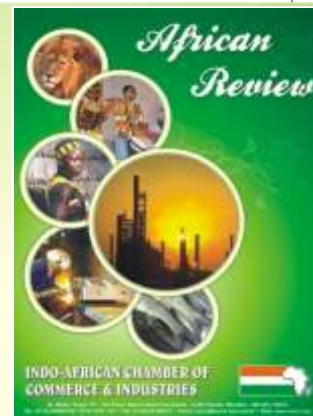


# Indo-African Present Trade and Commerce Scenario



The India-Africa bilateral trade in goods and services has grown by 285% in the past four years to reach \$25 billion, a rather small figure as compared to the huge potential.

Nevertheless, The Indo-African current trade scenario can be described as India's new African safari. Just after the independence of India, the then India's PM Jawaharlal Nehru referred to Africa as a sister continent. Against that background, a consistent policy framework for improving the trade scenario seems to be emerging. It appears that finally some substance is getting infused into Jawaharlal Nehru's frequent references to Africa.

Over the last five years, India has extended lines of credit worth \$2 billion to African countries.

The first India-Africa summit held in New Delhi in early April promised a more constructive and mature relationship between two late comers to the global development game. Both regions have realised that the mutual partnership between them will have to be sustained over a long period and must focus not just on growth but also on development per se which would improve the quality of life of people.

Both countries are performing well. Indian economy has grown at more than 8% a year over the past four years and is expected to sustain an even higher growth rate in the coming decade. Simultaneously, there is now a

genuine optimism about Africa's growth prospects, based on the boom in commodity and minerals and even on signs of improving governance.

India's economic and strategic diplomacy towards Africa has now become a consistent policy. A number of initiatives have been launched by the Indian Govt. The Commerce Ministry has provided the "Focus Africa" initiative, which encourages projects and creates market access in select countries; the Finance Ministry's "India Development Initiative" supports the feasibility and pre-feasibility reports on specific projects; and the Ministry of External Affairs has funding mechanisms in place that encourage Indian businesses to engage with Africa. These initiatives are being ably complemented by the private sector.

But these are not sufficient. India's academic and research institutions, however, need to develop much in-depth understanding of individual African countries and to broaden the linkages with their counterparts in Africa and with the Chambers of Commerce & Industry.

There is also an immediate need to create a larger pool of Indians in all spheres that enjoy familiarities with the languages spoken in Africa. This would provide India with a valuable competitive edge and eventually help in promotion of export of services.

The Indian media also has to become responsible and assist in creating more positive perceptions of India in Africa and of Africa in India.

The Indian Prime Minister recently announced that India would give preferential access to 34 countries in Africa which are among the least developed nations in the world. This should also help spur bilateral economic relations.

Africa can play a crucial role in India's growth, thanks to its mineral resources and growing markets.

African entrepreneurs of Indian origin have also helped deepen business relationship between India and Africa. There is also a strong case to expand Indian diaspora in Africa at present at two million, implying less than 10% of the 25 million global diaspora and also to widen the areas of its activities to include manufacturing, professional services and agriculture. The private sector should be playing a leading role in this expansion.

It is interesting to observe that the India's economic model and its perspective to engage Africa is consistent with what the former World Bank economist William Easterly, in his 2006 book *The White Man's Burden*, has called "searchers". These searchers, unlike planners, eschew global blueprints and seek to meet the demand of customers in a way that uses decentralized and customized approaches, while applying an existing stock of

Make Africa your Customer

knowledge in a practical way to reduce resource costs and improve efficiency. This is a tribute to the India's model of engaging Africa with a view to promote trade.

Interestingly, the 2006 World Bank study by Harry Broadman, *Africa's Silk Road: China and India's New Economic Frontier* is based on a survey of Indian and Chinese firms in Africa. This brings out that in contrast to China's enclave-type and state enterprise-dominated corporate profiles with limited spillover effects, the Indian firms have been better integrated innovatively into domestic African markets. Moreover, unlike Chinese firms which bring workers from China even for construction and other tasks when African countries are facing a severe unemployment problem, the Indian firms overwhelmingly has opted for Africans even for managerial positions. This shows another example of inherent strength between the two parts of the world.

It is seen at present that the African countries are being wooed by all the major economic powers, particularly for their minerals and energy resources. But sustainable benefits to the average African citizens are, however, would materialise only when partnership results in strong domestic linkages; develops human resources and assists in employing modern knowledge and technology to address developmental challenges, particularly in agriculture. This development perspective if adopted by India will result in the African countries always wanting to have Indian businesses to be appropriate developmental partners.

The pan-African e-network joint initiative between India and the African Union, launched in 2007, aims to develop Information Communication Technology (ICT) infrastructure across the African continent. Under this, India would be donating \$1 billion to connect 53 African countries through a satellite and fibre-optic network to promote tele-medicine and tele-education. This is an initiative mooted by the former President of India Dr A P J Abdul Kalam. This would increase two way flow of services trade.

Thus, a long-haul developmental partnership, based on application of knowledge economy, development of human resources and deeper domestic linkages, would be ideal to assist both countries in managing the challenges of the 21st century and facilitate diversifying their global risks, thereby increasing their leverage in the global affairs.

Recently, the India- Africa Forum two day summit following the example of leading economic powers such as France and China, was attended by the leaders of 14 African countries and heads of the Continent's regional economic groupings. The message of the conference was that India needs to develop an aggressive strategy if it is to compete with China for a slice of action in the African continent. The first India-Africa summit, though late to come, showed a lot of promise in a number of areas.

The joint declaration adopted at the end of the summit identified food security, high oil prices and climate change as the top concerns of the developing world. India and Africa pledged t

to work together as partners to meet the economic and political challenges facing them. "The partnership will be based on the fundamental principles of equality, mutual respect and understanding," the joint statement emphasised.

Alpha Oumar Konare, Chairperson of the Commission of the African Union, said that the outcome of the summit showed that India "truly understood" the African continent's needs and aspirations. Alluding to the immediate post-colonial period, which witnessed blatant interference from outside powers in the internal affairs of African countries, he said that today's Africa did not need a "guiding hand" from any country. Konare and the other African leaders present at the summit stated that the Continent could benefit from the advances India had made in areas such as health, information technology and agriculture.

Prime Minister Manmohan Singh, highlighting the strong ties between India and Africa, said that the summit was "held in an atmosphere of great warmth and a sense of partnership". The India-Africa summit, the Prime Minister hoped, would provide a solid foundation for a "new framework of cooperation". The African leaders wanted the relationship with India to be on terms of equality. The India-Africa summit and the detailed preparations behind it showed conclusively that India has finally woken up to the need to engage Africa in a more dynamic way. Other countries have already made a good start in the region. France, a former colonial power, was a pioneer in hosting grand events. But many Africans considered them as a hangover from colonialism.

India, on the other hand, was looked upon as a role model after it gained independence. Mahatma Gandhi, Jawaharlal Nehru and Indira Gandhi had tremendous respect among the African people. India, however, lost its momentum in the 1990s when it got more preoccupied with strengthening relations with the West whereas China never lost its focus. Since the early 1960s, the Chinese government has persistently remained engaged with the African continent.

In the early 1970s, when much of sub-Saharan Africa was embroiled in liberation struggles, the Chinese built the 1,800-kilometre-long Tan-Zam railway, which allowed Zambia to export its copper through East African ports, bypassing apartheid South Africa. In many African capitals, the National Assembly building, the main conference halls and the sports complexes were invariably gifted by China. India's engagement, especially since the 1990s, has been minimal in comparison. It mostly confined itself to granting scholarships to African students and donating three-wheelers and Tata trucks to some countries. Chinese Presidents and Prime Ministers have been regularly making annual visits to Africa.

The Chinese government, especially after the country's economy started prospering, has been liberal in offering credit and aid on generous terms. The Angolan government recently

refused International Monetary Fund funding for its reconstruction projects, opting instead for a \$2 billion Chinese soft loan and aid package with few strings attached. Not surprisingly, the Chinese have bagged many of the lucrative oil exploration contracts in the country. In fact, China gets 25 per cent to 30 per cent of its oil from Africa. Africa is the second largest supplier of crude oil most of which comes from Nigeria to India.

Though India would like to offer Africa deals of the magnitude of the Chinese deals but is currently in no position to keep pace with Beijing. The \$200 million the Indian public sector company ONGC offered for infrastructure development in that country could not compete with the Chinese offer of \$2 billion. India, like China, is investing in countries such as Sudan and Zimbabwe despite protests from the West. India recently completed a \$200 million pipeline that links Port Sudan on the Red Sea with the Sudanese capital, Khartoum.

India's trade with Africa has risen from \$97 million in 1991 to \$20 billion last year. China's trade with Africa was lower than India's in the early 1990s but today stands at \$55 billion annually. Today, China is Africa's third largest trading partner after the U.S. and France. However, India's renewed interest in Africa has nothing to do with Chinese expansion in the

region. India is "not in a race or competition with China or any other country".

At the India-Africa summit, Manmohan Singh pledged easier access for African exports to the Indian market. He said that the 21st century could be turned into a "century of Asia and Africa". The India-Africa Framework of Cooperation agreed at the summit pledged to boost trade and investment and share expertise in agriculture, science and technology, water management and education. India pledged to provide preferential markets to the 34 "least developed" African nations. The Prime Minister said that in the next five to six years, India would issue grants for projects in excess of \$500 million. Developing infrastructure in information technology, telecommunications, power and railways would be the priorities in Africa for the Indian government.

The African leaders indicated to the Indian authorities that they should not look at Africa simply as a source of raw materials but should invest in the continent's human capital and share know-how and expertise with its nations.

It will be in order to recall Mahatma Gandhi's succinct observation that the "Commerce between India and Africa will be of Ideas and Services, not of Manufactured goods against raw materials after the fashion of Western exploiters".

