



DAILY EDITORIAL ANALYSIS

TOPIC

**UNLOCKING THE POTENTIAL
OF INDIA-AFRICA TIES**

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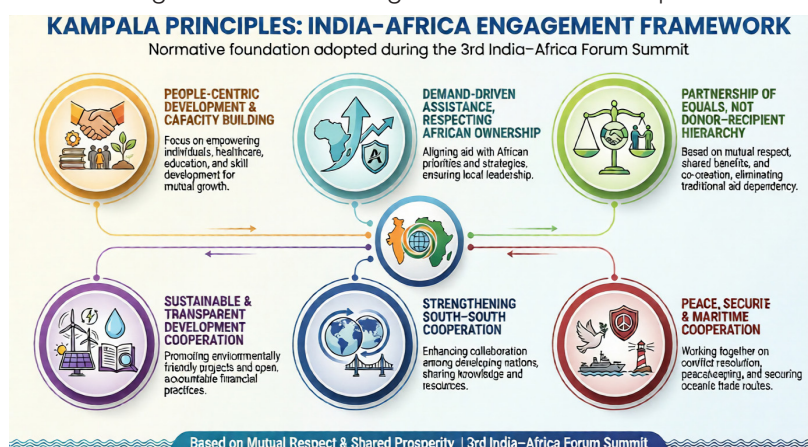
UNLOCKING THE POTENTIAL OF INDIA-AFRICA TIES

Context

- The Prime Minister of India's visits to **Ethiopia, Namibia and Ghana in 2025** have renewed focus on **India–Africa economic relations**.
- In the 21st century, this partnership is moving beyond historical solidarity to a strategic, economy-driven engagement, shaped by Africa's demographic rise and India's global economic ambitions.

India-Africa Relations

- **Overview:** As Africa emerges as one of the fastest-growing regions, with its population projected to reach **1.7 billion and consumer spending valued at USD 6.7 trillion by 2030**, India's engagement with the continent has become **increasingly strategic and multidimensional**.
 - ♦ **India and Africa** share a unique partnership rooted in a common history, mutual development aspirations, and demographic dynamism within this transformation.
- **Economic Ties:** India is now **Africa's fourth-largest trading partner**, with **bilateral trade approaching \$100 billion**, marking a **17% year-on-year increase**.
 - ♦ India exported goods worth **\$38.17 billion** in FY24, primarily to **Nigeria, South Africa, and Tanzania**. Key exports included petroleum products, engineering goods, pharmaceuticals, rice, and textiles.
 - ♦ However, **China's trade with Africa exceeds \$200 billion**, accounting for **21% of Africa's total imports** in 2024.
- **From Commodity Trade to Strategic Engagement:** Historically, India-Africa trade was shaped by **Africa's exports of raw materials** and **India's exports of pharmaceuticals, textiles, and automobiles**.
 - ♦ They now aim to transition from **commodity-driven trade** to **strategic engagement** in manufacturing, digital services, and skills development.
 - ♦ The **African Continental Free Trade Area (AfCFTA)**, launched in 2021, offers a powerful framework to deepen this integration by enhancing **intra-African trade** and **opening new corridors** for Indian investment and industrial collaboration.
- **Development Partnership:**
 - ♦ **Capacity Building:** Over 40,000 African professionals and students trained through Lines of Credit (LoCs) and ITEC.
 - ♦ **Digital Outreach:** e-Vidya Bharti and e-Arogya Bharti have benefited 15,000 learners across 22 countries.
 - ♦ **Agriculture:** Indian investments in irrigation, food processing and farm technologies support productivity and food security.
 - ♦ **Healthcare:** Indian pharma hubs in Nigeria, Kenya and South Africa; vaccine and medical supplies to 32 African countries strengthened India's image as a reliable health partner.



Challenges and Concerns

- **Economic & Trade Challenges:** Trade remains commodity-heavy with limited value addition.
 - ♦ Indian firms face competition from China's scale, financing capacity and infrastructure presence.
 - ♦ Limited Preferential Trade Agreements (PTAs) with African blocs.
- **Financial & MSME Constraints:** Indian MSMEs face:
 - ♦ Lack of affordable trade finance
 - ♦ High political and commercial risks
 - ♦ Inadequate insurance and credit guarantees
- **Connectivity & Logistics:** High freight and logistics costs due to:
 - ♦ Underdeveloped ports and hinterland connectivity
 - ♦ Absence of dedicated India–Africa maritime corridors
- **Security Concerns:** Piracy, terrorism and illegal exploitation in the Indian Ocean Region (IOR).
 - ♦ Red Sea disruptions (Houthi attacks) caused a 90% drop in container traffic, increasing global freight costs and affecting Indian exports.

Way Forward For India's Africa Strategy

- **Trade Facilitation and Market Access:** India needs to negotiate **Preferential Trade Agreements (PTAs)** and **Comprehensive Economic Partnership Agreements (CEPAs)** with African regional blocs and key economies.
 - ♦ Removing tariff and non-tariff barriers will be essential to expanding market reach and improving trade efficiency.
- **Transition to Value-Added Manufacturing:** India's current engagement is heavily commodity-driven. A shift toward **value-added, two-way manufacturing** and **cross-border joint ventures** is vital.
 - ♦ Establishing manufacturing bases in Africa allows Indian firms to benefit from **US preferential tariffs** via African supply chains, and tap into **Africa's growing consumer base**.
 - ♦ Strengthening engagement with the **African Continental Free Trade Area (AfCFTA)** can unlock vast new opportunities for Indian exporters.
- **Empowering MSMEs and Expanding Trade Finance:** The African market offers fertile ground for **India's MSMEs**, a segment often constrained in Western markets. Scaling up **Lines of Credit** and ensuring **accessible trade finance** are crucial.
 - ♦ Further measures include promoting **local currency trade**, and establishing a **joint insurance pool** to mitigate political and commercial risks for small and medium enterprises.
- **Reducing Logistics and Connectivity Costs:** India needs to invest in **port modernization, hinterland connectivity**, and the development of **India–Africa maritime corridors** to reduce freight costs and facilitate smoother trade flows.
- **Scaling Services and Digital Partnerships:** India should leverage its global strengths in **Information Technology, healthcare, education, and skill development** to enhance **services trade**.
 - ♦ Digital cooperation and people-to-people ties can serve as force multipliers for economic and cultural integration.
- **Securing Supply Chains and Maritime Corridors:** Piracy, terrorism, and illegal resource exploitation in the **Indian Ocean Region (IOR)** threaten maritime routes.
 - ♦ Recent disruptions, such as **Houthi attacks in the Red Sea**, caused a **90% drop in container traffic** and significant global freight inflation, impacting Indian exporters.
 - ♦ However, India has expanded its maritime cooperation through the **SAGAR vision** into **Mutual and Holistic Advancement for Security and Growth Across Regions (MAHASAGAR)** to counter these risks. Key initiatives include:

- **AIKEYME 2025:** A multilateral naval exercise in Dar-es-Salaam promoting interoperability and anti-piracy operations.
- **IOS SAGAR Deployment:** Indian Navy missions to East African ports to strengthen maritime security and cooperation.

Daily Mains Practice Question

[Q] Examine the evolving relationship between India and Africa. How can both regions build a sustainable and mutually beneficial partnership in the 21st century

Source: TH

