



# India Africa Trade Relations

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**Abstract** - India Africa share centuries old trade relations. The Monsoon winds across the Indian Ocean facilitated generations of traders to take voyage to the African land. The advancement in technologies has replaced wooden boats with modern container liners but the spirit of trade remains between India and Africa. The volume of trade has multiplied over the decades. The bilateral trade in 1991 was less than \$ 1 billion which has reached \$ 60 billion in 2017-18.<sup>1</sup> Above all, in comparison to growth in trade with other regions like Europe or North Africa, India's trade with Africa has increased by over five to six times. Today, Africa is the fastest growing export market for India. This unprecedented growth in bilateral trade has attracted attention of scholars from across the globe. The paper aims to capture the growth between India and countries of Africa.

**Keywords** – India, Africa, Trade Relation.

## I. BOOMING AFRICAN MARKET

Africa in the last century has been criticized for regressive economies. The economy of many countries in Africa was said to be better during the time of independence in 1960s that at the turn of century. In 1990s, many countries in Africa turned to the International donor and funding agencies for help to run their economy. However, this slowly changed in the present century, when less cross border war, internal conflict provided a new lease to the continent. There was new generation of leadership evolved who brought micro and macro stability and financial prudence to economy. As a result there was upswing in the African economy was observed. The average economic growth in the first decade of the present century was over 5 percent which was more than twice the growth observed during 1980s and 1990s. Many nations from Africa found place in the top ten fastest growing economies of the world.

It is also observed that after the global economic meltdown of the world in 2008, the continent which came out fast was Africa along with Asia whereas many countries from developed part of the world still have economic struggle. African economy is generally divided into two categories oil and mineral producing economy and other economies. The growth in oil and mineral economy is as per the global trend and they are benefitted by the good global demand. It is noteworthy that many non oil and mineral economies in Africa are doing very well. Countries like Ethiopia, Rwanda, Ghana and Tanzania are considered as growing economies on the basis of manufacturing or services sector. The growth in these economies are also important because in oil and mineral economy growth is without job growth but in manufacturing and services led growth there are sizeable job creations takes place.

The potential of future growth in Africa is equally important. Africa is observing faster urbanization which is positively associated with the increase in higher household earning. In 1980, only 28 percent population lived in cities

which would increase to 40 percent with the time which in proportion close to China and even more than India.<sup>2</sup> The large cities like Alexandria, Cairo, Cape Town are already close to Mumbai or New Delhi in terms of spending power. By 2030, the top 18 African cities could have combined spending power of \$ 1.3 trillion. \$ 5000 is a threshold where people start spending on items other than food. It is predicted that 128 million household will have that capacity. The house hold expenditure is likely to touch \$ 1.4 trillion in near future. This house hold expenditure was already more than the expenditure incurred in India and Russia together.<sup>3</sup>

## II. INDIA'S TOP TRADING COMMODITIES

Petroleum products are the most important commodity traded between countries of Africa and India. However, Petroleum products are both, India's top imported commodity from Africa as well as the top exported commodities from India to Africa. India is an energy deficit country, it has limited domestic resources of petroleum product as a result it imports over two third of its petroleum product demand across the globe including Africa. The demand of petroleum product is unlikely to come down because India is a fast growing economy and the demand of energy increases with the growth in the economy. The Planning Commission of India expects that the demand of energy would double itself by 2030.<sup>4</sup> India also launched aggressive search for petroleum products within its territories but it has not yielded any big discovery. It is clear that India's dependence on import of oil is not going to come down in near future and Africa would play crucial role in petroleum trade.

African has large reserve of oil and gas. It is estimated that Africa has 9.6 per cent of global crude deposit and 11 per cent global oil production. The major oil exporters on the continent is around 30 percent of the overall production and the rest is available for exports. The major oil exporters on the continents are Nigeria, Algeria, Libya, Angola, Egypt

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and Sudan. The importance of Nigeria for oil import is much higher as on several occasion it has become the single largest source of oil import for India even beating major oil producer like Saudi Arabia and Iran. Nigeria is likely to play important role in India petroleum import. It should

also be highlighted that the new oil and gas producer on the eastern coast of the African continent like Mozambique, Tanzania, Kenya and Uganda too could play crucial role in India's oil and gas import.

## India's Top Trading Partners

Ranking	Name	Value in US\$ million (2016-17)
1	Nigeria	9,423.59
2	South Africa	9,379.71
3	Egypt	3,231.12
4	Angola	2,751.12
5	Tanzania	2,732.06

Africa, in spite of large crude production and exports depends on the import of refined petroleum products. The refineries on the continent are not been able to meet the total demand of refined petroleum products and such deficit not only observed in non oil producing countries but in many crude oil producing and exporting countries also. Angola is a classic case, India imports crude oil from Angola and sell refined product back to Africa. The demand of oil consumption on the continent is estimated to

be 2.8 million barrels but production much below the demand. India plays a crucial role in refined petroleum products because it has a vibrant downstream sector. There are 17 refineries working in India and they generate sizeable surplus capacity.<sup>6</sup> This capacity of refineries is utilized to export refined petroleum products mainly to countries of eastern coast like Kenya, Tanzania, Mauritius and South Africa.

## India's Top Import Commodities

Rank	Name	Value in US\$ million
1	Mineral Fuels, Mineral Oils And Products Of Their Distillation; Bituminous Substances; Mineral Waxes.	15,027.43
2	Natural Or Cultured Pearls, Precious Or Semiprecious Stones, Precious Metals, Clad With Precious Metal And Articles; Imitation Jewellery;	6,621.41
3	Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	1,347.44
4	Inorganic Chemicals; Organic Or Inorganic Compounds Of Precious Metals, Of Rare-Earth Metals, Or Radical Elements Or Of Isotopes	979.35
5	Copper and articles thereof	850.79

Pharmaceutical exports are the second important commodity in India-Africa trade. There is medical exigency in Africa and many tropical diseases continue to create havoc on the continent. The diseases like Malaria and Tuberculosis are affecting African people with the alarming

rate. However, the most devastating affect is caused by HIV/ Aids. It is estimated that sub-Saharan Africa has just over ten percent of the world's population but has over 60 percent of people living with HIV/Aids. However, on the one hand the health profile of Africa is deteriorating and on

the other hand it has limited capacity to manufacture pharmaceutical products. It is clear that the exigency on the

continent can be met only with pharmaceutical import.

## India's Top Export Commodities

Rank	Name	Value in US\$ million
1	Mineral Fuels, Mineral Oils And Products Of Their Distillation; Bituminous Substances; Mineral Waxes.	4,280.00
2	Pharmaceutical Products .	2,801.64
3	Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.	2,165.13
4	Cereals	1,579.26
5	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.	1,422.32

The vibrant Indian pharmaceutical sector plays a pivotal role in Africa continent. There are two advantage associated with the India's pharmaceutical sector. One, African market is just a continuation of the domestic market because of the tropical disease pattern is identical. No major change is needed to promote India's pharmaceutical products in Africa. Two, India is source of affordable generic medicines. The Indian Anti-Retroviral (ARV) drug utilized in HIV Aids treatment is a good case study. Initially, the ARV doses provided by European company would cost \$ 100000 per year. Indian companies could bring it down to \$ 100 with its generic medicine. The ARV has come within the range of many African patients which could not afford costly medicines.<sup>7</sup>

Vehicle is the next big commodity India exports to Africa. India today has become a global centre for automobile manufacturing due to technical capabilities accumulated in the domestic automobile sector. India today has reached coveted position and joined the group of nations which have capabilities from design to manufacturing of a vehicle. All leading automobile companies have manufacturing unit in India.<sup>8</sup> Africa is a natural market for these Indian as well as overseas automobile companies working in India. Indian company like Tata Motors, Ashok Leyland have wide spread presence in Africa. Mahindra and Mahindra have a dedicated Mahindra Africa company to look particularly after the African Market. The presence is not restricted to only cars but bus, trucks and two wheelers too are exported to Africa. The India companies are taking lead to assemble vehicle in Africa. Tata Motors has set up assembly line for its buses in Senegal. TVS and Hero Motors too are setting up assembly line for their two wheeler products.

Agricultural products are other important products in Indo-Africa trade. India as well as countries of Africa has agriculture as the mainstay of the economy. The position of agriculture trade is like petroleum product where India imports commodities from Africa but also exports commodities in huge quantity. Rice is primary item of exports to Africa which is exported to many West African nations. Benin, Senegal, Guinea and Ivory Coast are the largest importer of Rice from India. It should be highlighted that the India rice did not utilized only in these countries, they were taken too many large and small countries of West Africa. India also imports agricultural commodities like pulses and oil seeds from Africa. There is not sufficient production of pulses and oil seed in India as a result it imports these commodities from across the world including Africa.

The trade in Agriculture is not restricted to only agricultural commodity but it also includes downstream agricultural sector like seed, pesticides and equipment. Indian tractors are popular in Africa and India defeats China in tractor exports to Africa. These tractors are popular because they are just right for agricultural applications. The tractors available from developed countries are too large in size for African farms. Indian agricultural pumps are equally popular in Africa for their right size and attractive cost. Kirloskar Pumps have created history in Senegal by turning the country from a net grain importer to food surplus country. The pumps provided by this Indian company helped to pump water from lower bodies to higher plateau where bumper production was achieved and country became surplus in food grains.

### III. CONCLUSION

India and countries of Africa have observed robust trade in the last two decades. The trade is likely to continue with equal intensity in the time to come because both the trading partners complement each other. Indian products are popular in Africa because they are easily adaptable and affordable. Indian products do not need any major change because of same tropical climatic condition. The unprecedented growth in Indo-Africa trade is also because of growth in African economies. This growth in economies helped in creating huge demand in Africa. The growth in economy has also created 'African middle class' which aspires to lead life like their global peers. These factors have turned Africa into lucrative market for Indian businessmen. The momentum created in Indo-Africa trade is likely to last very long.

### IV. END NOTES

- [1] The import and export data from India is taken from yearly data provided by Directorate General of Commercial Intelligence and Statistics, Government of India, Kolkata.
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