



BROOKINGS INDIA

INDIA and AFRICA

FORGING A STRATEGIC PARTNERSHIP

OCTOBER // 2015

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Preface

Despite the Narendra Modi government's foreign policy hyper activism, Africa has remained a neglected continent. This perception was heightened when the third India Africa Forum Summit (IAFS), scheduled for December 2014 in New Delhi, was postponed ostensibly on account of the deadly Ebola crisis sweeping West Africa. However, the rescheduled summit slated for October 2015 dissipated this assessment somewhat. Moreover, with over 30 African heads of governments and states expected to attend, the third IAFS is likely to be the biggest foreign policy event hosted by India in more than three decades.

Apart from the impressive size of the event the exhaustive agenda of the summit underlines that the security, development, energy, trade, investment and even social interests of India and Africa are increasingly intertwined; both need to work with each other to advance their interests.

Simultaneously, there are also significant areas where Indian and African interests diverge significantly, notably on climate change. These differences will have to be managed deftly to ensure that areas of convergence between the two are not adversely affected.

Another challenge that both India and African nations face is the lack of capacity, particularly at the government level, to sustain bold foreign policy initiatives. For instance over two dozen Indian embassies in Africa are missing Ambassadors/High Commissioners. While political initiatives by strong leaders make for good headlines, their implementation is dependent on the ability of official institutions to sustain them.

Against this backdrop and in anticipation of the third IAFS, Brookings India commissioned a series of essays from Indian, African and international scholars, experts, activists and business leaders to assess the state of play between India and Africa on subjects ranging from security to development, energy, trade, investment and health. This Brookings India briefing book contains 22 essays which critically analyze key challenges and opportunities for India and Africa on various issues and offer recommendations and insights on how to forge a strategic partnership between the two.

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Vikram Singh Mehta

*Chairman
Brookings India*

WPS Sidhu

*Non Resident Senior
Fellow, Foreign Policy
Brookings India*

A CASE FOR STRENGTHENING INDIA-AFRICA PARTNERSHIP

*Waheguru Pal Singh Sidhu
and Shruti Godbole*

The India Africa Forum Summit (IAFS) process has come a full circle. Launched in April 2009 in New Delhi and followed by the second summit in May 2011 in Addis Ababa, the third summit in New Delhi in October 2015 will complete the cycle that began over seven years ago. While this process was partly in response to initiatives by other emerging powers, such as the Forum on China-Africa Cooperation launched in 2000, it was also a belated recognition that Africa was becoming an indispensable continent for India's future; one that New Delhi could ignore at its own detriment.

Simultaneously, individual African nations as well as the African Union (AU) increasingly look to India as a potential partner for their own future. India's growing economy, especially its need for resources, its role as a net security provider, its competitive health and education sectors, its agricultural, business, infrastructure, and training prowess, apart from its tacit counterbalance to China, the United States and its allies also makes India attractive for African countries.

Though the process was initiated by emphasizing the "decades-old partnership and historical and civilizational links between the African continent and India", especially in the "struggle for independence, equality, human rights, freedom and democracy," it has widened and deepened to reflect the multifaceted nature of the relationship. Today Africa and India fit into each other's worldview in at least four ways:

First is the common historical African and Indian experience of colonization and decolo-

nization. Derived from that is the normative notion and principle of independent, sovereign states committed to the liberal peace paradigm. This was evident in the historic soft power approach that promoted sovereignty, independence and support for the liberal model of development. This Indo-African relationship primarily stemmed from Prime Minister Jawaharlal Nehru's leadership and firm stance against colonialism, imperialism and hegemony by colonial powers in the African continent. The Panchsheel principles of peaceful existence based on mutual respect, non-aggression, non-interference, equality and mutual benefit, which were adopted at the Bandung Conference in 1955 have remained one pillar of the Indo-African relationship, though they are less significant to the AU nations, which are increasingly concerned about security and development even if this comes at the expense of sovereignty and non-intervention.

India's soft power approach in Africa is also reinforced through the significant Indian diaspora that exists in the African continent. In the past, despite around two million people of Indian origin living in Africa, the Indian government did not officially grant the community any political, diplomatic or economic relevance in India. Until recently, anti-Asian sentiments in Africa also resulted in the policy of maintaining a distance from the Indian community. However, the Indian government is now taking significant efforts to revise this policy. The most recent example of this outreach has been the initiation of an 'Overseas Indian Facilitation Centre' by Prime Minister Manmohan Singh in 2010 geared toward

promoting economic ties. In October 2010 a mini Pravasi Bharatiya Divas-Africa was held in Durban, along with other celebrations of the 150th anniversary of the arrival of the first indentured Indian labourers. The Narendra Modi government also appears to be continuing this approach especially given the fairly successful outreach to the Indian diaspora in other regions of the world, particularly North America and the Middle East. In the run up to the third summit the Modi government has launched a high profile mobile exhibition to mark the centenary of the return from South Africa of India's most prominent "pravasi" – Mohandas Gandhi.

However, the 'identity' issue of the Indian diaspora in Africa is more complex than that in other regions of the world. Having settled in Africa for generations, Indian diaspora in countries like Kenya relate more to their 'African' identity than their 'Indian' identity. This is bound to complicate Indian efforts to propagate diaspora diplomacy in Africa.

Second, following India's economic liberalization from 1991 onwards, Africa has emerged and is likely to remain crucial for natural resources and developing markets. This is evident in the increasing trade between the two. In the past five years alone India-Africa trade has grown six-fold to nearly \$70 billion. India is now Africa's fourth largest trading partner. Crude oil and gas has emerged as the leading export to India, accounting for nearly two-thirds of all exports, while gold and other precious metals account for about 16 percent. It is significant to note that Nigeria recently replaced Saudi Arabia as the largest crude supplier to India, for the first time in the last four years. India's oil imports from Africa rose from 15.5 percent in April 2015 to 26 percent in May 2015 with supplies coming mainly from Nigeria and Angola. This exponential increase in India-Africa trade has also been a principal driver behind India's evolving concept of development partnership cooperation and is the key approach for engagement with Africa since 2003.

In terms of development cooperation or partnership, India has been an early development actor in Africa, though its contribution was limited in capacity. However, since at least 2003 India has emerged as a key development actor in Africa and this role is likely to expand significantly. Both globally and in Africa, India is a strong proponent of south-south cooperation as well as continued north-south cooperation. This is on account of its limited capacity but also the principle of ensuring that the north contributes to sustainable development in the south.

The extent of Africa's importance in the Indian development cooperation strategy is underlined by promise of Lines of Credit (LOCs) worth over US \$8 billion made to African countries between 2008 and 2011 (of which \$2 billion has been disbursed already). The LOCs have financed a wide range of projects in agriculture, irrigation, food processing, rural electrification, IT and infrastructure projects like railways, cement and power. The credit lines are extended through the Export and Import Bank of India (EXIM) and 50 per cent of its lending has gone to sub-Saharan Africa with over 40 African countries having availed it. African countries currently constitute a prominent position in Indian development cooperation efforts, receiving about 53 percent of the operative LOCs. It is true that in absolute numbers, the Indian development assistance is not commensurate with other actors in Africa, such as China and the United States. However, India is promoting the concept that its development cooperation is based on a partnership of mutual benefit and therefore is closely tied to commercial interests in trade and investment. India's development cooperation is theoretically demand-driven and therefore considered more egalitarian and less exploitive in nature. While this concept has still to be put into wide practice, the value of India's development cooperation in strengthening relations with Africa will grow in significance.

Third, Africa remains vital for India's emergence as a global actor both beyond its own immediate neighborhood but also in the international institutional arena. While this is often seen in the narrowest terms as New Delhi's quest for a permanent seat on the United Nations Security Council (and the 54 African votes to support its bid), it goes well beyond that. Both India and Africa are keen to shape the emerging global regimes particularly those related to food, energy, climate, water, cyber and space. However, there are two challenges: first, neither India nor African nations have the capacity to shape these regimes on their own. Second, on many issues, such as climate change, there are significant differences between India and Africa. Both will have to work to address these differences if they are keen to shape the emerging world order and related norms and institutions.

One such sphere is UN peacekeeping. India has had a long engagement with Africa in terms of peacekeeping, dating back to the UN Operation in Congo in 1960. Indian peacekeepers have been especially appreciated for their efforts in prevention of mass genocide in the South Sudan conflict most recently. Indian peacekeeping in Africa mainly stems from its support for African initiatives for peace and security with prominent Indian financial support for African regional bodies, such as the AU Missions in Somalia and Mali. To this end, India regards its peacekeeping efforts in Africa as providing justification for its UN Security Council ambitions. However, not all African nations, including some that hosted Indian peacekeepers, have a similar positive or even benign outlook. In some instance alleged sexual and financial misconduct by Indian peacekeepers have marred India's credentials. New Delhi's self image notwithstanding, India has not been very successful in converting its UN peacekeeping efforts into political support for a permanent seat on the Security Council including, not surprisingly, from many of the countries where it has participated in peacekeeping operations. Thus, it would be imper-

ative for India and Africa to have a sustained dialogue on peacekeeping to make it more effective and move beyond the "gold versus blood" debate that has stymied UN peacekeeping.

Finally, there are security threats emerging from Africa that not only impact the African nations but also have a strong bearing on India. Terrorism and organized crime (including piracy) are of increasing concern to India and Africa. International terrorism has been on the rise in Africa in recent years extending from Nigeria in West Africa to Somalia in the Horn of Africa. In the past few years, the Boko Haram group, which has pledged allegiance to the deadly Islamic State, has been on a rampage in northern Nigeria and is responsible for thousands of deaths in the country. Similarly, Mali has been plagued with Islamists and separatist groups such as Al Qaeda in the Maghreb (AQIM), Ansari Dine, Movement for Tawheed and Jihad in Africa (MUJAO) in the northern region. Militants have been a major threat to peace and security in Somalia and the neighboring countries for decades now. Reports also claim that terrorist groups with linkages in Afghanistan, Pakistan and Iraq have been using Africa as recruiting grounds for jihad. While India is not directly affected by the localized terrorist organization in Africa, the troubling links between Somali and other groups such as the al Qaeda affiliated Al Shabab, and militant groups in the Af-Pak region could significantly affect India's future security.

Piracy is another major concern that has led to a significant presence of the Indian Navy on the East African coast, from the Gulf of Aden to the Mozambique Channel. India has historically had a considerable naval presence in Mauritius, Mozambique, Seychelles, South Africa and Tanzania. Indian military institutions particularly the National Defense College also provide training to officers from countries such as Mozambique, Tanzania, Seychelles, Botswana and Lesotho. Eradicating piracy and ensuring safe and free Sea Lines of Commu-

nication in the Indian Ocean remains one of the major objectives of the Indian military engagement in Africa.

Given these threats perpetrated by non-state actors and the weak governance capabilities of the African states in dealing with these

threats, it is in India's interests to engage with African countries in addressing these threats effectively through greater defense and security cooperation. A sustained security and strategic dialogue – similar to the one that India has with other nations – would be a useful start.

INDIA-AFRICA RELATIONS UNDER MODI: MORE GEO-ECONOMIC?

Elizabeth Sidiropoulos

India-Africa relations are enjoying an unprecedented renaissance, founded on shared economic interests and longstanding historical ties. Two-way trade has grown from \$5.3 billion in 2001 to some \$70 billion in 2013, though it still remains much below China's trade with the continent (which stands at over \$200 billion). Technical cooperation and training are set to further expand the ambit of shared interests. For the African Union (AU) and its 54 member states, the upcoming Third India-Africa Forum Summit (IAFS) in October 2015 will be an important indicator of New Delhi's commitment to continue to promote closer economic ties in ways that reflect the changing policies of Prime Minister Narendra Modi's government and building on the development affinities between the two regions.

Surveying Modi's foreign policy activities over the last eighteen months however provides somewhat sober reading for African interests. Modi's travels abroad have highlighted the clear geo-economic prism through which he has prioritised his foreign engagements and those of his government. Running in parallel is his domestic agenda, although somewhat stalled, which aims to further unravel the License Raj, improve the business environment and grow India's manufacturing sector. Indeed, since Modi's electoral victory in May 2014, the world has witnessed an almost peripatetic foreign policy outreach by India in its region and beyond. India has been characterised as a swing state, being courted by the US, China and Japan, as geostrategic considerations accelerate on the Asian landmass. India has recognised the economic importance of its relations with China, notwithstanding the two

countries' areas of dispute around borders.

Large business delegations have accompanied each of his sojourns abroad, underscoring that the resolution of outstanding disputes, such as those with Bangladesh, can lay the foundation for closer economic cooperation between neighbours. More broadly, Modi has sought to spearhead or revitalise India's economic relations with Central Asia and the Indian Ocean littoral states, where the Indian Ocean Rim Association (IORA) is also being elevated in importance. China's promotion of a new initiative - 'One Belt, One Road' - which is defining President Xi Jinping's foreign relations across Eurasia and the Indian and Pacific Oceans, has not gone unnoticed.

Against this backdrop, the Third IAFS is but one dimension of a multi-pronged foreign policy where the African continent occupies thus far only the outer circles of India's external focus. This is not to say that the continent does not hold a number of important cards for India, but it is to recognise that the Modi government clearly prioritises affirming India's dominance in its region and at the global level.

Modi's major focus is economic diplomacy that advances Indian economic activity at home, encapsulated in the slogan 'Make in India'. It is now a crucial programme designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best-in-class manufacturing infrastructure in India so that India can become part of the global supply chain. It covers a wide range of sectors from automobiles and components, electronic systems, and

food processing to biotechnology, defence manufacturing, media and entertainment and space. The potential impact of such an initiative on Africa's prioritisation of beneficiation (i.e., adding value to raw materials rather than exporting them to other countries to do that and re-importing such goods at higher prices) and industrialisation to reduce its commodity trade dependency is one that African states and the African Union need to take note of, for its potential impacts on such cooperation with India.

Trade, technology and training have characterised the Forum since its inception in 2009. These are all very important for African states that have benefited, for example, from the Pan-African e-network rolled out by India as part of the New Partnership for Africa's Development (Nepad). This project is one of the biggest ever undertaken in Africa in distance education and tele-medicine. It involves 47 countries in Africa, connecting states through a satellite and fibre-optic network to India and to each other to enable access to and sharing of expertise. The cost of the project, which was covered by a grant from the Indian government, was about \$125 million. However, Modi's geopolitical orientation and emphasis on the domestic economy raise questions about the India-Africa relationship's priorities in the future.

On the other hand, the AU and its member states have adopted two key policy documents in recent years that outline the continent's objectives in economic, security and political terms, and which are the bases for engagement with external partners. First, Agenda 2063, the overarching 50-year vision for the continent - aiming to end conflicts by 2020, eradicate poverty by 2025, double intra-African trade by 2022, transform economies through industrialisation, and create jobs - envisions 'an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena'. A skills revolution, science and technology, world-class infrastructure and the blue and green economies are im-

portant dimensions of this.

Second, as Africa rediscovers its maritime domain, it has also adopted the 2050 *Africa Integrated Maritime Strategy (AIMS)*. This reflects a growing realisation of Africa's geopolitical significance in a changing environment and the need for African states to exert greater control of their geographical space (including water). Fundamental to the strategy is the peaceful settlement of disputes. But its aim is to mobilise states to build a thriving maritime economy and realise the full potential of sea-based activities in an environmentally sustainable manner. AIMS aspires to a Combined Exclusive Maritime Zone, improved integrated coastal zone management, coherence between sectoral policies within and between regional economic communities, and fundamentally right of access to sea and freedom of transit goods for landlocked states.

Both Agenda 2063 and 2050 AIMS are springboards to identifying areas of cooperation with external actors. The case for helping Africa achieve its objectives should be rooted in a clear articulation of Africa's geopolitical importance for a country such as India. Such importance is rooted in Africa's energy abundance, its geographical positioning on the western littoral of the Indian Ocean, its own home-grown radicalism that may deepen linkages with other groups in western Asia if not checked, and its economic opportunities.

What changes might be viable in the IAFS to ensure that its mandate addresses the evolving priorities of India, the AU and African states? There are two areas worth highlighting.

The first is in the political terrain. It may be time to expand the focus of the Forum to include a platform for political and security dialogue that would reflect changing geostrategic trends in the two regions, as well as mutual concerns about the spread of radicalism. From Boko Haram in Nigeria to al-Shabaab in the Horn of Africa, African governments are battling non-state actors across the Sahel

belt from west to east. Many of these states are politically fragile, with limited capacities to effectively respond to this threat, which also has a transnational dimension. Cooperation between India and the AU in the exchange of lessons learnt and effective instruments would also serve to elevate the mechanism to one that encompasses all dimensions of the relationship between Africa and India, rather than focusing on an element that sees Africa largely through a development cooperation prism.

The second area is the maritime and environmental dimension, which has both economic and political components. Both the AU and India recognise the importance of maritime security. This includes reducing piracy but equally, effective resource management. African states, by and large, have very limited capacity in this domain. Greater collaboration between India and African littoral states in this area would be beneficial to all and can only be

tackled effectively if all participate. However, marine and coastal resources can also play a significant role in realising economic benefits, and spearheading the blue economy (which in IORA has now become a priority). India's particular interest may be the Indian Ocean, but there can be significant benefits (and soft power projection) from working with states on both sides of the continent in this regard. Africa's blue economy vision has resonance in Modi's own espousal of a 'blue revolution' for India.

These are not issues that previously have been on the IAFS's agenda. However, as India's foreign policy takes on a more geoeconomic orientation and Africa itself is gearing up to tackle its economic and political challenges and become more central to global debates, a review of the IAFS to ensure its continued political relevance beyond the domain of what one might call South-South Cooperation, would not be amiss.

CHINA IN AFRICA: RESOURCING ITS GLOBAL AMBITIONS

Jayadeva Ranade

For countries seeking to find a place on the global stage, Africa offers the potential to enlarge diplomatic influence, expand military capabilities and supply much needed resources. China's communist regime under Mao Zedong was quick to assess this potential and since 1949 when the Chinese Communist Party assumed power, maintaining good relations with Africa has been a long-term strategic goal for Beijing. For Mao the prospect of exporting Maoist ideology to African nations was an added incentive in his ambition to wrest leadership of the international communist movement from Moscow.

Africa came back into focus following Chinese Premier Zhao Ziyang's 11-nation tour in 1982. China's rapid rise since the 1980s has increased the importance of Africa for Beijing, which increasingly views it as a source of scarce minerals, oil and land. Today Africa ranks second after the Middle East as an exporter of oil to China. Africa – notably Angola, Equatorial Guinea, Nigeria, the Republic of Congo, and Sudan – supplies 28 per cent of China's oil requirements. Smaller suppliers include Algeria, Chad, Gabon, Kenya, Liberia, and Libya. Africa is also seen as potentially offering bases for an expanding People's Liberation Army Navy (PLAN) aiming to extend its operational reach into the Indian Ocean and beyond, and maintaining a permanent presence in these waters through which strategically vital sea lanes traverse. The PLAN is in advanced negotiations for naval bases with Djibouti and with Namibia for Walvis Bay. China has also received rights from the International Seabed Authority for undersea exploration in a bloc of the underwater seabed off Madagascar, mak-

ing it necessary for China to have at least ship berthing and re-victualling rights nearby. Senior PLAN officers have disclosed that China is exploring 14 bases around the Indian Ocean, mainly on the African continent.

As Beijing cultivated African countries it exhibited sensitivity in dealings with them by ensuring high-level and regular interactions at the Party and Ministerial levels. In addition, it dispatched thousands of teachers, doctors and medical aid teams to Africa and provided distance education to African students. Over the past decade China assiduously pursued expansion of its 'soft' power and established 38 Confucius Centres and numerous Confucius 'classrooms' in major African universities and educational institutes.

To step up interaction with Africa, since 2000, Beijing began organising China-Africa Summits at intervals of approximately three years. Five such summits have been held. All have been well attended usually by Heads of State or Ministers. Sensing competition and the need to step up engagement with these African countries, China has decided to hold the Sixth Summit in December this year in Africa and upgrade invitees to the level of Heads of State.

Realising that the U.S. and the West have sizeable influence in Africa, China sought to create positive sentiment for itself as a non-exploitative power by undertaking people-centric infrastructure projects and by disbursing financial assistance on easy terms. It extended assistance at low interest rates and without the stringent conditions concern-

ing corruption, human rights etc. imposed by the U.S., the West and the World Bank. China was additionally quite willing to deal with the leaders in these countries on a private basis. For instance between 2001-2010, China's Export-Import Bank extended \$67.2 billion in loans to sub-Saharan Africa - \$12.5 billion more than the World Bank. China soon emerged as the preferred aid partner and since 2009 has been Africa's largest trade partner for six consecutive years.

It additionally invested an estimated \$12 billion in infrastructure projects in 35 countries. Between 2000 and 2011 China invested in 1,673 developmental projects in 51 countries valued at an estimated \$75 billion. Till the end of 2013, China had built 3,530 kilometers of road in African countries in addition to 3,203 kilometers of railroad, with another 1,424 kilometers under construction. China has also built 34 power plants, 9 ports, 14 airports, 11 bridges and several sports stadiums capable of seating a total of 800,000 people in Africa.

In 2000, China established the Forum on China-Africa Cooperation (FOCAC) to promote trade and the volume of trade between the two rose from \$10 billion in 2001 to \$130 billion in 2010. Presently more than 2000 Chinese companies operate in over 50 countries in Africa. In 2014, China-Africa trade reached \$221.9 billion. The China-Africa engagement is comprehensive and extensive and encompasses commercial exchange, medical assistance and aid, technical expertise, engineering projects, diplomacy and educational exchanges.

Military assistance and aid has been an important part of China's diplomacy and numerous Chinese military instructors and training teams went to African countries to impart training. China usually supplied small arms and ammunition. A number of officers from African nations receive training in Chinese military establishments. In 2014, China broke with its policy of not interfering directly and sent an infantry battalion to assist South Sudan. It also gave the African Union \$1 million

to tackle the fighting in Mali. There were more enduring military components as well. China built a small arms factory in Zimbabwe, an aircraft manufacturing facility in Egypt and between 1990 and 1993 the People's Liberation Army Air Force teams trained Sudanese pilots and technicians. China's cooperative agreements in the strategic nuclear field with some African countries also raised concerns about its proliferation activities. In 1981, China supplied 60 tons of enriched unsafeguarded uranium to South Africa's Valindoba facility. Later in 1983, China helped Algeria construct a large unsafeguarded plutonium production reactor.

There was an element of competitive diplomacy as well through the 1980s and 1990s when Beijing, intent on shrinking Taiwan's diplomatic space, enticed nations through 'cheque-book diplomacy' into severing diplomatic ties with Taiwan. Chinese assistance was dependent on the countries establishing formal diplomatic ties with the People's Republic of China - a policy from which China did not waver. For instance, despite its long-standing covert ties with the African National Congress since 1949, Beijing refused to establish diplomatic relations with South Africa till it severed ties with Taiwan.

Despite sustained criticism that China has been acquiring land cheaply in Africa, independent studies reveal that China's land holdings, whether by State owned Enterprises (SoE) or private entities, does not exceed 0.16 million hectares. China's largest holdings, facilitated by the enactment of the Zambia Land Act in 1995, are in Zambia where two farms are owned by Chinese SoEs and Chinese farmers have thirty private holdings. The largest is the Jouker Farm spread over 3500 hectares and owned by the China National Agricultural Development Group Corporation.

China today has considerable influence in Africa, which appears unshakeable. This is a result of decades-long assiduous, consistent cultivation of African leaders and their nations backed by steady investment. Regular visits

by high-ranking Chinese leaders additionally assure the leaders of these countries of their importance. The construction of high-quality public utility infrastructure projects has similarly helped project China in a positive light. Pro-Beijing lobbies presently exist within the political class, bureaucracy, the armed forces and journalists. An example of the latter is the failure of the West-led propaganda effort in the mid-2000s to highlight China's alleged exploitative policies and whip up anti-China sentiment. Such articles failed to create any worthwhile anti-China feeling. The very occasional eruption of racism in Chinese college campuses have also not dented China's image because of the alacrity with which the government moves to quell such disturbances.

For India to create a meaningful presence in Africa it is not enough to bank on old emotional links or vague ideas of non-alignment. It will need to identify specific areas of interest and focus on those countries. Its policies for operating in those countries would need to be appropriately flexible. An occasional conference is inadequate. It will be important to ensure that policies are constant for a considerable length of time and that promises are fulfilled within the specified time-line. The latter becomes more important when viewed in

the context of China's performance, including cost over-runs in projects resulting in higher interest payments by the recipient countries. While India will not be able to compete in terms of financial assistance, it can offer much needed assistance in the areas of education, health care and medicine and agriculture. Moreover, with Japan showing interest in Africa, collaboration with Japanese companies becomes a possibility.

The upcoming Africa Summit is an opportunity to make concrete, specific proposals and should convert into an ongoing process. India should target the decision-making intelligentsia in Africa and offer dozens of scholarships for disciplines in specialized institutes e.g. management, accounting, public administration, medicine and the military. Government-aided and private institutions must be involved. Instead of government involvement alone, it will be advantageous if private Indian entities -- especially in the medical, health-care and education sectors -- are incentivized to start operations in Africa. A good beginning will be to reduce the almost thirty Indian diplomatic missions scattered throughout Africa and, replace them with two or three large-sized missions in the larger African countries exercising broader jurisdictions.

WORKING TOGETHER TO REFORM THE UN SECURITY COUNCIL?

Jakkie Cilliers

The Third India-Africa Forum Summit to be held in New Delhi in late October 2015 provides a unique opportunity for discussions on a range of key global issues, including reform of the United Nations Security Council (UNSC). While both India and Africa are keen on UNSC reforms, their approach and ultimate goal vary considerably.

In 1965 the number of non-permanent seats on the UNSC was increased from 6 to 10. Since then no proposal to reform the Council has been able to garner the required two-thirds support in the UN General Assembly (UNGA). This is despite the fact that UNSC reform has been on the agenda of the UNGA since 1979, when India – supported by a number of others – and then Latin American states proposed changes to its size. In 2006-07, the president of the UNGA again convened a series of meetings of the Open Ended Working Group on the ‘Question of equitable representation on and increase in the membership of the Security Council’. Two sets of facilitators were appointed, first consisting of five and then two members to guide the process. In September 2007, it was agreed to start intergovernmental negotiations, the modalities of which were finalised a year later in UNGA Resolution 62/557. Negotiations officially started early in 2009. Subsequent years saw the development of a 30-page ‘negotiation text’ based on submissions from member states that soon led to an impasse over version 2 versus version 3, among others.

During 2005-07 efforts by the G4 group, comprising Brazil, India, Japan and Germany, battled it out to stalemate with the Uniting

for Consensus group, the African Group and others. Lacklustre meetings thereafter produced no progress and the process has been effectively moribund for several years. While there is agreement amongst many countries (with notable exceptions such as Pakistan and China) on the need to include India in some type of permanent or semi-permanent role in a reformed UNSC, progress on this one aspect is impossible without reform that would deal with the many other glaring deficiencies such as the lack of permanent African representation. Thus India’s UNSC ambitions are closely linked to the fulfilment of Africa’s own expectations. The UK, France and Russia are, for example, well served by the current arrangement, which accords them privileges they could not otherwise obtain.

Developed from its previous position, known as the Harare Declaration, the African Union (AU) tabled its proposal (the Ezulwini Consensus) in July 2005. The Ezulwini Consensus calls for 11 additional members on the Security Council, increasing its size to 26. It proposed that Africa get two permanent seats and five non-permanent seats that would rotate between African countries. The AU position is that new permanent seats should gain all the existing privileges, including veto powers, and that the AU would ‘choose’ the two new permanent seats. According to some interpretations, this would open the door to rotating countries being accountable to the AU, but this is not formally agreed. Nigeria and South Africa, two of the contenders for these seats, have indicated a degree of flexibility on the issue of the veto but have argued that they would serve in their national capacity when

elected by the AU. Egypt is generally seen as the third important candidate and has the advantage of straddling the call for greater Arab representation. While South Africa is the only African member of the BRICS (Brazil, Russia, India, China and South Africa) grouping as well as IBSA (India, Brazil and South Africa), its partners in these groups, including India, have not come out in clear support of a South African candidature for a permanent seat. And, like India, a number of countries from its Southern African neighborhood oppose Pretoria's ambitions for permanent status.

In April 2015, and after several months of consultations, the chairperson of the intergovernmental process on UNSC reform, Jamaican Ambassador E Courtenay Rattray, circulated a one-page 'framework' outline consisting of various headings, which member states were requested to populate with their suggestions on reform.

The results are now summarised in a 25-page consolidated framework document dated 31 July 2015. Perhaps the most important difference to previous closed-door discussions is the public availability of the letters and texts that have been submitted by all states and groups, including the consolidated working text.

An examination of the text reflects that movement will be extremely difficult. There are signs of an emerging consensus on the size of a reformed UN Security Council but little else. The framework document does reflect widespread (but not complete) support to include India in some type of permanent (or semi-permanent) category of seats, but only along with others. All generally refer to increased representation for Africa in some manner or another.

Eventually Rattray's framework document was adopted by general acclimation in the General Assembly on 14 September 2015 (A/69/L.92) instead of a vote, despite the continued objections by countries such as China and others. In theory this now establishes the basis for

text-based negotiations although it remains to be seen how negotiations could proceed given the objections of a number of powerful members of the UN General Assembly and their proven ability to rally others to their cause.

Key positions on reform remain as entrenched today as they have been for several decades and the prospects for progress are faint. Inevitably the processes that are going to follow during the 70th session of the UNGA will disappoint.

With global competition and flux at its current high level it is unlikely that a state-led process could see any movement on UNSC reform without a change in approach. As was evident from its inability to act on Syria and Ukraine in 2014 and 2015, the veto – or the threat of using it – by any of the permanent five (P5) members paralyzes the Council. Today the veto is the most serious impediment to the ability of the UNSC to fulfil its global mandate. Apart from the fact that most of the so-called penholders, which take charge of a particular topic, are among the P5, every resolution needs to satisfy all the P5 members. The result is often a rush to the lowest common denominator, with efforts to keep the P5 on board taking precedence over all other considerations.

The inordinate influence that the P5 has on the workings and decision of the Council is a particular source of frustration to African countries, as well as to India, generally recognized as having a legitimate claim to such privilege based, amongst others, on its 18 per cent of global population, its leadership in the Non-Aligned Movement and its expansive role in peacekeeping over the years. Divisions amongst the P5 frustrate efforts to engage constructively on the Middle East while it is very likely that the Council will continue to need to focus on supporting Africa and the Middle East, the two regions with the highest armed conflict and terrorist burden globally.

A realistic prospect for movement needs to balance three divergent requirements: the

constraints of power politics (P5 intransigence in particular); the need for effectiveness/capacity (ie. minimum criteria for membership); and the need for increased legitimacy and representation (which is only achievable when countries are elected onto the Council, representing regions). While India and Africa might qualify on all three criteria, this task would necessarily have to unfold over time, to accompany rather than pre-empt global re-alignments in power and influence.

Looking ahead, a reformed UNSC that seeks to provide for a continuation of permanent seats in some form or another would be difficult. On the one hand it would have to accommodate the two great powers of the first part of the 21st century – the U.S. and China – both very comfortable with their current veto power. But towards the latter part of this century India will also expectedly emerge as a third ‘great power’, buttressing its claim to membership whilst the EU, should deeper integration occur, could claim its role as a fourth global pole. This could only happen at the expense of the role of the UK and France, both of which are current per-

manent members. When critics point out that the veto makes the Council dysfunctional, it is likely that an increase in the number of countries with this power would improve efficiency. As a result it appears unlikely that the majority of member states would agree to allow additional countries a veto, as advocated by the G4, L69 and the Africa Group.

Clearly only a paradigm shift in approach could unlock reform. The hot, flat and interconnected world of tomorrow requires a shift from the competitive management of global issues to a collaborative security framework. India and Africa can lead by adopting a principled approach to UNSC reform that moves away from effort by individual countries to advance their interests towards a more flexible, regionally based process of electing countries onto the UNSC, allowing longer terms and re-election for global and regional powers and shorter, non-renewable terms for others. The India-Africa Summit could be an opportunity to discuss an approach with the potential to unblock the impasse.

INDIA'S ROLE IN COUNTER PIRACY OPERATIONS AROUND AFRICA

Sarabjeet Singh Parmar

The emergence of piracy off the Horn of Africa in a globalised era, brought home two facts. Firstly, a non-traditional threat will occur if symptoms are ignored and root causes, mainly instability, are allowed to proliferate; secondly, a non-traditional threat that transgresses national borders and societies can be successfully combated by international cooperation. In the first instance, timely international cooperation and intervention would not permit the root causes of instability and weak governance from taking hold, and would obviate the first fact entirely. This would ideally result in non-occurrence of the second fact – the need for international intervention to ensure continued regional stability, and in the case of piracy, continued freedom of navigation and safety of lives at sea.

The inertia of the international community, since 1991, to take cognisance of root causes and symptoms of Somali piracy developing as a threat to maritime trade and security resulted in delayed international cooperative mechanisms. Therefore, despite the presence of modern networked maritime assets a few ill-equipped but motivated pirates held a maritime choke point and the shortest route connecting Asia to the West, to ransom. Though, in time, nations deployed maritime and air assets to counter this threat, the deployments were motivated by political signaling, and wider security interests, than by national and alliance related commitments to address the root cause. Other reasons also include insufficient regional maritime capabilities and capacities, divergent strategic outlooks, inadequate number and types of deployed assets, differing national laws, lack of command unity, and the

complexity of merchant shipping business.

For India, the emergence and easterly spread of Somali piracy towards her west coast had a multipronged effect. Firstly, her maritime trade and energy flow was under threat; secondly, the safety of Indian mariners, who with a strength of around 30,000 officers and 80,000 ratings comprise around 6.6 percent of the world's mariner populace, was threatened; thirdly the declaration of the waters west and south of India up to the east coast of Africa as a high risk area (HRA) resulted in a steep increase in insurance premiums. India's active pursuance for reducing the HRA, has aided in a reduced HRA coming into effect from 01 December 2015.

India's endeavours to strengthen processes in the fight against piracy included combating piracy by deployment of naval warships, active participation at the regional and international level to strengthen anti-piracy processes, establishment of national mechanisms and introduction of legislation.

The Indian Navy commenced independent anti-piracy patrols on 23 October 2008, and has since escorted over 3,000 ships, and thwarted 40 piracy attempts. One main advantage of independent operations was quick decision making and singular rules of engagement (RoE). Stringent actions resulting in neutralisation of pirate mother ships and capture of pirates has been acknowledged by the International Maritime Bureau. These actions served as a deterrent value, which greatly aided in stemming the easterly drift of piracy towards India's west coast. The deterrent value

of singular RoE, and the kinetic means adopted by Indian naval ships, as well as naval ships of other nations operating independently, was commented upon by a British Commander of the deployed European Union maritime force, while deposing before the British Parliament's Foreign Affairs Committee in 2011. However, these strong actions also had a repercussion, wherein Indian mariners were not released, even after payment of ransom. As per reports, release of the hostages was, apparently, connected to the release of the captured pirates. The hostage situation resulted in adoption of United Nations Security Council Resolution (UNSCR) 1976 (2011), which was co-sponsored by India.

India is a founding member of the Contact Group on Piracy off the Coast of Somalia (CGPCS), created in January 2009, based on an earlier UN Security Council resolution - UNSCR 1851 (2008). The first meeting of CGPCS agreed on four working groups to look at cooperation, legal and judicial aspects, shipping safety awareness, and diplomatic and public information, respectively. Although financial aspects regarding the money flow of piracy were considered important, no working group was set up. In order to strengthen the fight against piracy, India, in January 2011, proposed a five point plan in the UN Security Council. Two of the points looked at tracking the ransom money and prosecution of its beneficiaries. A fifth working group to coordinate international efforts to identify and disrupt the financial networks of pirate leaders and their financiers was finally established in July 2011. The Shared Awareness and De-confliction (SHADE) process to coordinate anti-piracy efforts was also established in 2008, of which India is an active member. An important result of SHADE was the understanding, established in 2012, between India, Japan, China, and South Korea to coordinate escorting of merchant shipping convoys in the Internationally Recognised Transit Corridor (IRTC).

At the national level several initiatives have been undertaken - at the government level,

the ship operators and owner's level, and the judicial level. At the government level, an Inter-Ministerial Group (IMGO) was set up, under the Ministry of Shipping, to deal with any hostage situation arising from hijacking of a ship by pirates. A contingency plan for addressing hijacking by pirates was also approved. A Committee of Secretaries on Anti-Piracy and Hijacking at Sea (COSAPH) for crisis management was also established. COSAPH also steers major policy and strategy decisions and advises the government on the same. For Indian ship operators and owners, guidelines for areas to be avoided, and implementation of anti-piracy measures by ships based on 'Best Management Practices (BMP)' are issued. BMP also covers suggested planning and operational practices for ship operators and masters of ships transiting the HRA. An online facility, set up in January 2012, on the website of Director General Shipping, enables registration of merchant ships seeking Indian Naval escort in the IRTC. At the judicial level the lack of a maritime anti-piracy legislation, and absence of piracy as a crime in the Indian Penal Code (IPC), has resulted in ineffective prosecution of captured pirates. A case in point is the Alondra Rainbow case of 1999, the first piracy case to be tried in an Indian court. To strengthen the judicial aspect, the Ministry of External Affairs in 2012, being the nodal agency dealing with United Nations Convention on the Law of the Sea (UNCLOS), introduced a piracy bill in the parliament for processing and approval. However, the bill has lapsed and will require to be re-introduced.

Although piracy off the coast of Somalia has reduced, incidences of piracy in the Gulf of Guinea are on the rise. Piracy in the Gulf of Guinea would need more international attention as major International Shipping Lanes (ISLs) do not transit the area, and nations may not deploy ships as was the case for Somalia. This region is important to India mainly due to oil imports from Nigeria (during 2014 - 2015, 10 percent of India's oil imports were from Nigeria), and as Indian oil companies have invested in oil fields in Nigeria and Gabon.

Africa, with 38 coastal and island nations, straddles two oceans and a sea along its eastern, western, and northern coasts or maritime domains, domains whose maritime security is important to India. The eastern domain runs along the western periphery of the Indian Ocean Region, which is a primary area of maritime interest for India. The northern domain is important due to access to Europe, investments and ISLs, which are also crucial to India. The western domain, as noted earlier, is also of growing interest owing to oil imports and investments by Indian companies.

Apart from piracy these maritime domains are affected by factors impacting on stability and security which have been mentioned in the recently launched '2050 Africa Integrated Maritime Strategy (2050 AIM Strategy)', factors in which India has developed expertise. These include regional cooperation, maritime terrorism; human/ arms/ drug trafficking; offshore/ coastal security, interagency coordination, and networking of operational centres; delineation of maritime boundaries; exploration and exploitation of offshore natural resources; illegal, unreported, and unregulated fishing (IUU); humanitarian assistance and disaster relief; hydrography and ocean sciences.

Regional instability and lack of security in the maritime domain affects the geo-strategic and geo-economic equation of maritime nations. This equation consists of common areas, some of which have been mentioned above, in which India and Africa could establish mechanisms to address them, and achieve the 2050 AIM Strategy objectives. India has been providing security related assistance both on land and in the maritime domain for various African nations. Therefore, other aspects that could be examined in the forthcoming summit could include development of offshore and coastal security structures; training and equipping forces to address disaster relief, piracy, maritime terrorism, and other non-traditional threats; hydrographic assistance for mapping of maritime zones for claiming additional continental shelf and also maritime boundary delineation. Establishment of suitable mechanisms would aid in development of capabilities and capacities, enhance overall stability and security, and also further strengthen India-Africa relations.

INDIA'S EVOLVING SECURITY RELATIONS WITH AFRICA

Ruchita Beri

India's security relations with Africa have centred around providing training to African security personnel, participation in United Nations peacekeeping efforts in the region and maritime cooperation. In 2008 India initiated a new phase in its relations with the continent by hosting the first India Africa Forum Summit. This summit evolved a framework for India-Africa cooperation in multifarious fields, including peace and security issues. The third India Africa Forum Summit in October 2015 calls for a closer look at India's evolving security ties with Africa.

In recent years the African continent has witnessed rapid economic growth. During the last decade Africa was the fastest growing region in the world with an average annual growth rate of 5.1 per cent. As a result Africa has moved from being perceived as a "hopeless continent" to a region that is rising. However this transformation may not last for long if efforts are not made to check the never-ending cycle of conflict in the region. Over the last fifty years, more than half the African states have been ravaged by conflict, at one time or another. While there has been considerable decline in interstate wars, intra-state wars are on the rise. Another important trend is that the conflicts are not only between state and non-state actors, there is also a rise in conflicts between different non-state actors. This trend is visible in Somalia and the Democratic Republic of Congo. Other African countries such as Tunisia, Libya, Egypt, Sudan, South Sudan, the Ivory Coast and the Central African Republic have also been prone to conflict in recent years. At the same time an arc of instability is spreading across the continent with

terror groups, such as the Boko Haram in Nigeria, Al Qaeda in Islamic Maghreb (AQIM), the Movement for Unity and Jihad in West Africa (Mujao), Signed in Blood Battalion, Islamic Movement for Azawad (IMI) in Mali to the Al Shabab in Somalia, crafting chaos in the region. The advent of piracy in Indian Ocean littoral states in East Africa (though now curtailed) and the Gulf of Guinea region in West Africa has added to the insecurity in the region.

The enduring nature of African conflicts may be due to multiple factors such as poor governance, incomplete process of state building, corruption, and struggle for control of resources. While African countries, made several attempts through the Organisation of African Unity (OAU) to strengthen security, it was the failure of the international community to respond effectively during the Somali crisis and the genocide in Rwanda in the 1990s that prompted African leaders to evolve "African solutions for African problems" and led to the transformation of the OAU into the African Union (AU) in 2002 and the emergence of the African Peace and Security Architecture (APSA). Notably, the AU has moved from the policy of non-interference as prescribed by the OAU to non-indifference that calls for intervention in cases of genocide and ethnic cleansing. Recently as part of its 50th anniversary celebrations, the AU pledged to silence guns by 2020.

Against this backdrop, how have India's security ties evolved with Africa? Over the years India has trained military officers from several African countries at Indian military training

institutions. Some of the prominent alumni include, President Muhammadu Buhari as well as former Presidents Ibrahim Babangida and Olusgun Obasanjo from Nigeria and Fred Akkufo, the former President of Ghana. It has also been involved in training and infrastructure development in countries such as Ethiopia, Nigeria, Mauritius, Zambia, Ghana, Sudan, Botswana, South Africa, Tanzania, Egypt and Lesotho. This entailed the building of operational and administrative facilities and infrastructure, such as roads, airfields, communication networks etc. Presently India continues to help African countries to enhance their capacities to train their military personnel.

India is also involved in improving the security situation in the African continent through active participation in United Nations Peace Keeping Operations (UNPKO). While India's contribution to the UN peacekeeping budget may be less than one per cent, it has contributed nearly 160,000 troops, the largest by any country, for 43 UN peacekeeping missions across the world. With around 70 per cent of UN peacekeepers deployed globally and more than 50 per cent of all UNPKO in the post Cold War era being based in Africa it can be argued that Indian peacekeepers have been involved in reducing conflict in this troubled region. Currently Indian peacekeepers are deployed in UNPKOs in Liberia, Ivory Coast, Democratic Republic of Congo and South Sudan. India has also been supportive of the AU's efforts towards enhancing its region's peace and security architecture. In this context India has pledged \$1 million for the African led Support Mission in Mali and \$ 2 million for the African Union Mission in Somalia (AMISOM). India's support of AU initiatives is also evident in the regular presence of high ranking Indian officials at AU summits.

In recent years India has taken the initiative to provide maritime security in its strategic neighbourhood. It has committed to improving the maritime environment in the Indian Ocean region by becoming the "net security provider". In this context it has forged secu-

rity relations with Indian Ocean littoral states in Africa such as Mozambique, Mauritius and the Seychelles. Since 2000, India has jointly patrolled the Mauritius Exclusive Economic Zone along with the Mauritian coastguard. It has over the years provided several weapon systems such as seaward defence boats, interceptor patrol boats, maritime surveillance aircraft, helicopters and an offshore patrol vessel, to Mauritius. The Indian Navy also carries out hydrographic surveys in the country and transferred a hydrographic survey vessel to Mauritius in 2013. India also assists the Seychelles by undertaking maritime surveillance and providing military equipment. It has also transferred a fast attack vessel, an aircraft and helicopters to the island nation.

During Prime Minister Narendra Modi's visit to these two island states in March 2015, India signed pacts to strengthen relations with these two countries. It has agreed to help build sea and air transport facilities in the Agalega Island (Outer Island) in Mauritius, which will go a long way towards helping Mauritian defence forces protect their interests. Similarly in Seychelles Prime Minister Modi inked a pact to develop infrastructure in Assumption Island and also inaugurated the first of the eight coastal surveillance radar systems being set up by India in the country. Similarly India extended maritime security cover to Mozambique during the AU Summit in 2003 and during the World Economic Forum at Maputo in 2004. In 2006 the two countries signed an MOU on defence cooperation that included among other things joint patrolling off the Mozambican coast. More importantly, in a bid to check the surge in piracy off the Somali coast, the Indian navy has been undertaking constabulary duties in the Gulf of Aden since 2008, and has successfully escorted over 2,400 vessels.

Apart from bilateral security issues India and Africa share common concerns relating to global issues such as the menace of international terrorism, piracy, communicable diseases, drug trafficking, climate change and environmental degradation, the challenge

of providing food security to all and the long pending reform of United Nations Security Council. Some of these concerns have been raised by experts from Africa and India at the Track II “India- Africa Strategic Dialogue” hosted by the Institute for Defence Studies and Analyses, in collaboration with the Ministry of External Affairs over the past few

years. In order to take these discussions a step further, and develop a cooperative security framework that incorporates both traditional and non-traditional security issues, it is imperative to institutionalise an official dialogue on the side lines of the India Africa Forum Summit at an early date.

THE GLOBAL ROLE IN AFRICAN DEVELOPMENT

Ajay Chhibber

Africa's development has followed several phases and ups and downs since independence. We are now at another crucial turning point - but what is clear is that Africa is becoming more and more integrated into the global economy and also exercising greater control over its own economic destiny. Over the last decade Africa grew faster than the global economy and in some periods faster than East Asia, thanks to a commodity boom, increased political stability and decline in conflicts. Trade has driven the rapid growth in Africa over the last decade - especially growing trade with China and India - but also with other emerging economies such as Brazil, Indonesia, Malaysia, Saudi Arabia, Thailand and UAE.

In the first three decades after independence Africa turned inward with import substitution policies like in many ex-colonial countries. Africa had huge potential and promise but import substitution combined with public sector enterprises held back African growth. The Cold War divided much of Africa into the U.S. or Soviet camp although some countries followed a policy of non-alignment. Africa grew rapidly in the 1970's as commodity prices rose but had to adjust rapidly in the 1980's as global commodity prices fell. Structural Adjustment policies were imposed on Africa led by the IMF and the World Bank in return for more international aid - but many believe ended up holding back growth and increasing poverty. Dambisa Moyo has described this as "dead aid".

While this was perhaps too harsh - there is sufficient evaluated evidence that the structural adjustment programs based on a so called

"Washington Consensus" with a one size fits all approach has done more harm than good. At the same time, the Soviet Union collapsed and Africa saw growing internal conflicts, as both the US and the Soviet Union turned attention elsewhere. The 1990's were considered by many to be a lost decade for Africa- when growth fell, conflicts rose and trade stagnated.

Since the beginning of the 21st century the economic prospects of Africa have picked up considerably. Trade with China has jumped to over \$300 billion, as against trade with the EU stuck at around \$200 billion, less than \$100 billion with the USA and less than \$50 billion with Japan. So China has emerged as a major global partner of Africa. India too has increased its engagement with Africa hugely in the last 15 years with trade reading almost \$100 billion. The Western model focused more on aid and less and less on trade. Aid also had pernicious effects such as decline in African agriculture as food aid was dumped onto the continent and the structural adjustment policies which reduced trade barriers prematurely led to de-industrialisation. Increasing trade with the emerging economies has helped lift Africa's growth rates considerably into one of the fastest regions in the world. With the Chinese slowdown in 2015, Africa's growth will undoubtedly slow down somewhat, unless other growth avenues are found.

FDI into Africa has also been increasing - particularly in Sub Saharan Africa - especially as conflict has raged in many parts of North Africa in the last few years. Much of FDI was in the resource sector and concentrated in a few countries. But more recently the share of

FDI going into manufacturing and services – as opposed to FDI into natural resources has also been increasing. Much of this is due to improved investment climate in many African economies. The bulk of it is for manufacturing assembly, telecommunications, pharmaceuticals and services. Indian investment into Africa has traditionally been in the natural resources sector but is increasing in pharmaceuticals and automobile assembly.

While there is huge debate over China's presence in Africa, it is one player- albeit a large player- among many. China's trade with Africa is the largest in the world but this year India's trade with Africa will rise to almost \$100 billion and is increasing faster than China's. In terms of FDI, western nations have far larger amounts invested in Africa compared to China and India's FDI in Africa is almost at levels reached by China.

Not all countries in Africa gain from China. African countries that gain from trade with China are oil exporters; ore and metal exporters; cotton exporters; and log timber exporters. Although the total trade volume between China and Africa has grown rapidly, the speed of such growth has slowed down — from 19.3 percent in 2012 to 5.9 percent in 2013. Such a rate is also lower than the growth of China's overall foreign trade: 7.6 percent in the same year. While the broad context is the slowdown of China's economic growth and of its foreign trade, exports by Africa suffer in particular because China's demand for raw materials has declined.

China has increasingly become conscious of its image in Africa and concerns that have been raised over environmental and social safeguards as well as labour issues. Cases of human rights abuses have arisen from Chinese-African co-operation. African workers have protested against ill-treatment and poor pay by Chinese companies, as well as the influx of Chinese workers who took away local jobs. In July 2010, hundreds of African workers at a Chinese-owned Zambian mine rioted over low wages.

Many existing studies focus on whether China's larger involvement in Africa benefits or hurts the region overall. While some scholars and African policymakers have claimed that more trade between China and SSA has benefited the region, others have warned about losses owing to greater exposure to commodity price fluctuations and reduced demand for African production because of competition from China.

With the negative past history of Western engagement with Africa and a somewhat controversial growing – albeit now more slowly- Chinese engagement with Africa, India has a unique opportunity to up its engagement with Africa on a platform of mutual benefit and co-equal relationship. As it increases its engagement with Africa, it can do more to avoid the mistakes others have made.

One of the lessons of the past is to be more cognizant of the fact that Africa is a continent not a country and has huge diversity in language, climatic conditions, resource base and levels of development. The upcoming India Africa Summit is an opportunity to signal India's approach to groups of countries – low income subsistence, resource rich, industrialized commodity importers, and land abundant agricultural economies.

Second, much of Western dominated aid was excessively focused on social sectors to the neglect of infrastructure. The Poverty Reduction Strategies followed by the IMF and the World Bank in Africa had three fourths of aid designated for social sectors with one fourth for infrastructure. In Asia Poverty Reduction Strategies in which national governments had greater ownership, the share of social sectors and infrastructure was closer to 50:50. Physical and IT Connectivity will play a big role in Africa's development and trade. China has placed Africa as an important part of its new Silk Road strategy with a strong emphasis on infrastructure investment. India must counter this strategy with a coherent engagement with Africa which includes the SAGAR project but

must go well beyond that if India is to have a meaningful engagement with the whole of Africa.

Third, Indian investments must visibly help create jobs and skills in Africa for the engagement to be seen to be mutually beneficial, and not a scramble for Africa. Indian companies must partner with local firms to build local capacities and leave lasting benefits. The Chinese approach of bringing in Chinese labour to build “trophy” projects will not work well in the long run. India must see this engagement with Africa as an engagement of building a relationship over the 21st century, not a project for small gains in cheap commodity imports and “trophy” projects. India must build a relationship which is seen by the peo-

ple of Africa as mutually beneficial - not just a set of commercial transactions that benefit a few.

India was created out of Africa millennia ago. Africa has a large Indian diaspora. But India and Africa while increasing engagement in this century have only scratched the surface of what could be a huge and mutually beneficial relationship. African countries are taking their economic destiny more and more in their own hands and India’s engagement built on mutual benefit and not exploitation can show the way forward for the rest of the world. The Third Africa Summit provides an opportunity to start on this path.

INDIA'S EMERGING ROLE IN AFRICA'S SUSTAINABLE DEVELOPMENT

Preeti Sinha

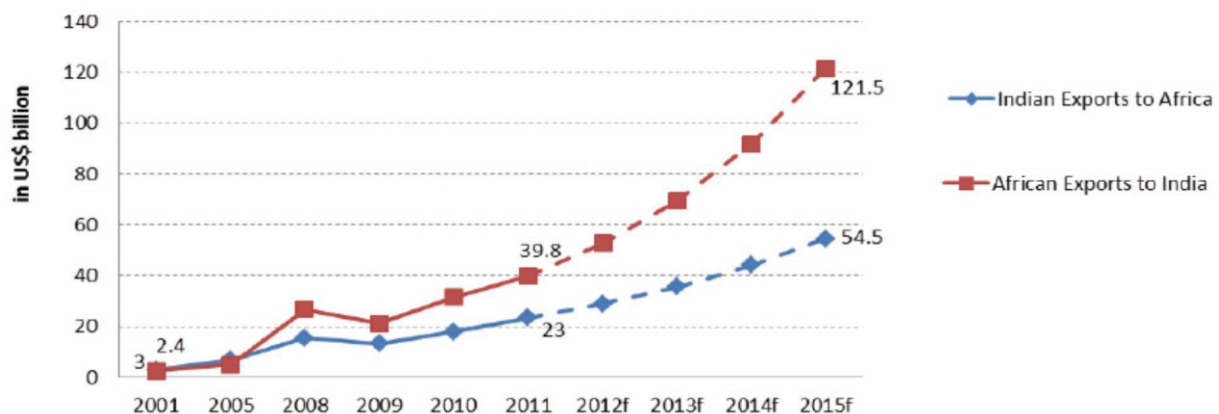
As the global economy continues to face challenges in the aftermath of 2008 crisis, there are clear indications that the global balance has shifted towards the “South”, mainly led by India and China, and from whom the baton is expected to pass on to Africa, a continent with tremendous potential to grow. The expectation is that growth and dynamism of the Global South will reinvigorate the global economic order, and the North-South trade equation will be increasingly complemented by the strengthening South-South relationship. From India’s perspective, Africa is the most meaningful trade partner after the U.S., with a 32 percent annual growth between 2005 to 2011, and is expected to reach US\$90 billion by 2015.

Historically, Africa has attracted attention due to its abject poverty, unemployment, diseases and governance gaps. While the developed countries have tried to make inroads via aid, it was always an accepted fact that to make the interventions sustainable, the continent needs skills development, jobs and capital

investments for sustained economic growth. Given the fact that the average annual growth rate of real output of the continent increased from 1.8 per cent in the period 1980–1989 to 2.6 per cent in 1990–2000 and 5.3 per cent in the period 2000–2010, Africa is now grabbing interest as the next developing landscape. It offers not only a huge market and scope for business expansion, but is also the treasure trove of minerals, natural resources and agricultural commodities. While China has surged ahead to forge ties and strategic relationships through building critical infrastructure in exchange of exploiting mineral reserves and agricultural land of the continent, India has and must continue to take the more sustainable path of corporate investments and bilateral trade.

Africa’s trade surplus with India is rising rapidly, albeit driven in large part by a narrow range of commodities. The top six African exporters, viz., Nigeria, South Africa, Angola, Egypt, Algeria and Morocco account for 89% of total African exports by value to India, thanks

Fig 1: India-Africa trade: growth projections



mainly to exports of oil and gas, ores and gold. In 2011, the top six had a trade surplus of over US\$ 24.5 billion. If current rates of growth are sustained, Africa's trade surplus could reach US\$ 67 billion by 2015.

Manufacturing

Indian private investment in Africa has surged with major investments having taken place in the telecommunications, IT, energy, and automobiles sectors and sources estimate the stock of Indian investment at over US\$ 32 billion. Much of the vigour of the current India-Africa trade and investment relationship can be attributed to the steps taken by the Government of India, and the initiatives taken by the Indian private sector. This dynamism on the part of India is coupled with the increasing receptiveness on the part of African countries to strengthen the partnership with South-South partners.

In a bid to deepen its footprint in Africa, Tata Motors established its second assembly operations in Senegal. Tata Motors currently exports to 21 countries in Africa. In 2011, a joint venture with Tata Africa Holdings established Tata Motors (SA) Ltd and invested approximately US\$ 12.1 million in South Africa to open its first assembly plant in the region.

Service Industry

Business travel and tourism, especially medical tourism is the largest services export sector in Africa. India's outbound tourists and business travellers increased from 4.5 million in 2001 to 13 million in 2010. Outbound business travellers and tourists from India to Africa more than doubled from 135,555 in 2001 to 410,700 in 2010, but are still only 3 per cent of total Indian departures in 2010. Egypt, South Africa, Nigeria and Mauritius together account for over 71 per cent of Indian visitors bound to Africa. African business and tourist visits to India grew by 44 per cent over the period 2006 to 2010.

This is taking place in the backdrop of stabilising political scenarios across most of Africa and opportunities for development paradigms are moving beyond exploitation of mineral wealth to more sustainable growth. The continent needs inter-disciplinary tie-ups and interventions to develop strong socio-economic programmes in education, skilling, health and sanitation and others. India, being one of the largest democracies facing a few of social challenges of its own has the capacity to partner Africa in its bid for sustainable development.

As a part of the soft skill development, India has already initiated Cotton Technical Assistance Programme (C-TAP) in 2012, though India is not a major importer of cotton. The initiative aims at strengthening the value chain of the cotton sector in Africa through a series of interventions such as transfer of technology, post-harvest practices, enhancing downstream competence and capacity building of various stakeholders. The C-TAP is being implemented in Benin, Burkina Faso, Chad and Mali (the Cotton-4), plus Malawi, Nigeria and Uganda. The collaboration is expected to spawn a vibrant textiles industry in the cotton-producing African countries. India has also committed to establish an India-Africa Textiles cluster that would mobilise Indian investments of US\$ 350 million with an employment generation of 25000 workers.

Education

India's role in higher education and training in Africa, is primarily conducted through the Indian Technical and Economic Cooperation programme (ITEC). Many African students and professionals have benefited from ITEC derived projects like the Pan-African e-network project and the Special Commonwealth Assistance for Africa Programme (SCAAP). In terms of the Pan-African e-network project, it currently consists of three African universities, one from Ghana, Cameroon and Uganda and five India universities, the number universities as part of this initiative is expected to increase.

The closest semblance to an institute that promotes India in any realm to African students in Africa is the Centre for Indian Studies in Africa (CISA) and the India-Africa Network at the Gordon Institute of Business Science, both in South Africa. Both institutes have potential to promote genuine interest in India from African students where perhaps decision makers in India should consider financial commitment to the institutes in efforts to re-brand India's potential as an area of study for African students, promote Indian higher education institutions as an alternative place for study and use it as an avenue to disseminate Africa-India relations.

India's premier institute, IIT has virtually crossed the physical distance of over 4500 kilometres with Addis Ababa, Ethiopia to teach the students construction technology and management, and chemical engineering. The institute is also planning to conduct computer engineering and manufacturing engineering courses in the next semester to complete its target of producing 10,000 science and engineering students in Ethiopia. The Indian Government has already pledged a US\$ 700 million contribution to education and skill development in the continent.

Health

Africa is actively seeking help from India to increase its abilities in the field of universal healthcare, especially for the middle class, who cannot fly to other countries for superior health services. The countries are also looking at the prospects of inducting telemedicine to bring down the cost of healthcare services. India is already running one such tele-medicine centre in Tanzania. Many African countries are also looking into the possibility of Indian intervention in building up health infrastructure in the continent which is only able to service 40 percent of the health requirements currently.

Conclusion

As we can see, India's intervention in Africa has been meaningful, especially in the social

and cultural landscape, though sporadic in nature. The commitments need to turn strategic and comprehensive in order to make a real impact in the continent.

India, with its new focus on mass social sector programmes like the Jan Dhan, Aadhaar, and Mobile (JAM) trinity are best poised to partner Africa in their social sector structuring. The challenges in the continent are very similar to Indian challenges like social exclusion, income inequality and a wide host of social and environment issues. India can help African countries to become a people centred democracies where India will also learn a great deal in return.

At its end African governments have recognized the challenges posed by their current pattern of growth where natural resources are exploited with less value addition and nearly no skilling, and have renewed their political commitment to economic transformations. At the continental level, economic transformation is one of the key priority issues in the draft strategic plan of the African Union entitled Agenda 2063. It is also one of the four priority issues identified by African countries in the African common position on the post-2015 development agenda along with issues like innovation and technology transfer, human development, financing and partnerships. At a time of global turmoil, meaningful partnerships will always remain the key to the Indian and African growth stories.

The MEA needs to work in collaboration with the Indian diaspora in Africa who act as 'unofficial ambassadors' in Africa to centre cooperation on the firm foundations of culture and shared histories. This will surely enhance economic and political engagements of mutually beneficial aspirations based on public private partnerships and shared expertise to propel India's and Africa's development agendas.

ENHANCING INDIA-AFRICA DEVELOPMENT COOPERATION

Sachin Chaturvedi

Post-colonial India and Africa were drawn together to address similar development challenges facing them. Their bilateral engagements were strengthened when the structured mechanism of the India-Africa Forum Summit was devised. The first summit was held in 2008 in New Delhi, followed by the second in 2011 at Addis Ababa, Ethiopia and the third in this series will be held in October 2015 in New Delhi.

The literature on the development projects implemented by India in Africa in the last several years has either focused on the success stories and silver linings or only on the failures and gloomy forecasts; however, it is important that a balanced perspective be presented on the India-Africa development partnership. Even though, there are several challenges, the window of opportunity is also much bigger.

Moreover, with a new emphasis on federalism, there are renewed efforts to engage Indian states in development efforts in Africa. It was way back in 1953 when the central government issued a circular, which suggested that state governments should sponsor at least two students from East and Central Africa. This spirit is not only being revived but is being extended further to include industrial production, banking services and other economically important services. In this brief note, we explore some of these initiatives.

Over the years, India's engagement with Africa has evolved across five different modalities bringing in trade and investment, capacity building, technology transfer, grants and concessional finance and finally, lines of credit (LOCs). All these five modalities provide a

major pull for wider engagement across the global south in general and Africa in particular. Since these engagements have happened through the Indian missions based in different countries, the wider process may be called as the 'mission approach' and the mechanism for this is the 'development compact', which, in real terms means a development partnership for cohesive and comprehensive engagement.

Trade and Investment: India was one of the first few countries, after the Hong Kong World Trade Organization (WTO) Ministerial in 2005 that announced duty free, quota free access to low income countries. This scheme was announced in 2008 and became fully operational in 2012. India also took measures for supporting trade finance related initiatives. Even during the recession period in 2009-2012, trade between India and Africa grew by nearly 32 per cent annually and India-Africa trade is projected to reach \$90 billion by 2015. In addition, India has also signed bilateral trade agreements with more than 20 African countries. Indian private investment in Africa has also surged over a period of time with major investments in telecommunications, IT, energy, and automobile sectors.

Capacity Building: India has also established scholarships to foster cultural and educational relations with Africa. There is an increasing focus on three main components: providing training in India, sending teams of experts to partner countries and providing equipment for project sites. Support for capacity building in Africa is continuing; India has also taken up larger issues at various multilateral forums including the WTO and the World Intellectual

Property Organization. The multiplicity of fellowships and training programmes in turn has led to the rejuvenation of India's civilian training programmes viz. Indian Technical & Economic Cooperation Programme (ITEC) and Special Commonwealth Assistance for Africa Programme (SCAAP) to offer help to developing countries in Africa. The programme takes into account the regional groupings, such as the African Union (AU), for which additional slots have been made available. India offers various educational scholarships under 21 different schemes. The Indian Council for Cultural Research itself offers nearly 3365 scholarships annually under 24 scholarship schemes, of which 900 are for African countries.

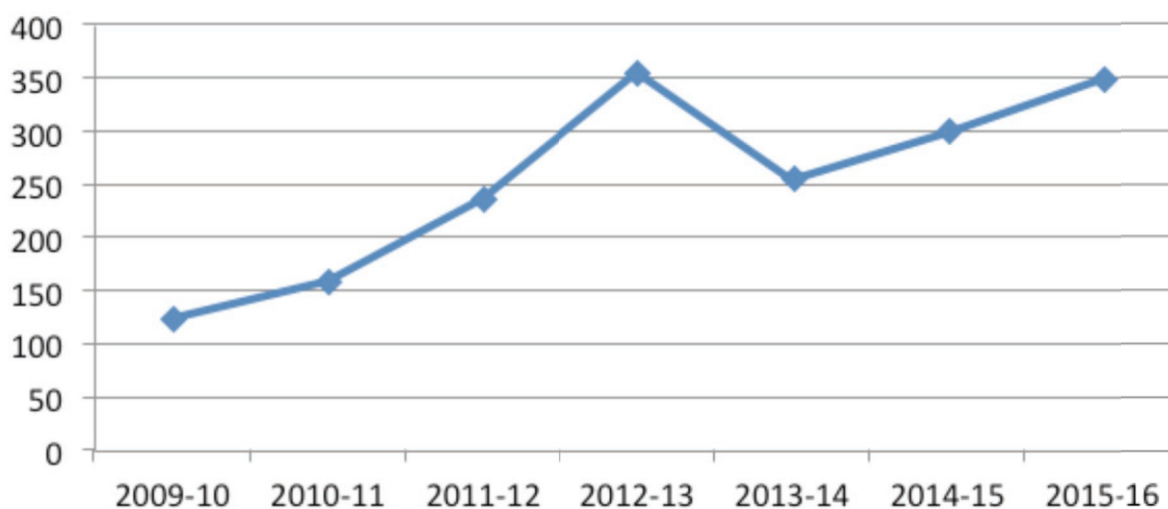
There has been a considerable increase in the Indian government's allocation for SCAAP programme, which rose from \$2.56 million in 2009-10 to \$5.43 million in 2015-16 (Figure 1). India's support to African countries through ITEC training slots was also increased from 1704 in 2008-09 to nearly 4000 in 2014-15. In this context, both Sudan and Ethiopia have been important partners. In 1954, India provided Sudan with training for judicial and other officials and also advised the Sudanese administration on a compensation scheme for expatriate officials. In some mineral-rich countries, Indian engineers have played a key

role in setting up the knowledge base for extractive industries. In 1961, the government of Ethiopia requested assistance in providing facilities for its officials to study programmes related to community development and three such officials went to India for training.

Sharing Technology and Know-how: Indian engineers have played a crucial role in development projects in terms of implementation and creating capacity. For instance, in Ethiopia 12 engineers provided support and training in areas such as irrigation, electrical power and railway management. India helped establish a residential Royal Technical College in Nairobi, in 1956 to provide higher technical, commercial and arts education bearing a cost of \$1.5 million.

India has also been trying to involve the private sector in training programmes. One such initiative was launched in 2010 when the Department of Science and Technology and the Ministry of External Affairs, through the Federation of Indian Chambers of Commerce and Industry, launched the C. V. Raman International Fellowship programme to provide African researchers with opportunities to conduct collaborative research with leading groups in Indian universities and also R&D institutions in areas of S&T. There were a total of 135 slots on offer in 2012.

Fig 4: Budgetary Allocation for SCAAP Programme (in Indian Rupees)



Line of Credit: Of India's global total of \$11.63 billion, New Delhi provided \$6.74 billion lines of credits to Africa alone, which was 57.93 percent of the total during the period 2006 to April 2015. Moreover, several Indian science and technology projects have also been reinforced through other modalities. For instance, India provided \$13.2 million for establishing solar panel production unit outside Maputo in Mozambique. This included not only a line of credit, but also included training for scientists and some grant elements for supporting travel etc. However, distinguishing projects on the lines of modalities alone would not always be possible. In fact, this reinforces the idea of 'development compact', whereby multiple modalities ensure a certain movement towards comprehensive development. Even the deputing of manpower has a spillover effect and this is more so in the areas where engineering or health sector is involved.

Sectoral Support: India and Africa have had a long-term and fruitful partnership in development cooperation in the field of health. India has been a source for reliable and quality medicines and vaccines at affordable rates for large parts of Africa. The cooperation in the field of health care has contributed significantly towards Africa's efforts to achieve the Millennium Development Goals in the areas of combating HIV/AIDS, malaria and other diseases and also reducing child mortality. Tele-medicine has been another major initiative launched by India with the objective of extending facility for high-level expert consultation by African patients with top-level Indian medical practitioners and hospitals too. The cooperation has also extended to other areas of health care, such as development of infrastructure, like hospitals, and building up local capacity in drug production through the setting up of joint ventures. India and Africa have also been major trade partners in pharmaceuticals. In light of the new United Nations Sustainable Development Goals, the cooperation between the two parties in the field of health care and pharmaceuticals needs to

be further intensified and carried forward with greater vigour.

The development cooperation engagement needs to be taken beyond the state-to-state engagement. This would bring in efficacy and accountability. There have been many initiatives in the field of education and other social sectors by various non-governmental organizations and civil societies towards strengthening people-to-people relations. Several African students are enrolled in the Indian private universities. Similarly, various Indian civil society organizations, such as Self Employed Women's Association (SEWA), Bhartiya Samruddhi Investments and Consulting Services, and Participatory Research in Asia (PRIA) are actively functioning in Africa. This effort needs to be further consolidated and enhanced for effectiveness. Development Partnership Administration (DPA) is actively engaged at the Forum for Indian Development Cooperation (FIDC) for enhanced participation of civil society.

In the last two summits, India committed itself to providing greater support for institution building; but there is a need to revisit some of the proposals. The approach for the way forward is to ensure equal commitment from both sides before proposals are finalised. India should share details of its own institutions and the experiences of its own development journey. The cooperation would crucially depend on building resilience of institutions particularly for impact assessment and evaluation.

AT THE CROSSROADS: INDIA AND THE FUTURE OF UN PEACEKEEPING IN AFRICA

Anit Mukherjee

India's participation in United Nations Peacekeeping Operations (UNPKO) is probably without parallel; it has been one of the largest contributors of peacekeepers and has suffered the most casualties in the process. Indicative of the thrust of UN peacekeeping missions, 80 percent of India's peacekeepers are presently serving in Africa and 70 percent of all casualties have been sustained there. Clearly, based on these statistics, UN missions serve as the bedrock of India's military engagement and assistance to Africa. However, there is a growing debate on the efficacy of these missions and India's benefits from its continued participation. In more ways than one, India and Africa are at crossroads on this issue. Both communities need to move beyond platitudes and engage in a serious, sustained dialogue on India's role in the future security architecture in Africa.

Historically, India has participated in nearly all UN peacekeeping operations in Africa. Most famously, India helped set the trend in "peace enforcement missions" by deploying a sizeable contingent—around 5,000 troops assisted by light bombers, to the United Nations Operations in Congo (ONUC) from 1960 to 1963. This militarized mission ensured the unity of Congo and resulted in the maximum number of casualties suffered by India in any UN operation. The end of the Cold War led to a pronounced increase in UN peacekeeping operations in Africa. India contributed to these efforts and was an active participant in almost all missions, sending military observers to Namibia (1989–1991), Angola (1989–1991), Liberia (1993–1997 and since 2007), Congo (since 1999), Ethiopia–Eritrea (since 2000),

Ivory Coast (since 2004) and, more substantially, sending military contingents to Mozambique (1992–1994), Somalia (1993–94), Rwanda (1993–1996), Angola (1995–1999), Sierra Leone (1999–2000), Congo (from 2005 onwards) and Sudan and South Sudan (from 2005 onwards). These military contingents have at times undertaken 'robust' operations bordering on peace enforcement type missions, inflicting and suffering casualties in the process. To support these operations India has also deployed attack and support helicopters, which are always in short supply and are critical to overcome the vast distances in Africa. Tellingly, there was considerable international outcry when India announced that it was withdrawing some of its helicopters for supporting internal security missions at home. While the military's deployment is well-known the role of police, including women police officers, and civil affairs specialists assisting in tasks like conduct of elections or other capacity building exercises is no less important. According to some experts therefore India's combined efforts constitute the "backbone" of UN peacekeeping and it is presently engaged in 12 of the 15 active peacekeeping missions.

Understandably, Indian diplomats and military officers play up their contribution to UN peacekeeping. India's claim to a permanent membership of the United Nations Security Council (UNSC) rests, among other factors, to its contribution to UNPKO. During the time that India held the non-permanent seat on the Council from 2011 to 2013, it identified peacekeeping as a key agenda putting forward ideas to enhance its effectiveness. The Indian military has also deeply internalised the ideal

of operating under 'Blue-Helmet' taking considerable pride in the success of its missions. Shaped by years of experience many in the military find it difficult to envisage operating outside India's borders without UN sanction.

In recent times however there has been a growing debate about India's continued role in peacekeeping operations. Many question the benefits accruing to India from its considerable investment of manpower and military resources. Highlighting the "poorly equipped, mandated and governed operations" characterising UN peacekeeping, Nitin Pai and Sushant Singh argue in *The Indian Express* that continued participation is not commensurate to the results—either through obtaining a seat on the UNSC or in obtaining "great power status". Moreover, observing that peacekeeping is mostly carried out by troops from developing countries, they argue that keeping such company means that India "cannot be taken seriously as a standalone great power at the UN." A final source of criticism has been the bad publicity that has been generated by instances of sexual misconduct and corruption allegedly committed by some Indian peacekeepers and allegations that it failed to adequately protect civilians. Not all these criticisms are valid, especially the notion of what defines a 'great power', however they provide an opportunity to debate the future of UN peacekeeping and India's role in Africa.

Paradoxically aspects of this debate—specifically regarding the efficacy of UN peacekeeping—resonate in some African countries. The failures of UN peacekeeping operations in the 1990's most visibly in Somalia and Rwanda, led to a reduction in the number of missions and a loss of confidence. There was a feeling that the UN had abdicated its role and this, according to Kwesi Aning and Festus K. Abyn, created "a sense of African solidarity in finding African solutions to African problems." These sentiments led the African Union (AU), a fifty-four country group comprising all African states, except Morocco, to deploy 64,000 peacekeepers since 2004 in numerous mis-

sions on the continent including Central African Republic, Nigeria, Darfur and Somalia. Its current mission in Somalia, called AMISOM, comprises 22,000 peacekeepers and is engaged in intense combat with the Al Qaeda linked Al-Shabaab group. The Economic Community of West African States (ECOWAS), a bloc of fifteen countries, has also undertaken peacekeeping missions in Liberia, Sierra Leone and Guinea Bissau. Significantly however these missions are funded almost entirely by donors like the UN, EU or the US and only 2.3 percent of the AU peacekeeping budget comes from its member states.

These developments suggest that the future of UN peacekeeping in Africa is at a crossroads. On the one hand are wealthy western countries that fund but do not commit their troops to peacekeeping missions. They are increasingly unhappy with the rising costs of UN peacekeeping—it current budget of \$9 billion is the largest ever. In addition they have raised questions on the ability, and commitment, of peacekeepers to saving civilian lives—pushing forward the idea of robust, peace enforcement missions. Troop contributing non-African countries, mainly from South Asia and South America, among others, however deny this is the case and instead argue that they are not adequately consulted when the missions are being formulated. African countries, which also constitute the bulk manpower, are caught in the middle—financially dependent upon 'developed countries' while requiring additional manpower, resources and support from 'developing countries' to bolster their capabilities.

The Third India Africa Forum Summit in October 2015 offers an opportunity to deliberate upon some of these issues to further strengthen security cooperation. Towards that end there are three main recommendations flowing from this analysis. First, India and Africa need to embark on a serious discussion on the future of UN peacekeeping operations in Africa. This needs to take head on the criticism levelled against it—failure to protect civilians,

or allegations of misbehaviour and corruption. Most importantly it should focus on steps to increase the overall effectiveness of peace-keeping missions and explore opportunities for conflict resolution and termination.

Second, India should consider scaling up its security assistance to African countries. In the previous Africa India Forum Summit in Addis Ababa in 2011, Prime Minister Manmohan Singh announced a contribution of \$2 million towards AMISOM. This should be increased by a considerable degree, especially since this mission is involved in intense combat operations. In addition, India has deployed military training teams in Botswana, Zambia, Lesotho and Seychelles. Such relationships should be enhanced and offered to other countries who express an interest. India's help could be crucial and cost-effective in imparting specialised skill-set like helicopter flying, casualty evacuation, medical training, etc. India can also offer items for defence trade—like radio sets, military vehicles and other ordnance stores.

Finally, India and Africa should shed their perceived reticence to discuss security issues and establish a high level defence dialogue. By

all appearances India's existing defence dialogues with African countries are on a bilateral basis. This is understandable as different African countries have varying perceptions on security. However, lately there has been a gradual turn towards multilateral security engagements. As discussed earlier the AU and ECOWAS are slowly emerging as serious actors. Acknowledging this development and in its effort to support these institutions, India should offer to hold a defence dialogue with these organisations. These dialogues could focus on role of regional associations, capacity building and the overall security architecture. In the long run, the historical model of peace-keeping in Africa—funded by the West and manned largely by Asian countries – is unsustainable. While the budget for UN peacekeeping is currently at a record high, this level of financial support is not assured. India's efforts in peacekeeping have thus far been remarkable but it is now perhaps time to transition to an 'African owned-African led' solution. Gradually reducing its peacekeeping responsibilities therefore may be for the best—and might have the added advantage of eventually enhancing India-Africa relations.

SOME LESSONS FROM THE LICENSE RAJ AND ECONOMIC GROWTH IN SOUTH AFRICA

Fuad Cassim

The low or anaemic growth rate being experienced in the recent past in South Africa and many other parts of the world is cause for concern. While global growth is a major factor in slowing down domestic growth, it is not the sole factor. South Africa needs to become more ambitious and raise the bar towards a higher rate of growth. So a fundamental question becomes, how fast can we expect to grow despite the heavier headwinds that confront the global economy? How has India done it? What lessons, if any, can we draw from the Indian case?

The Indian experience is telling in what it suggests about the relationship between government and the private sector. More so because the current ambivalence between the private sector, trade unions and the government in South Africa cannot continue to persist. Despite the emergence of the National Development Plan (NDP), the different forces in South Africa still need to find a way to work towards a common vision.

The Indian Experience

From independence till the 1980's the Indian economy grew at a modest rate of 2-3 per cent. The standard explanation for India's recent growth spurt has been ascribed to economic reforms initiated by Manmohan Singh in 1991. However, the evidence shows that this is not the case. Economic growth began to double in the mid 1980's. Dani Rodrik and Arvind Subramanian have argued that the acceleration in the rate of growth was primarily due to a change in the attitudes of the national government towards the private

sector. It is now conventional wisdom that India's growth acceleration predates the 1991 reforms.

What this kind of reform indicates is that governments do not need to do an enormous amount to unlock the growth potential but simply clean up the regulatory impediment to generate investment. Marginal changes to the regulatory environment can trigger an investment response. This can change the nature of the conversation as well as the narrative for growth and structural change in the economy.

The South African Economy

It is important to point out that the South African economy has gone through a whole series of reforms since 1994. Though the economy peaked in mid-2000, at present growth is low and well below potential. The question that arises is what is the problem? Is it an implementation problem or does more need to be done? Is there something wrong with the development strategy in place? Or what is South Africa's License Raj?

The South African economy grew at 3.2 per cent a year on average from 1994 to 2012. Potential growth is currently thought to be around 3.5 per cent, though it was estimated at around 4.5 per cent during the four-year period from 2004 – 2007 when growth averaged around 5.5 per cent. Economic growth however, has mainly been driven by domestic demand and financed through a persistent current account deficit. The current account balance was close to zero around 2003 but has subsequently increased, and regularly hovered

at around 6 per cent of GDP.

We should do everything possible to achieve a higher growth rate. Our potential rate of growth – that is the maximum that can be attained given favourable internal and external conditions – is determined not only by improving our productivity and efficiency of investments, but also by improving governance in the overall political economy. Whether it can be achieved depends on domestic conditions as well as the global environment. However, potential growth is only part of the story. To achieve a higher and sustainable growth rate, South Africa will have to pursue reforms and eliminate distortions and imbalances in the economy. The budget for the 2015 fiscal year and the measures announced attests to this.

This requires government not only to be proactive but to be innovative as well. If South Africa is to succeed it will have to become more competitive, strengthen its institutions, and integrate its micro and macro-economic strategies in a coherent and coordinated manner. The failure to grow remains a key challenge. It is unlikely that a single grand strategy whether it is improving access to finance, regulating capital flows or deregulating the labour market – can unlock the path to rapid, inclusive growth. This challenge highlights the need for government to become ever more agile and responsive. In so doing, it will move on many fronts simultaneously, engaging with the real economy, and learning about the problems confronting civil society, as well as responding smartly and creatively. Above all it will have to rebuild trust to foster the conditions required for structural change and reform.

Although our economy is subject to movements in the global business cycle, ultimately we have to improve the structure of the economy. Structural reform in the South African economy is essential to increase productivity. Hence, it entails reforms in the product and labour markets. The product market requires that we reduce the barriers to entry by increasing the scope for new entrants and make the

economy more competitive and less concentrated. The labour market needs to become more efficient and labour-absorbing for small and medium enterprises. More fundamentally, the economy needs to make a structural shift towards an investment led growth path as opposed to its traditional reliance on consumption as a driver of economic activity. As stated in the Budget Review 2015 “restoring confidence in the future growth of the economy is the key to unlocking the long-term investment commitment of private funds.”

What India’s growth experience suggests is that it is possible to unlock growth, and that the route to achieving this is not necessarily the Washington Consensus route. What was the key difference? In India the reforms were in favour of existing business. This approach avoided the creation of losers. It may not be the most efficient, but turned out to have had a positive impact.

The case of India provides an interesting case for understanding what inhibits the growth process. India’s growth accelerated in the early 1980s. The change in attitude by the Indian government was key. Quite simply, it entailed eliminating the License Raj System or making small adjustments such as reducing some business taxes and easing access to imported inputs. India doubled its growth rate from 2% to 4% during the 1980’s. Yet India is still plagued with bureaucratic inefficiency and a poor infrastructure. Later, in 1991, India liberalised the economy much further but the initial spurt to growth took place in the 1980’s. The point is that when a country is performing below its potential, it does not require much to unlock inefficiency to boost the growth rate. Small changes can turn into big outcomes.

There are many areas where growth enhancing reforms could take place and which will signal a change in attitude and enable a more dynamic relationship with the private sector and the trade unions. This will require more than a decision from the market or legislation. It will have to involve labour, government

and business. Michael Spence suggests while “public and private interests are not perfectly aligned today, they are not perfectly opposed. Relatively modest shifts at the margin could bring them back in sync.”

Growth accelerates and sustains through new companies and new innovations that create new jobs. However, more often than not our discourse is dominated by big business, big government and big unions. Though these are dominant forces in most economies, including our own, they do not constitute the sum total of all economic activity. Subtle changes in economic policy can have significant effects on the nature of the growth process of a developing economy. This area deserves significantly more attention in the policy discussions on economic policy.

The National Development Plan states, “leadership, unity and cohesion are difficult in our still-divided society. Yet these are the very things that help to anchor successful nations and development strategies. Leadership is required to win broad agreement for the plan, to implement it, and to make sacrifices for a better future. A capable, efficient, and fair state is needed to support it, and partnerships based on mutual trust are vital. Unless we work together, sacrificing short term gain for long-term prosperity, no single part of South African society can achieve its objectives.”

The South African economy holds great promise which can be realised if we recognise the flaws and attempt to correct them, and find a consensual way forward with a shared sense of responsibility. We most certainly cannot afford to succumb to pessimism. As Paul Samuelson puts it, “every good cause is worth some inefficiency,” equity and social cohesion are among them. While there is a demand for jobs, a hunger for education, and a desperate need for health, growth enhancing reforms cannot be paralysed. The challenges facing us are immense but so are the policy choices confronting our economy. We have to ensure that the national interest and inclusive growth

trumps other impediments, including vested interests. We also need to draw on some experiences which can strengthen our economy and make it more resilient in the face of adverse pressures emanating from the global economy.

In conclusion, some lessons can be drawn from the Indian experience despite the very different context. The primary reason for choosing India as a comparative experience is because of the distrust that existed between the private sector and government. A change in attitude can come about through lifting the regulatory burden, or License Raj, and broadening economic activity whereby it becomes more inclusive and participatory. The private sector will equally have to demonstrate its ability to invest in a way that is less about the short term but more towards the long term.

INDIA-AFRICA TRADE AND INVESTMENT : A BACKDROP

Shruti Gakhar and Subir Gokarn

Trade Relations

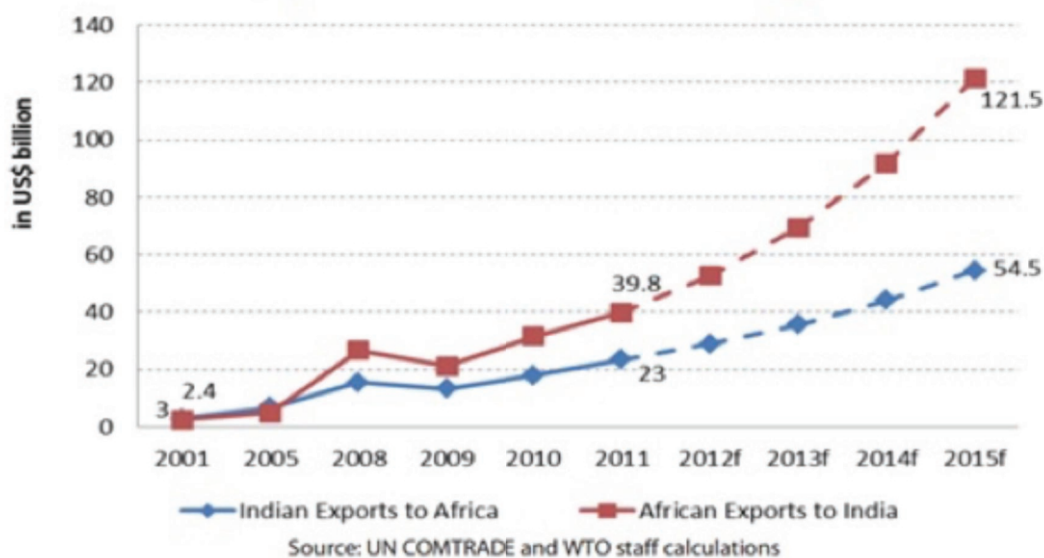
There are three elements to India's trade relations with Africa – increasing the volume of imports and exports between the two countries; government support to the private sector; and the diverse nature of India's economic engagements, both government and private, with Africa.

Bilateral trade jumped from \$5.3 billion in 2001 to \$12 billion in 2005 to \$70 billion in 2013, which is greater than India's bilateral trade with the U.S. African exports to India have been growing annually at 32.2% while Indian exports to Africa grew annually at 23.6%. By 2015 it was expected that bilateral trade would increase to \$90 billion. According to a report released by the Confederation for Indian Industry and the World Trade Organisation in 2013, if the an-

nualised growth rates between 2001 and 2011 continued then bilateral trade was forecasted to reach \$176 billion by 2015 (Figure 1). During the sidelines of the World Economic Forum last year held in New Delhi, African leaders and Indian industrialists announced their joint visions to achieve US\$500 billion in trade between Africa and India by 2020 – this is almost five times more than what was projected for 2015.

Much of this increase in trade can be attributed to the steps taken by the Indian government over the years, as well as the initiatives of the private sector in establishing their presence in African countries. There have been nine India-Africa Conclaves organised by CII since the first Conclave held in New Delhi in 2005 and the participants as well as project opportunities have grown considerably. At the

Fig 1: Indian Africa Trade Growth Projections



Published in *India-Africa:South-South Trade and Investment for Development* by CII/WTO 2013

second India-Africa Forum Summit in 2011, India stated it would extend LOCs (Lines of Credits) worth \$5.4 billion until 2014 to support the developmental requirements of its African partners. The triennial Summits, the first of which was in 2008, recognize the growing importance of Indo-Africa ties and bring together the highest leadership from India and African countries for a structured political and economic interaction. In 2008, India made the announcement of granting duty-free tariff preference to Least Developed Countries (LDCs).

The 'India-Africa Trade Ministers Dialogue' is an annual event, since the first one held on May 2011 on the occasion of the 2nd Africa-India Forum Summit held at Head of State level. The ministerial dialogue discusses trade-related bilateral issues and assesses the progress of development co-operation set forward in Africa-India Forum Summits. Launched in 2002, the Focus Africa Programme initially focused on sub-Saharan Africa with emphasis on seven major trading partners in the region: Ethiopia, Tanzania, Nigeria, South Africa, Mauritius, Kenya and Ghana. Together these countries accounted for 69 per cent of India's trade in sub-Saharan Africa. The programme broadened in 2003 to add 17 more countries, including those in North Africa.

Imports and Exports

African exports to India are growing at a rate of 32 per cent annually, with Indian exports to Africa at a rate of 23 per cent. The top six African exporters to India are Nigeria, South Africa, Angola, Egypt, Algeria and Morocco and account for 89 per cent of total African exports by value to India, mainly due to exports of oil, gas, ores and gold. Trade is significantly more diversified across African countries at the product level and all exports from India seem to have some degree of technological input. India currently faces an energy deficit and coupled with potential supply insecurity from other regions, Africa's role as a supplier of minerals and fuels may intensify in the short run. Africa now supplies around a fifth of In-

dia's total crude oil imports, having risen from nearly zero in 2005. In terms of product specialization, crude oil and gas account for over two-thirds of exports to India while gold and other precious metals account for 16 per cent. The top six products are crude oil (60%), gold (15%), phosphoric acid (3.8%), liquefied natural gas (2.7%) and shelled cashew (2.6%) – which account for over 87 per cent of total African exports to India (CII/WTO 2013).

African nations have also benefitted from India's Duty Free Tariff Preference (DFTP-LDC) scheme for least developed countries (LDCs) – this scheme was implemented in 2008 over a period of five years. Under the scheme, prior to its revision in August 2014, LDCs were offered duty-free access on 85 per cent of Indian tariff lines; this was extended to 98 per cent following the revision.

Challenges for India's trade relationship with Africa

The major challenges faced by exporters and importers from India and Africa are primarily: transport and logistics costs; poor business environment (lack of ease of doing business); corrupt practices; and access to trade finance.

Transport and logistics costs are considered to be of greater importance to Indian exports to Africa. Most Indian exporters, due to high shipping costs and insurance costs prefer to sell their goods on a 'free on-board' basis instead of 'on-delivery' (CII/WTO 2013). In this case, the risk of loss transfers on to the buyer – Indian exporters are risk averse due to the high transaction costs associated with exporting to Africa. Indian exporters also cite poor business environment and lack of access to buyers as another major impediment in trade, especially in exporting services to African countries. Firms find it difficult to acquire the necessary visas and permits required to set up operations in Africa. This is particularly important for information technology firms who are looking to partner with and expand operations in the African continent.

Investment opportunities and challenges

India's Investments in Africa

Africa today is seen as the one of the largest untapped potential destinations for investments due to its rich natural resources. The continent is the third-fastest growing economic region in the world with a rate of urbanization higher than that of India. In this regard, Indian investments in the region have seen an upward trend in recent years; investments have grown substantially across the African continent and sectors. Today, Indian multinational enterprises (MNEs) present in Africa range from energy to mining to telecommunications to IT-enabled services.

From the Indian perspective the key sectors are agriculture, healthcare and pharmaceuticals, textiles, automobiles, banking and financial services, information technology, energy and infrastructure. India today is the fifth largest investor in Africa. According to estimates by the International Monetary Fund (IMF), Indian investment in Africa, in less than a decade, rose from US\$9.2 billion to US\$14.1 billion in 2011, which accounts for 22.5 per cent of Indian outward foreign direct investment flows.

Indian firms in Africa sometimes acquire es-

tablished businesses and are less vertically integrated – they procure supplies locally or from international markets and engage in sales to private African entities. India's growing energy needs have pushed it towards energy cooperation with African countries as a source of raw materials and energy sources. Indian national oil companies such as the Oil and Natural Gas Corporation Videsh Limited (ONGC) have invested equity assets in Sudan, Ivory Coast, Libya, Egypt, Nigeria, Nigeria – Sao Tome and Principe Joint Development Area, and Gabon. Private sector companies such as Reliance have also invested in equity oil in Sudan, while Essar has procured exploration and production blocks in Madagascar and Nigeria.

In 2009, India completed a multi-million dollar project to lay a pipeline from Khartoum to Port Sudan in the Red Sea. In 2007 and 2009, the Indian Ministry of Petroleum and Natural Gas and chambers of commerce joined to organize the India-Africa Hydrocarbons Conferences to boost India's investment in Africa's energy sector. During the 2009 India-Africa Hydrocarbons Conference, India identified five main areas of cooperation with African countries: buying more crude oil from Africa; investing more in upstream opportunities based on bilateral basis; exploring opportunities to source more liquefied natural gas Africa, making available India's skills; talent and technology in cost-effective ways for the benefit of Afri-

Table 1: Indian Investment flows to select African Countries

	1996 to 2002	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Total Stock
Mauritius	618	133	176	149	333	1163	1506	2087	6165
Sudan	-	750	162	52	63	118	8	38	1191
Egypt	9	0	-	3	0	0	790	19	821
Nigeria	7	4	2	8	4	12	27	237	301
Liberia	0	-	-	-	155	-	18	16	189
Kenya	13	1	2	0	0	0	133	0	149
Libya	30	-	-	-	25	75	0	13	143
South Africa	22	0	1	3	10	23	46	12	118

Source: Ministry of Finance, Government of India

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Table 2: Select Indian Investments to Africa in recent Years

Indian Company	Target Company	Host Country	Sector	Value (US\$ million)	Deal Type	Year
Cairn India	PetroSA	South Africa	Energy	60% in Oil and Gas Block	Acquisition	2012
Tata Chemicals	Greenfield	Gabon	Chemicals/ Fertiliser	290	Acquisition	2011
Wipro Technologies	Subsidiaries	South Africa, Ethiopia	IT-enables services	NA	-	2011
Bharti Airtel	Zain Africa BV	Africa-wide	Telecom	10,700	Acquisition	2010
Essar Africa Holdings	Zimbabwe Iron and Steel Company	Zimbabwe	Metals & Ores	750	Acquisition	2010
Bharat Heavy Electrical Ltd.	Greenfield	Multi-country	Energy	2,000	Acquisition	2010
Essar Group	Econet Wireless Holdings	Kenya	Telecom	450	Acquisition	2009
Vedanta	Konkola Copper Mines	Zambia	Metals & Ores	700	Acquisition	2004-ongoing

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Table 3: African Investment in India, Total FDI Stockd from 2000 to 2012

Country	FDI Stock (in US\$ million)
Mauritius	64,169.0
Morocco	136.8
South Africa	111.7
Kenya	20.0
Seychelles	17.9
Liberia	14.6
Nigeria	9.9
Tunisia	4.3
Ghana	3.1
Tanzania	1.4
Egypt	1.1
Other Africa	3.5
Total Africa	64,493.3

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ca and supporting community development programmes in Africa so as to ensure inclusive growth.

Apart from hydrocarbons, the metals conglomerate Vedanta Resources has invested millions in Zambian copper mines; and the Parliament of Liberia ratified a 25-year deal allowing ArcelorMittal to launch a billion-dollar iron ore mining project. Tata Steel invested in a ferro-chrome project in Richards Bay, South Africa. In 2007, the Indian Farmers Fertilizer

Cooperative signed a MOU with the Senegalese government to revive a phosphoric acid plant. The table below shows select Indian investments to Africa in recent years. The Tata Group have had a presence in Africa since the 1970s in the transport, information technology, hotels, mining and telecom sectors. Indian MNEs have also ventured into Greenfield and Brownfield investments, spanning telecommunications, energy, computer services, power and the automobiles sectors. Indian investments stock in Africa in 2008-09 stood

at above \$9.2 billion, while IMF estimates that total investments at the end of 2011 in Africa were \$14.1 billion.

Africa's investments in India

Mauritius is the largest investor in India with total FDI inflows of \$64.17 billion. Mauritius accounts for 40 per cent approximately of total FDI inflows India, reflective of the tax treaty between the two countries. In terms of direct bilateral flows, Morocco and South Africa are the next largest investors with investments worth \$137 million and \$112 million, respectively. Investments from South Africa have been growing at a steady pace with Tiger Brands, Airports Company South Africa & Bidvest, SAB Miller, FirstRand Bank, Standard Bank, Old Mutual, Balela Leisure, Anglo-American, Sasol and Nandos Group Holdings having made investments in the Indian market. Morocco has also invested in the manufacture of phosphate in India. Zuari Maroc Phosphate holds 74 per cent stake in the earlier state-run Paradeep Phosphate Ltd.

Outward FDI flow from African countries have steadily grown from \$1.5 billion in 2000 to \$7 billion in 2010 before falling to \$3.5 billion in 2011. A substantial portion of the outward

FDI is intra-African and emanated from a few countries, including Zambia, Angola, Egypt and South Africa.

The Make-in-India initiative has been received favourably by African countries as an opportunity to boost investment. Companies can source materials from Africa, Make the products in India and then sell them in Africa. The African market is expected to expand to \$1.4 trillion by 2020, up from \$860 billion in 2008. This poses great opportunities for both India and Africa to boost trade and investment relations.

The Indian government has taken significant steps in preparing the Indian private sector to look to Africa for investment opportunities and contribute to value addition and economic growth on the continent. India's broad-based investment approach can help compliment the trade growth between India-Africa, and help expand the range of goods and services traded between the two. In order to further investments and achieve common goals of development, there is a need to remove bottlenecks such as protection of investments, access to capital and an improved business environment.

THE PATH TO A REAL INDIA-AFRICA ECONOMIC PARTNERSHIP

Kingsley Chiedu Moghalu

Africa Rising?

From the 1980s and the 1990s, when large numbers of Africans, despondent from a combination of civil wars, coups d'état, pandemics and puny economies, migrated to Western countries in large numbers, Africa has now become the subject of more positive global attention and interest.

But, is this development, in which Africa has come to be regarded as the “last frontier” of the global economy – an inevitable outcome of globalization – really a cause for celebration? Will it lead to the real rise of the continent as an economic power in the mold of Asia or the West? Is Africa engaging the world – and globalization – on its own terms? Or are we seeing another, more-sophisticated-than-1885-Berlin scramble for Africa?

The World Bank calculates that Africa received capital flows of \$48.2 billion in 2011, an increase of \$8 billion, and notes that “the region is increasingly being recognized as an investment destination”. Yet Africa’s share of world trade is a minute 3 per cent, with less than 5 per cent of Foreign Direct Investment (FDI) flows. In 2010 the combined GDP of the 54 countries that make up the continent was just barely equal to that of India, and just 100,000 individuals account for 80 per cent Africa’s GDP, while the continent’s share of global poverty rose by 8 per cent between 1999 and 2008. The GDP of the entire sub-Saharan Africa, including South Africa, is just about equal to that of Belgium or that of metropolitan Chicago, a city in the United States. And all the electricity produced in sub-Saharan Afri-

ca, half of which is, in fact, produced by South Africa, is equivalent to that of Spain, which has 20 times fewer people than Africa.

It is true that Africa’s macroeconomic context today is probably better than it has ever been, and that Africa will increasingly become a consumer of commodities – including its own – rather than merely exporting them. But this remains an opportunity, not an arrival at the desired destination. It is important to acknowledge the undoubtedly better trends that have emerged in the continent – and given how beaten down Africa’s image in the world had been before the advent of the last decade, one supposes that a bit of celebration at this new turn of events is not completely out of place. But circumspection is still required.

Economic globalization has hurt Africa. The gains for African countries from opening up to international economic forces without adequate internal preparation have been limited and far outweighed by the adverse impact of the continent’s engagement with economic globalization. Economic policies enunciated by the Bretton Woods Institutions – the International Monetary Fund, the World Bank, and the World Trade Organization – led to lost decades of development opportunities and outcomes. Structural adjustment and liberalization without the proper foundations as a core condition led to the effective de-industrialization of the continent by weakening the manufacturing sector, increased income inequality, and marked drops on average per capita incomes in many African countries. Trade liberalization under WTO regimes has not brought benefits. It has removed incomes from tariffs

previously available to African countries, and these incomes have not been replaced by effective internal resource mobilization through taxes and other methods.

Nevertheless, one of the paradoxes of globalization is that the phenomenon has so opened up the world and its inhabitants to each other that the prospects and opportunities for economic advancement are now almost universal. This process, underpinned by the invention and innovation of industrial technology that began two hundred years ago after the industrial revolution, is not a secret. It is open to any country or region that is prepared to harness it. Perhaps the secret lies in what is beneath the surface – the full understanding of all the dimensions of that process and the preparation to harness the recipe. It has nothing to do with the presence or absence of natural mineral endowments. If it did, Africa would have long ago become the richest continent in the world rather than the impoverished one it has been.

It is against this backdrop, in which Africa has come to view Asia, in particular China, as a viable economic model, that we can examine the continent's growing relations with another rising power on the Asian continent – India.

India, Africa and the 2015 Summit

The India-Africa relationship goes back to thousands of years over which Indian merchants and Africa have traded. In the more contemporary past, India and African countries collaborated closely in the Non-Aligned Movement during the Cold War, and in the struggle against Apartheid in South Africa.

But the intricateness of this relationship are yet to be reflected fully in the contemporary economic sphere, and China's rising economic engagement in Africa is today the dominant reference point. China's trade with Africa hit \$210 billion in 2013, with 2,500 Chinese companies operating in the continent.

India-Africa trade is playing catch-up, project-

ed to get to \$100 billion in 2015. India is now the largest trading partner of Nigeria while India is now the largest importer of Nigerian crude oil. But Africa has far more in common with India. An increased strategic economic engagement between the two partners has the potential to be much more genuinely beneficial to both parties than the increasing criticisms of a certain lopsidedness in China's relations with the continent. The 2015 India-Africa Forum Summit should reposition India-Africa economic relations along some deeper contextual commonalities than merely transactional activity.

This approach will enable African countries gradually emerging in the global economic consciousness to achieve transformational outcomes beyond simply being a stage for global economic competition between rising powers, such as India and China.

The common challenge that confronts India and Africa is their struggle against poverty. In India, these tensions are represented not only in the economic philosophies of the previous and present national governments but is also evident in the criticism of the late Indian management guru C.K. Prahalad, who highlighted "the fortune at the bottom of the pyramid", by Raghuram Rajan, the Reserve Bank of India Governor who has said that micro-lenders should not seek to make a fortune off the poor.

Put differently, this argument is about inclusive business. With Africa gradually emerging as a continent of possibilities and opportunity in the global economy, and with India rising as a global power in the 21st century, the 2015 India-Africa Forum Summit must go beyond pomp and pageantry to set a concrete set of objectives with time frames for their achievement. Given the shared history of trade and immigration between the two, and several similarities of circumstance and challenges, this should not be too difficult.

The need for such specific outcomes from this summit is even stronger because Africa is the 'last frontier' of the global economy

with which it appears every other region of the world seeks a preferential relationship. Summits with African countries and their leaders are becoming a crowded affair. India's third and enlarged Africa summit joins five others -- those between China, United States, the European Union, Japan and Turkey individually with African countries. Since differentiation and brand uniqueness are important aspects of strategy, India as the host should adopt a well thought out value proposition for a deepened economic, technological and diplomatic collaboration with their African guests. African countries, for their part, need to find common ground on the mutual benefits they can share with India more broadly as a continent, and more specifically between each of them as different countries, with India.

This is the foundation on which India-Africa relations must now proceed. The world has changed markedly from the days of the Cold War, the Non-Aligned Movement, and the struggle against Apartheid. These were the predominant anchors of the India-Africa relations of that era. Today, the economic ambitions of India and Africa, with both parts of the world experiencing marked economic growth but still contending with the challenge of widespread poverty among their populations, create an imperative for win-win partnership.

African countries should no longer allow themselves to be pawns in a chessboard of great or rising power rivalry between India, China, the United States and other dominant global economic actors.

With India and virtually all African countries having discarded state-dominated "command

economies" for the free market to varying degrees, the two sides will benefit much from a mutual review and sharing of experience from the trade-offs between different kinds of capitalist frameworks for economic growth and development.

The path to real economic transformation in Africa, which is what the continent's leaders seek, does not lie in the export of its raw materials and imports of finished, value-added products.

The path to transformation is to develop Africa's human capital and make manufacturing the basis of its trade with others. India has significant capacity and experience in these areas, including the manufacture of automobiles.

The India-Africa relationship should be anchored on investments by Indian firms in African countries and access to Indian markets for African multinationals, of which several exist in areas such as telecommunications, cement manufacturing, banking, and others. Developing investments in social infrastructure such as education and healthcare through online education that transfers technical skills, or well-equipped hospitals in African countries to reverse the flow of "medical tourism" would be excellent areas for expanded collaborations.

Africa and India have come a long way, and have a long path into a future in which they are both emerging and rising players. The better angels, however, are in the details of how they can expand their relationship for mutual benefit.

IT IS TIME TO GET PAST THE “SINGLE STORY” ABOUT AFRICA

Bhaskar Chakravorti

India has only 29 embassies in Africa, while the continent has 54 countries -- or 55 if one counts the disputed Western Sahara as a country. Given the proximity both in terms of geography and colonial history, this level of disengagement between India and Africa is disappointing, and should be remedied soon. While there has been migration from India to many parts of Africa and sizable numbers of African students travel to India to get educated, in general, there is a rather limited understanding within India of the continent next door. Unfortunately, in India and elsewhere around the world, the narrative about Africa perpetually suffers from -- what the Nigerian author Chimamanda Adichie cautions against in a widely-viewed TED talk, the dangers of a “single story.” The single story is one that displaces the far more multilayered reality about an unfamiliar people or a country or a region and can lead to missed opportunities and very costly mistakes. Most recently, the global food giant, Nestle, downsized its operations in Africa. It had gone too big too fast on the continent because its managers had cast Africa in terms of a single story called “the next Asia” Belatedly, the same managers realized that the two continents, Africa and Asia, are, indeed, continents apart.

For generations, that single story for Africa had been one of despair, famously headlined as the “Hopeless Continent” by The Economist magazine only 15 years ago. Of course, vestiges of the old story elements are still around; the recent horrors of the Ebola epidemic, twin campaigns of terror of Boko Haram on one side of the continent to Al-Shabaab on the other and persistence of civil unrest from Burkina Faso

to the Democratic Republic of Congo. However, the newer single story about Africa is that of “rising Africa.” It is time to get beyond this new single story as well. Even Barack Obama – the first Kenyan-American president and the face of the unforgettable “Hope” poster – began his last tour of Africa with frequent references to the “rising Africa” theme. It was only towards the end of his tour that he acknowledged the many nuances of the region: from calling out the evils of tyranny based on gender or sexual orientation to the corrosive effects of “presidents for life”. If there is a lesson to be learned from his journey, it is that we must all show the courage and wisdom to tackle many stories and many uncomfortable truths, along with a celebration of Africa’s true potential.

India’s political and business leaders can, in parallel, take a page from Obama’s travelogue and journey away from the single story. Consider three ways in which their stories would multiply:

There is no single Africa

Africans are far from being a single people. While technically comprising 54 or 55 countries, the continent’s political boundaries are a relatively recent colonial legacy; there are potentially even more “nations” within Africa. Even among the official countries, there is unevenness and many contradictions. Between the two biggest countries – Nigeria and South Africa – that account for 63 percent of Sub-Saharan Africa’s total GDP, future prospects vary considerably. Nigeria is expected to grow over 5 percent, while the South African

economy is expected to grow at a much lower 1.6 percent. The latter, however, is a more diversified economy, while the former is vulnerable to a collapse in oil prices – and yet has the greater entrepreneurial zeal and energy. Ghana, and Zambia are examples of countries that have suffered from large macroeconomic imbalances and resulting inflationary pressures. Others, such as Kenya, are tourist-reliant, and the recent bad news from the continent regarding Ebola or – much more justifiably -- terrorism has served to scare off travelers. Rwanda and Botswana, often held up as models, represent just over 14 million people in a continent of over a billion people.

At the same time, the effects of shared histories often engender a kinship that cuts across the continent. In certain contexts, sub-regional affiliations, such as ECOWAS or SADC, are even tighter. On the other hand, when a team from an African country competes in the FIFA World Cup or an African wins the Nobel Prize, the continent rejoices. In other words, even a story along the lines of Africa as a collection of disparate peoples or nations risks missing the point.

There is no single measure of Africa as a market

Much of the enthusiasm as far as business in Africa is concerned has been based on a narrative of a growing middle class. Media reports and company presentations have repeated statistics that paint an upbeat picture; how often have we seen McKinsey's "Lions on the Move" estimates of Africa's consumer spending to grow from \$860 billion in 2008 to \$1.4 trillion in 2020, or the African Development Bank's sizing of the African middle class at 330 million people in 2011, growing to 500 million by 2030 or the IMF/ The Economist, forecast that seven out of the 10 fastest-growing economies would be African?

A very different picture emerges from an analysis done by Standard Bank that sizes the middle class across the eleven countries repre-

senting half of sub-Saharan Africa's total GDP at only 22 million people by 2030.

Unfortunately, the statistics – optimistic or sobering -- themselves are hard to trust. According to the 2014 Africa Survey, released by Good Governance Africa, 17 African countries have not conducted a census in the past decade and 5 have not conducted a census in over 20 years. Nigeria's GDP in 2012 was estimated to be \$268.7 billion. In 2013 it almost doubled after the government "rebased" its estimates after a lapse of 24 years. According to Morten Jerven, author of *Poor Numbers*, the statistical capacities of sub-Saharan African economies have fallen into disarray and simply cannot be trusted. Far from there being more than a single story, it is likely that we may even know how many stories there really are for sizing-up the true African market opportunity.

There is no single playbook for Africa

For businesses, there are several implications for how to evaluate the African opportunity and how to approach the market.

First and foremost, it is necessary that executives and country managers get comfortable with multiple stories and prepare to process them simultaneously.

Second, it is essential for companies to prepare to step out of their comfort zones. Many will have to invest in parts of the market value chain that may be far from the company's zone of competence. Just as Coca Cola, Diageo and SABMiller invest in African smallholder fruit and barley farmers to enhance their productivity, to make their own supply chains more reliable, Indian companies – such as Maruti Suzuki or Larsen & Toubro, among scores of others, including many small and medium businesses -- that seek to do business in Africa must find ways to invest in the supply chains and distribution and service networks.

Third, no player can take on the many, known

and unknown, gaps in the wider African business context on its own. Developing the context, growing the market and growing with it will require a multiplicity of partnerships, with home-grown companies, smaller ventures, NGOs and even governments. The seed-to-shelf agri-business company, Olam, for example, has a broad portfolio of collaborations in Africa with companies, NGOs with specific technical capabilities, agricultural associations and governments. This creates a mechanism to not only share risk, but to create leverage and have a better grasp of the gaps that need to be closed and on-the-ground specialized capabilities that can help close them.

Finally, there is no single winning formula for a market such as Africa's. A company, such as Nestle, did many of the right things investing in "best practice" sustainable and inclusive business models recommended for such nascent markets. The benefits of its scale and global resources cannot be under-estimated; in 2012, over 133,000 people in the Africa/Middle East region earned their living from Nestle – of whom only 26,000 were employees. Simultaneously, as Nestle struggled to find the sweet spot among African consumers, others, particularly home-grown companies, did better at

a more local level at a smaller scale. Moreover, it could be argued that the true untapped potential of Africa may be with its youth; more than half of all Africans are now younger than 25. With few opportunities in the formal sector and no safety net many young people work in the informal sector or in small family businesses. The ubiquity of mobile phones is creating clusters of digitally enabled entrepreneurship in some regions, particularly in Kenya. Combined with increasing urbanization, there are chances of an African entrepreneurship boom. The entrepreneurial ecosystem could evolve as a powerful partner – as supplier or customer – in growth. It may even become the main driver.

It is troubling to read about Africa in overly simple terms that veer from the irrationally exuberant to politically correct to post-colonial patronizing. Even President Obama, whose own book "Dreams From My Father" on his links to Africa, sub-headed: A Story of Race and Inheritance, realized that by the end of his trip the inheritance from Africa has more than one story. It would be wise for business leaders from India, the U.S. and elsewhere, who have Africa on their radar, to do the same.

PRIORITIES FOR ENHANCING THE INDO-AFRICAN COMMERCIAL RELATIONSHIP

Amadou Sy & Andrew Westbury

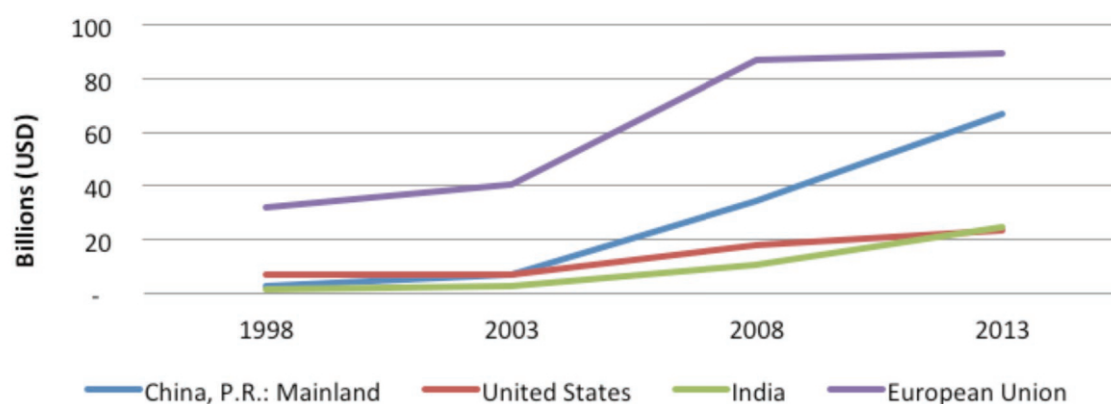
Introduction

Indian Prime Minister Narendra Modi will take an unprecedented step toward enhancing his country's relationship with Africa when he hosts the 3rd India-Africa Forum Summit (IAFS) on October 26 – 29th in New Delhi. While IAFS have been held semi-regularly since 2008, next month's session will be the first time all fifty-four African heads of states have been invited, constituting what the Ministry of External Affairs has described as India's "biggest diplomatic event" of 2015.¹ The official summit agenda reportedly will address major global issues, including climate change, terrorism, United Nations Security Council reform, and public health concerns.² However, the growing trade and investment relationship between India and African countries will undoubtedly also be a focus of discussion. According to the International Monetary Fund, the value of India's exports to the continent increased by more than 100% between 2008

and 2013, placing the country ahead of the United States as a supplier to African markets (Figure 1). Despite this dramatic growth, significant potential still exists to cultivate a more mutually-beneficial commercial relationship between India and Africa. The official delegates at October's IAFS should dedicate time to identifying opportunities to diversify African exports to India markets; expand the reach of India's foreign direct investment in the region; and develop strategies to better exploit the unique comparative advantages of Indian companies to advance Africa's stated development goals.

India's trade and investment relationship with African countries has increased dramatically over the past 15 years. In addition to gains in the country's exports to Africa, sales of African products to India have also expanded significantly. The value of Sub-Saharan exports to India has increased by more than 80% since 2008 (albeit from a low base), a strong upward

Fig 1: Value of Exports To Sub-Saharan Africa



State of Play: India-Africa Trade And Investment

¹“Excerpts from Media Briefing by Secretary (West), Ministry of External Affairs Announcing India Africa Forum Summit –III.” IAFS 2015. March 25, 2015. Accessed September 23, 2015.

² Parashar, Sachin. “35 of 54 Heads of State to Attend India-Africa Summit - The Times of India.” The Times of India. September 6, 2015. Accessed September 23, 2015.

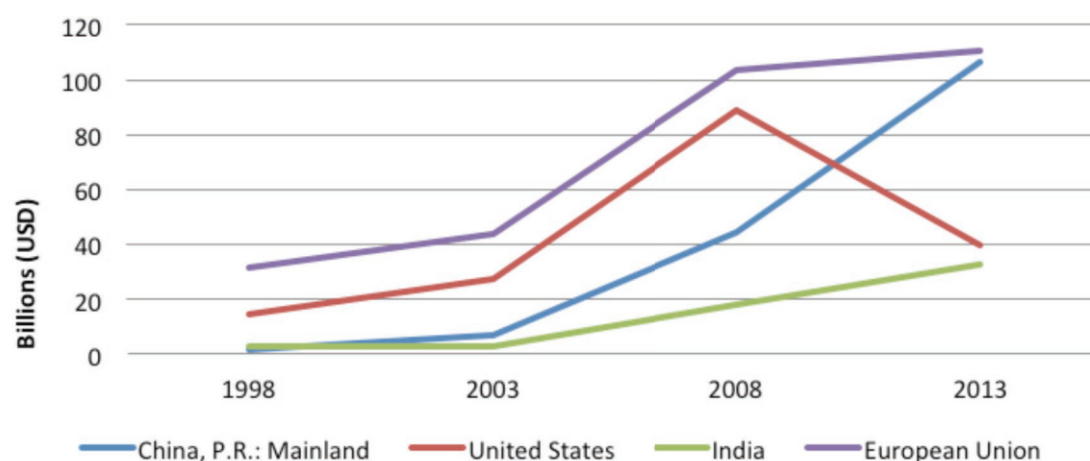
trend that diverges significantly from the huge drops in African exports to the United States following advancements in American hydraulic fracturing technology and the resulting increase in oil and gas production (Figure 2). Growing India-Africa trade has also prompted significant optimism about the future prospects of the relationship. Last year, during the World Economic Forum-India Summit in Delhi, a collection of African leaders and Indian businesses committed to expanding Indo-African trade to more than \$500 billion by 2020, a target that would far exceed that of even China, Africa's largest bilateral trading partner.³

Despite the excitement about Indo-African trade, the current composition of product sales indicates an unbalance in the value accrued by both parties. According to the World Bank, a vast majority of Sub-Saharan African exports to India are comprised of raw material sales, while Indian exports to Sub-Saharan nations are mainly higher-end consumer goods (Figure 3 and 4). This pattern runs contrary to Africa's long-stated objective to transition regional economies away from natural resource dependence and toward higher-productivity manufacturing, creating badly-needed employment opportunities in the region and boosting real wages. A similar trend in China's trade with Africa prompted South African president Jacob Zuma to provocatively label the dynamic "unsustainable" during his

keynote address at the last session of China's comparable Africa summit mechanism, the Forum on China-Africa Cooperation (FOCAC) in 2012.⁴ These issues are likely to come up during next month's IAFS. Investment trends between India and Africa have also increased dramatically in recent years. Since approximately 2010, African foreign direct investment (FDI) in India has towered above levels in other major world economies, like China, the European Union, and the United States (Figure 5). However, these startling figures relate mainly to the island-state of Mauritius, which was overall the "single largest source of FDI into India during the financial year 2014-15".⁵ Mauritius' outsized role in the Indian economy is frequently associated with the island's low capital gains tax and reported past abuse of the India-Mauritius 'Double Taxation Avoidance Agreement'.⁶

India's FDI stock in Africa has grown in recent years, increasing by nearly 11% between 2010 and 2012, according to the United Nations Conference on Trade and Development. While India investment is rising in the region, it is concentrated within a few countries, and, again, Mauritius dominates within the region (Figure 6). The investment pattern replicates that of the United States, with most American commerce concentrated geographically within a few African states. India's FDI is, however, more comparable to China's FDI in the sense

Fig 2: Value of Imports From Sub-Saharan Africa



³ Vanham, Peter. "Big Dreams of India-Africa Trade at Delhi Forum." *Beyondbrics*. November 5, 2014. Accessed September 23, 2015.

⁴ Hook, Leslie. "Zuma Warns on Africa's Ties to China - FT.com." *Financial Times*. July 19, 2012. Accessed September 23, 2015.

⁵ "India Mauritius Relations." IAFS. June 15, 2015. Accessed September 23, 2015.

⁶ "Mauritius Regains Top Slot as Source of FDI in India - The Economic Times." *The Economic Times*. June 7, 2015. Accessed September 23, 2015.

Fig 3: Value of Indian Imports From Sub-Saharan Africa in 2014

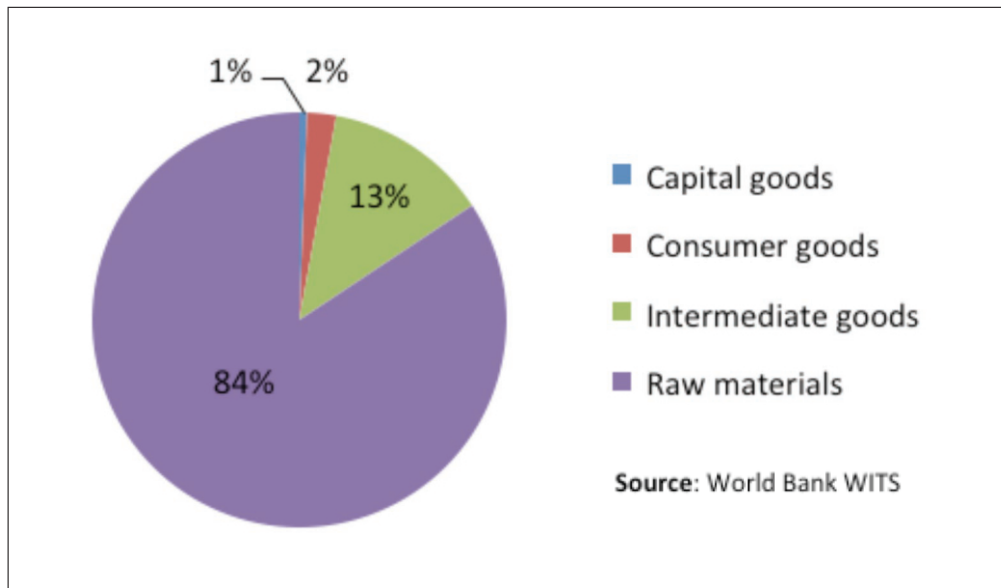
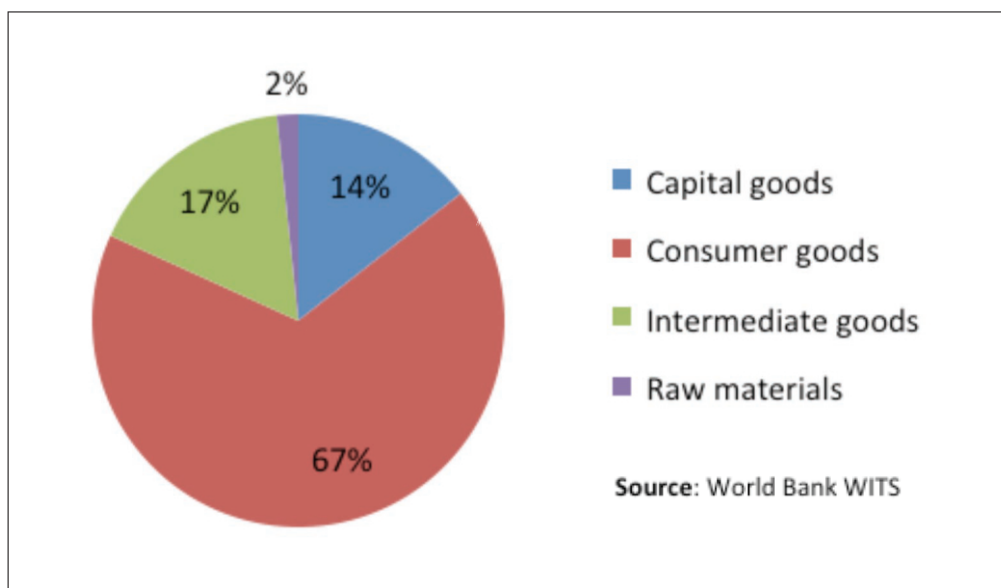


Fig 3: Value of Indian Exports To Sub-Saharan Africa in 2014



that it penetrates multiple sectors.⁷ According to a recent study by McKinsey’s Asia Center, India’s FDI in Africa includes investment in communications, agriculture, healthcare industries, software, and information technology services.⁸ For many African countries, these diversified Indian investments are likely very welcome as overall FDI in Africa continues to be primarily focused in the mining and energy sectors. The McKinsey report underscores India’s market niche within Africa countries, projecting that Indian business could quadruple its revenue from Africa to more than 160

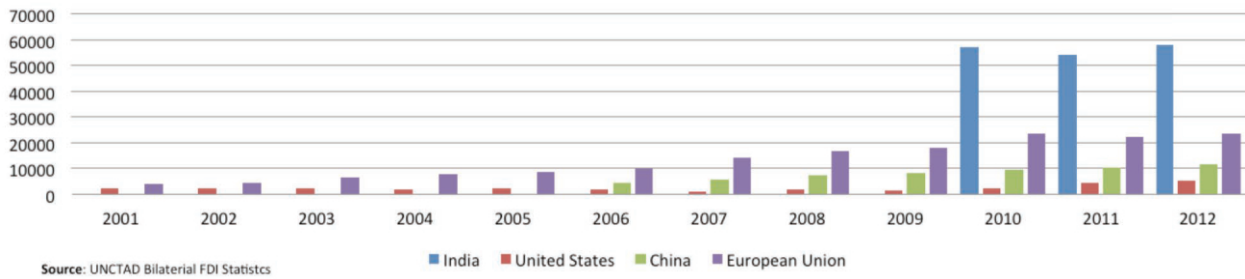
billion by 2025 if they continue to leverage their “unique value propositions”.

Recommendations to Advance the India-Africa Commercial Relationship:

Significant potential exists to expand the India-Africa commercial relationship. Perhaps most notably, India has a large diaspora across Africa, with more than three million people of Indian origin on the continent currently. This population of Indo-Africans is often

⁷ Chin, Wenjie. “China’s Direct Investment in Africa: Reality versus Myth.” *The Brookings Institution*. September 3, 2015. Accessed September 23, 2015.
⁸ “India-Africa: A Burgeoning Commercial Axis.” *Beyondbrics*. March 11, 2014. Accessed September 23, 2015.

Fig 5: African FDI Stock in Host Economy (Million of USD)

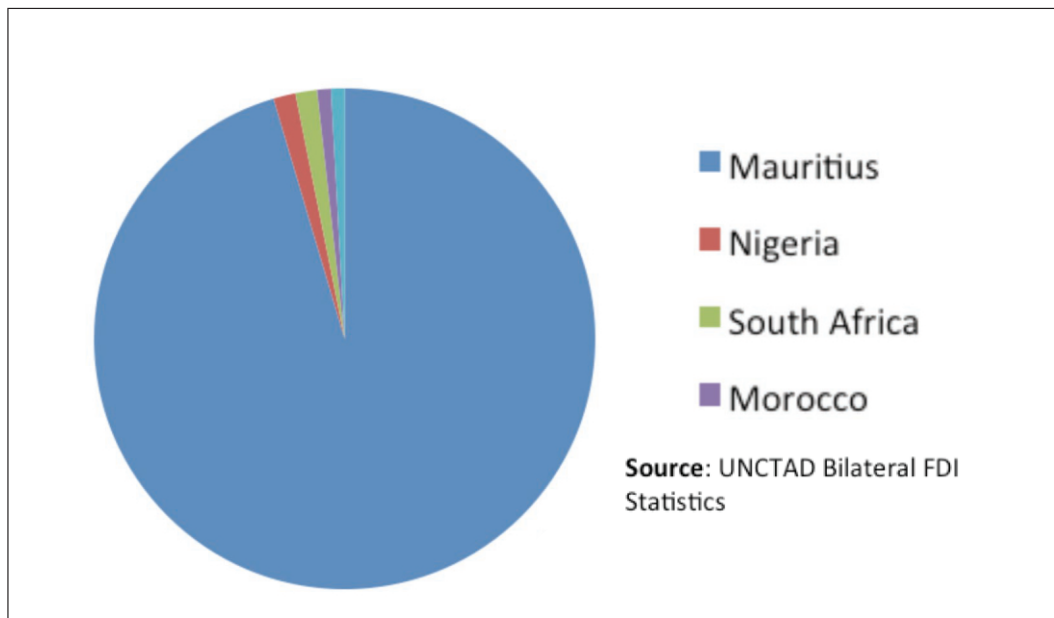


highly integrated into the continent’s business community, with 48% of Indian ethnic group firm owners holding citizenship in African countries, compared with just 4% of Chinese ethnicity with African. Moreover, important complementarities exist between these markets, with, for example, similar population sizes in Africa and India and comparable percentages of the population working in the agricultural sector. In many ways, the parallels between the African and Indian business environment could mean that firms on either side of the relationship would have mutual understandings of how to deal with challenges that exist in both markets, including infrastructural deficits, fragmented consumer markets, and certain levels of operational risk or ambiguity. Given these factors, India and African leaders should work during the IAFS to strengthen

their commercial ties. Specific recommendations include:

- The Government of India has a duty-free tariff preference program to provide least developed countries better access to the Indian market. A vast majority of the participating countries are from Sub-Saharan Africa. Despite the potential of the program to support a diversification in African exports to India, a recent study from the International Center for Trade and Sustainable Development has identified significant obstacles to effectiveness, including lack of awareness of preference opportunities on the part of African export businesses, high non-tariff barriers to joining the program and certifying compliance for its requirements, as well as capacity constraints on the part of African firms.¹⁷ African and Indian

Fig 3: Indian FDI Stock in Africa



⁹ Mungai, Christine. “As New Delhi Seeks \$500 Billion Trade, Here Are 15 Things You Need to Know about Indians in Africa.” *Mail & Guardian Africa*. June 22, 2015. Accessed September 23, 2015.

¹⁰ Broadman, Harry. “Africa’s Silk Road.” *Open Knowledge*. 2007. Accessed September 23, 2015.

leaders could use the opportunity of the IAFS to address these deficiencies.

- India's commercial relationship with Africa is concentrated within a few countries. In order to fulfill its potential in the region, Indian and African leaders should identify mechanisms to encourage investment in more diverse settings and markets. Since 2002, the Export Import Bank of India has hosted the Focus Africa program, with the view to "widen and deepen trade with Africa". A total of 24 African countries¹² have been identified as target beneficiaries for the initiative. Participants at the IAFS should review the program's progress to date and identify incentive mechanisms to increase its reach beyond India's current commercial partners.

- Initiatives that foster regional integration in Africa should be high on the agenda. Harmonization of regulatory environments and trade rules between African countries has the po-

tential in the medium to long-term to expand trade and investment both within the regional and with international partners. African countries have identified a number of projects and initiatives to foster regional integration such as the Program for Infrastructure Development in Africa (PIDA) for infrastructure or the Comprehensive African Agricultural Development Program for agriculture. Indian and Africans leaders should identify policy measures that can support regional integration as a means to advance mutually beneficial trade and investment.

- From an African perspective, increased economic ties with India can offer a hedge and partially mitigate the effects of a more severe than expected downturn in China and Brazil, among other South-South partners. Transfer of skills and technology is highly needed in Africa and it should be a priority in Indian investment in the continent.

¹¹ Ghishu, Paolo, and Vinaye Ancharaz. "Has the Indian Duty-free Scheme Boosted African LDC Exports to India?" *International Center for Trade and Sustainable Development*. March 4, 2015. Accessed September 23, 2015.

¹² "Focus Africa Programme." *FocusAfrica.gov*. September 23, 2015. Accessed September 23, 2015.

OPPORTUNITIES AND CHALLENGES FOR INDIAN BUSINESSES IN AFRICA

Ambuj Chaturvedi

Introduction

There was a time when the global perception of India was no different from Africa. India was known as a country of elephants and snakes while Africa was known for bigger mix of wild-life. African socio-political instability and insecurity added a little more spice to the comparative diversity. One more, often talked about comparison was the volume of population – India has a billion plus population almost comparable to that of Africa.

The defining moment for India was the year 1991 when the then Finance Minister Mr. Manmohan Singh launched the globalisation program – a successful program that catapulted India into a “world economy”. For the Indian business community, globalisation meant expanding businesses out of India rather than within India. Export gained more importance and doing business out of India became an icing on the cake for the ambitious Indian businessman. In real sense, the process of closely looking at the African continent for business started in year 2000. Indian businesses targeted the “latent demand for everything” in Africa, little realising that unlike India, Africa was not a federal country with 29 states but a continent with 54 countries that represented diverse populations, political philosophies and leadership. And this diversity is here to stay. Nevertheless, the challenges of doing business in Africa are not transient but static in nature and as Chris Grosser said, opportunities don’t happen, you create them! Can you go by the rule book to create opportunities in Africa?

Diversity creates Opportunities

It is said that growth creates opportunities. However, the African continent has been growing at an annual average growth rate of below five percent year on year (YoY) for the past two decades. Few African countries that have grown over eight percent on YoY basis are suffering from a number of flashpoints viz. civil war, health issues, economic turmoil etc. A perfect case study to prove that material imbalances create growth!

As per a recent World Bank report, post 2015, the Continent’s growth is estimated to be lower than 4.4 percent annually due to slower expansion of economic activity despite the fall in global oil prices and other basic commodities. The report goes on to predict that foreign investment is expected to provide less economic support to African economies in years to come.

Nonetheless, all is not lost. There is a great amount of diversity amongst Africa’s 54 low-income, lower-middle-income, and upper-middle income countries. Each country faces a distinct challenge to transit towards the next level of development and such a scenario presents diverse opportunities for doing business as well. As per the World Bank Report, oil and commodity exporting countries such as Nigeria, Angola and South Africa face negative growth rate due to weaker global prices. These big economies of Africa are gradually shifting their economic focus to non-oil sectors especially service industry and creating business opportunities in tourism

and financial services to experience inclusive growth. Countries such as Kenya, Ethiopia, Mozambique and Ivory Coast would experience stable or even higher growth rates due to increased spending on expanding their physical infrastructure and public services. Despite slowdown in international financial markets, these and such countries have successfully sold government guaranteed bonds to finance infrastructure projects and established credibility with the global investors hungry for new openings. Opportunities would therefore continue in Africa's infrastructure space. However, this space is expected to be dominated by big ticket transportation projects rather than plain vanilla energy projects.

Burgeoning Public Debt is a cause of concern, especially in smaller economies of Rwanda, Burkina Faso, Guinea and Namibia. A number of African countries are seen to be bowing to pressure from the International Monetary Fund (IMF) and are taking measures to contain fiscal deficit. This has given rise to PPP/BOT projects on attractive terms, thereby reducing state intervention. Countries such as Ghana, Niger, Mozambique and Senegal are ripe for private investment in huge infrastructure projects which will deliver profitable annual annuity to the investor on a long term basis. Green-field sugar, cement, fertilizer, energy and mini steel projects with captive feedstock are also available at promising growth centers across Africa for private investment. Affordable housing at upcoming urban centers is yet another opportunity. As per World Bank estimates, Africa now enjoys world's fastest urbanization rate. Half of Africa's population will live in towns and cities by 2040. Urbanization is closely linked to increase in income levels. Therefore, such population will have the ability to pay for the infrastructure products and services. Today there are more toll roads in Africa than India and users are paying! Likewise, at the end of this decade, Africa will have more power generation and sea port projects in PPP/BOT space.

Trading Business – losing its sheen

Fortune Magazine has projected the African consumer spending at over US\$1 trillion annually by the year 2020. Obviously such large demand cannot be met through imports. Therefore, Indian and Chinese trading community has to realize the paradigm shift that is taking shape in Africa. Chinese and Indian business majors are busy collecting African minerals, agro produce and other raw materials to feed their factories back home and export cheap, sub-standard products into Africa, whereas their western counterparts are currently busy investing in Africa's manufacturing space by leveraging their entrepreneurship and innovation. IBM, GE, Starbucks, Facebook have set up their presence in Africa. GE Africa CEO Jay Ireland sums it up by saying "Just about anything GE does - health care, power, transportation - is finding an opportunity in Africa".

There is another shift taking place in Africa. Countries such as Senegal, Ivory Coast, Mozambique, Nigeria, South Africa, Tanzania and Kenya enjoy huge amounts of border trade. Most of the big traders in such countries, many of whom are naturalized citizens of Indian origin, are gradually moving towards the manufacturing sector. Falling technology and communication costs, Government sponsored barriers and the western educated gen-next is forcing these plain vanilla traders to venture into the whole value chain rather than limiting themselves to the import-export business.

English speaking African countries seem to have an edge over their French speaking counterparts in attracting global manufacturers to set up shops locally. If the trend continues, irrespective of World Bank projections, the foreign aid in Africa will very soon be overshadowed by record increases in foreign direct investment.

Educating Africa

In this decade, a huge amount of analytical work on Africa's structural transformation on macroeconomic policy and polity has been spearheaded by the World Bank, and other

prominent organizations like World Economic Forum, OECD as well as global investors. Regional trade blocks and political groupings like EAC, ECOWAS, NEPAD, SAPP, SADC, COMESA too are gaining cohesiveness reducing the connectivity and mobility bottlenecks to facilitate productivity enhancement and economic integration. During the past one year, leaders of U.S., UK and Japan together with their entrepreneurship ambassadors have visited prominent African economies to create space for their business majors.

Positive changes are visible in majority of African countries in the various areas economic governance viz. ease of doing business via single window clearances, tax reforms, investor protection and local safety and security. A report by African Development Bank (AfDB) published last year states that more than two-thirds of the continent has registered overall improvement in the quality of economic governance in recent years, with increased capacity to deliver economic opportunities and basic services. The report further says that the costs of starting a business in Africa have fallen by more than two-third over the past seven years while delays in starting a business have been halved.

Challenges are here to stay

In an address at the recently concluded B 20 Summit, Mr. Raghuram Rajan – Governor of the Reserve Bank of India- stated that finance “is only a lubricant to growth” and it would be the overall economic policies of the countries that would determine their basic growth momentum. He further said that problem facing global economies include people saving more and spending less, low productivity and low investments.

African economies are besieged with these challenges for long! And unlike India and China these economies are not facing volatility and sudden spikes. Lower domestic savings and productivity is a perfect invite for your capital and skillsets. Therefore, one needs to find virtues within this imperfect maze.

“We choose to go to the moon in this decade and do the other things, not because they are easy, but because they are hard” said John F. Kennedy. The latent African demand is slowly being converted into potent demand. The demand is fragmented and situated in diverse non-homogeneous geographies. Therefore identifying your space and sustaining your business is critical to succeed in Africa. Economic governance in Africa is improving and a focussed investor with appropriate investibles will create a reasonable space for him – only before it is too late.

LEVERAGING MUTUAL BUSINESS OPPORTUNITIES

Deepak Premnarayan

Over the last 15 years, there has been a significant change in the “ease of doing business” in Africa. Globally educated and exposed business and political leaders and bureaucrats have set processes in place, bringing peace, economic reforms, which have made many African countries easier places to do business than other faster growing Asian countries – resulting in a projected average growth of about 5% over the next decade, making it second only to emerging Asia.

I would like to share my views regarding the opportunities and challenges of doing business in Africa and how India should approach Africa.

Why Africa

- The last decade has seen improved macroeconomic stability across Africa, visible through large drops in inflation, government debt and exchange rate volatility—all encouraging signs for global businesses. Analysis and research suggest that the next two decades could see further improvement in macroeconomic and political stability providing the necessary impetus to economic development.
- Many African nations have instituted business-friendly reforms including telecom deregulation, tax cuts, power sector reform, land rights and others, encouraging MNCs to invest and participate more in this growth story. Such reforms are expected to continue unfolding across the continent over the next decade.
- Encouraged by higher returns on FDI compared to other emerging economies, private foreign capital flows to Africa have risen

sharply since 2005 and will continue to increase across several sectors notably resources, manufacturing and service oriented sectors such as information technology, communications, tourism, etc.

- Africa has more cities (more than 50) whose population exceeds 1 million compared to India, and this number is expected to double by 2025. In fact, Africa and China share similar levels of urbanisation. By 2025, Africa is expected to be 47 per cent urbanised as compared to 40 per cent in 2013.

- Consumer spending is expected to increase by USD 2.2 trillion by 2025 driven by an 80 per cent increase in middle class households to around 190 million.

- Africa has a significant and under-explored share of global mineral reserves, e.g., Platinum Group Metals such as diamonds, bauxite, phosphate, etc., which will feed future global demand and hence be a key growth driver. Africa would also continue to benefit from oil and gas.

- Almost 60 per cent of the world’s uncultivated arable cropland is in Africa, attracting significant FDI. Simultaneously, there exists huge potential of at least 30 to 50 per cent upside across Africa by improving yields.

Hurdles for business in Africa:

1. Fragmented opportunity : Each country in Africa is unique and differs across demographic profile, stage of development
2. Managing unfamiliar risk: The lack of well-

structured regulations creates an uncertain investment environment; there is political instability; in some countries managing “global risk” is still a new terrain for Indian companies

3. Many nascent categories: Since Africa is still evolving, companies will need to shape/build themselves if they want to be early entrants to the market

4. Infrastructure bottlenecks: Infrastructure development has not been able to keep pace with business needs

5. Managing brands: This is a critical challenge as African consumers are highly brand conscious; need dedicated effort to develop presence of own brand in Africa

6. Maturity of financial services: Financial instruments are still evolving; access to finance for individuals and enterprises is low in many countries due to low penetration of banks

7. Managing talent deficit: Local talent is limited; investors need to bring their own people across hierarchies in the initial years till the local talent is nurtured

Suggested Success Factors for Indian Companies in Africa

Africa poses multiple challenges to Indian companies looking to invest there. Challenges in Africa are inherent to any emerging market and include a fragmented opportunity with unfamiliar risks, infrastructure bottlenecks, lack of talent and a nascent financial services sector. Apart from the sector specific initiatives, Indian companies will need to adopt 10 common imperatives identified by studying successful and unsuccessful MNC businesses in Africa.

1. Prioritise early — Identify sectors and countries

2. Embrace fabric — Understand local nuances and adapt business models accordingly. Africa is one continent with 55 different countries, each with its own

culture, customs and behaviours; as in India McDonald’s launched products to suit Indian likes – do so in Africa.

3. Don’t expect a smooth ride — Customise approach based on continuous learning - but persevere.

4. Choose distribution channels carefully — Understand and control the route to market for success in such a fragmented geography. This is a challenge which Indian companies have mastered on the home turf, and must now face in a geographically larger context. (Avoid shortcuts). Bajaj Auto have exports of US\$ 600m by selecting the right distribution partners.

5. Build brands aggressively — In Africa, high trust in brands.

6. Think long term — Companies must be willing to invest for the long term, spend effort on setting up the business’ roots in the country, and only then achieve success.

7. Involve locals and insiders as partners — This is necessary to get local insights, benefit from regulatory know how and develop relationships. The ultimate aim must be to become the insider.

8. Partner with local governments — Governments in most African nations play an important role in business development, and partnering with them is crucial to creating opportunities.

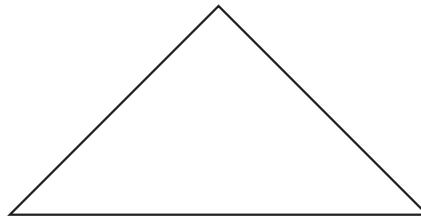
9. Invest in building local talent — Given the relative lack of local talent, developing talent will play a critical part in scaling up any business, and must be invested in proactively.

Why India:

India is advantageously poised to partner Africa’s growth and development. India needs to be a constructive, transparent partner.

What each partner has to offer

Africa = Market



India =

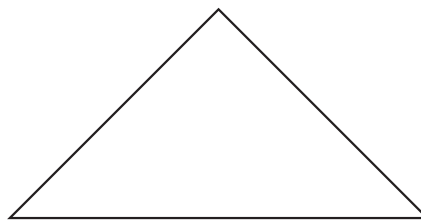
- Manufacturing – low cost
- Technology
- Skills
- Infrastructure development
- Trusted partner
- India’s experience of operating in similar government and capital strained conditions – of great value to Africa

GCC & Japan =

Low cost capital as:
Equity / Debt

What each player has to offer

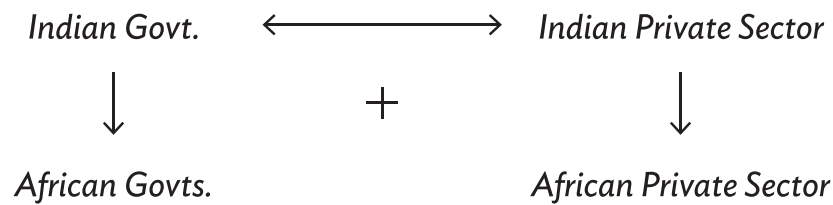
Africa (A)



India (B)

GCC / Japan (C)

A	B	C
<ul style="list-style-type: none"> • Low cost healthcare solutions • Low cost innovation and operating model • Low cost capital which stays • Infrastructure development • High return and growth opportunity • Hedging of resources risk • Base for globalisation • Entrepreneurship and service orientation 	<ul style="list-style-type: none"> • Globalisaiton base of manufacturing and infra structure companies • Job creation 	<ul style="list-style-type: none"> • High return and growth opportunity • Hedging of resources risk • Base for globalisation • Important for the long run as oil resources will dry up



India should have a CEO for Africa:

African countries like to deal with strong government-to-government initiatives and multiple companies participating in

a more coordinated manner. The Indian government needs to play a key role if Indian industry is to succeed in Africa.

Role of CEO

The Indian government and its various agencies could support the CEO-led approach through:

- Arrange funding from low cost countries (like Japan/GCC) for large projects where Indian cost of funds is a disadvantage.
- Streamlining financing, providing financial incentives to Indian companies investing in Africa.
- Early-stage loans from institutions like the EXIM bank.
- Increase the Sovereign Fund limit to US\$ 20 b to back the Indian companies.
- Continually engage with governments and businesses – relationships are given great value in Africa.
- Proactively surface opportunities through sector and country studies
- Start dialogue of transacting business in local and Indian currency with pilot markets.

- Build an open consortia of interested companies in advance.

- Drawing from its own development experience, India's approach may not be conceived as a donor-recipient or a patron-client relationship but as a partnership of equals, strengthening cooperation and bringing mutual economic benefits.

- Platforms for skill development and education – offering scholarship.

This approach could be developed and tested for 3 pilot countries in Africa: Tanzania, Nigeria and Ghana.

EXPLORATION & PRODUCTION OPPORTUNITIES IN AFRICA

Rahul Dhir

Africa and India have a long history of economic ties. For centuries, Indian traders sailed to Africa to trade manufactured goods for natural resources including: gold and gemstones. Resources are perhaps even critical to this relationship today and a new renaissance in this trading relationship is emerging, fuelled by India's growing energy needs and large untapped hydrocarbon resources in Africa.

India currently imports eighty five percent of its oil and is emerging as a major LNG importer as well. According to the International Energy Agency's estimates, India's oil demand is likely to surpass Japan this quarter. As India's population continues to rise and become wealthier, energy consumption levels are predicted to double over the next two decades and many forecast that these may eventually surpass China's demand levels.

This is good news for Africa. For established hydrocarbon producers in West and North Africa, India is emerging as an important market as shale induced oversupply disrupts flows to North America. Further, there have been significant new oil & gas discoveries in Ghana, Tanzania, Mozambique, Uganda and Kenya, India will be a key destination market for these resources too.

Notwithstanding the recent discoveries and the long history of oil & gas development in certain parts of Africa, the continent remains underexplored. According to the U.S Geological Survey, nearly 300 billion barrels of oil equivalent of oil, gas and natural gas liquids are yet to be discovered. Recent discoveries highlight potential of using modern technolo-

gies: for example, exploration success rates of over 75% have been achieved onshore Kenya and offshore Mozambique.

Uncertain times in oil & gas...

Unfortunately, with the recent downturn in oil prices the international oil and gas industry is unable to unlock the resource potential in Africa. Oil prices have more than halved since the highs of over \$110 per barrel (Brent) in June last year. Rising unconventional production particularly in the US and weak oil demand have diluted OPEC's pricing power. At the same time, increased volatility has made it difficult for companies to plan for the long term. In these turbulent times, access to capital has been dramatically curtailed. According to Wood Mackenzie, \$220 billion in investment has been cut so far this year. In such a market, large and complex projects in Africa are particularly at risk of being delayed or cancelled.

From the perspective of resource rich countries in Africa, lower commodity prices have led to lower government revenues and the reduced pace of economic activity has also impacted local employment and delayed income. While many see the current low oil price environment as a major boom for consuming countries, the sharp cutback in investment is likely to translate into lower production capacity potentially leading to supply constraints in the future. For consumer countries, this risks increasing the cyclicity and volatility in energy prices. For a major hydrocarbon consumer like India, it is therefore important to facilitate and support continued investment in oil & gas development, particularly in Africa.

Opportunities for Indian companies...

These uncertain times require creative solutions and Indian companies have a unique set of skills and experiences to “step into the breach” and offer a unique and comprehensive value proposition for contributing to the development of the hydrocarbon resources of Africa:

- Companies with experience in India are well versed in working in multi-cultural and multi ethnic environments, not dissimilar to those in many parts of Africa with a rich mix of ethnic, linguistic, religious and tribal diversity.
- Success in India requires the ability to deliver low cost projects, often leveraging local labour and building supply chains to maximise local content. India has had a very successful experience in developing strong local companies, creating local employment and ensuring a broad based economic development. A lot of this has been organic and evolutionary and linked it to capacity building programmes. This experience of companies in India will be relevant, as host nations in Africa look to help their people participate in the economic success of resource development.
- India is now an established engineering and technology hub for the international oil & gas sector. Many multinational companies have based their technology centres in India and this provides unmatched access to technology and expertise.
- As one of the few (perhaps only) large and growing consumer of oil & gas outside of the growing African continent, India can potentially provide market linkages to put in place long term offtake arrangements for oil & gas developments in Africa. Such long term contracts can help secure financing for upstream developments and related infrastructure. Also, the Indian banking sector is now quite sophisticated and has expertise in oil & gas financing and could play an important role in African projects with Indian off take arrangements.

What can host nations in Africa do...

The timely development of hydrocarbon resources is a key driver for value creation for host nations. Host governments typically share in value after the fields are developed, production starts and costs are recovered. For large scale resources, the value impact on host governments can be significant. A recent study by IHS energy highlighted that nearly 75% of oil fields discovered over the past decade are not producing. Many of these are in Africa. Typical impediments to development include policy road blocks, lack of infrastructure and critically - high costs. So the “above ground” environment can also be a major factor impacting the timely development of hydrocarbon resources.

While part of the costs for developing any resource are driven by the nature of the resource and its location, host governments often have a greater ability to impact project economics more than they may realize. For instance, implementation of policy reforms to facilitate fast track development of resources could not only improve the project economics but also lead to a significant increase in the host government’s value from the project.

Another “controllable cost” factor relates to supply chain costs. Experience has shown that customs delays, poor road infrastructure and port congestion can increase the costs of on-shore exploration wells by over three times. These high costs not only deter investment, but in the case of a successful development they impair the host government’s share of value. Tactical investment by the host nation in essential infrastructure (roads, ports and power supply) and streamlining the international trade of goods and services will therefore not only make the projects more economically viable, but also unlock a lot of value for the nation. A proactive approach to identify such “controllable costs” and to develop solutions to mitigate these will position Africa as a very competitive destination for capital in these uncertain times. The ability to finance major hydrocarbon developments and related infrastructure, depends ultimately on a certain and

stable policy framework. Clarity and certainty around the laws, and stability backed by consistent policy action help reinforce investors' confidence the ground rules will not change. From an investor's perspective therefore, this is the most critical "ask" for any project or investment. Particularly at times like this, host governments in Africa should create an investment environment, through laws, contractual undertakings and behaviour, where the rules of the game are known, and not subject to any change on a unilateral basis.

In conclusion...

There are many positive developments in Africa and India's energy engagement. African crude exports to India have increased significantly, from 22 million tonnes in 2004-05 to over 35 million tons in 2010-11. In recent years, Indian oil firms have also bought into exploration projects in Mozambique, Nigeria, Gabon and South Africa.

However, there is a historic opportunity to do a lot more. Building on long historic ties and a common approach to social and economic development, Indian companies can leverage their unique skill sets to support delivery of world class technology and low cost projects in Africa.

Several African countries have placed considerable focus on the critical support infrastructure needed; however heavily increasing external debt and a falling currency may create challenges for both financing and public funding, particularly in this current environment. Therefore a constructive partnership and financing approach becomes an important consideration to ensure urgently needed infrastructure and supply chain needs are not delayed. As a major and growing commodity consumer, India can also provide market linkages to deliver commercial viability, with long-term sales contracts to help underpin financing required.

At the same time, with a clear understanding of the current market environment and the competitive landscape, African countries can develop a proactive policy framework to make Africa the most attractive investment destination for resources.

Volatility and uncertainty are likely to persist and the oil & gas industry is in a "new paradigm" of conserving capital. However, it is important to recognize that this does not have to impede India and Africa's engagement in hydrocarbon resources. In fact, a "*resource bridge across the Indian Ocean*" can be the foundation of a stronger economic relationship between India and Africa.

INDIA AND AFRICA : FORGING CRUDE OIL TRADING RELATIONS

AS Ujwal

Introduction

Energy is one of the main drivers of India's policy towards Africa. In the Indian energy basket, the dependence on oil is only next to coal, based on consumption. Taking into account the domestic crude oil production, imports play an important role in meeting the processing requirements of Indian refineries. With the projected growth trajectory of the Indian economy, the need for oil and its share in the imports is likely to rise from the current level of about 80% to 90% by 2025, unless the indigenous crude oil production shows a steady increase in coming years. The Middle-East, South America and Africa are some of the other sources of crude oil that give regular inputs to Indian refineries. This short brief lays down the scope for India-Africa trade in crude oil, identifies the inherent issues and suggests some recommendations to resolve these issues.

Africa

From the hydrocarbon angle, Africa is an oil and gas exporting continent where crude oil production far exceeds the total demand within Africa. Important oil producing countries include Nigeria, Angola, Algeria, Libya, South Sudan, Egypt, Equatorial Guinea, Congo, Gabon, Cameroon etc. With on-going exploration activities, more countries are likely to be added to this list in future.

Majors like Royal Dutch Shell, ExxonMobil, Chevron, BP, TOTAL, Eni, Statoil, and others have been active for over six decades in exploration and production of crude oil and gas.

These companies entered into Production Sharing Contracts (PSC) with the national oil companies such as the Nigerian National Petroleum Corporation (NNPC). They brought in technology and made large investments in setting up related infrastructure, enabling crude oil and gas exports. The oil handling terminals, pipelines, offshore platforms/storage vessels etc. are thus owned and operated by these companies. Based on the terms of the PSC, part of the production is allocated to and uplifted by NNPC as its share. However, major share of oil production continues to be monopolized by these companies. These majors finalise the sale contracts for their volumes and are operationally in an advantageous position, being the terminal operators.

While oil exports from Africa were supplied to locations around the world, a significant volume went to the United States (U.S.). In 2008, the estimated U.S.-Africa oil trade was worth \$ 100 billion. However, the traded volumes started falling with increase in the domestic 'shale oil' production from North Dakota, Texas and other regions in the U.S. Therefore the U.S.-Africa oil trade has fallen below the \$ 20 billion level and still falling. The reduction in the U.S. demand for oil has been partially offset by increasing volumes demanded and absorbed by China, Japan, India and Europe.

India Africa Crude Oil Trade:

The India-Africa crude oil trade has been in existence for about three decades now. The light and low-Sulphur based African crude oil, particularly Western and North African, is suitable for processing in the older refiner-

ies that are used in India for producing environment friendly middle distillate products. These products constitute a large chunk of the petroleum demand in the country. Marketing of the transportation fuels in India presently is largely in the hands of the state-owned public sector undertakings (PSUs) which carry out purchase of required crude oil grades from Africa. However, private refiners are expected to enhance their market participation in domestic market in near future. Their current production is either exported or supplied to the PSUs.

The major crude oil exporting countries to India include Nigeria, Angola, Algeria, Libya, Egypt, Equatorial Guinea, Congo, Gabon, Cameroon etc. However among these, the largest exporters are Nigeria, Angola and Algeria. Until before the recent political disruptions in Libya, Libyan crude oil flows were also regular.

Trading Mechanism:

Security of supply is one of the major considerations for oil consumers and particularly the refiners, just as security of demand is important for the producers. For effectively meeting both requirements, most of the National Oil Companies (NOCs) in Asia and Middle East enter into 'Term Contracts' with their consumers. Typically, such contracts have standard terms and conditions for a pre-agreed contract period including renewal options or even 'ever green' contracts. The pricing is formula based with variable elements and the grade-wise crude oil price is declared by the producer. Equality is maintained with uniform applicability of contractual conditions to term holders.

In Indo-Africa trade very few NOCs have term contract mechanism. While standard terms and conditions apply, the pricing is generally negotiated or is decided on a multiple price option basis. Majority of Indian companies do not have term contracts with the African NOCs. Bulk of the trade deals are finalized

through tenders issued by the Indian buyers. The tendering mechanism provides a uniform competitive platform to all prospective bidders with tender conditions applicable to all sellers. Tenders are awarded as per procedure to the most competitive bid. Bidders mostly include oil majors and international oil trading companies – with traders getting tender awards regularly.

Issues:

Deteriorating law and order situation in Africa, mainly in the oil exporting countries, has been a matter of concern for oil industry. Despite government assurances, continued patrolling and direct interventions by the security forces, the international oil companies face huge difficulties in transporting, storing and operating their assets as well as safeguarding their human assets against incidents of kidnappings etc. These challenges ultimately hamper the implementation of contracts. This also affects the buyer confidence and brings in uncertainty. Some of the issues related to the crude oil loadings are identified below:

- Non-availability of crude oil in storage tanks in the terminal due to blowing up/rupture of incoming pipeline.
- Law and order situations at inland terminals and at offshore loading platforms, leading to closure of the terminal and offshore facilities
- Quantity variations in oil received as per ship's measurements as against shore tanks measurements which are important for preparing Bills of Lading, resulting in losses for receivers.
- Disruptions in contractual loadings on due dates on account of force majeure conditions at the loading terminal. This leads to detention of vessels apart from severely affecting receiving refinery processing schedule.
- Several cargos are loaded in Very Large Crude Carriers (VLCCs). Detention charges for VLCCs, even as a result of the seller's error, are not reimbursed to the buyer.
- A term contract holder is normally entitled for the contractual volume and grade as per

the terms and conditions enumerated in the contract. Some African NOCs do not allocate the full term contract crude oil volumes over the entire period.

- The term allocations are about 50% of the contracted volume. Such low allocations against the entitlement defeat the very essence of a term contract in context of security of supply.

- Non-allocation of any one of the preferred grade of crude oil to the term contract holder by one of the African NOCs leads the buyer to opt for purchases through tenders, though the same is as per the conditions incorporated in the term contract.

- Enabling deals between buyer and seller for entering into long term contracts for supply of crude oil. Emphasis should be on 'end-user' as a criterion for awarding the contract;

- Framing a mechanism for market-linked commercial arrangements including pricing, with appropriate financial safeguards for both parties. Trust and transparency is a necessary condition in this process;

- Providing security of supply for consumer and security of demand for producer over longer time horizons thereby ensuring energy security, as against spot deals.

- Establishing an appropriate review mechanism, including dispute resolution, without causing supply disruptions.

Recommendations

- There is a need to bring in a stable, reliable, cost efficient and mutually beneficial trading mechanism for crude oil between Africa and India keeping long term interests of both countries in perspective.

- African companies further need to examine the feasibility of storing their crude oil in storage locations on Indian soil for ready availability for Indian buyers, thereby cutting the long lead time and enhancing their competitive edge.

- Support and facilitation between the producers (African companies) and the consumers (Indian companies) at the government level from both sides can provide a suitable platform for:

TELECOM INVESTMENTS INTO AFRICA

Sunil Bharti Mittal

The general contours of telecom expansion in emerging/developing economies tend to look more or less similar, though not identical. Comparison between India and Africa is but natural given the similarities in terms of market environment, size and demographic profile. While similarities abound in terms of long term potential, the markets – one a continental market consisting of 54 odd individual markets, and the other a single national market – however vary greatly in terms of their internal dynamics. They no doubt appear similar in shape but definitely differ in details.

While entering the African market five years back, acquiring fifteen of Zain Telecom's assets in the continent, we were obviously looking more at the similarities of the markets than the not so-obvious differences in details. We were also perhaps a little obsessive about the potential of a possible replication of our business model based on outsourcing, which had changed the telecom landscape in India decisively. No doubt, the model had not only helped ensure one of the lowest mobile tariffs in the world but had made India the fastest growing telecom market in the world. The model had evolved to prove its versatility across other geographies as well.

Though relative merits of Bharti Airtel's entry into Africa continues to be debated by global investors in view of the challenges facing our operations therein, the enormous long term potential of the African market remains incontrovertible.

Recognized as one of the fastest growing regions in the world, Africa is clearly the last bas-

tion of growth. Having grown at 8.7% CAGR in real GDP terms between 2000 and 2010, the region was the second fastest growing continent in the world only behind emerging Asia largely propelled by China. Some estimates forecast Africa to grow at 5.5% CAGR to 2017 making it a priority economic region for global investors to enter.

Like other emerging economies, exponential growth of the middle class lies at the heart of economic expansion in Africa. Rapid GDP growth is positively impacting private consumption in the continent. While the number of people in Africa's middle class grew by 130 million between 2000-2010, according to African Development Bank (ADB) at least 100 million more are likely to enter the middle class by 2020. Rapid expansion of the middle class is likely to have a powerful impact on the growth of the service sector. Telecommunications in particular is likely to remain at the center of economic growth in both India and Africa in the coming decades. The sector has transformed fundamental aspects of social life and business processes. According to a recent Deloitte and GSMA research, a 10% increase in mobile penetration in developing countries is likely to increase productivity by 4.2%.

Fuelled by improved economic condition, the last five years have seen Africa experience the fastest telecom growth worldwide. Though subscriber growth has already started slowing in mature markets like South Africa and Egypt, there is still enough headroom for growth in other markets. Given its relatively low penetration level, the Sub Saharan Region has significant scope for growth. As per a study by

Ericsson, the region can have mobile penetration by another 300 million between 2014 and 2019.

According to a study by Informa Telecoms & Media, the overall African mobile telecom market is likely to grow from a combined value of over US\$60 billion in 2013 to a value of almost US\$234 billion in 2020, with a compound annual growth rate (CAGR) of 21.27%. In terms of mobile subscriptions, Africa is expected to grow from 778 million in 2013 to 1.2 billion by end-2018. Like India, urban markets in Africa are maturing; consequently, future subscriber growth in the continent is likely to depend largely on expansion in rural coverage.

Voice realizations continue to be the primary driver of operator revenues in developing/emerging markets. But it is by and large clear now that voice is increasingly getting commoditized. As competition increases and operators reach out to the bottom of the pyramid in search of new customers, voice ARPUs are bound to see further decline in the future. Unfortunately, unlike in India, demand has not responded to price declines as much as was desired in many African markets - creating some pressure on operator revenues.

At the same time though, Telecommunications is clearly undergoing a tectonic shift from a voice centric consumption scenario to a data dominant play in an accelerated manner. The pace of change is almost similar in both India and Africa. Backed by youthful population and rapid smartphone penetration, both India and Africa are clearly poised on the cusp of a mobile data boom. As 3G and 4G deployments gather pace and more affordable handsets enter the market, pace of data consumption is expected to accelerate further in the days to come. The study by Informa also indicates that Telecoms & Media annual mobile data revenues in Africa are expected to rise from US\$8.53 billion (14.3% of total revenues) in 2012 to \$23.16 billion (26.8% of total revenues) in 2018. Today, data contributes nearly 20% of Airtel Africa's quarterly revenues.

Rapid increase in data subscriber base will also mean an expansion of digital reach in the continent. In many African countries Governments acknowledge and realize the opportunity of expanding the reach of broadband, which continues to be extremely low. In fact according to ITU figures just one in five people in Africa use the Internet today, compared to almost 2 in 5 people in Asia-Pacific, and 3 in 5 people in the CIS. For African Governments, India's Digital India initiative, which seeks to connect the 2,50,000 village panchayats is a great example to emulate. The scale of these initiatives will need Governments and the private sector to collaborate and find new innovative ways to fund these programmes using the PPP mode. All stakeholders will have to work jointly and effectively to enhance digital literacy so that the citizens may participate in digital revolution.

A niche category in itself, Mobile money services are clearly revolutionizing the payments landscape both in India and Africa. This is more pronounced in African markets because of a conducive regulatory environment and absence of a well-developed banking infrastructure. The success of mobile money in the Sub-Saharan Region in general and the Kenyan market in particular is a great example for other countries to emulate. According to GSMA, Sub-Saharan Africa has the highest level of mobile money penetration in the world. By December 2014, 23.0% of mobile connections in Sub-Saharan Africa were linked with a mobile money account, whereas smartphone connections only represented 16.4% of total mobile connections in this region. In East Africa, the contrast is even starker with almost one mobile money account for every two mobile connections, compared to a smartphone penetration of only 12.5%.

Besides being a powerful emerging revenue stream for operators, mobile money is proving to be an extremely effective instrument of financial inclusion as well. With over 7 million Airtel Money customers, Airtel Africa is well on course to become a major mobile com-

merce service provider in the continent.

Despite the undisputed potential, as elaborated above, there are some operational challenges, in addition to the issues of infrastructure, regulatory environment, and stability of African currencies that pose some concern for foreign investors. The primarily commodity driven economies have experienced enormous pressure on their currencies over the last one year in the midst of rapid decline in global commodity prices. Some of the currencies have depreciated by as much as 20 to 30 percent impacting foreign investors' revenues adversely. Therefore, managing currency volatilities is assuming increasing importance for foreign telecom operators in the continent.

High operating cost, particularly running telecom towers in remote locations has traditionally proved to be a big drain on telecom operators, who have over time fallen back on tower sharing to contain outgo. Although infrastructure sharing and outsourcing in Africa started quite late as compared to India, it has gathered momentum in the continent quite well, helping operators to manage their operating cost better. Airtel Africa has already divested bulk of its towers in the continent to specialized tower companies like Eaton Towers, American Towers and IHS Holdings. Releasing value through tower divestment has proved to be great option for African operators to generate capital for investments in networks, while at the same time lowering operating cost by sharing these towers.

Given the small size of many of the markets, where not more than 2-3 operators can survive in the long run, in-country consolidation appears inevitable. Over the years, Airtel Africa has acquired small operators in countries like Uganda, Congo Brazzaville and Kenya. Such consolidations will not only enable small unviable operators to exit but help improve the financial health of acquiring companies by ensuring cost rationalizations.

Given the fact that telecom is an asset heavy

industry where networks and spectrum spends need to be made ahead in time, a congenial financing set up for telecom companies is very essential for a long term, orderly development of the industry. Governments not only need to categorize telecom as 'infrastructure' but help the industry access capital at concessional rates. Access to capital through tax free bonds could be an ideal option. Presently in most markets the scope of tax free bond is limited to infrastructure companies. Alternately, Governments could create National Telecom Financing bodies which can raise finance by issuing tax free bonds with sovereign guarantee. The National Body in turn can fund telecom infrastructure spends by individual companies at nominal rates.

As a telecom investor with a footprint in twenty countries across South Asia and Africa and having watched the mobile industry evolve from its infancy in India, I have closely followed the impact of mobile telephony on society and economy in general. The empowering impact is going to be increasingly visible in these markets in the coming years as reach of new generation networks extends to new regions and more people move into the networks. India and Africa will not only remain the last bastions of telecom growth but the epicenter of empowering mobile innovations.

AFRICAN RAILWAYS – AWAITING RESURGENCE

Vivek Sahai

The onset of the 21st century has catapulted some new countries upon the stage of world's economic theatre, euphemistically termed as the 'emerging economies'. With an average annual growth rate of more than 5% over the past decade, the continent of Africa was among the world's fastest growing continents – a rightful candidate for the title of an 'emerging continent'. Adequate infrastructure is a sine qua non for a robust economic performance of a nation. The African continent is beset by crippling shortages of both power and a functionally inadequate transportation network. However, this should cause no panic or despondency. On the contrary this should be taken as an opportunity to embark on a climate-resilient with a low-carbon footprint, which will equip the African continent to leapfrog into an era of transport adequacy.

Africa's Railways – A Disjointed and Disconnected Lot

According to the United Nations, in 2005, Africa had a total railway network of 90,320 kilometers. 22% belonged to North Africa, while Central, Eastern and Western Africa together had a share of 35%, the rest of 43% belonged to the Southern Africa. Excluding the island nations, eleven countries in Sub-Saharan Africa (mostly land locked in Central Africa), had no railway service in 2010. Burundi, Central African Republic, Chad, Equatorial Guinea, the Gambia, Guinea-Bissau, Rwanda, Sierra Leone, Somalia, Niger and Libya (in North Africa) have either no railway systems or have abandoned rail service in the country.

According to the African Union's New Part-

nerships for Africa's Development (NEPAD) Infrastructure Development study of 2006, 25% of Sub Saharan Africa railway network was either lying abandoned or has been rendered unusable due to civil war, poor maintenance, etc., as can be seen by the table below: Even the Southern African Region that is touted as the most complete (or better developed) railway network was still beset by 4000 kilometers of missing links. Most of these missing links developed due to war damage, natural disasters or general neglect and lack of funds.

Another important factor that imparts the African rail network a disjointed look is the existence of multiple gauges operating in various countries. Most of the 51 railways operating in 36 countries of Africa use either the 'Cape Gauge' (1.067 meters) or the meter gauge (1.000 meter). The main network in Southern and Central Africa uses the Cape Gauge, which is also used in some Anglophone countries farther north. The meter gauge is used in most of Francophone Africa and much of East Africa. The North African network, on the other hand, is mostly standard gauge (1.435 meters) as are a number of isolated mineral lines (in Gabon). There are also a few, mostly weathered, narrow gauge lines (0.75 & 0.6 meters).

A Lot of Commonality With The Indian Railways

Both the Indian Railways and the African Railways grew out of similar kind of pressures exerted by the commercial and political interests of their imperial masters. The initial railway lines in both regions were isolated alignments



Existing African Rail Network

reaching inland from ports to link with trading centres, mines or sources of raw material (like cotton, etc.). Branch lines were then built around them over time.

In 1947, when India gained independence, its disjointed railway network had more of meter gauge (1.000 meters) than the renowned Indian gauge known as broad gauge (1.676 meters). It was only a bold decision of adopting UNIGAUGE in 1993 that has given the present unified seamless look to the Indian Railways.

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Sector	Existing Links (km)	Missing Links (km)	Percentage of Railway Link Missing
Eastern Africa	9,341	2,299	20%
Southern Africa	33,291	4,034	11%
Central Africa	6,414	4,574	42%
Western Africa	9,715	8,971	48%
TOTAL	58,761	19,878	25%

African Republic, Chad, Equatorial Guinea, the Gambia, Guinea- Bissau, Rwanda, Sierra Leone, Somalia, Niger and Libya (in North Africa) have either no railway systems or have abandoned rail service in the country.

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African Rail Network – Lightly Used and In Dilapidated Condition

Traffic densities in Sub Saharan railways are generally low with the exception of Spoornet (South Africa). While the traffic density of the Maghreb systems (Morocco, Algeria and Tunisia) in Northern Africa ranges between 2 million to 4 million units – almost comparable with many European systems, most of the rail operation in SSA, carry traffic less than 500,000 units! Only a handful of SSA operators exceed 1 million traffic units annually. Consequently, most networks struggle to generate enough funds to maintain and renew their infrastructure as required. Not surprisingly, most of them find themselves trapped in a vicious cycle of decrepit assets like rolling stock and track, leading to abysmally poor service which in turn causes loss of share in traffic to other competing modes of transport and consequent reduction in revenue, making a turn round impossible.

The cost of rehabilitating the networks is large compared with the existing traffic volumes and revenues. The means by which rehabilitation can be done on a sustainable basis is the central question faced by most African railways. In January 2013, Standard Bank estimated that at least \$50 billion must be spent on rail infrastructure across Africa, if the continent's rich mineral resources are to be exploited for economic benefit.

Rehabilitation Of Rail Network Is Imperative, But How?

The urgent need for improving and rehabilitating the rail network in the SSA region (other than South Africa) was felt around 1990s.

The route for raising the required investment as adopted by many countries was through granting concessions via global bidding system. The first rail concession in SSA dates back to 1995 – SITA RAIL, which linked Abidjan (Ivory Coast) to Ouagadougou (Burkina Faso). Following diagram depicts the universality of concession all over Africa. Currently, 70% of the rail transport activities in the region are managed by private operators.

With the experience of around a decade, a large body of evidence regarding the performances, or lack thereof, of rail concessions in SSA has already emerged. Some of the glaring lessons gleaned therefrom and listed below are worth a consideration.

• **An Adequate Regulatory Framework is an Essential Ingredient**

A sound independent and accountable regulatory structure is vital for a concessionaire to work fearlessly and confidently. An independent regulatory structure creates a good environment for solving the unforeseen problems that pop up during operation of a concession. Institutional arrangements are necessary for the accomplishment for the major policy and

regulatory functions.

• **Monitoring of Concessions in an Unbiased Manner**

Transparent calculation of the public contribution for the financing of railway infrastructure and consensual updation of the concession fee can be ensured by a well-defined rule for monitoring of concessions.

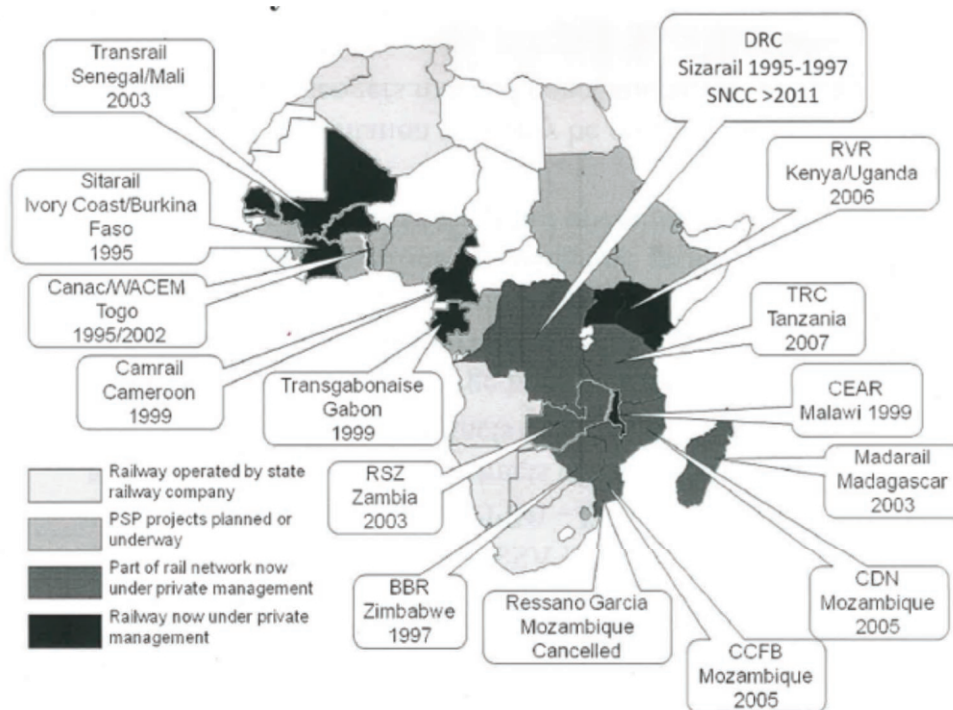
• **Fair Compensation is Mandatory**

It is a well-known fact that most of the passenger transport services are not commercially viable all over the world. Private sector can't be expected to bear the cost of operating such loss-generating services. The concessionaire is hence entitled to receive compensation for providing these services. A robust mechanism to ensure this will incentivize the private sector to operate passenger services fulfilling a social need with the lowest public contribution, while rail transport remains commercially driven.

Need for a long-term vision

While granting concessions may solve the problem on hand – that of rehabilitating a poorly maintained system, the time is now ripe

Railway concessions in SSA: when and where



Concessions account for more than 45% of the total rail freight volume in SSA (excl. RSA)

for taking a long term view of African aspirations. African Union of Railways can spearhead a project to unify the entire continent seamlessly by rail. However, before any such project is envisaged, it would be germane to address the issue of multiplicity of gauges. Ideally, it would be better to adopt a single gauge as a uniform standard all over the African continent. But, given the legacy, possibly having only two gauges in the entire continent may be a convenient compromise.

African Union of Railways may then undertake a policy of 'UNIGAUGE' or 'BI-GAUGE' on similar lines as that of the 'UNIGAUGE' project of the Indian Railways to provide seamless connectivity across international borders unifying the African market as one whole.

The African Necklace

Once a decision for rationalizing the gauges is taken, it will be possible to connect the entire continent by rail (albeit with two break of gauges) as shown in the diagram. Only four Saharan countries may remain untouched by the railways then).



The African necklace

Both these spectacular projects of **UNIGAUGE/BI-GAUGE** and the **African Necklace** will metamorphose the African the-

atre, spurring unprecedented growth and prosperity, if handled adroitly.

The Indian Connection

Association of Indian Railways with various African Railways has been nearly four decades old. RAIL INDIA TECHNICAL & ECONOMIC SERVICES (RITES) and IRCON, two Public Sector Undertakings of the Ministry of Railways have made their presence felt in every corner of the continent. RITES began its association in 1979 when it undertook the operational management of the Nigerian Railways with sterling results. Similar projects were undertaken by RITES in Mozambique, Tanzania, Botswana, Angola and Swaziland earning plaudits from all concerned National Governments. RITES is most suited to undertake surveys and for modernization of African Railroads. IRCON has been associated with construction projects in Algeria, Tanzania, Mozambique, Zambia, Nigeria, etc.

Training of Railway Officials too is a very essential part of Human Resource Development. National Academy of Indian Railways at Vadodara has the distinction of training officers of Technical and Non-Technical streams of many African railways. As African Railways embarks on an ambitious plan for expansion, Man-Power Training and Skill Development will acquire great relevance. Indian Railways can provide cost effective training for officers and staff to equip them to handle modern machines and equipment as well as develop higher skills in marketing, operation, etc.

A Rosy Future Beckons

The African Railways are currently on the cusp of a new era of growth and consolidation. The need is of only taking bold decisions synergizing the entire continent to reap the benefits of enhanced volumes, seamless connectivity, enlarged markets and strategic alliances. Indian Railways can be a very dependable, confident and resolute partner in this sojourn, making the entire journey pleasant as well as exciting.

INDIAN PHARMACEUTICALS AND AFRICA: A CASE STUDY OF CIPLA

Sudhanshu Priyadarshi

The growth and development of the Indian pharmaceutical industry is a reflection of its ability to leverage the country's competitive advantage in knowledge-based and high-skill industries. One manifestation of its growth is its successful penetration of the generic drugs market in developed economies. Another, particularly important in the context of economic relationship between India and Africa, is its success in delivering low-cost therapies to deal with significant health problems in the region.

The Indian generic drug industry has been supplying not only its own people but those in many other developing nations with those affordable high quality drugs since the 1970s. However, that situation is under grave threat with potential protectionist changes in trade agreements – TRIPS, TPP etc - and domestic legislation which will lead back to a situation of monopoly and high pricing. This threat will be felt nowhere more keenly than in Africa where currently only two per cent of drugs consumed on the continent are manufactured there.

Cipla's involvement in Africa goes back to the early 1990's when the Company commenced its exports business – first registrations were in Kenya then a little later, South Africa. African countries had similar needs and issues as India and hence it was logical for Cipla to focus on Africa to export its affordable and high quality medicines.

Cipla's role in the treatment of HIV/AIDS in Africa

Two decades ago, when millions in Africa lay

dying from HIV/AIDS, no one imagined that an answer would come from India. This was an era of 8,000 deaths a day in Africa alone. Anti-retroviral (ARV) medication was available at prices adding up to more than \$12,000 per patient per year. With the major drug producers adamant they would not reduce their ARV pricing, the poor stood no chance of survival. At that time, Cipla's Chairman, Dr. Yusuf K. Hamied, together with a small group of people committed to confront the HIV/AIDS epidemic, formed an alliance to find a solution. As well as Dr Hamied, the group included William Haddad, a pioneering advocate for generic drugs in the US, Denis Broun of UNAIDS, David Langdon, a former Peace Corps volunteer, Robert Weissman of Essential Action, James Love an intellectual property rights activist. The group had one thing in common; they were appalled that human beings should be left to die in order to preserve the profits of companies.

In September 2000, Dr. Hamied was given the opportunity to address the European Commission in Brussels. He said, "Friends, I represent the Third World. I represent the needs and aspirations of the Third World. I represent the capabilities of the Third World. And above all, I represent an opportunity. We all have a responsibility to alleviate the sufferings of our fellow men who are afflicted with HIV and AIDS. We strongly believe that in the Third World there should be no monopolies for vital, life-saving and essential drugs. We are the only manufacturer today of one of the triple-drug combinations proven to be effective. We are ready to offer this combination internationally for \$800 per patient per year. We are willing to

provide technology, free, to any country which wants to make its own ARVs. We call upon the participants of this conference to do what their conscience dictates.”

Cipla’s offer did not find traction – not one country took up the offer at the Brussels Conference nor thereafter. In response, Cipla decided to improve upon the price of \$800 per patient per year that we had offered in Brussels, and offer the triple-drug cocktail on a no-profit, no-loss basis. Dr. Hamied said, “I’ll sell nevirapine at 65 cents a day, lamivudine (3TC) at 35 cents a day and I’ll give stavudine (d4T) for free because it’s so cheap to make. So that’ll be a dollar. A dollar a day.”

That offer completely changed things. On 6th February 2001, Cipla offered the triple ARV cocktail to Médecins Sans Frontières (MSF) for \$350 per patient per year – it was actually a little less than a dollar a day. And the next day, it made the headlines in the USA – the New York Times and the International Herald Tribune. The barrier to making HIV drugs available at affordable prices was broken.

In the last two decades, the number of people living with HIV who have access to affordable anti-retrovirals has risen in numbers from the thousands to currently nearly 10 million. And today, HIV+ patients can do more than raise their life expectancy; they can fulfill their life’s expectations. Cipla was the first manufacturer to secure WHO pre-qualifications for antiretrovirals, other Indian generics followed this lead and today about 90% of the generic HIV/AIDS drugs used around the world and in Africa come from India. Cipla is proud to have played a vital role in the war against HIV/AIDS, the greatest public challenge in history. This work has paved the way for the drop in generic prices in many other therapies across the world. It has taken Cipla further in its mission to enable universal access to medicine.

Dr. Peter Mugenyi, who played a very important role in the fight against AIDS in his own country, Uganda, is on the Board of Direc-

tors of Cipla Limited. He also played a major consultative role in the formulation of the US President’s Emergency Plan for AIDS relief (PEPFAR) programme, announced by President George Bush in 2003.

Making African countries self-sufficient by providing advanced technologies

Cipla continues to champion the cause of countries that wanted to achieve complete self-sufficiency in pharmaceuticals production and shape their own destiny. For example, in Uganda, a country that has done remarkable work in its public healthcare system, Cipla has helped to set up Cipla Quality Chemical Industries Limited (QCIL). This state-of-the-art factory is one of the only WHO-approved facilities in Uganda, and it manufactures ARVs, anti-malarials and other anti-infectives. The facility is one of only four WHO certified plants in Sub-Saharan Africa.

Cipla’s spread in Africa

The African continent has some of the fastest-growing economies in the world, therefore putting many more of its citizens in reach of better quality healthcare.

Cipla reinforced its commitment to the African continent when it invested in Cipla Medpro in 2013. This investment allows Cipla Medpro to reach more patients both through the private market as well as Government Tender. The Company operates a manufacturing plant in Durban employing more than 300 people. In Uganda, Cipla is the majority shareholder in CiplaQCIL – a factory which provides therapies for HIV and Malaria and recently announced it will start producing drugs for Hepatitis B and a one-a-day ARV which will greatly improve patient adherence.

In North Africa, a recently formed a joint-venture with Cooper Maroc and Pharmaceutical Institute aims to set up local manufacturing for respiratory products. With this strategic presence in Southern, Eastern and Northern

Africa, we aim to leverage this infrastructure to continue to improve patient access to quality, affordable healthcare.

Way forward

In a recent interview, South Africa's health minister Aaron Motsoaledi said, "We regard India as the pharmacy of the developing world, and we are modeling the development of our pharmaceutical industry on India's. We want to learn from them." Speaking about Indian generic companies, which made it possible for Africans to access affordable HIV/AIDS drugs in the past decade, Motsoaledi said, "They

were our heroes, and if they change their laws now, we will be in big trouble in sub-Saharan Africa, really big trouble."

The industry in India is keenly awaiting the Indian Government's stance on various issues pertaining to the pharmaceutical industry and healthcare. In this area governments worldwide preach, protect and push for their own national needs and interests. It is therefore of the utmost importance that our government should support the indigenous industry that looks after the healthcare not just of our nation but of many of the least developed and developing nations worldwide.

Biographies

Ruchita Beri is a Senior Research Associate and Coordinator, Africa, Latin America, Caribbean and United Nations Centre at Institute for Defence Studies and Analyses (IDSA) in New Delhi, India. She specialises in political and security issues of Sub-Saharan Africa. Her current research focus is on India-Africa relations.

Dr. Bhaskar Chakravorti is Senior Associate Dean of International Business & Finance at Tufts University's The Fletcher School. He is also the founding Executive Director of Fletcher's Institute for Business in the Global Context and author of "The Slow Pace of Fast Change." Formerly a partner at McKinsey, he taught innovation and entrepreneurship while on the faculty at Harvard Business School. He is a member of the World Economic Forum's Global Agenda Council on the Economics of Innovation.

Ambuj Chaturvedi is the Executive Director of Overseas Infrastructure Alliance Pvt. Ltd. He also serves as the Chairman of the India Africa Business Promotion Council (IABPC) of the Associated Chambers of Commerce and Industry of India (ASSOCHAM). His focus is to ensure the strengthening of Indo-African trade and investment relations, by leveraging synergies and entrepreneurial acumen from both nations.

Dr. Sachin Chaturvedi is Director General at the Research and Information System for Developing Countries (RIS), New Delhi. He was also a Global Justice Fellow at the MacMillan Center for International Affairs at Yale University. He works on issues related to development cooperation policies and South-South cooperation. He has also worked on trade and innovation linkages with special focus on WTO.

Dr. Ajay Chhibber is a Visiting Distinguished Professor at National Institute of Public Finance and Policy and Visiting Scholar at the Institute for International Economics, Elliot School of International Affairs, George Washington University in Washington D.C. Dr. Chhibber is also the first Director General of India's Independent Evaluation Organisation.

Fuad Cassim is Special Advisor to the Minister of Finance, South Africa. Prior to joining the Ministry of Finance in 2010, he was involved in various international and local policy initiatives. Mr. Cassim has also been an academic, teaching at the University of Witwatersrand in Johannesburg, South Africa in the Department of Economics.

Dr. Jacobus Kamfer (Jakkie) Cilliers is the Executive Director of the Institute for Security Studies and Head of the African Futures and Innovation Section. At present most of Dr Cilliers` interests relate to the emerging security architecture in Africa as reflected in the developments under the banner of the Peace and Security Council of the African Union as well as issues around African long-term future.

Rahul Dhir is Management Director at Delonex Energy, an E&P company focused on East and Central Africa. Prior to Delonex Energy Mr. Dhir, a former investment banker at Merrill Lynch, served as the CEO and Managing Director of Cairn India.

Shruti Gakhar is Research Assistant at Brookings India. Her research interests are in the fields of health, financial inclusion, trade, and education policy. She supports fellows in the area of development economics at Brookings India. Shruti has a Masters in International Economic Policy from the University of Westminster, London, U.K.

Shruti Godbole is Research Assistant for foreign policy at Brookings India. Her research interests are in the fields of foreign, defence, and security policy in South and Southeast Asia as well as international governance issues and international organizations. Shruti has a Masters in International Affairs from American University, Washington D.C.

Dr. Subir Gokarn is the Director of Research at Brookings India in New Delhi and a senior fellow at Brookings Institution. Previously, he was the deputy governor of the Reserve Bank of India, where he oversaw monetary policy, research, financial markets, communications, and deposit insurance.

Sunil Bharti Mittal is the Founder and Chairman of of Bharti Enterprises, which has interests in telecom, retail, financial services and agri-products. Bharti Airtel, the group's flagship company, is a global telecommunications company with operations across South Asia and Africa.

Kingsley Moghalu is the Deputy Governor of the Central Bank of Nigeria in charge of the Financial System Stability (FSS) Directorate. He is a member of the Board of Directors, the Monetary Policy Committee, and the Committee of Governors of the Central Bank of Nigeria, and is a member of the President of Nigeria's Economic Management Team. He is also the Founder and Chief Executive Officer of Sogato Strategies S.A., a risk management and strategy consultancy firm in Geneva, Switzerland.

Dr. Anit Mukherjee is an Assistant Professor in the South Asia Programme at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University. He joined RSIS after a post doctorate at the Centre for the Advanced Study of India (CASI), University of Pennsylvania and a Ph.D. from the Paul H. Nitze School of Advanced International Studies (SAIS), Johns Hopkins University.

Commander Sarabjeet Singh Parmar is a serving Indian Naval Officer who also worked as a Research Fellow at the Institute for Defence Studies and Analyses, New Delhi and has written on piracy and maritime security issues. He has previously served as Joint Director Naval Plans at the Integrated HQ of MoD (Navy) and also been Directing Staff at Defence Services Staff College (DSSC), Wellington.

Deepak Premnarayen is the Executive Chairman and Founder of ICS Group. Mr. Premnarayen is also on the board of FirstRand Limited, a banking and financial services group from South Africa; and Triangle Real Estate India Fund LLC, an FDI compliant fund for India raised in conjunction with Old Mutual Property in South Africa.

Sudhanshu Priyadarshi is the Global Chief Operating Officer of Cipla Ltd, based in Mumbai, India. He is responsible for delivering Cipla's global revenue and operating profit across India, South Africa, Europe, North America & International zones. He also serves as a member on the Board of Directors at Cipla Quality Chemical Industries Limited, Uganda and on the Board of Cipla EU Ltd.

Jayadeva Ranade is the founding trustee and President of the Centre for China Analysis and Strategy (CCAS). He has previously served as the Additional Secretary in the Cabinet Secretariat, Government of India. Mr. Ranade is also a member of the Core Group on China of the Indian Council of World Affairs (ICWA) and a Distinguished Fellow with the Institute of Peace and Conflict Studies (IPCS).

Vivek Sahai served as Chairman Railway Board from 2010 to 2011. Additionally, he was the Chairman at Dedicated Freight Corridor Corporation of India Limited, and sits on the National Transport Development Policy Committee for the Government of India. In the past, he served as a Director of Coal India Limited and Indian Railway Catering and Tourism Corporation Ltd.

Dr. Waheguru Pal Singh (WPS) Sidhu is a Non-resident Senior Fellow for foreign policy at Brookings India in New Delhi and the Brookings Institution. Sidhu's research focuses on India's role in the emerging global order; the role of the United Nations and regionalism; and confidence-building measures, disarmament, arms-control, and non-proliferation issues.

Elizabeth Sidiropoulos is the Chief Executive of the South African Institute of International Affairs (SAIIA), Johannesburg, South Africa. Her areas of research expertise include South Africa's international relations, international development cooperation of emerging powers and Africa's relations with emerging and traditional powers such as the BRICS, Europe and the U.S.

Preeti Sinha is the Senior President and Global Convener of the YES BANK and YES Institute. Preeti had previously been appointed as the Chief Performance Management Partner in the Delivery and Performance Office and the principal Resource Mobilization Officer in the Resource Mobilization and Allocation Unit (ORMU) at the African Development Bank (AfDB).

Dr. Amadou Sy is Director of the Africa Growth Initiative at the Brookings Institution and a member of the Editorial Board of the Global Credit Review. He was previously deputy division chief at the International Monetary Fund. He focuses on banking, capital markets, and macroeconomics in Africa and emerging markets.

A S Ujwal is the executive director at Valpro and has three decades of experience in the oil and gas business. He has previously served as the Executive Director of Indian Oil Corporation. He possesses hands on industry experience in diverse areas ranging from pricing, operations, trade, shipping and marketing.

Andrew Westbury is the associate director of the Africa Growth Initiative at the Brookings Institution. He has previously worked with the United Nations, Land O'Lakes, Inc., and the international charity Global Communities as a Senior Program Officer for Africa. He began his career as a US Peace Corps Volunteer in eastern Nepal.







BROOKINGS INSTITUTION INDIA CENTER
D-64, 2ND FLOOR, DEFENCE COLONY, NEW DELHI- 110024, INDIA
T: +91 11 41555941/2/3

WWW.BROOKINGS.IN |  @BROOKINGSINDIA

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