

Territorial NEWSLETTER Africa

EPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



India-Africa relations are enjoying an unprecedented rebirth, founded on shared economic interests and longstanding historical ties. Two-way trade has also grown and has come a long way, 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. . Technical cooperation and training are set to further expand the ambit of shared interests. Here 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.

Ravi Sehgal

I believe this progress in trade and cooperation would continue and benefit people in both the regions. I also hope, our readers find this Newsletter useful.

Message from Chairman, Committee on Trade with Central, Eastern & Southern Africa



This edition of Territorial Newsletter highlights the signing of the Continental Free Trade Agreement (CFTA) by 44 nations of the African continent. The signing of this agreement is important for the continent to increase the intra region trade which is currently just 14% to 52% by 2022. One of the major economies, Nigeria, of the continent has not signed the agreement. The CFTA is also expected to attract international investments into the continent.

The newsletter also presents a brief analysis of trade pattern in engineering products between India

Mahesh Desai and Africa during February 2018.

Message from Chairman, Committee on Trade with Central, Eastern & Southern Africa



India's engineering exports to the African continent experienced a good jump with a positive growth rate of 23% for the month of March 2018 compared to March 2017 and 18% for the last FY2017-18 as compared to the previous FY2016-17. Also, the top engineering export destination was again taken over by South Africa bringing Nigeria to second largest importer of engineering goods with a positive growth rate of over 9%. Nigeria, the top importing destination for Indian engineering exports was the second largest importer with a growth rate of 48% for the month of March 2018 over March 2017.

Besides, this Newsletter also contains information on upcoming tenders from the African region along with factsheets on non-tariff barriers. I am hopeful that the Newsletter will give fruitful information to our readers.

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NEWSLETTER – Africa

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Basic Facts: Africa

Area: 11,668,599 Sq. km

Population: 1.216 billion (2016)

GDP: USD 3.3 trillion (2017)

Currency: US Dollar (\$) / Canadian Dollar

Climate: Africa is the hottest continent on earth and 60% of the entire land surface consists of dry lands and deserts. Climate of Africa ranges from tropical to subarctic on its highest peaks. Its northern half is primarily desert, or arid, while its central and southern areas contain both savanna plains and very dense jungle regions.

Natural resources: Diamonds, salt, gold, iron, cobalt, uranium, copper, bauxite, silver, petroleum and cocoa beans, woods and tropical fruits. Much of its natural resources are undiscovered or barely harnessed.



Signing of Continental Free Trade Agreement (CFTA)

Two years after the signing of the Tripartite Free Trade Area (TFTA) agreement in June trade ministers from all of Africa's 54 countries met in Niamey, the capital of Niger, and agree to final terms for the African Union's Continental Free Trade Area (CFTA). 44 African countries signed the continental free trade agreement (CFTA) in Kigali, Rwanda, at the 10th extraordinary session of the African Union summit, completing the negotiations on the continent-wide free trade agreement that had begun in 2015. The CFTA will be implemented once 22 countries ratify the pact in their national parliaments. Currently only 16 percent of African trade is intra-regional and according to estimates by the United Nations Economic Commission for Africa, this should rise to half by 2022. Though, member states have yet to agree on tariffs on all goods One of Africa's largest economies, Nigeria, has not signed onto the pact yet.

The African Continental Free Trade Area Agreement (CFTA) could enter into effect by the end of this year following signing by 44 countries at the 10th extraordinary African Union Summit. The agreement can make Africa the world's largest free trade zone, also, the 43 nations signed the Kigali Declaration and 27 countries agreed to ease mobility of people across the continent by signing the protocol on movement of people across Africa.

The agreement envisions a continental market of 1.2 billion people, with a combined Gross Domestic Product of more than \$3.4 trillion. The agreement will also boost the level of intra-Africa trade from the current share of 14 per cent to over 52 per cent by 2022.

The CFTA Agreement would also make the African continent an ideal international investment destination as well as serve to strengthen political, economic and commercial commitments with various international partners. The African private sector also seems to be eager on the agreement's implementation and has moved to speed up ratification and implementation of CFTA.

CFTA is expected to improve the quality as well as the quantity of intra-African trade. The primary objective of the CFTA is to engender more intra-African trade, which currently comprises just 15% of the continent's total merchandise trade. When compared with intra-regional trade in other continents – 67% in Europe, 58% in Asia and 48% in North America.

According to most recent data from Cairo-based African Export-Import Bank (Afreximbank), intra-African trade grew by 8% in the first nine months of 2017, with Guinea, Ethiopia, Burkina Faso, Equatorial Guinea, and Sierra Leone in the lead. This is definitely better than the marginal 0.6% growth to \$156.94bn recorded in 2016.

The CFTA signing will still be a work in progress. Negotiations on such important issues like intellectual property rights, tariffs for some goods, what constitutes proper competitive behavior and so on, are still ongoing. Besides, there is the bigger issue of how African countries would extricate themselves from constraining bilateral and multilateral trade agreements with developed economies, which at first glance seem beneficial to African countries but on further scrutiny have been found to be ultimately detrimental to their long-term industrial development.

The European Union's Economic Partnership Agreements (EPAs) top the list. In 2016, for instance, Africa's trade with the European Union was valued at €262bn (\$324bn), with a relatively small trade deficit of €28.6bn. However, the fact that 62% of Africa's exports were primary products and 71% of its imports were manufactures puts that deficit in a different light.

Thus, African countries will in addition to trading more with each other also need to exclude outsiders with as much zeal.



When the CFTA vision becomes a reality, intra-African trade could increase by at least 50% over the next five years. A market of more than 1.2bn people with a combined GDP of \$2.2 trillion is a far stronger bulwark against limiting external trade forces.

India's latest trend in engineering exports to Africa

India engineering export to countries in the African continent during March 2018 is depicted in the table below. The table also shows the export performance in the continent by India for the last FY2017-18. Countries with the highest demand for Indian engineering products during March 2018 in absolute values include:

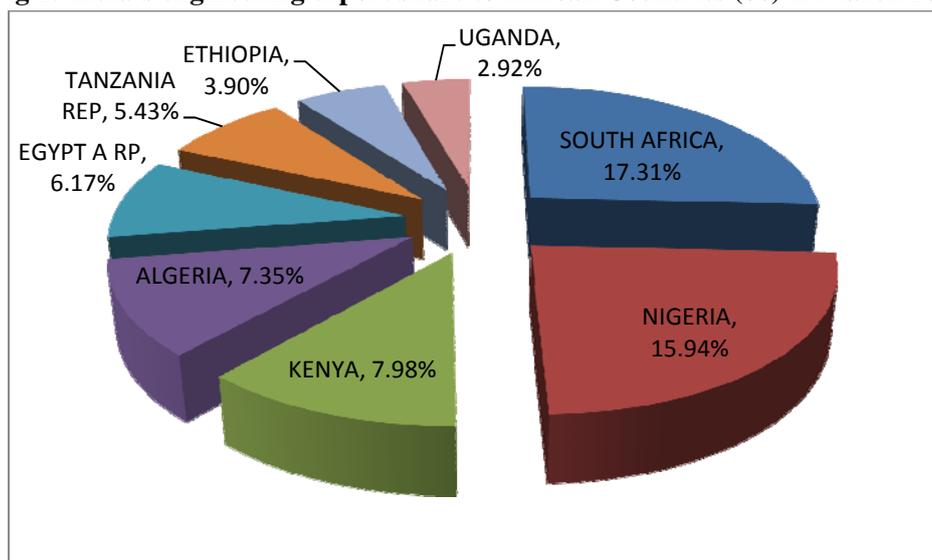
Table 1: Engineering Exports to Africa (USD million)

Africa	April-March 2017	April-March 2018	Growth (%)	March 2018	March 2017	Growth (%)
South Africa	1,063.40	1,355.21	27.44	128.76	117.43	9.65
Nigeria	580.19	877.69	51.28	118.54	79.96	48.24
Kenya	521.42	510.01	-2.19	59.37	51.53	15.21
Egypt	381.28	429.29	12.59	54.71	37.78	44.79
Algeria	498.98	758.85	52.08	45.88	30.84	48.79
Total Africa	5,950.29	7,020.96	17.99	743.80	603.81	23.18

Source: DGCIS

South Africa remains the top importer for Indian engineering exports in March 2018 as in March 2017 with a positive growth rate of over 9%. The main engineering products exported to the country include Motor Vehicles and Parts, Industrial Machinery, Products of Iron and Steel, Electrical Machinery, Auto Components/Parts, etc. The following pie chart demonstrates share of top African countries in India's total export during March 2018. (Fig 1)

Fig 1: India's engineering export share to African Countries (%) in March 2018



Source: DGCI&S

Among top 15 panels, engineering exports from India decreased in case of only three panels, twelve panels recorded positive growth (Table 2).

Table 2: Top 15 engineering panels exported to Africa in March 2018 (US\$ Million)

DGCI&S Engineering Panels	India's export in April-March 2017	India's export in April-March 2018	Growth (%)	India's export in March 2018	India's export in March 2017	Growth (%)
Motor Vehicle/cars	1,267.33	1,747.15	37.86	165.29	123.92	33.39
Industrial Machinery	737.63	855.47	15.97	102.46	81.67	25.46
Products of Iron & Steel	503.82	604.15	19.91	84.85	51.34	65.27
Electric Machinery	509.94	448.77	-11.99	57.15	47.37	20.64
Iron and Steel	505.54	584.61	15.64	52.62	67.34	-21.87
Two and Three Wheelers	344.62	416.61	20.89	47.23	27.08	74.37
Auto Components/Part	305.52	313.71	2.68	33.53	24.85	34.92
Air condition and Refrigerator & Parts	114.8	183.59	59.92	23.39	11.67	100.43
Medical and Scientific Instruments	160.68	154.67	-3.74	20.65	14.09	46.58
IC Engines and Parts	99.03	116.88	18.02	19.62	7.43	164.06
Aluminum and products	239.29	163.96	-31.48	17.67	28.6	-38.2

Construction Machinery	143.5	187.54	30.69	16.02	15.11	6.03
Nuclear Reactors	107.71	96.98	-9.97	13.81	31.15	-55.66
Pumps of all types	86.76	100.6	15.95	11.94	7.69	55.17
Machinery for ATMs	86	104.91	21.99	11.58	10.46	10.63

Source: DGCI&S

Table 3: Country wise and product wise India's engineering exports to Africa in March 2018

Country	Top products traded
South Africa	Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery, Iron & Steel etc
Nigeria	Mechanical Machinery, Motor Vehicles & parts, Electrical Machinery, Articles of Iron & Steel etc
Kenya	Mechanical Machinery, Motor Vehicles & parts, Electrical Machinery, Iron & Steel etc
Egypt	Ships, boats and floating structures, Mechanical Machinery, Motor Vehicles & parts, Electrical Machinery, Iron & Steel etc
Algeria	Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery, Optical, Medical and scientific instruments etc
Ethiopia	Iron & Steel, Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery etc
Ghana	Mechanical Machinery, Motor Vehicles & parts, Iron & Steel, Articles of Iron & Steel etc
Tanzania	Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery, Articles of Iron & Steel etc
Senegal	Articles of Iron & Steel, Electrical Machinery, Mechanical Machinery, Motor Vehicles & parts, etc
Uganda	Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery, Articles of Iron & Steel etc

Source: Trademap

News in Focus

➤ **South Africa:** Improving economic outlook gives Central Bank margin to cut rate in March
 The latest monetary decision comes against a backdrop of an improved outlook for both inflation and growth. Inflation reached an almost three-year low of 4.0% in February (January: 4.4%) and remains well within the SARB's target range of 3.0%–6.0%. Despite a VAT increase from 14.0% to 15.0% on 1 April, the SARB left its inflation forecast for 2018 unchanged at 4.9% as a stronger currency will keep a lid on inflation

Source: <https://www.focus-economics.com/countries/south-africa/news/monetary-policy/improving-economic-outlook-gives-central-bank-margin-to>

➤ **Ghana:** BoG cuts policy rate amid easing inflationary pressures
 Inflation has broadly trended down since the previous MPC meeting at the end of January. Headline inflation fell notably to 10.6% in February, from 11.8% in December (January: 10.6%). As a result, inflation ticked down,

approaching the Bank’s medium-term inflation target of 8.0% plus or minus 2.0%. Meanwhile, core inflation, which excludes volatile items such as energy and utility, dropped from 12.6% in December to 11.3% in February, signaling moderating underlying inflation pressures. As a result, inflation expectations remained well-anchored towards the Bank’s medium-term target..

Source: <https://www.focus-economics.com/countries/ghana/news/monetary-policy/bog-cuts-policy-rate-amid-easing-inflationary-pressures/>

Trade Barriers

Table 4: Technical barriers to trade

Member Imposing	Notification/ Date of In-Forcement	HS Code	Products Description
Tanzania	G/TBT/N/TZA/117; 19 October 2017	8408	Inlet Air Cleaning Equipment For Internal Combustion Engines And Compressors
Tanzania	G/TBT/N/TZA/115; 19 October 2017	73141410	Industrial wire cloth for general purposes
Tanzania	G/TBT/N/TZA/114; 19 October 2017	732310	Iron and steel products
South Africa	G/TBT/N/ZAF/196; 29th March 2017	7303, 7304, 7305, 7322, 8403, 8415, 842840, 8516, 902810, 902820, 902830	Hot water storage, Heating equipments
Uganda	G/TBT/N/UGA/535	7321	Household steel equipments

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