

# India-Africa Investment, Trade and Economic Cooperation: Challenges and Perspective

---

Rambang Tot Deng\*

**Abstract:** The India-Africa trade, investment, and economic cooperation is an instrument or forum promoted by the Indian Government to promote meaningful economic and commercial ties between India and Africa. This initiative provides Indian companies to join African countries' markets and resources seeking that motivate Indian companies to invest in Africa. It recognizes the importance of the African continent for India's economic growth and development and aims to strengthen the existing bonds of friendship between India and Africa. For this reason, there has already been a series of initiatives such as the India-Africa Forum Summit, the India-Africa Trade and Investment Forum, and the India-Africa Business Forum. The goal is to create an environment where Indian and African businesses can collaborate and develop mutually beneficial economic partnerships. This initiative seeks to promote India-Africa trade, investment, and economic cooperation in order to foster sustainable economic growth and development in both countries.

**Keywords:** Trade and Investment, Human Capital and Skills, Public and Private Partnership.

## Introduction

The Indian government throughout history has undertaken serious decisions and forums which enable both India and Africa to create a safe business environment that help to promote strong bilateral relations and investment opportunity with African countries. The objective of this paper is to examine the

strong and tight relationship between India and Africa in order to promote a strong partnership to mutually boost their economies. Therefore, the India-Africa trade, investment and economic cooperation is an effort of the Indian Government to strengthen the economic ties between India and African countries. Trade between India and African

---

\* Second Secretary Diplomat Ministry of Foreign Affairs and International Cooperation, Republic South Sudan

countries has been growing at a rapid pace in the last decade, registering a double-digit growth during the period. The trade between India and Africa has been estimated to be around US\$ 82.53 billion in 2021-22, increasing from US\$ 61.94 billion in 2011-12. India's exports to Africa have grown from US\$ 22.63 billion in 2011-12 to USD 37.88 billion in 2021-22. India's imports from Africa have increased from US\$ 39.31 billion in 2011-12 to US\$ 44.64 billion in 2021-22.

India has also emerged as the 5th largest investor in Africa, investing over USD 54 billion in the continent. India's investments are mainly concentrated in natural resources, manufacturing and infrastructure sectors. India-Africa trade, investment and economic cooperation have been further strengthened by the India-Africa Forum Summit (IAFS) process, launched in 2008. The IAFS has provided a platform for India and African countries to discuss and explore opportunities for enhanced economic cooperation. The latest India-Africa Forum Summit was held in October 2015 in New Delhi. The summit provided a platform for India to reaffirm its commitment to the economic development of Africa and to reaffirm its commitment to the economic development of Africa. The Indian Government has also launched a number of initiatives such as the India-Africa Development Fund and the India-Africa Health Initiative to further strengthen India-Africa economic cooperation (Chaturvedi et al., 2015)

## **India-Africa Trade, Foreign Direct Investment and Economic Cooperation**

The India-Africa trade, investment and economic cooperation have been guided by the strong historical relations in which India has been in solidarity with African countries before and after the independence. Between 1996 and 2016, FDI between India and Africa produced about USD 54 billion. Therefore, this paper will also examine the relationship between India and Africa in the areas of investment, trade and economic cooperation which has shown some important stories of the development partnership between India and Africa through the philosophy of South-South Cooperation in the Global South. The investment, trade and economic cooperation between India and Africa was initiated in order to help African countries emerge from poverty rather than depending on humanitarian assistance or loans from donor countries. Today, India and Africa have developed strong relations which will influence India of holding G20 Presidency in which most African countries could join in order to promote South-South Cooperation.

### **India-Africa Trade**

India and Africa have a long history of trade. India has been trading with Africa for centuries and is now one of the most important trading partners of Africa. India exports a variety of goods to Africa, including machinery,

automobiles, chemicals, textiles, and agricultural products. In return, Africa exports to India a range of commodities, such as minerals, metals, oil, and natural gas. India is also investing in Africa, particularly in infrastructure and energy projects. In addition, India is providing assistance to African countries in areas such as healthcare, education, and social welfare. This India-Africa Trade helps in promoting labours workforces who have migrated from India to Africa and from Africa to India. These imports and exports of goods help many countries to improve their economies and GDP in the world.

Therefore, India and Africa's cooperation in the areas of trade, investment and economic cooperation is currently estimated to be about USD 72 billion which has transformed many sectors in the African continent. Most of these projects have been supported by the government of India through the Line of credits (LoC). Most of this trade and investment is very important since it has increased the GDP of most of the African countries since 2001 and 2008 and stood at \$68.46 billion (Afreximbank and Exim, 2018). India has been exporting so many products which have increased from USD 2.69 billion to USD 37.88 billion in 2021 which has shown significant improvement (see table 1).

## **Foreign Direct Investment and Economic Cooperation**

India-Africa foreign direct investment and economic cooperation are integral parts of India's foreign policy. India has been

actively engaging with African countries to promote economic cooperation, trade and investments. India has provided concessional lines of credit to African countries for infrastructure, industrial and human resource development. It has also provided financial and technical assistance to African countries for the implementation of various development projects.

The foreign direct investment and economic cooperation have great effects on both India and Africa's economy due to location which provides economic advantage (e.g. size of markets, transport and other infrastructure costs). India has also participated in a number of joint ventures with African countries, including the setting up of Special Economic Zones (SEZs) and export processing zones (EPZs). India has also signed several agreements to promote investment, trade and economic cooperation with African countries. India has also signed agreements for the training of African professionals in India through the Indian Technical and Economic Cooperation (ITEC), and for the mutual recognition of professional qualifications. India has also taken part in trade fairs and exhibitions in African countries and is a major participant in the India-Africa Forum Summit (Beri, 2014).

The foreign direct investment has helped the domestic corporate sector through better access to global markets and networks, skills and technologies. It also enables to share research and development efforts and its outcomes. This process has helped India to invest more in Africa in order to establish a brand image as a part of corporate strategy and utilization of raw materials of host countries. Indian

**Table 1 India-Africa Trade in 2001-2021 USD billion**

Year	India's exports to Africa	India's imports from Africa
2001	2.69	2.42
2002	2.91	3.28
2003	3.52	3.23
2004	4.56	3.36
2005	6.39	4.90
2006	9.11	12.67
2007	12.09	18.07
2008	14.92	26.11
2009	12.85	20.74
2010	17.40	30.80
2011	22.63	39.31
2012	27.31	43.02
2013	34.08	39.42
2014	34.63	40.36
2015	25.64	33.78
2016	22.61	26.14
2017	24.36	35.78
2018	27.01	50.75
2019	29.59	38.77
2020	26.05	27.49
2021	37.88	44.64

Source: WITS (2023)

companies made overseas investment primarily motivated by either resource seeking or market seeking or technology seeking interests. Indian investments in Africa are mainly resource and market seeking types (Sadik *et al.*, 2001).

There has been a massive increase in Outward Foreign Direct Investment (OFDI) from India in the last 15 years. According to the data released by the Ministry of Finance, the government of India, OFDI increased from USD 1.40 billion in 2001-02 to USD 15.2 billion in 2021-22 (Table 2).

## Challenges and Perspectives

- In the end, there are also a few challenges and perspectives to look into in order to address these future challenges between India and Africa to strengthen the strong relations and find a way to explore the potential areas in Africa through South- South Cooperation.
- Some of the difficulties in trade, investment, and the economy between India and Africa in the Global South are shown by some of the instances mentioned in this paper: Access to

finance remains a major challenge for businesses in India and Africa. There is a lack of access to both domestic and international capital, especially for small and medium enterprises, hindering their ability to invest in foreign markets.

- Poor infrastructure is a major obstacle to trade, investment and economic

cooperation between India and Africa. Poor transportation and communication networks make it difficult for businesses to operate in both Africa and India.

- Regulatory barriers, such as high tariffs, non-tariff barriers and cumbersome bureaucracy, can make it difficult for businesses to conduct

**Table 2: Total Outward FDI from India and India’s Share in Developing Economies’ Total Outflow**

Year	Outward FDI from India (USD billion)	Total O-FDI in Developing Economies (USD billion)	Share of India in Developing Economies (in Percentage)
2001	1.40	54.94	2.54
2002	1.68	36.37	4.61
2003	1.88	35.71	5.25
2004	2.18	107.38	2.03
2005	2.99	103.15	2.89
2006	14.28	189.00	7.56
2007	17.23	256.30	6.72
2008	21.14	257.06	8.22
2009	16.06	231.14	6.95
2010	15.95	337.03	4.73
2011	12.46	357.96	3.48
2012	8.49	333.27	2.55
2013	1.68	385.56	0.44
2014	11.78	424.51	2.78
2015	7.57	383.57	1.97
2016	5.07	386.04	1.31
2017	11.14	447.87	2.49
2018	11.45	376.09	3.04
2019	13.14	387.05	3.40
2020	11.11	372.28	2.98
2021	15.52	438.38	3.54

*Source:* various issues of World Investment Reports (UNCTAD).

trade and investment activities between India and Africa.

- Businesses in India and Africa face limited market access in each other's countries. This can limit their ability to benefit from the potential of both markets.
- Both India and Africa have a shortage of skilled workers, making it difficult for businesses to take advantage of the potential opportunities that exist in both markets.
- Cultural differences between India and Africa can make it difficult for businesses to understand and work with each other. This can make it difficult to develop strong economic relationships.
- India and Africa have increasingly grown closer in recent years, with trade, investment and economic cooperation becoming increasingly important to both parties. India has been looking to invest in African markets and build strong economic ties with African countries. Examples of this collaboration include: India investing in infrastructure projects in Ethiopia, Sudan, and Nigeria.
- India has been training Africans to improve the continent that has been engulfed with poverty in order to help and boost the economic prosperity of African countries in all sectors.
- India is providing loans to African states to help fund development projects and joint ventures between Indian and African companies.
- India is setting up technical support centers in African countries to train personnel in IT and other skills.

- India has increased its involvement in African agricultural initiatives to benefit both nations and India creating a market for African exports, including agricultural produce.
- India has created a platform for African students to study in India.
- India has also taken healthcare initiatives in African countries.

## Conclusion

This paper objective is to identify the factors that have motivated India to invest in Africa. There is no denying that language, culture and colonization linkage continue to strengthen the bilateral relations base on South-South Cooperation. The presence of diaspora does play an important role in attracting trade and investment. Economic cooperation has made it possible for India to increase the number of goods that it ships to African nations, while at the same time, it has been possible for African countries to have access to Indian technology, resources and finance. These factors have led to both nations seeing higher rates of economic growth and development, in addition to improvements in their political and social relations as a consequence of the situation.

## References

- Afreximbank and Exim India. 2018. *Deepening South-South Collaboration: An Analysis of Africa and India's Trade and Investment*. Egypt.
- Beri, R. (ed.). 2014. *India and Africa: Enhancing Mutual Engagement*. New Delhi: Pentagon Press.

- Brookings India. 2015. *India and Africa: Forging a strategic partnership*. New Delhi: Brookings.
- Centre for Policy Dialogue 2014. *Deconstructing South-South Cooperation: A southern perspective on experience and challenges*. Dhaka: CPD.
- Chakrabarty, M. 2018. *Indian investments in Africa: Scale, Trends, and Policy Recommendations*. ORF Occasional Paper no 142. New Delhi: Observer Research Foundation.
- Chaturvedi, S. 2015. Preface. In: Arora, M. C and Chand. M. (eds.) *India Africa Partnership: Towards Sustainable Development*. New Delhi: Forum for Indian Development Cooperation and Research and Information System for Developing Countries.
- Chaudhry, D., Tomar, P., and Joshi, P. 2018. *Deconstructing Indian Overseas Foreign Direct Investments: Historical & Contemporary Trends*. Oxfam Discussion Papers.
- Dubey, A K and Biswas, A. (eds.). 2016. *India and Africa's Partnership: A Vision for a New future*. New Delhi: Springer.
- Sadik, Ali T. and Ali A. Bolbol. 2001: Capital Flows, FDI and Technology Spillovers: Evidence from Arab Countries. *World Development* 29 (2): 2111-2125.
- World Integrated Trade Solution (2023), Retrieved from <http://wits.worldbank.org/WITS/WITS/Results/Queryview/QueryView.aspx?Page=DownloadandViewResults&Download=true>





# India's Diplomacy of Development

---

Ambassador Anil Trigunayat\*

One of the key objectives of Foreign policy is national development which all countries strive for in their international discourse. Often in the North-South matrix, the developmental assistance had certain strings attached that often served to get the former in pound of flesh from the target partner, whenever needed. But then there is an Indian model which is driven by the fundamental tenet of 'Vasudhaiv Kutumbakam' – encompassing the whole world and working for the capacity building and development of the under-privileged and underdeveloped that account for the majority of the South.

Having worked for the liberation of a large number of countries after her own independence, India in 1964 embarked on assisting the developing world across continents under the rubric of the Indian Technical and Economic Cooperation (ITEC) and several other initiatives and scholarship and grant and investment schemes. The founding principle was 'Share and Care' and help others climb the developmental ladder while standing up for their cause at the global platforms and labyrinthine negotiations for Climate Change or for that matter at Doha Developmental Rounds of the WTO during the past six decades. Whenever, New Delhi sought reforms of the multilateral organizations the overall interests of the developing world have been at the forefront.

Even as India chairs the G20, developmental cooperation is a key driver that encompasses the priority for SDGs to socio-economic development to debt relief and restructuring to robust health and digital transformational initiatives so very necessary after the devastation caused by the pandemic and the Russia-Ukraine war. Equity and Justice have been the driving force for Indian outreach and developmental cooperation. India's 'Vaccine Maitri' as against the 'Vaccine apartheid' of many is a statement by itself. India has emerged as a first responder in disasters natural or manmade.

---

\* Former Indian Ambassador to Jordan, Libya and Malta . A regular commentator on foreign policy issues. Currently a Distinguished Fellow at VIF.

The recent 'Voice of the South Summit' by the Indian Prime Minister to ascertain the priorities of the developing world attest to the inclusive and participatory approach of India. PM Modi's 4R matrix of 'Respond, Recognize, Respect and Reform' urging them to respond to the priorities of the Global South by framing an inclusive and balanced international agenda, clearly underscores the urgent need to address the long pending issues.

India's developmental cooperation assistance, especially in capacity building is indeed unique in its depth and expanse with over 200 high-quality prestigious institutes providing training to thousands of representatives from our development partners which is highly appreciated by the host countries. India's billions of dollars in Lines of Credit and grants for diversified projects have helped rebuild infrastructure and create local capacities employment and a growth story. Pan Africa e-Network upgraded to e-Vidya Bharati and e-Arogya Bharati and Solar mamas reflect the tune of solidary across the African continent. During the India-Africa Forum Summits, provision of thousands of fully funded Indian scholarships has continued to expand and empower the African youth.

Over 13 leaders in different African countries have been trained in India and hold their Indian experience in high regard. This is true across the 161 countries from Asia to Africa, and Latin America to Eastern Europe to whom New Delhi extends the facility in rendering capacity-building assistance.

My first brush with the ITEC and its training modules happened when I was posted to Mongolia in the early 1990s when the Soviet Union was disintegrating and Mongolians were trying to find their democracy and depth. We only were given two scholarships. But we had a politico-religious leader in Ambassador Rinpoche Kushok Bakula – a Buddhist monk who was highly revered in the country. When I approached him with a proposal that as the Mongols go through this political transition we must help in their capacity building for which many more scholarships and training programmes even in Mongolia if possible will be needed. He wrote to the Indian PM Mr Gujral at the time and we were authorised to nominate as many as we could. This changed the whole dynamic and although India was seen as a spiritual friend and third neighbour (after immediate Russia and China) the initiative created a tremendous reservoir of goodwill among the young and aspiring Mongols. It was also the first country out of the neighbourhood where we extended a \$100 million Line of credit which went a long way in creating capacities, infrastructure and assisted in trade and investment. We have not looked back since then as they continue to become Ambassadors for India and force multipliers.

Another interesting instance I recall was when I called on the State Secretary in Latvia (a European country) who after the meeting escorted me through the corridor and remarked that in every single room of the foreign office, you will find an India-trained diplomat. Imagine the implicit effectiveness. The same evening in

the hotel I met a correspondent from the Financial Times to whom I mentioned this and he was keen to interview me on the story but I said it will be better if he spoke to the Latvians and their experiences and arranged his meetings the next day and which turned out to be an excellent coverage from our point of view.

When I arrived in war-torn Libya, our chips were down as the average Libyan was disgruntled with our UNSC vote when we abstained on US and NATO military action. It was projected as India supporting Gaddafi and not the revolutionaries. Grassroots dissatisfaction is very difficult to handle and overcome, but there again I was fortunate to be helped by many who were exposed to India. One of them was my friend Ali Zeidan from JNU days in the late 1970s and early 80s. Fortunately, he was elected and appointed the Prime Minister and his support to rectify the perpetrated impression against India by Western countries was critical in deflecting. Besides I was also able to offer a large number of slots to Libyans to go and study and train in India under various schemes.

In Jordan too my friend Faisal al Rfouh from JNU was a Minister and well-known academician with extensive contacts and helped us revive and reactivate various initiatives and helped in the outreach for enriching bilateral ties. I also came across something called a “Roti club’ which had more than 3000 members who had an Indian connection and were highly influential people. One can imagine the clout compounding such people and informal organisations can provide to an Ambassador or a diplomatic mission.

Traditionally, we have a large number of African and Arab students in India who come under government programmes as well as self-funding mechanisms. It is imperative that they feel at home in India and not subjected to an unpleasant experience for which the whole of government and society approach, as well as screened institutions need to be evolved. In times to come these students will be the active proponents or deterrents for enriching ties with India. Moreover, mere organisation by our missions of the ITEC Day will not be adequate in keeping in touch with them. A concerted effort and outreach is essential on a regular basis.

India’s developmental cooperation is its most potent soft power credential which must be evolved and fashioned as per the needs and requirements of our developmental partners.