

Territorial NEWSLETTER Africa

EEPCINDIA
ENGINEERING THE FUTURE

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Issue II: August 2015

Chairman's Pen



Africa is becoming India's new trade destination. Bilateral trade between Africa and India was valued around USD 71.4 Billion during the FY 2014-15. Trade between India & Africa has grown exponentially during the past decade. India has emerged as Africa's fourth largest trade partner behind China, EU & USA whilst Africa has emerged as India's sixth largest trading partner behind EU, China, UAE, USA & ASEAN. Indian companies have invested more than US\$ 34 billion in the resource-rich continent & further investments worth US\$ 59.7 billion are in the pipeline. The Indian government has promised to extend loans worth US\$ 5.4 billion to several African nations in order to nurture growth in those nations.

Keeping in view the strategic importance of both Africa and India to each other, Africa and India launched a PTA negotiation with SACU. The negotiations are ongoing and substantial progress has been made so far. Africa is a land of opportunities presently as most of the Africa is unexplored. And this is a reason why most of the countries today are targeting Africa as a Major trader destination. India also has and is doing a lot in this direction.

I hope that this newsletter will be insightful for our readers and I hope they enjoy reading it.

Anupam Shah

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



In this second edition of the 'Newsletter on Africa', we focus on Ethiopia which has come out to become a major export destination for the world. India is the third most important source of imports for Ethiopia, contributing 7.5% of all of Ethiopia's imports. India is the second largest foreign investor in Ethiopia with approved investment of US \$4.78 billion.

The newsletter has also gives an insight on the top engineering product panels that is imported by whole of Africa including Sub-Saharan and North Africa and also compiles tender information and key news items on Africa.

I hope that you will find this newsletter useful.

Mahesh K. Desai

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Basic Facts: Africa

Area: 11,668,599 Sq. km

Population: 1.1 billion

GDP: USD 2.39 trillion

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.

Ethiopia: Major Destination for Export

After the smooth transfer of power in the last general election, Ethiopia can be termed as politically stable. It has better law and order situation compared to any other African country. **International Trade Centre**, is doing a great job of strengthening **bilateral trade and investment relation between India and East African countries** and guiding local authorities in making Ethiopia, the hottest investment destination in Africa.

There is no shortage of labor in Ethiopia. **Labor is very cheap** and comfortable with English language. Wages are as low as \$30 a month, and there's no minimum wage for sectors like textile and apparel. **Power is also very cheap** as compared to what it costs in India. That may explain why so many apparel manufacturers and retailers are in process of making Ethiopia their manufacturing base. Many Indian businesses such as **Arvind Mills** and **Kanoria Textiles** are already operating their manufacturing units in Ethiopia.

The biggest **advantage of investing in Ethiopia** or any other least developed African countries is that they have **duty free market access in almost all top consuming markets including the EU, Japan, the US, even India**. Thus, if you have a manufacturing unit in Ethiopia, you can export your products to virtually any top consuming destination without paying any duties. Duties are an important differentiator in manufacturing. Another big advantage is that a manufacturer based in Ethiopia will have duty free market access in 19 African countries with over 400 million people because of the **COMESA (Common Market for Eastern & Southern Africa)** membership that it enjoys.

Ethiopian wages though are very low but workers need training in basic skills. This can be an opportunities for vocational training providers. Ethiopia is a beautiful country with pleasant climate throughout the year. Safety being a non-issue, **Ethiopia can become a hot tourist destination** like Mauritius and Zanzibar, Tanzania.

Ethiopia imposes no restrictions on repatriation of profits and dividends. Its tax rates are comparable to India. And the top ministers and officials are highly approachable to prospective investors. **People in general are courteous and friendly.**

With effort on to make **Africa as one common market by 2017-18**, Ethiopia has the potential to become a gateway to fast growing African continent. If that happens investing in Ethiopia will make even more commercial sense because of the duty free market access it will be enjoying in virtually the whole of Asia, Africa, Europe and North America.

Ethiopian **WTO membership** which is currently under negotiation at the moment will make its trade policy more predictable and increase its attractiveness as an investment destination. Ethiopia is also concluding investment protection treaties and double taxation avoidance treaties with many countries that will make investors more confident about its regulatory regime.

It's not that there are no challenges in doing business in Ethiopia. There are many Ethiopia being a land locked country. Thus, despite there is an arrangement for smooth shipment of import and export cargoes through Djibouti, its port and customs infrastructure can't be termed as efficient and cost effective. Being a least developed country, there are other infrastructural bottles related to transport. To address that, Ethiopia is developing a dedicated electrified rail link between Addis Ababa and the port of Djibouti.

Banking and telecom penetration again is very low even by African standard that needs improvement. Besides, **investors face difficulties in securing finance and foreign currencies** that calls for urgent attention of Ethiopian authorities.

Africa-India – Information Guide

India has started having close ties with Africa especially in trade. India also has various schemes like of LOC (Line of Credit) by EXIM Bank for various African nations and also India has a DFTP (Duty Free Trade Preference) scheme for African LDC's.

A lot has been done and is in progress to make economic and trade relations between Africa and India stronger. An initiative in this direction is a website for the India-Africa Businessmen called Indo-African Chamber of Commerce and Industry.

Indo-African Chamber of Commerce and Industry provides a dynamic institutional link for the promotion of commercial and economic relations between India and African Countries. As an Active forum for Indian businessmen who have close contacts with the African World. The Chamber constantly strives to identify

new areas of mutual co-operation and ensure the smooth flow of trade, investment joint ventures and technology. The Chamber is dedicated to the cause of expanding Indo-African Renowned friendship, goodwill & businessmen relation. Renowned Industrialists and business from the public and private sectors are associated with the Chamber

The link for the website is given below:

http://www.indoafrican.org/new/index.php?option=com_content&view=article&id=1&Itemid=102

Another step towards helping making strong the relations between India and Africa is the Indo Africa Finance. The institute, located in Nairobi, aims to consistently provide high quality, sustainable and affordable micro finance products and services that uplift and transform the lives of the unbanked population and small scale entrepreneurs.

They also help with:

- ❖ Accessibility to professional and efficient service
- ❖ Quality and continuous improvement of our products and service delivery
- ❖ Integrity and safeguarding of the welfare of all stakeholders
- ❖ Sustainability and enhanced quality of life
- ❖ Reliability and consistent focus on customer satisfaction

To have more information on the various projects supported by the bank please go to the below link

<http://www.indoafricafinance.co.ke/>

Some upcoming Exhibitions in Africa

| Events | Date | Venue | Link |
|--|----------------------|--|---|
| SME Business Opportunities & Franchise Expo Premier Platform Showcasing Business & Franchise Opportunities | 10-13 Sep 2015 | The Coca-Cola Dome, Johannesburg, South Africa | http://www.thebereed.co.za/befe/ |
| Sugar & Ethanol Africa Conference Earth Science, Engineering | 8-9 September 2015 | Durban, South Africa | http://www.sugarethanolafrika.com/?xtssot=0 |
| SPE North Africa Technical Conference and Exhibition Chemistry, Engineering, Materials Science | 14-16 September 2015 | Cairo, Egypt | http://www.spe.org/events/natc/2015/ |

| Events | Date | Venue | Link |
|---|----------------------------|-------------------------------|---|
| BAUMA CONEXPO Africa International trade fair for construction machinery, Building material machines, Mining machines and Construction Vehicles. | 15-18 September 2015 | Johannesburg, South Africa | http://www.bcafrica.com/ |

Trade Trend Analysis in Africa

The top 5 African nations which had the highest demand for Indian engineering products during May 2015 in absolute values include:

| Country | Export in May 2014 (USD million) | Export in May 2015 (USD million) | Growth (%) |
|--------------|-------------------------------------|-------------------------------------|------------|
| South Africa | 102.36 | 103.30 | 0.91 |
| Nigeria | 102.36 | 86.61 | -15.38 |
| Egypt A RP | 41.27 | 55.00 | 33.26 |
| Kenya | 59.27 | 49.80 | -15.98 |
| Algeria | 44.85 | 35.92 | -19.92 |

India's engineering exports to Egypt has experienced the maximum increase in May 2015 over May 2014 of 33.26%.

Some Trends in engineering exports to Africa between April-May 2015

Compared to May 2014, engineering exports to Africa declined by 7.14% in May 2015, from USD 627.19 million to USD 552.89 million. The Africa's share in total Indian exports in May 2015 was at 10.26%

On the basis of India's export data for Engineering Products of May 2015, the African countries which feature in the top 25 export destinations for India include South Africa and Nigeria.

Top 15 engineering panels exported to Africa in May 2015 include

| Name of the Panel | India's export in May 2015 (USD million) | India's Export in May 2014 (USD million) | Growth (%) |
|-----------------------|---|---|------------|
| Motor Vehicle/cars | 138.98 | 153.64 | -9.54 |
| Industrial Machinery | 67.14 | 72.79 | -7.76 |
| Two and Three Wheeler | 49.25 | 48.56 | 1.41 |
| Iron and Steel | 43.57 | 77.73 | -43.95 |
| Products of Iron | 38.83 | 45.70 | -15.03 |
| Electric Machinery a | 31.23 | 45.94 | -32.02 |
| Auto Components/Part | 28.79 | 32.42 | -11.19 |
| Aluminium and product | 17.65 | 14.91 | 18.33 |
| Other Construction M | 16.87 | 15.15 | 11.32 |

| Name of the Panel | India's export in May 2015 (USD million) | India's Export in May 2014 (USD million) | Growth (%) |
|------------------------|---|---|------------|
| Air condition and Re | 14.24 | 12.81 | 11.22 |
| Medical and Scientific | 12.17 | 11.92 | 2.16 |
| Bicycle & Parts | 10.00 | 11.41 | -12.38 |
| Machinery for ATMs | 9.77 | 7.96 | 22.73 |
| IC Engines and Parts | 8.53 | 11.16 | -23.57 |
| Railway Transport an | 8.13 | 0.48 | 1608.28 |

Source: DGCI&S, Government of India

News in Focus

Tunisia: Trade Deficit Drops 8.4 Percent - 7 Months

The trade deficit has dropped for the 7th consecutive month by 8.4%, i.e. a value of 7,043 million Tunisian dinars at the end of July 2015 against 7,687.1 MTD in the same period of 2014, according to data of the Ministry of Trade. With the exception of 2011, this drop is the highest recorded in these first seven months in the period between 1993 and 2015.

Nigeria: Commonwealth Pledges to Support Nigeria

The Commonwealth of Nations has vowed to support the Nigerian government to attract the right trade and investment opportunities needed to achieve economic growth and development.

Link: <http://allafrica.com/stories/201508040753.html>

Tanzania: Special Industrialization Programmes Expected to Speed up Development

EPZ caters mostly for export manufacturing, provides lucrative tax incentives to both domestic and foreign investors, with exemptions on corporate tax for 10 years, import duty and VAT on capital goods, raw materials, construction materials, utilities as well as withholding tax on rent, dividends and interest.

EPZs have in the past seven years attracted investments worth over one billion US dollars, with the 130 registered companies creating 31,923 jobs for Tanzanians, according to statistics by the Export Processing Zones Authority (EPZA).

Link: <http://allafrica.com/stories/201508041272.html>

Zimbabwe's economic planning ministry to reform investment centre

According to Minister Simon Khaya Moyo, many initiatives have been taken to ease the process of investment into the country. Initiatives will include facilitating and processing investment applications for approval through the one stop investment centre, identifying sectors of the economy with potential for investment for the purpose of attracting domestic and foreign investors and promoting and coordinating

investment activities in enterprises or sectors of the economy which are of strategic importance to national development.

Link: <http://africabusiness.com/2015/08/09/zimbabwes-economic-planning-ministry-to-reform-investment-centre/>

Tender Information in Africa

Prior information Notices

| Title | Deadline |
|---|------------|
| Supply of Different Type Pipes/ Tubes | 23-Aug-15 |
| Supply of 20 Nos. 4 X 6 Tractor Heads | 24-Aug-15 |
| Supply of Belts for Vehicles | 18-Aug-15 |
| Supply of One 4 M3 Water Spraying Tank Truck, One 70 Hp Tractor, Two 4 M3 Dump Trucks, Two Skid Loaders, Also Two Dump Trailers | 19-Aug-15 |
| Supply of Projectors, Electric Spare Parts and Equipment Three Exhaustion (Sweeping) Trailers Complete with Related Accessories, Also Articulated Loader On Rubber Wheels | 06-sept-15 |
| Supply of Iron, Steel and Stainless Steel Items | 23-Aug-15 |
| Supply of Electric Equipment and Tools. | 25-Aug-15 |
| Comprehensive Overhauling of Heavy Automotive Equipment. | 27-Aug-15 |
| Supply of Spare Parts for Submersible Pumps. | 20-Aug-15 |
| Repair, maintenance of motor vehicles | 26-Aug-15 |
| Provision of Purchase Stationary, Office Equipment | 18-Aug-15 |

For more contract notices, Please register with Tenderinfo and follow the link:

<http://www.tendersinfo.com/searchresult#>

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