

## **India-Africa Economic Relation: Nature, Drivers and Challenges**

**Abstract:** This article is a brief review made on more than 65 related articles published from 2005 to 2017 in India-Africa bilateral economic relation with the intention of identifying the prevailing themes on the nature of the relationship, major challenges and opportunities and the drivers of the economic engagement.

The analysis showed that the relationship is mutually beneficial for both actors and sustainably so due mainly to its nature of complementarities; proximity and common historic ties; capacity building and technical assistance focus; market and technology sharing.

The challenges in the relationship include sustainability of natural resource trade and agricultural land grabbing by Indian firms, marginalization of small holder in agricultural research and development, lack of aid harmonization, business environment and logistic difficulties and increasing trade cost, lack of coordination of the private actors from India in Africa. On the African side, lack of clear policy and strategy for the engagement, sustainable use of natural resource, limited trade diversification and logistics, infrastructure deficiencies, weak governance and institutions and rent seeking, etc.

Major drivers of the relationship include the demand for energy and market as well as role on global governance and security from India region and export access, capacity building, technology transfer, infrastructure finance and manufacturing sector development are Africa's major motives behind the relationship.

**Key words:** India, Africa, bilateral relation, nature, drivers, challenges

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### **I. INTRODUCTION**

India and Africa have enjoyed long standing relationship in commerce since Nineteenth Century (P. Richard 1974) and the two regions shared interconnected history. Economic flows in the form of trade, FDI and aid between the two regions have increased dynamically in the last two decades due to India's attraction towards oil and mineral rich African countries. Besides these, India remains to be a knowledge partner to Africa and Africa is becoming strategic partner for India as an alternative source of energy and raw materials. Moreover, African votes are becoming essential for India in gaining a seat in UN Security Council and general security issues place Africa at the centre of Indian foreign policy as Africa is India's offshore neighbour across Indian Ocean (P. Kragelund 2010).

The frame work of analysis on this article has three sections: The nature of the relationship; associated challenges and opportunities and major drivers of the relationship.

### **II. NATURE OF INDIA-AFRICA ECONOMIC RELATION**

From the review made on more than 65 articles published in journals since 2005 on India –Africa economic relation, the following four major themes and underlying trends are prevailing in the nature of the relationship.

#### ***A revitalized relation in continuity and change***

The Indio-Africa economic relationship is historical and time tested in all measures. Until the end of cold war; neutrality, anti-colonial policy and the anti-apartheid diplomatic support were the guidelines of India-Africa's relationships. Cultural links have been playing significant role in bridging the relationship, especially with the East African Region (Sarah B. Glen 2012).

The relationship is revitalized in the last two decades due to increased dynamisms in the Indian economy as well as improvement in African economies besides diplomatic efforts. It is becoming multilayered, depicting South-South collaboration features based on the principle of sovereignty and non-interference. This can be viewed as a renewed interest from India in Africa and S-S cooperation (Gerard Mc Canne 2010).

It is also a new framework developing in a manner different from North-South cooperation basing itself on donor-recipient patterns. The relationship is modest but growing (A political economy approach, n.d). It is

creating a new platform for South-South dialogue and framed as a partnership between equals (P. Kragelund 2010).

The relationship is witnessing a substantial re-engagement of India in Africa involving bilateral and multilateral initiatives (Rani D. Muller & K.Arora 2016). Globalization and India's development and economic openness created a new stage for cooperation (Paulo F. Visentini 2014). The engagement has become multilayered and there is significant progress on the relationship from a linear one to a multi-dimensional one (Dubey, A. & Aparajita B. 2016). This re-invigorated relationship with African Continent takes at three levels: Pan African, Regional and Bilateral (Rani D. Muller & Kashyap A. 2016; Vinicius T. Oliveria, n.d). It has shown features of continuity and change in the evolving relation with Africa (Ruchita B. 2011).

But there is some doubt from authors that as India develops its interest, S-S solidarity declines and this will have some implication for India-Africa relation (Ian T. 2012).

#### ***Engagement is dominantly private in nature***

Typical Indian firm tends to be in the private sector. Government is only enabler and its diplomatic expertise are limited (Nagesh K. 2008). Indian investment is mainly led by the private sector (Hill Charlotte 2015). Smaller Governmental support, low political profile, predominance of economic acting from Delhi is the feature of India's engagement (Paulo F. Visentini 2014). India's foot print in Africa is private sector led and its diplomatic presence is limited although is picking up (Alex Vines 2010). India's private sector lacks the financial and political backing from the State (Fantu Cheru & C. Obi 2010).

Indian firms operating in Africa are largely privately owned or private-public partnerships and are less vertically integrated. They procure both materials and labour from host countries and are less neo-colonial in nature (Sharinee J. 2012). The overwhelming majority Indian owned firms operating in SSA are stand alone, owner managed firms (John H., et al. 2008).

Indian firms both public and private have gained notable presence in African Continent (Anwar, M.A. 2014, Sharinee J. 2012, CII 2016, H. Bohale, L & S. Baregu 2013). The investment by public enterprises is characterized by large scale extraction in oil, mining and gas sectors but they fared not very well (Malancha C. 2017).

India's blooming economy, the appetite of its public and private sector enterprises for investing overseas, its leadership in science and technology have together shaped its policy towards Africa (AEB 2011). This dynamism on the part of India is coupled with the increasing receptiveness on the part of African States served as the basis of the relationship (CII 2016).

#### ***Engagement integrating Aid and other financial flows***

Development assistance is closely related to other financial flows. India disburses Aid only via projects to catalyze trade and investment. This has created donor competition, more ownership and greater aid efficiency in the host countries (P. Kragelund 2008). India does not comply with DAC standards in Aid provision (C.R. Bijoy, n.d).

On the other hand, bilateral and multilateral free trade agreements with host countries are found to strengthen ODI flows from India (Alicia G.Herrero & Sumedh D. 2014). Trade and Investment flow are at the heart of India's economic diplomacy and development assistance is linked to trade and investment (Amande L., et. al. 2015).

Other study by Malancha C. (2017) revealed that the correlation between India's development cooperation initiatives and investments in Africa is weak. Hence, better coordination between India's commercial interest and its development cooperation is required according to the author.

#### ***Engagement is mainly complementary and beneficial in nature***

India's policy towards Africa is based on a mutually beneficial relationship with the agenda of S-S cooperation (Dubey, A. & Aparajita B. 2016). Its economic activity in Africa has been mutually beneficial and BOT is in favour of Africa (Sharinee J. 2012) and its role has the potential to help African companies become more efficient by exposing them to competition, new advances in technology and modern labour skill (Nagesh K. 2008). The FDI engagement is mainly in labour intensive industries with high potential for forward and backward linkage and hence, is believed to be beneficial (H. Bohale, L & S. Baregu 2013).

India's increasing positive influence in Africa seems to be advantageous to development and growth in African economies but the management and maintenance of the influence and role is essential (S E. Cloete 2013). India will more likely gain comparative advantage in the medium to long term due to its better education system, proximity to Africa, the presence of Diaspora and its democratic culture (ICCR 2011, Fantu Cheru & C. Obi 2010).

The India-Africa cooperation can enhance their role in global governance structure and geo-economic order (Rani D. Muller & K. Arora 2016).

On the other hand, India is seen as a counter-balance to China in Africa; although investment is smaller in size, scale, a much longer historical presence of an Indian Diaspora in Africa has enhanced smoother and less controversial economic involvement in Africa than in the case for China (Sarah B. Glen 2012, H. Bohale, L & S. Baregu 2013). Moreover, India's system is better institutional fit for some African countries and the dynamic capability allowed them to expand across wider geographic markets and product categories (Kshetri N. 2013). India is better placed to understand the challenges facing Africa, as it faced similar challenges not long ago (Shebonti R. Dadwal 2011).

Many African heads of states have an interest in attracting Indian economic resource with an eye on avoiding overdependence on China (Nagesh K. 2008) and there is a lot of good will towards India- New image as a centre for technology and commerce in Asia (Sharinee J. 2012, Ian Taylor 2012).

With their cost effective technologies and skill, Indian companies could find greater acceptability and success in other developing countries (Nagesh K. 2008). India is of direct interest to East Africa. The basis of the relationship is capacity building and technology transfer (Faith C. Tanui 2015).

### **III. OPPORTUNITIES AND CHALLENGES IN THE RELATIONSHIP**

#### **OPPRTUINITIES**

Different authors examined the beneficial aspects of the Indio-Africa economic relationship and the major areas of benefits can be summarized under the following five categories:

##### ***Knowledge and experience based partnership***

India is well placed to be Africa's knowledge partner as it continues to establish its presence in key sectors such as ICT, automobile, telecommunication etc., and Africa can offer energy and vital minerals to India (CII 2016).

Most African countries lack technology and human resource skills and adequate infrastructure (Shebonti R. Dadwal 2011). The continent is the largest recipient of India's technical cooperation program. Human resource development and capacity building is at the forefront of India's partnership (Ruchita B. 2011). India's growing activities in Africa can have the potential to help African companies become more efficient by exposing to them to competition, technologies and modern labour skill (Ian Taylor 2012, Nagesh Kumar 2008).

India's and China's technical assistance is highly applicable and demanded in the Continent (Tom Mc Carthy 2011) and their experience provides example of good models to African Economic growth (Andrea G. et al. 2006, Fantu Cheru & C. Obi 2010). Africa must profit from the lesson that India learned with economic liberalization began in 1990's and India's long standing secularism commitment, pluralism and democracy (J. Peter Pham 2011). Hence, Delhi's experience is more relevant to African States than any policy advice emanating from the West (Ian Taylor 2012).

Both India and Africa benefit from the agreement of commercial ties, knowledge sharing and best practice exchange and they can enhance their role in global governance structure and geo-economic order (Rani D. Mullen & K. Arora 2016).

##### ***Sustainable partnership with long run mutual benefit***

India -Africa relationship is based on proximity and history, mutual understanding and good will, similar socio-economic and agro-ecological scenarios and focussing on capacity building. The relationship is complementing Africa's needs and focussing on Africa's potential. Many authors proved this in different contexts.

In the long run India has comparative advantage. The impact still is positive in the short run (Fantu Cheru & C. Obi 2010). India continues to have special advantage when its firms invest in Africa because of proximity and history (Kinfu A. 2013). Both actors can benefit from energy and security, education and media landscape, Diaspora and historical ties, general good will etc (AII 2013). Moreover, similar agro-climatic and socio-economic conditions are prevailing for agriculture in Africa and India showing a potential for enhancing the cooperation (CII 2016).

India is better placed to understand the challenge facing African countries as not so long ago it faced similar challenges (Shebonti R. Dadwal 2011). India is investing in the much neglected infrastructure sector in many African countries; doing it cheaply, less bureaucratically and in short time space (Fantu Cheru & C. Obi 2010, Debashis C. & Manoj S. 2016). India's economic activities in Africa have been mutually beneficial and BOT is in favour of Africa. It is less neo-classical in its nature (Sharinee J. 2012).

People of Africa have acknowledged India's support in the past and there is a good will towards India. India should reciprocate, popularizing African studies in India (Ruchita B. 2013). Participation of India's 2.5

million Diaspora is an advantage in this regard (Ruchita B. 2011). East Africa has a long Indian Diaspora heritage. It has helped to fight illiteracy, poverty and colonialism (Faith C.Tanui 2015).

Despite the India-Africa relation being resource extractive in nature, India has recently become actively involved in industrial manufacturing, LOC, development assistance, economic diplomacy through regional blocks (Anwar, M.A. 2014). These ensure long term beneficial role from India.

#### ***Increasing financial/capital flows***

Non-DAC (Development Assistance Committee) donors increased external financial flows, in particular to countries not targeted by DAC Donors. There is a new donor competition, enlarging the recipient's room for manoeuvre (P. Kragelund 2008). In the past five years, China and India have given more grants and loans to African countries than WB and IMF have done in the last 10 years (ICCR 2011).

The influx of Indian aid, capital and personnel had potentially profound development consequences (Faith C.Tanui 2011) and increase in exports, offering project finance, FDI and trade linked capital flows are benefiting host countries in Africa (Andrea G. et al. 2006).

Financial relations are expanding through institution in India-Africa relationship. There are emerging association of Indian banking sector with African Development Bank and financial sector (Exim Bank of India 2017; Shalini B. 2014).

#### ***Expansion in trade volume***

Africa's income terms of trade may well have benefited from Asia's emergence through channels such as demand for raw materials, cheaper consumer goods and cheaper capital goods, etc... (Andrea G. et al. 2006). Moreover, Africa-India trade in several African countries run a trade surplus for Africa (Anwar, M.A. 2014). The relationship has contributed to the increase in volume and value of African exports. It provided cheaper imports, investments and low cost technology (Fantu Cheru & C. Obi 2010, Ian Taylor 2012, PWC 2016, Exim Bank of India 2017).

#### ***Less controversial economic involvement***

New Delhi's increased engagement in Africa unlike that of Beijing's faced lesser resistance (J.Peter Pham 2007, 2011). Moreover, international critics remain relatively muted on the India's engagement in Africa (Sharinee J. 2012) and the relationship with Africa receives far less attention in the West (Alex V. 2010). Indian actors have avoided criticism from right groups and the West that China may endure (Ian Taylor 2012).

India benefits from its invisibility and escaped external criticism of its approach to development cooperation (P. Kragelund 2010, J.Peter Pham 2011, Alex Vines 2010, Paulo F. Visentini 2014). This has happened because the Chinese presence has eclipsed India's growing influence in Africa (Hill Charlotte 2015).

### **CHALLENGES**

Number of articles on India-Africa relation revealed associated challenges in the relationship which can be briefly summarized along the following lines:

#### ***Prevailing doubt on the transformational role of the engagement***

The role of India in Africa is limited in transforming agriculture, trade and investment and the growth effort in Africa (Tom Mc Carthy 2011). The challenge is not so much to move from agriculture to industry but from low rent activities to rent rich ones (Alemayehu G. 2006). Moreover, India-Africa collaboration in agricultural modernization and growth may marginalize small holder farmers from decision on agricultural research (Shalini S B. 2014).

The new generation of donors do not attempt to transform the society they are investing in. They are offering aid in a manner which improves the efficiency and sustainability of their own investment (Tom Mc Carthy 2011). The purpose of their donations are to catalyse trade and investment and do not provide in order to facilitate socio-economic development (P. Kragelund 2008).

Moreover, the nature of India-Africa trade relation mirrors colonial pattern between India and Great Britain. It is resource oriented, geo-politically dynamic driven by capitalist agenda (Anwar, M.A. 2014). It still reflects typical N-S patterns (Idris A., et al. 2014).

However, India remains a marginal destination for many African countries exports (Vinicius T. Oliveira, n.d). To improve this, Africa needs to diversify exports and promote intermediate and final products export besides participating in manufacturing value chain (Idris A., et al. 2014).

Despite its long standing ties, India has taken back seat to China in Africa. Its involvement in Africa has taken a longer time to develop and is not as strong as China's (Hill Charlotte A. 2015). In many cases India's strategies for accessing Africa's energy sector are similar to those of China's (Shebonti R. Dadwal 2011).

### ***Loan and Aid strategies and accountability concerns***

The non-DAC donor's return such as China and India in Africa may conflict with plans to harmonise aid and may simultaneously raise transaction cost for recipients due to its project based nature (P. Kragelund 2008). Moreover, the large share of the loans is not based on concessional terms and is tied to procurement of goods and services (CR Bijoy, n.d).

India is not eager to adopt the DAC standards in Aid (C.R Bijoy, n.d). The engagement is creating some concern in Western capitals, in the context of a new scramble for Africa's resources and the implication of such ties for democracy and accountability in Africa. But this is a view early to judge (Fantu Cheru & C. Obi 2010, ICCR 2011, Paulo F. Visentini 2014).

### ***Diversification of resources and land grab***

India's engagement indirectly diverts investment resources from Africa (Andrea G. et al. 2006, Sushil K. 2015) and criticism is cropping up on land grabbing by Indian firms in Africa (Philpp G. 2016, SE.Cloete 2013). The engagements are resource seeking in West Africa (Lisa C. Brown 2016, ICWA 2013). The development assistance is also targeting either African countries rich in resources or the Diaspora in Africa (P. Kragelund 2010).

Its strategy is to acquire resources and the major objective is energy security, i.e. oil for infrastructure (Vinicius T. Oliveria, n.d, H. Bohale, L & S. Baregu 2013). India's engagement with politically unstable, yet resource rich African countries could threaten India's interest in the long run and affects the perception of India's engagement with Africa (Sharinee J. 2012).

### ***Governance related challenges and limited institutional support***

There are long-term risks related to inadequate institutions, governance systems which may lead to misallocation of revenues from high raw material prices and from disincentive for investing in tradable activities in non traditional sector (Andrea G. et al. 2006).

India will face numerous challenges because of its inability to condemn authoritarian regimes in Africa (Ruchita B. 2011) and in some instances, India appears to emulate China's aid for resource strategy and engage with politically unstable yet resource rich African countries (Takuo Iwata 2012). It faces complexity in dealing with Africa due to poor governance, institutions and legal bottlenecks, absence of bilateral trade agreements, small market size, lack of knowledge and regulatory condition (Dubey, A. & Aparajita B. 2016). More practical challenges to India's endeavour include inadequacy of appropriate mechanisms for monitoring and verification of projects (Sushil K. 2015) and poor governance and high level of corruption is the fundamental challenge for India-Africa relation (Ian Taylor 2012).

Other studies criticize that the two emerging powers, India and China are looking for oil and other mineral resources while not asking question regarding human rights, good governance, and democracy (Philpp G. 2016).

Removal of corruption, exchange controls, business climate improvement, infrastructure development, simplifying tax system, sound financial management is a requirement for Africa. Moreover, India has to broaden scope of duty free trade agreements, relaxation of rules of origin, support greater participation in skill, infrastructure and institutional development. India has to share technology in building export capacity (DFID 2014). India's democratic framework has to serve as a strong base for enduring India-Africa relation (Sharinee J. 2012).

### ***Competition in some sectors and concentration in few countries***

There is competition from Indian and Chinese companies in some sectors in Africa (Andrea G. et al. 2006) and there is also high level of geographic concentration of Indian investment seen in Africa (Malancha C. 2017). Indian FDI is concentrated in Mauritius taking advantage of its offshore financial facilities and favourable tax conditions (Rishika N. & Priti A. 2014).

The giants engagement in the global economy as an exporter of manufacturers, pose sever problem for export oriented SSA especially on textile, clothing and face significant threats in its domestic markets (Kaplinsky R. & Morris M. 2008, Tegegne G. Egziabher 2006). There is evidence that imports from India and China has a double effect on Africa; cheaper goods can benefit African consumers but manufacturers do compete with domestic producers (DFID 2005).

### ***Difficulty in business environment and logistics***

India is a challenging environment for South African multinationals and is more difficult place to do business according to WB rating from many African countries (Sarah B. Glen 2012). African countries have

invested only 164 MN USD in India since 2000 which is mostly from South Africa. Some of the impediments in India include: High transaction cost, lack of enterprise's awareness on opportunities in Africa, work permits, access to capital and absence of bilateral investment treaties (Rishika N. & Priti A. 2014). Removing trade barriers and improving business environment will remain to be one of the requirements (Sumit Roy 2012, CII/WTO 2013).

#### ***Meagre resource and limited diplomatic effort from Delhi***

India lacks foreign reserves to match the cheque book diplomacy of China (Ian T. 2012). Although India sees China as competitor in Africa, it has to date lacked the resource and infrastructure to compete directly. India says its soft power engagement in Africa is different from that of China (Alex V. 2010). But diplomatic efforts need to be enhanced with clear policy provisions for actors from both Agents.

Africa is still a relatively small part of India's foreign policy far less significant than SE Asia. (Nagesh K. 2008). Some studies found out that India has no coherent policy towards Africa. In some instances, India appears to be emulating China's aid for resource strategy. Or at least, India's Africa policy is not supplemented by a strong proactive diplomatic thrust (Sharinee J. 2012). In the absence of well defined policy, India follows China's path (Paulo F. Visentini 2014, Eswaran S. 2014). New Delhi is only in the process of evolving a model that combines resource extraction with long term industrial development in the host country (Shebonti R. Dadwal 2011). Neither do African countries have shown a clear strategy towards Asian countries involvement in the Continent (Takuo Iwata 2012, Faith C. Tanui 2011).

### **IV. MAJOR DRIVERS OF INDIA-AFRICA ECONOMIC RELATION**

#### **India's Motives:**

##### ***Driven by natural resource and quest for energy***

Relatively, large number of articles confirmed that India's interest in Africa is driven by natural resource need especially of energy demand. This is proved by many authors who wrote in India-Africa economic relation.

Indian involvement in Africa is economic in nature focussing mainly on resources such as oil and minerals (Philip G. 2016). It is mainly driven by natural resource demand (P. Kragelund 2010, Andrea G. et al. 2006, ICCR 2011; Anwar M.A. 2014, J. Peter P. 2007, 2011 Amande L. et al. 2015; Dubey, A. & Aparajita B. 2016; Rani D. M. & K.Arora 2016, Fantu C. & C. Obi 2010, Sarah B.G. 2012, Takuo Iwata 2012, Ansurea Paul 2013, Alex V. 2010, Kinfu A. 2013, Rishika N. & Priti A. 2014, Eve Z. Nyemba et al. 2013).

Indian economic diplomacy has a target of resource seeking especially in West Africa (Lisa C. Brown, 2016). Motive of Indian FDI can be summed up as resource seeking but some changes are being seen currently in this regard. Top sectors receiving Indian FDI include coal, oil, natural gas and metals (SE Cloete 2013, CII/WTO 2013, CII 2016).

Oil and gas exploration is a new frontier in India-Africa collaboration. India imports oil, minerals and agricultural raw materials (H. Bohale, L & S. Baregu 2013). Renewable energy sector is a major driver of Indian investment in some countries (Exim Bank of India 2017).

Developmental assistance from India is helping to secure access to resources (Tom Mc Canne 2011). In doing so, India's motive is to create access to extractive resources among others (C.R Bijoy, n.d). The strategy for accessing Africa's energy sector is same with China (Shebonti Ray D. 2011). But, regardless of the competition in the energy sector India has still managed to maintain the energy ties with Africa (Sharinee J. 2012).

##### ***Market access creation as a driving force***

India's economic diplomacy has been driven by market motive besides resource hunts (Amanda L. et al. 2015, Ansuree P 2013, Lisa C. Brown 2016, Hill Charlotte A. 2015, SE Cloete 2013) and Africa serves as a market for Indian goods and services (ICCR, 2011). Trade is one of the linking channels in the relationship (Ruchita B. 2011, DFID 2005) and India's investment in Africa targets specific markets and they are of import substituting nature (John H. et al. 2008). These trade linked capital flows from India are providing cheaper consumer and capital goods to Africa (Andrea G. et al. 2006).

Access to market in Africa is a substantial opportunity for India (Kinfu A., et.al 2013) and commercial interest is still important in India Africa relation (AII, 2013, J. Peter P. 2007, 2011, Amanda L. et al. 2015). Strong Institutional support for trade and investment in Africa (SITA) is a project link between India and East African countries (CII 2016).

Africa's exports include agricultural outputs (PWC 2016). India's food need is to be met partly through imports especially of pulses (Shalini B. 2014). Africa's imports include medium to low technology finished

products, machines equipment, food and medicine (Anwar, M.A., 2014). But the nature of trade is changing from traditional items to non traditional ones (Dubey, A. & Aparajita B. 2016, Sushil Kumar 2015, Eve Zuichanzi N. 2013). The imports are still dominated by manufactured goods and India is motivated by Africa's potential markets for manufactured exports (Sarah B. Gillen 2012; Takuo Iwata 2012, Vinicius T. Oliveria, n.d). India exports consumer goods, pharmaceuticals, plastic and electrical goods, mineral fertilizer and imports oil, minerals, agriculture raw materials (H. Bohale, L & S. Baregu 2013).

India is perceived as a centre for technology and commerce (Sharinee J., 2012) and the economic partnership is vibrant including trade (AEB 2011, Faith C. Tanui 2015). India however remains a marginal destination for many African LDCs exports (Vinaya A. & Paolo G. 2014).

#### ***Diaspora link as a driver***

India's Diaspora is one of the factors of influence in India's relation with Africa (Ruchita Beri 2011) and it is the greatest off shore assets resource for development in human and financial capital (Dubey, A. & Aparajita B. 2016). India's cooperation targets mainly African countries rich in resource or Diaspora (P. Kragelund 2010). Therefore, it is considered as one of the motivating factors in the relationship (Ansuree Paul 2013). The Diaspora in Africa is a major source of India's comparative advantage (Ksherti N. 2013). It is one of the potential lines of collaboration (DFID 2005).

#### ***Global governance motive and geo-political drivers***

Africa's improving status on Global governance is one of the reasons for improved India's interest in African Continent (P. Kragelund 2010). India uses the relation as a means of obtaining a permanent seat in UN Security Council (P. Kragelund 2008, ICCR 2011). Growing importance of Africa is seen in various multilateral institutions (Ruchita B. 2011, Amande Luce et al. 2015). India collaborates with Africa on a set of global issues such as WTO negotiations, climate change, UN Reforms and terrorism is becoming essential aspect of the relationship (CII 2016).

India's investment in Africa has geo-political dynamism and expansion is made in economic relation through various regional economic blocks (Anwar, M.A. 2014). Moreover, its strategic interest includes sustaining regional influence in the Indian Ocean region (Sharinee J. 2012). Strategic political interest is seen to be a motivating factor (Ansuree P. 2013).

Geo-political security is one of the drivers of the India-Africa relation ensuring African role in Indian Foreign Policy (Ruchita B. 2011). Indian impact in Africa is developing along the lines of peace keeping (Dubey, A. & Aparajita B. 2016, Gerard Mc Canne 2010, J. Peter Pham, 2007, Ruchita B. 2013, Shebonti R. Dadwal 2011).

#### ***Cultural and institutional links and Governance system in the host countries***

India's investment in Africa is driven by political, economic, cultural, Ideological factors (Anwar, M.A. 2014). Good governance and political stability is one of the areas of interest in India-Africa relation (S E Cloete 2013). The new relationship is partly explained by the improvement in effectiveness of Governance and institutional system in Africa (Hill, Charlotte A. 2015, Ruchita B. 2011).

Strategic partnership through extending diplomatic ties including India-Africa Forum-Summits is helping to improve the relationship (Dubey, A. & Aparajita B. 2016; Rani Muller K.A. 2016; Vinicius T. Oliveria, n.d). Bilateral Investments Treaties are also major lines contributing for flourishing relationship (Ansuree P. 2013).

India would remain to be better institutional fit for Africa (Kishitri Nir, 2013). Authors suggest that deepening economic relation between India and Africa requires two key interactions: Extending banking link and BIT development (Elizebeth S. & Chris.A., n.d).

#### **Africa's Motives:**

##### ***Capacity building and human resource development need***

Africa's interest in the relationship focuses on human resource development, capacity building and training; ICT supported education and health system (Ruchita Beri 2011, Anwar, M.A., 2014, H. Bohale L & S. Baregu 2013). Human resource development and institutional capacity building are areas of cooperation (Dubey, A. & Aparajita B. 2016, Rani Muller K.A. 2016, Eve Z. Nyemba et al. 2013, Sushil Kumar 2015) and Indian Government is investing in capacity building, human resource development and infrastructure; lending skill, talent and technology to African countries (Shebonti R. Dadwal 2011, Fantu C. 2016, Eswaran S. 2014, Faith C. Tanui 2011, Vinicius T. Oliveria, n.d, DFID 2005). India's investment also focuses in production capacity building and manufacturing sector development (Debeshais C. & Manoj S. 2014).

India is well placed to be Africa's knowledge partner (CII 2016) and is participating in knowledge building and technology transfer (Exim Bank of India 2017).

### ***Access for development assistance and loan***

India's economic diplomacy structure has grown in three main areas: grants, technical assistance, lines of credit (LOC) (Amande L. et al. 2015) and its development initiative are implemented through grant and credit-which is project based assistance schemes (P. Kragelund 2008). LOC from India is flowing to Focus Africa Program (Exim Bank of India 2017). Moreover, expansion of financial institutions, BOI, BO Baroda and SBI are taking place to provide concessional loan to Africa's infrastructure (Dubey, A. & Aparajita B. 2016).

Project aid is a demand in Africa (Peter K, 2010; Tom Mc Carthy 2011) and the projects are in support of African ITEC, LOC (Ruchika S. Malyan & L. Jindal 2014). Aid and debt cancellation from India are also operating through two lines: technical assistance and LOC (Vinicius T. Oliveria, n.d). Aid is project focussed with no strings attached and are largely focussing on capacity building (Philip G. 2016).

### ***Infrastructure and manufacturing sector development***

Building infrastructure and manufacturing in Africa is a critical demand factor (Hill Charlotte A. 2015, Debeshais C. & Manoj S. 2014, Amande Lucey, et al. 2015, Eswaran S. 2016). Recently, India is involved in industrial manufacturing (Anwar, M.A. 2014) and is linked with Africa in trade training and infrastructure development (J. Peter P 2011, Dubey, A. & Aparajita B. 2016, Fantu Cheru & C. Obi 2010, NCAER 2014, Shebonti R. Dadwal 2011). 92% of Indian investment in Ethiopia is in a manufacturing sector (Malancha C., 2017).

### ***Access to export of goods and services***

Africa's relation with India creates access to cheap consumer and capital goods (Andrea G. et al. 2003) and the relationship has the objective of increasing trade volume (Hill Charlotte A. 2015). African exports to India include raw materials, cotton, cashew nuts, non-ferrous metals, pearls, precious stone etc... (Dubey, A. & Aparajita B. 2016). The exports are mainly primary products such as oil, gold, and minerals (Vinicius T. Oliveria, n.d).

There is huge potential in the trade links between the India and Africa as India still is a marginal destination to African exports and India has the comparative advantage in Africa for trade (Vinaye A. & Paolo G. 2014). Moreover, in the India- Africa relation, commerce need to focus on ideas and services not manufactured goods as the father of the Nation, M. Ghandi recommended (Elizebeth S. & Chris A., n.d).

## **V. CONCLUSIONS**

The relationship is beneficial to Africa due mainly to its being a knowledge partner, its complementary nature of the engagement, capacity building focus and proximity in distance and level of technology. Moreover, the friendship is based on much longer historic presence, collaboration and Diaspora, coupled with better understanding of the socio-economic and multi-cultural conditions in Africa has helped India to be effectiveness of the engagement.

India has double advantages in its engagement in Africa; little resistance from the West and US towards India in its involvement in Africa and the receptiveness of African States towards India's mutually beneficial relation.

There is huge potential for trade in the India-Africa relationship given that the business environment and logistics are improved and private sector participation is properly coordinated. Role of the private sector engagement if guided properly will ensure better competitiveness and immense potential in India-Africa trade and investment relation.

Regional integration, export diversification, participation in manufacturing value chain and better business climate for African actors in India vis-a vis continuous institutional support from India can enhance the sustainability and competitiveness of African actors.

Major drivers of the Indian engagement in Africa include: Africa's resource and market access; Diaspora, cultural and institutional links; global governance and geo-political motives. Besides these, host Government macroeconomic environment, effectiveness, policy provisions and rule of law are major determinants in the relationship. Africa is driven by its need for capacity building and technology transfer; infrastructure building and finance besides access to export market.

Further studies are recommended on institutional links, private sector role, country specific challenges and opportunities; capacity building impact, role of India in good governance, technology transfer and local economy integration, value chain participation and joint ventures, role of regional markets and Indian Diaspora in the relationship, impact of India's engagement on traditional actors in Africa etc. are areas under researched so far.



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