

# TERRITORIAL NEWS LETTER: AFRICA

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India established its trade relations with the African countries as long back as in the 16th century. As emerging economies, India and Africa have a lot in common- rich natural resources, similar demography and large domestic markets. This provides a natural synergy for building partnerships.

Economic ties between India and African countries have strengthened in recent years. Afro-Indian trade grew steadily. Since 2007, the two way trade has increased from US\$ 25 billion to US\$ 70 billion in 2014 and is projected to be US\$ 90 billion in 2015. Between 2010 and 2014, the exports from India to Africa have registered a CAGR of 8.03%.

In order to facilitate the integration of the poor countries into the global trading system, India launched a Duty Free Tariff Preference (DFTP) scheme for the least-developed countries (LDCs) at the occasion of the first India-Africa Forum in April 2008. With the aim of expanding LDC exports, this scheme offers duty-free and tariff preference market access to goods and services originating from the LDCs.

On June 10, 2015, Heads of states and governments of the Common Market for Eastern and South Africa (COMESA), East African Community (EAC) and Southern African Development Community (SADC) launched the COMESA-EAC-SADC Tripartite Free Trade Area (TFTA). The FTA aims to integrate 26 countries in Eastern and southern Africa with a combined population of more than 600 million people and a total GDP of approximately USD 1 trillion.

It is hoped that the TFTA will boost intra-regional trade, which is estimated to be between 10 and 12% of total African trade, by creating a wider market, increasing investment flows, enhancing competitiveness and encouraging regional infrastructure development.

In this first edition of the 'Newsletter on Africa', we present a note on TFTA which I hope our readers will enjoy reading.



Chairman's signature

## **WTO Memberships in Africa:**

**No of member nations: 42**

**Newest Entry: Seychelles (April, 2015)**

**No of Observer nations: 5**

## **Tripartite Free Trade Area Agreement: A Step towards an Integrated African Economic Community**



On June 10, 2015, Heads of states and governments of the Common Market for Eastern and South Africa (COMESA), East African Community (EAC) and Southern African Development Community (SADC) launched the COMESA-EAC-SADC Tripartite Free Trade Area (TFTA). The coalition of the three regional economic communities (RECs) is supposed to cover 26 countries with a population of more than 600 million people and 58 percent of the African continent's GDP. The TFTA aims to promote regional development through increased economic integration of East and South Africa.

To understand the importance of TFTA in African integration model, there is a need to take a look at the framework of the integration that has been prevalent in the continent. Hartzenberg (2011)<sup>1</sup> gives a very lucid description of the African integration model. Before independence, the geopolitical situation in Africa was mostly determined by the European colonial

<sup>1</sup> Hartzenberg, T. (2011), "Regional Integration in Africa", Trade Law Centre of Southern Africa (TRALAC), WTO Staff Working Paper ERSD-2011-14, October 2011

powers. These led to continental fragmentation and formation of small domestic markets which lacked economies of scale in both production and distribution of products. In the post-independence era, the African leaders concentrated on a strong economic planning for an industrialization-led growth. At the same time they also realized that such economic planning can be done best at the regional level. Hence there was a two pronged approach-economic integration and industrialization.

The proposed framework of African integration was to divide the country in regional economic communities which would form the greater African Economic Community. The formation of Economic Community of West African States (ECOWAS), Common Market for Eastern and Southern Africa (COMESA) and Economic Community of Central African states (ECCAS) in 1975 and Arab Maghreb Union (AMU) in 1989 by the Economic Commission of Africa is a definitive step towards this model. These were followed by the formation of further smaller economic communities such as SADC (1992) and EAC (1999). The agenda of all the RECs is to transform the African economic landscape and form a united bloc of nations. Such integration can be achieved through formation of free trade areas, customs unions and common markets and hence the importance of TFTA for the African Economic Community. The three main pillars of the agreement are, market integration through the establishment of the free trade area, infrastructural development to enhance connectivity and reduce cost of doing business and industrial development through assessing capacity constraints and building productive capacity. TFTA is also an important step in overcoming the problems of overlapping memberships among different RECs.

It is very early to comment how the agreement will shape the future of the continent's economy and whether it would lead towards the ultimate goal of achieving the desired integration among the African nations. The African economic integration history is marked by ambitious plans, grand schemes with weak legal and institutional

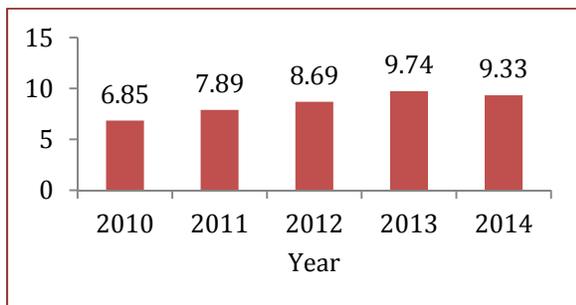
framework for setting up rules. The TFTA should take important lessons from previous regional integration strategies. It is an important step towards achieving the goal of an integrated African Economic Community but it remains to be seen whether the agreement can achieve the desired outcomes.

### **India's engineering exports to Africa:**

#### **Some Trends**

India's engineering exports to Africa constitute almost 27% of India's total exports to Africa and it has been increasing. Between 2010 and 2013, the YOY growth in engineering exports from India to Africa was more than 10%. Only between 2013 and 2014, there has been a marginal fall in India's total engineering exports to Africa.

**Table: India's Engineering export to Africa (in USD Billion)**



#### **Region-wise Export Distribution**

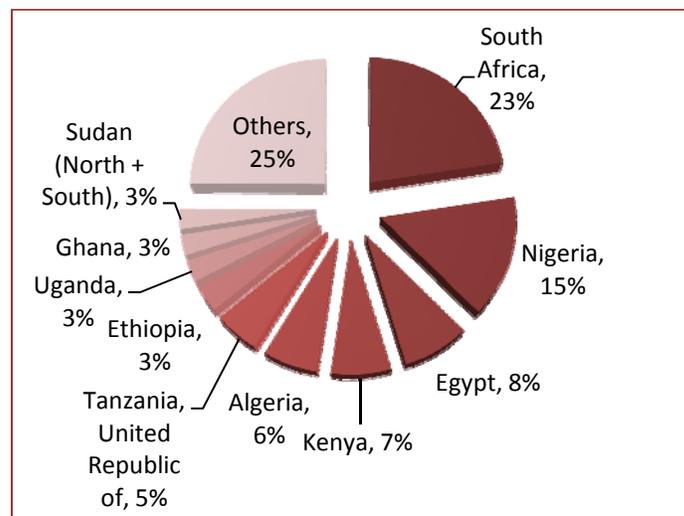
Among the five regions (East, West, North, South and Central) in Africa, South Africa receives the largest share of India's engineering exports followed by West Africa, North Africa and East Africa. Central African countries are the receiver of the lowest share. Between 2013 and 2014, while India's exports to East, West and North Africa experienced a fall, it increased in South Africa. In Central Africa it remained almost constant.

**Table: Region-wise India's exports to Africa (values in USD billion)**

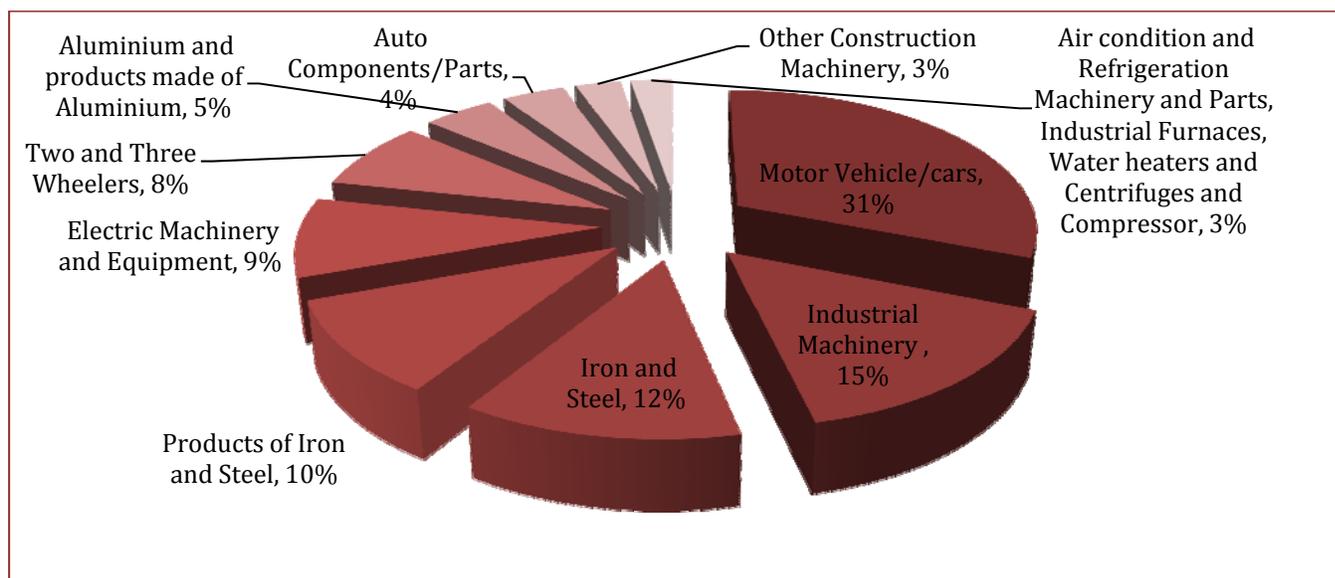
Regions	2013	2014	Growth
<b>East Africa</b>	1.85	1.64	-11.35%
<b>West Africa</b>	2.58	2.47	-4.26%
<b>North Africa</b>	2.11	1.82	-13.74%
<b>South Africa</b>	2.61	2.8	7.28%
<b>Central Africa</b>	0.48	0.49	2.08%

#### **Top Export Destinations**

The top 10 export destinations in Africa constitute almost 75% of the total engineering exports from India to Africa



## The top 10 engineering products exported from India to Africa



### **Duty Free Quota Free Scheme (DFQF)**

At the 2005 World Trade Organization (WTO) Ministerial Conference, Members agreed that Developed-country Members shall provide duty-free and quota-free market access on a lasting basis, for all products originating from all LDCs by 2008. India became the first among emerging economies to propose a preferential trade scheme for least developed countries (LDCs).

India's duty-free scheme was launched in April 2008, and became fully operational in October 2012. The scheme offers duty-free access to LDC exports on 85% of Indian tariff lines; a further 9% of tariff lines offer a margin of preference ranging from 10% to 100%. The remaining 6% of tariff lines are excluded.

In launching the scheme, the Indian government drew attention to the products "of particular interest to Africa" that enjoy preferential access under the scheme. These include cotton, cocoa, aluminium, copper, cane sugar, garments, fish fillets and non-industrial diamonds, among others.

Out of 33 LDCs of Africa till date 29 LDCs have joined the scheme, 22 of which are from sub-Saharan Africa. Since its inception, Africa's exports to India have increased from US\$ 19.5 billion in 2000 to US\$37.52 billion in 2014.

## **News in Focus:**

### *General*

#### **ALSF stresses the strengthening of regulatory framework to create an appealing environment for energy sector in Africa**

The African Legal Support Facility (ALSF) hosted by the African Development Bank was represented in a panel discussion on “Taking Lessons to Invest in Power in New ‘Frontier’ Markets” at the African Energy Forum in Dubai on June 10, 2015. The aim of the panel discussion was to deliberate on ways through which countries can learn from other frontier markets in the development of their power sectors.

Link: <http://www.afdb.org/en/news-and-events/article/alsf-stresses-the-strengthening-of-regulatory-framework-to-create-an-appealing-environment-for-energy-sector-in-africa-14424/>

#### **Africa: The Urgency of AGOA Re-authorization**

The rapid reauthorization of the African Growth and Opportunity Act (AGOA) remains a critical issue for the U.S.-Africa commercial relationship, African security, and for economic development and women’s empowerment on the continent.

Link: <http://allafrica.com/stories/201506222488.html>

### *East Africa*

#### **Tanzania’s untapped renewable energy resources ripe for investment, states report**

The African Development Bank, in partnership with the Climate Investment Funds (CIF) and the Government of Tanzania, on Thursday, June 18 launched the Renewable Energy in Africa: Tanzania Country Profile. The publication highlights the country’s inroads in renewable energy as well as opportunities for scaling-up the energy sector.

Link: <http://www.afdb.org/en/news-and-events/article/tanzanias-untapped-renewable-energy-resources-ripe-for-investment-states-report-14439/>

### *North Africa*

#### **AfDB approves €50.20 million loan for National Drainage Programme to boost agriculture in Egypt**

The African Development Bank (AfDB) will support Egypt’s National Drainage Programme (NDP) to boost agricultural production and household income generation with a €50.20 million loan approved by AfDB Board on Wednesday, May 17 in Abidjan

Link: <http://www.afdb.org/en/news-and-events/article/afdb-approves-eur50-20-million-loan-for-national-drainage-programme-to-boost-agriculture-in-egypt-14436/>

### *South Africa*

#### **Eskom’s Sere wind farm in South Africa financed by the AfDB and CIF now in full commercial operation**

The Sere Wind Farm from Eskom, the South African electricity public utility, recently achieved its full commercial operational capacity of a 100 MW . The achievement of this milestone in the Western Cape of South Africa is in line with the commitments made by Eskom in terms of both time and cost.

Link: <http://www.afdb.org/en/news-and-events/article/eskoms-sere-wind-farm-in-south-africa-financed-by-the-afdb-and-cif-now-in-full-commercial-operation-14420/>

### *West Africa*

#### **Africa: With WB Support, Burkina Faso and Côte d'Ivoire Commit to Trade and Transport Sector Reforms**

The World Bank Group’s Board of Executive Directors today approved a US\$100 million Development Policy credit, to help the governments of Burkina Faso and Côte d'Ivoire to reduce trade and transport transaction costs as a step towards promoting the development of the private sector and improving global integration in the two countries.

Link: <http://allafrica.com/stories/201506231590.html>