

# ESCAP Regional Dialogue on “Enhancing the Contribution of Preferential Trade Agreements to Inclusive and Equitable Trade”

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Bangkok, Thailand

## Insights from ECA-CII Report on India-Africa Trade and Investment Relationship



United Nations  
Economic Commission for Africa



Confederation of Indian Industry

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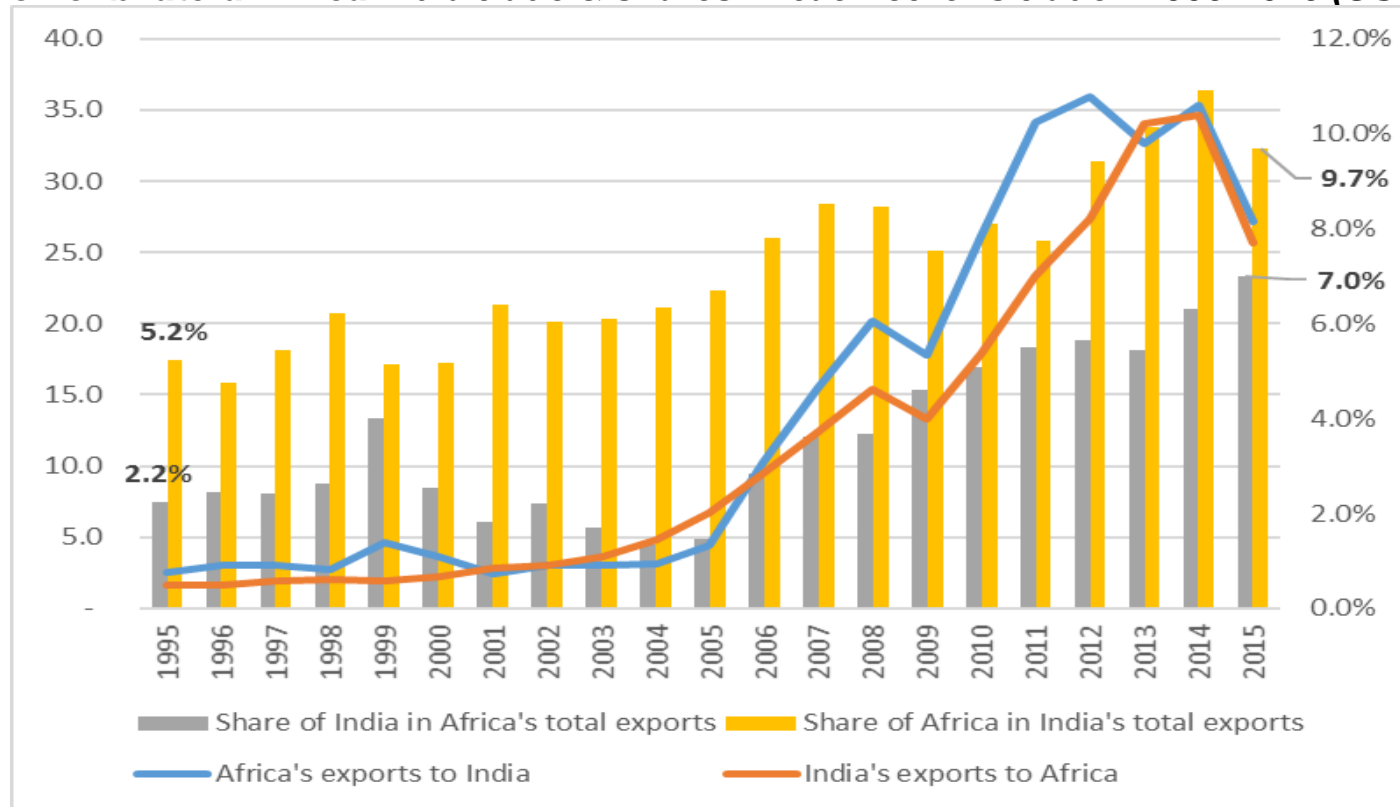
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# **Outline of the presentation**

- I. Overview of India-Africa Trade and Investment Trends**
  - II. Indian DFTP scheme to LDCs**
  - III. RCEP implications on India-Africa relations**
  - IV. Importance of the CFTA**
  - V. Case studies**
  - VI. Conclusion**
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# I. India-Africa Trade and Investment Trends (1/3)

**Evolution of bilateral Africa-India trade & shares in each other's trade - 1995-2015 (US\$ billion)**



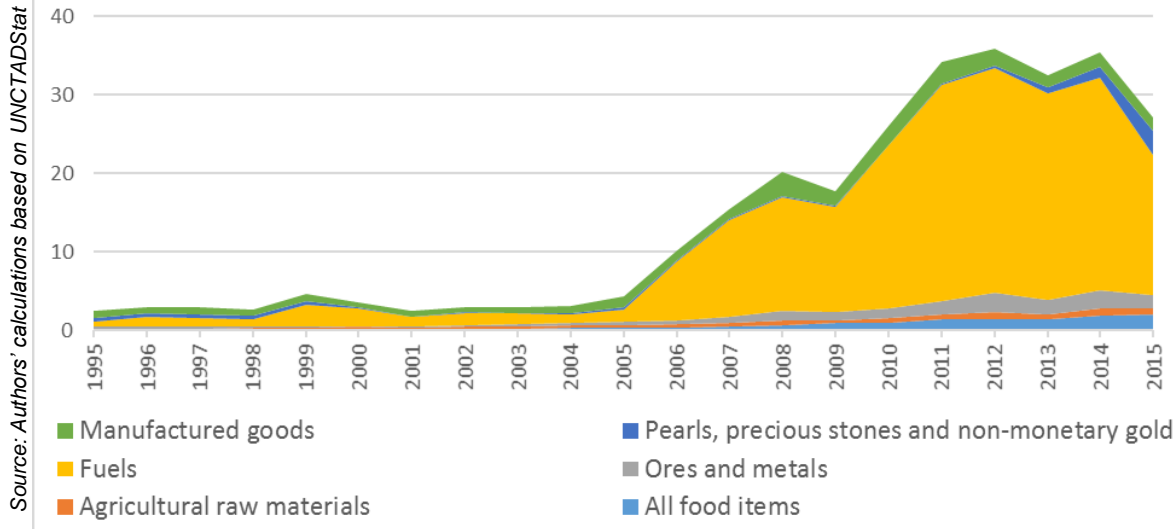
Source: Authors' calculations based on UNCTADStat

- ❑ Africa and India are increasingly becoming more prominent partners in each other's trade [in 2015: India 3<sup>rd</sup> destination of Africa's exports (after the EU and China); Africa's 4<sup>th</sup> destination of India's exports] ...

# I. India-Africa Trade and Investment Trends (2/3)

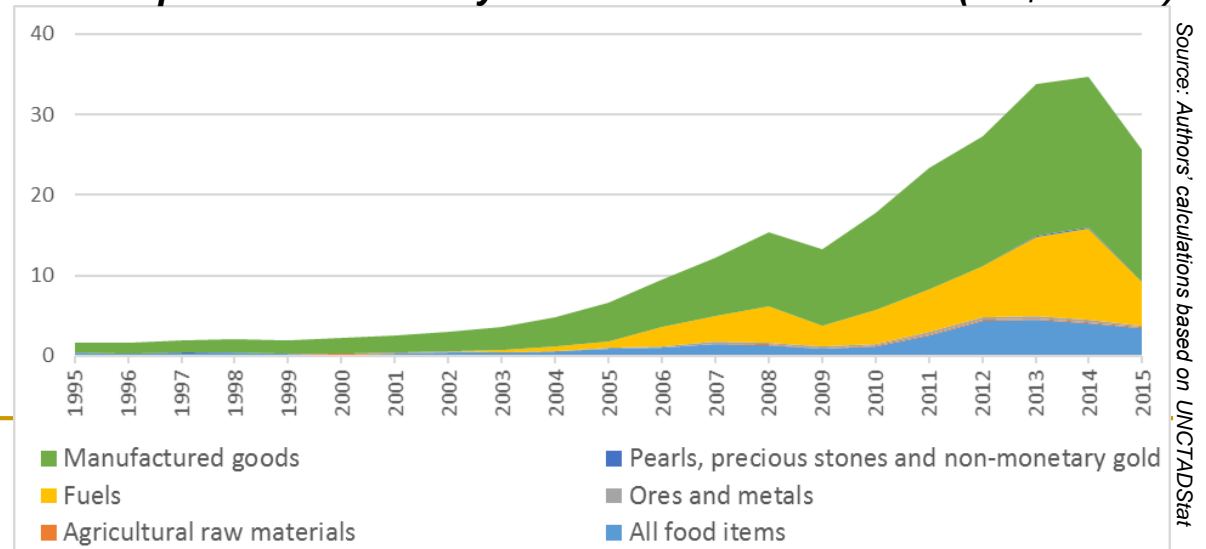
- ❑ ... but composition of exports to each other is very different

**Evolution of Africa's exports to India – by main sectors - 1995-2015 (US\$ billion)**



- Africa's exports to India highly concentrated in fuels
- Evolution highly influence by crude oil prices & high demand for oil from India
- Nigeria, Angola, South and Egypt concentrating 3/4 of Africa's exports to India (over period 2011-15)

**Evolution of India's exports to Africa – by main sectors - 1995-2015 (US\$ billion)**



- India's exports to Africa strongly dominated by manufactured goods
- Spread out across African countries

# I. India-Africa Trade and Investment Trends (3/3)

As far as investment is concerned, the situation is very particular

- ❑ India's FDI stocks in Africa: from \$11.9 bn in 2010 to \$15.2 bn in 2014
- ❑ Africa's FDI stocks in India: from \$57.0 bn in 2010 to \$73.7 bn in 2014
- ❑ Mauritius is a widely-used conduit for Indian inward and outward FDI (thanks to Mauritius advantageous tax conditions and financial facilities)
  - In 2014, Mauritius accounting for:
    - 91% of India's FDI stocks in Africa (*i.e. India's FDI channeled through Mauritius before reaching other African countries*)
    - 99% of Africa's FDI stocks in India (*i.e. international companies often re-routing their investment in India through Mauritius*)
- ❑ Looking forward the situation could considerably change
  - On 1 April 2017, India has negotiated a change with Mauritius in their Double Tax Avoidance Convention (*in effect since 1983*)

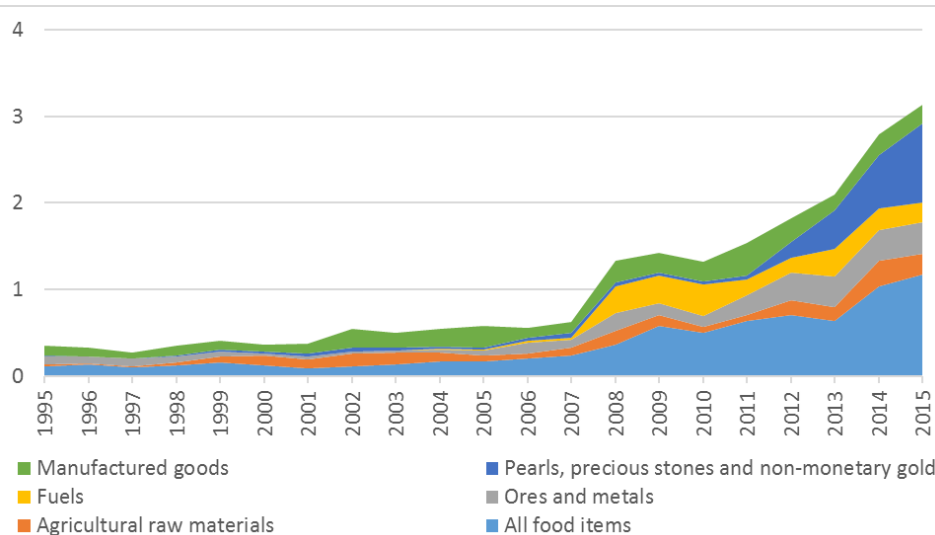
## II. Indian DFTP scheme to LDCs (1/2)

- ❑ India's Duty Free Tariff Preference (DFTP) scheme introduced in 2008
    - Progressively eliminating tariffs imposed by India on its imports from LDCs on 85% of India's total tariff lines (HS6 level of nomenclature) by 2012; with an additional 9% with reduced tariffs; remaining 6% excluded from tariff reduction
    - In 2014, DFTP expanded to 96% of tariff lines duty-free; extra 2.2% with preferential rates; 1.8% excluded
  
  - ❑ Today, out of 34 African LDCs, only 21 benefit from the scheme (to benefit an LDC must send a letter of intent to Government of India indicating the desire to be covered under DFTP)
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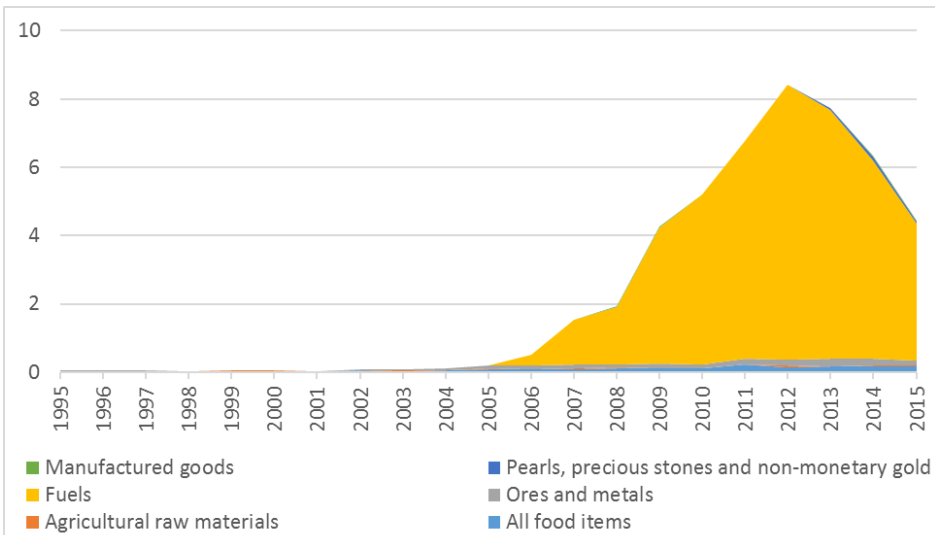
## II. Indian DFTP scheme to LDCs (2/2)

### *Evolution of African LDCs' exports to India – by main sectors - 1995-2015 (US\$ billion)*

African LDCs eligible to Indian DFTP



African LDCs non-eligible to Indian DFTP



Source: Authors' calculations based on UNCTADStat

- Those African countries benefiting from DFTP seem to have been able to diversify their exports to India (although mainly increase found in non-industrial sectors)
- But as to do more with patterns of African countries in each group
  - Countries non-eligible to DFTP are essentially oil producers (and India imposes no tariffs on its imports of oil from Africa)
  - Outside Sudan, no major oil producer in group of countries eligible to DFTP
- While preferences (not just from India) have been useful in stimulating African countries' exports, they have generally not helped diversifying their export structures (ECA ERA 2015)

### III. RCEP and India-Africa relations (1/2)

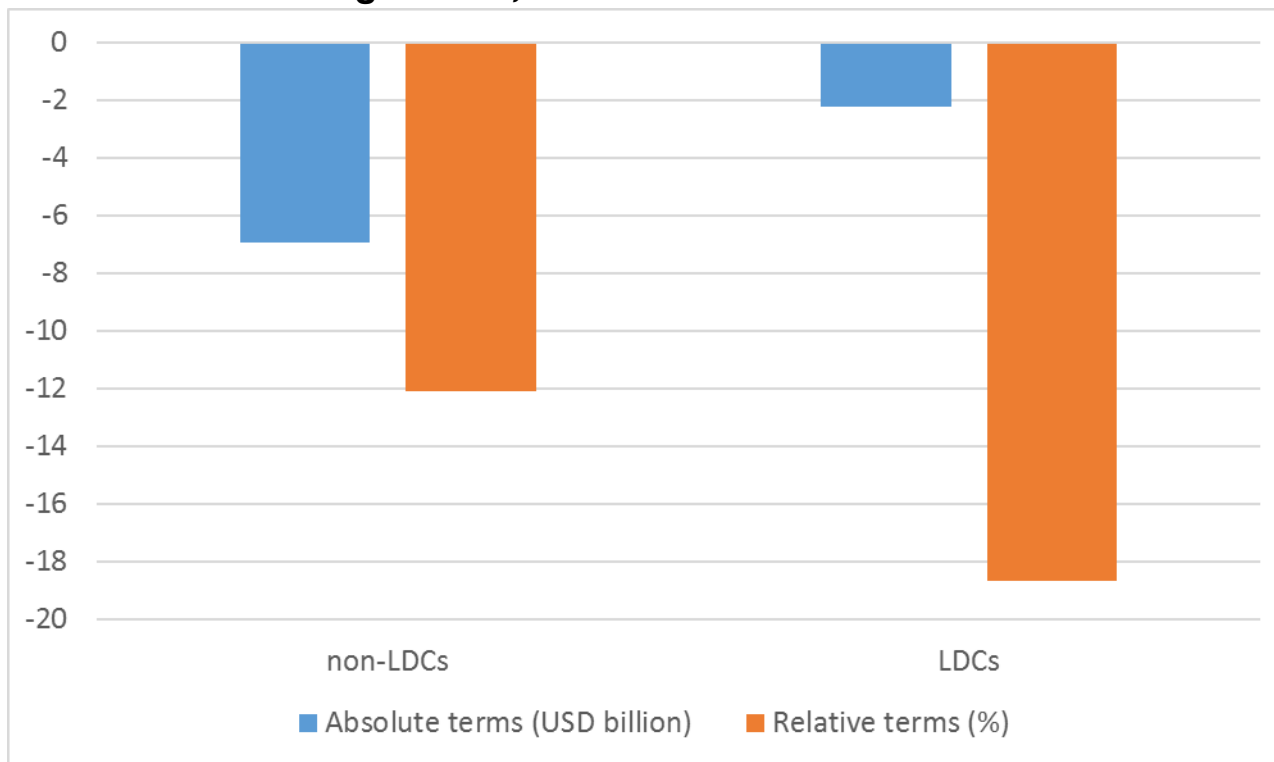
- ❑ Few benefits from Indian DFTP (at least in terms of driving African LDCs exports) could be wiped out if the Regional Comprehensive Economic Partnership (RCEP\*) was to be established

*(\*RCEP: FTA between ASEAN+Australia+China+India+Japan+South Korea+New Zealand)*
- ❑ ECA's recent analysis (Mevel, 2016) assesses that if the major mega-regional trade agreements (i.e. TTIP, TPP and RCEP) were to be implemented, RCEP would have the most negative effects on Africa's exports
  - Largest decrease of Africa's exports towards India (- \$9.2 bn or -13.2% in 2022; see next slide)



### III. RCEP and India-Africa relations (2/2)

***Changes in exports to India from African non-LDCs vs. African LDCs following MRTAs, relative to the baseline -2022***



*Source: Authors' calculations based on MIRAGE model*

- LDCs most impacted in relative terms; with a few of them hardly hit (e.g. reduction in exports to India by 49%, 44%, 20.5% for Zambia, Tanzania and Senegal, respectively; these 3 countries are all eligible to Indian DFTP scheme)

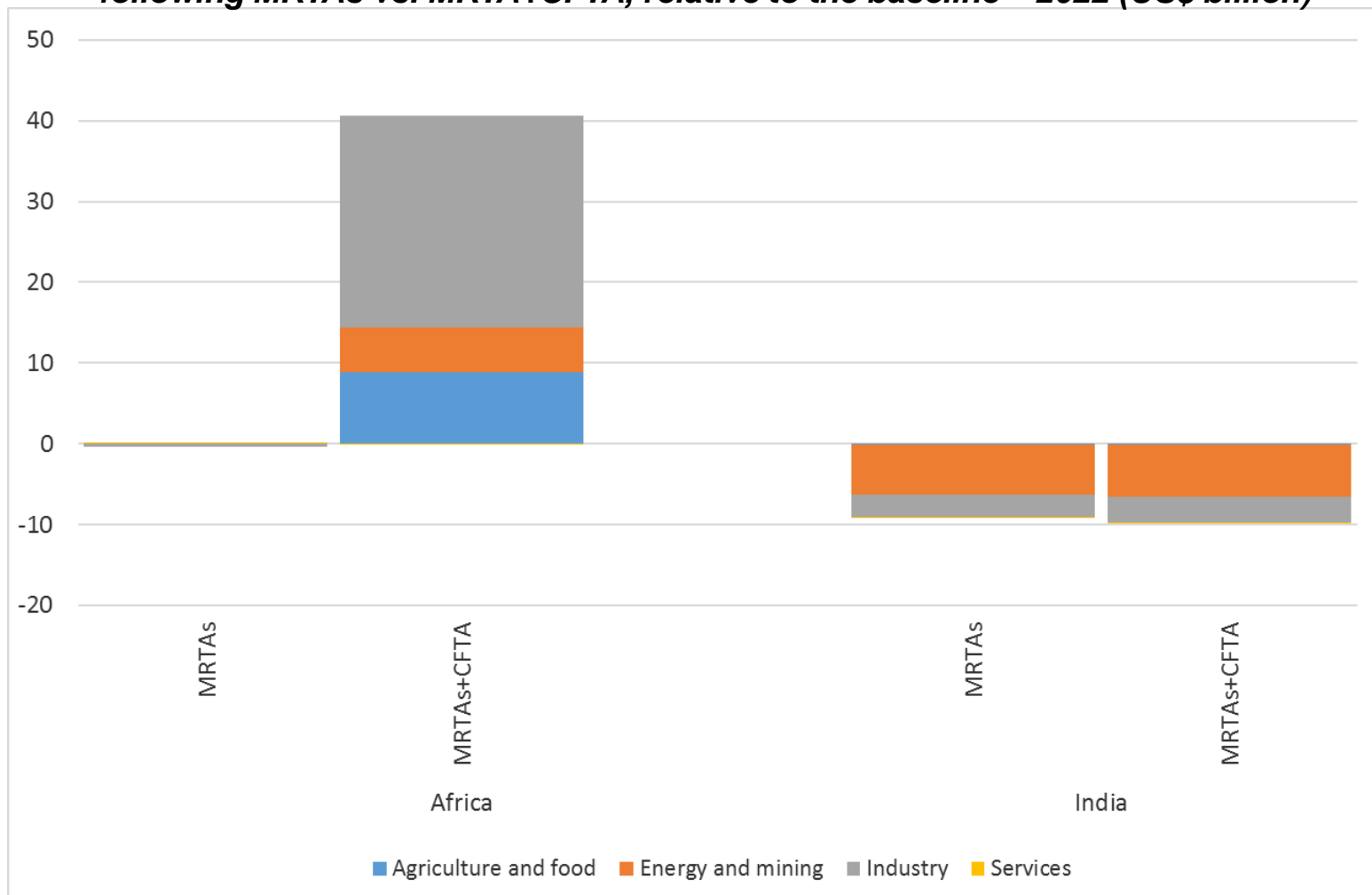
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## IV. Importance of the CFTA (1/4)

- ❑ Obviously, Africa has no control over the RCEP
  - ❑ Therefore, Africa must provide an effective response to RCEP and other possible MRTAs
    - Africa's own MRTA: the Continental Free Trade Area (CFTA)
    - CFTA negotiations officially launched in June 2015
    - Modalities for liberalization of trade in goods and services adopted last week during African Trade Ministerial in Niger
    - Agreement (not covering all issues to be negotiated) envisaged to be reached at the end of 2017
  - ❑ CFTA expected to boost intra-African trade and its industrial content (see next slide)
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## IV. Importance of the CFTA (2/4)

**Changes in Africa's exports to Africa vs. India following MRTAs vs. MRTA+CFTA, relative to the baseline – 2022 (US\$ billion)**



Source: Authors' calculations based on MIRAGE model

- CFTA to boost intra-African trade and have little impact on Africa's exports to India
- Our results also show that India's exports to Africa would only be reduced by \$1 bn

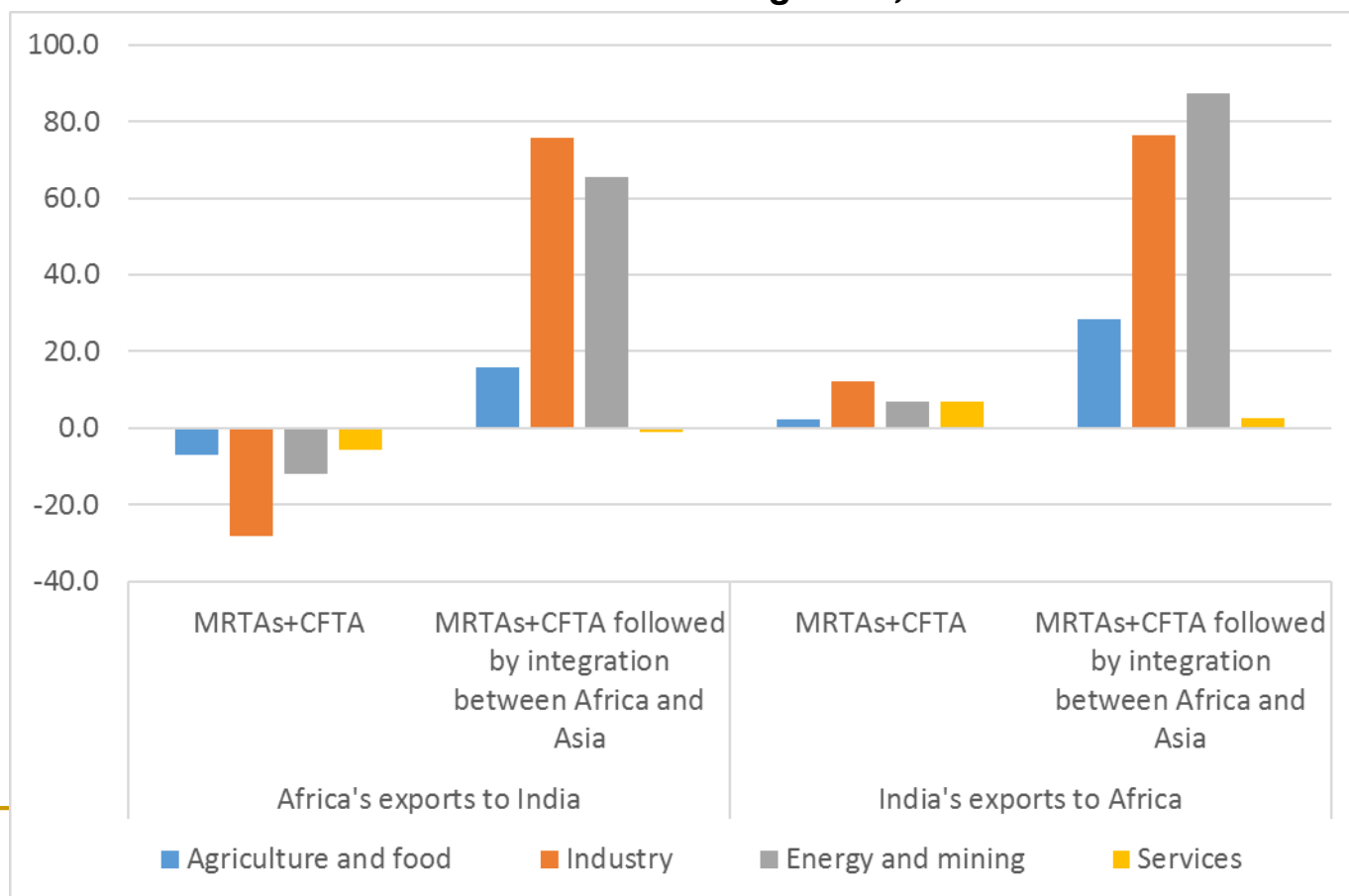
## IV. Importance of the CFTA (3/4)

- ❑ It is also in India's interest to have a CFTA that provides a larger, unified, simplified and more robust market to tap into
- ❑ CFTA offers important opportunities for Indian firms and investors
- ❑ But need to move from short term to long term vision
  - Not just for Indian firms and investors to take advantage of preferential trade programmes offered to African countries by third countries (e.g. Third Country Fabric provision of the African Growth and Opportunity Act with the United States)
  - Rather supporting Africa's ongoing integration efforts to build confidence between Africa and India
    - Could offer a good basis for any future negotiation aimed at reciprocity in terms of market access offered to each other and greater investment opportunities

## IV. Importance of the CFTA (4/4)

- Once Africa has established its CFTA, it will be in better position to integrate with India (and other Asian economies); with trade gains for all

***Changes in Africa's exports to India vs. India's exports to Africa – by main sectors following MRTAs+CFTA vs. MRTA+CFTA+Asia/Africa integration, relative to the baseline – 2022 (US\$ bn)***



Source: Authors' calculations based on MIRAGE model

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## V. Case studies

- ❑ Following case studies to be included in the Report
    1. Cooperation for accessible healthcare (Cipla in Africa)
    2. The expanding role of telecoms (Airtel in Africa)
    3. Potential for agriculture cooperation (with Zambia)
    4. TATA Africa Holdings
    5. Indian Government's Focus Africa Programme
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## VI. Conclusion

- ❑ Real opportunities for mutual trade and investment benefits between India and Africa (but Africa will need to be more integrated within itself for the India-Africa partnership to be more conducive)
  - ❑ Report to be launched at India-Africa Regional Summit in Uganda later this year
  - ❑ Further research envisaged between ECA and CII to identify those sectors of interest for India which at the same time offer promising opportunities for Africa's development
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# Thank you very much for your kind attention!

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