Research Article

A Brief Review of India-Africa Bilateral Trade in the Context of COVID-19

Amiya Sarma*, Sampriti Das

Department of Economics, Gauhati University, Guwahati, India
Email: amiya@gauhati.ac.in

Received: 1 December 2021; Revised: 9 March 2022; Accepted: 10 March 2022

Abstract: India and Africa are two regions embarking on a compatible growth trajectory, offering immense potential for mutual exchange and trade complementarities. In the decade preceding the COVID-19 pandemic, efforts were on their way towards acknowledging the shared social, economic and demographic commonalities between the regions, and toward strengthening of strategic, economic and trade ties. Subsequent waves of the pandemic have definitely affected production, cross-border trade and mobility of factors and finances across the two regions, thereby, stalling growth and developmental benefits that could have emanated from complementary exchanges. Though nothing can be said for sure, at present, about the prospects of Indo-African trade in the post-pandemic global arena, untapped energy potentials and newer avenues of exchanges, as in the field of medicines, can be seen as holding prominence.

Keywords: African continent, COVID-19 pandemic, bilateral trade, Trade Intensity Index, Trade Complementarity Index

JEL Codes: F14, F15, F23, O19, O55, P33

1. Introduction

Though separated by the vast expanse of the Arabian Sea, the Indian subcontinent and the continent of Africa share an assortment of historical, social, demographic and economic connectivity (Mawdsley & McCann, 2010; Taylor, 2012; Chakraborty, 2021; Goyal, 2022). High population growth rates, rampant poverty, untapped natural resources, and the predominance of agriculture are to name a few. On a positive note, both regions have been witnessing favorable demographic dividends and rising per capita income, springing forth enormous opportunities for competition and complementarities in mutual trade and exchange (Broadman, 2008). The dynamics and rapport India shares with Africa ought to hold priority in view of the virgin natural resource base that the nations of the continent offer (Mutalik-Desai, 1972; Mishra, 2018; Goyal, 2022). In particular, Africa’s rich endowment of unused acres of cultivable land, hydroelectric power potentials, large oil reserves and cheap labor could meet India’s own developmental and energy requirements. Africa can make use of the world class financial and technological prowess that India has to offer. Moreover, the two economies have an extensive and ever-increasing consumer base, thus creating opportunities for the economies’ to be each other’s trade destinations.
In view of these Indo-African trade and investment potentials, there have been initiatives on both ends toward strengthening of economic ties, more so in recent years. Economic ties and cooperation between the two regions cover areas relating to energy, human resource development, infrastructure development, climate change, security and maritime activities. All was promising until the infamous pandemic wreaked havoc, imposing some serious bottlenecks in the furthering of trade and bilateral relations (Chakraborty, 2021). In light of the current times, when the world is going through yet another remodeling of global interfaces, it remains to be seen where the trade equation between India and Africa stands.

This is what the present study aims to contribute to as it makes a modest attempt at assessing the prospects of bilateral trade between the two regions in the years to come. The analysis is centered around a potential analysis based on prominent trade indices. As the paper proceeds, the next section gives a glimpse of the economies of India and Africa, Section 3 analyses the bilateral trade pattern of the two regions and Section 4 enumerates the initiatives directed toward strengthening of mutual ties between India and Africa. Proceeding further, Section 5 discusses the impact of COVID-19 pandemic on these trade ties and Section 6 outlines the prospective areas of cooperation and collaboration. The final section briefly concludes.

2. The economies of India and Africa: an overview

Africa, the second largest continent in the world, in terms of size, has a population of 1.2 billion people. This along with a persistently growing population is indicative of the huge market potential that nests at its heart. The unified African continent has a realized real GDP growth rate of 5 percent as for the period 2001-2014. Notwithstanding the adverse effects of global economic slowdowns and accompanying sharp declines in commodity prices that is characteristic of this period, the growth of the continent, as a whole, witnessed a step-up since around 2016, primarily driven by enhanced domestic demand, favorable supply situations, adequate macroeconomic management and improved financial position (PHD Chamber of Commerce and Industry, 2017). As reported by Export-Import Bank of India (2020), Africa’s overall GDP stood at US$ 2.3 trillion in 2018 registering an economic growth rate of 3.4 percent which is forecasted to exceed US$ 3 trillion by 2023. In fact, some of the African countries have achieved spectacular economic growth rates marking their presence among the fastest growing economies. For example, Libya (10.8%), Ethiopia (8.5%), Rwanda (7.8%), Ghana (7.6%), Côte d’Ivoire (7%), Tanzania (6.6%), Kenya (6.1%) and Uganda (6.1%) have achieved commendable growth rates which are expected to become the drivers of economic growth of the entire African continent (Export-Import Bank of India, 2019).

On a similar footing, India, the world’s 7th largest country in terms of area and the 2nd largest country in terms of population, has evolved as an emerging economy with a growth rate of 7.6% in 2016-2017. The stable macroeconomic conditions assisted by financial reforms, agricultural reforms, impetus to MSMEs and improvements in infrastructure have led the Indian economy to a higher growth trajectory. Although the country has suffered from an economic downturn amid distortions caused by the ongoing COVID-19 pandemic, the World Bank has forecasted a steady rebound with an average growth rate of 8.3 percent for 2021-2022 fiscal year and 7.5 percent for the next fiscal (World Bank Group, 2021). Based on such outlooks, it seems reasonable to infer that India possesses enormous prospects to emerge as a leading developing economy in the times to come.

3. Trade between India and Africa: stylized facts

Due to the similar pattern of economic growth, both India and Africa have mutual economic interests that have led to unprecedented surge in bilateral trade between them. During 2003-2019, India-Africa bilateral trade has registered an increase of almost 10 times from US$ 6.9 billion in 2003 to US$ 71.1 billion in 2019 (Export-Import Bank of India, 2019 and ITC Trade Map). However, bilateral trade between the two regions has contracted to US$ 55.0 billion in 2020 as a consequence of the COVID-19 hardships.
As can be understood from Figure 1, both exports and imports of India to and from Africa have been expanded during 2008 to 2019. But imports from Africa is always seen to outweigh exports to Africa. Interestingly, exports to Africa have almost doubled from US$ 15.4 in 2008 to US$ 32.3 in 2019 while imports from Africa have increased at a relatively lower rate of 1.5 times during the same period (from US$ 26.7 in 2008 to US$ 38.8 in 2019). This clearly indicates that although India has consistently maintained a deficit trade balance with Africa in the early part of the 2000s (Mishra, 2018), the balance has narrowed down gradually in recent years and if this trend persists, India could experience a surplus trade balance with Africa in due time. During the period 2008-2019, India’s trade balance with Africa has come down to almost half from US$ 11.3 to US$ 6.5. In 2020, trade activities have been vehemently contracted due to the restrictions imposed as measures to contain COVID-19 virus.

The growth pattern of India-Africa bilateral trade over a decade has been demonstrated in Figure 2. Though the negative wave of the Global Financial crisis put the growth of India-Africa trade down the line, the same has been
recovered in the subsequent years. However, trade relationship between them has been increasing at a continuously declining rate may be due to the global recession exerted by subdued demand and falling commodity prices. Beyond 2016, in line with the world economic growth, India-Africa trade has shown an upward trend. However, India’s imports from Africa have been drastically declined since 2017 but its exports to Africa have shown an upward trend till 2019 which has received a serious setback in 2020 due to the adverse impacts of COVID-19 pandemic on trading activities across the globe. Overall, during the period 2008 to 2019, India’s imports from Africa has grown at a compound growth rate of 31.3 percent while the growth rate of its exports to Africa has even higher recording 52.4 percent during the same period. In 2020, both exports and imports to and from Africa have declined significantly although decline in exports has been less pronounced than decline in imports.

### Table 1. Percentage shares of India’s major export and import items to and from Africa, 2018

<table>
<thead>
<tr>
<th>Export items</th>
<th>Share</th>
<th>Import items</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral Fuels, mineral oils &amp; its products</td>
<td>18</td>
<td>Mineral fuels, mineral oils &amp; its products</td>
<td>59</td>
</tr>
<tr>
<td>(mainly petroleum oils)</td>
<td></td>
<td>(mainly crude)</td>
<td></td>
</tr>
<tr>
<td>Vehicles other than railway or tramway</td>
<td>11</td>
<td>Natural or cultured pearls, precious or semiprecious stones</td>
<td>19</td>
</tr>
<tr>
<td>Pharmaceutical products</td>
<td>10</td>
<td>Inorganic chemicals</td>
<td>4</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>7</td>
<td>Edible fruit and nuts</td>
<td>3</td>
</tr>
<tr>
<td>Cereals</td>
<td>6</td>
<td>Ores, slag and ash</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: EXIM Bank of India 2020

As reflected in Table 1, India mainly exports petroleum products to Africa along with industrial products like vehicles, pharmaceuticals and machineries and agricultural products like cereals. The leading export destination of India in the African continent is South Africa which receives almost 14.3 percent of India’s exports to Africa in 2018-2019 (Export-Import Bank of India, 2020). The other export destinations are Nigeria, Egypt, Tanzania and Kenya. Indian imports from Africa, on the other hand, mainly comprise of mineral and natural products with mineral fuels, oils (mostly crude) and its products constituting more than half of the import basket. The leading import source in Africa is Nigeria from which India imports about 26.5 percent of its total import from Africa in 2018-2019. From Nigeria, mainly crude oil is imported. Next to Nigeria, other important import partners of India in Africa are South Africa, Angola, Ghana, Algeria and Egypt (Export-Import Bank of India, 2020).

Narrowing down to the scene just before the onset of the global pandemic, we can gauge whether India’s export supply orientation has been in tandem with import requirements of the African continent. This can be understood from Drysdale’s (1969) Trade Complementarity Index. Intuitively, this index measures whether an economy’s export pattern matches with the import pattern of a partner economy than it matches with the import pattern of the world as a whole. An increasing index value over time is indicative of growing similarity between export basket of one country and the import basket of its trade partner. Technically, we calculate it using the formula:

\[
TCI_{ij} = \sum_k \left( \frac{x_i^k \times m_j^k - m_i^k \times m_j^k}{x_i \times m_j} \right)
\]

where, \(x_i^k\) is country i’s exports of commodity k, \(x_i\) is country i’s total exports, \(m_j\) is world imports, \(m_j^k\) is world’s imports of commodity k, \(m_i^k\) is country i’s total imports, \(m_i^k\) is country i’s imports of commodity k and \(m_j^k\) is country j’s total imports. A TCI value higher (less) than unity indicates to greater (less) alignment of export and import patterns of the country’s involved which explains existence of a comparative advantage in bilateral trade (Hoang, 2018).
The estimated indicates, as presented in Table 2, show how not only were India’s trade complementarity with Africa higher than unity, but they have also grown over the years. That India’s export basket contains what Africa needs is a straightforward indication of the trade growth potential between the two economies. More importantly, growing TCI values are indicative of evolving natural alignment in their trade pattern. Given this complementary pattern, India’s exports to Africa are likely to increase, provided the latter can grow as a major import source.

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade Intensity Index</th>
<th>Trade Complementarity Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2.7695</td>
<td>1.1805</td>
</tr>
<tr>
<td>2019</td>
<td>2.9675</td>
<td>1.1888</td>
</tr>
<tr>
<td>2020</td>
<td>3.3112</td>
<td>1.3097</td>
</tr>
</tbody>
</table>

Source: ITC Data

Although trade potential between the two economies was budding just before the onset of the pandemic, it becomes crucial to grasp how intensely they trade and how likely is for this intensity to deepen in the years to come. We gauge this using Trade Intensity Index, which gives shows whether a country/region exports more (as percentage of total exports) to a particular country/region compared to the world exports to that particular country/region. More specifically, it is defined as exports of country ‘i’ to country ‘j’ as percentage of country i’s total exports divided by exports of the world to country ‘j’ as percentage of world’s total exports. It actually measures the trade intensity of a country in the market of another. A value greater than 1 connotes an intense trade relationship and vice-versa, and as shown in table 2, the India intensely trades with Africa. Secondly, the steady raise of this intensity in the short period predating the pandemic crisis reflects trade India’s then growing presence in African markets. In what follows, we surmise what has led to these budding ties and what could be done to strengthen them, keeping of course the pandemic and its after effects in context.

4. Strengthening India-Africa relationship

India has been maintaining a congenial relationship with the African continent for long now. The demographic and macroeconomic harmonies along with prospects of comparative advantages in production and trade have fueled the urge to intensify the mutual ties among the two regions. In fact, according to a joint study by Afreximbank (African Export-Import Bank) and Exim India (Export-Import Bank of India) (2018), untapped trade potential of India and Africa is as high as US$ 42 billion. Such motivations have prompted the government of India to take up religious steps toward strengthening mutual relationship with the African countries. The establishment of several diplomatic missions across Africa in March 2018, and the subsequent three-country visit of the PMO of India to the continent in July of the same year are all manifestations toward this end (Kurzydlowski, 2020).

At the institutional level, some policy measures and frameworks have been put in place to create an enabling environment for trade and business activities. As part of such policies, India launched the ‘Focus Africa’ program in March 2002, previously focusing on seven African countries like Ethiopia, Ghana, Kenya, Mauritius, Nigeria, South Africa and Tanzania but, later on, extended to cover all the African nations. This program has been initiated with the objective of enhancing economic ties between the two regions through intensifying bilateral trade and investment relations.

Further, the Export Import Bank of India (EXIM India) has been extending the number of Lines of Credit (LOCs) to various institutions in the continent. These LOCs are generally extended to some priority areas as supplements to the Government of India’s ‘Focus Africa’ initiatives. Additionally, EXIM India has also been offering its commercial LOCs to banking and non-banking institutions in Africa. Most of these LOCs are extended to encourage imports of machinery
equipment and services from India on credit while another substantial part is channelized to infrastructure improvement projects in Africa (Export-Import Bank of India, 2015).

Some of the less developed African countries (34 countries) have given preferences and duty-free market access in India under its Duty-Free Tariff Preference (DFTP) Scheme to Least Developed Countries (LDCs). This scheme, introduced in 2008 and amended in 2014, offers duty free and preferential market access to LDCs in India over 98 per cent of the country’s tariff lines (International Trade Centre, 2015).

Being a member of the African Development Bank (AfDB) group, India extends assistance to Indian companies through the Export-Import Bank to engage in developmental projects funded by the AfDB group and other multilateral funding agencies. With such support from the EXIM bank, many Indian companies have been operating in different projects in Africa related to power, transport and communication, water supply and sanitation, etc. As part of the annual meeting of the AfDB group, the EXIM bank accompanied by Federation of Indian Chambers of Commerce and Industry (FICCI) organizes Africa-India Partnership Day showcasing the immense potential for enhancing mutual ties between the two regions. During these celebrations, development experiences of India are shared with Africa, especially the success stories of Public-Private Partnership (PPP) modes of financing infrastructure projects.

India and Africa are also linked through membership in BRICS, a group of Brazil, Russia, India, China and South Africa. The BRICS members entered into an agreement in 2010 to design a BRICS Inter-Bank Cooperation Mechanism with the objective of intensifying economic and investment ties among the members.

On October 2019, Ministry of External Affairs, Government of India initiated e-Vidya Bharti (Tele-education) and e-Arogya Bharti (Tele-medicine) Projects (e-VBAB) to extend education and medical related services to Africa. Through e-Vidya Bharti project, scholarships are offered to African students to pursue undergraduate and post-graduate courses in premier universities in India. African students are offered access to more than 500 courses in diverse disciplines. Again, e-Arogya Bharti project offers Indian medical consultations and expertise to the doctors, paramedics and patients in Africa through online mode (Ministry of External Affairs, 2019).

To give a boost to the historical friendship, understanding and mutual cooperation in each other’s development, India and Africa have been continuously organizing the India-Africa Forum Summits. This summit acts as a platform where heads of states and government of India sit for a discussion with the representatives of African countries to identify areas of trade and investment and mutual cooperation. The first India-Africa Summit was held in April 2008 in New Delhi, India and so far, three such summits have already been held.

5. COVID-19 and its impact on India-Africa bilateral trade

The COVID-19 pandemic has put stumbling blocks to the growing India-Africa trade relationship. In the event of a slowdown in bilateral demand for each other’s trading items, the trade volumes are expected to come down substantially. The economic growth of India is estimated in the Global Economic Prospects, June 2021 to register a negative average rate of -7.3 percent for the fiscal 2020-2021 (refer to Table 3), a number grossly less than the positive 7.5 percent and the negative 3.2 percent forecasted back in June 2019 and June 2020, respectively (World Bank Group, 2019; World Bank Group, 2020). The hardest blow of the crisis has been felt in the employment scenario of the country where unemployment rates remain high even before the pandemic. During the first spell of the pandemic, almost 4.1 million young people have lost their employment mostly in the informal sectors. As per International Labor Organization (ILO) (2020) estimates, as many as 364 million workers primarily engaged in casual work, self-employment activities and jobs without social protection could be affected by the lockdown induced economic slowdown (ILO, 2020). Restrictions on the movement of men and materials have affected trading activities directly resulting in job losses of the self-employed workers engaged in those activities. The manufacturing sector of the country has faced couple of problems of reduction in labor supply and a heavy fall in demand. With decline in production and shutting down of many production units, the growth rate of gross value added of the manufacturing sector has slowed down from 6.9 to 2.0 percent between 2018-2019 and 2019-2020. Concomitantly, the agriculture, construction and transportation sectors have also witnessed slowdowns on account of lockdown and associated restrictions on labor and material movements (ILO, 2020). The loss in employment and income would certainly put a downward pressure on demand for goods and services as a result of which foreign trade of the country has shrunk. Due to disruptions in the supply chain and demand conditions, Indian
export plunged by 34.57 percent in March 2020. At the same time, Indian imports dipped down by 28.72 percent (Financial Express, 2020). By the last quarter of 2020, the country has been gradually taking the growth pace with the withdrawal of lockdown and softening of restrictions, but the second wave of the pandemic has been visible in the first quarter of 2021. The picture under this second wave of COVID-19 is not still clear but it can be said for certain. As table 3 incites, the World Bank projects a revival with 8.3 and 7.5 percent growth rates for the Indian economy in subsequent fiscals i.e., 2021-2022 and 2022-2023 respectively, though it is indubitable that the second wave shall have its share of hits on the economy’s production and trade, but maybe not as vehement as in the first spell.

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>2018</th>
<th>2019</th>
<th>2020e</th>
<th>2021f</th>
<th>2022f</th>
<th>2023f</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>6.8</td>
<td>6.5</td>
<td>4.0</td>
<td>-7.3</td>
<td>8.3</td>
<td>7.5</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>0.0</td>
<td>-0.2</td>
<td>-4.9</td>
<td>0.2</td>
<td>0.7</td>
<td>1.2</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.8</td>
<td>0.2</td>
<td>-7.0</td>
<td>3.5</td>
<td>2.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1.9</td>
<td>2.2</td>
<td>-1.8</td>
<td>1.8</td>
<td>2.1</td>
<td>2.4</td>
</tr>
<tr>
<td>Angola</td>
<td>-2.0</td>
<td>-0.6</td>
<td>-5.2</td>
<td>0.5</td>
<td>3.3</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Source: World Bank, Global Economic Prospects, June 2021  
e: estimated, f: forecast

The impact of COVID-19 has varied across the African countries. The african continent is deficient in health facilities with only one third of the population having access to proper hand washing and less than one doctor per one thousand of population. However, some countries have the experience to check the spread of viruses like HIV and Ebola. The countries with relatively better health infrastructure have undergone higher COVID-19 testing and experienced a lower number of cases. Contrary to expectations, the African continent, deficient in health care facilities, have shown better resilience against the COVID-19 infections and casualties. As on 8 April 2021, slightly more than 3,221 positive cases per million are reported in Africa whereas globally reported positive cases are 17,183 per million. Moreover, the incidence of death in Africa is 85.7 per million against 372.3 per million globally (Varshney, 2021). These apparently lower incidences of infections and deaths may be due to the continent’s relatively younger population where almost 40 per cent of the population is younger than 14 years.

Despite intensive efforts to contain the spread of the disease, the entire continent has come under the grip of the virus causing destruction to life and livelihoods. As per an estimate by the African Development Bank (AfDB), COVID-19 would cause a GDP loss for Africa within the range US$ 145.5 billion to US$ 189.7 billion during 2020 (Export-Import Bank of India, 2020). Global Economic Prospects 2021 has estimated a negative economic growth in the entire African continent in 2020. As presented in Table 2, the Sub-Saharan Africa is estimated to grow at a negative rate of 7.8 percent in 2020 and to remain at a level achieved nearly a decade ago. However, the document has forecasted the Sub-Saharan economy to revive moderately in the subsequent years 2021 and 2022 to the pre-pandemic levels of around 3 percent on an average. Similar trends have been observed in most of the African nations. The nations mostly dependent on travel and tourism are the hardest hit where activities suffered a near-complete halt.

The commodity exporting countries especially the oil exporting countries are also severely affected during the crisis period. The measures taken for abating the spread of the virus are taking funds away from other economic activities. This would certainly have some adverse effects on potential output growth in the longer run. As in India, the significant portion of the workforce (85.8 percent) engaged in the informal sector have suffered substantially (United Nations, 2020). Shutting down of production units due to falling demand for African commodities and closure of tourism and transportation-related services resulted in job losses in large numbers posing a threat to the livelihoods especially for those who were engaged in the informal activities. A reduction in production coupled with lockdowns and supply chain disruptions has resulted in lowering down of trade activities within the African countries in one hand and
with other countries on the other. Gondwe (2020) has estimated the Africa’s merchandise exports to contract by about 17 percent due to negative impacts on the continent’s primary commodity exporters. The continent has also been affected by reductions in inflows of foreign direct investment and overseas development assistances. On the basis of the above, the same report has estimated Africa’s GDP to fall by 1.4 percent because of the negative shocks exerted by COVID-19.

Many of the African countries like Nigeria, Angola, Algeria, Libya and Egypt are among the top oil producing countries in the world. With the outbreak of COVID-19, oil prices dipped down by 50 percent putting serious strains to the revenue earning capacities affecting fiscal and exchange rate situations of many fuel-trading African economies (Mishra, 2020). Almost 89 percent of the African economies are commodity dependent relying heavily on commodity trading. Falling commodity prices have had significant economic destabilizing effects on these countries. Obviously, the Indo-African trade comprising mainly of trading in mineral fuels and related products has reached a subdued level.

With the goal of integrating the African nations and to accelerating intra-African trade, the African continental Free Trade Area (AfCFTA) was initiated which came into force since 30 May 2019 connecting 55 countries and a population of 1.3 billion. The AfCFTA is expected to improve the commercial engagement across the African nations thereby helping them reap benefits from enhanced trade volume and trade competitiveness. However, the outbreak of COVID-19 has put a halt to starting trade under AfCFTA which was expected to commence by July 2020. According to the World Bank, the implementation of this free trade area is extremely important which has the potentiality to make up for the economic losses due to the pandemic through reopening of the markets and providing impetus to diversified exports across the African nations. The importance of implementing the AfCFTA has been reiterated by the Export-Import Bank of India (2020) in its opinion that AfCFTA has the power to re-organize the pandemic ravaged markets and economies across the continent which would create environments to establish new industries and expansion of key areas.

It is to be noted here that for AfCFTA to operate for achieving its objectives, some common policies toward trade and investments are to be put in place across the region. In the absence of common policies and agreements, policies by individual nations may override creating uncertainties which would not be conducive at all to economic activities.

6. Prospective areas of strengthening India-Africa ties

The vast natural resource base of Africa has been revealing a bright prospects for the economy of the continent. Reaping benefits from the reserve of untapped natural resources requires efficient extraction and use of these resources which has posed a challenge before the economy. On account of these resources, Africa has been an attractive destination for many foreign companies and Multinational Corporations (MNCs) for expanding investment and trade relations. However, such companies work for their own profit and not for the uplift of the African economy. For example, Ghana and Ivory Coast produce a great deal of cocoa which are procured by companies based in Switzerland. These companies process this raw cocoa to produce ‘Swiss chocolates’. Africa itself has the opportunity to establish similar companies where raw cocoa may be processed to produce products like chocolates. India has both opportunity and potentiality to come forward in this regard to assist Africa to establish some primary product processing units to add value to the raw Agri-products. India may also assist in the marketing of these processed products not only in the Indian market but in markets abroad as well.

The African continent has increasing demand for foodstuffs, finished products like automobiles, pharmaceuticals and other consumer goods which India has the potentiality to offer. Moreover, India has the capability to offer services like information technology related services, financial services, management services in which Africa is in great need due to its development strides. Closer ties between India and Africa would open up a wider market for Indian goods and services in Africa and Africa, in turn, would be benefitted from high-quality Indian goods and service expertise.

Africa suffers from a mismatch between its demand for and supply of infrastructure facilities which acts as a major impediment in the process of rapid development of the region. Infrastructure projects require huge and lumpy investments of funds in which the continent is deficient. India may extend its helping hand in financing some of the infrastructure projects in Africa especially in PPP mode. Indian expertise in transport and information technology may be helpful in making trading activities hassle-free across the African countries. It will push India-Africa relationship to a greater height and both the economies would benefit from smooth business and trading. During this COVID-19
pandemic, India has every possibility to give a step forward to fuel India-Africa bonding through extending medical services to the continent. India has already achieved substantial success in containing the pandemic by its mass vaccination policy and now the same may be extended to some African nations.

7. Conclusion

For years now, the economies of India and Africa have shared a cordial rapport and reciprocated immense potential for development through trade. Considering the possibilities of shared development prospects, initiatives have been intensified recently to push this relationship to a new height. Consequently, India-Africa bilateral trade registered a 10-fold rise during 2003-2019, and this was accompanied by enhanced socio-economic and diplomatic ties. However, more needs to be done in this area. India, for instance, faces competition from emerging powers like China in the Africa, necessitating that adequate steps be taken to strengthen the foothold of Indian products in the continent.

Africa, on the other hand, has been receiving materials, technical expertise and funds from India and other leading countries to strengthen its capacities. Despite this, the continent continues to be plagued by a deficiency of infrastructural facilities that could have lowered trade costs and smoothened exchange between the two countries. Initiatives are also warranted for minimizing existing trade and investment risks across countries of Africa. The region under different cooperation agreements has lowered down its tariff barriers but existing non-tariff barriers continue to limit mobility of goods, services and factors across borders. For enhancing foreign trade and investment, such non-tariff barriers have to be curtailed. Moreover, enhanced participation in regional and global value chain would bring the possibility to add value to its vast agricultural products and would brighten up trade prospects of the region with the other parts of the world. The AfCTFA, whose functioning is delayed due to the COVID-19 pandemic, is expected to bring the African countries in a single value chain, propelling them to enhance their participation in the global supply and value chains.

Amid the destruction caused by the COVID-19 pandemic, nothing can be said for sure at present about the prospects of Indo-African trade. Under the second wave of the COVID-19 pandemic in India, state-specific lockdowns and restrictions have been imposed, bringing the growth of economic activities and trade to a deceleration, if not a halt. Africa has faced a similar brunt from the spread of the virus, the aftereffects of which are yet to sober up. As of 16 April 2021, total of 3,128,909 people have been confirmed to be positive COVID-19 cases and the numbers are going on increasing (https://www.cde.ual.es/en/coronavirus-present-situation-in-africa/). In this situation, the first and foremost priority should be increasing investment in the health infrastructure, for it is only by containing the spread of the virus can restrictions on movement and trade can be eased out, paving way for expediting the age-old cross border type of trade between India and Africa. With the pandemic world shifting toward digitization, India can also tap her software prowess to access the African market. She can extend investments in the IT sector of African nations, and/or offer agency services in Africa. Africa, in turn, could concentrate on production and trade in petroleum products as well as agro-based products with India.

Conflict of interest

The authors declare that there is no conflict of interest.

References


