

India Africa: The Afctfa Opportunity

Devesh Dabriwal

Economics Department, Hansraj College, University Of Delhi, India

Abstract:

Background: This research paper delves into the trade and investment relations between India and African nations, with a particular emphasis on the opportunities presented by the newly launched African Continental Free Trade Agreement (AfCTFA). The paper sheds light on India's trade relations with major African countries, highlighting the top commodities traded and the investment landscape between the two regions. It further discusses the capacity-building programs and development policies that have been implemented to bolster trade and investment ties between India and Africa.

Results: The paper concludes by exploring the potential for future development in India-Africa trade relations. It underscores the AfCTFA as a game-changer with the potential to transform the relationship between India and Africa. The paper also highlights how India can capitalize on the opportunities presented by the AfCTFA to further strengthen its economic ties with the African continent.

Keywords: India-Africa trade, African Continental Free Trade Agreement (AfCTFA), trade opportunities, investment landscape, capacity building

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I. Introduction

India and Africa have a long and storied history of trade and investment relations. In recent years, these relations have strengthened significantly, driven by a number of factors, including the growing economies of both regions, the increasing demand for African resources in India, and the launch of the African Continental Free Trade Agreement (AfCTFA).^[1]

The African Continental Free Trade Area (AfCFTA) is a trade agreement between 55 African countries that was established in 2018 and began trading on January 1, 2021. It is the largest free trade area in the world by number of participating countries, and the largest in terms of land area. The AfCFTA aims to create a single market for goods and services across Africa, and to eliminate tariffs on 90% of goods traded within the region.^[1]^[2]

The AfCFTA has the potential to boost economic growth, create jobs, and reduce poverty in Africa. It is expected to increase intra-African trade by 52% by 2022, and to add \$3.4 trillion to the continent's GDP by 2035. The AfCFTA will also make Africa a more attractive destination for foreign investments.^[1]^[2]

This research paper examines the current state of trade and investment relations between India and Africa, and explores the opportunities and challenges that lie ahead. The paper begins by providing a brief overview of the historical and economic context of India-Africa relations. It then goes on to discuss the following key areas:

- Trade relations: The paper analyzes India's trade with Africa, focusing on the major commodities traded, the key trading partners, and the recent trends in trade flows.
- Investment relations: The paper examines the investment landscape between India and Africa, highlighting the major sectors of investment, the key source and destination countries, and the recent trends in investment flows.
- Capacity building and development policies: The paper discusses the various capacity building programs and development policies that have been implemented to support trade and investment between India and Africa.
- Opportunities under the AfCTFA: The paper explores the opportunities that the AfCTFA presents for India-Africa trade and investment relations. It also discusses the challenges that need to be addressed in order to fully realize the potential of the AfCTFA.

II. India – Africa

Trade

Overview

India and Africa have a long history of trade and exchange, whether political or cultural, dating back hundreds of years, with the first preferential agreement signed in 1974 with Senegal.^[1]

Through a common market, tariff liberalization, the removal of non-tariff (NTB) barriers, and the implementation of trade facilitation measures, the 2018 African Continental Free Trade Agreement (AfCTFA) offers India a fantastic opportunity to deepen its trade relations with African nations. With a combined GDP of \$3.4 trillion in 2022, the 55 African nations covered by the AfCTFA allow India to reevaluate its relationship with them. By 2035, total commerce in Africa is anticipated to increase by \$537 billion, opening up a sizable market for possible investments and trade. [2]

India’s total trade with Africa reached \$89.528 billion in 2021–22, an increase of over 60% from the previous year. India is Africa’s fourth-largest trade partner after China, the UAE, and the US. China’s total trade with Africa will reach \$288 billion in 2022, an increase of 12% from the previous year. Though India’s trade with Africa has grown by a greater margin, the effect of a lower base cannot be argued. [3]

Over the course of two decades, India’s overall trade with Africa surged from \$7.2 billion in 2001 to 12 times that amount. This growth is significant, but it pales in comparison to China, whose overall trade with Africa reached \$12 billion in 2002 and increased by a factor of 24 during the same period. It may also be stated that China contributes 23% and India contributes 6% of Africa’s overall trade. [4][3]

The following table represents the present state of trade in India with Africa for the period 2018–22 (in billions of dollars):

Table 1: India's Trade with Africa

The year	2018-19	2019-20	2020-21	2021-2022	Growth (%)
INDIA’S EXPORT	28.54	28.99	27.73	40.218	41.15%
INDIA’S IMPORT	41.14	37.69	28.17	49.31	38.25%
TOTAL TRADE	69.68	66.68	55.9	89.528	39.70%
TRADE BALANCE	-12.6	-8.7	-0.44	-9.092	

Note: Comparable as per average of three years 2018-21 observations and 2021-22; source: Ministry of Trade and Commerce, Government of India [5]

The above data is pictured in the next graph.

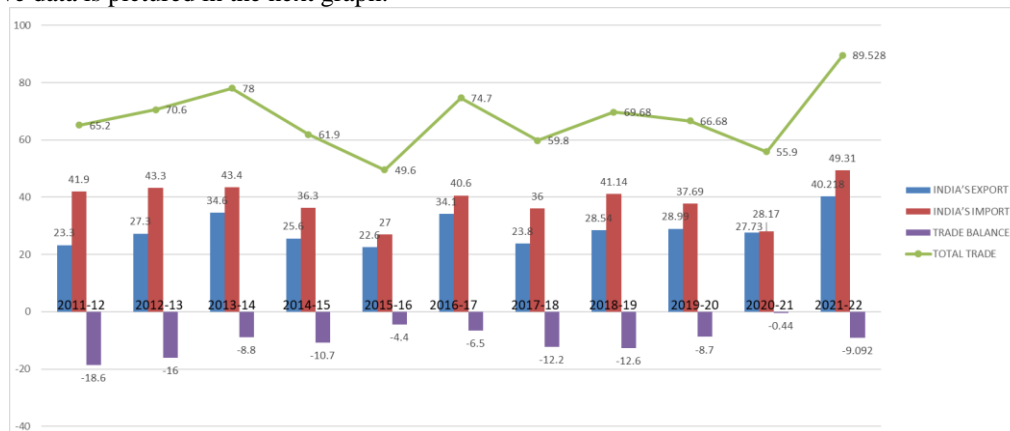


Figure 1 Indian-African Trade 2012–22 [5] [39]

India’s exports and imports both increased significantly between 2021 and 2022. For the same period, China’s imports and exports reached \$117.5 billion and \$164 billion, respectively, up 10 percent and 14 percent from the previous year. Indian trade with Africa expanded by 39.7% between 2021 and 2022, which is significant yet inconsistent compared to Chinese-African trade growth. The main commodities driving the growth of trade between India and Africa are fertilizers, precious stones, copper goods, mineral fuels, iron and steel, and grains. As a result, trade between India and African countries has greatly expanded in the past year. However, it is uncertain if India will be able to maintain this rate of development going forward. [6] [5]

Trade with African Countries

Indian trade with African countries is skewed towards a relatively small number of countries, focusing on South Africa, Egypt, and Nigeria. In 2022, the top 10 trade partners accounted for 76% of total trade between India and Africa.

The following table represents India's top 10 trading partners in Africa:

Table 2: India's Top 10 trading partners in Africa

Rank	Partner Name	Exports (USD Bn)	Share (%)	Partner Name	Imports (USD Bn)	Share (%)
1	SOUTH AFRICA	6.09	15.41%	SOUTH AFRICA	10.97	22.69%
2	EGYPT	3.74	8.13%	NIGERIA	10.29	12.01%
3	NIGERIA	4.66	6.39%	EGYPT	3.52	6.41%
4	TOGO	3.01	4.74%	GUINEA	3.62	4.95%
5	KENYA	2.63	4.38%	MOROCCO	2.24	4.37%
6	TANZANIA REP	2.30	3.37%	ANGOLA	2.73	4.06%
7	MOZAMBIQUE	1.98	3.03%	TANZANIA REP	2.28	3.02%
8	SUDAN	1.08	2.56%	MOZAMBIQUE	1.88	2.70%
9	MOROCCO	0.96	2.33%	GHANA	1.50	2.33%
10	GHANA	1.11	1.93%	CONGO P REP	1.31	2.11%

Source: Ministry of Trade and Commerce, Government of India ^[51]

In 2022, the top 10 trading partners for Indian exports to Africa accounted for 52.26 percent of all exports, including South Africa (15.41 percent), Egypt (8.13 percent), and Nigeria (6.39 percent). South Africa (22.69 percent), Nigeria (12.01 percent), Egypt, and the other top 10 trading partners account for 64.66 percent of India's imports to Africa (6.41 percent). ^[51]

Even though the proportion of imports and exports in absolute terms is still tiny, Mozambique (106 percent), Tanzania (92 percent), and Togo (83.4 percent) have all experienced significant increases from the previous year. Despite a decline in trade with Sudan, Morocco, Togo, and Egypt exhibit the biggest rise in Indian exports, while Tanzania, Mozambique, and Egypt show the highest growth in Indian imports. ^[51]

However, there are countries, such as Angola and Zambia, where India has not utilized its trade potential. "Improved revenue will hit state accounts in natural resource-rich African exporters like Angola (oil) and Zambia (copper)," said Kai Xue, a Beijing-based investment lawyer. While China's absolute trade with India's top partners is multiple times India's trade, the overlapping of trade partners also proves the need for expanding trade relations and the potential for the same. ^{[51] [31]}

Trade in commodities

Exports

Identifying commerce between India and Africa from a commodities standpoint is also possible. Indian exports have shown diversity in trade expansion and reduction in the past few years. In recent years, Indian exports have been diversified into commodities, with mineral fuels (21.55%) being the largest, followed by cars and parts (10.38%), pharmaceuticals (9.38%), and cereals (8.49%). ^[51]

The major goods that India trades with Africa are shown in the tables below:

Table 3: India's Exports to Africa (2022)

HSCode	Commodity	2021-2022 (in USD millions)	Growth (%)	% Share
27	MINERAL FUELS, MINERAL OILS, AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES	8,667.76	147.6	21.55%
87	VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING STOCK, AND PARTS AND ACCESSORIES THEREOF.	4,174.17	57.47	10.38%
30	PHARMACEUTICAL PRODUCTS	3,772.25	-1.19	9.38%
10	CEREALS.	3,413.72	19.67	8.49%
84	NUCLEAR REACTORS, BOILERS, MACHINERY, AND MECHANICAL APPLIANCES; PARTS THEREOF.	2,371.96	25.34	5.90%
39	PLASTIC AND ARTICLES THEREOF.	1,509.01	49.44	3.75%
72	IRON AND STEEL	1,422.30	206.16	3.54%
17	SUGARS AND SUGAR CONFECTIONERY.	1,402.66	54.96	3.49%
85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS; TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS; AND PARTS.	1,329.41	36.61	3.31%
52	COTTON.	1,078.89	43.5	2.68%
29	ORGANIC CHEMICALS	920.29	57.47	2.29%
	Total	40,218.18		

Source: Ministry of Trade and Commerce, Government of India ^[51]

Designated nations might likewise be held responsible for India's exports to Africa. India exports non-crude petroleum oil to South Africa, Tanzania, Kenya, Mozambique, and Togo. Exports of pharmaceuticals go to Kenya, Egypt, and Nigeria. Egypt is also a major trade partner in importing meat (19.75% of Egypt's Indian imports), iron and steel (13.8%), and cotton (7.6%). [7]

With the exception of pharmaceutical items, India's exports of all main commodities have significantly increased. The industries with the fastest growth are iron and steel (206.16%), mineral fuels (147.6%), and automobiles and components (57 percent). Although pharmaceutical exports have decreased, they have nevertheless increased significantly (20%) from the 2018–19 timeframe, which may be linked to COVID-19's medical demands. Clothing and food products (such as edible vegetables, oils, seeds, drinks, vinegar, etc.) have shown negative growth from the 2018–19 data in the exports of several commodities that are worth noting. [5]

Even though the AfCTFA is a significant market for Indian goods, it is still important to diversify Indian exports, paying particular attention to more manufactured goods. India's exports to Africa continue to rely heavily on processed mineral fuels, despite its fast economic expansion, which has a short-term outlook. [5]

Imports

In 2022, just a small number of items from African nations will make up the majority of Indian imports. Mineral fuels make up the majority of all imports, at 49.21%. Following this were fertilizers (4.22%), copper products (4.23%), and precious stones and metals (21.21%). [5]

The following tables represent India's top commodities imported from the African continent:

Table 4: Indian Imports from Africa (2022)

HSCode	Commodity	2021-2022 (in USD millions)	Growth (%)	% share
27	MINERAL FUELS, MINERAL OILS, AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES.	24,271.79	88.23	49.21%
71	NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMIPRECIOUS STONES, PRE.METALS, CLAD WITH PRE.METAL AND ARTICLES THEREOF; IMIT.JEWELRY; COIN.	10,757.41	61.11	21.81%
74	COPPER AND ARTICLES THEREOF.	2,087.84	88.7	4.23%
31	FERTILISERS.	2,083.29	143.44	4.22%
28	INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OR RADI. ELEM. OR OF ISOTOPES.	1,826.89	47.25	3.70%
26	ORES, SLAG AND ASH.	1,294.82	79.98	2.63%
8	EDIBLE FRUIT AND NUTS; PEEL OR CITRUS FRUIT OR MELONS.	1,269.11	33.22	2.57%
25	SALT; SULPHUR; EARTH AND STONE; PLASTERING MATERIALS, LIME, AND CEMENT.	841.98	68.4	1.71%
7	EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS.	765.37	67.43	1.55%
12	OIL SEEDS AND OLEA. FRUITS; MISC. GRAINS, SEEDS, AND FRUIT; INDUSTRIAL OR MEDICINAL PLANTS; STRAW AND FODDER.	622.92	45.78	1.26%
India's Imports from Africa		49,319.78		

Source: Ministry of Trade and Commerce, Government of India [5]

India's major trade partners in terms of imports involve Nigeria, Angola, and Angeria for mineral fuels; Ghana, South Africa, and Botswana for precious stones and metals; and vegetables, metals, and minerals from Benin, Sudan, Zambia, South Africa, Morocco, and Cote d'Ivoire. Relationships with some countries in terms of imports are too narrow, such as mineral fuels from Angola (91% of India's imports from Angola) and Egypt (60%). [7] [5]

Imports of all major commodities have increased significantly in recent years, but particularly those of fertilizers (143%), copper and items (88.7%), and precious ore and metals (61 percent). Due to the lower base in 2020–21, mineral fuels are not included, which produces inaccurate estimates when compared to imports in prior years. In three years, imports of copper products from Tanzania and South Africa increased 30 times; similarly, imports of precious stones and metals from Guinea, Angola, Ghana, and South Africa increased 22 times. [5]

While imports of raw materials have increased, imports of manufactured goods have decreased in recent years for items including glass and glassware, iron and steel, plastic and items, ceramics and wood, and straw and articles. Particularly, imports of goods relating to glass fell from \$7.8 billion in 2018 to \$16 million in 2022. In a similar vein, imports of goods related to iron and steel fell from \$700 million to \$11 million between 2018 and 2022. [5]

Focus Areas/ Missing from the trade basket

Although trade between India and Africa has grown over the years, there is still untapped room for growth. There are some commodities with untapped potential or that are absent from the main trade baskets. Indian imports from Africa are still primarily made up of raw commodities, despite the fact that Indian exports have become more diverse over time. Although there is some diversification in exports, the top 5 commodities account for more than 50% of all exports. In order to potentially benefit from AfCTFA, develop the trade over time, and realize its potential, it is crucial to diversify Indian-African trade. ^[4]

According to the International Trade Center (ITC), the commodities with the greatest untapped potential in terms of Indian exports are fish products (\$305 million), clothing and apparel (\$80 million), insecticides (\$705 million), and agglomerated iron ore (\$450 million). Although these goods do not rank among the top commodities exchanged between India and Africa, they might increase trade between the two continents by \$1.5 billion by 2027. The goods with low exports from India to Africa include cereals such as rice and wheat (\$3.5 billion in unrealized exports), pharmaceuticals (\$1.1 billion), vehicles and parts (\$1.49 billion), and iron and steel (\$0.834 billion). Varying amounts of untapped potential exist for these commodities, with cereals, pharmaceuticals, and vehicles and parts accounting for 55%, 24%, and 35% of exports that have yet to realize their full potential, respectively. These highlight the lack of export potential and the danger of losing the market to other nations like China. ^{[8][9]}

Mineral fuels are one of the key raw commodities that India buys from Africa, although there is still room for more imports. Cashews (\$1.5 billion), ore (\$1.41 billion), chemicals (\$0.5 billion), and precious stones and metals like gold and platinum (\$5.4 billion) make up the majority of these unrealized imports. These products still need raw materials, highlighting how underdeveloped Africa's industrial industry is. However, some commodities, including cocoa, vegetable oil, and wood products, which have unrealized markets of \$100 million, \$120 million, and \$310 million, respectively, can create a market in India. African exports to India are predicted to increase in variety as a result of the AfCTFA's expected expansion of manufacturing and agriculture throughout the continent. ^[9]

In terms of future diversification, India's focus should be expanding trade with information technology (IT) products and engineering goods. Computer and telephone equipment, data processing machines, data storage units, and other electronic equipment comprise more than \$8.7 billion of Africa's imports from the world. This demand will further increase with the successful launch of AfCTFA; however, Indian exports of these products remain limited.

Investments

Overview

India has made a total of \$74 billion in investments in Africa, with lines of credit (LOCs) representing \$12.26 billion of that total in 2022. ^[11] Africa's FDI surged dramatically in 2022, doubling from \$39 billion in 2020 to \$83 billion (5.3 percent of worldwide FDI). ^[12] India is now one of the top five investors in African countries, with \$1.49 billion in FDI outflows from India in 2022, a 60% decrease from the \$3.76 billion FDI outflow in 2021. ^[13] China is the largest FDI investor in Africa followed by the United States and the United Kingdom. In the years 2015–21, China made investments totaling \$26.79 billion, while India made investments totaling \$23.97 billion. India's FDI stock, on the other hand, may be estimated to be just \$15 billion in 2020, compared to China's FDI stock of \$43 billion. ^[14]

India invests mostly in nations like Mauritius (84%) and Mozambique (11%), as well as South Africa (1 percent). The majority of Indian capital is attracted to the tax haven of Mauritius, whereas China invests equally in all resource-rich nations, with the majority of FDI going to South Africa (13 percent), Congo (9 percent), Zambia (7 percent), Ethiopia (7 percent), Angola (7 percent), etc. China has increased its FDI in Africa, investing \$5 billion there in 2021, more than double what India did in the same time frame. ^{[11][14]}

In terms of cumulative FDI flow (between 2000 and 2022), Mauritius accounted for 99% of India's FDI influx from Africa, making Mauritius India's greatest FDI investor at \$162 billion (26 percent of total FDI). Mauritius increased its investment in India by 66% from the previous year to \$9.4 billion in 2022 (16% of India's FDI inflows). Due to reduced taxes in Mauritius, the Double Taxation Avoidance Agreement (DTAA) between India and Mauritius permits round-trip investments, which has been the main driver of significant investments. ^[15]

India receives Investments from other countries as South Africa, Seychelles, Mozambique and Uganda, in a variety of key sectors such as Telecommunication services, Cement Manufacturing, Financial leasing, Power Generation, etc. South Africa invests in healthcare services, pharmaceutical manufacturing, and financial services, while Seychelles and Mozambique invest in pharmaceutical manufacturing. ^[1]

India's investments in Africa are focused on trade financing: financial services (30.24%), trade facilitation: logistics and communication (21%), manufacturing (18.9%), and agriculture and mining (13.56%). The following data represent Indian investments in Africa during 2015–22 by sector:

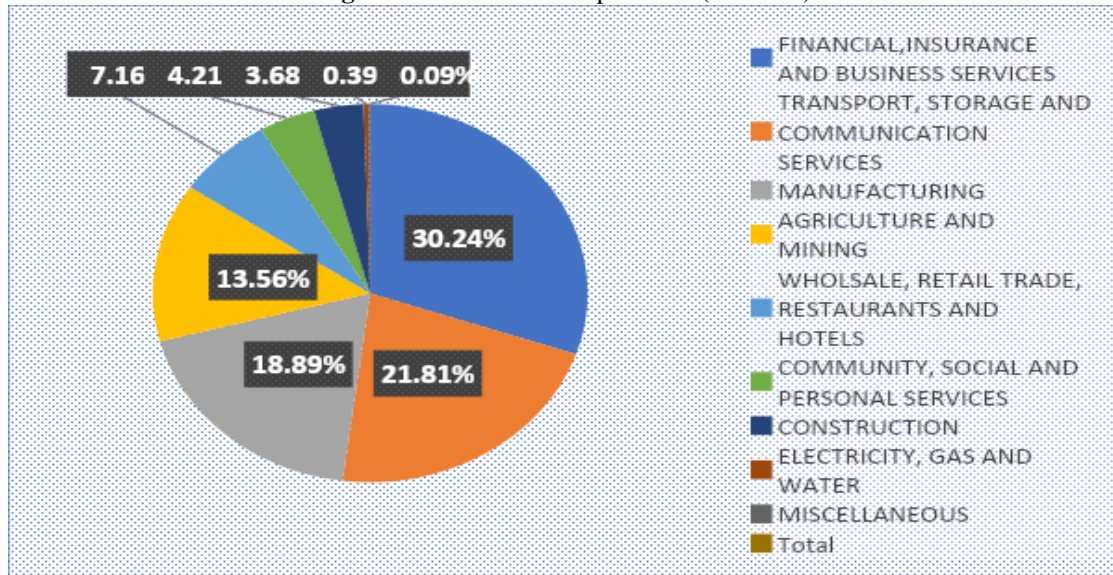
Table 5: Indian FDI investments in Africa (2015-22)

Activity	Total (USD Bn)	Share (in %)
FINANCIAL,INSURANCE AND BUSINESS SERVICES	7.67	30.24%
TRANSPORT, STORAGE AND COMMUNICATION SERVICES	5.53	21.81%
MANUFACTURING	4.79	18.89%
AGRICULTURE AND MINING	3.44	13.56%
WHOLESALE, RETAIL TRADE, RESTAURANTS AND HOTELS	1.82	7.16%
COMMUNITY, SOCIAL AND PERSONAL SERVICES	1.07	4.21%
CONSTRUCTION	0.93	3.68%
ELECTRICITY, GAS AND WATER	0.10	0.39%
MISCELLANEOUS	0.02	0.09%
Total	25.38	

Source: Data on Overseas Investments, Reserve Bank of India (RBI), 2022^{[11][13]}

The above data is pictured in the next graph.

Figure 2: FDI outflow as per share (2015–22)



Source: Data on Overseas Investments, Reserve Bank of India (RBI), 2022 ^{[11][13]}

Sector-wise Investments

In the recent years 2020–22, India’s investments in Africa have been focused on agriculture and mining (46.7%), financial and business services (19.84%), and transportation and communication services (14.71%). ^[13] Though investments in sectors remain uneven, India has expanded the scope of investments in the past decade to include industries and related services.

Agriculture and Manufacturing

India’s \$2.45 billion (in 2021) investment in agriculture and mining sectors in Africa was led by ONGC Videsh's \$2.4 billion FDI to Africa, owing to the Indian consortium's decision to collectively invest \$20 billion in the two-train Golfinho/Atum Mozambique LNG Project in 2019. However, the project was put on hold in 2021 due to unforeseen circumstances in Mozambique, dropping FDI in the sector to \$149 million in 2022. Chinese firms invested more than \$800 million in the mining sector in 2020, which has since dropped in subsequent years. ^{[16][13][21]}

India invested \$161 million (2022) as FDI in the manufacturing sector, a 27% decrease from 2021 in Africa. India’s major investors in the sector are Mahindra & Mahindra (M&M), ONGC Videsh, Indian Oil, and Solar Industries India Ltd. ^[13] A third of Chinese businesses investing in Africa are in the manufacturing sector, despite the fact that India is still a modest player in comparison to Chinese firms, which account for 12 percent of the \$500 billion annual industrial output of Africa. ^[19] While Indian Oil and ONGC Videsh continued to engage in onshore oil projects in African nations, Indian M&M became the automaker in South Africa with the fastest brand growth. ^[24]

Ethiopia's sugar industry expansion was one of the largest projects that India funded, costing US\$640 million. It was authorized in 2008 and moved forward over the next six years.^[35] Some notable manufacturing businesses owned by Indian firms include Alkem Laboratories, which manufactures and sells drugs for chronic diseases throughout the Common Market for Eastern and Southern Africa (COMESA); JK Metal Industries in Ethiopian aluminum cookware manufacturing; automotive and aircraft parts maker IM Gears investment in Morocco; a joint venture between Indian companies, Coromandel International and Gujarat State Fertilizers & Chemicals; and the Tunisian group formed by Compagnie des Phosphates de Gafsa and Groupe Chimique Tunisien (CPG-GCT), which manufacture fertilizers in Tunisia.^[43]

Trade Facilitation

Indian FDI in digital infrastructure fell drastically, by 99 percent, to \$4.2 million in 2022 from \$769 million in 2021. The largest investment in digital infrastructure will take place in 2021 because of Bharti Airtel's purchase of Mauritius-based Network i21 Ltd. I21 is in charge of establishing the network and communication channels for the underwater cable systems that transfer data over the ocean.^{[13][17]} Chinese companies dominate digital infrastructure in Africa, with Huawei building over 50–70 percent of 3G and 4G networks in Africa.^[1] Indian presence in the sector is inappropriate in comparison with a less than \$4 million fresh investment in 2022.^[13]

China's investments in Africa have been focused on the construction sector (35% of Chinese FDI 2020, i.e., \$1.4 billion) and mining (21%, or \$0.88 billion). India's presence in the construction sector remains negligible, with only \$11.9 million in FDI outflows to Africa in 2020–22.^[18] Meanwhile, China increased its FDI stock in the sector by \$2.8 billion in 2019–21. China owns more than 50% of Africa's international construction market, with heavy investments in infrastructure and transport routes due to the Belt and Road Initiative (BRI).^{[1][19][21]}

Transport and logistics are crucial components of trade facilitation. In order to turn Tanzania's capital, Dar es Salaam, into a logistics and transportation center, the UAE and India inked an MoU with the Indian logistics and port operator business Adani Ports & SEZ.^[28] China has continued to invest in the linked infrastructure, reaching \$155 billion in total investment over the previous ten years through its Belt and Road Initiative, whereas Indian investment in logistics and transportation remains restricted in Africa (BRI).^[29] India has received criticism over the years for delivering projects less effectively than China, which has prevented the full potential of its investments from being realized.^[30]

Trade Financing

The most heavily invested sectors from India to Africa are financial, insurance, and business services, which in 2015–22 accounted for 30% of FDI outflows. In 2022, India contributed \$726 million (48 percent of FDI) to the industry. India has a competitive edge over China in this market since China's net stock has dropped from \$5.2 billion in 2019 to \$4.2 billion in 2021.^{[31][19]} Major investors in the sector are KEC International Ltd., TATA Power Company Ltd., Advanta Enterprises Ltd., and Mahindra & Mahindra Ltd. These investors provide a range of services like financial intermediation, forensic accounting, insurance, consultancy services, legal services, risk assessment, etc. through their subsidiaries in Africa.^[26]

A roadblock for trade amplification between the two economies is in terms of trade financing, which is mainly dependent on line-of-credit, inter-party credit, and finance through export-import banks. Indian Bank's presence in Africa is weak, with most branches in Mauritius (9 branches), Kenya (5), and South Africa (5).^[1]

Some Policies and Initiatives

With the organization of the Indian-African Summit and the CII-EXIM Bank Conclave, India's relationship with Africa has significantly changed during the past few years. Since 1991, India has made a total of \$73 billion in investments in Africa, providing more than \$12 billion in loans at preferential interest rates through initiatives like the Indian Development and Economic Assistance Scheme (IDEAS). India has provided duty-free tariff preference to 33 African countries, allowing duty-free access to 98.2% of total tariff lines.^[20] However, China's aggressive investments in infrastructure development and resource extraction have undermined India's presence in Africa. China has lent over \$160 billion (2000–20) over 1,188 loan commitments in a wide range of sectors.^[19]

India has completed 197 projects, in addition to the current 65 ongoing projects and 81 planned projects. The initiatives, which comprise \$700 million in grants to Africa, cover a wide range of topics including water, rural solar electricity, irrigation, power, cement, sugar and textile industries, railways, etc. India has launched many initiatives to deepen its collaboration with Africa.^[20]

The initiatives by the government (through the Export Import Bank) are complemented by private-sector undertakings through the use of a line of credit (LoC), buyer's credit, and finance for joint ventures. Such

initiatives include the "Focus Africa" Program, an initiative by the GoI launched in 2002 that aims to expand trade between the continents through lines of credit and EXIM policies. ^{[11][23]}

African and Indian collaboration reaches continental interconnectivity through the Asia-Africa Growth Corridor in 2017, which is a collaboration between India, Japan, and Africa, as well as the Sagarmala Project. India has also contributed to Africa's telecommunication and digital infrastructure through initiatives like Digital Infrastructure for Knowledge Sharing (DIKSHA), India's online learning platform, and Pan African e-Network (PAeN), a joint initiative of the African Union (AU) and the Government of India (GoI) to provide tele-education and tele-medicine services to African countries. ^{[11][20]}

Directly or indirectly, a number of multilateral initiatives have increased commerce between India and Africa. Among these initiatives is Supporting India's Trade Preferences for Africa (SITA), which was established in 2014 under the UK's FCDO Aid for Trade Initiative and has facilitated an increase of \$60 million in trade and an increase of \$111 million in investments between small and medium-sized businesses in India and African nations (mainly Ethiopia, Kenya, Tanzania, Uganda, and Rwanda). There are already programs in place, such as the Programme for Infrastructure Development in Africa (PIDA), a collaboration between the African Development Bank (AfDB), the New Partnership for Africa's Development Planning and Coordination Agency, and the African Union Commission (AUC), which aims to improve lacking trade facilities and contribute indirectly to trade between the economies. ^{[11][22]}

Capacity Building Overview

The capacity-building collaboration between India and Africa has grown significantly in recent years, and several initiatives and partnerships have been established to fortify links between the two continents. Many governmental and private-sector organizations with connections to India currently have networks set up across Africa. ^{[20][31]}

India still gives the development of Africa's capacities and the implementation of the decisions made at the First India-Africa Forum Summit top importance. For many years, India has helped African nations through technical support, capacity building, and other types of aid. ^[32] At the Third India-Africa Forum Summit (IAFS) (2015), India promised to offer US\$10 billion in concessional loans, US\$600 million in grant aid, and 50,000 scholarships to African students. These promises have already been fulfilled, but India hasn't set an equivalent target since the previous summit. ^[37]

Despite the fact that the COVID-19 pandemic is primarily to blame for India's inability to host the fourth iteration of the IAFS, India ought to do so as soon as possible, especially since many of Africa's major international development partners, including the United States (US), China, Turkey, Japan, and the European Union (EU), have recently hosted their own summits. Even Russia has scheduled a second Russia-Africa meeting for July 2023 in Saint Petersburg. ^[37]

Trade Facilitation

Logistics and Transportation: As the AfCFTA is implemented and intra-African trade grows, there will be an even greater demand for logistics and transport services. With the implementation of the AfCFTA, marine traffic is expected to grow from 58 million to 132 million metric tons by 2030, while 60% of intra-African exports would be delivered by land. India has ongoing agreements with several of the Regional Economic Communities (RECs) and has created a procedure for their implementation in order to achieve regional integration in Africa and promote international interactions. ^{[21][33]}

India agrees to consider offering financial support to efforts for integration carried out by the RECs and the African Union that have been mutually agreed upon, especially those of inter-regional and continental significance. India would use a \$300 million line of credit to finance regional integrational infrastructure projects through the AU. In comparison to China's renowned Belt and Road projects and other initiatives of a similar nature, India's involvement with this sector continues to be less than ideal. ^[32]

In an effort to improve bilateral defense and trade relations, Dr. S. Jaishankar, India's Minister of External Affairs, traveled to Mozambique and Uganda in March 2023. With the transport minister of Mozambique, topics such as river connection, electric mobility, and railway network expansion were discussed. Using a US\$95 million concessional line of credit, Dr. Jaishankar boarded a train in a diesel-electric motor unit (DEMU) that was imported from India (LOC). India has granted Mauritius LoCs worth \$765 million for the 2020–22 period in order to carry out a number of infrastructure projects, including Metro Express Project IV. ^{[37][41]}

Digital Infrastructure: In 2019, only 25 percent of Africans currently have an internet connection, and only 45 percent own a smartphone. But it is anticipated that by 2030, when 75 percent of Africans are expected to have access to the internet, Africa will have roughly caught up to the rest of the world. ^{[8][34]}

Over the years, Indian private businesses have made investments in cutting-edge technology to support the development of African countries through a number of channels, including the use of government programs

such as grants and lines of credit. In Kenya and Botswana, India has invested in IT education. Nations including Ghana, Tanzania, and Uganda have received high-end computers. The Ghana-India Kofi Annan Centre of Excellence in Information and Communications Technology was founded with assistance from India and is located in Accra, the capital of Ghana. The establishment of a comparable IT center in Ethiopia has also been agreed upon by India and Ethiopia. Through the e-Arogya Bharati and e-Vidya Bharati networks, India has also begun the second stage of the Pan African e-network in 2019. This is done to promote communication with Africa through online resources.^[20] In addition to the e-VidyaBharti and e-ArogyaBharti Network Project (e-VBAB Network Project), the Ministry of Education of India launched the Digital Infrastructure for Knowledge Sharing (DIKSHA) online learning platform in Africa in September 2020.^{[11][34]}

India has given much importance to skill development research and knowledge sharing between partnered countries. In addition to the Indian Technical and Economic Cooperation (ITEC), there are similar policies in the Special Commonwealth Assistance for Africa Programme (SCAAP) and the 1951 Colombo Plan Technical Cooperation Scheme (TCS). Along with the C V Raman International Fellowship, India provides scholarships, training, the deputation of Indian experts abroad, knowledge sharing, research assistance, and study tours in India. Between 2013 and 2014, students from 161 countries were given a record 8,000 spaces in 280 courses at 47 Indian educational institutions. Students from Africa made up a sizable portion of the beneficiaries.^{[36][32]}

India's digital revolution and programs like Digital India, BharatNet, Pradhan Mantri Jan-Dhan Yojana, RuPay, and IndiaStack can help Africa. Africa has its own projects, including Ghana's national identity card, the "Ghana Card," Nigeria's "Jumia" e-commerce venture, and Kenya's M-Pesa, which was introduced in 2007. The retail payment system and payment infrastructure in Africa have changed as a result of digitization. As a result of better financial inclusion, which was facilitated by this, e-commerce has grown in Africa.^[39]

Trade Financing

Since 2003, India has used concessional lines of credit (LoC) as one of its primary development partnership instruments to fund the building of railway lines, electrification and irrigation projects, agriculture mechanization projects, and other projects. The trade financing deficit in Africa remains at USD 82 billion in 2019, with 40% of African commerce remaining bank-intermediate, compared to 80% internationally, and MSMEs facing a \$331 billion funding gap.^{[8][38][40]}

The Indian EXIM Bank announced the Trade Assistance Program in 2021, offering full or partial guarantees to cover the risks of participating commercial banks in emerging markets, including Africa. India provides concessional loans in order to promote projects in Africa; however, these loans are by far lagging behind in comparison to China's aggressive lending.^{[19][27]}

In accordance with the Plan of Action and the India-Africa Summit, financial resources will be allocated to support African integration through the provision of regional financial infrastructure. India promised, among other programs, support for capacity building and the development of Pan-African stock exchanges; consultations between African Ministers of Finance and Economic Development and their Indian counterparts to exchange experiences; and the sharing of experiences on domestic savings mobilization.^[32]

The LoCs are expected to help Indian companies create new markets, foster export growth, build good relations with countries that are important sources of food, energy, and resources, and contribute to the country's image abroad. So far, India has sanctioned 182 LoC projects in Africa via the Export-Import Bank of India, with a total credit commitment of around US\$ 10.5 billion, representing 42 percent of the total LoCs offered by EXIM Bank.^{[38][39]}

Agriculture and Manufacturing

Despite having 60% of the world's arable land, Africa contributes just 10% of the world's production. India and Africa have been working together to enhance the output of African farmers. India has supported agricultural research through a number of organizations that improve agricultural capability, which has helped the African agricultural industry. Nearly 50,000 scholarships and training opportunities for graduate, postgraduate, and postdoctoral studies in India have bolstered the exchange spirit between the two regions.^{[35][39]}

India's agricultural cooperation with Africa has often relied on agribusiness incubator institutes. The Agri-Business Incubation (ABI) program, food-testing laboratories, soil testing, and the Soil Health Card are the four main types of institutions and components that have been suggested for agricultural development and food security.^{[32][39]}

India has launched a number of initiatives to support manufacturing in Africa, whether via research, skill development, information exchange, or organizations like the Entrepreneurship Development Institute of India (EDII), which has a presence in 17 African nations. Two pilot-scale 'Skill Schools for Apparel Manufacturing' were established in Nigeria and Malawi to teach local youngsters about garment manufacturing. The Duty-Free and Tariff Preference (DFTP) Scheme of India continues to be advantageous to Africa's least developed countries

(LDCs), providing them with access to the developing Indian market for goods and services. The following initiatives will be put into practice to enhance business-to-business ties, entrepreneur development, and communication with the private sector: ^[32] ^[35]

A variety of strategies have been included in the Plan of Action to enhance capacity, including the creation of an India-Africa Business Guide to promote prospects for trade and investment between the two continents through the respective Chambers of Commerce; holding regional business councils or meetings with Indian and African business owners to discuss the potential for cooperation between the two continents' economies (CII-EXIM Bank Conclave); enhancing industrial supply-side competitiveness; and exchanging best practices between Indian and African entrepreneurs. ^[32] ^[35]

Energy-based infrastructure is necessary for proper industrial growth. 44 African nations are members of the International Solar Alliance (ISA), and India has provided \$2 billion in concessional financing for solar energy projects in Africa. The construction of a 500 MW solar power plant in Mali would be overseen by NTPC Limited (formerly the National Thermal Power Corporation) under the terms of the ISA. India committed to building solar energy infrastructure in Zimbabwe, Togo, Mozambique, and Guinea in 2019–20 for around \$600 million in LoCs. Additionally, with an investment of \$8 billion, India and Egypt have decided to build a green hydrogen plant in the Suez Canal Economic Zone with a 20,000-metric-ton annual capacity. ^[42] ^[41]

III. The AfCFTA opportunity: what potential advantages does it afford India's trading relationship with African countries?

The African Continental Free Trade Area (AfCFTA), which was formally established in 2021, will create a single market with a projected population increase of 1.7 billion people and \$6.7 trillion in consumer and industry spending by 2030. In 2022, Africa's combined GDP was measured at \$3.4 trillion. The continent has significant potential for increased trade. By 2035, there will have been a 32 percent increase in total export volume. ^[33] ^[2]

According to the World Bank's projections for the AfCFTA, services will rise by 109 percent, agriculture and food by 80 percent, and manufacturing exports to Africa will grow by 134 percent by 2035 compared to current levels. The gains are estimated to be worth \$445 billion in US dollars by 2035. The Globe Bank anticipates that Mauritius, Senegal, and Ethiopia will see the largest increases in exports, while Mauritius, Nicaragua, and South Africa will see the largest increases in imports from the rest of the world. India has the distinct benefit of having established relationships with important African nations and the knowledge necessary to capitalize on the business opportunities provided by AfCFTA. ^[2]

Regional organizations in Africa have provided varied degrees of tariff preferences through AfCFTA, covering anywhere from 75% of tariff lines (EAC, SACU, and S. Tomé and Príncipe) to 100% (CEMAC, Comoros, Egypt, Seychelles, and Zambia). Through the Services Protocol, the AfCFTA seeks to establish a framework for trade in services throughout Africa and create a single liberalized market. The AfCFTA has a lot of potential if steps are taken to liberalize the business, financial, and transportation services sectors. ^[8]

The strengths of the Indian industrial sector may be used to accelerate the digital transformation through innovation and technology transfer, establish cross-border supply chains to help generate wealth, income, and jobs, and construct ports, airports, roads, and other infrastructure to ease trade. The AfCFTA's objectives ought to be in line with these growth initiatives. ^[44]

“We can help each other with raw materials, technologies, manufacturing, ideas, and potential investment. We can help each other in education, health, and pharmaceuticals, and we can help each other become part of global value chains. And I think that's something that's very important for both of us. We can do that. There is a great feature for our partnership,” according to commerce secretary BVR Subrahmanyam at the 17th CII-EXIM Summit. ^[45]

Like how India and Egypt boosted their ties to the level of a strategic partnership in early 2023, India could step up the level of its trade connections with African nations. In accordance with this framework, the two nations decided to intensify their bilateral cooperation in four areas: commerce and economics, political and security concerns, cultural and intellectual exchanges, and scientific and technological collaborations. India has also made attempts to include the African Union in international organizations by inviting Egypt and Nigeria to join the G20 and the International Solar Alliance (ISA). ^[46]

AfCFTA brought into focus some key areas that could have an impact on future relations, including bilateral trade between India and African countries, service trade (particularly in technology, IT, health, education, financial, and legal services), infrastructure development for supply chain efficiency, youth and women's development, and health and digital infrastructure.

There are a few challenges that could prevent a seamless transition to modern policies under the AfCFTA, such as infrastructure concerns, restricted access to financing, poor market expertise, and political, linguistic, and cultural impediments. The level of connectedness between African nations, particularly between their major cities, will be crucial to the AfCFTA's success. There is a need for a more inward-looking approach to transportation

development, one that goes beyond national and global transportation corridors. To overcome these challenges, India must contribute significantly. The public and private sectors must work together in both India and Africa. Given the scope of market opportunity made possible by AfCTFA, India has to aggressively think about enhancing its international ties with the continent of Africa. ^[44] ^[2]

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