

Territorial NEWSLETTER Africa

EPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



Africa has become the current attention of all countries worldwide. Every nation wants to explore the unexplored Africa and wants to enter the continent by taking any path be it trade or investment or climate change.

After the recent summit of India- Africa another summit on the similar lines is being held by China to tighten its loosening position in Africa. After China, Japan and Korea and other countries are also on the path of organizing such summits. This is an alarm for Indians to fulfill all the promises made during the recent IAFS.

Major tasks is on the private sector especially our SMEs, they should try and explore new areas of their interest in Africa and advance to the region with the help of various existing and new government schemes.

T S Bhasin

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



In this sixth edition of the 'Newsletter on Africa', we focus on the fact that now it's time to act on the various initiatives announced by the government during the recently concluded India-Africa summit held in New Delhi and the private sector our SMEs should start working in this direction.

The newsletter gives an insight on the top engineering product panels that is imported by African countries including Sub-Saharan and North Africa. Sections on key news items and tender information are also included.

I hope that readers will find this newsletter useful.

Mahesh K. Desai

Message from Chairman, Committee on Trade with Western & Northern Africa



We are coming out with the Sixth edition of the 'Newsletter on Africa'. As Africa is the new trade destination we have highlighted the need of our SMSs to expand their business by taking advantage of the opportunities the recently concluded India-Africa Forum offered.

In this issue we have also covered the India-Mauritius trade route being disturbed due to the India-Mauritius Tax Treaty. Also we have covered the downfall in the economy of south Africa which has caused the RAND, South African currency, to fall.

I hope that the readers will benefit from this newsletter and will help them grow.

S S Bhasin

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.

IAFS- After promises time for Implementation

The recent IAFS (India-Africa Forum summit) was marked by emphasis on India-Africa cooperation in the global fora over UN reforms, climate change and WTO negotiations. India made some important announcements - an additional credit line of US\$ 10 billion, grant assistance of US\$ 600 million, and 50,000 scholarships for African students. The areas of cooperation between India and Africa were: trade and industry, infrastructure, energy, education and skill development, and health etc.

But there is a need to situate India-Africa relations in a broader context. Africa's importance in the world economy has increased tremendously in the last decade and many other countries are trying to develop closer ties with Africa. Despite the Prime Minister describing India and Africa as 'two bright spots of hope and opportunities in the world economy', the economic potential of the relationship between India and Africa has not been fully exploited.

The bilateral trade between India and Africa has increased from a mere US\$ 4.5 billion in 1996-97 to US\$ 72 billion in 2014-15, but is still much below China's trade with Africa which stands at about US\$ 200 billion. India's trade with Africa is concentrated in a few countries such as Nigeria, Angola, South Africa, and Tanzania and petroleum products account for the bulk of the trade. India's foreign direct investment in Africa has also escalated but much of it is directed to Mauritius due to its favorable tax treaty with India.

India's private sector has also failed to recognize the benefits of various schemes. Indian companies would gain by setting up units in African countries and exporting to India under the DFTP scheme. Moreover, Africa could be a gateway for exports to developed country markets because African countries have zero duty access to all major markets of the world whereas India has lost its preferential status in many commodities such as textiles.

While the announcement of additional credit lines for Africa is a positive development, but in the past India had offered credit lines worth \$7.4 billion to African nations over the first two India-Africa summits but only US\$ 3.5 billion were disbursed to implement 137 projects in 41 nations by 2015. Again, the delays were largely due to poor African capacity in producing detailed project reports and feasibility studies which are essential for loan disbursements.

Given that shortage of infrastructure is one of the major impediments to economic development in Africa, infrastructure development is the top most priority of all African countries. Indian credit lines to African countries are typically directed to infrastructure projects such as roads, power transmission lines, farm mechanization, and water supply etc. Most of these infrastructure projects are implemented by Indian companies under EPC contracts. But now African countries are increasingly looking at public-private partnerships as a viable option. However, public-private partnerships may not be a very successful option in Africa at this juncture as many of the African countries are adversely affected by falling commodity prices, and thus may not be able to ensure adequate returns to the private sector. The private sectors can and must

take a plunge even the economists think the key push must come from small medium enterprises who can cumulatively transform the bilateral trade with Africa.

South Africa: In a need of boost

South Africa's economic recovery has been sluggish: GDP growth in 2014 was weak, and growth in 2015 is unlikely to be significantly better. A fall in the South African rand's value and the recent tightening of monetary policy to contain price pressures is likely to add to the burden on indebted consumers, limiting economic growth.

In Q1 2015, the economy grew 1.3 percent but Q2 saw those gains reversed as the economy shrank 1.3 percent. The poor economic performance stems from contractions in key sectors such as manufacturing, mining and quarrying, and agriculture and related sectors. The manufacturing sector declined 2.4 percent in Q1 and 6.3 percent in Q2, while mining and quarrying surged 10.2 percent in Q1, only to decline 6.8 percent in Q2. Both sectors have been struck by a combination of internal and external headwinds, including internal obstacles such as electricity shortages and external challenges in the form of weak commodity prices. Prices for some of South Africa's key exports such as gold, platinum, coal, and iron ore are currently at multiyear lows. It is not surprising, then, that South Africa's exports in terms of US dollars have taken a tumble.

A combination of an impending interest rate hike by the US Federal Reserve (Fed), a slowdown in China, weak commodity prices, and concerns over prolonged economic weakness in South Africa have resulted in a weaker rand.

Fall in the South African Rand has resulted in the value of exports going down but at the same time the volume of exports growing as it is advantageous for the importing country.

MAURITIUS VS INDIA TRADE ROUTE MARRED?

In a complete disregard to the decision of the Supreme Court of India ("SC") in Union of India vs. Azadi Bachao Andolan, (2003) 263 ITR 706, 263 ITR 706 (SC), which had permitted the Mauritian companies having tax residency certificates to benefit from the India-Mauritius tax treaty, Circular No. 789, dated 13-4-

2000, the recent decision of the **Bombay High Court** (“HC”) in *E Trade Mauritius Limited vs. ADIT & Ors*, WP. No. 2134 of 2008, seriously impacts the Mauritius route.

E Trade Mauritius Ltd. (“E Trade”), a wholly owned subsidiary of E Trade Financial Corporation based in Mauritius sold its stake in IL & FS Investmart; an Indian company to Mauritius based HSBC Violet Investments (“HSBC”). To authorize payment of consideration by HSBC without any withholding of tax in this sale, E Trade sought to obtain a certificate from the Indian tax authorities under section 197 of the Income Tax Act, 1961 (which provides for the certificate to get benefits of reduced rates/no rates). The tax authority refused this certificate, and, in response to the refusal E Trade filed a writ petition before the HC challenging this decision.

The HC directed E Trade to file a revision application before the Director of Income Tax (“DIT”) and accordingly disposed the writ petition. Pending the decision of the DIT, HSBC was also directed to deposit a sum of INR 245 million which would be withheld from the consideration paid to E Trade. The HC further stated that the DIT shall also issue an appropriate order regarding the disposal of the amount deposited. Pursuant to the HC’s order, the DIT, in its revisional decision refused to grant the certificate regarding withholding of tax by HSBC. Aggrieved E trade again appealed to the HC. The HC, giving effect to the decision of the revisional authority, in its order, dated March 23, 2009 directed for the release of INR 243.1 million after deducting the tax at source from the deposited amount to the government and the refund of the balance amount to E Trade.

Some upcoming Exhibitions in Africa

Events	Date	Venue	Link
PLASTEX International African Arabian Exhibition For Plastics, Chemicals and Rubber Machinery & Products	14 January 2016	Cairo International Convention & Exhibition Centre, Cairo, Egypt	http://www.plastex-online.com/

Events	Date	Venue	Link
<u>OFFSHORE WEST AFRICA</u> Offshore Conference & Exhibition	26-28 January 2016	<u>Eko Hotel & Convention Centre,</u> Lagos, Nigeria	<u>http://www.offshorewestafrica.com/index.html</u>
<u>KHARTOUM INTERNATIONAL FAIR</u> Khartoum International Fair. Industrial, Agricultural machinery & equipment, Information technology, Energy and Mines, Building Materials, Services...	25 January-01 February 2016	<u>Khartoum International Fairground,</u> Khartoum , Sudan	<u>http://ifksudan.com/en/</u>
<u>The Africa CEO Forum 4th Edition</u>	21 -23 March 2016	Abidjan, Cote d' Ivoire	<u>http://www.afdb.org/en/news-and-events/article/the-africa-ceo-forum-4th-edition-15217/</u>

Trade Trend Analysis in Africa

The total Indian Exports to Africa for 2015-16 (April- November) was 3834.31 USD Million constituting a share of 11% approx the total exports of India.

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

Country	Export in November 2014 (USD million)	Export in November 2015 (USD million)	Growth (%)
SOUTH AFRICA	115.68	75.76	-34.51
NIGERIA	102.94	75.48	-26.68
EGYPT A RP	58.67	49.74	-15.23
KENYA	45.78	36.83	-19.54
ALGERIA	46.25	20.92	-54.77

India's engineering exports to African countries saw significant changes. Firstly, we had a new entry with Algeria replacing Ethiopia which was at fifth position in October 2015. Second, Kenya and Egypt A Rep swapped positions with Kenya back at 4th position in November 2015 as it was two months back in September 2015 and Egypt A Rep also regained its 3rd position in November 2015 after two months. But Kenya in November 2015 has not only come down to 4th position from 3rd position from October 2015 but has also recorded a negative growth rate of -19.54 percent as compared to a positive growth rate of 5.27 percent in October 2015.

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

Top 15 engineering panels exported to Africa in November 2015 include

Name of the Panel	India's export in November 2014 (USD million)	India's Export in November 2015 (USD million)	Growth (%)
Motor Vehicle/cars	196.06	83.83	-57.24
Industrial Machinery	77.69	56.42	-27.39
Electric Machinery	34.61	46.75	35.05
Products of Iron	57.44	44.19	-23.07
Two and Three Wheelers	52.23	37.44	-28.31
Aluminum and products	18.06	24.73	36.97
Iron and Steel	55.52	22.22	-59.97
Auto Components/Parts	31.37	21.40	-31.80
Other Construction Machinery	14.73	10.34	-29.80
Machinery for ATMs	6.18	9.34	51.12
Medical and Scientific Instruments	11.14	9.10	-18.28
Bicycle & Parts	9.66	8.59	-11.06
IC Engines and Parts	7.53	8.43	11.89
Nuclear Reactors	9.19	7.30	-20.50
Air condition and Refrigerators	9.55	7.22	-24.41

Source: DGCI&S, Government of India

News in Focus

Exports decline 24% in November, experts say greater Africa focus can stem the decline

India's merchandise exports shrank for a 12th straight month in November, falling an annual 24.43 percent. Indian exporters shipped goods worth \$20.01 billion last month, lower than \$21.35 billion provisionally reported in October.

The trade deficit for November came in at \$9.78 billion compared with a provisional \$9.77 billion a month ago, the data released by the Ministry of Commerce and Industry showed.

Link: <http://www.firstpost.com/business/exports-decline-24-in-november-experts-say-greater-africa-focus-can-stem-the-decline-2546912.html>

Africa Is Last Frontier for Carmakers on the Hunt for Growth

Nigeria had unveiled incentives for carmakers to set up plants of its auto industry had ground to a standstill.

After two years, there are at least 36 automakers with production licenses in the continent's biggest economy, with Volkswagen AG, Nissan Motor Co. and Ford Motor Co. already making vehicles with local partners. The country is seeking to join South Africa as the only manufacturing base for the car industry in sub-Saharan Africa, with countries from Ethiopia to Uganda hoping to follow suit.

Link: <http://allafrica.com/stories/201511140273.html>

Tata Communications to sell Neotel stake to Vodafone South Africa arm

Tata Communications today said it has submitted documents for the restructured transaction for selling majority stake in its subsidiary Neotel's fixed line assets to Vodafone's South Africa subsidiary, Vodacom.

Tata Communications on November 23 had said shareholders of its majority-owned South African telecom firm Neotel and Vodafone South Africa are in discussion over a revised transaction structure of the deal.

Link: http://articles.economictimes.indiatimes.com/2015-12-11/news/68960135_1_tata-communications-subsidiary-neotel-transaction

South Africa's Rand Falls to Record Low

South Africa's currency fell to an all-time low, the rand fell 9.6% against the U.S. dollar. the slump picked up pace as the currency fell 2.7% and hit an intraday record low of 15.9684 rand to the dollar. In late New York trading, it was at 15.8933 rand to the dollar.

The currency's drop came as yields on South African government debt surged and the country's FTSE-JSE All-Share index fell 1.9%

Link: <http://www.wsj.com/articles/south-africas-rand-falls-to-record-lows-after-finance-ministers-dismissal-1449853788>

Tender Information in Africa

Prior information Notices

Title		Deadline
<u>Provision and installation of permanent generators</u>	South Africa	29 th December 2015

<u>Supply, Install and Commission on burner auto control system</u>	South Africa	12 th January 2016
<u>Supply of one unit of centrifugal pump electrically operated located at gibe seed farm.</u>	Ethiopia	30 th December 2015
<u>Supply, install and commission 5 air conditioners.</u>	South Africa	26 th January 2016
<u>Supply/Installation of a Brand New Optometric and Optical Equipment</u>	Nigeria	30 th December 2015
<u>Repair and upgrade to security installation, Electrical Installation, Building, Steam Installation and Wet services</u>	South Africa	19 th January 2016
<u>Supply and Installation of Aluminum frame and Panel</u>	Ethiopia	29 th December 2015
<u>Provision of Car and Motorcycle tracking system</u>	Uganda	29 th January 2016
<u>Consultancy services for review of engineering designs, preparation of bidding documents, tendering support, construction supervision and project management for ert ill grid extension projects under</u>	Uganda	7 th January 2016
<u>Provision of five (5) plate-fin air/water coolers for palmiet pumped storage scheme.</u>	South Africa	15 th January 2016
<u>Study pre-feasibility of an installation of lng import and</u>	Morocco	7 th January 2016

[refuelling \(bunkering\) ships in the port of tanger med](#)

For more contract notices, Please register with Tender info and follow the link:
<http://www.tendersinfo.com/searchresult#>

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