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Time to push the envelope

CARLOS LOPES | November 4, 2015 | 21:05



Illustration by Saurabh Singh

India and Africa have been intimately linked for centuries by ancient trade and investment links as well as close socio-economic, cultural and political ties. These date from the era of the Mughal Empire to the struggle for freedom from colonial bondage and apartheid. The links are further reinforced by the 10 per cent of Indian diaspora that lives in Africa. The journey of friendship has evolved on a path of cooperation that is multi-layered, based on principles of South-South Cooperation and solidarity. Yet, very few know of the depth of this bond.

For instance, in 2013, 16 per cent of India's total outward FDI stocks were in Africa while rising economies such as Brazil had 9 per cent and China 0.8 per cent of their FDI stocks in the continent.



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Africa has also been one of the largest recipients of India's technical cooperation. Last year, the continent benefited from \$2 billion worth of India's development partnership assistance, the largest beneficiaries being Ethiopia, Senegal and the Republic of Congo. India has gone further to offer lines of credit worth \$7.4 billion with the biggest recipients being the power and engineering sectors. Africans have also benefited from 25,000 scholarships as a direct impact of the second India-Africa Summit and today the number of African students attending Indian tertiary institutions exceeds 6,000. Training and capacity-building initiatives have also reached numerous Africans spanning a range of vital areas from information technology to security.

These achievements are impressive considering Africa's collective GDP per capita has been higher than India's in the last 10 years. And this cooperation can grow further. The third India-Africa Summit, the biggest diplomatic event hosted by India in the last three decades, has demonstrated that the time is ripe to push the envelope of the India-Africa relationship further.

By 2050, the combined population of Africa and India will account for 43 per cent of the world. By playing the right cards, this pair could impact the complex geopolitical configurations and emerge as a formidable force. Doors can be opened to boost trade and scale up investments riding on common assets such as the demographic and urban dividend of both partners, the sizeable markets and the emergence of a new generation of middle-class consumers. In fact, India and Africa will be by far the repository of the youthfulness of the world by mid-century. Their firepower on assets such as their labour force or consumption growth will be colossal.

Consider the case of trade. Africa accounts for 11 per cent of India's exports and 9 per cent of its imports while Africa's share from India's total exports has increased from 8.1 per cent to 10.9 per cent. When compared to the total trade with the rest of the world, these figures are relatively weak despite the fact that annual trade between India and Africa currently stands at \$75 billion, making India Africa's third-largest trading partner after the EU and China. Trends also suggest that the bulk of trade is concentrated in primary commodities and only in a few African countries. Expanding the trading base would have a better impact. This would also be in line with the type of commerce that Mahatma Gandhi envisioned that "will be of ideas and services, not of manufactured goods against raw materials after the fashion of western exploiters". The summit contributes to reaffirm the need for this shift.

While Africa is fast becoming a hub for Indian investments in financial sectors, software and telecommunications, it is also a huge market for India's pharmaceutical exports-last year alone, a quarter of India's total exports of this product group were shipped to Africa. Imagine the windfalls that could be made by investing in local pharmaceutical training, production and drug manufacturing. This would pave a sustainable path for Africa's health systems as well as create jobs, stimulate economic activities and increase productivity. Another area is agriculture. Given that the agricultural characteristics of both regions are similar, food security could be enhanced by replicating the Indian Green Revolution as well as strengthening collaboration in areas that range from capacity-building, innovative agricultural technologies and inputs to agro-processing.

African heads of state were eager to ask Prime Minister Narendra Modi for more of these type of engagements. But it's not all about Indian investment in Africa only. Some were surprised to learn that by now 26 per cent of the inward FDI stocks in India actually come from Africa. A share larger than Brazil, China, the Russian Federation or the US. This can be scaled up to induce further African investments in India through real economy strength rather than mere financial transactions as is the case; some of it using tax avoidance loopholes.

If a shared vision for a vibrant India and a resurgent Africa is to be achieved, both partners have to look more to each other's complementarities. The New Delhi spirit pointed in this direction.

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