settler of the trust was resident in Mauritius at the time the instrument creating the trust was executed; and
- Any other association an association or body of persons which is administered in Mauritius.

Tax Rate

The rate of tax applicable for companies is 15 percent but there is an alternative minimum tax in certain specific cases. Where in the case of a company the normal tax payable is less than 7.5 percent of its book profit, the tax payable for that income year is deemed to be 7.5 percent of its book profit or 10 percent of any dividends declared in respect of that year, whichever is the lesser. Offshore Companies (known as Corporation Holding Category 1 Global Business Licence) pay tax at a rate of 15 percent. Tax credit is up to 80 percent or the tax paid whichever is higher. Offshore International Companies (Corporation Holding Category 2 Global Business Licence) are exempt from tax. There is no branch profits tax in Mauritius.

Losses are carried forward for a period of five years, except for losses arising from capital allowances which can be carried forward beyond five years. There is no capital gains tax in Mauritius. Value added tax rate is 15 percent with certain essential items zero rated.

Foreign Exchange and Foreign Investors

There are no foreign exchange controls in Mauritius since 1994. Approval is not required for the repatriation of profits, dividends, and capital gains earned by a foreign investor in Mauritius and there is no difficulty obtaining foreign exchange.

Investment Protection and Dispute Settlement

Mauritius is a contracting state to the Convention on Settlement of Investment Disputes (ICSID) and a member state of MIGA. Mauritius has also in place Bilateral Investment Treaties and Double Tax Agreements with a number of countries.

Mozambique

Institutions

The Centro de Promoção de Investimentos (CPI), established in 1993, is responsible for all investment procedures and the promotion

of Mozambique as investment destination. It works under the Ministry of Planning and Development which is the responsible Ministry for investment in Mozambique. CPI intends to develop to a One-Stop Shop one day. It also provides "After Care Services" helping the investor to settle in the country.

GAZEDA is the institution in charge of the Industrial Free Zones and Economic Special Zones.

The Ministry of Industry and Commerce (MIC) is in charge of trade and industrial policy formulation.

The Instituto para a Promoção de Exportações (IPEX) is the traditional trade promotion body promoting exports from Mozambique in destination markets. Its role covers the identification and advice to exporters and investors on market access opportunities and export-related logistical services. The core activity is organizing missions to trade fairs.

Investment and Export Incentives

Investment incentives are provided to registered and authorised investors according to the Code of Fiscal Benefits, Law No. 4/2009, of 12 January. It provides foreign and national investors the same set of incentives covering: customs

duty exemptions, tax credits, VAT exemption, deductions from taxable income, deductions from tax, investment tax credit, and accelerated depreciation for new immovable assets.

Requirements for Qualification

Requirement for entitlement to fiscal benefits according to the Code is that the investment is entitled to incentives according to the Investment Law. In addition, investments that do not qualify according to the Law are entitled if they are:

- Investments carried out outside the scope of the investment law in commercial and industrial activities in rural areas;
- Investment in new infrastructures that are built for retail and wholesale commerce; and
- Manufacturing and assembly industries.

Besides this exception, investments in commercial activities are generally excluded to enjoy fiscal benefits.

General Benefits

General benefits granted are:

- Exemption on import duties on equipment of class "K" of the Customs Tariff Schedule (with the exception of VAT); and
- Investment tax credit of 5

percent to 10 percent of the total investment realized, deductible from the Corporate Income Tax (IRPC) payable but which shall not exceed the tax otherwise payable, for a period of five tax years from the commencement of operations.

Export

IPEX provides support for exporters and investors on market access opportunities and any export-related logistical services. The most important export promotion strategy is the Industrial Free Zones.

EPZs, Freeports and other Special Economic Zones

Industrial Free Zones

The system of *Industrial Free Zones* (*IFZs*) exists since 1999 and is Mozambique's main export promotion strategy. IFZs are not restricted to a geographical location but can also be individual business entities. The most well-known example of an IFZ is the Mozal aluminium smelter.

An important requirement is that at least 85 percent of annual production is destined for export. Ineligible activities for IFZs are exploration and extraction of natural resources, processing of cashew nuts, fish and prawns. Investors and/or business entities operating in Industrial Free

Zones benefit from the exemption of payment of customs duties on the import of:

- construction materials, machinery, equipment, accompanying spare and accessory parts and other goods used in the carrying out of the licensed Industrial Free Zones activity;
- goods and merchandise to be used in the implementation of projects and exploration of activities which have been authorised under the terms of the Industrial Free Zones Regulations; and
- VAT exemptions under this regulation apply to both on import and on internal acquisitions as provided for in the VAT Code.

Benefits for Industrial Free Trade Zones Developers as well as isolated Free Zone enterprises with respect to Corporate Income Tax (IRPC) are:

- IPRC exemption for the first 5 vears;
- 50 percent reduction on IPRC tax from year 6 to 10; and
- 25 percent reduction on IPRC tax for the remaining life of the project.

Sales from an IFZ to the national market and territory are considered as an import and are, hence, subject to import duties and taxes. The same applies to the sale.

Special Economic Zones

The Code of Fiscal Benefits provides that Special Economic Zones Developers and Enterprises receive benefit in form of an exemption from the payment of customs duties (including VAT on import and on internal acquisitions) on the import of construction materials, machinery, equipment, accompanying spare and accessory parts and other goods used in the carrying out of the licensed Special Economic Zones activity.

- From the date of the issuance of the respective Certificate, Special Economic Zones Developers benefit from the following incentives with respect to Corporate Income Tax (IRPC):
 - a) IRPC exemption in the first five tax years:
 - b) a 50 percent reduction in the rate of IRPC tax from the 6th to the 10th tax year; and
 - c) a 25 percent reduction in the rate of IRPC for the remaining life of the project.
- From the date of the issuance of the respective Certificate, Special EconomicZoneenterprises benefit from the following incentives with respect to Corporate Income Tax (IRPC):
 - a) IRPC exemption in the first five tax years;

- b) a 50 percent reduction in the rate of IRPC tax from the 6th to the 11th tax year; and
- c) a 25 percent reduction in the rate of IRPC for the remaining life of the project.
- 3. Special Economic Zone enterprises approved in accordance with the terms of the Special Economic Zone Regulations benefit from a 50 percent reduction in the rate of IRPC tax for a period of five tax years.

Rapid Rural Development Zones

Rapid Development Zones (ZRDs) are geographic areas within the national territory of Mozambique that possess a great natural resource potential but which are lacking in infrastructure and have a weak level of economic activity. Currently, ZRDs include the Zambeze River Valley zone, Niassa Province, Nacala district, Ilha de Moçambique (Moçambique Island) and Ibo Island.

Eligible Activities for fiscal benefits are: agriculture; tree plantations; aquaculture; stock-raising, forestry wild operations: life related operations; water supply; electricity generation; transport and distribution; telecommunications; construction public use infrastructures: housing construction; construction of agriculture related infrastructures; construction of hotel infrastructure

and hotel operation; tourism and related activities; construction of trade infrastructure; industry; cargo and passenger transport; education; and health.

The incentives are:

- Exemption on customs duty and VAT on import goods of category "K" including spare parts and accessories:
- Investment tax credit of 20 percent for five years on the total investment realized;
- Any portion not used in the respective tax year may be carried forward and used in the 5 successive years;
- Costs on training as described apply; and
- Expenditures considered as fiscal costs apply.

Tax Incentives

Customs Duties

The Code of Fiscal Benefits (2009) specifies in Article 6, that exemption from customs duties is granted for goods imported and not produced in Mozambique, or if they are produced in Mozambique do not satisfy the specific characteristics for the purpose of function required. Food, drinks, tobacco, clothing, passenger vehicles and other articles of personal and domestic use are excluded from this incentive.

For project implementation, exemption from customs duties and VAT are granted for a period of 5 years.

Investment Tax Credit (CFI)

Investment Tax credit is a deduction from the corporate income tax granted during 5 fiscal exercises and applies to x percent of the total investment realised. The percentage is as following:

- 5 percent for Maputo Cidade;
- 10 percent for investment projects carried out in the other provinces; and
- 20 percent for investment projects in the Rapid Development Zones.

Infrastructure

For private investments or investments conducted under public-private partnerships in the infrastructural sector, custom duties and VAT payments are exempted for goods classified under category "K" in the Customs Tariffs Schedule including accompanying spare parts and accessory parts.

Investments with exclusive objective or establishing basic public infrastructure receive:

- 80 percent reduction in Corporate Income Tax (IRPC) rate in the first 5 years;
- 60 percent reduction in the IRPC rate from year 6 to 10; and

 25 percent reduction in the IPRC rate from year 11 to 15.

Rural Commerce and Industry

Investments in the construction and/ or rehabilitation of infrastructure to be used exclusively for the conduct of commercial and industrial activity in rural areas receive customs duty and VAT exemption for import goods of category "K", as well as the goods: freezers, scales, weights, cash registers, oil and fuel meters, counter.

Manufacturing and Assembly Industry

Investments in this sector receive the following incentives:

- Manufacturing industry: duty exemption of imports of raw materials to be used in the manufacturing process.
- Assembly of motor vehicles, electronic equipment, computer and communications technology: exemption on import duties for material to be used in the industrial production process.

Agriculture and Fishery

This sector has the following incentives:

- Customs duty and VAT exemption for import goods of category "K" and accompanying spare and accessory parts;
- 80 percent reduction on IPRC until December 31, 2015;
- 50 percent reduction on IPRC from 2016 until 2025; and
- Costs for training deductable on IPRC as described above.

Tourism and Hotels

Specific incentives are applicable for investments in:

- Construction, rehabilitation, expansion or modernization of hotelery units and the respective complementary and related parts, with the principal purpose being the provision of tourism services;
- Development of infrastructure for the establishment of camping and caravan parks with a minimum three star classification;
- Equipment for the development and exploration of marinas; and
- Development of wild life reserves, national parks and game reserves for tourism.

Foreign Investment & Capital Mobility

Definition of FDI

According to the Law on Investment, Law No. 3/93 of 24 June, article 1, the definition of Foreign Direct Investment (FDI) is the following:

"any form of foreign capital contribution valuable in monetary terms which constitutes own equity capital or resources at the own account and risk of the foreign investor, brought from external sources and to be used in an investment project for carrying out an economic activity, through a company registered in Mozambique and operating from Mozambican territory."

Equality of Treatment

The Law on Investment, 1993, guarantees equal treatment of foreign investors, employers and workers in terms of rights, obligations and requirements to Mozambican nationals in accordance with Mozambican legislation. An exception applies to cases when projects of nationals may merit special treatment and support by the Government due to their nature of scale of investment.

Private investors are free to invest in any economic activity that is not exclusively reserved to the Government or public sector initiative. These areas can be defined by the Council of Ministers and included to a certain degree private investment.

Minimum Investment Requirement

Article 6 of the Regulations of the Investment Law, 2009 sets the minimum value for foreign direct investment at MZN2,500,000 (about US\$ 84,000) for eligibility for external remittance of profits and re-export of invested capital. Besides, other requirements could include:

- (a) Generation of an annual sales volume that is not less than three times the amount fixed in the preceding clause 6.1 as from the third year of operations;
- (b) Registeration of annual exports of goods or services with a value equivalent to one million five hundred thousand Meticals (1,500,000.00Mts); and
- (c) Creation and maintenance from the second year of operations at least twenty five direct employment positions for Mozambican nationals who are registered with the social security system.

Investment Restrictions

Most economic sectors are open to foreign equity ownership with the exception of media and telecommunications. Foreign ownership in media enterprises including TV channels and newspapers is only allowed up to a maximum of 20 percent. The fixedline telecommunication sector is reserved for public investment and only the Mozambican company Telecommunications of Mozambique S.A.R.L. is allowed to operate in this sector.

Foreign Investment Operations

Business Taxation

The general corporate income tax (IRPC rate) is 32 percent, except for agriculture and cattle breeding activities which shall benefit from a reduced tax rate of 10 percent until the 31 December 2010.

VAT - The standard Value Added Tax (VAT) is 17 percent and a new system was developed in 2008. VAT is assessed on the c.i.f. customs value for imported goods originally. Exemptions from VAT are bread, bicycles, condoms, corn flour, corn, fresh and refrigerates tomatoes, garlic, jet fuel, lamp oil, onion, powdered milk for children, flour, salt, smoked fish, and wheat.

Foreign Exchange and Foreign Investors

All foreign exchange operations have to be registered and authorised by the Bank of Mozambique (BoM – the Central Bank). Residents are allowed to hold foreign exchange accounts in Mozambique and abroad. Repatriation of net profits and dividends is also subject to authorisation by BoM. The Law on Investment guarantees

the remittance of funds abroad in connection with:

- Exportable profits resulting from investments eligible for export of profits under the regulations of the Law;
- Royalties and other payments for remuneration of indirect investments that are associated to the granting and transfer of technology;
- Amortization of loans and payment of interest on loans that are contracted in the international financial market and apply to the respective investment projects;
- Proceeds of any compensation paid in case of nationalisation or expropriation; and
- Invested and re-exportable foreign capital, independently of eligibility of the investment project to export profits under the regulations of the Law.

Investment Protection and Dispute Settlement

Mozambique is member of the Multilateral Investment Guarantee Agency (MIGA) which offers investor guarantees for non-commercial risks. Mozambique also has in place Bilateral Investment Treaties and Double Taxation Agreements with a number of countries.

Namibia

Institutions

The Ministry of Trade and Industry (MTI) is responsible for investment policies and strategies.

The Namibia Investment Centre (NIC) - The Foreign Investment Act 1990, as amended, sets out the foreign investment regime and established the Namibia Investment Centre (NIC) which is a department in MTI. NIC seeks to promote Namibia as a favourable investment destination to ensure Namibia obtains a fair share of regional and global FDI flows. NIC provides services to existing and potential investors, including information on incentives and investment opportunities. NIC facilitates joint venture arrangements andencouragesdomesticparticipation in investment. NIC also carries out research on the investment climate and sector studies and monitors investment trends.

The Offshore Development Company (ODC) established under the Export Processing Zone (EPZ) Act is responsible for the promotion, marketing, monitoring and coordination of all export processing zone activities and the provision of services to EPZ enterprises. ODC provides information on investment opportunities and incentives in an

EPZ, and evaluates and recommends applications for approval by the EPZ Committee and the Minister of Trade and Industry.

The Development Bank of Namibia provides start-up capital and finance for the public and private sectors through a number of financial facilities delivered to borrowers by the commercial banks.

Foreign Investment Act 1990

The Act provides for the granting of a Certificate of Status Investment (CSI) and special incentives for manufacturers and exporters. provides for liberal foreign investment conditions and equal treatment of foreign and local investors. With limited exceptions, all sectors of the economy are open to foreign investment. There is no local participation requirement, but in mining the Government may seek participation. The Act reiterates the protection of investment and property provided for in the Constitution.

Investment and Export Incentives

Most incentives are available to Namibian and foreign investors and the main incentives are tax incentives.

Tax Incentives

Manufacturing enterprises can avail tax incentives. More generous incentives apply to export enterprises and EPZ enterprises with the only taxes paid by the latter being personal income tax on employee income and 10 percent withholding tax on declared dividends to non-resident shareholders.

Manufacturing Tax Incentives

An 80 percent tax deduction scheme is in place for income derived from exports of manufactured goods, other than meat or fish. Eligible manufacturers must be registered with MTI and the Ministry of Finance.

Manufacturing enterprises and exporters that do not have EPZ status can benefit from tax exemption for dividend payments and accelerated capital allowances. The incentives set out in the Income Tax Act include:

- an additional 25 percent allowance on manufacturing wages, training costs and, for ten years, for landbased transport of materials used in manufacturing;
- an additional deduction for export promotion activities of:
 - (i) 25 percent if current export turnover has increased by 10 percent or less compared to the average turnover for the previous three years,

- (ii) 50 percent if the current export turnover has increased by more than 10 percent and less than 25 percent compared to the previous three years, or
- (iii) 75 percent if the current export turnover has increased by 25 percent or more compared to the previous three years;
- accelerated capital allowances for:
 - (i) machinery and equipment, which can be fully written off over three years,
 - (ii) buildings used for manufacturing purposes (20 percent in the first year and 8 percent per year for the next ten years), and
 - (iii) other buildings 20 percent in the first year and 4 percent per year for the next 20 years; and
- a rate of tax of 18 percent on taxable income for ten years and on expiry of that term the standard rate of 35 percent for manufacturing enterprises.

Financing Support

The Development Bank of Namibia provides financial support delivered through commercial banks through facilities that include:

- Public Sector Facility includes finance for infrastructure projects by local authorities and stateowned enterprises;
- Private Sector Facility for new ventures or expansion

- to enterprises in all economic sectors;
- Enterprise Development Facility provides:
 - (i) bridging finance to majority Namibian-owned enterprises that have secured contracts with the public sector or well established private-sector companies;
 - (ii) financing to disadvantaged groups to start up or expand businesses; and
 - (iii) trade finance to provide preand post-shipment working capital to majority Namibianowned enterprises for the export of goods and services, including tourism, and imports of capital goods.
- Special Development Fund, which provides breeding finance and medium-term finance for SMEs for Namibian citizens and permanent residents, particularly previously disadvantaged persons.

The Small Business Credit Guarantee Trust (SBCGT) provides loans to finance fixed assets and working capital.

EPZs, Freeports and other Special Economic Zones

EPZ status is not confined to a specific area or region - an individual enterprise at a clearly demarcated

site can obtain EPZ status. EPZ investment is subject to the Export Processing Zones Act (No. 9 of 1995) and the EPZ Amendment Act (No. 6 of 1996).

Manufacturing, assembly, repackaging or break-bulk enterprises that export all, or nearly all, production outside of SACU (Namibia, Botswana, Lesotho, Swaziland and South Africa) are eligible for EPZ status. After a year of operating an EPZ enterprise may apply to the Minister responsible for the EPZ for special consideration and permission to sell up to a maximum of 30 percent of its previous year's production output in the SACU market.

Mining, agriculture and fishing enterprises are not eligible for EPZ status, but an enterprise that adds value to an extracted product through processing may be eligible but the extraction and processing enterprises need to be separate legal entities.

EPZ Incentives

EPZ status confers tax, grant, and legal privileges, such as exemption from corporation tax, import duties, and VAT on machinery, equipment, and raw materials imported into Namibia for manufacturing. EPZ enterprises may hold foreign currency accounts and repatriate capital and profits. The incentives apply for the life time of the approved project in Namibia.

EPZ enterprises investing in upgrading the skills and productivity of Namibian employees receive a Government grant to cover a substantial part of the direct costs of on-the-job and institutional training. The grant is paid on the basis of pre-approved training plans when training is completed.

Foreign Investment & Capital Mobility

The Foreign Investment Act as amended is the main legislation on foreign investment but apart from application for a Certificate of Status Investment, which is not obligatory to obtain, there is no formal registration process that applies to foreign investors. To invest in Namibia a foreign investor requires a residence and work permit or an investor residence permit under the Immigration Control Act.

Few Requirements Specific to Foreign Investor

A foreign investor that wishes to incorporate a company must register with the Registrar of Companies under the Companies Act in the same way as a Namibian investor. A branch of a foreign company that is to carry out business in Namibia must also register with the Registrar of Companies. Sectors such as mining and banking are subject to separate licensing arrangements which apply to citizens and non-citizens. There

are restrictions on the involvement of foreign nationals in the sub-sectors of retailing, hair dressing and intra-Namibia transport.

Foreign Investment Establishment, Registering and Licensing Processes

Foreign investment approval is only required where the investor is applying for a Certificate of Status Investment (CSI) under the Foreign Investment Act. This requires minimum investment of N\$ 2 mn (US\$ 250,000) or acquisition of not less than 10 percent of the share capital of a Namibian company. The project must be assessed as contributing to Namibia's development, employment, or workforce training. A CSI provides exemption from a future decision to reserve activities to Namibians, and the right to international arbitration in a dispute with Government.

Mining Sector

The Ministry of Mines and Energy (MME) is responsible for mining. All mineral rights are vested in the State and are regulated under the Minerals (Prospecting and Mining) Act (No. 33 of 1992), which provides for the reconnaissance, prospecting, mining, disposal, and exercise of control over minerals in Namibia. Namibia's mining industry is also regulated by the Minerals Development Fund of Namibia Act (No. 19 of 1996)

and the Diamond Act (No. 13 of 1999). Applicants for licences and permits must be Namibian citizens or companies registered in Namibia. There is no requirement that the Government should hold equity participation in mining ventures.

Diamonds

Diamonds are the largest mining activity. The Diamond Act (No. 13 of 1999) controls the possession, purchase and sale, processing and importand export of diamonds. Imports and exports of unpolished diamonds require permits in accordance with the Kimberly Process Certification Scheme.

Foreign Investment Operations

Business Taxation

Corporate Tax - The standard rate of tax on companies and branches of foreign companies is 35 percent. For manufacturing and export companies tax incentives reduce the burden of tax. Mining companies are taxed at a rate of 37.5 percent and diamond companies at a rate of 55 percent. Insurance companies are taxed on a special basis.

Non-Resident Shareholder Tax - Dividends declared to non-resident shareholders are subject to 10 percent withholding tax.

Royalty and Know How Tax - There is a withholding tax of 10.5 percent on payments for royalty and know-how related to the use of IP in Namibia.

Mining Royalties and Levies -Following the 2008 amendment of the Minerals Act, royalties levied on gross sales were set at 3 percent on precious metals, base and rare metals, nuclear fuel minerals (Rössing Uranium at 6 percent), 2 percent on industrial minerals, non-nuclear fuel minerals and semi-precious stones. Royalties on diamond production are 10 percent on rough and uncut stones and 5 percent on unprocessed "dimension" stones. The Diamond Act No 13 of 1999 imposed an export tax of 10 percent on all unpolished diamonds not subject to the 10 percent royalty. A higher company tax rate of 55 percent applies to diamond mining.

VAT - VAT is payable at two rates of zero or 15 percent on the supply or import of goods and services by registered persons subject to registration criteria and exemptions.

Foreign Exchange and Foreign Investors

Namibia is a member of the Common Monetary Area along with South Africa, Lesotho and Swaziland. The South Africa Rand is legal tender in Namibia and may be exchanged on a one for one basis for the Namibian dollar. The BON monetary policy objective is the maintenance of price stability through targeting and supporting the fixed exchange rate parity of the Namibian dollar with the South African rand. The parity link means that monetary policy is largely set by the South African Reserve Bank (SARB), and Namibian interest rates closely track South African levels.

Exchange control measures directly control or influence cross border flows of capital to discipline the local demand for foreign currency, to protect the official foreign currency of the country, and to allocate available foreign currency in the best interest of the country as a whole. Exchange controls apply to a Namibian resident, a term which includes a foreign owned business in Namibia, but different controls apply to a resident and a non-resident of the Common Monetary Area.

EPZ and Exchange Controls

An EPZ enterprise operates outside of the normal foreign exchange regime. There is provision for an EPZ Foreign Current Account (held in foreign currency) and an EPZ Non-Resident account which is a Namibian dollar account funded by foreign currency but which is freely convertible and can be used to make Namibian dollar payments for operations in the EPZ.

Foreign Investors and Foreign Exchange Transfers

Non-Residents can invest in equity, operational financing requirements or in capital equipment and assets through normal banking channels without reference exchange to controls. Dividends can be freely transferred to non-resident shareholders, except where local borrowings restrictions have been exceeded. There is a 10 percent withholding (non-resident tax shareholders tax) payable on the repatriation of dividends from Namibia to foreign shareholders and on interest payments on foreign loans. Royalty payments require approval of the underlying agreement by MTI.

Restrictions on Local Borrowing

Where non-residents directly or indirectly control 75 percent or more of a company's capital or earnings, the company may borrow or receive financial assistance up to an agreed percentage of effective capital from Namibian sources. Effective capital is share capital, reserves and loans from shareholders approved by Exchange Control.

Certificate of Status Investment

A person to whom a Certificate of Status Investment (CSI) is issued under the Foreign Investment Act is granted rights which includes that the Bank of Namibia shall ensure that there is available for purchase freely convertible foreign currency to be used:

- to repay, the principal sum of any loan in foreign currency, and to pay the interest and service charges on such a loan as they fall due:
- to pay licence fees and royalties to persons ordinarily resident outside Namibia in respect of any intellectual property which is employed in connection with the enterprise;
- for the transfer out of Namibia of the profits of the enterprise or, where the enterprise is carried on as a branch operation by a company which is a foreign national, for the payment to the head office of the company of remittances out of funds representing the branch profits, after deduction or retention in either case of any tax due;
- where an investment to which a CSI relates is an investment in a company, for the payment to shareholders or stockholders ordinarily resident outside Namibia of dividends out of the profits of the enterprise, after deduction of any tax due;
- where the enterprise or any part of the undertaking carried on by the enterprise is sold to any person ordinarily resident in Namibia, for the transfer out of Namibia of the proceeds of such sale; and
- · where the enterprise is a company

which has reduced its share capital in accordance with the provisions of the laws relating to companies, for the transfer out of Namibia of the sum by which the capital is so reduced.

A CSI may provide for the retention in foreign currency outside Namibia of any payment, or a proportion of any payment, for goods or undertaking exported from Namibia.

Seychelles

Institutions

Seychelles Investment Bureau (SIB) is a one-stop shop for all matters relating to business and investment in Seychelles. SIB's main function is to promote investment and facilitate the investment process in a way which is in line with the administrative, policy and legal framework.

Seychelles International Business **Authority** (SIBA), established by the SIBA Act 1994, seeks to promote Seychelles as a location for international business and to monitor, supervise and co-ordinate the conduct of international business activities. SIBA is a one-stop shop that covers licensing and regulation of the primary offshore business activities. It is the authority or Registrar for International Business Companies, International Trusts, Protected Cell Company, Companies Special License, and Limited Partnerships. SIBA regulates International (Free) Trade Zone activities.

The Small Enterprise Promotion Agency (SEnPA) was created in August 2004 to help promote and develop small enterprises, crafts and cottage industries in Seychelles.

Development Bank of Seychelles (DBS) has a primary role to provide Seychelles entrepreneurs long term financing. It supports the implementation of sound and viable projects and invests in sectors such as agriculture, fishing, and tourism.

Investment and Export Incentives

EPZs, Freeports and other Special Economic Zones

The International Trade Zone (ITZ) Act 1995 provides for the establishment of international trade zones and regulates operations in the zones. A number of areas are declared as ITZ. The aim is to combine the benefits of a free port and export processing zone. The ITZ provide opportunities for lower costs, employment and skills transfer as well as an improvement in the balance of trade.

Foreign Investment & Capital Mobility

Foreign investment in Seychelles (portfolio, direct investment, additional

investments in existing entities in the form of loans or equity capital) is freely permitted, provided it does not involve alienation of land.

Reserved Activities & Strategic Sectors

The Investment Code of Seychelles Act 2005 reserves a number of activities for Seychelles' investors and lists strategic sectors in which investment by a foreign or domestic investor may be permitted subject to conditions to protect the public interest. Strategic areas include activities in which state enterprises currently operate. Strategic areas listed in the Code are:

- production and national distribution of electricity and water;
- storage and distribution of petroleum;
- airport and seaport infrastructure, and other sectors;
- mining of natural resources;
- manufacture of arms and ammunition;
- · airspace related activity;
- genetic centres;
- broadcasting and telecommunications services (except for internet reseller);
- animal feed, hatchery, parent stock and abbatoir, and production; and
- distribution and storage of hazardous substances.

Tourism

Seychelles Tourism Board (STB) responsible for all tourismrelated activities, which includes policy formulation, marketing and promotional activities, establishment and monitoring of standards of tourism products and services and the management of the Seychelles Tourism Academy. Foreign investment in the tourism is welcomed, especially where major capital investment is required or local expertise is not available. In line with the programme of economic liberalisation and diversification, most State owned tourism enterprises have been privatised mainly to foreign owners. Ownership and investment in small hotels of not more than 20 rooms is reserved for Sevchelles nationals and majority ownership of tour operators must be held by Seychelles nationals.

Foreign Exchange and Foreign Investors

All companies operating in Seychelles can raise capital from commercial banks in the country. Foreign and local companies may hold foreign exchange accounts to facilitate business.

The Investment Code provides that investors shall have the right to convert payments in Seychelles rupees (SCR), received through an

investment, converted to another currency in accordance with Seychelles law and shall have the right to remit funds abroad including capital relating to the investment and various forms of earnings and fees related to the investment. In practice, prior to the reforms of recent years, because of shortages of convertible currency, foreign investors faced difficulties in repatriating accumulated foreign exchange earnings.

Foreign companies operating in Seychelles, may remit dividends, transfer management fees, royalties and proceeds from the sale of assets subject to a 15 percent withholding tax. Payments for loan principal and interest can be remitted through banks. Investment outside Seychelles by permanent residents and by companies and other organisations operating in Seychelles is not subject to any limitation.

South Africa

Institutions

The Department of Trade and Industry (DTI) is responsible for formulating and coordinating the country's trade and industrial policies. However, other departments and agencies also take important initiatives on trade and investment policy, such as the Departments of

Finance, Agriculture, Health, and Mineral and Energy Affairs, as well as the South African Reserve Bank.

Trade and Investment South Africa (TISA) is a division of DTI with three business units - Investment Promotion and Facilitation, Export Development and Promotion and International Operations. TISA is responsible for increasing and retaining the level of foreign and domestic direct investment, increasing South Africa's capability and capacity to promote exports into targeted markets and managing DTI's network of foreign offices. TISA's investment promotion and facilitation responsibilities include: Identifying investment opportunities in South Africa; Packaging investment opportunities; Identifying potential investors: Promoting investment opportunities; Facilitating investment into and in South Africa; Providing after-care dedicated service; Providing general information on investing in South Africa and the domestic business environment: and outward Arranging inward investment missions; and Facilitating funding and government support.

Provincial Investment Promotion Agencies (IPAs) Eastern Cape
Development Corporation, Free State
Development Corporation, Gauteng
Economic Development Agency,
Trade and Investment KwaZulu-Natal,

Trade and Investment Limpopo, Mpumalanga Economic Growth Agency, Investing in the Northern Cape, Invest North West, and Western Cape Investment and Trade Promotion Agency. The role of these agencies is to stimulate economic growth in а province through exports by established business and attracting foreign investment through building an enabling environment. TISA is working to coordinate national and provincial investment promotion activities.

The Industrial Development Corporation (IDC): Industrial Development Act, No. 22 of 1940 constituted the Industrial Development Corporation (IDC) to promote the establishment of new industries and industrial undertakings, as well as the development of existing industries and industrial undertakings. IDC provides equity, quasi-equity and medium term loan finance to the private sector to promote industrial development and innovation.

Development Bank of Southern Africa provides policy advice, planning, programming and financing for infrastructure projects. It cooperates with the private financial sector in support of local authority infrastructure needs, also promoting public private partnerships.

Investment and Export Incentives

Enterprise Investment Programme (EIP)

DTI administers the EIP, an investment incentive in the form of a grant designed to stimulate investment growth in manufacturing and tourism. To justify the awarding of a grant for any project, a funding gap analysis is applied to ensure a grant is only approved where it will have an impact on the timing, scale and quality of the project. Projects in the following categories will not be required to indicate the existence of a funding gap: (a) All projects below R (Rand) 5 mn (€ 500,000); (b) New entities not linked to an existing entity, where B-BBEE shareholding is greater than 50 percent. The latter provision does not apply to a new project of an existing entity.

Manufacturing Investment Programme (MIP)

MIP aims to enhance the sustainability of manufacturing investment projects by small enterprises and to support large-to-medium-sized investment projects in manufacturing that would otherwise not be established without the grant. MIP provides investment support to both local and foreign owned entities, by offering an investment

grant of up to 30 percent of the value of qualifying investment costs in machinery, equipment, commercial vehicles, land and buildings, required for establishing a new production facility; expanding an existing production facility; or upgrading production capability in an existing clothing and textile production facility. Investment projects of R 5 mn (about € 500,000) and below may qualify for an investment grant equal to 30 percent of their total qualifying investment cost, payable over a three (3) year period. Investment projects of above R 5 mn may qualify for an investment grant of between 15 percent and 30 percent of their qualifying investment costs, calculated on a regressive scale and payable over a period of two years. This investment grant cannot exceed R 30 mn (about € 3 mn).

Income Tax Allowance Incentive to Support Greenfield and Brownfield Investment Projects

In 2010, under Section 12i of the Income Tax Act 1962, a tax incentive was introduced to support greenfield investments (i.e. new industrial projects that utilise only new and unused manufacturing assets), as well as brownfield investments (i.e. expansions or upgrades of existing industrial projects). Section 12i of the Income Tax Act is a tax allowance based on investment in new manufacturing assets and

training, provided to employees in the project. The two components of the programme comprise an investment allowance of up to a maximum of R 900 mn, and a training allowance of up to a maximum of R 30 mn per project, dependent on compliance with certain criteria. Both allowances are deductible from the taxable income of the applicant company and reduces tax liability.

The objectives of the incentive programme are to support:

- Investment in manufacturing assets, to improve the productivity of the South African manufacturing sector; and
- Training of personnel, to improve labour productivity and the skills profile of the labour force.

The incentive offers:

- R 900 mn in the case of any greenfield project with a preferred status;
- R 550 mn in the case of any other greenfield project;
- R 550 mn in the case of any brownfield project with a preferred status;
- R 350 mn in the case of any other brownfield project;
- An additional training allowance of R 36000 per employee may be deducted from taxable income; and
- A maximum total additional

training allowance per project, amounting to R 20 mn, in the case of a qualifying project, and R30 mn in the case of a preferred project.

Tourism Support Programme (TSP)

DTI administers а targeted incentive programme to support the development of tourism enterprises that will stimulate job creation and encourage a geographic spread of tourism investment. As tourism is highly concentrated in the metropolitan (metros) areas of Johannesburg, Cape Town and eThekwini, projects located within these metros are excluded from the programme unless the projects are in marginalised areas within the metros. Marginalised areas are those with higher than the national average unemployment rate.

The incentive programme offers a grant of up to 30 percent towards investment costs qualifying for establishing and expanding existing operations in South Africa. The incentive is available to South African and foreign-owned enterprises and is provided for qualifying investment costs of furniture. equipment, vehicles, land and buildings/ land improvements of up to R 200 mn (€ 20 mn). The investment grant is capped at a maximum of R 30 mn (€ 3 mn), calculated in relation to the qualifying investment costs, as follows:

- Investment projects of R 5 mn (€ 500,000) and below may qualify for investment grants equal to 30 percent of their qualifying investment costs, payable over a three year period.
- Investment projects of above R 5 mn. may qualify for an investment grant of between 15 percent and 30 percent of their qualifying investment costs, calculated on a regressive scale, and payable over a period of two years. This investment grant cannot exceed R 30 mn.

Automotive Investment Scheme (AIS)

The AIS provides investment support to light motor vehicle and automotive component manufacturers. It is an incentive designed to grow and develop the automotive sector through investment in new and / or replacement models and components that will increase plant production volumes, sustain employment and / or strengthen the automotive value chain.

The AIS provides investment support to light motor vehicle and automotive componentmanufacturers. Itpro-vides for a taxable cash grant of 20 percent of the value of qualifying investment in productive assets approved by DTI. An additional taxable cash grant of 5 - 10 percent may be available to projects that are found to be strategic

by the DTI. A further taxable cash grant of 5 - 10 percent of the value of qualifying investment in productive assets may be available to projects that meet specified requirements.

Other Investment and Export Incentive Programmes

Other investment and export incentive programmes include: Clothing and Textile Competitiveness Improvement Programme (CTCIP); Production Incentive (PI); Critical Programme Infrastructure Business Process Out-sourcing and Off-shoring (BPO&O); Sector Specific Assistance Scheme (SSAS); Cooperative Incentive Scheme (CIS); Film Production Incentive; Black Business Supplier Development Programme (BBSDP); Export Marketing & Investment Assistance Scheme (EMIA); and Capital Projects Feasibility Programme.

EPZs, Freeports and other Special Economic Zones

Industrial Development Zones (IDZ) - An IDZ is a form of Special Economic Zone that contains a controlled Customs Secured Area (CSA) where there is an exemption from duties, VAT and import duty on machinery and assets. (Other forms of SEZ include export processing zones (EPZs), free ports, enterprise

zones and technology parks.) The IDZ provides a location for the establishment of strategic investment projects. It promotes and develops links between domestic and zone-based industries to optimise use of existing infrastructure, generate employment and create technology transfers and enables exploitation of resource-intensive industries.

Tax Incentives

South African Revenue Services (SARS) is responsible for tax incentives. The Income Tax Act, 1962 contains specific tax incentives including:

- Double taxation avoidance agreements;
- Depreciation may be claimed in respect of the cost of plant and machinery, implements, utensils and other articles used for the purpose of trade;
- Capital allowance write-off over 5
 years at 20 percent per annum on
 a straight line basis in respect of
 machinery and equipment used
 for the first time in a manufacturing
 or similar process.
- A wear-and-tear allowance is available annually for machinery and equipment, which do not qualify for the 20 percent capital allowance;
- Five percent depreciation

- allowance is allowed annually on cost of buildings (and improvements);
- Writing off of patents, copyright, trademarks, designs and other intellectual property acquiring and developing costs; and
- Capital investment on buildings and equipment used exclusively for scientific research and approved by the Council for Scientific and Industrial Research (CSIR) may be written off, on a straight line basis, at the rate of 25 percent per year.

Export Credit and Foreign Investment Insurance

The Export Credit Insurance Corporation of South Africa (Pty) Ltd (ECIC) provides export credit insurance for goods and services. Insurance cover is provided for losses arising from political risk, expropriation, loss incurred due to any action taken by the host government that prevents the conversion of a local currency, war and civil disturbance, breach of contract, protracted default and insolvency. The ECIC provides credit insurance for 2-10 years. Credit insurance covers up to 90 percent of the contract value but it is contingent on a national content of at least 50 percent of the export value.

South Africa offers subsidised medium term and long term loans to promote

the export of capital goods and services. Financing facilities offered by banks and financial institutions, such as IDC, are enhanced by the credit insurance cover and interest support from ECIC. This support enables exporters of capital goods and services to offer extended credit facilities to foreign buyers by underwriting bank loans and investments outside South Africa.

Broad-Based Black Economic Empowerment (B-BBEE)

Broad-Based Black Economic Empowerment(B-BBEE)istoadvance economic transformation and enhance the economic participation of black people in the South African economy. "Black people" is defined in the BEE Act as a generic term which means Africans, Coloureds and Indians, who are citizens of RSA by birth, descent or naturalisation (a) occurring before the commencement date of the Constitution of RSA Act 1993, or (b) occurring after the commencement date of the Constitution but who, without the Apartheid policy would have qualified for naturalisation before then.

There is a generic BEE Scorecard which measures empowerment progress in direct empowerment through ownership and control of enterprises and assets, human resource development and

employment equity, and indirect empowerment through preferential procurement and enterprise development.

The Codes of Good Practice under the B-BBEE, include measures of:

- Ownership: effective ownership of enterprises by black people.
- Management Control: effective control of enterprises by black people.
- Employment Equity: initiatives intended to achieve equity in the workplace.
- Skills Development: the extent that employers carry out initiatives designed to develop the competencies of black employees.
- Preferential Procurement: the extent that enterprises buy goods and services from BEE compliant suppliers as well as black owned entities.
- Enterprise Development: the extent to which enterprises carry out initiatives contributing to enterprise development.
- Socio-Economic Development: the extent to which enterprises carry initiatives contributing to socio-economic development.
- Qualifying Small Enterprises: the extent to which enterprises carry out contributions made by qualifying small enterprises.

Foreign Investment & Capital Mobility

Foreign Investment Establishment, Registering and Licensing Processes

There is no limit on foreign ownership, except in banking and the media. When establishing a business, a business licence is required to be obtained from the local authority. The licence is valid indefinitely, except for businesses handling foodstuffs and those where people gather, such as clubs or theatres, which require renewable licences. There is a choice of entity through which a South African or foreign investor may carry out business in South Africa.

Restrictions on Investments

Two restrictions to foreign investment remain in place in South Africa: (i) local minimum equity requirements for banks and insurance companies; and (ii) businesses with non-resident ownership or control equal to or greater than 75 percent are restricted as to the amount they may borrow from local financial markets. In addition, a foreign bank establishing a branch may be required to employ a minimum number of local residents to obtain a banking licence, and to have a minimum capital base. Foreign companies are also required to register as "external companies" before immovable property can be

registered in their name. With the exception of financial institutions, any foreign company may establish a place of business in South Africa, and conduct its activities without having to incorporate as a local entity. The establishment of a branch requires registration as an "external company" within 21 days of establishment of a place of business. Additional approval is required for a business entity that will be involved in import and export activities.

Types of company

The Companies Act (No. 61, of 1973) regulates the formation, conduct of affairs and liquidation of companies in South Africa. There are five main types of company:

- A private company referred to as a Pty (Proprietary Limited Company). A private company must have at least one director and shareholder and membership is restricted to 50. It cannot offer or transfer shares to the public. Directors do not have to be South African residents or nationals.
- A public company that may offer shares to the public and is referred to as Limited.
- A company not for gain is commonly referred to as a Section 21 company, e.g. NGO's and religious and charity organisations.
- A foreign company, in a sector other than banking or insurance,

- may establish a place of business and carry on activities in South Africa through a branch which is registered as an external company under Section 32 of the Companies Act.
- An incorporated company which is registered by professionals e.g. attorneys doctors and auditors, is a company where the directors remain jointly and severally liable for debts, and is generally referred to as a Section 53(b) company.

Mining & Petroleum

Mining and petroleum are regulated by the Mineral and Petroleum Resources Development Act (MPRDA) (Act No. 28) 2002 and the Minerals and Energy Laws Rationalisation Act (Act No. 47) 1994. The MPRDA Act provides that foreigners and nationals have the right to apply for a prospecting right, mining permit, reconnaissance permit, beneficiation right, exploration right, and / or mining right as long as they comply with the requirements set out in the law. The law makes no reservations for South African citizens but it empowers the Minister to give to applications from preference disadvantage peoples historically when considering applications received on the same date.

Diamonds & Precious Metals

The South African Diamond and Precious Metals Regulator (SADPMR) regulates the diamond and precious

metals (gold and platinum-group under metals) industries. Diamond Act No. 56 of 1986 and the Precious Metals Act No. 37 of 2005. SADPMR administers, and controls the purchase, sale, beneficiation, import, and export of diamonds. It also administers and controls the acquisition, possession, smelting, refining, fabrication, use, and disposal of precious metals. SADPMR issues licences, permits, and certificates for all activities related to diamonds and precious metals. SADPMR ensures that all diamond dealers comply with the Kimberley Process certification scheme.

Energy Sector

The National Energy Regulator of South Africa (NERSA) regulates petroleum, gas, and electricity. It issues licences for building petroleum pipelines, and loading and storage facilities, constructing and operating gas transmission, distribution, and re-gasification facilities, conversion of infrastructure, and trade in gas, and electricity generation and distribution.

Communications

The Department of Communications (DoC) is responsible for policies and legislation related to communications technology (ICT), ensuring reliable and affordable ICT infrastructure, strengthening the Independent Communications Authority of South

Africa (ICASA), the regulator, enhancing the capacity of overseeing state-owned enterprises (SOEs), and meeting South Africa's international ICT responsibilities. The Electronic Communications Act No. 36 of 2005 is aimed at facilitating the synergies between telecom, information broadcasting, and technologies services. while promoting competition in the sector through inter alia, facilitating access to networks.

Foreign Investment Operations

Business Taxation

New enterprises file with SARS for income tax, value added tax (VAT), employee tax – standard income tax on employees (SITE) and pay as you earn (PAYE).

Corporate income tax rate is 28 percent and there is also a 12.5 percent secondary tax companies (STC) levied on declared dividends. Foreign resident companies that earn income from a South Africa source face a tax rate of 33 percent as STC is not payable by a foreign resident company.

Value Added Tax - VAT is levied on domestically produced and imported goods and services at a standard rate of 14 percent. Exports of some basic foodstuffs, goods used or consumed for agricultural, pastoral or other farming purposes, fuels, and international transport of goods and passengers are zero-rated. Goods and services exempt from VAT include financial services, donated goods or services or any other goods made or manufactured with donated inputs, the supply of residential accommodation, educational services and transport services. VAT is not payable on temporary imports and imports for export-processing.

Export Levy - South Africa levies a diamond export levy on the value of exports of unpolished diamonds to promote the development of the local economy, develop skills, and create employment. Exports of unpolished diamonds are prohibited unless undertaken by a producer, a manufacturer (synthetic diamonds), a dealer, or a holder of an export permit. There are also export levies on citrus fruit (R 0.0213 per kg) and wine (in bulk R 0.05 per litre and R 0.08 per litre otherwise).

Foreign Exchange and Foreign Investors

There is no general screening or review process for foreign investment in RSA, but foreign investment is subject to exchange control policy and regulations. Non-residents that comply with exchange control policy and regulations may invest in South Africa with evidence that the transaction is at arm's length and at

fair market related prices, financed by the introduction of foreign currency, rands from a non-resident account, or local financial assistance to non-residents or an "affected person". The proceeds of a sale or redemption of assets owned by a non-resident may be remitted from South Africa, or used in the Common Monetary Area (Republic of South Africa, Lesotho, Namibia and Swaziland), for investment and other purposes and credited to a non-resident account.

A South African registered entity that is 75 percent or more foreign controlled is an "affected person" and is restricted in the amount it may borrow from South African lenders. A company that is wholly owned by non-residents may borrow up to 300 percent of total shareholder investment for use in the business. Effective capital for shareholder investment includes paid-up equity capital, preference shares, undistributed earned profit, shareholders' loans from abroad and. in some cases shareholders trade credit. Where there is South African as well as non-resident ownership additional sums may be borrowed.

Swaziland

Institutions

The Ministry of Commerce, Industry and Trade is responsible for internal trade regulation, promotion of foreign and domestic investment,

awarding licences to new businesses, registration of companies, intellectual property rights, domestic and export trade promotion and policy analysis.

The **Swaziland** Investment **Promotion Authority** (SIPA). by established the Swaziland Investment Promotion Act 1998, seeks to promote and facilitate foreign direct and local investment in Swaziland. The objectives of SIPA are: to attract, encourage, facilitate and promote local and foreign investment in Swaziland; to initiate, coordinate and facilitate the implementation of government policies and strategies on investment; to provide a onestop information and support facility to local and foreign investors; and to advise the Minister on investment policies, strategies, proposals and suitable incentives for investors.

Swaziland Industrial Development Corporation (SIDC) is a private development finance company formed as a joint venture between the government and several international and local financial institutions. The main objective of SIDC is to assist incoming companies by financing joint ventures, equity participation, asset leasing, and providing factory shells. It offers assistance in project appraisal and identification of local or foreign joint venture partners. It provides financial services including equity finance and medium-term and long-term loans at competitive

interest rates and leasing of factory buildings.

Investment and Export Incentives

Swaziland and foreign investors may avail of incentive schemes.

Factory Rental Subsidy

Factory premises incentives are granted by MCIT on the recommendation of the SIPA. A grace period before the first rent is paid depends on the nature and perceived importance of the business, but generally rent is not paid until the business starts operations. The rent depends on the location of the factory, and the extent of subsidy can range from 25-40 percent of the market rate

Export Credit Guarantee Scheme (ECGS)

ECGS funds are held in treasury bills and term deposits monitored by the Central Bank of Swaziland (CBS). The CBS provides guarantee to commercial banks lending to exporters. The scheme is administered by MCIT and enables exporters to finance working capital requirements and extend better credit terms to customers. The ECGS covers 75 percent of the loan in the case of pre-shipment applications, and 85 percent in the case of post-shipment applications. The maximum guarantee to any one exporter is E 2.5 mn (US\$ 320,000). Interest is charged at the prime interest rate per annum and the CBS charges a premium of 0.53-2.33 percent, depending on the length and type of credit.

Tax Incentives

- The corporate tax rate is 30 percent for all companies. There is provision for unlimited carrying forward of losses for set off against future assessable income.
- Development Approval Order: The Development Approval Order Notice, 2000 provides that in furtherance of the Income Tax Order of 1975, the Minister for Finance is empowered to issue development approval status to an investor which gives a concessional corporate tax rate of 10 percent for a period of 10 years. An investor that obtains this concession may be exempted from withholding tax on dividends during the 10 year tax period. Swaziland and foreign investors are eligible to apply for this incentive but the application must be made by a company incorporated in Swaziland.
- Human resources training rebate: On approval by the Commissioner of Taxes 100 percent of training costs is permitted to be written off against tax liabilities.
- Duty Free Imports: Capital goods imported into the country

- for productive investments are exempt from import duties. Raw materials imported into the country to manufacture products to be exported outside SACU are exempt from import duties. Refunds are normally issued as duty credits.
- Initial depreciation allowance on new plant and machinery brought into use is 50 percent of cost.
- Initial allowance on used machinery housed in a building that qualifies for an initial allowance, and not previously used in Swaziland, and not replacing other machinery is 50 percent of depreciated value.
- Initial depreciation allowance on new industrial buildings (which includes hotel and company financed housing for employees) is 50 percent of cost.
- Annual depreciation on cost of industrial buildings and on improvements to industrial buildings is at the rate 4 percent per year.

Foreign Investment & Capital Mobility

National Treatment - The Investment Promotion Act provides for non-discriminatory treatment of investors and investment which means foreign investors are granted national treatment. There are no policies or practices that discriminate against foreign investment, and companies can be 100 percent foreign-owned.

Foreign investment faces minimal screening, but is restricted from providing essential utilities e.g. water and electricity.

Any person, whether a citizen of Swaziland or not, may freely, and without restriction on ownership, make an investment in any sector of the economy, except for the following activities:

- Manufacture of firearms, ammunition, chemical and biological weapons, and other defence weapons;
- Manufacture involving radioactive materials;
- Manufacture of explosives;
- Hazardous waste treatment or disposal; and
- Security printing and minting.

Foreign Investment Operations

Business Taxation

Under the Sales Tax 1983, sales tax is applied to transactions involving imported goods at the time of importing, and is applied to sales of locally manufactured goods on the date goods are sold by the manufacturer, and is also applied to taxable services, hotel accommodation and restaurant sales. The rates are 14 percent on general goods and services, and 20 percent on cigarettes and alcohol. Exemptions include necessities, intermediate goods or plant and

machinery for manufacturing, medical supplies, temporary imports, certain personal imports, water and electricity. On goods imported from outside SACU taxable value is determined by adding together (i) the value for customs duty purposes + (ii) any customs, excise and surcharge duties paid + 14 percent sales tax of the total amount of (i) + (ii).

Income Tax - Under the Income Tax Order of 1975, all companies are subject to tax at a rate of 30 percent on taxable income. Additional tax concessions may be granted, at the discretion of the Minister of Finance, to new businesses considered beneficial to the economy. A branch of a foreign company is subject to a tax on Swaziland profits as if it was a domestic company. In addition a branch profits tax of 15 percent is charged on the deemed repatriated income.

Capital allowances - Hotel and industrial Buildings used in a process of manufacture are subject to a 4 percent annual allowance on the cost of the building and improvements and 50 percent initial allowance in the year in which the building is brought into use.

Plant and machinery - A 50 percent initial allowance is granted in respect of qualifying assets and annual wear and tear based on the useful life of each asset. Other capital assets may

be written down over the expected period of their useful lives. Special allowances exist in respect of the hotel industry.

Dividends - Dividends received by or accruing to a company are exempt from normal tax. Dividends received by or accruing to an individual are taxed at special rates.

Losses - Where income is exceeded by allowable deductions, an assessed loss is created. Such loss may be carried forward indefinitely for set-off against taxable income in future years of assessment. The provison exists that the taxpayer must continue to operate and derive income.

Foreign sourced income - Only income which has a source or deemed source in Swaziland will be subject to tax in the Kingdom. Foreign-sourced income is exempt from Swaziland tax.

Incentives - Special grants and allowances are given to creators of additional productive capacity. This is in the form of initial allowances and accelerated depreciation. Further incentives are also provided to non-resident investors to encourage foreign investment in Swaziland.

Withholding tax - Certain payments to non-residents attract withholding taxes, as follows: Entertainers and sportsmen 15 percent of amount paid, Contractors 10 percent of the payment to the non-resident, and Royalties and management fees 15 percent.

Non-resident shareholders' tax (NRST) - Payable on dividends at the rate of 12.5 percent of the dividend if it is paid to South African, Botswana, Namibian or Lesotho companies. The rate increases to 15 percent in respect of all other dividends.

Foreign Exchange and Foreign Investors

Swaziland along with Lesotho, Namibia, and South Africa form the Common Monetary Area (CMA), under which the Swazi lilangeni (E) is maintained at par with the South African rand. The rand circulates freely in Swaziland. The CMA provides for the free flow of funds between its members with no exchange controls. The CMA countries apply virtually identical exchange control regulations to foreign exchange transactions with non-members of CMA.

Authorised Dealers are appointed by Central Bank of Swaziland (CBS) to processforeign exchange transactions in accordance with conditions and limits set out in rulings issued by CBS. Residents and non-residents may hold foreign exchange accounts. Inward transfers should be registered with CBS, to facilitate possible future repatriation of capital. In practice,

approval is routinely granted when required for genuine investment activity. Companies that are more than 25 percent owned or controlled by persons from outside the CMA require Central Bank approval before borrowing from Swazi sources.

There is full repatriation of profits and dividends of enterprises operating in the country. Repatriation is also allowed for salaries of expatriate and capital repayments.

Investment Protection and Dispute Settlement

Swaziland is a member of the Multilateral Investment Guarantee Agency (MIGA) and ICSID.

Tanzania

Institutions

The Tanzania Investment Centre (TIC), a government institution established in 1990, is the key agency for promotion of investment in the country. Responsibilities of TIC include: registration of companies, registration and approval of investments, investment promotion, investment facilitation, tax registration, land issues, immigration issues, and After Care Services

The Tanzania Revenue Authority (TRA) is in charge of all tax laws and related issues and is a semi-autonomous government agency.

Zanzibar Investment Promotion Authority has been established by the Zanzibar Investment Promotion and Protection Act, 2004. The Act regulates all investments that are undertaken on Zanzibar and the island of Pemba.

Investment and Export Incentives

Investment incentives are dominantly tax incentives, and many of these are also relevant for the export promotion. Besides these, other incentives provided to the foreign investor are:

- Unrestricted right to international arbitration in case of disputes with the Government;
- Straight-line accelerated depreciation allowance on capital goods;
- Fast track to obtain permits such as work/residence permits and industrial and trading licenses with the assistance of TIC;
- Permission to employ 5 foreign expatriates upon following the procedures laid down by the Immigration Department for issuance of Resident's Permits; and
- Recognition by the Government which helps to facilitate assistance when needed from Government.

Import Duty Drawback - Import duty charged on imported inputs and which are used for producing goods for export and goods sold to foreign institutions such as the UN in Tanzania, is refunded.

Manufacturing under bond - Businesses/ Factories manufacturing goods under bond for export purpose are exempted from the import duty and other taxes on inputs which are used for manufacture of such goods.

Other Export incentives are provided in EPZs and other Special Economic Zones (SEZs).

Investment Opportunity Sectors

The government has identified investment opportunities in Tanzania according to sectors and sub-sectors. Priority sectors are:

- · Agriculture including livestock;
- · Air Aviation;
- Commercial Buildings;
- Commercial Development and Micro finance Banks;
- Export processing;
- Geographical special development areas;
- Human resources development,
- Manufacturing;
- Natural resources, including fishing;
- Radio and Television broadcasting; and
- Tourism and Tour operation.

EPZs, Freeports and other Special Economic Zones

Activities in Export Processing Zones are regulated under the Export Processing Zones Act No. 11 of 2002 and its Amendments in 2006. The Act establishes the Export Processing Zones Authority as an autonomous government agency in charge of initiating, developing and managing operations in the EPZs.

Businesses operating in the EPZ and exporting at least 80 percent of their products are entitled to the following incentives:

- 10 year tax holiday on corporate income tax and withholding tax (dividends, interests, rent);
- No customs duty, VAT or other tax on raw materials and capital goods employed in the EPZ, with exception of motor vehicles, spare parts and consumables, and no VAT on utility and wharfage charges;
- No local authority taxes or levies for 10 years on products produced in the EPZ;
- No stamp duty;
- Exemption from pre-shipment or destination inspection requirements;
- On site customs inspection of goods in the EPZ;
- Exemptions from foreign exchange control restrictions;
- Provision of business visa to

key technical, management and trainings staff for a maximum of 2 months at the point of entry, before having to apply for a residence permit according to the Immigration Act, 1995.

Special Economic Zones (SEZ)

The Special Economic Zones Act (2006) outlines the creation of selected geographical areas such as industrial parks, export processing zones, free trade zones, free ports, tourist parks, science and technology parks, etc. SEZs also try to attract light industry in specific regions such as Dar es Salaam, Tanga, Kigoma and Mtwara. Activities in SEZs are aimed to accelerate domestic production, promote export and create employment.

To be licensed within an SEZ, the new investment requires a minimum capital of US\$ 5 mn for foreign owned investments, or an equivalent of US\$ 1 mn for locally owned investments. Investment incentives are then categorised into three groups of investors:

- Incentives for developers of infrastructure;
- (2) Incentives for investors selling within the customs territory; and
- (3) Incentives for investors selling in export markets (those exporting

at least 80 percent of production receive the same incentives as described under the EPZ regulation).

Tax Incentives

The Tanzania Investment Act, 1997 provides a variety of incentives for both national and international investors. Tax incentives granted are in the form of enhances capital deductions and allowances.

Economic Infrastructure

Tax incentives in the economic infrastructure sector for the road, railways, air and sea transport, port facilities, telecommunication, banking & insurance are the following:

All capital goods	0 percent	Relieved
Corporate tax	30 percent	
Listed company to DSE	25 percent	
Withholding tax on dividends	10 percent	
Withholding tax on interest	10 percent	

Losses can be carried forward indefinitely. Companies with a perpetual tax loss for 3 consecutive years as a result of tax incentives on its investment are in such case charged 0.3 percent of the annual turnover.

Mineral Sector - The general tax incentives in the mineral sector are:

All capit	al goods	0 percent	Relieved
Spare p	arts	0 percent	Relieved
Explosiv	e and other supplies	0 percent	Relieved
Fuel & c	ils	0 percent	Relieved
Corpora	te tax	30 percent	
Listed co	ompany to DSE	25 percent	
	allowance ding tax on technical	100 percer	nt
services	i	5 percent	
Withhold	ding tax on dividends	10 percent	
Withhold	ding tax on interest	10 percent	

Losses can be carried forward indefinitely. Companies with a perpetual tax loss for 3 consecutive years as a result of tax incentives on its investment are in such case charged 0.3 percent of the annual turnover.

In addition, the following taxes and levies apply:

- Royalty of 3 percent except on diamond, which is 5 percent and 12.5 percent for petroleum & gas;
- No tax, duty, fee or other fiscal impost on dividends;
- No capital gain tax;
- Losses are carried forward for unrestricted period;
- A duty tax of 5 percent and VAT is charged after the first 5 years of commercial production;
- Yearly appreciation of unrecovered capital in investment; and
- Importation by or supply to a registered licensed exploration, prospecting, mineral assaying, drilling or mining company, of

goods which if imported will be eligible for duty under customs law, and service for exclusive use in exploration, prospecting, drilling or mining activities.

Agriculture - General tax incentives in the agricultural sector are:

All capital goods	0 percent	Relieved
Agricultural machinery/		
equipment	0 percent	Exempt
Fertilizers and pesticides	0 percent	Exempt
Farm implements & inputs	0 percent	Exempt
Corporate tax	30 percent	
Capital allowance	100 percent	t
Withholding tax on interest	10 percent	
Withholding tax on dividends	10 percent	

Losses are carried forward indefinitely.

Tourism - General tax incentives in the agricultural sector are:

All capital goods	0 percent Relieved
Corporate tax	30 percent
Capital allowance	50 percent
Withholding tax on interest	10 percent
Withholding tax on dividends	10 percent

Losses are carried forward indefinitely. Exempt on Import Duty are:

 Imported four wheel drives designed and built for tourist purposes. They are subject to satisfying criteria set by the East African Community Secretariat; and Hotel equipment which were engraved or printed or marked with the hotel logo imported by a licensed hotel for its use.

Manufacturing and Fish Farming Sector - The law allows for a 50 percent capital allowance for plant and machinery that is used in the manufacturing and fish farming sectors. The rest will follow the depreciable chart of the Income Tax Act, 2004.

In the **Petroleum and Gas sector**, there are:

- tax exemptions for equipment and material used for exploration;
- negotiated levels of cost oil or gas split after the discovery of oil or gas for the purposes of recovering costs for exploration, development and production;
- negotiated levels of profit oil or profit gas split; and
- registered licensed exploration, prospecting, mineral assaying, drilling or mining company, of goods which if imported will then be eligible from duty under customs law, and service for exclusive use in exploration, prospecting, drilling and mining activities.

Exceptions for major investments -

According to the Tanzanian Investment Act, the National Investment Steering Committee can offer additional incentives and benefits that are not yet provided by the act, or are above it for strategic or major investment projects.

Mining Sector Legislation

Investments in Mining and petroleum exploration are guided by two pieces of legislation, the Mining Act No. 5 of 1998 and the Petroleum (Exploration and Development) Act of 1980. The Mining Act grants investors the right to trade in mineral rights and provides special incentives for companies operating in this sector.

Investment requirements

An investor who likes to be granted incentives has to acquire a certificate of incentives from TIC. The minimum requirement is an investment above US\$ 300,000 for foreign investors and US\$ 100,000 for local investors.

Types of Companies

Investors can register as a Private Limited Company, a Public limited company, or a branch of an overseas company, as per the Companies Act, 2002.

Business Taxation

The main taxes are the corporate income tax, withholding tax on dividends, interest, royalties and natural resource payments and rent, and personal income tax as direct taxes, and the VAT and duties as indirect taxes.

Corporate Income Tax - Income tax is applied to profits of Tanzanian resident companies and foreign companies trading in Tanzania through a branch or agency. Tax for a resident company is paid on the worldwide income. A foreign incorporated company is treated as resident if the management and control of the entity's affairs is exercised in Tanzania. The general corporate income tax is 30 percent. Several exceptions apply to investors according to the sector of investment.

VAT - Value added Tax is at 20 percent with certain goods and services for export being eligible to zero tax rate. Claims for VAT refund must be supported by an auditor's certificate. Businesses that are constantly in a refund position such as exporters can apply for lodging their refund on a monthly basis.

Local Taxes - There are property taxes paid to local governments on the value of the premise. Rates depend on the value and location of the premises. Local governments can

charge a 0.3 percent service levy that is based on the turnover generated in the respective district. A cess tax applies to agricultural produce and livestock which cannot exceed 5 percent of the producer price.

Foreign Exchange and Foreign Investors

Foreign exchange controls have been liberalised with the enactment of the Foreign Exchange Act 1992. It liberalised external trade and payments in order to provide an enabling environment for efficient allocation of foreign exchange and market-determined exchange rates.

Repatriation

The Investment Act 1997 guarantees in article 21 the following: Subject to this section, a business enterprise to which this Act applies shall be guaranteed unconditional transferability 'through any authorised dealer bank in freely convertible currency of-

- a) net profits or dividends attributable to the investment;
- b) payments in respect of loan servicing where a foreign loan has been obtained;
- c) royalties, fees and charges in respect of any technology transfer agreement registered under this Act;
- d) the remittance of proceeds (net of all taxes and other obligations)

- in the event of sale or liquidation of the business enterprise or any interest attributable to the investment; and
- e) payments of emoluments and other benefits to foreign personnel employed in Tanzania in connection with the business enterprise.

Even though there are no restrictions, certain foreign exchange transactions require approval of the Bank of Tanzania such as investments outside the country and foreign lending operations in favour of non-residents.

Investment Protection and Dispute Settlement

Tanzania is member of the International Centre for the Settlement of Investment Disputes (ICSID), and the Multilateral Investment Guarantee Agency (MIGA). A number of Bilateral Investment Treaties and Double Taxation Agreements have also been signed by the country.

Zambia

Institutions

The Zambian Development Agency (ZDA) was established in 2006 by the Zambian Development Agency Act and became operational in January 2007. This Act of Parliament merged 5 previously existing institutions;

Zambian Investment Centre (ZIC), the Zambia Privatization Agency (ZPA), Export Boards of Zambia (EBZ), Small Enterprise Development Board (SEDB) and Zambia Export Processing Zones Authorities (ZEPZA) into one statutory body. ZDA is therefore not only fulfilling functions of an Investment Promotion Agency, but it is also responsible for the promotion of exports, small business development and continued privatization of state-owned enterprises.

ZDA and its ZDA Act (2006) is in charge of all investors and investments in the country and any industry, except (a) industries manufacturing arms and ammunition, explosives, military vehicles and equipment, aircraft and any other military hardware; (b) an industry manufacturing poisons, narcotics, dangerous drugs and toxic, hazardous and carcinogenic materials; and (c) an industry producing currency, coins and security documents.

Investment and Export Incentives

General Incentives

The ZDA Act (2006) provides a wide range of incentives in form of allowances, exceptions and concessions depending on size, sector and location of the investment. A categorisation of investors (as described above) sets the different incentives provided. The general

incentives to investors are prescribed in the Customs and Excise Act, Income Tax Act and Value Added Tax Act. They provide fiscal incentives which are falling under the Zambia Revenue Authority.

Duty Draw Back Scheme

In terms of customs duty, most capital equipment attracts duty rates of 0 to 5 percent. Under the Duty Draw Back Scheme another relief is granted if the following conditions are met:

- The company or individual must be in the manufacturing business;
- The company or individual must be an exporter or intends to start exporting; and
- The company must be in any sector other than the mining sector.

Non-fiscal Incentives

Besides the numerous tax incentives, the ZDA Act also provides for non –fiscal incentives. Investors, who invest at least US\$ 250,000 and employ not less than 200 local persons, are entitled to a self employment permit and employment permits for up to five (5) expatriates.

EPZs, Freeports and other Special Economic Zones

Multi-Facility Economic Zone (MFEZ)

The Investment Act defines a "Multi-Facility Economic Zone (MFEZ)" as being an area or premise in Zambia that has been declared a MFEZ by the Minister of Commerce, Trade and Industries with the approval of the Cabinet by statutory instrument. The license specifies the limits of the area, the facilities that need to be provided, terms and conditions under which the produced goods and services may be sold, exported or otherwise declare disposed of, activities prohibited within the zone, conditions under which the goods may be removed from the zone, the powers and obligations of the investors, and any other matters necessary for the effective and efficient operation of the MFEZ. The main objective is to attract industrial and economic development by increasing activity in the manufacturing sector. MFEZs are intended for both domestic and export-oriented activities in contrast to export processing zones.

An investor wanting to establish a Multi-Facility Economic Zone or operate in an existing MFEZ is required to meet the following criteria:

 Be a registered company under Zambian law;

- Invest not less than the equivalent of US\$ 500,000;
- Be in a MFEZ priority sector; and
- Meet the approval of the ZDA, and in case of an MFEZ establishment, the Cabinet, demonstrating that the investment will provide the benefits which include:
 - Attracting foreign and local direct and indirect investment;
 - Local employment creation in amount and quality;
 - Skill development and skill transfer to local entrepreneurs and communities, and to social development;
 - o Expansion of local production;
 - Utilisation of local raw materials and intermediate goods;
 - Introduction and transfer of technology;
 - Diversification of the economy and production of new products;
 - Import substitution and export orientation; and
 - o Increased foreign exchange earnings.

Investor **Obligations** An investor in a MFEZ is obliged to provide and maintain standard infrastructure such as facilities, factory building, warehouse, factory space. telecommunication, sewerage net works, internal roads, uninterrupted power supply source, waste water treatment and other such facilities required for the effective and efficient operations of the MFEZ. All obligations and regulations in regard to MFEZ are specified in the Multi Facility Economic Zones (General) Regulations, 2006.

MFEZ Priority Sectors - The priority sectors for MFEZs are the following:

- (a) Information and Communication Technology (ICT)
 - Development of computer software; and
 - ii. Assembly/manufacture of ICT equipment.
- (b) Health
 - Manufacture of pharmaceutical products;
 - Repair and maintenance of medical equipment;
 - iii. Provision of laundry services to medical institutions;
 - iv. Ambulance services;
 - v. Medical laboratory services;
 - vi. Diagnostic services; and
 - vii. Other medical services.
- (c) Education and skills training
- (d) Manufacture of:
 - i. Machinery & machinery components;
 - ii. Iron & steel products;
 - iii. Electrical and electronic products & components & parts thereof;
 - iv. Chemicals & petrochemicals;
 - v. Pharmaceutical & related products;
 - vi. Wood & wood products;
 - vii. Palm oil & their derivatives;

- viii. Pulp, paper & paper board;
- ix. Textile & textile products;
- x. Transport equipment, components & accessories;
- xi. Clay-based, sand-based & other non-metallic mineral products;
- xii. Plastic products;
- xiii. Professional medical, scientific, & measuring devices/parts:
- xiv. Rubber products;
- xv. Leather & leather products;
- xvi. Packaging & printing materials;
- xvii.Fertilizer; and
- xviii. Cement.
- (e) Tourism
- (f) Processing of:
 - i. agricultural products;
 - ii. forest products;
 - iii. non-ferrous metals & their products; and
 - iv. gemstones.

MFEZ Incentives - The MFEZs provide special incentives for investors that are in addition to the general incentives:

- Zero percent tax rate on dividends for 5 years from year of first declaration of dividends.
- Zero percent tax on profits for 5 years from the first year profits are made; for years 6 to 8, only 50 percent of profits are taxable; and for years 9 & 10, only 75 percent of profits are taxable.
- · Zero percent import duty rate

- on raw materials, capital goods, machinery including trucks and specialized motor vehicles for five years.
- Deferment of VAT on machinery and equipment including trucks and specialized motor vehicles.

Tax Incentives

The main general tax incentives include incentives for income tax, Value-added Tax (VAT), and Customs Duties which are covered by the respective Acts.

Income Tax - There is a multitude of general income tax incentives which include:

- Income earned by companies in the first year of listing on the Lusaka stock exchange qualifies for a 2 percent discount on the applicable company tax rate in the particular sector, however companies with more than 1/3 of their shareholding in the hands of Zambians qualify for a 7 percent discount;
- Implements, machinery and plant used for farming, manufacturing or tourism qualify for wear and tear allowance of 50 percent of the cost per year in the first two years;
- Building used for manufacturing, mining or hotel qualify for wear and tear allowance of 10 percent of cost in first year and 5 percent

- of cost per year in subsequent years;
- 4. Duty free importation of most capital equipment for the mining and agriculture sectors;
- Corporation tax at 15 percent on income from: farming, fertilizer production, and non-traditional exports;
- Farm works allowance of 100 percent of expenditure on stumping, clearing, prevention of soil erosion, bore holes, aerial and geophysical surveys and water conservation;
- Development allowance of 10 percent of the cost of capital expenditure on growing of coffee, banana plants, citrus fruits or similar plants.
- Farm improvement allowance capital expenditure incurred on farm improvement is allowable in the year of incurring the expenditure;
- Dividends paid out of farming profits are exempt for the first five years the distributing company commences business;
- Initial allowance of 10 percent on capital expenditure incurred on the construction or improvement of an industrial building is deductible;
- Foreign exchange losses of a capital nature incurred on borrowings used for the building and construction of an industrial or commercial building are tax deductible;

- 12. Dividends declared by companies assembling motor vehicles, motor cycles and bicycles are exempt for the first five years of initial declaration of dividends; and
- 13. Carry Forward of Losses.

CARRY FORWARD	
LOSSES	YEARS
Copper and Cobalt mining	10 or (20 years
	KCM and MCM)
Other mining	5 years
Non-mining	5 years
Farming and non-traditional	
exports	5 years

VAT - Incentives in relation to VAT are:

- Relief for VAT registered enterprises on imports of eligible capital goods. (VAT deferment);
- 2. Zero rate on export of taxable products;
- Relief of VAT on transfer of business as a going concern;
- Equal treatment of services for VAT-reverse VAT;
- Cash accounting for specialized associations e.g. association of building and civil engineering contractors;
- VAT relief on input tax paid for purchases made by registered suppliers;
- Input tax claim for three months prior to vat registration for businesses that have already commenced trading; and

8. Reduction of VAT rate for investors in tax free zones.

Besides these, there are also VAT incentives for specific sectors, such as agriculture, manufacturing, mining and Tourism.

Promotion of Micro and Small Enterprises

The ZDA Act (2006) provides special incentives for investors who are designated as micro or small enterprises under the Act. In addition to the general incentives provided by the Act, such investors are entitled to: Income exempt from tax for the first 3 years for an enterprise in an urban area; and Income exempt from tax for the first 5 years for an enterprise in a rural area.

Foreign Investment & Capital Mobility

Foreign investors may invest in any activity that is open to the private sector, with the exception of sectors closed to the private sector such as arms production, security printing and the manufacturing of dangerous substances.

Investor Definitions

The ZDA Act (2006) defines / clarifies the different terms relevant to investment operations:

- Foreign Investment: means investment brought in by an investor from outside Zambia.
- ForeignInvestor: means a person who makes direct investment in the country and who in case of a natural person is not a citizen or permanent resident of Zambia and in the case of a company is incorporates outside Zambia.
- Investment: means contribution of capital, in cash or in kind, by an investor to a new business enterprise, to the expansion or rehabilitation of an existing business enterprise or to the purchase of an existing business enterprise from the State.
- Investor: means any person, natural or juristic, whether a citizen of Zambia or not, investing in Zambia in accordance with this Act, and includes a micro or small business enterprise and rural business enterprise.
- Local investor: means a person who makes direct investment in the county and who in the case of a natural person is a citizen or permanent resident and in the case of a company is incorporated in Zambia.

Conditions for Company Registration Conditions for registration are that the applicant suggests 3 possible company names; the company has a minimum of 2 shareholders, and that at least 50 percent of the shareholders live permanently in Zambia. The last condition aims to encourage Joint Ventures of foreign and national partners and entities. The minimum capital required for registering a public or private company is K5 mn (about US\$ 950). Registration fees also vary according to the form of business and process.

Mining Sector

The Ministry of Mines and Mineral Resources is responsible for the issuance of permits and licences relating to investment in the mining sector. The licences and permits issued include large scale mining, small scale mining, prospecting licence, prospecting permit, retention licence, gemstone licence, gemstone sales certificate, artisan's mining rights and the reconnaissance permit.

Foreign Investment Operations

Business Taxation

The principal taxes for business entities include direct taxes such as corporate income tax, Pay-As-You-Earn, and other personal income, Customs and Excise duties, Value Added Tax (VAT), property transfer tax and mineral royalty according to the Mines and Minerals Act 1995.

Corporate Tax-The general corporate tax is at 35 percent. However, there are several preferential rates for sectors that the government wants to promote. Income from the agricultural sector and non-traditional exports (which are all exports except copper and cobalt) is levied at 15 percent. Companies listed on the Lusaka Stock Exchange are taxed at 33 percent and banks with income of more than K250 mn are levied at the rate of 40 percent.

Personal Income Tax - The personal income tax is levied in the range of 25-35 percent. The maximum rate for farmers is 15 percent. Employers have to register and operate a Pay-As-you-Earn (PAYE) scheme under which they are required to deduct the appropriate tax from the salary/wage of the liable employees and remit the tax to the ZRA.

VAT - VAT is levied at 16 percent since 1 April 2008. There are some specified goods and services are zero-rates or exempt such as basic foods and agricultural products, exports, medical suppliers and drugs, and hotel accommodation in the Livingstone district.

Taxes on Royalties, Income and Withholding Taxes according to the different sectors are as following:

	Copper and Cobalt	Other Mining	Non Mining	Farming and Non- Traditional Exports	Mining Companies with Development Agreement
Royalty Rate	3 percent of gross value	Gemstone 5 percent of gross value	n/a	n/a	
Profit Tax	30 percent	35 percent (40 percent for banks with profit above 200 mn KW	35 percent	15 percent	
Withholding Tax	15 percent	15 percent	15 percent	15 percent	15 percent

Foreign Exchange and Foreign Investors

In 1994, Zambia removed all restrictions on conversions of Kwacha into foreign currencies, as well as restrictions on transferring money into or out of the country by repealing the Foreign Exchange Control Act. There are no restrictions on the import of foreign currency or foreign currency dealings.

The banking system in Zambia allows for bank accounts both in Kwacha and US Dollar. US Dollar is the second most common currency in Zambia and salaries are often paid in US Dollar such as expatriate salaries or salaries of international workers.

Repatriation of Profits

The ZDA Act (2006) guarantees that a foreign investor is allowed to transfer the following funds out of Zambia in foreign currency: (i) dividends or aftertax income; (ii) principal and interest for any foreign loan; (iii) management fees, royalties and other charges in respect of any agreement; or (iv) the net proceeds of sale or liquidation of a business enterprise. Such transfers can be made after payment of the notwithstanding relevant taxes, any other written law relating to externalisation of funds.

Investment Protection and Dispute Settlement

Zambia is signatory of the Multilateral Investment Guarantee Agency

(MIGA) and the Africa Trade Insurance Agency. Bilateral Investment Protection Agreements exist with numerous countries. Zambia is also member of the International Centre for the Settlement of Investment Disputes (ICSID).

Zimbabwe

Institutions

Zimbabwe Investment Authority (ZIA), established by the Zimbabwe Investment Authority Act No. 4 of 2006, is a statutory body with the mandate to promote, facilitate and coordinate investment (both national and foreign) in Zimbabwe. ZIA is a merger of the Export Processing Zones Authority (EPZA) and the Zimbabwe Investment Centre (ZIC), with a view to providing a One-Stop-Shop for investors providing them all relevant investment information and facilitation to obtain necessary permits, licenses and authorisations required for establishing a business in Zimbabwe.

The Zimbabwe Revenue Authority (ZIMRA) is the agent of the state that is in charge of assessing, collecting and reinforcing the payment of all revenues in terms of the Revenue Authority Act (chapter 23:11). Investors have to register Tax registration with ZIMRA.

Investment and Export Incentives

The government provides diverse incentives for local as well as foreign investors in Zimbabwe. Incentives are dominantly fiscal incentives as well as permits facilitating imports or the entry of foreign exchange.

Mining Sector

Income tax rate from mining operations is only taxed at 15 percent for companies and trusts. Investors can also claim capital allowances on housing of mining staff based on actual costs. In addition, a rebate on duty on imported goods is possible, such as on goods (i) for specific mine development operations; (ii) when there is a special mining lease agreement, and (iii) for prospecting and searching for mineral deposits once entered into contract with the Government.

The legal framework for mining operations is based on the Mines and Minerals Act (chapter 21:05) and the Base Minerals Export Control Act (chapter 21:01). Generally, the rights to minerals are vested with the President. Incentives in the Mining Sector are the following:

Royalties & Rental Incentives -Royalties not deductible for income tax purposes shall be calculated as a percentage of the gross fair market value of minerals produced and sold as follows:

- Precious stones 10 percentPrecious metals 3 percent
- Base metals
 2 percent
- Industrial minerals 2 percent
- · Coal bed methane gas 2 percent
- Coal 1 percent

A 10 percent withholding tax on dividends for both residents and non-residents apply for companies listed on the Zimbabwe Stock Exchange (ZSE). All other companies are levied at a rate of 20 percent. In addition, the taxable income of holder of a special mining lease is 25 percent. Besides these, there are also several allowable deductions for firms operation in the sector.

Customs Duties - Companies in the Mining sector enjoy exemption from Customs Duty, Value Added Tax and Surtax. They are granted the right to market their minerals directly, in accordance with the provisions of the Minerals Marketing Corporation of Zimbabwe Act. However, they have to follow adequate monitoring arrangements and reporting obligations.

Tourism Sector Incentives

Investors in the tourism sector receive incentives in a form that they are recognized as exporters and can therefore enjoy all incentives or facilities offered to exporters. Government has also identified designated Tourism Development Zones to be exploited by new investors. There are currently 9 areas declared TDZs:

- Beitbridge/ Shashe/ Limpopo and surroundings
- Gonarezhou (GLTP)/ Chiredzi and surroundings
- Great Zimbabwe National Monument/ Lake Mutirikwi and surroundings.

Special incentives apply to TDZs. Taxation of income of an operator in the TDZ:

- First five years of operation0 percent
- Second five years of operation
 15 percent
- Third five years of operation 20 percent
- Thereafter normal rates of corporate tax apply
- Duty exemption on specified capital equipment imported for use in the TDZs.

BOT and BOOT

Investors are encouraged to engaging in Build Operate and Transfer (BOT) and Build Own Operate and Transfer (BOOT) investments. BOT and BOOT structures qualify for tax concessions under the incentives scheme. The incentives for approved BOT activities are:

First 5 years 0 percent
Second 5 years 15 percent
Third 5 years 20 percent
Thereafter 30 percent

EPZs, Freeports and other Special Economic Zones

The system of an Export Processing Zone is not confined to a specific area or region, but an individual enterprise can acquire EPZ status. There are more than 183 companies operating under EPZ status in Zimbabwe. From 2004 onwards, it was required that the majority part of the investment has to be foreign investment.

EPZ Incentives

For EPZs, there is a comprehensive set of incentives, which include:

- 5 year tax holiday; after the tax holiday, the corporate tax rate is 15 percent;
- Duty free importation of raw materials and capital goods;
- Exemption from liability to pay Non Resident Shareholders' Tax (NRST) on dividends distributed to non- residents;
- No liability for branch profits tax on a branch of a foreign registered company in an EPZ;
- No liability for withholding tax with regard to dividends distributed locally by a company licensed to operate in an EPZ;
- Exemption from withholding taxes

- on management & technical fees, remittances and royalties for a person operating in an EPZ;
- No liability for tax on any capital gains arising from the sale of property forming part of an investment in an EPZ;
- on fringe benefits for persons employed by a licensed EPZ investor to the extent of 50 percent of the employee's other taxable income from the investor; and
- Refund of VAT paid on procurement from customs.

Growth Point Areas

Growth Point Areas were established to encourage commercial and industrial development in selected parts of the country and which the Minister of Finance may prescribe as such. Commercial and industrial operations carried out in such growth point areas are granted additional allowances and qualify for more favourable incentives, as follows:

Allowances- For non-recoupable investment, the investor can claim an allowance of 15 percent of the cost of all buildings constructed additions or alterations thereto, as well as on the cost of new articles, machinery, implements and utensils.

Rates of Tax- For the first five years of operations the tax rates will be:

New Manufacturing
 Projects
 New Infrastructure
 Projects
 10 percent

 For the first 5 years
 thereafter
 30 percent

Tax Incentives

Besides the incentives listed above, the following tax incentives are provided for investors.

Income Tax Incentives - Companies investing in the manufacturing or processing industry have to pay 20 percent income tax. Holders of a special mining lease are only required to pay 25 percent income tax.

International Trade & Export Promotion

Manufacturing Exports - Companies operating in the manufacturing sector and exporting at least 50 percent of their manufacturing output are taxed at 20 percent.

Duty Free Importation Schemes

- For the promotion of exports, Zimbabwe has allowed duty free importations of raw materials that are designated for the manufacture of goods for export. There are two systems in place for this issue: the Duty Export Draw Back Scheme and the Inward Processing Scheme.

Export Drawback Scheme - Under the Export Drawback Scheme, refund

for the import duties paid can be claimed back when the qualifying goods are exported from Zimbabwe. Qualifying goods are defined as any goods that are exported unused upon which import duties were originally paid in form of custom duties, surtax or import tax. They can exist in the following forms:

- Same State Drawback: This rebate is granted on goods that were duty paid, and that are exported unused and in the form in which they were imported.
- Industrial Drawback: It is granted on duty-paid raw materials used in the manufacture of Zimbabwean products, and which are exported unused in Zimbabwe.

Foreign Investment & Capital Mobility

Definition of Investment

Anyone who wants to invest in Zimbabwe, either foreign or national, has to register his company with the Registrar of Companies. If the investor would like to receive special incentives or is a foreign investor, he has to register with the Zimbabwe Investment Authority (ZIA) for approval.

Definition of Foreign Company

A foreign company is defined as a company incorporated outside of

Zimbabwe and which has established a place of business within Zimbabwe. Such companies can create branches or subsidiaries, or they can appoint agents in Zimbabwe. In general, foreign companies are treated in the same manner as local companies.

Foreign shareholding

Foreign investment is possible in various sectors as follows:

- Up to 100 percent foreign ownership in priority sectors such as manufacturing, mining, quarrying and mineral exploration, and the development of hotels for tourism.
- Up to 70 percent foreign Shareholding in specialised services such as management consultancy and construction, etc.
- A maximum of 35 percent foreign ownership in selected sectors where foreign investors wish to participate but can only do so in joint venture partnership with Zimbabwe firms or individuals.

Reserved Sectors

The government has established a list of sectors that are reserved for domestic investors, as well as to encourage joint ventures between foreign and local partners. The joint venture should assist the local partner to access foreign capital, expertise and technology. The sectors are:

- Agriculture forestry: Primary production of food and cash crops, primary horticulture, game, wildlife ranching and livestock development, forestry, fishing and fishing farming, poultry farming (excluding processing);
- Transport services excluding air: road haulage, passenger bus, taxi and car hire service, tourist transportation;
- Retail or wholesale trade;
- Barber shops, hairdressing and beauty salons;
- Commercial photography;
- · Employment agencies;
- · Estate agencies;
- Armaments manufacture, marketing and distribution;
- Public water provision for domestic and industrial purposes;
- Rail operations except on a build, operate & transfer basis;
- · Barkers and grain milling;
- · Sugar products; and
- Tobacco packaging and grading, tobacco products.

Foreign Investment Establishment, Registering and Licensing Processes

All new foreign investors and those who wish the approval of the authority to take advantage of investment incentives granted by ZIA have firstly to apply at ZIA for approval of the investment project according to the ZIA Act (2006). Foreign investments into existing companies need the approval of the Reserve Bank.

Types of Business Enterprises

There is generally the possibility to register as Public Company or Private Company.

The **Public Company** is the equivalent to a joint stock corporation in other countries and able to offer shares to the general public with no limit to the number of shareholders participating. It is legally required to have annual audited accounts and annual financial statements lodged with the Registrar of Companies.

A **Private Company** is the equivalent to private limited liability company in other countries and may not invite the general public to subscribe to shares. This form is restricted towuments are applicable to these forms of business, which are governed by common law. Partnerships may not consist of more than 20 persons, unless they consist of persons in designated professions. Incorporated entities can include:

- Co-operative societies;
- Any corporate body established in Zimbabwe (including private and public companies); and
- · Foreign companies.

Restrictions for Zimbabwean residents only

Some forms of business enterprises are restricted to Zimbabwean residents only:

- Sole Proprietorship: A business undertaken by one person in his/her own right with no legal formalities required to affect formation and with unlimited liability.
- Private Business Corporation:
 Comprised of small-scale entrepreneurs not more than 20 in number in partnership with others or through the medium of the company.
- Partnership: is regulated by the principles of the Roman Dutch Law comprised of individuals or companies, usually restricted to a maximum of 20 with each partner liable for all debts and obligations incurred.
- Cooperative Society: Normally restricted to agriculturally based business or manufacturing and regulated through an act of parliament.

Aside of that, foreign-owned companies in Zimbabwe have the same rights as locally owned company except in case of transaction where foreign-owned companies require exchange control approvals.

Business Taxation

All companies operating in Zimbabwe have to pay their taxes through the Zimbabwe Revenue Authority (ZIMRA). For that, they have to register for a business partner (BP) number. Tax schemes for which ZIMRA is in charge are the followings:

 Income Tax; Pay As You Earn (PAYE); Value Added Tax (VAT); Customs Duty; Excise Duty; Special Excise Duty; Capital Gains Tax; Carbon Tax; Road Tolls; Surtax; Stamp Duty; Withholding Taxes; and Presumptive Taxes

Corporate Income Tax - The taxable income of non-resident companies is taxed in the same way as that for resident companies. One exception is that non-resident companies are subject to various withholding taxes at source.

In general, deductions allowed include any expenditure incurred for the purposes of trade, or in the production of such income, except if it is of a capital nature. Approved donations of up to ZW\$ 500 mn to hospitals for the purchase of drugs or medical equipment, or for the construction, extension or maintenance of the hospital are deductible. Allowances dealing with capital expenditure are treated separately. Special allowances are also available to miners and farmers, and to businesses trading in specifically designated areas of Zimbabwe.

Corporate Tax Rates are as follows:

Corporate tax rate 30 percent Corporate tax on

capital gains 20 percent

Shareholder's tax on

dividends:

Listed shares 15 percent Unlisted shares 20 percent

Aids levy (on tax

payable) 3 percent

Foreign dividends

(taxed gross) 20 percent

Different Income Tax Rates - According to the sector, different income tax rates are applicable. The taxable income is as following:

Individual from Trade &

Investment 30 percent Company Trust (general) 30 percent Special mining losses 25 percent

Company or Trust: Mining

operatives 25 percent

Individual Minnig

operations 30 percent

BOOT or BOT arrangements:

First 5 years 0 percent
Second 5 years 15 percent
Third 5 years 20 percent
Thereafter 30 percent

Industrial Park Developers:

First 5 years 0 percent
Thereafter 10 percent

Export Manufacturing

Company 20 percent Tourist operator 20 percent

Tourist Operator in Approved Zone

First 5 years 0 percent
Second 5 years 15 percent
Thereafter 20 percent

Rebate of duty on approved capital goods for the use in the TDZs.

Foreign Exchange and Foreign Investors

Foreign exchange is controlled by the government via the Zimbabwe Reserve Bank. Foreign investors and visitors are allowed to bring any amount of foreign currency into the country. Equity of a foreign investor can be in form of cash, machinery and equipment, but not in form of raw materials, technical fees and other services. However, bigger sums have to be approved by the ZRB, especially the outflows are restricted to certain limits.

Remittance of Dividends & Profits

The current Exchange Control guidelines allow 100 percent remitability rights to profits and dividends from foreign investment (net after tax profits have been paid). Foreign investors have to use local authorised dealers for the transfer. In the event of disinvestment, foreign owned companies are allowed to

remit 100 percent of their original capital investment.

Foreign Currency Accounts

Individual and corporate Foreign Currency Accounts (FCAs) can be opened with local banks in Zimbabwe. Any export administration and payment system is done through banks. Export proceeds are eligible for credit to a corporate foreign currency account. Unutilised amounts, however, are required to be drawn-down into local currency on a carrot and stick basis.

Based on the Monetary Policy Review Statement of April 21, 2004, all Zimbabweans, within and outside the country are free to operate individual foreign currency accounts (FCAs).

Local and Foreign Loans

In terms of local borrowing, no restrictions exist for working capital. Companies operating in Zimbabwe are allowed to borrow off-shore up to US\$ 5 mn under the restriction that it has to be done through an authorised dealer in Zimbabwe. For loans above US\$ 5 mn, the approval of the External Loans Coordinating Committee (ELCC) is required. The financing of capital projects can only be undertaken using funds that came

from outside of Zimbabwe or by utilizing retained earnings.

Investment Protection and Dispute Settlement

Zimbabwe is signatory of the Multilateral Investment Guarantee Agency (MIGA), the Overseas Private Investment Corporation (OPIC), the International Convention on Settlement of Investment Disputes (ICSID), the New York Convention on the enforcement of Foreign Arbitral Awards, the United Nations Convention on International Trade Law (UNICTRAL), and has also signed several Bilateral Investment Promotion and Protection Agreements.

5. INDIA'S BILATERAL TRADE & INVESTMENT RELATIONS WITH SADC COUNTRIES

India's trade and investment relations with the SADC region have strengthened in recent years. This chapter discusses trends in India's bilateral trade with select SADC countries, major trading partners and the major items of bilateral trade. This chapter also discusses trends in investment flows between India and countries of the SADC region.

TRENDS IN INDIA - SADC TRADE

India's total trade with the SADC region has risen more than eightfolds from US\$ 2.4 billion to US\$ 20.4 billion during the decade 2001-02 to

2010-11, with India's exports to the region amounting to US\$ 8.4 billion, and India's imports from the region aggregating US\$ 12 billion in 2010-11 (Table 5.1). The importance of the SADC region can be gauged from the fact that the region accounted for 40 percent of India's total exports to Africa during 2010-11, up from 27.5 percent recorded in 2001-02. India's total imports from SADC region, as a percentage share of India's total imports from Africa, accounted for 37 percent during 2010-11. Countries such as South Africa, Mauritius, Tanzania, Mozambique and Zambia, among others, are not only important

Table 5.1: India's Trade with SADC, 2001-02 to 2010-11 (US\$ mn)

	2001- 02	2002- 03	2003- 04	2004- 05	2005- 06	2006- 07	2007- 08	2008- 09	2009- 10	2010- 11
Exports to SADC	797	1027	1320	1893	2591	4079	5628	5536	4875	8397
% change	-	28.9	28.5	43.4	36.9	57.4	38.0	-1.6	-11.9	72.2
Imports from SADC	1570	2281	2093	2467	2826	3120	5148	7513	10682	11955
% change	-	45.3	-8.2	17.9	14.5	10.4	65.0	46.0	42.2	11.9
Total Trade	2367	3309	3413	4360	5417	7198	10775	13049	15557	20352
Trade Balance	-773	-1254	-773	-575	-235	959	480	-1977	-5807	-3559

Note: Imports from 2006-07 Includes Imports of oil

Source: Ministry of Commerce and Industry (MOCI), Government of India (GOI)

trading partners for India, but also major destinations for India's overseas investments in the African region.

India's exports to SADC increased at a robust compound annual growth rate (CAGR) of 30 percent during the period 2001-02 to 2010-11, while India's imports from SADC grew at a CAGR of 25.3 percent during the same period. On account of increased imports from the region, India's trade balance with SADC which recorded a surplus of US\$ 959 mn in 2006-07 has turned into a deficit of around US\$ 2 billion in 2008-09 and further to US\$ 5.8 billion in 2009-10. However, with a sharper pickup in exports in

2010-11 vis-à-vis imports, trade deficit narrowed down to US\$ 3.6 billion in 2010-11 (Table 5.1).

INDIA'S TRADE WITH SADC COUNTRIES

South Africa is India's leading export market among the SADC members, accounting for half of India's total exports to SADC in 2010-11. The other major export markets during the same year were Tanzania (18 percent), Mauritius (10 percent), Angola (8 percent), and Mozambique (7 percent) (Chart 5.1 and Table 5.2). India's exports to Tanzania, Mauritius, Angola, Mozambique and

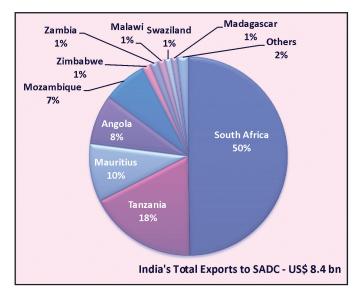


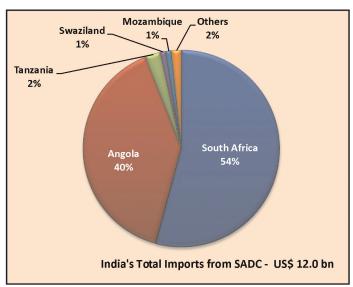
Chart 5.1: India's Exports to Select SADC Countries (% share 2010-11)

Table 5.2: India's Exports to SADC, 2001-02 to 2010-11 (US\$ mn)

	2001-02	2005-06	2008-09	2009-10	2010-11
South Africa	354.0	1526.7	1958.7	2056.8	4175.7
Tanzania	91.1	243.4	1030.0	921.7	1493.6
Mauritius	163.4	199.4	957.8	450.6	795.7
Angola	25.1	151.6	371.0	634.0	680.6
Mozambique	31.0	127.5	418.0	357.5	607.4
Zimbabwe	12.5	24.0	60.1	48.3	113.6
Zambia	25.8	66.5	106.8	88.2	110.2
Malawi	20.5	43.6	89.1	81.6	98.4
Swaziland	1.4	5.2	44.8	19.9	86.5
Madagascar	13.2	42.6	242.9	86.7	83.4
Namibia	9.9	14.6	91.3	63.4	61.2
Botswana	4.6	10.8	25.5	22.0	34.7
Seychelles	5.8	10.6	90.1	20.1	31.1
Lesotho	0.3	12.8	34.3	14.3	17.3
Congo, D.R.	38.6	111.6	15.4	10.0	7.6
SADC Total	797.0	2591.1	5535.7	4874.9	8397.0
Africa Total	2895.8	7013.6	14639.7	13469.3	21057.2
% share of SADC in					
Africa total	27.5	36.9	37.8	36.2	39.9

Source: MOCI, GOI

Chart 5.2: India's Imports from Select SADC Countries (% share 2010-11)



Swaziland have shown a sharp rise in recent years.

As far as imports are concerned, South Africa is again the largest supplier to India among the SADC members, accounting for 54 percent of India's total imports from the region in 2010-11. Angola (accounting for 40 percent), and Tanzania (2 percent) are the other important import sources

from the SADC region in the same year (Chart 5.2 and Table 5.3). India's imports from Angola, Swaziland and Mozambique have registered sharp rise in recent years.

COMMODITY COMPOSITION OF BILATERAL TRADE

India's leading trade partners in the SADC region in terms of total bilateral

Table 5.3: India's Imports from SADC, 2001-02 to 2010-11 (US\$ mn)

	2001-02	2005-06	2008-09	2009-10	2010-11
South Africa	1445.2	2471.4	5418.6	5674.0	6479.6
Angola	-	3.3	1424.0	4222.3	4766.0
Tanzania	76.3	119.7	200.0	236.0	298.8
Swaziland	0.2	23.6	38.0	32.8	108.3
Mozambique	6.6	50.6	32.3	67.6	105.7
Namibia	0.2	20.8	3.5	42.6	37.4
Madagascar	2.2	16.4	18.6	19.1	32.7
Zambia	13.5	40.6	216.1	101.4	31.4
Botswana	-	0.1	21.3	6.9	28.9
Malawi	1.7	1.8	7.3	102.4	19.9
Mauritius	3.3	7.3	14.3	10.9	15.7
Zimbabwe	18.5	25.5	14.4	20.9	11.5
Congo, D.R.	1.8	43.9	103.2	142.8	9.8
Seychelles	0.1	1.2	1.2	1.6	8.8
Lesotho	-	-	0.3	0.6	1.1
SADC Total	1569.7	2826.2	7512.9	10681.8	11955.4
Africa Total	2615.2	4878.8	24317.6	25628.0	32230.7
% share of SADC in Africa total	60.0	57.9	30.9	41.8	37.1

Note: -: Not available/negligible; Imports from 2006-07 includes imports of oil

trade are South Africa, Angola, Tanzania, Mauritius, Mozambique, Swaziland, Zambia and Zimbabwe. This section highlights the composition of India's trade basket with these select leading trade partners in the region.

South Africa

South Africa is India's largest export market in the SADC region. The main items of exports from India to South Africa include transport equipment, petroleum products, pharmaceuticals & fine chemicals, machinery & instruments and electronic goods, which together account for more than 75 percent of total exports to South Africa from India. Transport equipment alone accounted for more than 38 percent of total exports, showing a sharp pick up in 2010-11 over the previous year. Trends in India's exports to South Africa are presented in **Table 5.4.**

With regard to India's imports from South Africa, which is also the largest import source for India in the region,

Table 5.4: India's Major Exports to South Africa, 2001-02 to 2010-11 (US\$ mn)

2	001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	354.0	1526.7	1958.7	2056.8	4175.7
Transport equipment	15.7	297.3	198.1	263.1	1601.6
Petroleum products	0.0	438.9	506.6	650.9	925.0
Pharmaceuticals & fine chemicals	18.7	101.0	245.5	245.9	321.5
Machinery & instruments	22.0	70.0	133.7	106.3	169.8
Electronic goods	4.2	8.1	136.2	76.7	150.6
Manufactures of metals	20.9	52.3	75.2	58.3	112.3
Plastic & linoleum products	7.9	28.4	42.5	55.6	86.1
Primary & semi-finished iron & stee	el 14.7	73.6	45.5	25.7	69.5
Gems & jewellery	15.9	21.4	73.2	36.6	54.8
RMG cotton incl. accessories	31.4	42.2	53.8	54.6	53.5

Table 5.5: India's Major Imports from South Africa, 2001-02 to 2010-11 (US\$ mn)

	2001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	1445.2	2471.4	5418.6	5674.0	6479.6
Gold	1008.3	1598.9	2165.3	3350.4	3579.6
Coal, coke & briquettes	124.4	221.6	979.6	1313.4	1213.3
Metaliferrous ores & metal scrap	44.2	92.5	514.7	334.3	542.4
Inorganic chemicals	99.4	186.3	673.2	184.1	241.7
Iron & steel	11.7	124.5	69.4	49.3	95.2
Non-ferrous metals	26.6	34.7	583.3	93.2	90.4
Non-electrical machinery	14.3	23.7	37.4	31.7	77.1
Organic chemicals	17.1	43.9	60.0	53.0	64.8
Pearls, precious & semiprecious					
stones	1.5	20.2	83.2	22.9	51.8
Transport equipment	2.0	3.1	5.4	4.5	47.2

Note: Imports from 2006-07 includes imports of oil

Source: MOCI, GOI

the import basket is dominated by gold, accounting for more than 55 percent of India's total imports from the country during 2010-11. Other commodities include coal, coke and briquettes (18.7 percent), metaliferrous ores and metal scrap, and inorganic chemicals (**Table 5.5**).

Angola

India's exports basket to Angola is dominated by petroleum products, which accounted for nearly 58.5 percent of total exports to Angola in 2010-11, sharply increasing from US\$ 47.8 mn in 2005-06 to US\$ 398 mn in 2010-11. The other important

items of exports include transport equipment, meat & preparations, beverages, and pharmaceuticals & fine chemicals (**Table 5.6**). Exports of beverages, transport equipment, and pharmaceuticals have shown a fast growth during the decade.

Angola is the second largest import source for India from the SADC region, after South Africa. As far as imports of India from the country are concerned, petroleum crude accounts for almost the entire import value amounting to US\$ 4.7 billion. Import of other commodities is almost negligible except for import of metaliferrous ores and metal scrap (Table 5.7).

Table 5.6: India's Major Exports to Angola, 2001-02 to 2010-11 (US\$ mn)

2	2001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	25.1	151.6	371.0	634.0	680.6
Petroleum products	-	47.8	0.5	387.4	398.2
Transport equipment	1.2	4.9	139.8	48.4	64.7
Meat & preparations	11.6	49.6	79.3	43.4	51.1
Spirit & beverages	0.2	4.0	8.9	17.2	38.9
Pharmaceuticals & fine chemicals	4.2	16.3	28.0	29.4	30.3
Misc. processed items	0.5	2.3	10.9	8.8	13.1
Primary & semi-finished iron					
& steel	8.0	2.0	22.2	14.7	12.7
Electronic goods	-	0.3	13.0	4.8	11.2
Machinery & instruments	0.8	2.7	12.9	19.7	9.6
Manufactures of metals	0.7	1.3	9.7	16.9	9.5

Note: -: Not available/negligible.

Source: MOCI, GOI

Tanzania

Tanzania is the second largest export destination of India in the SADC region, with total exports amounting to US\$ 1493.6 mn in 2010-11. Exports of petroleum products have shown a robust growth over the past decade increasing from a mere US\$ 1.1 mn in 2001-02 to more than US\$ 840 mn in 2010-11 (Table 5.8). Other major items of exports such as pharmaceuticals & fine chemicals, transport equipment, machinery & instruments, and manmade yarn fabrics and made-ups too showed a notable increase during the period.

Tanzania is the third largest import source for India, among the SADC

member countries, with total imports amounting to almost US\$ 300 mn in 2010-11. The primary imports from Tanzania comprise pulses, accounting for 37.3 percent of India's total imports from Tanzania, besides metaliferrous ores and metal scrap, wood and wood products, pearls precious and semi-precious stones (Table 5.9). Imports of pulses from Tanzania have shown a ten-folds increase in the last decade since 2001-02.

Mauritius

India's total exports to Mauritius, its third largest export market in SADC, amounted to US\$ 795.7 mn in 2010-11 picking up from US\$ 450 mn in 2009-10. Petroleum products

Table 5.7: India's Major Imports from Angola, 2001-02 to 2010-11 (US\$ mn)

	2005-06	2008-09	2009-10	2010-11
All Commodities	3.3	1424.0	4222.3	4766.0
Petroleum crude	-	1415.3	4215.7	4743.0
Metaliferrous ores & metal scrap	3.2	6.0	5.6	21.3
Non-electrical machinery	-	2.6	0.2	-
Non-ferrous metals	-	0.1	0.1	0.3

Note: -: Not available/negligible; Imports from 2006-07 includes imports of oil

Source: MOCI, GOI

Table 5.8: India's Major Exports to Tanzania, 2001-02 to 2010-11 (US\$ mn)

2	2001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	91.1	243.4	1030.0	921.7	1493.6
Petroleum products	1.1	28.5	514.6	457.1	840.5
Pharmaceuticals & fine chemicals	8.5	27.9	59.9	70.0	97.4
Transport equipment	8.3	22.9	47.8	38.5	97.4
Machinery & instruments	7.9	40.7	78.7	68.4	92.5
Manmade yarn fabrics madeups	3.5	9.1	41.2	48.6	48.6
Manufactures of metals	5.0	15.1	25.9	23.3	41.4
Primary & semi-finished iron & steel	5.9	9.9	33.3	29.7	38.6
Plastic & linoleum products	5.2	12.9	28.2	28.3	30.4
Inorganic/organic/agro chemicals	1.8	5.1	10.2	12.9	26.1
Readymade garments cotton incl.					
accessories	1.6	2.0	15.3	14.9	17.2

Note: -: Not available/negligible.

Source: MOCI, GOI

are the predominant export item in India's exports basket to Mauritius amounting to US\$ 537.4 mn in 2010-11 and accounting for 67.5 percent of total exports to Mauritius. Cotton yarn fabrics, pharmaceuticals,

electronic goods and basmati rice are the other important export items from India. Exports of pharmaceuticals and petroleum products increased at a rapid rate during the decade (Table 5.10). India's imports from

Table 5.9: India's Major Imports from Tanzania, 2001-02 to 2010-11 (US\$ mn)

	2001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	76.3	119.7	200.0	236.0	298.8
Pulses	11.8	18.1	52.3	65.6	111.7
Metaliferrous ores & metal scrap	0.5	4.5	8.9	6.9	12.9
Wood & wood products	0.7	10.8	5.1	12.6	11.2
Pearls, precious & semiprecious					
stones	16.5	6.4	5.2	8.4	9.3
Spices	1.7	7.0	6.7	10.1	7.3
Dyeing tanning & colouring					
materials	1.0	2.2	1.7	2.5	2.3
Non-ferrous metals	-	0.4	1.0	3.2	2.0
Cotton raw: combed/uncombed					
/waste	7.6	3.4	45.1	24.5	0.3

Note: -: Not available/negligible; Imports from 2006-07 includes imports of oil

Source: MOCI, GOI

Mauritius, on the other hand, have been modest amounting to US\$ 15.7 mn in 2010-11, as compared to US\$ 10.9 mn in 2009-10. The main items of imports from Mauritius include metaliferrous ores & metal scrap, professional instruments & optical goods and non-electrical machinery (Table 5.11).

Mozambique

Mozambique is India's fifth largest export destination among the SADC countries, accounting for a share of 7 percent of India's total exports to the region during 2010-11. Exports to Mozambique witnessed an almost

twenty-fold increase from US\$ 31 mn to US\$ 607.4 mn in 2010-11, mainly due to sharp rise in exports of petroleum products. Other leading export commodities include pharmaceutical & fine chemicals, transport equipment, cotton yarn fabrics, and machinery & instruments (Table 5.12).

Imports from Mozambique more than doubled from US\$ 50.6 mn during 2005-06 to US\$ 105.7 mn in 2010-11, mainly as result of a sharp increase in imports of pulses, which amounted to US\$ 57.5 mn in 2010-11 up from US\$ 1.7 mn in 2005-06. The other important items of imports from the

Table 5.10: India's Major Exports to Mauritius, 2001-02 to 2010-11 (US\$ mn)

	2001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	163.4	199.4	957.8	450.6	795.7
Petroleum products	-	32.2	684.8	234.1	537.4
Cotton yarn fabrics madeups etc.	76.8	49.8	32.8	26.2	41.9
Pharmaceuticals & fine chemicals	4.2	9.1	22.0	25.8	33.5
Electronic goods	13.5	1.6	12.5	11.0	15.1
Basmati rice	0.7	4.6	7.9	8.4	15.1
Machinery & instruments	4.9	4.3	9.4	9.4	13.2
Manmade yarn fabrics madeups	13.5	12.5	12.8	12.5	11.0
Carpet handmade	0.8	0.3	0.9	1.2	10.7
Plastic & linoleum products	3.0	5.1	43.4	27.3	8.8
Meat & preparations	3.1	4.3	9.3	8.8	8.3

Note: -: Not available/negligible.

Source: MOCI, GOI

Table 5.11: India's Major Imports from Mauritius, 2001-02 to 2010-11 (US\$ mn)

2	001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	3.3	7.3	14.3	10.9	15.7
Metaliferrous ores & metal scrap	2.0	4.3	10.0	4.2	8.8
Professional inst, optical goods etc.	0.1	-	1.7	2.5	2.1
Non-electrical machinery	-	0.4	0.2	0.2	1.0
Pearls precious & semiprecious					
stones	0.4	-	0.2	0.1	0.8
Pulp & waste paper	0.1	0.7	0.3	0.4	0.6
Electronic goods	-	0.4	0.2	0.6	0.2

Note: -: Not available/negligible; Imports from 2006-07 includes imports of oil

country include metaliferrous ores and metal scrap (**Table 5.13**).

Swaziland

India's exports to Swaziland picked up to US\$ 86.5 mn in 2010-11 from US\$ 19.9 mn during 2009-10, primarily due to a rapid increase in

exports of transport equipment which increased from a marginal US\$ 0.1 mn in 2009-10 to US\$ 57.3 mn during 2010-11. Pharmaceuticals and gems and jewellery were the other important export items from India to Swaziland in 2010-11 (Table 5.14).

Table 5.12: India's Major Exports to Mozambique, 2001-02 to 2010-11 (US\$ mn)

2	001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	31.0	127.5	418.0	357.5	607.4
Petroleum products	-	26.8	198.2	127.2	345.7
Pharmaceuticals & fine chemicals	2.8	8.0	28.3	34.7	44.8
Transport equipment	7.3	8.8	17.5	12.6	39.0
Cotton yarn fabrics madeups etc.	4.7	15.5	13.2	21.2	24.8
Machinery & instruments	0.5	7.6	24.5	16.5	24.7
Primary & semi-finished iron & steel	1.2	10.6	16.6	11.5	22.4
Manufactures of metals	0.9	5.5	21.5	23.2	19.2
Plastic & linoleum products	0.8	3.3	8.4	14.0	13.7
Manmade yarn fabrics madeups	6.2	7.1	9.1	16.4	9.2
Oil meals	-	-	0.1	0.0	8.3

Note: -: Not available/negligible.

Source: MOCI, GOI

Table 5.13: India's Major Imports from Mozambique, 2001-02 to 2010-11 (US\$ mn)

	2001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	6.6	50.6	32.3	67.6	105.7
Pulses	0.5	1.7	6.2	27.9	57.5
Metaliferrous ores & metal scrap	-	12.1	11.1	3.6	11.6
Non-ferrous metals	-	-	0.8	0.4	1.3

Note: -: Not available/negligible; Imports from 2006-07 includes imports of oil

India's imports from Swaziland also witnessed a sharp pick up, especially during 2010-11 to US\$ 108.3 mn, as a result of large imports of petroleum crude amounting to US\$ 43.8 mn during the year. Other leading imports from Swaziland include gold (accounting for 28 percent), and non-electrical machinery (accounting for 6 percent of India's total imports from the country in 2010-11 (Table 5.15).

Zambia

Exports to Zambia, after a fall in 2009-10, rebounded to US\$ 110.2 mn in 2010-11. India's exports basket to Zambia is fairly diversified, mainly comprising pharmaceuticals & fine chemicals, machinery & instruments, transport equipment, manufactures of metals, and plastic and linoleum products. Pharmaceuticals & fine

Table 5.14: India's Major Exports to Swaziland, 2001-02 to 2010-11 (US\$ mn)

	2001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	1.4	5.2	44.8	19.9	86.5
Transport equipment	-	-	0.9	0.1	57.3
Pharmaceuticals & fine chemicals	0.2	1.6	5.3	11.9	10.4
Gems & jewellery	-	0.6	5.6	4.5	10.2
Electronic goods	-	0.1	0.5	0.5	2.4
Cotton yarn fabrics madeups etc.	0.3	0.1	0.1	-	1.5
Machinery & instruments	0.2	1.2	1.7	0.9	1.1

Note: -: Not available/negligible.

Source: MOCI, GOI

Table 5.15: India's Major Imports from Swaziland, 2001-02 to 2010-11 (US\$ mn)

	2001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	0.2	23.6	38.0	32.8	108.3
Petroleum crude	-	-	-	-	43.8
Gold	-	15.0	5.2	10.4	30.6
Non-electrical machinery	-	6.9	17.6	6.9	6.2
Machine tools	-	-	0.3	0.1	2.6
Dyeing tanning & colouring					
materials	-	-	1.9	0.2	2.0

Note: -: Not available/negligible; Imports from 2006-07 includes imports of oil

chemicals and machinery and instruments, together accounted for 57 percent of India's total exports to Zambia during 2010-11 (**Table 5.16**).

India's imports from Zambia, however, have shown a steady decrease since 2008-09 from US\$ 216 mn to US\$ 101 mn in 2009-10 and further to US\$ 31.4 mn in 2010-11, as a result of a sharp and steady decrease in imports of metaliferrous ores and metal scrap from Zambia (Table 5.17).

Zimbabwe

Zimbabwe is India's sixth largest export destination in the SADC region. Major items in India's exports basket to

Zimbabwe include pharmaceuticals, and machinery and instruments, together accounting for 70 percent of India's total exports to Zimbabwe in 2010-11. Jute manufactures, electronic goods, and manufactures of metals are the other essential export items in 2010-11 (Table 5.18). India's imports from Zimbabwe on the other hand, have been modest with imports in 2010-11 amounting to US\$ 11.5 mn (Table 5.19).

TRENDS IN INDIA- SADC INVESTMENT FLOWS

Africa has remained a significant investment partner for India over the past years, with Indian investments mostly in services and manufacturing

Table 5.16: India's Major Exports to Zambia, 2001-02 to 2010-11 (US\$ mn)

	2001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	25.8	66.5	106.8	88.2	110.2
Pharmaceuticals & fine chemicals	3.8	19.6	33.1	35.3	44.1
Machinery & instruments	5.6	12.2	24.8	15.8	18.6
Transport equipment	4.9	10.2	8.3	5.7	9.8
Manufactures of metals	1.0	4.2	7.1	2.6	6.9
Plastic & linoleum products	1.3	3.7	2.9	3.5	6.3
Electronic goods	0.4	0.9	8.4	7.7	3.6
Primary & semi-finished iron					
& steel	0.3	0.7	2.2	1.8	2.5
Inorganic/organic/agro chemicals	0.9	1.1	1.3	1.5	1.9
Manmade yarn fabrics madeups	0.3	1.3	0.8	1.2	1.8
Paper/wood products	0.3	1.5	2.3	1.7	1.8

Table 5.17: India's Major Imports from Zambia, 2001-02 to 2010-11 (US\$ mn)

	2001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	13.5	40.6	216.1	101.4	31.4
Pearls precious &					
semiprecious stones	11.4	19.8	27.8	11.4	16.1
Non-ferrous metals	0.5	19.9	11.7	13.6	6.2
Metaliferrous ores &					
metal scrap	0.2	0.0	175.1	68.4	4.6
Leather	-	0.1	-	0.2	0.5

Note: -: Not available/negligible; Imports from 2006-07 includes imports of oil

Source: MOCI, GOI

Table 5.18: India's Major Exports to Zimbabwe, 2001-02 to 2010-11 (US\$ mn)

	2001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	12.5	24.0	60.1	48.3	113.6
Pharmaceuticals & fine chemicals	3.4	10.5	20.8	26.8	50.9
Machinery & instruments	1.2	4.2	4.8	4.8	28.8
Jute manufactures	-	1.8	1.0	2.4	7.4
Electronic goods	0.1	0.2	1.1	3.7	5.0
Manufactures of metals	0.4	0.5	0.2	1.0	4.9
Transport equipment	0.8	1.1	2.6	1.6	3.5
Jute hessian	0.1	0.3	0.4	0.9	1.9
Plastic & linoleum products	0.1	0.7	0.7	1.2	1.7
Petroleum products	-	-	25.1	0.5	1.7
Primary & semi-finished iron &					
steel	0.1	0.1	0.2	0.2	1.6

Note: -: Not available/negligible.

Table 5.19: India's Major Imports from Zimbabwe, 2001-02 to 2010-11 (US\$ mn)

	2001-02	2005-06	2008-09	2009-10	2010-11
All Commodities	18.5	25.5	14.4	20.9	11.5
Dyeing tanning & colouring					
materials	3.2	3.4	2.4	2.6	2.9
Non-ferrous metals	4.0	4.9	2.6	6.8	2.5
Raw hides & skins	-	-	-	0.2	0.7
Other crude minerals	7.3	16.7	3.4	2.2	0.1

Note: -: Not available/negligible; Imports from 2006-07 includes imports of oil

Source: MOCI, GOI

sectors, and also in Africa's natural resources, including the oil sector.

Indian Investments in Africa

In recent years, besides being a major recipient of global foreign direct investment (FDI) inflows, India is emerging as an important global investor with increasing overseas investments in target markets.

Though India had business interest and investments in Africa since very long, these were largely driven by small and medium enterprises and traders. But the recent wave of FDI from India to Africa is driven by the bigger Indian companies. Sustained increase in commodity prices coupled with increasing demand for energy and raw materials in the domestic economy seems to be the major driving forces for these companies. Particularly for oil and energy companies, the quest for energy security in India is

one of the major motivating factor for investing in Africa.

According to data from Reserve Bank of India and the Ministry of Finance, Government of India, cumulative Indian investments in SADC during the period April 1996 to January 2012, amounted to around US\$ 28.1 billion, accounting for 17.6 percent of India's global overseas investments during the period. SADC's share in India's direct investment abroad has increased from 9.1 percent in 2002-03 to 30 percent in 2010-11 (Table 5.20). This quantum jump in investment figures in 2010-11 can be mainly attributed to US\$ 6.8 billion investment in Mauritius by Reliance Industries in manufacturing sector (oil and gas exploration) and also acquisition of the telecoms operations of Zain telecom in 15 African countries including few SADC countries by the Indian mobile operator Bharati Airtel for US\$ 10.7 billion.

Among the SADC countries, Mauritius has been the major destination, with total investments amounting to US\$ 27.8 billion during April 1996 to January 2012, accounting for a significant 98.7 percent of total investments from India in the SADC region. Mauritius is also the major destination of India's outward investment among the African countries, and hence SADC receives

more than 90 percent of Indian investments in Africa. Other top destinations of India's investments in SADC during the same period include South Africa (US\$ 249.4 mn), Tanzania (US\$ 42.6 mn), Botswana (US\$ 26.4 mn) and Mozambique (US\$ 22.2 mn).

A large proportion of Indian FDI has also gone into the infrastructure

Table 5.20: Country-Wise Indian Direct Investments (ODI) in JVs and WOS (US\$ mn)

Country	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (Apr- Jan)	Total (Apr- 1996- Jan 2012)
Mauritius	1162.8	1562.1	2651.2	2351.8	13106.9	5513.0	27757.1
South Africa	23.4	44.7	22.1	70.2	41.8	11.6	249.4
Tanzania	-	2.7	0.1	21.3	6.6	7.4	42.6
Botswana	-	0.7	8.1	5.7	2.9	5.5	26.4
Mozambique	-	3.2	4.9	0.04	3.0	1.0	22.2
Zambia	-	-	0.5	0.1	0.9	2.1	6.0
Seychelles	-	-	-	-	2.5	0.7	3.2
Zimbabwe	0.9	-	-	-	-	0.04	2.6
Namibia	-	-	0.1	-	0.6	1.3	2.1
Malawi	-	-	1.0	0.3	-	-	1.3
Madagascar	-		0.03	0.03	0.01	0.6	0.7
Swaziland	-	-	-	0.4	-	-	0.4
SADC	1,187.1	1,613.4	2,688.0	2,449.7	13,165.2	5,543.2	28,114.0
Africa	1,465.4	2,624.2	2,827.9	2,522.3	13,346.7	5,588.3	31,209.4
Share of SADC in India's Total ODI	7.8	6.9	15.7	13.6	30.0	21.3	17.6

Note: -: Not available/negligible

Source: Ministry of Finance, GOI and Reserve Bank of India (RBI)

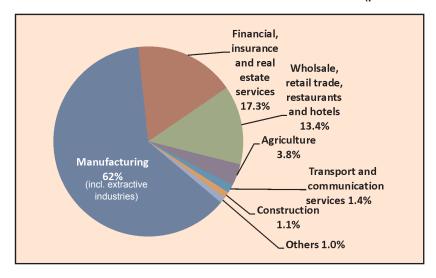


Chart 5.3: Sector-wise FDI Outflows to SADC Countries in 2010-11 (percent share)

Source: RBI

sector in SADC countries. Several of these investments are actually tied to the investments made in extractive industries. In other cases, Indian construction and telecommunication companies have made investments to build roads, ports and telecommunication networks in several SADC countries. Apart from these, market seeking FDI from India is also present in SADC countries. Several auto industry majors like Tata Motors and Mahindra and Mahindra have investments in SADC.

In 2010-11, SADC's manufacturing sector (incl. extractive indusries) is the major recipient of India's FDI outflows, accounting for 62 percent of India's total FDI to SADC. Other major sectors include financial, insurance, real estate and business

services (17.3 percent of total FDI outflows), wholesale, retail trade, restaurants and hotels (13.4 percent), agriculture, hunting, forestry and fish (3.8 percent), transport, storage and communication services (1.4 percent), construction (1.1 percent), community, social and personal services (0.8 percent) and electricity, gas and water (0.02 percent).

Africa's Investments in India

India's overall FDI inflow from SADC economies other than Mauritius has been low. As far as cumulative inflow of foreign direct investments into India is concerned, FDI inflows during April 2000 to November 2011 amounted to US\$ 62.2 billion (Table 5.21). The largest investment flowed in from Mauritius to the tune of

US\$ 62 billion, accounting for almost the entire investment flow into India from the SADC region during the period, and accounting for 40.7 percent of total FDI to India. The other sources of investment flow from SADC into India were South Africa, Seychelles, Tanzania, DR Congo and Zambia. Investments from South Africa amounted to US\$ 111.6 mn, while investment from Seychelles amounted to US\$ 17.7 mn during the period.

INSTITUTIONAL FRAMEWORKS & POLICY INITIATIVES

With a view to facilitate and further enhance bilateral trade and commercial relations with countries in Africa, India has put in place important policy measures as also institutional frameworks to create an enabling trade and business environment. Such initiatives have been effective in giving a new dimension to mutual

cooperation and the already existing close relations between the two sides. Major policy initiatives would include, among others, Focus Africa Programme, Pan-African E-Network, IBSA Initiative, India-Africa Partnership Conclaves and India Africa Summit.

Focus Africa Programme

With the African region constituting important trading partners for India, the Government of India has put in place the "Focus Africa" Programme since the year 2002-03 to enhance India's trade with Africa. The main objective of the programme is to increase interactions between the two regions by identifying the areas of bilateral trade and investment. The "Focus Africa" programme, when first introduced, focused on the Sub-Saharan African region with added emphasis on seven major trading partners of the region, namely, Nigeria, South Africa, Mauritius,

Table 5.21: India's FDI Inflows from Africa (US\$ mn)

Country	2010-11	Apr 2000 -Nov 2011
Mauritius	6987.1	62,049.1
South Africa	0.2	111.6
Seychelles	1.1	17.7
Tanzania	0.4	1.4
DR Congo	0.1	0.5
Zambia	-	0.2
SADC Total	6,988.9	62,180.5
Africa Total	6,994.4	62,356.8
Percentage Share of SADC in FDI to India	36.0	40.8

Note: -: Not available

Source: Department of Industrial Policy & Promotion (DIPP), GOI

Kenya, Ethiopia, Tanzania and Ghana. Effective April 1, 2003, the "Focus Africa" programme has been extended to cover in effect the entire African continent. The commodity groups identified as focus areas for cooperation under the initiative include, cotton yarn fabrics and other textile items; pharmaceuticals; machinery and instruments; transport equipments; telecom and information technology. The "Focus Africa" programme also envisages enhancing India's exports to the region through integrated efforts of the Government of India, Export-Import Bank of India, **Export Credit Guarantee Corporation** of India (ECGC), India Trade Organisation Promotion (ITPO), Export Promotion Councils (EPCs) and Apex Chambers of Commerce and Industry. The "Focus Africa" programme would also complement the Lines of Credit programme, which the Government of India has already extended to many countries in the African region.

New Partnership for Africa's Development (NEPAD)

Moreover, in line with the New Partnership for Africa's Development (NEPAD), a strategic framework adopted by African leaders at the 37th Summit of the Organisation of African Unity (OAU) held in Lusaka, Zambia, in July 2001, to address poverty and underdevelopment throughout the African continent. India has

agreed to extend its cooperation to Africa in the implementation of the digital solidarity mechanism developed within the framework of NEPAD and also recognized energy, infrastructure and environmental sustainability, which are some of the priority areas of NEPAD, as key areas of cooperation. Government of India in 2003 announced a US\$ 200 mn Line of Credit (LOC) for the NEPAD initiative in Africa.

Pan-African E-Network: An India and Pan-African Countries Initiative

An important element of the strategy to enhance Indo-African cooperation in the 21st century is the Pan African E-Network Project, funded entirely by India. The project was announced by the then President of India, H.E. Dr. A.P.J. Abdul Kalam, during the Inaugural session of the Pan-African Parliament held in Johannesburg in September 2004. Towards this end, an MOU was signed between the Government of India and the African Union in October 2005, and **Telecommunications** Consultants India Ltd. (TCIL) had been selected to implement the project. Ethiopia, South Africa, Ghana and Mauritius have been identified as the initial beneficiaries of the project, said to be one of the largest infrastructure projects in Africa's history.

July 2007, the Project was formally launched in Addis Ababa, Ethiopia, by former Indian External Affairs Minister Mr. Pranab Mukherjee.

The Pan-African E-Network Project, with a budget of US\$ 50 mn for its installation, initial operation and maintenance for 5 years, aims at bridging the digital divide in Africa and develop the continent's information and communication technologies by eventually connecting all the countries in Africa by a satellite through fibre-optic networks and wireless links. The network under the Project will primarily provide teleeducation, tele-medicines, internet and video-conferencing services and support e-governance, e-commerce, infotainment, resource mapping and meteorological services connectivity. The network will connect 5 universities. 53 learning centers, 10 super specialty hospitals, and 53 remote hospitals in the 53 Pan-African countries.

India's contribution for the promotion of African connectivity and the valueadded services in the knowledge domain in education, healthcare, e-governance and agriculture would contribute in capacity building activities in the African region. This, in turn, would further enhance the role of India as a partner in Africa's development and achievement of the Millennium Development Goals, and share its experience and expertise with countries in the African region.

IBSA Initiative

India – Brazil – South Africa (IBSA) Trilateral Commission is an outcome of the IBSA Dialogue Forum, which was formed amongst the three countries during the visit of the Indian Foreign Minister to Brazil in June 2003. The first meeting of the trilateral commission involving foreign ministers of India, Brazil and South Africa took place in March 2004 in New Delhi.

An important outcome of the Trilateral Commission meeting was the decision to hold regular meetings of the foreign ministers of the three countries. Another important outcome was the formation of a Trilateral Joint Commission, which, would be cochaired by the foreign ministers. The three foreign ministers signed the "New Delhi Agenda for Cooperation and Plan of Action", which aims to boost bilateral trade and promote South-South cooperation. The Plan of Action envisages, among others, cooperation in fields like health, IT, civil aviation to defence, and the three countries have agreed to reinforce the economic strength of each other by synergising their complementarities in areas of industry, services, business and technologies. As per the Plan of Action, a trilateral cooperation agreement on air services would be considered and finalized, particularly in the areas of identification of routes for increased frequency of air links and possibilities for commercial agreements between airline companies.

Inter-bank cooperation among BRICS members to boost bloc profile

BRICS - The trade bloc comprising Brazil, Russia, India, China and South Africa, is one of the fastest emerging trade bloc. The inter-bank cooperation among BRICS countries is expected to facilitate trade and help raise the bloc's economic profile at regional and global levels. Inter-bank cooperation is a first step toward closer cooperation within BRICS.

India-Africa Partnership Conclaves

Furthermore, recognising the immense potential to enhance trade and investment relations between India and Africa, the Confederation of India Industry (CII), in partnership with Ministry of Commerce and Industry, Government of India; Ministry of External Affairs, Government of India; Export-Import Bank of India and African Development Bank, initiated the India-Africa Partnership Conclave during March 2-4, 2005, in New Delhi. The Conclave created platforms for decision makers from African countries and relevant multilateral, regional and national funding agencies to meet, in one place, the entire range of Indian companies involved in engineering

consultancy, turnkey projects, construction and supply of project goods, among others.

Following the success of the first Conclave, the second Conclave was organized in New Delhi during November 6-8, 2005, with the theme 'Expanding Horizons', which was followed by mini-conclaves in Lusaka, Zambia, and in Addis Ababa, Ethiopia, in April 2006, and in Accra, Ghana, in May 2006. The third Conclave was held in New Delhi in October 2006. During 2007, the Conclave on India Africa Partnership was organized in four countries in Africa: South Africa, Mozambique, Uganda and Côte d'Ivoire. Conclave served as an effective platform to examine the factors that influence Indo-African trade and investment patterns, and also focused on the role of banking institutions in funding India-Africa projects.

The 4th Conclave on India Africa Project Partnership was held in New Delhi in March 2008, while regional ConclaveswereheldinDakar, Senegal, in July 2008 and Dar-es-Salaam, Tanzania, in August 2008. In specific terms, the Conclaves in 2008 focused on: building upon the momentum gathered due to the past Conclaves and promote partnerships at three levels: Government, institutional and enterprise levels; increasing outreach of information on Indian enterprise to the African business; increasing

interaction between the Indian industry and the African countries where perceptible opportunities exist; discussing opportunities for Indian participation in African projects; capacity building initiative including resource mobilization; supplement the Government-to-Government dialogue at Summit level in April 2008.

The 5th Conclave on India Africa Project Partnership was held during March 22-24, 2009, at New Delhi, under the theme "Celebrating Partnerships". The conclave was aimed accelerating trade and investment with an increased involvement of the private sector from both sides. The 6th CII-Exim Bank Conclave on India Africa Project Partnership was held during March 14-16, 2010, at New Delhi on the theme "Developing Synergies: Creating a Vision". It was attended by over 400 delegates from 34 African countries comprising Ministers, bureaucrats, bankers and businessmen and 500 delegates from India.

The seventh conclave on India-Africa Project partnership was held during March 27-29, 2011, at New Delhi, under the theme "Creating Possibilities; Delivering Values". With over 650 delegates from 33 African countries comprising Prime ministers, Deputy Prime Ministers, several senior Ministers and business delegation

cutting across sectors, the conclave saw the largest ever participation with discussions on investments of US\$ 18 billion covering around 204 projects. The eighth conclave on India-Africa Project partnership would be held during March 18-20, 2012, at New Delhi.

The Conclaves have served as business-to-business platform between India and the countries in Africa, and have created benchmarks for the engagement of Industry and Governments from India and the African region. The Conclaves have also created a platform for information, dialogue and better understanding to propagate and build long-term sustainable economic relations. which in turn have been instrumental in increased private sector dialogue between Indian and Africa.

India- Africa Forum Summits

In light of the immense opportunities for enhancing bilateral and regional cooperation with countries in Africa, a recent initiative of the Government of India that has been taken is the first India- Africa Summit, that was held in New Delhi in April 2008, with the objective of redefining India's relations with the African continent by enhancing its engagement, particularly in economic field. The India-Africa Summit focused on

enhancing the role of India as a key partner in capacity building and empowerment in Africa.

The Summit was attended by Heads of States of African nations, heads of sub-regional groupings like the Southern African Development Common Community (SADC), Market for Eastern and Southern Africa (COMESA), and the Economic Community for West African States (ECOWAS). The Summit has been structured as a three-tier interaction between senior officials, foreign ministers and Heads of States of both the sides, in diverse areas.

In order to continue and enhance the systematic engagement with Africa in the coming years, second India-Africa Forum Summit was organized in Addis-Ababa during 24-25 May

2011. This was the first time that a meeting between India and its African partners at the level of Heads of State/Government is being organized in Africa.

India agreed to provide a US\$ 5 billion line of credit to African nations over the next three years to help fund economic development on the continent. This was announced by Prime Minister Manmohan Singh, who also said that US\$ 700 mn will be provided for assorted training programs and many new institutions will be established on the continent to maximize human capacity in Summit culminated Africa. The with the Addis Ababa Declaration and the Africa-India Framework for Enhanced Cooperation. The Addis Ababa declaration affirms the critical importance of South-South cooperation.

6. POTENTIAL FOR ENHANCING BILATERAL TRADE AND INVESTMENT RELATIONS

INTRODUCTION

Both imports and exports of SADC member countries have shown an overall increasing trend in recent India too has registered times. a positive growth in its trade with these countries. Both regions are characterized by large markets and large work force. While India imports most of natural resources for processing as well as final production, SADC countries exports natural resources and imports processed inputs. Hence, there is large scope and potential for expanding bilateral trade and investment relations among India and SADC. This chapter focuses on the various target sectors for enhancing India's bilateral trade and investment relations with SADC member countries.

IDENTIFICATION OF POTENTIAL COMMODITIES

Certain criteria were considered to identify the commodities with potential for exports from India to the SADC member countries.

1. Import basket of these nations

- was analyzed in detail for its commodity composition. India's export capability was matched with the demand pattern and corresponding import demand;
- Commodities where India has a comparative advantage in global exports based on India's share in global trade;
- India's exports of commodities, which have registered high growth rate in recent years, to these countries; and
- Commodities where India has been doing well in the global markets.

EXPORT POTENTIAL IN SADC COUNTRIES

South Africa

While South Africa is India's leading market in the SADC region, accounting for as much as 50 percent of India's total exports to the region, potential exist to further enhance India's exports, based on import demand in South Africa, and India's export capability. Towards this end, the potential export items to South

Africa would include: machinery; electrical and electronic equipment; vehicles other than railway; optical, photographic and medical apparatus; plastics and articles; miscellaneous chemical products; rubber and articles; inorganic chemicals and precious metal compounds; paper and paperboards; footwear and parts; furniture and lightning materials; ceramic products; essential oils and cosmetics; copper and articles; and aluminium and articles.

Machinery & boilers (HS-84) — These items are South Africa's major imports, amounting to US\$ 11.8 billion in 2010, and accounting for 15 percent of South Africa's total imports. South Africa's imports of these items from India stood at US\$ 118.9 mn in 2010, with a share of 1 percent in South Africa's imports, which in turn highlights the tremendous scope for enhancing these exports. The potential export items under this category, based on 6-digit HS

 848180 Taps, cocks, valves and similar appliances, nes

commodity code, would include:

- 843149 Parts of cranes, worktrucks, shovels, and other construction machinery
- 847330 Parts & accessories of automatic data processing machines & units thereof
- 840999 Parts for diesel and semidiesel engines

- 847170 Computer data storage units
- 840991 Parts for spark-ignition type engines nes
- 847989 Machines & mechanical appliances nes having individual functions
- 841391 Parts of pumps for liquid whether or not fitted with a measuring device
- 843143 Parts of boring or sinking machinery, whether or not self-propelled
- 841480 Air or gas compressors, hoods
- 840710 Aircraft engines, sparkignition reciprocating or rotary type
- 848340 Gears & gearing, ball screws, gear boxes, speed changers/torque converters
- 840890 Engines, diesel nes
- 843041 Boring or sinking machinery nes, self-propelled
- 842199 Parts for filtering or purifying machinery & apparatus for liquids or gases, nes
- 841330 Fuel, lubricating or cooling medium pumps for internal comb piston engines
- 847490 Parts of sorting/screening/ mixing/crushing/grinding/ washing machinery
- 841490 Parts of vacuum pumps, compressors, fans, blowers, hoods
- 841370 Centrifugal pumps nes

- 847160 Computer input/outputs, with/without storage
- 848190 Parts of taps, cocks, valves or similar appliances
- 847990 Parts of machines & mechanical appliances nes, having individual functions
- 848390 Parts of power transmission equipment/other goods used to transmit power

Electrical and electronic equipment

(HS-85) - In 2010, South Africa's imports of electrical and electronic equipment amounted to US\$ 8.6 billion, accounting for 7 percent of the country's total imports. For India, these items are important exports to South Africa, with exports to South Africa amounting to US\$ 247 mn in 2010, and accounting for 2.9 percent of South Africa's total imports. Potential exports items under this category would include:

- 851712 Telephones for cellular networks mobile telephones
- 850440 Static converters, nes
- 851770 Parts of telephone sets, telephones for cellular networks or for other
- 854140 Photosensitive semiconducting device, photovoltaic cells & light emit diodes
- 852340 Optical media for the recording of sound or of other phenomena (excl.

- 853710 Boards, panels, incl. numerical control panels, for a voltage <=1000 V
- 850423 Liquiddielectrictransformer with power handling capacity exceeding 10,000 KVA
- 853890 Parts for use with electrical appliances, boards, panels, etc
- 852990 Parts suitable for use with Reception apparatus for television
- 853720 Boards, panels, incl. numerical control panels, for a voltage > 1,000 V
- 853690 Electrical appliances for switching/protecting electric circuits
- 853650 Electrical switches for a voltage not exceeding 1,000 volts, nes
- 852352 Cards incorporating one or more electronic integrated circuits smart c
- 850300 Parts of electric motors, generators, generating sets & rotary converters
- 852871 Reception apparatus for television, whether or not incorporating radio
- 851769 Apparatus for the transmission or reception of voice, images or other

Vehicles other than railway (HS-87)

 This category is a major import item for South Africa, with imports rising from US\$ 4.6 billion in 2009 to US\$ 7 billion in 2010. While India's exports of US\$ 383 mn in 2010 accounted for 5.4 percent of South Africa's total imports, potential exists to further enhance these exports based on demand in South Africa. Towards this end, potential items of export would include:

- 870322 Automobiles with reciprocating piston engine, displacing > 1000 cc to 1500 cc
- 870410 Dump trucks designed for off-highway use
- 870899 Motor vehicle parts nes
- 870421 Diesel powered trucks with a GVW not exceeding five tonnes
- 870190 Wheeled tractors nes
- 870210 Diesel powered buses with a seating capacity of > nine persons
- 870850 Drive axles with differential for motor vehicles
- 870830 Brakes and servo-brakes and their parts, for tractors, motor vehicles
- 870840 Transmissions for motor vehicles
- 870870 Wheels including parts and accessories for motor vehicles
- 870321 Automobiles with reciprocating piston engine displacing not more than 1000 cc
- 870810 Bumpers and parts for motor vehicles
- 871120 Motorcycles with reciprocating piston engine

- displacing > 50 cc to 250 cc
- 870891 Radiators for motor vehicles
- 870880 Shock absorbers for motor vehicles
- 870332 Automobiles with diesel engine displacing more than 1500 cc to 2500 cc
- 870422 Diesel powered trucks with a GVW exceeding five tonnes
- 870829 Parts and accessories of bodies nes for motor vehicles

Optical, photographic and medical apparatus (HS-90) – The scope for enhancing these exports to South Africa can be assessed from the fact that India's exports of these items to South Africa during 2010 stood at US\$ 18 mn, accounted for a marginal 0.9 percent of South Africa's total imports of US\$ 2.1 billion. Potential items of exports would include:

- 901890 Instruments and appliances used in medical or veterinary sciences, nes
- 901839 Needles, catheters and the like, nes
- 903180 Measuring or checking instruments, appliances and machines, nes
- 903289 Automatic regulating or controlling instruments and apparatus, nes
- 901819 Electro-diagnostic apparatus, nes

- 902214 X-rays apparatus, medical/ surgical/veterinary use nes
- 902290 Parts & accessories for appliances based on the use of X-rays or other radiations
- 902830 Electricity supply, production and calibrating meters
- 903290 Parts & access for automatic regulating or controlling instruments & app,nes
- 902790 Parts & accessories of instruments & apparatus for physical or chem analysis, nes
- 903190 Parts & accessories for measuring or checking inst, appl. & machines,nes
- 902610 Instruments & apparatus for measuring or checking the flow of level of liquids
- 900150 Spectacle lenses of other materials
- 901580 Surveying, hydrographic, oceanographic, meteorologic/geophysical instruments
- 902300 Instruments, apparatus and models, designed for demonstrational purposes
- 901850 Ophthalmic instruments and appliances, nes
- 902690 Parts of instruments & appliances for measuring or checking variables of liquids or gases,
- 901831 Syringes, with or without needles

 902620 Instruments and apparatus for measuring or checking pressure

Plastics and articles (HS-39) – South Africa's imports of these items amounted to US\$ 2.1 billion in 2010, rising from US\$ 1.6 billion in the previous year. Based on demand in the South African markets and India's exports capability, potential items of exports under this category would include:

- 392690 Articles of plastics or of other materials
- 390120 Polyethylene having a specific gravity of 0.94 or more
- 390319 Polystyrene nes
- 392020 Film and sheet etc, noncellular etc, of polymers of propylene
- 392190 Film and sheet etc, nes of plastics
- 390760 Polyethylene terephthalate
- 390690 Acrylic polymers nes, in primary forms
- 392410 Tableware and kitchenware of plastics
- 390730 Epoxide resins
- 391000 Silicones in primary forms
- 392350 Stoppers, lids, caps and other closures of plastics
- 392490 Household and toilet articles nes, of plastics
- 390210 Polypropylene
- 391810 Floor, wall and ceiling coverings etc, of polymers of vinyl chloride

- 392321 Sacks and bags (including cones) of polymers of ethylene
- 392049 Plates, sheets, film, foil and strip, of non-cellular polymers
- 390110 Polyethylene having a specific gravity of less than 0.94
- 392010 Film and sheet etc, noncellular etc, of polymers of ethylene
- 392062 Film and sheet etc, noncellular etc, of polyethylene terephthalates
- 392329 Sacks and bags (including cones) of plastics nes
- 390720 Polyethers nes

Miscellaneous chemical products (HS-38) – With South Africa's imports of these items amounting to US\$ 1.2 billion in 2010, potential items of India's exports would include:

- 382490 Chemical/allied industry preparations/producs nes
- 380893 Herbicides, anti-sprouting products and plant-growth regulators
- 380891 Insecticides
- 381700 Mixed alkyl benzenes and mixed alkyl naphthalenes produced by the alkyla
- 380892 Fungicides
- 382319 Industrial fatty acids, acid oils nes
- 381512 Supported catalysts, with precious metal/compounds thereof

- 381121 Lubricating oil additives obtained from bituminous minerals
- 381600 Refractory cements, mortars, concretes and similar compositions, nes
- 381190 Prepared additives for mineral oils or for other similar liquids, nes
- 382200 Composite diagnostic or laboratory reagents, nes
- 381230 Anti-oxidising prep. & other compound stabilizers for rubber or plastics
- 381590 Reaction initiators, reaction accelerator & catalytic preparations, nes
- 381511 Supported catalysts, with nickel/nickel compounds

Rubber and articles (HS-40) – Of South Africa's total imports of US\$ 1.2 billion of these items in 2010, imports from India at US\$ 32 mn accounted for 2.7 percent of total imports, highlighting the scope for further enhancing these exports. Potential items of exports to South Africa under this category would include:

- 401120 Pneumatic tyres new of rubber for buses or lorries
- 401110 Pneumatic tyres new of rubber for motor car incl. station wagons & racing cars
- 401699 Articles of vulcanised rubber nes, other than hard rubber

- 401199 Pneumatic tires new of rubber nes
- 401693 Gaskets, washers and other seals of vulcanised rubber
- 401012 Conveyor belt textile reinforced vulcanised rubber
- 401511 Gloves surgical of rubber
- 401410 Hygienic o pharmaceutical articles of rubber etc sheath contraceptives
- 400921 Tubes, pipes and hoses, of vulcanised rubber (excl. hard rubber), rein
- 400121 Natural rubber in smoked sheets
- 400931 Tubes, pipes and hoses, of vulcanised rubber (excl. hard rubber), rein
- 400821 Plates, sheets & strip of non cellular rubber, other than hard rubber
- 401310 Inner tubes of rubber for motor cars etc buses or lorries
- 400129 Natural rubber in other forms nes
- 401290 Solid or cushioned tyres, interchangeable tire treads
 & tyre flaps of rubber

Inorganic chemicals and precious metal compounds (HS-28) — South Africa's total imports of these items amounted to US\$ 1.1 billion in 2010, rising from US\$ 782 mn in the previous year. For India, potential items of exports to South Africa would include:

- 281820 Aluminium oxide nes
- 283620 Disodium carbonate
- 281512 Sodium hydroxide (caustic soda) in aqueous solution
- 283650 Calcium carbonate
- 282300 Titanium oxides
- 282612 Aluminum fluoride
- 280920 Phosphoric acid and polyphosphoric acids
- 280200 Sulphur, sublimed or precipitated; colloidal sulphur
- 280300 Carbon (carbon blacks and other forms of carbon, nes)
- 281122 Silicon dioxide
- 283329 Sulphates of metal nes
- 281830 Aluminium hydroxide
- 283319 Sodium sulphates nes
- 283711 Cyanides and cyanide oxides of sodium
- 283090 Sulphides of metals nes; polysulphides of metals
- 283322 Aluminium sulphate
- 283699 Carbonates of metals nes; peroxocarbonates (percarbonates) of metals
- 282110 Iron oxides and hydroxides
- 284210 Double or complex silicates of metals
- 281700 Zinc oxide; zinc peroxide

Paper and paperboards (HS-48) -

Under this category, wherein South Africa's total imports amounted to US\$ 958 mn in 2010, potential items of India's exports to South Africa would include:

- 481019 Paper and paperboard used for writing, printing or other graphic purposes
- 480261 Uncoated paper and paperboard, of a kind used for writing, printing
- 480257 Uncoated paper and paperboard, of a kind used for writing, printing
- 481190 Paper, in rolls of sheets
- 481159 Paper and paperboard, surface-coloured, surfacedecorated or printed,
- 481141 Self-adhesive paper and paperboard, surfacecoloured, surfacedecorated
- 480255 & 480256
 Uncoated paper and paperboard, of a kind used for writing, printing
- 481920 Cartons, boxes and cases, folding, of non-corrugated paper or paperboard
- 482110 Paper labels of all kinds, printed
- 482390 Paper and paper articles, nes
- 482010 Registers, account books, note books, diaries & similar articles of paper
- 480100 Newsprint, in rolls or sheets
- 481092 Multi-ply paper and paperboard, coated on one or both sides with kaoli
- 481099 Paper, in rolls or sheets, clay coated, nes
- 481910 Cartons, boxes and cases, of corrugated paper or paperboard

• 480439 Paper, kraft, rolls or sheets, uncoated, nes

Footwear and parts (HS-64) – South Africa's imports of these items amounted to US\$ 712 mn in 2010, and potential items of India's exports would include:

- 640399 Footwear, outer soles of rubber/plastics uppers of leather, nes
- 640359 Footwear, outer soles and uppers of leather, nes
- 640319 Sports footwear, outer sole of rubber/plastic/leather & upper of leather
- 640340 Footwear, outer sole of rubber/plastic/leather, uppers of leather
- 640299 Footwear, outer soles/ uppers of rubber or plastics, nes
- 640411 Sports footwear with outer soles of rubber or plastics & uppers of textile material
- 640391 Footwear, outer soles of rubber/plastic uppers of leather coving ankle nes
- 640420 Footwear with outer soles of leather and uppers of textile materials
- 640419 Footwear other than sports, with outer soles of rubber/ plastics & uppers of textile material
- 640590 Footwear, nes
- 640610 Uppers and parts thereof, other than stiffeners
- 640620 Outer soles and heels, of rubber or plastics

- 640219 Sports footwear, outer soles and uppers of rubber or plastics, nes
- 640699 Parts of footwear nes

Furniture and lighting materials (HS-94)—Under this category, wherein South Africa's total imports stood at US\$ 659 mn in 2010, potential items of exports would include:

- 940360 Furniture, wooden, nes
- 940490 Articles of bedding/ furnishing, nes, stuffed or internally fitted
- 940510 Chandeliers & other electric ceiling or wall lighting fittings
- 940320 Furniture, metal, nes
- 940600 Prefabricated buildings
- 940540 Electric lamps and lighting fittings, nes
- 940290 Medical, surgical, dental or veterinary furniture and parts nes
- 940599 Lamps and lighting fittings, parts
- 940190 Parts of seats
- 940520 Electric table, desk, bedside or floor standing lamps
- 940370 Furniture, plastic, nes
- 940169 Seats with wooden frames, nes
- 940550 Non-electrical lamps and lighting fittings
- 940330 Office furniture, wooden, nes
- 940310 Office furniture, metal, nes

- 940120 Seats, motor vehicles
- 940390 Furniture parts nes

Ceramic products (HS-69) - South Africa's total imports of these items amounted to US\$ 553 mn in 2010, rising from US\$ 418 mn in the previous year. Potential items of exports under this category would include:

- 690890 Tiles, cubes nes, glazed ceramics
- 690210, 690220 & 690290 Refractory bricks etc
- 691090 Ceramic sinks, wash basins etc & similar sanitary fixtures nes
- 691110 Tableware and kitchenware of porcelain or china
- 690310, 960320 & 690390
 Refractory ceramic goods nes
- 691200 Ceramic tableware, kitchenware, other household & toilet articles nes
- 691010 Ceramic sinks, wash basins etc & sanitary fixtures of porcelain/china

Tanzania

The synergy in Indo-Tanzanian trade relations can be assessed from the fact that while Tanzania is the second largest market for India's exports in the SADC region after South Africa, India is also one of Tanzania's major import sources accounting for more

than 10 percent of Tanzania's total imports in 2010. Potential exists to further enhance trade relations based on demand in the Tanzanian market and India's export capability. Towards this end, potential items of India's exports to Tanzania would include: vehicles other than railway; plastics and articles; rubber and articles; sugar and sugar confectionary; milling products; optical, photographic and medical apparatus; ceramic products; beverages and spirits; tools and implements; footwear and part; soaps and lubricants; wood and wood articles; miscellaneous edible preparations; and copper and articles.

Vehicles other than railway (HS-87) – These items are Tanzania's second largest import items, after petroleum products, and amounted to US\$ 904 mn in 2010. While India is an important supplier to Tanzania, with imports from India accounting for around 6 percent of total imports, potential exists to further enhance India's exports to Tanzania. Towards this end, the potential items of exports would include:

- 870421 Diesel powered trucks with a GVW not exceeding five tonnes
- 870323 Automobiles with reciprocating piston engine displacing > 1500 cc to 3000 cc
- 870210 Diesel powered buses with

- a seating capacity of > nine persons
- 871120 Motorcycles with reciprocating piston engine displacing > 50 cc to 250 cc
- 870422 Diesel powered trucks with a GVW exceeding five tonnes but not exc. 20 tonnes
- 870322 Automobiles with reciprocating piston engine displacing > 1000 cc to 1500 cc
- 870410 Dump trucks designed for off-highway use
- 870190 Wheeled tractors nes
- 870120 Road tractors for semitrailers (truck tractors)
- 870333 Automobiles with diesel engine displacing more than 2500 cc
- 870332 Automobiles with diesel engine displacing more than 1500 cc to 2500 cc
- 870590 Special purpose motor vehicles nes
- 870899 Motor vehicle parts nes
- 871200 Bicycles and other cycles (including delivery tricycles), not motorised
- 870390 Automobiles nes including gas turbine powered
- 870790 Bodies for tractors, buses, trucks and special purpose vehicles
- 870510 Mobile cranes
- 870324 Automobiles with reciprocating piston engine displacing > 3000 cc
- 870290 Buses with a seating

- capacity of more than nine persons nes
- 871690 Trailer and other vehicle parts nes
- 870321 Automobiles with reciprocating piston engine displacing not more than 1000 cc
- 870423 Diesel powered trucks with a GVW exceeding twenty tonnes

Plastics and articles (HS-39) – In 2010, Tanzania's total imports of these items amounted to US\$ 413 mn, rising from US\$ 277 mn in the previous year. While imports from India stood at US\$ 22 mn in 2010, with a share of 5.4 percent in Tanzania's total imports, scope exists to further enhance exports from India. The potential items of exports would include:

- 390120 Polyethylene having a specific gravity of 0.94 or more
- 390210 Polypropylene
- 390720 Polyethers nes
- 390110 Polyethylene having a specific gravity of less than 0.94
- 390760 Polyethylene terephthalate
- 390230 Propylene copolymers
- 390690 Acrylic polymers nes, in primary forms
- 392690 Articles of plastics or of other materials
- 392329 Sacks and bags (including cones) of plastics nes
- 392020 Film and sheet etc, non-

- cellular etc, of polymers of propylene
- 391729 Tubes, pipes and hoses, rigid; of plastics nes
- 392350 Stoppers, lids, caps and other closures of plastics
- 392310 Boxes, cases, crates & similar articles of plastic
- 391740 Fittings, plastic

Rubber and articles (HS-40) – With Tanzania's total imports of these items amounting to US\$ 161 mn in 2010, potential items of India's exports would include:

- 401120 Pneumatic tyres new of rubber for buses or lorries
- 401110 Pneumatic tyre new of rubber f motor car incl. station wagons &racing cars
- 401150 Pneumatic tyres new of rubber for bicycles
- 401410 Hygienic or pharmaceutical articles of rubber etc sheath contraceptives
- 401199 Pneumatic tires new of rubber nes
- 401693 Gaskets, washers and other seals of vulcanised rubber
- 401161 Pneumatic tyres, new, of rubber, having a "herringbone"
- 401519 Gloves nes of rubber
- 401290 Solid or cushiond tires, interchangeable tire treads &tire flaps of rubber
- 401699 Articles of vulcanised

- rubber nes, other than hard rubber
- 401511 Gloves surgical of rubber
- 401039 Transmission belts or belting, of vulcanised rubber
- 401140 Pneumatic tires new of rubber for motorcycles
- 401019 Conveyor belts of vulcanised rubber nes
- 400942 Tubes, pipes and hoses, of vulcanised rubber (excl. hard rubber)
- 401310 Inner tubes of rubber for motor cars etc buses or lorries

Sugar and sugar confectionary (HS-17) – Tanzania's imports of these items amounted to US\$ 92 mn in 2010, rising from US\$ 57 mn in the previous year. Potential items of exports under this category would include:

- 170199 Refined sugar, in solid form, nes
- 170111 Raw sugar, cane
- 170410 Chewing gum containing sugar, except medicinal
- 170490 Sugar confectionery nes (including white chocolate),not containg cocoa
- 170290 Sugar nes, including invert sugar
- 170240 Glucose incl. syrup in dry state

Milling products (HS-11) – Tanzania's imports of these items amounted to US\$ 66 mn in 2010, and potential items of India's exports to

Tanzania under this category would include:

- 110100 Wheat or meslin flour
- 110812 Maize (corn) starch
- 110710 Malt, not roasted
- 110419 Cereals, rolled or flaked grains nes
- 110220 Maize (corn) flour

Photographic and medical apparatus (HS-90) - Potential items of India's exports to Tanzania under this category would include:

- 901890 Instruments and appliances used in medical or veterinary sciences, nes
- 901580 Surveying, hydrographic, oceanographic, meteorologic/geophysical inst. nes
- 903289 Automatic regulating or controlling instruments and apparatus, nes
- 901590 Parts and accessories for use with apparatus
- 901819 Electro-diagnostic apparatus, nes
- 901380 Optical devices, appliances and instruments, nes,
- 903180 Measuring or checking instruments, appliances and machines, nes

Ceramic products (HS-69) - Potential items of India's exports to Tanzania under this category would include:

- •690210, 690220 & 690290 Refractory bricks etc
- 691090 Ceramic sinks, wash

- basins etc & similar sanitary fixtures nes
- 691110 Tableware and kitchenware of porcelain or china
- 691200 Ceramic tableware, kitchenware, other household & toilet articles nes

Beverages and spirits (HS-22) – Under this category, potential items of exports would include:

- 220710 Undenatured ethyl alcohol
- 220300 Beer made from malt
- 220290 Non-alcoholic beverages nes, excluding fruit/veg. juices
- 220720 Ethyl alcohol and other spirits, denatured, of any strength
- 220870 Liqueurs and cordials

Tools and implements (HS-82) - Under this category, potential items of exports to Tanzania would include:

- 820719 Rock drilling/earth boring tools, nes, parts
- 820310 Files, rasps and similar tools
- 820750 Tools for drilling, other than for rock drilling
- 820713 Rock drilling/earth boring tools, working part cermets
- 820559 Tools for masons, watchmakers, miners and hand tools nes

- 820140 Aces, bill hooks and similar hewing tools
- 820130 Mattocks, picks, hoes and rakes
- 820110 Spades and shovels

Angola

Angola is an important market for India's exports in the SADC region, and imports from India accounts for around 4 percent of Angola's total imports. In line with India's export capability and demand in the Angolan market, potential items of India's exports to Angola would include: machinery and boilers; articles of iron and steel; electrical and electronic equipment: vehicles other than railway; furniture and lightings; plastics and articles; iron and steel; footwear and parts; paper and paperboard; ceramic products; aluminium and articles; rubber and articles; glass and glassware. optical and medical apparatus; articles of base metals; milling products; dairy products; sugar and sugar confectionery; meat, fish and seafood preparations; cereal, and milk preparations and products.

Machinery and boilers (HS- 84)

These items are the largest in Angola's import basket, amounting to US\$ 2.9 billion in 2010, with a share of 20 percent in Angola's total imports. Scope for enhancing exports under this category can be assessed from the fact that India's exports of US\$ 9.6 mn in 2010 account for a marginal 0.3 percent share of Angola's imports of these items. Potential items of export under this category would include:

- 848180 Taps, cocks, valves and similar appliances, nes
- 843143 Parts of boring or sinking machinery, whether or not self-propelled
- 848190 Parts of taps, cocks, valves or similar appliances
- 841199 Parts of gas turbines nes
- 847990 Parts of machines & mechanical appliances nes having individual functions
- 847989 Machines & mechanical appliances nes having individual functions
- 843149 Parts of cranes, worktrucks, shovels, and other construction machinery
- 841391 Parts of pumps for liquid whether or not fitted with a measurg device
- 841182 Gas turbines, of a power exceeding 5000 KW
- 840999 Parts for diesel and semidiesel engines
- 847490 Parts of sorting/screening/ mixing/crushing/grinding/ washing machines
- 841480 Air or gas compressors, hoods
- 841490 Parts of vacuum pumps, compressors, fans, blowers, hoods
- 844311 Reel fed offset printing machinery

- 842230 Mach for filling/closing/ sealing/etc., bottle/can/box/ bag for aerated beverages
- 841370 Centrifugal pumps nes
- 847330 Parts & accessories of automatic data processing machines & units thereof
- 840211 Watertube boilers with a steam production exceeding 45T per hour
- 841319 Pumps fitted or designed to be fitted with a measuring device nes
- 847141 Non-portable digital edp machines w processor & i/o
- 841510 Air conditioning machines window or wall types, selfcontained
- 847150 Digital processing units not sold as complete systems
- 847910 Machinery for public works, building or the like, nes having individual functions
- 841381 Pumps nes

Articles of iron and steel (HS-73)

– Angola's imports of these items amounted to US\$ 1.3 billion in 2010, with a share of 9.3 percent of total imports. While India's exports of these items to Angola has witnessed a rise in recent years, scope exists to further enhance such exports, as India's accounted for only 1 percent of Angola's imports of these items. In line with India's export capability and demand in the Angolan market, potential items of India's exports to Angola would include:

- 730890 Structures & parts of structures
- 732690 Articles, iron or steel, nes
- 730429 Casings,, tubing, drill pipe, for oil drilling use
- 730419 Line pipe of a kind used for oil or gas pipelines, seamless, of iron o
- 731210 Stranded wire, ropes & cables of iron or steel, not electrically insulated
- 730840 Props & similar equipment for scaffolding, shuttering/ pit-propping
- 730900 Reservoirs, tanks, vats & containers
- 731815 Bolts or screws nes, with or without their nuts or washers, iron o steel
- 730799 Fittings, pipe or tube, iron or steel, nes
- 730630 Tubes, pipe & hollow profiles, welded, of circ cross section, nes
- 730820 Towers and lattice masts, iron or steel
- 731029 Cans, iron or steel, capacity <50 litres, nes
- 732619 Articles of iron or steel, forged or stamped, but not further worked
- 730729 Fittings pipe or tube of stainless steel, nes
- 731100 Containers for compressed or liquefied gas of iron or steel
- 730791 Flanges, iron or steel, nes
- 731021 Cans, iron or steel, cap <50 litres

- 730300 Tubes, pipes and hollow profiles of cast iron
- 730629 Casing and tubing of a kind used in drilling for oil or gas, welded
- 730690 Tubes, pipe & hollow profiles, iron or steel, welded, nes
- 730423 Drill pipe, seamless, of a kind used in drilling for oil or gas

Electrical and electronic equipment

(HS-85) – These items are the third largest items in Angola's import basket, with imports amounting to US\$ 1.3 billion in 2010. The potential for enhancing exports to Angola can be assessed from the fact that imports from India accounted for a marginal 0.7 percent share of Angola's total imports of these items in 2010. Potential items of exports under this category would include:

- 853710 & 8537120 Boards, panels, including numerical control panels
- 850211 & 850213 Generating sets, diesel/semi-diesel engines
- 854449 Electric conductors, for a voltage not exceeding 80 V. nes
- 851762 Machines for the reception, conversion and transmission
- 852872 Reception apparatus for television, colour
- 850300 Parts of electric motors,

- generators, generating sets & rotary converters
- 851770 Parts of telephone sets, telephones for cellular networks
- 852340 Optical media for the recording of sound or of other phenomena
- 851712 Telephones for cellular networks mobile telephones
- 853690 Electrical app for switching/ protecting elec. circuits
- 851769 Apparatus for the transmission or reception of voice, images
- 850164 AC generators, of an output exceeding 750 KVA
- 854442 Electric conductors
- 850440 Static converters, nes
- 854411 Insulated (including enamelled or anodised) winding wire of copper
- 854470 Optical fibre cables, made up of individually sheathed fibres
- 852560 Transmission apparatus for radio-broadcasting or television

Vehicles other than railway (HS-87) – Vehicles are major items of Angola's imports, amounting to US\$ 983 mn in 2010. While these items are also India's major exports to Angola, accounting for around 5 percent of Angola's total imports of these items, potential exists to further enhance exports to Angola based on demand in the Angolan market.

Items in this category with potential for exports to Angola would include:

- 871120, 870322 & 870323
 Automobiles with reciprocating piston engine
- 870421 Diesel powered trucks with a GVW not exceeding five tonnes
- 870422 Diesel powered trucks with a GVW exc. five tonnes
- 870899 Motor vehicle parts, nes
- 870210 Diesel powered buses with a seating capacity of > nine persons
- 870590 Special purpose motor vehicles nes
- 870120 Road tractors for semitrailers (truck tractors)
- 870332 & 870333 Automobiles with diesel engine
- 871110 Motorcycles with reciprocating piston engine displacing 50 cc or less
- 870410 Dump trucks designed for off-highway use

Furniture and lightings (HS-94) – Angola's imports of these items in 2010 amounted to US\$ 389 mn, and potential items for India's exports to Angola would include:

- 940360 Furniture, wooden, nes
- 940600 Prefabricated buildings
- 940320 Furniture, metal, nes
- 940310 Office furniture, metal, nes
- 940510 Chandeliers & other electric ceiling or wall lighting fittings

- 940429 Mattresses fitted with springs/stuffed/internally fitted with any material
- 940540 Electric lamps and lighting fittings, nes
- 940290 Medical, surgical, dental or veterinary furniture and parts nes
- 940490 Articles of bedding/ furnishing, nes, stuffed or internally fitted
- 940410 Mattress supports
- 940520 Electric table, desk, bedside or floorstanding lamps
- 940330 Office furniture, wooden, nes
- 940169 Seats with wooden frames, nes
- 940370 Furniture, plastic, nes
- 940390 Furniture parts nes
- 940389 Furniture of cane, osier or similar materials (excl. of bamboo, rattan

Plastics and articles (HS-39) - Angola's imports of these items in 2010 amounted to US\$ 306 mn, and potential items for India's exports to Angola would include:

- 392690 Articles of plastics or of other materials
- 390230 Propylene copolymers
- 391723 Tubes, pipes and hoses, rigid; of polyvinyl chloride
- 392329 Sacks and bags (including cones) of plastics nes
- 391739 Tubes, pipes and hoses nes, plastic

- 392321 Sacks and bags (including cones) of polymers of ethylene
- 391740 Fittings, plastic
- 390210 Polypropylene
- 392330 Carboys, bottles, flasks and similar articles of plastics
- 390690 Acrylic polymers nes, in primary forms
- 390720 Polyethers nes
- 391721 Tubes, pipes and hoses, rigid; of polyethylene
- 392490 Household and toilet articles nes, of plastics
- 392410 Tableware and kitchenware of plastics
- 390120 Polyethylene having a specific gravity of 0.94 or more
- 391731 Tubes, pipes & hoses, flexible, plastic
- 392590 Builders' ware nes, of plastics

Iron and steel (HS-72) – While iron and steel products are important items in India's export basket to Angola, potential exists to enhance these exports based on demand in the Angolan market. In 2010, Angola's total imports of these items amounted to US\$ 290 mn, and potential items of export from India would include:

- 721070 Flat rolled products, painted, varnished or plastic coated
- 722830 Bars & rods, alloy steel, other than stainless

- 721049 Flat rolled products, plated or coated with zinc
- 721420 Bars & rods, containing indentations, robs, grooves
- 720851 Hot roll iron/steel, not coil >600mm x >10mm
- 721499 Bars & rods, iron forged etc.
- 721310 Bars & rods, in irregular wound coils, containing indentations, ribs,
- 720852 Hot roll iron/steel, not coil
- 720839 Hot roll iron/steel, coil
- 722240 Angles, shapes and sections, stainless steel
- 721090 Flat rolled products, clad, plated or coated
- 721391 Hot rolled bar/rod, irregular coils
- 720916 Cold rolled iron/steel, coils >600mm x 1-3mm
- 720927 Cold roll iron/steel, not coil>600mm x 0.5-1mm
- 721710 Wire of iron or non-alloy steel, not plated/coated
- 722790 Bars & rods, alloy steel, other than stainless, in irregularly wound coils
- 721041 Flat rolled products, plated or coated with zinc, corrugated

Footwear and parts (HS-64) – Angola's imports of these items amounted to US\$ 138 mn in 2010, with imports from India accounting for a marginal 0.2 percent share. Potential items of exports would include:

- 640299 Footwear, outer soles/ uppers of rubber or plastics, nes
- 640419 Footwear other than ports, with outer soles of rubber/ plastics & uppers of textile materials
- 640399 Footwear, outer soles of rubber/plastics uppers of leather, nes
- 640510 Footwear with uppers of leather or composition leather, nes
- 640590 Footwear, nes
- 640359 Footwear, outer soles and uppers of leather, nes
- 640220 Footwear of rubber or plastics, upper straps assembled
- 640340 Footwear, outer sole of rubber/plastic/leather, uppers of leather

Paper and paperboard (HS-48)

- Angola's imports of these items amounted to US\$ 136 mn in 2010, with imports from India accounting for a marginal 0.9 percent share. Potential items of exports would include:
- 482110 Paper labels of all kinds, printed
- 482010 Registers, account books, notebooks, diaries & similar articles of paper
- 481910 Cartons, boxes and cases, of corrugated paper or paperboard
- 480255 Uncoated paper and

- paperboard, of a kind used for writing, printing or
- 481950 Containers, packing, nes (including record sleeves) of paper
- 481920 Cartons, boxes and cases, folding, of non-corrugated paper or paperboard
- 480256 Uncoated paper and paperboard, of a kind used for writing, printing
- 482020 Exercise books of paper
- 480300 Paper, household/sanitary, rolls
- 482390 Paper and paper articles, nes
- 481840 Sanitary articles of paper, incl. sanitary towels & napkins (diapers) for babies

Ceramic products (HS-69) - Angola's imports of these items amounted to US\$ 134 mn in 2010, with imports from India accounting for a 1.0 percent share. Potential items of exports would include:

- 690810 & 690890 Tiles, cubes nes, glazed ceramics
- 691090 Ceramic sinks, wash basins etc & similar sanitary fixtures
- 691110 Tableware and kitchenware of porcelain or china
- 691010 Ceramic sinks, wash basins etc & sanitary fixtures of porcelain/china
- 691200 Ceramic tableware, kitchenware, other

- household & toilet articles nes
- 690790 Tiles, cubes nes, unglazed ceramics
- 690210 Refractory bricks etc

Aluminium and articles (HS-76) - Angola's imports of these items amounted to US\$ 111 mn in 2010. With India's export capability, potential items of export to Angola would include:

- 760429 Bars, rods and other profiles, aluminium alloyed
- 761090 Structures & parts, alum, eg. plate, rods etc, for structures
- 761699 Articles of aluminium, nes
- 760421 Profiles, hollow, aluminium, alloyed
- 761519 Table, kitchen, household goods nes, of aluminium
- 761010 Doors, windows and their frames and thresholds for doors of aluminium
- 760612 Plate, sheet or strip, aluminium alloy
- 760410 Bars, rods and profiles, aluminium, not alloyed

Rubber and articles (HS-40) – Under this category, potential items of exports to Angola would include:

- 401120 Pneumatic tyres new of rubber for buses or lorries
- 401110 Pneumatic tyres new of rubber f motor car incl. station wagons &racing cars

- 401693 Gaskets, washers and other seals of vulcanised rubber
- 401699 Articles of vulcanised rubber nes, other than hard rubber
- 400911 & 400922 Tubes, pipes and hoses, of vulcanised rubber (excl. hard rubber)
- 401199 Pneumatic tyres new of rubber nes
- 401220 Pneumatic tyres used

Glass and glassware (HS-70) -Under this category, potential items of exports to Angola would include:

- 701090 Carboys, bottles, flasks, jars, pots, phials and other containers
- 700529 Float glass etc in sheets, non-wired nes
- 701990 Glass fibres (including glass wool) and articles thereof
- 702000 Articles of glass nes
- 700729 Safety glass laminated nes
- 700319 Cast glass sheets nonwired nes
- 701399 Glassware nes
- 700719 Safety glass toughened (tempered) nes

Mozambique

Mozambique is an important market for India in the SADC region, and India accounts for around 6 percent of the import basket of Mozambique. While India accounts for a significant share in Mozambique's global imports of petroleum products, pharmaceuticals, and products of iron and steel, potential exists to enhance exports of other products to Mozambique, in line with demand in the country. In this regards, potential items of India's exports to Mozambique would include: vehicles other than railway; machinery and boilers; electrical and electronic equipments; cereals; plastics and articles; rubber and articles; paper and paperboard; optical and medical apparatus; furniture and lightings; lubricants: soaps and printed books and newspaper; essential oils, perfumes and toiletries; and miscellaneous chemical products.

Vehicles other than railway (HS-87) — Vehicles are major items in Mozambique's import basket, amounting to US\$ 368 mn in 2010, and accounting for around 10 percent of the country's total imports. With imports from India accounting for around 2.7 percent of the country's total imports of these items, potential items of exports would include:

- 870421, 870422, & 870422 Diesel powered trucks
- 870322, 870323, 870324 & 870333
 Automobiles with reciprocating piston engine
- 870210 Diesel powered buses with a seating capacity of > nine persons

- 870120 Road tractors for semitrailers (truck tractors)
- 870899 Motor vehicle parts nes
- 870190 Wheeled tractors nes
- 870410 Dump trucks designed for off-highway use
- 870590 Special purpose motor vehicles nes
- 870510 Mobile cranes

Machinery and boilers (HS-84) – Mozambique's imports of these items amounted to US\$ 361 mn in 2010,

with imports from India accounting for around 3 percent of the country's total imports. Potential items of exports under this category would include:

- 843143 Parts of boring or sinking machinery, whether or not self-propelled
- 847330 Parts & accessories of automatic data processing machines & units thereof
- 842959 Self-propelled excavating machinery nes
- 842890 Lifting, handling, loading or unloading machinery nes
- 847130 Portable digital computers <10kg
- 841182 Gas turbines nes of a power exceeding 5000 KW
- 843149 Parts of cranes, worktrucks, shovels, and other construction machinery
- 847990 Parts of machines & mechanical appliances nes, having individual functions
- 843890 Pts of machines nes, for the

- preparation/manufacture of food etc.
- 843049 Boring or sinking machinery nes, not self-propelled
- 842919 Bulldozers and angledozers, wheeled
- 847141 Non-portable digital edp machines with processor
- 842951 Front end shovel loaders
- 847190 Automatic data processing equipment nes
- 848180 Taps, cocks, valves and similar appliances, nes

Electrical and electronic equipments (HS-85) - Mozambique's imports of these items amounted to US\$ 153 mn in 2010, with imports from India accounting for around 5 percent of the country's total imports. Potential items of exports under this category would include:

- 853710 Boards, panels, including numerical control panels
- 850710 Lead-acid electric accumulators
- 854460 Electric conductors, for a voltage exceeding 1,000 V, nes
- 852910 Aerials & aerial reflectors of all kinds; parts suitable
- 854470 Optical fibre cables, made up of individually sheathed fibres
- 854420 Co-axial cable and other coaxial electric conductors
- 853690 Electrical app for switching/ protecting electric circuits

- 850433 Transformers electric power
- 854419 Insulated (including enamelled or anodised) winding wire, nes
- 850440 Static converters, nes
- 853590 Electrical appliances for switching/protecting electric circuits
- 850421 Liquid dielectric transformers

Cereals (HS- 10) – Cereals are important items in Mozambique's import basket, amounting to US\$ 150 mn in 2010, with import from India accounting for around 0.3 percent of the country's imports. Items with potential for exports to Mozambique would include:

- 100630 Rice, semi-milled or wholly milled, whether or not polished or glazed
- 100590 Maize (corn) nes
- 100510 Maize (corn) seed

Plastics and articles (HS-39) – Mozambique's imports of these items stood at US\$ 63 mn in 2010, and potential items of India's exports to the country would include:

- 390120 Polyethylene having a specific gravity of 0.94 or more
- 390110 Polyethylene having a specific gravity of less than 0.94
- 392330 Carboys, bottles, flasks and similar articles of plastics

- 391739 Tubes, pipes and hoses nes, plastic
- 392690 Articles of plastics or of other materials
- 391740 Fittings, plastic
- 392020 Film and sheet etc, noncellular etc, of polymers of propylene
- 390760 Polyethylene terephthalate
- 390210 Polypropylene
- 392329 Sacks and bags (including cones) of plastics nes
- 391723 Tubes, pipes and hoses, rigid; of polyvinyl chloride
- 392410 Tableware and kitchenware of plastics

Rubber and articles (HS-40) - With Mozambique's imports of these items amounting to US\$ 43 mn in 2010, potential items of India's exports to the country would include:

- 401120 Pneumatic tyres new of rubber for buses or lorries
- 401410 Hygienic or pharmaceutical articles of rubber
- 401110 Pneumatic tyres new of rubber for motor car incl. station wagons & racing cars
- 401511 Gloves surgical of rubber
- 401199 Pneumatic tires new of rubber nes
- 401019 Conveyor belts of vulcanised rubber nes
- 401161 & 401194 Pneumatic tyres, new, of rubber
- 401693 Gaskets, washers and other seals of vulcanised rubber

Paper and paperboard (HS-48) – Under this category, wherein Mozambique's total imports amounted to US\$ 42 mn in 2010, potential items of India's exports to the country would include:

- 481910 Cartons, boxes and cases, of corrugated paper or paperboard
- 481920 Cartons, boxes and cases, folding, of non-corrugated paper or paperboard
- 480256 Uncoated paper and paperboard, of a kind used for writing, printing or
- 481840 Sanitary articles of paper, incl. sanitary towels & napkins (diapers) for babies
- 482110 Paper labels of all kinds, printed
- 482190 Paper labels of all kinds, not printed
- 481940 Sacks and bags, of paper, nes; including cones
- 482020 Exercise books of paper
- 480100 Newsprint, in rolls or sheets

Optical and medical apparatus (HS-

90) - Under this category, potential items of India's exports to the country would include:

- 902830 Electricity supply, production and calibrating meters
- 902214 X-rays apparatus, medical/ surgical/veterinary use nes

- 901890 Instruments and appliances used in medical or veterinary sciences, nes
- 901819 Electro-diagnostic apparatus, nes
- 901813 Magnetic resonance imaging apparatus
- 902780 Instruments and apparatus for physical or chemical analysis, nes

Furniture and lightings (HS-94) - Under this category, potential items of India's exports to the country would include:

- 940360 Furniture, wooden, nes
- 940600 Prefabricated buildings
- 940330 Office furniture, wooden, nes
- 940290 Medical, surgical, dental or veterinary furniture and parts nes
- 940350 Bedroom furniture, wooden, nes
- 940540 Electric lamps and lighting fittings, nes
- 940370 Furniture, plastic, nes

Zimbabwe

While India is a major supplier of pharmaceuticals to Zimbabwe, with a significant share in Zimbabwe's global imports, scope exists to enhance exports of other items based on demand in the country and India's export capability. Towards this end, potential items of India's exports to Zimbabwe would include: vehicles

other than railway; mineral fuels and oils; tobacco; printed books and newspaper; machinery and boilers; electrical and electronic equipment; iron and steel; cotton; plastic and articles; paper and paperboard; sugar and sugar confectionery; articles of iron and steel; rubber and articles; and miscellaneous chemical products.

Vehicles other than railway (HS-87) - These are the largest items Zimbabwe's import basket. amounting to US\$ 1.1 billion in 2010 and accounting for 12 percent of the country's imports. The scope for enhancing India's exports can be gauged from the fact that imports from India accounts for a marginal share of 0.2 percent of Zimbabwe's total of these items. Under this category, potential export items from India would include:

- 870421 & 870422
 - Diesel powered trucks
- 870321, 870322, 870323 & 870324
 Automobiles with reciprocating piston engine
- 870210 Diesel powered buses with a seating capacity of > nine persons
- 870120 Road tractors for semitrailers (truck tractors)
- 870410 Dump trucks designed for off-highway use
- 870332 & 870333
 Automobiles with diesel
- 870899 Motor vehicle parts nes

engine

- 870190 Wheeled tractors nes
- 871200 Bicycles & other cycles (including delivery tricycles), not motorised
- 870880 Shock absorbers for motor vehicles
- 871120 Motorcycles with reciprocating piston engine

Mineral fuels and oils (HS-27)

- These items are major items in Zimbabwe's imports, amounting to US\$ 985 mn in 2010, with a share of 11 percent in the country's total imports. While these items are India's major global export items, scope to enhance exports to Zimbabwe can be seen from the fact the imports from India accounts for only 0.3 percent of the country's total imports of these items. In light of these, potential items of exports from India would include:

- 271019 Light petroleum distillates nes
- 271011 Aviation spirit
- 270400 Coke & semi-coke of coal, lignite or peat
- 271210 Petroleum jelly
- 270119 Coal nes, whether or not pulverised but not agglomerated
- 271119 Petroleum gases and other gaseous hydrocarbons nes, liquefied

Tobacco (HS-24) – Zimbabwe's imports of these items amounted to around US\$ 600 mn in 2010, with imports from India accounting for 1.6

percent of the country's total imports. Potential export items under this category would include:

- 240120 Tobacco, unmanufactured, partly or wholly stemmed or stripped
- 240110 Tobacco, unmanufactured, not stemmed or stripped
- 240220 Cigarettes containing tobacco
- 240310 Smoking tobacco, whether or not containing tobacco substitutes

Printed books and newspaper (**HS-49**) – With Zimbabwe's imports of these items amounting to US\$ 575 mn in 2010, potential items for India's exports in this category would include:

- 490700 Unused postage, revenue stamps; cheque forms, banknotes, bond certificates, etc
- 490199 Books, brochures, leaflets and similar printed matter, nes
- 490110 Brochures, leaflets and similar printed matter, in single sheets
- 491199 Printed matter, nes
- 490290 Newspapers, journals and periodicals, nes

Machinery and boilers (HS 84) - With Zimbabwe's imports of these items amounting to US\$ 544 mn in

2010, and India accounting for a marginal 0.6 percent of the country's total imports, potential items for India's exports in this category would include:

- 847490 Parts of sorting/screening/ mixing/crushing/grinding/ washing machines
- 842230 Machines for filling/closing/ sealing, bottles/cans/ boxes/ bags
- 841381 Pumps nes
- 842959 Self-propelled excavating machinery nes
- 843143 Parts of boring or sinking machinery, whether or not self-propelled
- 847130 Portable digital computers
 <10kg
- 841990 Parts of machinery, plant and equipment
- 848340 Gears & gearing, ball screws, gear boxes, speed changers/torque converters
- 840734 Engines, spark-ignition reciprocating displacing more than 1000 cc
- 841391 Parts of pumps for liquid whether or not fitted with a measuring device

Electrical and electronic equipment (HS-85) - Zimbabwe's imports of these items amounted to US\$ 472 mn in 2010, and with India accounting for 2 percent of the country's total imports,

potential items for India's exports in this category would include:

- 851762 Machines for the reception, conversion and transmission
- 852380 Gramophone records and other media for the recording of sound
- 851712 Telephones for cellular networks mobile telephones
- 850211, 850212, 850213

 Generating sets, diesel/
 semi-diesel engines
- 850490 Parts of electrical transformers, static converters and inductors
- 850433 Transformers electric power
- 854420 Co-axial cable and other coaxial electric conductors
- 852872 Reception apparatus for television, colour
- 850440 Static converters, nes
- 850239 Electric generating sets
- 850710 Lead-acid electric accumulators
- 854449 Electric conductors

Iron and steel (HS-72) – Under this category, wherein Zimbabwe's imports amounted to US\$ 290 mn in 2010, potential items for India's exports in this category would include:

- 720241 Ferro-chromium
- 721049 Flat rolled products, plated or coated with zinc
- 720917 & 720918 Cold rolled iron/ steel, coils
- 721391 Hot rolled bar/rod, irregular coils

- 721650 Angles, shapes §ions
- 721420 Bars & rods, containing indentations, ribs, etc
- 722880 Bars & rods, hollow drill, alloy or nonalloy steel
- 720851 & 720852 Hot roll iron/ steel, not coil >600mm x >10mm
- 721499 Bars & rods, iron, forged etc.
- 720839 Hot roll iron/steel nes, coil

Zambia

Besides pharmaceuticals, wherein India is a major supplier to Zambia accounting for a significant share of Zambia's imports, potential exists to enhance exports of other items, based on the country's import demand and India's export capability. Towards this end, the potential items of exports from India would include: machinery and boilers; mineral fuels and oils; vehicles other than railway; electrical and electronic equipment; copper and articles; inorganic chemicals and precious metal compounds; articles of iron and steel; iron and steel; plastics and articles; miscellaneous chemical products; rubber and articles; optical and medical apparatus; and paper and paperboard.

Machinery and boilers (HS-84) -

These items are the largest items in Zambia's import basket, amounting to US\$ 866 mn in 2010 with a share of 16 percent in Zambia's global imports. With India's export capability in this

category, scope to enhance these exports to Zambia can be assessed from the fact that imports from India accounts for only 3.2 percent of Zambia's total imports of these items. Potential items of exports in this category would include:

- 843149 Parts of cranes, worktrucks, shovels, and other construction machinery
- 847490 Parts of sorting/screening/ mixing/crushing/grinding/ washing machines
- 841391 Parts of pumps for liquid whether or not fitted with a measuring device
- 843041 Boring or sinking machinery nes, self-propelled
- 843143 Parts of boring or sinking machinery, whether or not self-propelled
- 841381 Pumps nes
- 840890 Engines, diesel nes
- 847420 Crushing/grinding machines for earth/ stone/ores
- 847920 Machines for extraction/ preparation of animal/fixed fats/oils
- 843780 Machines for milling/ working of cereals
- 848340 Gears & gearing, ball screws, gear boxes, speed changers/torque converters
- 842952 Shovels and excavators
- 847989 Machines & mechanical appliances nes having individual functions

- 842919 Bulldozers and angledozers, wheeled
- 842959 Self-propelled excavating machinery nes
- 848180 Taps, cocks, valves and similar appliances, nes
- 847410 Sorting/screening/ separating or washing machines for stones/ores
- 844311 Reel fed offset printing machinery
- 847130 Portable digital computers
- 841370 Centrifugal pumps nes

Mineral fuels and oils (HS-27) -

These items are major imports of Zambia, amounting to US\$ 618 mn in 2010 with a share of 12 percent of the country's total imports. With imports from India accounting for a marginal 0.1 percent of Zambia's imports of these items, potential items of export to Zambia under this category would include:

- 271019 Light petroleum distillates nes
- 270900 Petroleum oils and oils obtained from bituminous minerals, crude
- 271011 Aviation spirit
- 270400 Coke & semi-coke of coal, lignite
- 271320 Petroleum bitumen
- 270119 Coal nes, whether or not pulverised but not agglomerated

Vehicles other than railway (HS-87) – Zambia's imports of these items

amounted to US\$ 374 mn in 2010, and imports from India accounting for around 3 percent of the country's imports. Based on import demand, the potential items of export would include:

- 870421, 870422, & 870423 Diesel powered trucks
- 870410 Dump trucks designed for off-highway use
- 870322, 870323

 Automobiles with reciprocating piston engine
- 870899 Motor vehicle parts nes
- 870120 Road tractors for semitrailers (truck tractors)
- 870333 Automobiles with diesel engine
- 870190 Wheeled tractors nes
- 870210 Diesel powered buses with a seating capacity of > nine persons
- 870590 Special purpose motor vehicles nes

Electrical and electronic equipment (HS-85) – In 2010, Zambia's imports of these items amounted to US\$ 248 mn, with imports from India accounting for 3 percent of total imports. Potential items of exports under this category would include:

- 851712 Telephones for cellular networks mobile telephones
- 851770 Parts of telephone sets, telephones for cellular networks

- 851769 Apparatus for the transmission or reception of voice, images
- 854449 & 854460 Electric conductors, for a voltage exceeding 1,000 V, nes
- 850710 Lead-acid electric accumulators
- 854420 Co-axial cable and other coaxial electric conductors
- 852352 Cards incorporating one or more electronic integrated circuits smart c
- 850422 Liquid dielectric transformers
- 851762 Machines for the reception, conversion and transmission
- 850680 Primary cells & primary batteries nes

Copper and articles (HS-74) – In 2010, Zambia's imports of these items amounted to US\$ 244 mn, with imports from India accounting for only 1 percent of the country's total imports. Potential items of exports under this category would include:

- 740311 Copper cathodes and sections of cathodes unwrought
- 740729 Bars, rods and profiles, copper alloy nes
- 740829 Wire, copper alloy, nes
- 740400 Waste and scrap, copper or copper alloy
- 740811 Wire of refined copper
- 740319 Refined copper products, unwrought, nes

- 741999 Articles of copper, nes
- 741300 Stranded wire, cable, plaited bands & the like of copper
- 741533 Screws, bolts, nuts and similar articles, threaded, of copper

Inorganic chemicals and precious metal compounds (HS-28) – Potential items of export to Zambia under this category would include:

- 280200 Sulphur, sublimed or precipitated
- 283110 Dithionites and sulphoxylates of sodium
- 282810 Commercial calcium hypochlorite and other calcium hypochlorites
- 283319 Sodium sulphates nes
- 283429 Nitrates of metals nes
- 283210 Sodium sulphites
- 282890 Hypochlorites of metals nes; chlorites and hypobromites of metals
- 280700 Sulphuric acid; oleum

Articles of iron and steel (HS-73)

- Potential items of export to Zambia under this category would include:
- 730890 Structures & parts or structures
- 730690 Tubes, pipe & hollow profiles, iron or steel, welded, nes
- 731210 Stranded wire, ropes & cables of iron or steel, not electrically insulated

- 731815 Bolts or screws nes, with or without their nuts
- 730820 Towers and lattice masts, iron or steel
- 732690 Articles, iron or steel, nes
- 732611 Balls, grinding & similar articles of iron or steel, forged or stamped
- 730900 Reservoirs, tanks, vats & similar containers
- 730419 Line pipe of a kind used for oil or gas pipelines, seamless, of iron or steel
- 730630 Tubes, pipe & hollow profiles, iron or non-alloy steel, welded
- 730799 Fittings, pipe or tube, iron or steel, nes

Iron and steel (HS-72) – Under this category, the potential items of export to Zambia would include:

- 721049 Flat rolled products, plated or coated with zinc
- 721070 Flat rolled products, painted, varnished or plastic coated
- 721420 Bars & rods, having indentations, ribs, etc.
- 720851 & 720852 Hot roll iron/ steel, not coil
- 721720 Wire of iron or non-alloy steel, zinc plated/coated
- 721499 Bars & rods, iron/non-alloy steel, forged etc.
- 721650 Angles, shapes §ions
- 721041 Flat rolled products, plated or coated with zinc, corrugated

Botswana

While pharmaceuticals are India's major exports to Botswana, and accounting for a significant share (around 16 percent) of the country's imports, other items which has potential for enhancing exports to Botswana would include: minerals fuels and oils (HS-27); pearls and precious stones (HS-71); machinery and boilers (HS-84); vehicles other railway (HS-87); electrical than and electronic equipment (HS-85); articles of iron and steel (HS-73); iron and steel (HS-72); plastic and articles (HS-39); salt, sulphur, stone, plaster (HS-25); paper and paperboard (HS-48); rubber and articles (HS-40); furniture and lightings (HS-94); and wood and wood articles (HS-44).

Democratic Republic Of Congo

Based on import demand in DR Congo and India's export capability, potential items of exports to DR Congo would include: mineral fuels and oils (HS-27); machinery and boilers (HS-84); vehicles other than railway (HS-87); electrical and electronic equipment (HS-85); articles iron and steel (HS-73); plastic and articles (HS-39); pharmaceutical products (HS-30); salt, sulphur, stone, plaster (HS-25); sugar and sugar confectionery (HS-17); iron and steel (HS-72); cereals (HS-10); inorganic chemicals and precious metal compounds (HS-28).

Lesotho

India's major exports to Lesotho are cotton yarn and fabrics, and pharmaceuticals, and these two items account for a significant share in the country's global imports. Based on imports demand, other potential items of export to Lesotho would include: electrical and electronic equipment (HS-85): knitted a crocheted fabrics (HS-60): optical and medical apparatus (HS-90); machinery and boilers (HS-84); manmade staple fibres (HS-55); paper and paperboard (HS-48); plastics and articles (HS-39); manmade filaments (HS-54); and printed books and newspaper (HS-49).

Madagascar

In the case of Madagascar, India is a major supplier of pharmaceuticals and iron and steel accounting for a significant share of the country's imports of these items. Based on import demand in Madagascar, other items with export potential to the country would include: machinery and boilers (HS-84); mineral fuels and oils (HS-27); electrical and electronic equipment (HS-85); articles of iron and steel (HS-73); vehicles other than railway (HS-87); plastics and articles (HS-39); cereals (HS-10); cotton (HS-52); animal and vegetable fats and oils (HS-15); milling products (HS-11); manmade textile articles (HS-63); paper and paper board (HS-48); miscellaneous chemical products (HS-38); printed books and newspaper (HS-49); and optical and medical apparatus (HS-90).

Malawi

In the case of Malawi, India is a major source for Malawi's imports of pharmaceuticals and iron and steel, with significant share in the country's imports of these items. Other items with export potential to Malawi, based on import demand, would include: mineral fuels and oils (HS-27); machinery and boilers (HS-84); vehicles other than railway (HS-87); electrical and electronic equipment (HS-85); printed books and newspaper (HS-49); tobacco and manufactured tobacco substitutes (HS-24); cereals (HS-10); plastics and articles (HS-39); salt, sulphur, stone, plaster (HS-25); paper and paper board (HS-48), articles of iron and steel (HS-73); animal and vegetable fats and oils (HS-15); soaps and lubricants (HS-34); rubber and articles (HS-40); and miscellaneous chemical products (HS-38).

Namibia

In the case of Namibia, India is a major source for the country's imports of pharmaceuticals, and inorganic and organic chemicals. Based on import demand in Namibia, other items with

exports potential to Namibia would include: machinery and boilers (HS-84); electrical and electronic equipment (HS-85); vehicles other than railway (HS-87); mineral fuels and oils (HS-27); textile articles (HS-63); furniture and lightings (HS-94); plastics and articles (HS-39); pearls and precious stones (HS-71); optical and medical apparatus (HS-90); articles of iron and steel (HS-73); milling products (HS-11); salt, sulphur, stone, plaster (HS-25); fish and crustaceans (HS-03); and cereals (HS-10).

Seychelles

demand Based on import Seychelles, potential items of export to the country would include: fish and crustaceans (HS-03); machinery and boilers (HS-84); electrical and electronic equipment (HS-85); articles of iron and steel (HS-73); furniture and lightings (HS-94): miscellaneous articles of base metals (HS-83); plastics and articles (HS-39); wood and wood articles (HS-44); animal and vegetable fats and oils (HS-15); paper and paper board (HS-48); rubber and articles (HS-40); beverages, spirits, vinegar (HS-22); salt, sulphur, stone, plaster (HS-25); optical and medical apparatus (HS-90); meat and edible meat offal (HS-02); aluminium and articles (HS-76); and ceramic products (HS-69).

IMPORT POTENTIAL OF INDIA FROM SADC COUNTRIES

There is also scope to source imports from SADC countries. Most of the SADC countries are enriched with natural resources which could be used as raw materials for Indian products.

South Africa

South Africa is a major source of pearls, precious stones and metals, mineral fuels and ores to India. Based on India's demand, as well as the capability of South Africa to supply, some of the major commodities which India can focus on its imports from South Africa are: organic chemicals; copper and articles thereof; edible fruit, nuts, peel of citrus fruit and miscellaneous chemical melons: plastics and articles products: thereof; salt, sulphur, earth, stone, plaster, lime and cement; motor vehicles; rubber and articles thereof; paper & paperboard, articles of pulp. paper and board; articles of iron or steel; animal, vegetable fats and oils; optical, photo, technical, and medical apparatus: edible vegetables and certain roots and tubers: and wood and articles of wood, wood charcoal.

Tanzania

India's imports from Tanzania mainly comprise edible vegetables and certain roots and tubers as well as edible fruit, nuts, peel of citrus fruit and melons. Some of the potential import products from Tanzania includes pearls and precious stones; coffee, tea, mate and spices; copper and articles thereof; ores, slag and ash; essential oils, perfumes, cosmetics and toiletries; oil seed; vegetable textile fibres nes; paper yarn and woven fabric; cotton; miscellaneous chemical products; animal, vegetable fats and oils; electrical and electronic equipment; products of animal origin; machinery and boilers; and lac, gums, resins, vegetable saps and extracts nes.

Angola

India mainly imports mineral fuels, oils and their distillation products from Angola. In fact, Angola is one among the top ten sources of oil imports to India. Imports of other products have been miniscule in the recent years. Some of the potential commodities in which India can enhance its imports from Angola include salt, sulphur, earth, stone, plaster, lime and cement; tools, implements, cutlery, etc. of base metal, plastics and articles thereof; other made textile articles, sets, worn clothing etc; optical, photo, technical, medical, etc apparatus; and vehicles other than railway or tramway.

Mozambique

India's major imports from Mozambique are edible vegetables and certain roots and tubers, and ores, slag and ash. Some of the potential items of imports to India from Mozambique comprise of edible fruit, nuts, peel of citrus fruit, melons; articles of iron or steel; wood and articles of wood, wood charcoal; coffee, tea, mate and spices; oil seed; copper and articles thereof; aluminium and articles thereof; mineral fuels, oils and distillation products; ships, boats and other floating structures; tobacco and manufactured tobacco substitutes; and marine products.

Zimbabwe

India's imports from Zimbabwe have been miniscule, with nickel and its article, and tanning, dyeing extracts and pigments being the major import items. Some of the potential items of imports from Zimbabwe comprise of nickel and articles thereof: raw hides and skins (other than fur skins) and leather; salt, sulphur, earth, stone, plaster, lime and cement; stone, plaster, cement, asbestos, mica, etc articles; tools, implements, cutlery, etc of base metal; furniture, lighting, signs, prefabricated buildings; works of art, collectors pieces and antiques; pearls, precious stones, metals, coins, etc; iron and steel; ores, slag and ash; printed books, newspapers, pictures etc; cotton; and coffee, tea, mate and spice.

Zambia

Pearls and precious stones, and copper and articles are the major

imports of India from Zambia. Potential commodities of imports to India from Zambia include copper and articles thereof; ores, slag and ash; other base metals, cermets, articles thereof; iron and steel; soaps, lubricants, waxes, candles, modelling pastes; cotton; dairy products, eggs, honey, edible animal product nes; milling products; malt, starches, inulin, wheat gluten; sugars and sugar confectionery; and beverages, spirits and vinegar.

Botswana

Pearls, precious stones, coins and metals account for more than 90 percent of India's imports from Botswana. Some of India's potential import items from Botswana include optical, photo, technical, medical, etc apparatus; iron and steel; nickel and articles thereof; electrical, electronic equipment; vehicles other than railway, tramway; meat and edible meat offal; milling products, malt, starches, wheat gluten; ores, slag and ash; and inorganic chemicals, precious metal compound, isotopes.

INVESTMENT POTENTIAL IN SELECT SADC MEMBER COUNTRIES

Investment opportunities in select SADC countries are delineated below. To build an environment conducive for FDI inflows, policy reforms are also being implemented in some SADC member countries. Some countries have streamlined

their investment laws and have identified priority sectors for increased investment inflows and development. In line with these priority sectors as also resources available in these countries, potential sector for Indian investments have been identified.

South Africa

South Africa is the world's biggest producer of platinum, and one of the leading producers of gold, diamonds, base metals and coal. Indian investments in South Africa have grown in quantity as well as diversity. In recent years, several Indian companies have forayed into South Africa for instance, Tata Steel, Tata Motors, TCS, Mahindra & Mahindra, Cipla, Ranbaxy, Ashok Leyland, Reliance India, ONGC, Bharti Airtel, Ranbaxy, CIPLA, Apollo Tyres, besides Indian banks like SBI and ICICI. The Government of South Africa in 2011 has announced an 802 billion South African Rand investment on infrastructure development over the next three years as part of a government drive to ease bottlenecks and reduce costs in the economy, crowding in of private investment and improve access to export markets. Potential sectors for investment could include energy sector, film & television, tourism, fish processing, information technology, and food and beverages.

Angola

Angola offers wide investment opportunities for Indian investors. Angola is the second largest oil producer in Sub-Sahara Africa. Oil accounts for 90 percent of total exports and around 50 percent of the country's GDP. Investment in oil exploration sector is encouraged through low operation costs, favorable geology and good business terms. Angola is also one of the world's largest and least explored mineral treasure troves. Angola has rich deposits of gold, iron ore, phosphates, manganese, copper, lead, quartz, gypsums, marbles, black granite, beryl, zinc and numerous base and strategic metals. The Government awards concession to both foreign and national companies for prospecting as well as production. The country also has valuable tree species including Rosewood, African Sandalwood, Ebony, Mahogany, Tola and Mulberry. Indian companies such as Tatas, Mahindra & Mahindra, ONGC, and a number of other companies in the area of pharmaceuticals, paper, plastics and steel have had business interests in Angola for several years. State Bank of India has a representative office in Luanda since April 18, 2005. Potential sectors for investment include oil exploration, mining and extraction, timber, manufacturing, and hotels and tourism.

Tanzania

Tanzania is an emerging economy with high growth potential. Whilst the economy is relatively diversified, a number of opportunities remain unexplored in many sectors. The Government of Tanzania is striving to create an enabling environment in order to encourage foreign direct investment into the country. Tanzania is among the countries which host the most vibrant exploration and mining scene in Africa. It is one of the fastest growing sectors in Tanzania in terms of its contribution to GDP and its share of exports. The development of Tanzania as a multicentre tourism destination too offers considerable growth prospect potential and provides ideal opportunities investment. Moreover, opportunities in infrastructure investment are wide ranging from highways, bridges, telecommunication, airports, railways, water distribution and power generation. Foreign ownership up to 100 percent is also allowed in these ventures. Investment opportunities broadly exist in the following sectors namely, agriculture and allied activities, mining, petroleum and gas, livestock, tourism, infrastructure, energy and health & education. Select Indian companies and banks having presence in Tanzania include Reliance Industries Ltd, RITES, LIC, NIC, Kamal Group of Industries, Bharti Airtel, Microqual Techno Ltd., Tata International, National Mineral

Development Corporation, Bank of Baroda, and Bank of India.

Mauritius

Mauritius is among the most open, competitive and lowest tax economies in the world, with a liberal investment Mauritius has removed policy. significant foreign investment barriers lowering taxes. simplifying administrative procedures, keeping interest rates low, investing in education, lowering trade barriers and maintaining the preferential access to main markets. Mauritius is encouraging emerging sectors with a view to diversifying its economic base. Investment opportunities broadly exist in various sectors such as agro industry, renewable energy, seafood industry, gems and jewellery, manufacturing, textile & apparel, construction & public works, ICT, medical services, and tourism, besides others. Several Indian public enterprises having presence in Mauritius include Bank of Baroda. Life Insurance Corporation, New India Assurance, India Handloom House, Telecommunications Consultant India Ltd., Indian Oil (Mauritius) Limited, Mahanagar Telephone (Mauritius) Ltd., and SBI International (Mauritius) Limited.

Mozambique

Mozambique's main attractions for foreign investors are its cheap

electricity and its commercially viable gas reserves. Investors have also been offered favourable tax and duty incentives under industrial free zone regulations. Mozambique has immense agricultural potential with an estimated 36 mn hectares of arable land. Mozambique has also huge and diverse mineral resources which are largely untapped. Potential sectors for investment include Infrastructure development and construction, agriculture, railways, coal mining and exploration, energy exploration, rural electrification, water management, and hotel & tourism. Indian companies having presence in Mozambique include RITES, Coal India, Tata steel, Rusni Bio-Fuels of India, Bharat Petroleum, Videocon Industries and RJ Corp India.

Malawi

The Government of Malawi encourages local and foreign investment in any sector of the economy, with no restrictions on ownership, size of investment, source of funds, and destination of final product. Malawi offers an attractive investment climate, supported by a stable political environment, liberalized economy, preferential access to world markets under COMESA, SADC, LOME, and AGOA, competitive investment incentives. modern telecommunications, and existence of number of Export Processing

Zones. Malawi has always been a free market economy with a free trade and investment environment. There are various sectors which provide opportunities for foreign investors especially in agri-business like for instance the cotton sector where investment opportunities include: cotton growing; cotton ginning; spinning, weaving and knitting; as well as manufacturing of textiles and garments. Other investment opportunities exist in infrastructure development, production of cut flowers, fruit juice processing, mining, manufacturing of phosphate fertilizer, rubber products and other industrial products and in the tourism industry particularly hotels and ecotourism.

Namibia

The Namibian government committed towords attracting foreign direct investment and regards investment promotion as one of its priority activities. Namibia's marine resources are among the richest in the world and Namibia has thus, emerged as a significant player in the international fish industry, ranking among the top 10 countries in the world for the value of its catches. Investment opportunities also exist in value-added local processing of livestock, as well as in leather and tallow products such as glue and gelatine. Namibia continues to encourage new investment in exploration and development of new mines. The government also encourages offshore and onshore oil and gas exploration. Namibia also offers tremendous scope in the manufacturing sector as it imports almost all of its consumer goods. Investment opportunities also exist in the growing textiles, and leather & hide processing industries, automotive components, food and beverage processing, pharmaceuticals, and business services.

Zambia

Potential sectors for investment include banking and insurance, hotels and tourism, mining, agriculture and horticulture. Some Indian companies present in Zambia include Tata, Vedanta Resources, (copper mining), Indo-Zambia Bank- a joint venture - with equity participation held by three Indian public sector banks viz. Bank of India, Bank of Baroda and

Central Bank of India and Zambian government.

Zimbabwe

Zimbabwe has abundant natural well developed resources. infrastructure and access to regional international markets. The Government of Zimbabwe has recognised the need for foreign direct investment to improve the country's competitiveness. The priority sectors for foreign investment in the country are manufacturing, mining infrastructure development. Investment opportunities exist in agriculture, horticulture, SME, mining, tourism and health care sectors. Some of the Indian companies present in Zimbabwe include Essar Global, WAPCOS, Bharat Earth Mover Ltd., Ranbaxy, Ipca Labs Ltd, Midex Global, Graffax Cotton, PM Electronics, Apollo Tyres and Tata International.

7. EXPORT-IMPORT BANK OF INDIA-A PARTNER IN SADC'S DEVELOPMENT

The countries in the African continent have always been a focus region for Exim India, and thus a critical component of the Bank's 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 India has set in place. Exim India operates a comprehensive range of financing, advisory and support programmes to promote and facilitate India's trade and investment relations with countries in Africa.

FINANCING PROGRAMMES

Lines of Credit

Exim India extends Lines of Credit (LOCs) to overseas governments, parastatal organisations, financial institutions, commercial banks and regional development banks to support export of eligible goods and services on deferred payment terms. Exim India also extends overseas buyers' credit directly to foreign entities for import of eligible Indian goods

and related services or for financing eligible turnkey projects. Exim India also extends LOCs on behalf and at the behest of Government of India.

To enhance bilateral trade and investment relations, Exim India has in place several Lines of Credit (LOCs) extended to a number of institutions/agencies in Africa. These LOCs supplement the "Focus Africa" programme of the Government of India and are extended especially to priority sectors, identified by Government of India for mutual cooperation and benefit. Besides these operative LOC extended at the behest of Government of India, Exim India also extends its own commercial Lines of Credits to various financial institutions and other entities in Africa, such as, PTA Bank (Eastern and Southern African Trade and Development Bank, covering 17 countries in the eastern and southern African region), Banque Ouest Africaine De Development (West African Development Bank, covering 8 countries in the west African region), Indo-Zambia Bank, Central Bank of Djibouti, East African Development Bank, and Afreximbank. These LOCs

facilitate import of project-related equipments and services from India on deferred credit terms. At the same time, many of these LOCs are earmarked for infrastructure and related projects.

In Africa, Exim India has 106 operative LOCs valued at US\$ 4,203 mn, as on January 31, 2012, covering more than 40 countries in the African region. In SADC region, Exim India has 39 operative LOCs amounting to US\$ 1007.3 mn, covering most of the SADC countries. GOI - Supported operative LOCs in the SADC region include:

- Government of Angola 3 LOCs for financing railway rehabilitation project; setting up an industrial park; and a textile project (cotton ginning & spinning);
- Government of DR Congo 4
 LOCS for setting up a cement
 factory, acquisition of buses,
 acquisition of equipment for
 MIBA; installing hand pumps and
 submersible pumps; execution
 of Kakobola Hydroelectric Power
 Project and Ketende Hydroelectric Project;
- Government of Lesotho 2 LOCS for exporting tractors, pump sets, consultancy services and irrigation equipment; and

vocational training centre for empowerment of youth and women;

- Government of Madagascar
 LOC to a project for rice productivity and a project for fertilizer production;
- Government of Malawi 2 LOCs for supplying irrigation, storage, tobacco threshing plant, one village - one project, cotton processing facilities and green belt initiative:
- Government of Mauritius LOC for purchasing offshore Patrol Vessel from M/s Garden Reach Shipbuilders & Engineers Ltd;
- Government of Mozambique -8 LOCs for supply and transfer of water drilling machinery. equipments. accessories. components and spares, support vehicles, water and fuel tankers and electrical equipments; Gaza Electrification Project; transfer of water drilling technology and equipment; financing IT Park Project which will comprise construction of building, an incubator facility, research and learning center, technology park and administrative facility; Rural Electrification Projects and Enhancing productivity of rice,

wheat, maize cultivation and for a Solar Photo Voltaic Module Manufacturing Plant;

- Government of Seychelles LOC for export of rice, potatoes and buses:
- Government of Swaziland LOC for IT Park Project;
- Government of Tanzania 2 LOCs for exporting tractors, pumps and equipments from India; and for financing the purchase of vehicles; and
- Government of Zambia 2 LOCs for export of buses, motor vehicles, motor cycles and supply of vocational tool kits; and Hydro power project.

Additionally, Exim India has also extended 12 direct LOCs to:

- Afrexim Bank LOC for general purpose;
- Government of Angola 2 LOCs for financing export of tractors;
- Eastern and Southern African
 Trade and Development
 Bank (PTA Bank) 7 LOCs
 for financing cement plant, paper plant, machinery and accessories; pharmaceuticals and drugs manufacturing machinery

and accessories, weaving machinery, sugar plant spares, capacitor power panel, HVAC power panel, Aux. contracts, machineries & accessories for drugs manufacturing unit and airconditioning equipments, crushing plant equipment; Sugarcane crushing and processing plant;

- Seychelles Marketing Board,
 Seychelles LOC for purchasing of vehicles, spareparts, automobile tyres, cables, medicines; and
- Indo-Zambia Bank for general purpose utilisation.

Support for Project Exports

Exim India plays a pivotal role in promoting and financing companies in the execution of projects. Towards this end, Exim India extends both funded and non-funded facilities to Indian project exporters for overseas industrial turnkey projects, civil, civil construction contracts, supplies as well as technical and consultancy services contracts. Indian companies have implemented numerous projects in Africa, including SADC region, with the support of Exim India. As on January 31, 2012, the value of project contracts secured by Indian project exporters in the SADC region amounted to ₹ 5.8 billion. Some of the projects are highlighted below:

Contract for supply, installation,

SUCCESS STORY OF EXIM BANK'S LINES OF CREDIT (LOC) IN ANGOLA



Locomotives and coaches were supplied by RITES Ltd., New Delhi, for rehabilitation of Railway in Angola under the GOI-supported LOC of US\$ 40 mn

Exim Bank, at the behest of Government of India, has extended an LOC to the Government of Angola for railway rehabilitation. Under this LOC locomotives and coaches were supplied by RITES Ltd., New Delhi to Angola. RITES also imparted training to technical professionals of Mocamedes Railways. The LOC has resulted in modernization and upgradation of workshops, supply of 41 coaches, 3 locomotives, 2 Diesel Multiple Units and pick-up vehicles and buses.

These coaches are operating between Namibe and Matala (434 km) carrying, both passenger and freight traffic, providing cheaper mode of transportation as compared to road. Farmers have also made use of railways to transport their agricultural products to the interior regions at reasonable prices. This project has also facilitated exploration of Kassinga Mines deposit bed (iron ore) in the municipality of Jamba Huila Province.

testing and commissioning of electrical, airconditioning, plumbing, drainage and fire fighting works for Balaclava Hotel Resort Project, Mauritius;

- Contract for supply, installation, testing and commissioning of electrical, airconditioning, plumbing, drainage and fire fighting works for Apollo Bramwell Hospital at Moka, Mauritius;
- External Cladding Works for Cyber Tower in Mauritius;
- Contract for engineering, procurement, and supply of equipment for the construction of 110 KV Overhead line between macomia and auassee tee off point in Mozambique;
- Contract for supply of plant & machinery for plant at Dondo and manufacture of concrete sleeper for Joint venture of CETA-RICON (i.e.JV of IRCON & RITES), Mozambique;
- Contract fo r setting up of 187 km, 132 KV transmission line from Lusaka to Luangwa along with distribution network and three 132 KV substations in Zambia;
- Design, execution and completion of 330 KV transmission line from Kansanshi sub-station to Lumwana sub-station in Zambia; and
- Contract for Structural & Mechanical Erection of copper

smelting plant for M/s Konkola Copper Mines Plc in Zambia.

Exim India has been a key partner in the conclaves on India-Africa Project Partnerships, which seek to create platforms for decision makers from African countries and relevant multilateral, regional and national funding agencies to meet, in one place, the entire range of Indian companies involved in engineering consultancy, turnkey projects, construction and supply of project goods among others.

Besides, Exim India and African Development Bank (AfDB) have signed an agreement for co-financing projects in Africa. The agreement envisages joint financing of projects (priority being given to support projects of small and medium enterprises) in regional member countries of AfDB.

Finance for Joint Ventures Overseas

Exim India supports Indian companies in their endeavour to globalise their operations, through 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 the Africa region, the Bank has supported several such ventures in countries including SADC member states such as South Africa, Mauritius, Zambia, and Tanzania, in areas such as pharmaceuticals, chemicals, fertilizers, textiles, agrobased products, plastics & rubber products, electronics, engineering goods, cycles and telecom systems. These ventures serve to promote value addition, as also contribute to capacity building and capacity creation in host countries.

INSTITUTIONAL LINKAGES AND ARRANGEMENTS

Exim India has been consciously forging a network of alliances and institutional linkages to help further economic cooperation while promoting and facilitating bilateral trade and investment between India and the African region. These, in turn, serve to create an enabling environment and support capacity creation and enhance institutional strengthening. The network alliances are with financial institutions. trade promotion agencies, investment promotion agencies, export promotion agencies, chambers of commerce and information providers across the globe for assisting externally oriented Indian companies in their quest for excellence and globalisation.

Towards this end, Exim India has taken up equity in Development Bank of Zambia, Afreximbank and West African Development Bank (BOAD). 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 and especially SADC members including: Board of Investment, Mauritius; Industrial Development Corporation South Africa Limited (IDC); African Development Bank (AfDB); Eastern and Southern African Trade and Development Bank (PTA Bank); Afreximbank; Nigerian Export-Import Bank (NEXIM); Banque Internationale Arabe de Tunisie, Tunisia; Industrial Development Bank of Sudan; Foreign Investment Promotion Agency, Tunisia; and Societe Tunisienne de Banque, Tunis.

Association with African Development Bank (AfDB)

India is a member of African Development Bank (AfDB). Many Indian companies participate in projects funded by African Development Bank Group. Exim India works very closely with African Development Bank 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 such as African Development Bank. Exim India assists Indian companies in projects supported by AfDB by not only fund and non-fund based assistance, but also by providing advance alerts on upcoming opportunities. With support from Exim India, Indian project exporters have secured a number of overseas contracts in Africa and specifically in SADC countries in sectors such as power, telecommunications, transport, water supply & sanitation. Exim India and African Development Bank have also signed an agreement for co-financing projects in Africa. The agreement envisages joint financing of projects (priority being given to support projects of small and medium enterprises) in regional member countries of AfDB. Exim India also organizes Business Opportunities seminars in Projects funded by African Development Bank across various centres in India.

Recognizing the potential for increasing effective participation by Indian companies in AfDB funded projects, Exim India had organised series of seminars on "Business Opportunities in African Development Bank Funded Projects" during April 18-21, 2011 at Bangalore, Mumbai and New Delhi. The programme was

specifically targeted towards Indian corporates who are keen to explore business opportunities in African Development Bank funded projects and contracts in the African region.

Global Network of Exim Banks and Development Finance Institutions

With a view to facilitating South-South trade and investment cooperation, at the joint initiative of Exim India and UNCTAD, a Global Network of Exim Banks and Development Financial Institutions (G-NEXID) was launched in March 2006 in Geneva. Annual Meetings are held to deliberate upon measures to foster long-term relationship, share experience and strenathen financial cooperation to promote trade and investment relations between developing countries. A number of institutions from Africa are G-NEXID members, such as Afreximbank, PTA Bank, East African Development Bank, Development Bank of Namibia, Zambia, Development Bank of Industrial Development Bank of Kenya, Industrial Development Corporation of South Africa, Development Bank of Southern Africa, ECOWAS Bank for Investment and Development, Central African States Development Bank, Exim Bank of Nigeria, SME Bank of Tunisia, Development Bank of Mali, and National Bank for Investment, Côte d'Ivoire.

Partner in Institutional Building in Africa

As a partner institution in promoting economic development in Africa, Exim India shares its experience in the setting up of institutional infrastructure for 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 AfrExim Bank, Exim India has been involved in the design and implementation of Export Finance Programmes for Industrial Development Corporation, South Consultancy Assignment Africa: 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.

GPCL as a Consultant

Global Procurement Consultants Ltd. (GPCL) has been promoted by Export-Import Bank of India in association with leading public sector and private sector consultancy organizations. GPCL's shareholding pattern creates a synergetic fusion of expertise. This creates 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 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 undertaken a number of assignments, in India and numerous countries abroad, directly for multilateral funding agencies or in projects funded by them.

GPCL has extensive experience in supporting projects in Africa, and assignments undertaken include:

- Procurement Audit of contracts in World Bank funded projects in Eritrea, Ghana, Malawi, Nigeria and Uganda covering Health, Education, Agriculture, Infrastructure, Power, Privatization and Emergency rehabilitation.
- Comprehensive re-appraisal of Water Supply Projects in Nigeria funded by African Development Bank.
- Country Procurement Assessment Review (CPAR) in the Kingdom of

- SwazilandforAfricanDevelopment Bank 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.

Knowledge Building and Technology Transfer

In the area of knowledge building and technology transfer, with a view to enhancing competitiveness of Indian exporters, as also identifying Indian trade and investment potential, Exim India periodically conducts research studies on countries/regions; sectors/industry; and on macro-economic issues relating to international trade and finance.

The recent research publications relating to Africa include:

 IBSA: Enhancing Economic Cooperation across Continents;

- West African Region : A Study of India's Trade and Investment Potential:
- ECOWAS: A Study of India's Trade and Investment Potential;
- COMESA: A Study of India's Trade and Investment Potential;
- Select West African Countries;
- Select Southern African Countries;
- Maghreb Region; and
- Southern African Customs Union (SACU).

EXIM INDIA'S OFFICES IN AFRICA

Exim India has representative offices in Addis Ababa, Ethiopia; Johannesburg, South Africa; and Dakar, Senegal, which play a key role in facilitating economic cooperation with the African region.

The representative offices interfaces with various institutions such as Industrial Development Corporation of South Africa Ltd., African Development Bank, regional financial institutions such as Eastern and Southern African Trade and Development Bank (PTA Bank), AfrExim Bank, and West African Development Bank (BOAD) as well as Indian missions in the region, thereby being closely associated with the Bank's initiatives in the African region.

In sum, Exim India, 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, including the SADC region while also promoting infrastructure development, facilitating private sector development in host countries, and contributing towards institutional building in the region.

8. STRATEGIES AND RECOMMENDATIONS FOR ENHANCING BILATERAL COMMERCIAL RELATIONS WITH THE SADC REGION

The study, in the previous chapters, provided a broad overview of economic environment in SADC, trade patterns and investment climate in countries in SADC, besides analyzing India's bilateral trade and investment relations and identifying potential areas for mutual cooperation. Exim India's key initiatives and endeavours to foster closer economic cooperation between India and Africa, and specifically SADC were also highlighted in the previous chapter.

The concluding chapter endeavours to provide broad strategies and recommendations which could serve to facilitate and enhance two-way trade and investment between India and SADC member states, based upon the analysis and findings of the study.

Strategy to enhance trade and investment relations with countries in SADC would entail an integrated approach comprising, among others: cooperation in agricultural development, development Ωf manufacturing sector. natural resource development, cooperation hotel and tourism industry,

focus on IT development, human resource development especially SME sector. cooperation infrastructure development, besides broadening linkages with promotion institutions in the region; and developing linkages with investment promotion agencies. Such endeavours could also be supplemented by measures such as: increased participation in multilateral funded projects, entrepreneurship development and institutional building, cooperation in banking/ financial sector, and cooperation with chambers of commerce and industry in the region.

A. Cooperation in Agriculture Sector Development

Agriculture and related activities constitutes the bedrock of most of the countries in SADC, and exports from the sector are important foreign exchange earners for these countries. Many countries in SADC are home to the world's richest agricultural resources. As a result, several Governments in the SADC region, view that foreign investments in agriculture cultivation would lead to possible

benefits for rural poor, including the creation of a potentially significant number of farm and off-farm jobs, development of rural infrastructure, and social improvements, leading to poverty reduction. Moreover, national Governments with a view to addressing the serious issue of food shortage have been framing policies towards attracting investors in the agricultural sector to tackle food, employment and sustainability crises.

Indian companies can explore the possibilities of investment such as joint ventures or contract farming, setting up agro processing firms and investments in key stages of value chains. India's investment in specific countries could result in improving the agricultural sector of the host country through skill development, job creation, technological upgradation, supply of quality inputs like seed, better supply chain management, and biotechnology. India's transfer of knowledge/ technology could help these countries to deal with the problem of food crisis. Indian scientific and agricultural research institutions have assisted many entrepreneurs for developing their business ideas in SADC countries. Indian investors could also focus on providing quality infrastructure to enhance the farm productivity in these countries.

Towards this end, the LOCs extended by the Exim Bank of India to SADC countries, which are earmarked for agriculture, irrigation and related projects, would also serve to contribute towards development of the agricultural and related sectors in the region. For instance:

- LOC to the Government of DR Congo for installation of hand pumps and submersible pumps;
- LOC to the Government of Lesotho for port of pump sets and irrigation equipment;
- LOC to the Government of Madagascar for financing a project for enhancing rice productivity;
- LOC to the Government of Malawi for financing irrigation projects and cotton processing facilities;
- LOC to the Government of Mozambique for enhancing productivity of rice, wheat, maize cultivation:
- LOC to the Government of Seychelles for export of rice, potatoes; and
- LOC to the Government of Tanzania for export of tractors, pumps and equipments from India to Tanzania.

With these LOCs in place, increased exports of agro-related machinery and equipment to the region by Indian entrepreneurs / exporters would serve to enhance bilateral cooperation in the agricultural sector, as also to the overall development of the region.

B. Development of Manufacturing Sector

Development of manufacturing sector in SADC member states is very import for the development and growth of the region. The dependence of many of the SADC member states on primary commodity exports, combined with reliance on manufactured imports has negatively affected the growth of the region. Also the recent global economic crisis has reduced development assistance and private capital flows to the region. Hence, development of a strong manufacturing sector is necessary. At present, Africa's share in global manufacturing production and trade is very small. In 2010, the share of manufacturing sector in GDP accounted for only 10 percent in case of Africa, 9.5 percent for East Africa, 11 percent for North Africa, and 4.8 percent for West Africa². India could support SADC countries creating productive capacitybuilding through various support and training programmes and technical cooperation.

C. Natural Resource Development

With many of the countries in SADC are endowed with mineral wealth and natural resources, enhanced bilateral cooperation for development/ exploration of natural resources in

these countries could benefit both India and SADC. Mineral production and development constitute significant part of many SADC countries, and remain a key factor in their future economic growth. Eleven countries in southern and western Africa rank among the top ten sources for at least one major mineral. Africa has a majority of the world's known resources of platinum, chromium and diamonds, as well as a large share of the world's bauxite. cobalt, gold, phosphate and uranium deposits. For instance, South Africa's mineral wealth is significant, with gold, platinum, coal, iron and diamonds being some of its key exports; while in the case of DR Congo, besides rich deposits of copper, cobalt, zinc, and diamonds, there are vast deposits of gold, considered to be the richest undeveloped gold deposits in Africa; Namibia has large reserves of uranium and is a leading global producer. According to World Gold Council, China and India together demanded more than half of the world's jewelry and bar and coin purchases of gold. In light of these, increased cooperation between India and the resource-rich countries in Africa and specifically SADC countries in developing/ exploring natural and mineral resources, with bilateral arrangements such as buyback arrangements, could be an

² Source: UNCTADStat, UNCTAD

important strategy to enhance Indo-SADC commercial relations.

D. Cooperation In Hotel and Tourism Industry

Countries in SADC such as Mauritius and South Africa, besides others, have emerged as major tourism destinations, receiving large number of tourist population visiting Africa. South Africa's successful hosting of the 2010 World Cup is expected to phenomenally improve Southern Africa's tourism sector. With India beina an emerging player hospitality industry, Indian companies could explore the vast opportunities available in such countries. Indian companies can focus more on developing world-class hotels and resorts. Indian hotel groups could also try to acquire and renovate some hotels in the region. Tata group has opened luxury hotels in South Africa and Zambia where as Oberoi Hotels have a hotel in Mauritius. Many of these Indian hotels received wide acclaim and awards for their hospitality services. Given the rich cultural and geographical diversities and vast biodiversity in flora and fauna of African nations, Indian entrepreneurs could also specifically focus on different kinds of tourism products, such as adventure tourism, coastal and safari tourism; medical tourism; wildlife tourism; eco-tourism and cultural tourism.

E. Focus on Information Technology (IT) Development

use of various electronic marketing technologies is necessary to improve and develop different sectors, but it largely depends on Internet access and penetration rates in countries. With the strength and capability that India possesses in the realm of Information Technology sector, Indian IT firms could explore the opportunities in SADC countries, and focus on investing in subsidiaries or joint ventures in the areas of e-governance, financial services and e-education. Indian companies could also share their expertise in providing software programmes and services for banks and financial institutions in the region. For instance, Indian companies, such as NIIT, Aptech, karROX which already have presence in SADC countries, could expand their network of training centers in other SADC countries. Designing specialized e-learning courses on the web for providing technological assistance, manufacturing process know-how, troubleshooting other technical areas also present opportunities. Such initiatives would help industry and commerce, promote education in remote areas, create employment opportunities and provide healthcare to remote areas in the region, thereby contributing to overall development of nations in the region.

F. Investment in Human Resource Development

An associated area of bilateral cooperation could also be investing in human resource development. Human resource development is recognised as the premiere need of most SADC member states. Businesses focusing on health, education and skill development are more likely stable businesses, which are in increasingly high demand in many countries, due to their direct impact on improving the standard of life. Towards this end, SADC member countries could also tie up with Indian institutions such as the Central Food Technological Research Institute (CFTRI), Mysore; Entrepreneurship Development Institute of India (EDI), Ahmadabad; and National Small Industries Corporation Ltd. (NSIC), New Delhi. Further, Indian institutions could also share their expertise in the fields of export capability creation in the region, institutional strengthening and export development in the form of technical assistance and sharing of expertise through site visits. In the second India- Africa Forum Summit in 2011, India announced US\$ 700 mn grant assistance for human resource development, transfer of technology, and building new institutions and training programmes. Indian investors could also help SADC governments in setting up various higher education institutes, universities and provide

scholarships to students for various exchange programmes like Study India Programme, which could improve the quality of education in these countries. This type of academic 'twinning arrangements' between Indian and SADC universities will boost academic mobility between both regions.

G. Cooperation in Infrastructure Development

An important area of bilateral cooperation could be infrastructure development in African countries, especially SADC countries. Investment in infrastructure development, due to an increasing need for better infrastructural facilities, coupled with the endeavour of SADC countries for rapid economic growth, could prove to be a mutually rewarding area of bilateral cooperation. Lack of forward and backward linkages among different modes of transportation, declining air connectivity, poorly equipped ports, ageing rail networks, and inadequate access to all-season roads are key challenges facing many of the SADC economies. Areas that hold immense investment opportunities include development of highways and roadways, development of railway networks and power systems, which would also help in regional integration, and the African continent at large, to a great extent. Large Indian construction companies could explore business opportunities to meet the infrastructural requirements in SADC member states, also contributing largely to economic development in the host countries.

H. Cooperation in the Banking/ Financial Sector

With a view to enhance commercial relations with countries in the SADC region, some Indian banks have set up operations in select countries in SADC. Currently in SADC, Bank of Baroda has branches in Mauritius, South Africa, and Seychelles; and State Bank of India in South Africa. State Bank of India has subsidiaries in Mauritius; Bank of Baroda in Botswana and Tanzania, and Bank of India in Tanzania. State Bank of India has representative offices in Angola and South Africa, Bank of India in South Africa: ICICI Bank in South Africa; while a Joint Venture Bank, Indo-Zambia Bank Ltd. has been set up in Zambia by Bank of Baroda, Bank of India and Central Bank of India. Also New India Assurance Company has presence in Mauritius. In view of the potential for enhancing bilateral trade and investment relations with the countries in SADC, opening branches/subsidiaries/representative offices in the region, and developing correspondent banking relations with select banks in the region would serve to facilitate and promote commercial relations.

I. Developing Linkages with Investment Promotion Agencies/ Chambers Of Commerce

Besides streamlining their investment regimes, many countries in the region have set up specialised investment promotion agencies/ Chambers of Commerce to promote and facilitate inflow of foreign investment into these countries, while also serving as one-stop-shop for investment related activities. In light of the key role of these institutions, building closer cooperation and linkages with these investment promotion agencies in SADC would serve to enhance access to information about investment opportunities in the region. A list of such investment promotion agencies and chambers of commerce is provided in the Annexures II & III.

Such relationship would serve to enhance knowledge about potential areas for investment. upcoming projects in different sectors. prospective investment partners, as also procedures, rules and regulations required for venturing into specific sectors in these countries and incentives offered to investors. Further. investment promotional events with select investment promotion agencies would foster increased interaction between potential investors and concerned agencies in potential sectors in target countries in the region.

J. Cooperation in Energy and Power Generation

Another area, which holds immense potential for investment and cooperation, is electricity generation and power transmission. deficit is expected to continue posing a serious challenge for the overall development of countries in the SADC region. Insufficient investment in the energy sector leading to underdeveloped infrastructure including electricity transmission distribution networks and have exacerbated the energy problem in the region. Despite the potential for energy generation, insufficient use of existing energy systems has resulted in generation of electricity which is less than the installed capacity due to drought, lack of maintenance and rehabilitation and also general system losses of electricity which includes transmission and distribution.

For instance, the entire installed generation capacity of Sub Saharan African countries excluding South Africa is only 28 gigawatts, and 25 percent of that capacity is unavailable because of aging plants and poor maintenance³. Only about 29 percent of the Sub Saharan Africa's population has access to electricity, as compared to about half in South Asia and more than 80 percent in Latin America

and the Middle East and Northern Africa. Also, African manufacturing enterprises experience power outages on average 56 days per year. Many African countries are seeking support and technical assistance for development of petroleum pipelines, petroleum exploration and production in the region.

In light of these, development of the energy infrastructure is a priority area for governments in African countries especially SADC countries. Towards this end, the LOCs extended by the Bank to countries in SADC, which are earmarked for power generation and transmission projects, would also serve to contribute towards development of the energy sector and power generation and transmission. For instance, besides others:

- LOC to the Government of DR Congo for execution of hydroelectric power project;
- LOC to the Government of Mozambique for several electrification projects; and
- LOC to the Government of Zambia for Itezhi-Tezhi Hydro power project.

K. Cooperation in SME Sector

At present MSMEs (micro, small and medium-sized enterprises) make up

³Source: World Bank

the majority of businesses in Africa and especially in SADC and there is enormous scope for the development of this sector. For instance, it is estimated that around 91 percent of formal business entities in South Africa are SMEs. But SADC SME sector development is constrained by a number of factors like lack of accessibility to modern technology, limited access to international markets, lack of management skills and training and lack of finance. Towards developing entrepreneurship and human capability, India could share its expertise and experience with countries in SADC, particularly in the SME sector wherein India has developed successful SME clusters. An important element in this direction could be for delegations from these countries to visit India to study success factor of SME clusters in India, and developing similar clusters in their countries based on resource and skill endowments. SME financing is another area where India could support this sector. Exim India has extended various LOC's to different countries for the development of their SME sectors.

L. Focus on Multilateral Funded Projects

Besides participating in investment activities that are promoted by the respective governments of countries in SADC, Indian companies could also endeavor to participate in multilateral funded projects. Multilateral institutions such as the World Bank and the African Development Bank (AfDB) support and fund a number of projects in Africa and SADC. They broadly cover areas such as agriculture and related activities; infrastructure development such as roads. telecommunication, services, electricity, water supply and sanitation; mining and quarrying; rural and urban development; environment and natural resource development; health care and education: financial market development; and tourism development.

Focus on these funded projects and increased participation by Indian project and service exporters in such projects would serve to enhance India's commercial presence in these countries. At the same time, efforts to participate in technical assistance in terms of project preparation and advisory services in such funded projects would support increased presence in the region.

ANNEXURE I: SELECT MAJOR TRADING BLOCS IN AFRICA

Trade Bloc	Year of Formation	Members
Economic Community of West African States (ECOWAS)	1975	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo
Economic Community of Central African States (ECCAS)	1983	Angola, Burundi, Cameroon, Central Africa Republic, Chad, Democratic Republic of Congo, Republic of Congo, Equatorial Guinea, Gabon, Sao Tome and Principe
Southern African Development Community (SADC)	1992	Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe
Common Market for Eastern and Southern Africa (COMESA)	1994	Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe
West African Economic and Monetary Union (UEMOA)	1994	Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo
East African Community (EAC)	1996	Burundi, Kenya, Rwanda, Tanzania, Uganda

Source: World Development Indicators 2011, World Bank

ANNEXURE II: INVESTMENT PROMOTION AGENCIES IN THE SADC REGION

Angola

National Agency of Private Investment (ANIP) www.investinangola.com

Botswana

Botswana Export Development and Investment Authority (BEDIA) www.bedia.co.bw

Democratic Republic of Congo

Agence Nationale pour la Promotion des Investissements (ANAPI) www.anapi.org

Lesotho

Lesotho National Development Corporation (LNDC) www.lndc.org.ls

Madagascar

Economic Development Board of Madagascar (EDBM) www.edbm.gov.mg

Malawi

Malawi Investment Promotion Agency www.mipa.malawi.net

Mauritius

Board of Investment of Mauritius www.boimauritius.com

Mozambique

Investment Promotion Centre Mozambique (CPI) www.cpi.co.mz

Namibia

Namibia Investment Centre (NIC) www.grnnet.gov.na

Seychelles

Seychelles International Business Authority (SIBA) www.siba.net

South Africa

Durban Investment Promotion Agency www.dipa.co.za

Trade and Investment South Africa (TISA) – www.thedti.gov.za

Gauteng Economic Development Agency (GEDA) www.geda.co.za

Trade and Investment Limpopo (TIL) www.til.co.za

Swaziland

Swaziland Investment Promotion Authority (SIPA) www.sipa.org.sz

Tanzania

Tanzania Investment Centre (TIC) www.tic.co.tz

Zambia

Zambia Investment Centre (ZIC) www.zic.org.zm

Zimbabwe

Zimbabwe Investment Centre www.zimtrade.co.zw

ANNEXURE III: SELECT CHAMBERS OF COMMERCE AND INDUSTRY IN THE SADC REGION

SADC REGION LEVEL

Association of SADC Chambers of Commerce and Industry (ASCCI)

120 Eleventh Street, Parkmore Sandton. South Africa

Tel.: +27 11 783 5448

Fax:+27 11 783 5755 / 086 691 2510

E-mail: info@ascci.org.za Website: www.ascci.org.za

ANGOLA

Angola Area Chamber of Commerce

211 East, Maumee Street, Suite B, Angola, IN 46703-1922, United States

Tel.: + 260 665 3512

E-mail: info@angolachamber.org Website: www.angolachamber.org

BOTSWANA

Botswana Chamber of Commerce, Industry and Manpower (BOCCIM)

BOCCIM House, Old Lobatse Road

Plot 5196, Gaborone P.O. Box 432, Gaborone Tel.: +267 3953459

Fax: +267 3973142

E-mail: publicrelations@boccim.co.bw

Website: www.boccim.co.bw

DR CONGO

La Fédération des Entreprises du Congo (FEC)

10, Avenue des Aviateurs, Kinshasa/ Gombe

P.O. Box 7247 Kinshasa 1 Tel.: +243 81 248 88 90 /

+243 81 248 89 09

E-mail: feccongo2@yahoo.fr Website: www.fec.cd

LESOTHO

Lesotho Chamber of Commerce & Industry (LCCI)

Kingsway Avenue Maseru 100 Lesotho

Tel.: + 266 32 3482 Fax: + 266 31 0417 E-mail: lcci@lesoff.co.za

MADAGASCAR

Groupement des Enterprises des

Madagascar (GEM)

Kianja MDRM sy Tia Tanindrazana, Ambohijatovo, Antananarivo, 101,

Madagascar.

Boîte postale : 1338 Tel.: 261 20 22 238 41 Fax: 261 20 22 219 65 E-mail: gem@iris.mg

Website: www.gem-madagascar.com

MALAWI

Malawi Confederation of Chambers of Commerce and Industry (MCCCI)

Masauko Chipembere Highway Chichiri Trade Fair Ground P. O. Box 258, Blantyre

Malawi

Tel.: 265 01 871 988
Fax: 265 01 871 147
E-mail: mccci@mccci.org
Website: www.mccci.org

MAURITIUS

Mauritius Chambers of Commerce and Industry (MCCI)

3, Royal Street, Port-Louis, Mauritius.

Tel.: 230 208 3301 Fax: 230 208 0076

MOZAMBIQUE

Confederacao das Associacoes Economicas de Mozambique (CTA)

Rua de Castanheda Maputo, Mozambique

Tel.: +258 21 491914/64/3089

Fax: +258 21 493094 E-mail: www.cta.org.mz

NAMIBIA

Namibia Chamber of Commerce and Industry

Jenner Streets, Windhoek

Khomas, Namibia Tel.: 264 61 22-8809 Fax: 264 61 22-8009

SEYCHELLES

Seychelles Chamber of Commerce and Industry (SCCI)

2nd Floor, Ebrahim Building PO Box 1399, Victoria Mahe, Seychelles Tel.: +248 32-3812

Fax: +248 32-3812

E-mail: scci@seychelles.net

SOUTH AFRICA

South African Chamber of Commerce & Industry

Chamber House, 24 Sturdee avenue

Rosebank,

Johannesburg 2196

South Africa

Tel.: +27 11 446 3800 Fax: +27 11 446 3804 E-mail: advisor@sacci.org.za Website: www.sacci.org.za

Durban Chamber of Commerce

190 Stalwart Simelane (Stanger) Street Chamber House (Opposite ICC)

Durban, 4001

Tel.: +27(0)31 335 1000 Fax: +27(0)31 332 1288

E-mail:chamber@chamber.co.za Website: www.durbanchamber.co.za

Johannesburg Chamber of Commerce & Industry

6th Floor, JCC House

27 Owl Street (Cor Empire Road)

Milpark

Tel.: +27 11 726 5300 Telefax: +27 11 482-2000 E-mail: info@jcci.co.za Website: www.jcci.co.za

SWAZILAND

Federation of Swaziland Employers and Chamber of Commerce (FSE & CC)

mafini Business Center, Malagwane Hill

Mbabane, H100 Swaziland

Tel.: (00268) 4040768/4408 Fax: (00268) 4090051

E-mail: fsecc@business-swaziland.com Website: www.business-swaziland.com

TANZANIA

Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA)

21 Ghana Avenue, P.O. Box 9713, Dar es

Salaam, Tanzania

Tel.: +255-22-2119436, +255-22-2128136

Fax: +255-22-2119437 Website: www.tccia.com

Confederation of Tanzania Industries (CTI)

9th Floor - NIC Investment House, Samora

Avenue

P.O. Box 71783, Dar es Salaam, Tanzania

Tel.: +255-22-2114954 / 2123802 /

2130327

Fax: 255-22-2115414, Hotline: 0744 404 161 E-mail: cti@cti.co.tz Website: www.cti.co.tz/cti

ZAMBIA

Zambia Association of Chambers of Commerce and Industry (ZACCI)

Lusaka Show Grounds

P.O. Box 30844

Lusaka

Zambia

Tel.: +260 211 252483 Fax: +260 211 253020

E-mail: secretariat@zacci.co.zm Website: www.zacci.org.zm

ZIMBABWE

Confederation of Zimbabwe Industry (CZI)

31 Josiah Chinamano Avenue

P. O Box Harare

Tel: 251490-6 Fax: 252424

E-mail: info@czi.co.zw Website: www.czi.co.zw

Zimbabwe National Chamber of Commerce (ZNCC)

8 Hastings Close

Highlands

P.O. Box 1934, Harare Tel. /Fax: 263 4 293244/5 Email: info@zncc.co.zw Website: www.zncc.co.zw

ANNEXURE IV: COUNTRY RISK RATINGS OF SADC COUNTRIES

Country	Euromoney (June '11)	Institutional Investor (Sep '11)	ECGC (Dec '11)	OECD (Jan '12)
		(Sep 11)		
Angola	103	92	C1	6
Botswana	52	51	B1	3
DR Congo	151	169	C2	7
Lesotho	131	101	B2	5
Madagascar	136	159	C1	7
Malawi	121	147	C1	7
Mauritius	67	66	A2	3
Mozambique	113	114	C1	6
Namibia	75	70	B1	3
Seychelles	95	153	C1	-
South Africa	49	43	A2	3
Swaziland	138	139	C1	6
Tanzania	101	118	B1	6
Zambia	112	108	B2	6
Zimbabwe	163	177	D	7

Note: -: Not available

- ❖ Euromoney, in its June 2011 risk ratings rank 186 countries in increasing order of risk. India is ranked 53rd in the same rating.
- Institutional Investor, in its September 2011 ratings rank 178 countries in increasing order of risk. India was placed 48th in the same ranking.
- Export Credit Guarantee Corporation of India Ltd. (ECGC) ranks countries in seven groups, A1, A2, B1, B2, C1, C2 and D, according to increasing order of risk. India was placed in the A1 group.
- The OECD Country Risk Classification measures country credit risk, i.e. the likelihood that a country will service its external debt, on a scale of 0 -7 (where 0 is the lowest risk category and 7 is the highest), covering 211 countries. India is ranked in 3rd group under the same ranking.

ANNEXURE V: AN OVERVIEW OF FOREIGN TRADE AND INVESTMENT IN AFRICA

Global Trade of Africa

Africa as a region has shown tremendous performance in terms of its global trade. Africa's share in world trade which was 2.2 percent in 2000 has increased to 3.2 percent in 2009, despite the sharp fall in its total trade due to the global crisis. It has increased to 3.3 percent in 2010. Total trade (exports plus imports) has increased more than three-fold with a compound annual growth rate of 15.2 percent to US\$ 1.0 trillion in 2008 from US\$ 272.9 billion in 2001, but has declined to US\$ 797.1 billion in 2009 due to the global economic recession. It has picked up momentum in 2010 with a growth rate of 22.5 percent to US\$ 976.7 billion in 2010 (Chart V.1 and Table V.1). The sharp reductions in exports accounted for the maximum contraction in the aggregate African trade in 2009.

Exports of Africa has grown steadily from US\$ 138.5 billion in 2001 to US\$ 560.4 billion in 2008, before declining by 30.3 percent to US\$ 390.8 billion in 2009. In 2010, exports rebounded with a growth rate of 29.9 percent to reach US\$ 507.6

billion. Imports also followed the similar trend. Imports has increased more than three-fold from US\$ 134.4 billion in 2001 to US\$ 478.3 billion in 2008, but has declined by 15 percent to US\$ 406.4 billion in 2009. In 2010, it has regained the growth trend with a 15.4 percent growth to reach US\$ 469.1 billion in 2010.

Africa generally maintain a trade surplus except in 2009, when global demand has reached its lowest levels resulting in fall in demand for exports from Africa. Africa experienced an increase in trade surplus from US\$4.1 billion in 2001 to US\$82 billion in 2008. In 2009, imports exceeded exports by US\$ 15.6 billion resulting in trade deficit for the first time in the last decade. In 2010, situation was reversed with Africa enjoying a trade surplus of US\$ 38.6 billion.

Africa accounted for 3.1 percent of global exports in 2009, which has increased to 3.3 percent in 2010. The principle item in Africa's export basket in 2010 was mineral fuels, accounting for 59 percent of Africa's global exports. The other major export items in 2010 were pearls

Table V.1: Global Trade of Africa (US\$ billion)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Export	138.5	144.6	179.1	239.4	310.9	370.5	435.5	560.4	390.8	507.6
% Change	-	4.3	23.9	33.7	29.8	19.2	17.6	28.7	-30.3	29.9
Import	134.4	135.5	165	211.9	255.9	302	373.4	478.3	406.4	469.1
% Change	-	0.8	21.8	28.5	20.7	18.1	23.6	28.1	-15	15.4
Total Trade	272.9	280	344.1	451.3	566.7	672.5	808.8	1038.7	797.1	976.7
Trade Balance	4.1	9.1	14.1	27.5	55	68.4	62.1	82.0	-15.6	38.6

Source: World Trade Organization

and precious stones (5.5 percent of Africa's exports), ores, slag and ash (3.3 percent), iron and steel (2.1 percent), copper and its articles (2 percent) and electrical and electronic equipment (1.9 percent). There was a sharp decline in almost all commodity exports, especially mineral fuels and other mining products in 2009.

Africa's dependence on extractive industry and other primary product exports poses persistent problems for the region as extractive and primary resources possess the characteristics of exhaustibility, price volatility, seasonality, as well as negative externalities associated with their extraction and consumption.

Chart V.1: Global Trade of Africa (US\$ billion)



Source: World Trade Organization

Half of African exports go to US and European markets. In 2010, the US was the major destination of Africa's exports, accounting for around 17.9 percent of Africa's global exports. The US was followed by China with a share of 13.7 percent in Africa's exports, Italy (8.2 percent), France (6.4 percent), Spain (5.8 percent) and India (4.9 percent). The share of Asian countries, China and India in Africa's exports have been increasing in recent years, indicating the shift in Africa's export direction towards developing and emerging markets. Also, the intra-regional trade between African countries has gone up in recent years, which is more evident in 2009 in the wake of international crisis as Africa capitalized on the falling demand in European and American markets.

Africa accounted for 3.2 percent of global imports in 2009, but has declined to 3.0 percent in 2010. The main item of Africa's global imports in 2010 was mineral fuels, accounting for 14.5 percent of Africa's global imports. Other major import items in 2010 included machinery and mechanical equipments, accounting for 12.9 percent of imports, motor vehicle (9 percent), electrical and electronic equipment (8.5 percent), articles of iron and steel (4.1 percent), cereals (3.4 percent), and plastics and articles thereof (3.2 percent).

The main import source of Africa in 2010 was China supplying 13.7 percent of Africa's import needs. The other major sources of imports in 2010 included France with a share of 8 percent in Africa's global imports, the US (6.5 percent), Germany (6.1 percent), Italy (5.4 percent) and India (4.1 percent). The main export destinations and import sources of Africa are the same countries.

Recent Trends in Investment Flows in Africa

Today global attention is riveted on Africa. The reasons for this are the African region's growing appetite for industrial investment and its thirst for expanding trade. Africa has now emerged as one of the world's hottest growth regions. The contribution that FDI can make toward economic development and integration into the world economy is widely recognized. For this reason, African countries have made considerable efforts over the past decade to improve their investment climate.

Economic growth in Africa has been driven not just because of oil or mineral wealth. Asia's thirst for competitive exports has spread to African continent too. At the same time, the national Governments are also modifying their policies and encouraging private investment in

viable and profitable projects with a lasting impact on development.

Many African countries offer a wide market area and a big consumer population to investors. The formation of the various regional blocs was an important step toward this purpose. It could be said that the growing attention, paid by many countries, towards Africa is due to increased interest in natural resources, more favourable business climate, and conscious strategy to partner Africa in its economic development. According to United Nations Conference on Trade and Development (UNCTAD), extractive industries accounted for most of the FDI inflows received by Africa. Most of the mergers and acquisitions undertaken by the Asian multinational corporations in Africa have been in oil, gas and mining industries.

With a view to enhancing investment flows, many African countries have streamlined their investment laws and have also identified priority sectors for increased investment inflows and development.

Trends in Investment

Africa has become one of the most attractive destinations in the world with its natural resources, unexploited sectors and young population base. FDI inflows play an important role in improving competitiveness in

African firms through improving their managerial skills and technological capacities. Various measures and policies adopted by the region in strengthening regional integration and trade in Africa are attracting additional market seeking FDI to Africa.

Trends in investment during the last decade show pick up in both inflows as well as outflows. Foreign Direct Investment (FDI) inflows to Africa have increased sharply in the past decade with improved investor's perceptions of Africa and positive outlook on region's growth potential. According to a World Bank report, Africa offers one of the highest investment returns in the world. The total foreign direct investment (FDI) into Africa increased slowly in the first half of the decade, and picked up strongly since 2005, increasing over two-folds in 2010 over 2001 level. Inflows to Africa have peaked in 2008 to US\$ 73.4 billion driven by the resource boom, from US\$ 20.9 billion in 2001. FDI inflows to Africa declined by 18 percent to reach US\$ 60.2 billion in 2009, due to the contraction of global demand and the fall in commodity prices and further by 8.5 percent to US\$ 55 billion in 2010 (Chart V.2). The share of Africa in total global FDI inflows was 4.4 per cent in 2010, down from 5.1 per cent in 2009. Similarly, share of Africa in total FDI inflows to developing economies also came down to 9.6 percent in 2010, compared to 11.8 percent in 2009. This decrease in FDI inflow is a serious challenge for Africa, as FDI accounts for about one fifth of the region's gross fixed capital formation. The cumulative FDI inflows into Africa during 2001-10 was US\$ 415.3 billion.

Angola, Egypt, Nigeria, Libya, DR Congo, Congo Republic and Ghana received the maximum FDI, together accounting for 62.8 percent of total inflows to Africa. Angola accounted for the largest share of the FDI inflows to the region in 2010, with a share of about 18.1 percent. Whereas, Angola, Egypt and Nigeria witnessed decline in their inflows, the other four economies recorded a sharp increase. The start of major oil production in Ghana has attracted large number of investors to the country.

Primary sector including coal, oil and gas accounted for 43 per cent of total inflows to the region, followed by manufacturing sector (29 percent of total inflows) and services sector (28 percent). Among primary sector, oil industry received the maximum FDI, metal industry received almost half of the inflows to manufacturing sector and communications and real estate dominated inflows to services sector.

According to UNCTAD Global Investment Trends Monitor, January 2012, the falling trend of FDI inflows

to Africa in 2009 and 2010 continued in 2011, but at a much slower rate. FDI inflows is estimated to have declined by 0.7 percent to US\$ 54.4 billion in 2011. Egypt, Libya and Tunisia are estimated to have witnessed sharp declines in FDI flows during the year.

Outward investments from Africa started picking up significantly only 2006 onwards, increasing to US\$ 6.6 billion from a negative outflow in 2001. Outward direct investments recorded the maximum in 2007 to US\$ 10.7 billion, but reduced to US\$ 9.8 billion in 2008 and further to US\$ 5.6 billion in 2009. FDI flows from Africa increased by 17.9 percent in 2010 to US\$ 6.6 billion. The cumulative outward African investment during 2001-10 amounted to US\$ 41.9 billion. Africa's share in global outward FDI was 0.5 percent in 2010. Libya accounted for the largest share of the outflows from the region in 2010, with a share of about 19.3 percent, followed by Egypt, Angola and Nigeria. FDI has been unevenly distributed among the sub-regions and countries in Africa.

Investment Climate in Africa

Africa is a continent with vast investment potential for both domestic and foreign investors. According to World Investment Report figures,

95.0 ■Investment inflow Investment Outflow 73.4 75.0 63.1 60.2 55.0 55.0 46.3 38.2 35.0 21.7 20.9 20.4 16.1 10.7 9.8 15.0 6.9 6.6 5.6 2.1 2.0 -5.0 2001 -3.0 2003 2004 2005 2010

Chart V.2: Trends in FDI Inflows and Outflows in the African Region (US\$ billion)

Source: UNCTADStat, UNCTAD and Exim Bank research

Africa offered the highest returns on investment among developing regions in the world. Among the 10 most-improved economies as reported by World Bank, three African countries in Sub-Saharan Africa; Rwanda, Cape Verde, and Zambia were included. Starting a business still costs 18 times as much in Sub-Saharan Africa as in OECD high-income economies (relative to income per capita).

Many African countries are already showing an appetite for investment climate improvement. In construction sector, Burkina Faso set up a new one-stop shop, Kenya introduced risk based approvals, Liberia reduced fees, and Benin, DR Congo, Mali and Rwanda streamlined permitting

procedures. These improvements have reduced permitting delays in the region by 16 days. The high cost largely reflects high fees to connect to water, telephone and electricity Ethiopia and Rwanda service. decentralized their land registries to eliminate bottlenecks, creating new branches responsible for properties in their jurisdiction. Botswana and Madagascar reorganized their land registries, hired more staff and added more computers and branches. Botswana also linked staff salary increases to the achievement of targets set by the land department's 3-year plan. Mali and reorganized their land registries by reassigning workloads and enhancing supervision.

The recent steps taken by some of the African countries to improve business climate included:

- Establishment of а modern business registry in Liberia to reduce the time, cost and complexity associated with registering a business in Africa. It is expected to reduce the number of procedures required to register a business in Liberia from 12 to five, the time needed from 68 to 20 days and the cost from US\$ 819 to US\$ 119.
- The strengthening of the Alternative Dispute Resolution project in Mali by improving the legal framework, streamlining procedures and training arbitrators, resulting in faster settlement of claims, reduced legal fees and strengthening arbitration as a

- mechanism to resolve disputes. It has reduced the number of days to enforce a contract from 860 to 180 days, the length of time taken to file judgements from 345 days to 180 days and ensuring judgements are enforced in 30 days as opposed to 515 days.
- Launching of a modern and efficient system for land titling in Rwanda which is fully automated and possesses a simplified registration process for land titles.
- Launching of a modernised Judiciary in Tanzania to deliver modern technology and training to staff in the court rooms.
- Modernisation of the tax administration system of the Ethiopian Revenues and Customs Authority (ERCA).

ANNEXURE VI: KEY SECTORS IN AFRICA'S ECONOMIC DEVELOPMENT

Agriculture in Africa

Agriculture is Africa's largest sector, representing 22 percent of the continent's GDP. It has high relevance in Africa owing to its importance in sustaining livelihoods, reducing poverty, and contributing to economic growth and development. The food crisis and drive to food security has made agriculture an inseparable part of Africa's development. Between 2003 and 2007, agriculture contributed to about one third of GDP in West and East Africa. Agriculture is a major contributor to exports in many African countries. For instance, during 2002-2006, 68 percent of world cocoa bean exports were associated with four countries in Africa; Cameroon, Côte d'Ivoire, Ghana and Nigeria. Furthermore, approximately two third of the region's population is employed in the agricultural sector. Agriculture is highly concentrated in Africa, with Egypt and Nigeria alone accounting for one-third of total agricultural output and the top ten countries generating 75 percent.

Though more than one-quarter of the world's arable land lies in Africa, at present Africa generates only 10 percent of global agricultural output. Hence, given its endowments of land, climate, and labour, there is huge potential for growth in this sector in order to help fight the global food crisis. Africa has the resources to both feed its growing population and meet the world's burgeoning demand for food and other agricultural products. Although conditions are in favour of high rates of food production, Africa is still the biggest receiver of International Food Aid. Africa still imports 45 percent of its rice and 85 percent of its wheat. At present, African agriculture sector around only 2-5 percent per annum, hindered by various challenges like land fragmentation, under investment and low government support.

African countries have taken many efforts in the recent years to improve their agriculture sector. A new initiative, Comprehensive Africa Agriculture Development Program (CAADP) was rolled out by African Union's New Partnership for Africa's Development (NEPAD), to help African countries increase their economic growth through agricultureled expansion. CAADP focuses on improving food security, nutrition, and increasing incomes in Africa's largely farming based economies by raising agricultural productivity by at least 6 percent per year and increasing public investment in agriculture to 10 percent of national budgets per year. Many non-African countries are cooperating with African countries in this initiative by sharing their models of development and technological cooperation to increase African agriculture productivity.

Recently, many foreign state owned enterprises and private-sector players are investing substantial funds into the African agriculture sector. This is mainly because of the perception that there is plenty of cheap land and labour available, as well as a favourable climate. African countries could benefit from investments that strengthen local food security and have a positive impact on local development. At the same time

Box VI.1 : Principles For Responsible Agricultural Investment That Respects Right, Livelihoods and Resources

UNCTAD, the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD) and the World Bank have come together to propose seven principles for responsible agricultural investments. The seven principles are now subject to consultation and refinement. Once support is obtained from major home and host countries relevant to agricultural FDI, the goal would be to translate the principles into actions for investors, governments, donors and international agencies.

The seven draft principles are:

- Existing rights to land and associated natural resources are recognized and respected;
- Investments do not jeopardize food security but rather strengthen it;
- Processes for accessing land and other resources and then making associated investments transparent, monitored, and ensure accountability by all stakeholders, within a proper business, legal, and regulatory environment;
- All those materially affected are consulted, and agreements from consultations are recorded and enforced;
- Investors ensure that projects respect the rule of law, reflect industry's best practice, are viable economically and result in durable shared value;
- Investments generate desirable social and distributional impacts and do not increase vulnerability; and
- Environmental impacts due to a project are quantified, and measures taken to encourage sustainable resource use, while minimizing the risk/ magnitude of negative impacts and mitigating them.

foreign investment possess certain risks including the potential crowding out of local farmers, land grabbing or environmental degradation.

The share of FDI in agriculture sector in Africa remains small as a share of total FDI in the region as a whole, but in some African countries like Ethiopia, Malawi, Mozambique, Sudan and Tanzania, the share of FDI in agriculture in total FDI flows or stocks is relatively large. In Africa, foreign investors have shown a particular interest in staple crops such as rice, wheat and oil crops; but there is also TNC involvement in sugarcane and cotton in Southern Africa, and in floriculture in East Africa. The increased investment is being used for developing technological breakthroughs in the sector; improve the market access; and development of high potential agricultural land.

Infrastructure Development in Africa

Infrastructure has been responsible for more than half of Africa's recent improved growth performance and it has the potential to contribute more to the growth in future. But Africa's infrastructure lags behind those of other developing countries. The differences are prominent in case of paved roads; telephone mainlines, and power generation. The lack of adequate infrastructure across

Africa is currently holding back its GDP growth by some 2 percent.⁴ Underdeveloped domestic financial markets are unable to support highly capital intensive projects but unattractive credit ratings of many African countries are hampering their ability to source international funding for their projects.

According to the findings by Guasch, Escribano, and Pena in 2008. in most of the African countries, infrastructure emerges as the major constraint on doing business in Africa, depressing the firm productivity by about 40 percent. Not only Africa's infrastructure is deficient in its coverage, but the price of the service provided is also exceptionally high by global standards. The African Infrastructure Country Diagnostic (AICD), a recent report by the World Bank estimated that Africa needs around US\$ 93 billion a year for its infrastructure sectors, with about twothirds required for new investment in physical infrastructure and a third for maintenance and operations. But currently only US\$ 45 billion is being invested in the sector leaving, a funding gap of US\$ 48 billion a year. This implies that two-thirds of African countries face power crises; only 31 meters per 100 square kilometers of roads are paved; and only 60 percent of the population has access to improved water sources.

⁴ Source: World Bank

Many efforts have been made by African countries and international organizations to improve the situation of infrastructure in Africa. The Infrastructure Consortium for Africa (ICA) was established in 2005 to improve the effectiveness of assistance by its members in supporting infrastructure development in Africa through the sharing of information, project development and good practices. Its members include bilateral aid agencies from the G-8 countries, as well as the European Commission, the European Investment Bank, the World Bank Group, the African Development Bank Group and the Development Bank of Southern Africa (DBSA).

At present African governments are the primary funders of infrastructure, but the public spending alone is not sufficient to bridge this gap. Private investors, both domestic and foreign can play an import role in infrastructure development by providing enough funding as well as bringing their technological and managerial expertise to the African countries. During 1998-2008, out of total investment commitments to infrastructure projects with private participation in Sub-Saharan Africa, 77 percent was for telecommunications sector, 7 percent to railroads, and 7 percent to electricity, 5 percent to sea ports, 3 percent to natural gas and 1 percent investment in roads. In 2005, donor commitments for infrastructure

development in Africa totalled US\$ Βv 2009 7 billion. total commitments to infrastructure reached US\$ 38.4 billion. But Africa saw a 20 percent drop in private sector investment in 2009 from the shocks of the financial crisis. Power is by far the neediest and crucial sector and is the second largest recipient of private sector investment across the continent.

A number of companies from China, Brazil, India, Malaysia, Arab countries and South Africa are active investors operators in infrastructure projects all over Africa. But, publicprivate partnerships in Africa have not expanded as much as possible. African countries are increasingly realizing the importance of private investments in infrastructure and are rapidly beginning to create the type of economic environment conducive to private sector investments, further easing risk.

Extractive Industries in Africa

Africa is richly endowed with mineral resources. Africa has a majority of the world's known resources of platinum, chromium, and diamonds, as well as a large share of world's bauxite, cobalt, gold, phosphate, and uranium deposits. At the end of 2010, 17 of the 52 African countries produced and exported oil with Libya and Nigeria holding the world's 9th and 10th biggest oil reserves respectively. Ghana

became the latest African country to join the club of world oil producers in December 2010 when it pumped crude oil from an offshore field in the Gulf of Guinea for the first time. Other major oil producers include Angola, Algeria, Equatorial Guinea, Egypt, Gabon, Chad, Sudan, Cameroon, Central African Republic etc. Sizeable resource potential remains untapped in Africa. New oilfields are starting to come on-stream in Uganda, Ethiopia and Nigeria and elsewhere in Gulf of Guinea where tremendous reserves exists. Africa is expected to produce 13 percent of global oil by 2015, up from 9 percent in 2008.

The sustained rise in global prices of oil as also non-fuel primary commodities witnessed in recent years benefitted countries in the African region. Africa is a major supplier of extractive mining products to many developing economies including India and China. Most of the investment inflows into Africa have been in natural resource exploitation, spurred by the rising commodity prices. Rising oil prices have contributed relatively high FDI inflows to oil producing African countries, especially Sudan and Equatorial Guinea. Recent discovery of oil in Uganda resulted in a surge in FDI flows to the country. Gold mining in Mali has expanded under a liberal investment environment and now Mali is among the top five gold producers in Africa. Gold, bauxite and iron ore in Guinea-Conakry, oil and gas reserves

in Gabon, uranium and hydrocarbon reserves in Niger, gold and coal deposits in Madagascar, phosphate reserves in Mauritania, copper in DR Congo and Zambia are attracting foreign investors into their respective countries. Immense mineral potential in many of these countries remain largely unexploited. Sustained rise in global prices of these resources, in large part due to increased demand by the Asian drivers such as China and India, has enhanced the potential for the sector in Africa.

FDI in Africa is largely concentrated in the extractive industries. The impressive performance of many African countries including Algeria, Chad, Equatorial Guinea, Nigeria and Sudan is driven by extractive industries. FDI inflows to Africa increased from US\$ 11 billion in 2000 to US\$ 73.4 billion in 2008, boosted by high global prices for minerals such as copper, diamonds, gold and platinum, and in particular for oil, along with improved profitability of investment in natural resources. Even though total FDI flows to Africa declined in 2009 and 2010, inflows Africa's extractive industries increased. Between 2000 and 2010. about 75 percent of FDI to Africa flowed to oil-exporting countries. The increased FDI in extractive industries has supported economic recovery in Africa in 2010 from the impact of global economic crisis. But the level of FDI in this sector is sensitive to changes in oil and mineral prices. Continued high demand for commodities, as also more stable policy environment, among others are expected to boost FDI in Africa in the near future.

development of extractive The mineral sector in Africa faces many significant challenges, including high political and economic risk for investors, infrastructure problems, and huge capital investments for their transportation and exports. African countries are now trying to decide on the best way to exploit their natural resources, by quaranteeing rule of law and security of tenure to Despite the recent the investors. economic turbulence caused by the economic crisis, it is expected that the demand for major mined commodities would grow strongly in next years, to support economic development in the developing and

emerging economies. Africa, with its huge reserves of natural resources will be able to play a significant role in meeting their demands. The African Mining Vision 2050, "transparent, equitable and optimal exploitation of mineral resources to underpin broadbased sustainable growth and socioeconomic development", have been developed by African Union and the UN Economic Commission for Africa (UNECA), which proposed a number of ideas for improving the benefits from mining to the country which host mining operations. The ideas once materializes would result in better management of resource income and development of infrastructure sector by transferring wealth from mining companies to governments. It aims to create a more favourable environment for the economic development of Africa by better managing their mineral resources.

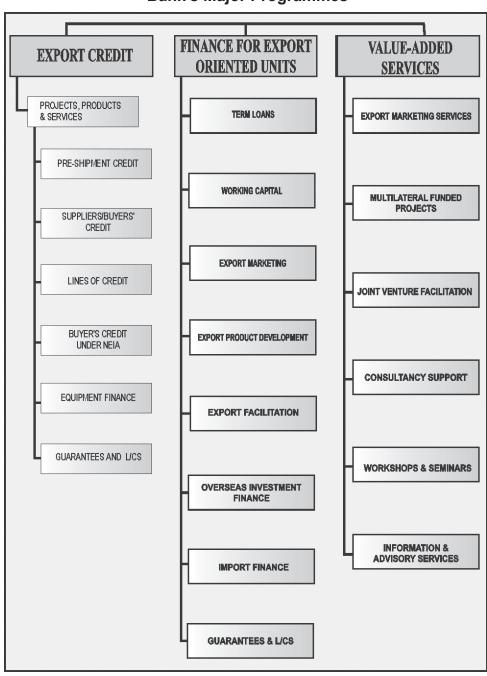
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PHD House, Floor 1, Sector 31-A, Dakshin Marg, Chandigarh 160 031

Phone: (0172) 2641910/12/39/49 Fax: (0172) 2641915

E-mail: eximcro@eximbankindia.in

CHENNAI

UTI House, Floor 1,

29, Rajaji Salai, Chennai 600 001.

Phone: (044) 25224714/25224749 Fax: (044) 25224082 E-mail: eximchro@eximbankindia.in

GUWAHATI

Sanmati Plaza, Floor 4, Near Sentinel Building,

G. S. Road, Guwahati 781 005.

Phone: (0361) 2462951/2450618 Fax: (0361) 2462925

E-mail: eximgro@eximbankindia.in

HYDERABAD

Golden Edifice, Floor 2, 6-3-639/640, Raj Bhavan Road, Chairatabad Circle, Hyderabad 500 004. Phone: (040) 23307816-21 Fax: (91 40) 23317843 E-mail: eximhro@eximbankindia.in

KOLKATA

Vanijya Bhawan, Floor 4, (International Trade Facilitation Centre), 1/1 Wood Street, Kolkata - 700 016.
Phone: (033) 22833419/22833420 Fax: (033) 22891727 E-mail: eximkro@eximbankindia.in

MUMBAI

Maker Chambers IV, Floor 8, 222, Nariman Point, Mumbai 400 021. Phone: (022) 22823320 / 92 / 94 Fax: (022) 22022132 E-mail: eximwrro@eximbankindia.in

NEW DELHI

Ground Floor, Statesman House

Ground Floor, Statesman House, 148, Barakhamba Road, New Delhi 110 001. Phone: (011) 23326625/6254 Fax: (011) 23322758/23321719 E-mail: eximndro@eximbankindia.in

PUNE

44, Shankarseth Road, Pune 411 037. Phone: (91 20) 26403000 Fax: (91 20) 26458846 E-mail: eximpro@eximbankindia.in

ADDIS ABABA

Bole Kifle Ketema

Overseas Offices

Kebele - 19, (03/05), House No. 015-B

Addis Ababa, Ethiopia, Phone: 00-251-116-630079 Fax : 00-251-116-610170 E-mail: sachin@eximbankindia.in

DAKAR

Floor 1. 7. rue Félix Faure. B.P. 50666, Dakar, Senegal Phone: (221 33) 8232849

Fax : (221 33) 8232853

E-mail: eximdakar@eximbankindia.in

DUBAI

Level 5, Tenancy 1 B,

Gate Precinct Building No. 3, Dubai International Financial Centre, PO Box No. 506541, Dubai, UAE.

Phone: (97 14) 3637462 Fax : (97 14) 3637461

E-mail: eximdubai@eximbankindia.in

JOHANNESBURG

Floor 2, Sandton City Twin Towers East, Sandhurst Ext. 3, Sandton 2196, Johannesburg, South Africa.

Phone: (27 11) 3265103 / 13 E-mail: eximjro@eximbankindia.in

SINGAPORE

20, Collyer Quay, # 10-02, Tung Centre, Singapore 049319. Phone: (65) 65326464

: (65) 65352131

E-mail: eximsingapore@eximbankindia.in

WASHINGTON D.C.

1750 Pennsylvania Avenue NW. Suite 1202, Washington D.C. 20006,

United States of America. Phone: (1 202) 223 3238 Fax : (1 202) 785 8487

E-mail: eximwashington@eximbankindia.in