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India aims to double trade with W. Africa

Sujay Mehdudia, Hindu

July 10, Accra (Ghana): India has set a target of \$40 billion trade turnover with the West African nations from the present \$20 billion.

“We are not only looking at enhancing trade with the West African countries but also looking at co-operation in gas and oil sectors. We are looking at Africa as a whole for taking our partnership to a new level through various gestures in different fields,” Commerce and Industry Minister Anand Sharma told journalists.

Mr. Sharma, along with Ghana’s Trade and Industry Minister Hanna Tetteh, inaugurated the “India Show” here on Monday. The show has been organised by Federation of Indian Chambers of Commerce and Industry (FICCI) in partnership with Economic Community of West African States (ECOWAS). Mr. Sharma is leading a 200-strong business delegation to Ghana as part of the India’s thrust to enhance economic partnership in the region.

Mr. Sharma said that India had also set a target of \$90 billion trade with Africa by 2015. The total trade between India and Africa was around \$50 billion till last year. India and African financial institutions have already signed a memorandum of understanding (MoU) to promote finance, trade and investment flows. The bilateral trade between India and Ghana is expected to touch \$1 billion by 2013.

During 2010-11, the bilateral trade stood at \$818 million. Mr. Sharma said that India proposed to set up a \$1.2 billion urea fertilizer plant in Ghana. Both the countries have already signed a memorandum of understanding (MoU) to set up the plant in a joint venture. The plant is expected to produce one million tones of urea annually when commissioned. The JV will be between Rashtriya Chemicals and Fertilizers and the Ghana National Petroleum Corporation. The plant is expected to take three years for completion after the allocation of gas by the Ghana Government. It is located in the Nynkrome region of Shama district in Ghana.

Ms. Hanna Tetteh said as the Ghana National Petroleum Corporation was laying the pipeline to carry the gas, it was difficult to fix the price without taking into consideration the overall cost structure. “We are committed to establishing this urea plant as soon as possible. An Indian technical team has already visited Ghana and identified the site for the plant. We are going to seal the issue as soon as the gas price matter is sorted out,” she said.

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Exim Bank to issue \$5-bn fresh line of credit to Africa

K Rajani Kanth, Business Standard

Hyderabad October 13, 2011: Export-Import (Exim) Bank of India, the apex financial institution fully owned by the government of India, will be releasing a fresh line of credit to Africa in the next three years, according to bank's managing director T C A Ranganathan.

Speaking to Business Standard on the sidelines of the inaugural day of the India-Africa Business Partnership Summit here on Wednesday, Ranganathan said: "At present, our exposure to Africa, in terms of sanctioned credit line, is more than \$3.5 billion (which has not yet been fully disbursed), with the outstanding being around \$2.75 billion. With the additional line to be issued in three years, we expect the total book size of Exim Bank on Africa to double in the next five years."

Stating that the Exim Bank of India's intent was to promote and provide entry to various Indian entrepreneurs to Africa, besides encouraging them to bid for projects in that continent, he said Indian entrepreneurs need to do projects on their own in Africa, as that was how their counterparts in Europe, the US, China and other parts of Asia were doing there.

"There is a vast growth that is taking place there. The continent is growing rapidly and holds huge potential. Therefore, Indian entrepreneurs should explore that continent," he said, adding bilateral trade between India and Africa had more than doubled from \$25 billion in 2006-07 to \$53.3 billion in 2010-11 due to the rise in both exports to and imports from the African region.

Indian exports to Africa had risen from \$10.3 billion in 2006-07 to \$21.1 billion in 2010-11, primarily due to an increase in exports of transport equipment and petroleum products, Ranganathan said. Besides providing line of credit to the continent, he said, Exim Bank of India was also financing Indian companies investing in Africa or those Indian companies selling in Africa through buyers' credit or through investment finance.

"For instance, we had assisted Tata South Africa for their vehicles to export to various members countries in Africa by giving a buyers' credit to the governments there. In April this year, we have launched a new scheme where we will take insurance protection from a national insurance export account and give non-recourse long-term buyers' credit on behalf of the Indian project exporters if the counter party is a sovereign of good standing," Ranganathan said.

Stating that the Exim Bank of India had been giving credit lines to various banks in Africa, with the latest being \$100 million to the Nigerian Export-Import Bank, he said the bank was trying to promote all forms of business in that continent, based on the request of the host country and the projects that they submitted to the Indian government.

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India Africa Revise Trade Target to US\$ 90 billion by 2015

Press Information Bureau, GOI

Cotton Technical Assistance Programme in the C-4 Countries Launched India Africa Stress Centrality of Development in Doha Round India-Africa Business Council meets for the First Time 2nd Meeting of the India-Africa Trade Ministers

17 March, 2012: The Union Minister of Commerce, Industry and Textiles of India, Sh. Anand Sharma, and the African Trade and Industry Ministers met in New Delhi today for the 2nd meeting of the India-Africa Trade Ministers. The Meeting was co-chaired by Hon'ble Dr. Maxwell M. Mkwezalamba, Commissioner for Economic Affairs, African Union Commission, and Sh. Anand Sharma.

During the meeting, the Ministers launched the India-Africa Business Council (IABC). The IABC is co-chaired by Mr. Sunil Bharti Mittal, Chairman, Bharti Group from India side and Mr. Alhaji Aliko Dangote, GCON, President, Chief Executive, Dangote Group, Nigeria from African side. The Council will suggest the way forward on enhancing economic and commercial relations between India and Africa and also identify and address issues which hinder growth of economic partnership between India and Africa. The core sectors of cooperation which will be explored by IABC are Agriculture, including Agro-processing, Manufacturing, Pharmaceuticals, Textiles, Mining, Petroleum & Natural Gas, Information Technology and Information Technology Enabled Services, Gems and Jewellery, Banking, Financial Services (including microfinance), Energy, Core Infrastructure including Roads and Railways. The Council met later in the day.

During the meeting, the Cotton Technical Assistance Programme in the C-4 countries (Burkina Faso, Benin, Chad, Mali), Malawi, Nigeria and Uganda was also launched. The Technical Assistance Programme in the cotton sector is an initiative of the Government of India under the umbrella of the 'India-Africa Forum Summit' towards helping the above-mentioned cotton growing countries of Africa to build capacity, technical expertise and thereby competitiveness in the field. IL&FS Cluster Development Initiative Limited is the Project Management Agency for implementing the Project. During the meeting, the Indian and African Ministers set the target of India-Africa bilateral trade as US \$ 90 bn by 2015. In the year 2011, India-Africa bilateral trade has reached US \$ 60 bn. The Ministers agreed on the need to strengthen the trade relationship between the two sides through, inter-alia, the building of trade-related capacity and the conclusion of trade cooperation agreements between India and African Regional Economic Communities (RECs) / countries. "Our leaders had set a target of US\$ 70 billion by 2015 but we can note with satisfaction that last year we crossed US\$ 60 billion. A 20-fold growth within a decade is indeed an achievement worth applauding. I propose that given the current growth rate, we may agree to revise the trade target to US\$ 90 billion by 2015," said Shri Sharma.

The Ministers recognized the important role of the following Pan-African Institutions being set up by the Indian Government under the umbrella of the 'India-Africa Forum Summit', for capacity building and human resource development across many areas :-

India-Africa Institute of Foreign Trade,

India-Africa Diamond Institute,
India-Africa Institute of Educational Planning and Administration,
India-Africa Institute of Information Technology,
India-Africa Food Processing Cluster,
India-Africa Integrated Textile Cluster,
India-Africa Centre for Medium Range Weather Forecasting,
India-Africa University for Life and Earth Sciences,
India-Africa Institute of Agriculture and Rural Development, and
India-Africa Civil Aviation Academy

The African Ministers acknowledged the Indian Government's initiative to set up an Integrated Textiles as well as other clusters in African countries, to address the need for value-addition in the textiles sector in Africa. The proposed Integrated Clusters are expected to garner investments of US \$ 350 mn and generate employment for 60,000 textile workers.

During the meeting, India and Africa reiterated their commitment towards the centrality of the development dimension and the expeditious completion of the Least Developed Countries' (LDC) issues in the Doha Development Agenda, and agreed that by concluding the Doha Round of negotiations with development at its core, the multilateral trading system envisaged by the WTO would be strengthened. India and Africa share a common platform on many issues of importance to developing countries and their joint efforts have played a key role in preventing any dilution of the development agenda.

The 'India-Africa Trade Ministers Dialogue' is an annual event, of which the 1st meeting was held in Addis Ababa in May, 2011, on the occasion of the 2nd Africa-India Forum Summit held at Head of State level.

The following Ministers from the African region participated in the 2nd India-Africa Trade Ministers Meeting:-

Hon'ble Dr. Maxwell Mkwezalamba, Commissioner for Economic Affairs, (Equivalent to Minister), African Union Hon'ble Ms. Victoire Ndikumana, Minister of Trade, Industry, Posts and Tourism, Republic of Burundi.

Hon'ble Ms. Marlyn Mouliom Roosalem, Minister of Commerce and Industry, Central African Republic Hon'ble Mr. Mahamat Allaou Taher, Hon'ble Minister of Commerce and Industry, Republic of Chad Hon'ble Mr. Kebede Chane, Minister of Trade, Ethiopia Hon'ble Ms. Miata Beysolow, Minister of Commerce and Industry, Government of Liberia, Liberia Hon'ble John Bande, MP, Minister of Industry and Trade, Republic of Malawi Hon'ble Tjekero Tweya, Deputy Minister of Trade and Industry, Namibia H. E. Mr. Ahoumey-Zunu Kwesi A Leleagodji Lolonyo, Minister of Trade and Private Sector Promotion, Togo H. E. Ms. Amelia Kyambadde , Minister of Trade, Industry & Cooperatives, Uganda. Hon'ble Mr. Bright Rwomi Rama, Minister of State for Animal Husbandry, Uganda Hon. Robert K Sichinga, MP, Minister of Commerce, Trade and Industry, Zambia.

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Africa, now a happening continent

Ritesh Kumar Singh/Sudhakar Kasture, Hindu Business Line

April 16, 2012: Faced with continuing economic slowdown and debt crisis, EU and the US are increasingly resorting to non-tariff barriers in order to check imports into their territories and protect local employment.

This is adversely affecting the exports of developing countries. Advanced emerging countries like India or China are constantly in search of alternative export markets. Africa is one such market. The need for securing steady supply of industrial raw materials, especially in China and India, for their ever growing manufacturing sector has also increased the importance of hitherto ignored, but resource-rich Africa as a strategic partner.

Improved political climate, macroeconomic stability, growing urbanisation and consumption boom have established Africa's credentials as a lucrative investment destination. Gradually, Africa has stopped being considered as a dark continent and everybody wants a pie of the African market.

AFRICA BECKONS

Africa is roughly comparable with India in terms of its estimated population (1 billion), GDP (\$ 1.81 trillion) and per capita income (\$ 1800 approximately). According to African Development Bank, Africa is expected to grow at the rate of around 5.8 per cent in 2012.

This compares well with projected GDP growth rates for world (3.3 per cent), Brazil (3.0 per cent), Russia (3.3 per cent) and is lower only to China (8.2 per cent) and India (7 per cent) in 2012. Some of the African countries such as Angola and Ghana are expected to grow by 11 per cent or more as shown below.

Robust commodity prices on account of demand from emerging economies such as China and India have increased the income levels of African countries.

Many African countries have per capita income levels which are higher than India's, e.g. South Africa, Mauritius or Botswana. Africa will continue to benefit from rising global demand for oil, natural gas, arable land and other resources. Africa has 10 per cent of world reserves of oil, 40 per cent of gold, 80-90 per cent of chromium and platinum group metals.

Growing urbanisation (40 per cent of Africans live in cities) and a relatively high proportion of young people (half of the African population is expected to be below 24 years of age by 2015) make Africa a strong consumption story. The ongoing expansion of the global fibre optic network is expected to lead to a boom in Africa's telecom sector. Besides the energy sector, the other sectors to watch out for are banking, educational and financial services, health care, bio-fuels, infrastructure and retail.

Integration of African economies through regional pacts (Southern African Development Community, East African Community, Common Market for Eastern and South Africa, South African Customs Union, Economic Community of West African States) and a pan-African Free Trade Agreement (CFTA) will result in larger, more predictable markets with fewer trade barriers and economies of scale benefits.

India's incentives

Realising the potential of Africa for diversification of its product and market mix, the Indian government has come out with many incentives for exporting to and importing from Africa. For example, under the Focus Market Scheme (FMS), exports to notified countries given in Appendix 37C of Hand Book of Procedure volume 1 (HBPv1), will attract duty credit scrips equivalent to 3-4 per cent of the fob value of exports. The other export incentive schemes are Focus Product Scheme (FPS) and Market Linked Focus Product Scheme MLFPS (appendix 37 D, HBPv1) which will benefit the exporters of notified products shipped to the notified destinations.

Further, as part of India's commitment at WTO Hong Kong Ministerial in 2005, India has agreed to provide duty free/quota free market access to roughly 90 per cent of export products from 49 notified LDCs (33 of them are African countries) subject to fulfilment of rules of origin criteria (change in Customs Tariff Heading and 30 per cent domestic value addition).

This will immensely benefit India's manufacturing sector which has to rely on import of scarce inputs e.g. copper or crude oil.

The Indian government is negotiating various free trade agreements with African countries which will ease the movement of merchandise e.g. India-Mauritius Comprehensive Economic Cooperation and partnership Agreement or India-South Africa Customs Union Preferential Trade Agreement.

Challenges in Africa

Political unrest and lack of reliable information about African markets make them risky. Poor infrastructure, in particular those related to transit trade as many African countries are land-locked add to the transaction cost.

Though, most African markets are fast-growing, they are small and fragmented across the continent. African countries, barring a few, are characterised by weak fiscal and monetary policies and high taxes. Poor regulations lead to high incidence of corruption.

Volatile currencies make business planning difficult. Shortage of foreign exchange in many African countries gives rise to the risk of payment default by African buyers. In addition to the above, Indian businesses looking to enter African markets will have to face fierce competition from Chinese operators.

Despite, the challenges as listed above, India is more acceptable than China in Africa because of its historical ties with the continent. A few precautions can make the African ride easier for Indian businesses looking to tap African markets.

To minimise the risk of payment default and other risks it is advisable to take Export Credit Guarantee Corporation (ECGC) cover. In addition to this, services of institutions like African Trade Insurance Agency can also be considered, which cover risks against inconvertibility of currencies, expropriation, war and civil disturbance. When exporting through documentary credits (L/Cs), it's better to use standby L/Cs.

It would help if trade is bundled with investment aimed at creating local employment.

These tactics have successfully been adopted by Chinese companies and a few Indian companies such as Karaturi Global to gain local support in a fast-growing but politically sensitive market. The Governments of India and African countries can also consider investment protection agreements. Indian businesses have lagged behind their Chinese counterparts. It is not too late to join the Africa story, though.

(Ritesh Kumar Singh is an expert in international trade for a corporate house. Sudhakar Kasture is Director, EXIM Institute.)

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