

India in Africa

A New Trajectory for India-Africa Ties

India's relationship with Africa has been through an unprecedented intensification in June 2016. In the first week of June 2016, Indian Vice President Hamid Ansari visited Tunisia and Morocco. In the second week of June 2016 President of India Pranab Mukherjee embarked on a tour to western and southern Africa, covering Ghana, Cote d'Ivoire, and Namibia. Moreover, in July 2016, Indian Prime Minister Narendra Modi is scheduled to visit Kenya, Mozambique, Tanzania and South Africa.

The current renewed outreach is also unabashedly about business, and a good example of geo-politics combining with geo-economics. India views Africa as a promising market for Indian goods, services, and investments. So far though, any follow-up on promises had remained anaemic. Thus, Indian leaders are seeking out fresh investment opportunities for Indian public and private sector companies in different African countries.

The Indian Vice President's visits to Morocco and Tunisia are crucial because India imports phosphate – a critical raw material for fertiliser production – from these countries.

The President's three-country tour provided an opportunity to further India's business interests. At the India-Ghana Business Forum, Mukherjee said: "...the Indian government would be ready to work with you in key sectors and areas of common interest and encourage Indian private as well as public entrepreneurs to bring more investments into Ghana". Further, India's cumulative investments in Ghana are over US\$1bn and two-way trade during 2015-16 amounted to US\$3bn.

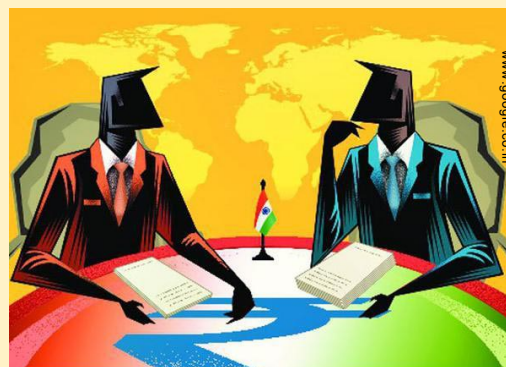
In Cote d'Ivoire, Mukherjee stated, "...your country is blessed with fertile soil and abundant agricultural and mineral resources. Our public and private sectors are keen to join you in exploring these resources efficiently and in setting up agro-based industries".

At the same time, India's development diplomacy for the continent has been through a strategic shift. Export Import Bank of India (Exim Bank), for example, is now likely to focus more on service exports, rather than compete with China for infrastructure projects in Africa.

The Bank is looking to disburse close to ₹100bn in Africa over the following three years as both commercial and concessional credit. Service exports aim to build on India's traditional strengths in Africa and will include healthcare, education, and information technology services. Exim Bank is also looking to sharpen its focus on another area of India's traditional exports to Africa: project exports.

It has requested the Reserve Bank of India (RBI) to ease regulatory and compliance guidelines regarding minimum equity capital, leverage and the maximum that the bank can lend to a single borrower.

These actions are in line with the promises made during the Third India-Africa Forum Summit (IAFS) in October 2015. The first two editions of the Summit – in 2008 and 2011 – made numerous pledges but fell short on follow-up and delivery. Both sides were responsible for the indifferent implementation.



The last India Africa Forum Summit (IAFS), held in October 2015, saw a strategic shift in focus – apart from the usual rhetoric, there was a better alignment of India's global ambitions (both political and geo-economic) and traditional strengths. Importantly, the third IAFS created a formal monitoring mechanism to regularly review the progress of various projects at different stages of completion.

The Summit aimed high – it also sought to create a global alliance of solar-rich countries. Such an alliance will help create goodwill for India among Africa countries, and generate solidarity through collective bargaining when accessing IPR-protected technology from rich countries.

The high-octane official Africa engagements will also help assuage concerns regarding India after recent allegedly racist incidents involving African nationals living in the country. Nevertheless, is now up to India to ensure that its belated recognition of the critical role Africa can play in India's strategic calculus, as well as in its trade and investment expansion plans, is not just a temporary spurt.

* This cover story has been abridged from an article by Rajrishi Singhal, Senior Geoeconomics Fellow, Gateway House. This was published in www.gatewayhouse.in, on June 30, 2016

Indian Signs MoUs with Africa

Indian President Pranab Mukherjee visited three African nations – Ghana, Ivory Coast and Namibia in June, 2016. The visit witnessed India signing many important Memorandums of Understanding (MoUs) and agreements with the African nations.



India and Namibia signed two MoUs on June 16, 2016. The agreements were signed after a dialogue that included MoU on capacity building for civil servants of Namibia and the other on setting up of centre of excellence in ICT.

The two countries inking an agreement to re-establish the headquarters of the Exim Bank in Abidjan after a gap of nearly two decades. Besides, Ghana inked an agreement on exemption from visa requirement for holders of diplomatic and official passports along with two MoUs.

(www.indianexpress.com, 18.06.16)

India to Invest in Africa

“The agricultural sector is regarded as one of the most critical industries for the African continent due to economic potential and is projected to become a US\$1tn industry in Sub-Saharan Africa by 2030”, a Price Waterhouse Coopers (PwC) report said.

It came following a survey of respondents, 58.8 percent of whom consider “investment in Africa as an opportunity for their businesses to expand”. They named the top four countries they are planning to invest in as Zambia, Botswana, Tanzania and South Africa, which all fall in the Southern African Development Community region.

The study said Indian multinational enterprises have ventured into both greenfield and brownfield investments in the SADC region spanning various sectors including manufacturing, mining, construction and energy.

(www.economictimes.indiatimes.com, 04.06.16)

Cash Crisis Hits Exporters

The fall in global commodity prices, especially oil, has hit India’s exports to Africa as a currency crisis has shut out some of the market for products, such as automobiles and

auto components. It has also put exporters in a tight spot with some of them complaining of delayed payments.

The uncertainty has prompted the government to begin discussions on an alternate payment mechanism to ensure that the dues of Indian exporters are protected.

The Ministry of External Affairs is discussing the possibility of opening an escrow account with countries, such as Nigeria, where the exporters will have the first charge on oil dues that are paid to the African country, sources stated.

(www.timesofindia.indiatimes.com, 10.06.16)

Enhancing Financial Terms

India has opened a US\$10bn line of credit for Africa, it was announced at the African Development Bank’s annual meetings in Zambia in May 2016. EXIM Bank of India’s Chair, Yaduvendra Mathur, announced that concessional funds would be available over a five year period, as pledged in October in 2015 by the Indian government.

Mathur also stated that the funds are intended for healthcare, in particular to develop public-private partnerships (PPPs), but will be available for us across a wide

variety of sectors. Furthermore, it was declared that India will host the AfDB’s annual meetings in 2017.

(www.publicfinanceinternational.org, 27.05.16)

AI to Boost Connectivity

Air India (AI) aims to provide point-to-point connectivity to African and Scandinavian regions, where it currently does not operate, besides enhancing services on existing routes, as part of its aggressive network expansion plan.

In the immediate future, the government-run airline will launch services to Washington, DC (US) from the national capital, Air India Chairman and Managing Director Ashwanai Lohani said, indicating that the national carrier is also looking at taking its services to African and Scandinavian countries.

AI is also looking at reviving its flying operations to Kenya and Tanzania and is also in discussion with the South African authorities for possible operations to Durban, the airline official said.

(www.financialexpress.com, 05.04.16)

Control on Pulses Prices

The Indian government is exploring a strategic route to control the spiralling price of pulses, which has currently risen to approximately US\$180 per kg. Ahead of Indian Prime Minister Narendra Modi’s visit to a number of African countries in July 2016, a delegation of senior government officials will visit to look at ways to improve the scope of contract farming, and importing of pulses.

Exploring the option of contract farming with countries like Mozambique, Tanzania and Malawi is a long-term strategy, officials said that the Indian government will look at the option to take land for contract farming with the involvement of private players.

(www.dailymail.co.uk, 19.06.16)