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Africa is the new frontier of Indian diplomacy. The continent, as Prime Minister Narendra Modi recently declared, is “a top priority for India’s foreign and economic policy.” The economic relationship is one of India’s fastest growing. Bilateral trade is on par with that between India and Southeast Asia. Indian firms have invested over \$50 billion in Africa.

The latest development is a burgeoning security relationship: New Delhi has expanded its maritime footprint along the Indian Ocean littoral but is also involved in combating Al-Qaeda in the Sahel as well. After South Asia, the African continent is the largest recipient of Indian overseas assistance. An Indian minister has visited every single African country recognized by New Delhi in the past three years.

In recognition of the rising importance of Africa to India’s strategic interests, Ananta Centre is pleased to launch a monthly newsletter which will seek to monitor developments in areas of interest to stakeholders in the African Region. We hope you will find this initiative informative and useful. We look forward to your comments.

HIGHLIGHTS

- AfDB Annual Meeting in Gujarat
- Africa Conclave Sees Contract Cleanup
- Developments in Pretoria and Abuja

AfDB Annual Meeting in Gujarat

A symbolic milestone in India’s engagement with Africa was reached when the African Development Bank held its 2017 annual meeting in Ahmadabad from 22nd to 26th May. The presidents of Benin and Senegal were among the over 3,000 attendees.

In the inaugural address, Prime Minister Narendra Modi spoke of how India’s partnership with Africa was “based on a model of cooperation which is responsive to the needs of African countries. It is demand-driven and free of conditions.” He said India had pledged \$10 billion for development projects over the next five years to Africa as well as \$600 million in grants. Modi highlighted India’s provision of 152 separate lines of credit to 44 African countries worth \$8 billion. The prime minister spoke of doubling India’s trade with Africa to \$100 billion in two years.

Mr Akinwumi Adesina, president of the AfDB, described India as a textbook example for other developing countries on how to handle their economic problems and called India a “development beacon.”

In the run-up to the annual meeting India held events where it took the opportunity to highlight how much India could contribute to the AfDB's "Hi-Five Agenda" of power, food, industrialization, integration and quality of life. The Exim Bank of India released a series of working papers showcasing India's developmental experiences in these areas.

Exim Bank and Indian foreign ministry officials explained that funneling a part of India's overseas assistance to Africa through the AfDB was useful for a number of reasons. The AfDB has considerable standing in Africa and having its stamp of approval greatly enhances India's credibility in the continent. Working with the AfDB also allowed New Delhi to indirectly highlight how much of China's assistance to Africa does not go through the filter of multilateral financial institutions in terms of viability, transparency and environmental sustainability. Finally, the AfDB would help New Delhi to cleanup irregularities which have crept into its lines of credit offerings.

India's direct contribution to the AfDB and the African Development Fund, which it joined in the early 1980s, remains small though it pledged a bridge loan of nearly \$ 15 million to the AfDB in November last year as well as \$ 13.3 million to the fund. India's burden share of the fund is still only 0.319 per cent.

A special session was held on Indo-Japanese cooperation in Africa under the aegis of the Japan External Trade Organisation, Japan International Cooperation Agency and the Japan Bank for International Cooperation along with their partner organisations in India. The session focused on promoting African business through private-public partnerships of the two Asian countries. But there was also some discussion about the proposed Indo-Japanese growth corridor in Africa, a multi-billion dollar infrastructure and investment corridor that is expected to be officially announced later this year.

In contrast to China and the West, India has created a more consultative aid programme, one which provides the Africans what they themselves ask for. The programme also focuses on India's non-financial strengths, like human capacity building. One way to establish the credibility of India's aid efforts is to work through multilateral financial institutions which have developed robust compliance structures. Hosting the AfDB annual meeting and working through such an institution allows Indian to position its aid efforts on a higher plane of integrity.

Africa Conclave Sees Contract Cleanup

The flagship India-Africa economic summit, the annual Confederation of Indian Industry-Export Import Bank of India Africa Conclave, was held in New Delhi on 9-10 March. The twelfth such conclave saw a drop in attendance with the number of Indian delegations from 622 in 2014 to 452 and the number of African countries from 45 in 2014 to 37.

While this would seem to run counter to what was seen in last year's Indo-African summit where a record 54 African governments sent delegations, Indian officials argue the latest conclave represents a re-adjustment to the economic relationship. These change will help make Indo-African business ties more commercially sustainable.

The conclaves have been driven by the business opportunities created by New Delhi's aggressive use of lines of credit. These provide concessional finance to African governments to buy goods and services from Indian firms.

While partly successful in generating more Indo-African business relationships, such contracts had in recent years come to be dominated by an oligopoly of intermediary Indian firms.

This undermined the original purpose of the policy which was to get ever larger numbers of Indian companies to seek new markets and partners in Africa.

India has emerged as the African continent's second largest trading partner—outpacing Japan and the United States in recent years. China is Africa's largest trading partner and EU is its largest trading bloc. The lines of credit, handled by the Exim Bank of India, were designed to enhance Indian private sector involvement in this economic relationship.

Last year, the Exim Bank in conjunction with the Ministry of External Affairs, worked out new requirements for Indian firms who applied to for such credit. These included having a track record of doing business in the specific economic sector for which the credit was being drawn. This changed the character of the firms involved in the conclave, both on the Indian and African side. This disruption, say officials, is what has led to the drop in participation rates on both sides.

The expectation is that participation rates will recover as more Indian firms, seeing the original oligopoly broken, will now re-enter the market.

The domination of a few intermediary companies of the lines of credit programme threatened to undermine the entire programme, an otherwise innovative way to provide assistance to African countries while also promoting India's business footprint in the continent. These reforms should help keep the Lines of Credit on an even keel.

Developments in Pretoria and Abuja

South Africa, the wealthiest of the African states, and Nigeria, the most populous, are entering stages of political uncertainty.

SOUTH AFRICA: South Africa's Constitutional Court is holding hearings on whether a planned no confidence motion against the government of President Jacob Zuma should be held as a secret ballot. The opposition parties have asked the court for a ruling in the hope that it can entice parliamentarians of the ruling African National Congress to turn against the embattled Zuma.

The case revolves around whether section 102 of the constitution which governs no confidence motion implicitly requires a secret ballot. The judiciary has so far seemed skeptical, noting that the constitution was explicit about the use of secret ballot when it came to electing a president, but silent on the subject of a no confidence motion.

The motion for a no confidence vote against Zuma was tabled by the main opposition Democratic Alliance two months ago. The vote was scheduled for April 18th, was withdrawn at the last minute. But other opposition parties moved to have the vote carried out by secret ballot which, in turn, led to the Constitutional Court being brought into the picture.

Zuma's government, battered by corruption scandals and infighting within the ANC, still has a good chance of riding out the present political crisis. However, he will emerge from the crisis weaker and the South African economy more fragile.

The ANC has 249 of the 400 seats in the South African Parliament so it would take the defection of over 20 per cent of its parliamentarians to bring Zuma down. His loyalists also have a tight hold on the party's national executive. Zuma's dismissal of his widely regarded finance minister, Pravin Gordhan, in April and general unpopularity has led to calls for his resignation by the ANC's trade union ally, the Congress of South African Trade Unions, and coalition partner, the South African Communist Party. These related organisations were among his strongest supporters in the past.

Gordhan's dismissal, the ANC's poor showing in local elections and some populist economic rhetoric by ruling party officials, led credit rating agencies Standard & Poor's and Fitch to downgrade the country two notches to junk rating.

The South African economy is coming out of a double whammy: a drought that devastated the farm sector last year and a global commodity slump that reduced its earnings from mineral exports. Zuma's political problems have made foreign investors wary but signs of recovery means growth is likely to be slightly positive or neutral this year.

These domestic problems, and the rise of the black populist Economic Freedom Fighters party, have forced the Zuma government to move to the left in its foreign and economic policies.

Pretoria has put out a foreign policy narrative that Western powers are seeking to undermine South Africa because of the geopolitical threat posed by the BRICS, a view treated with skepticism even in South Africa given the obvious weaknesses of the BRICS as a group.

Within the BRICS, say Indian officials privately, South Africa is the member most closely aligned with China. Beijing was crucial in getting Pretoria into the group and its trade relationship with South Africa is far larger than any other emerging economy.

NIGERIA: Political uncertainty is also rising in Nigeria because of President Muhammadu Buhari's deteriorating health. Buhari spent nearly two months, from January to March, in London for medical treatment. In May, Nigeria's Chief of Army Staff Tukur Buratai issued a stern warning against politicians trying to influence army officers. All of this has fed a sense that Buhari may be unable to finish his term and led to an inevitable degree of political manoeuvring.

Buhari's health took a turn for the worse earlier this year. The nature of his ailment remains a secret. But the president, on his return home, spoke of having never been "so sick" in his life and about having undergone a "blood transfusion."

A truncated Buhari term is a problem because of the unwritten political understanding in Nigeria that the presidency should alternate between the northern and southern regions of the country. The last northern president, Umaru Yar'Adua, died in office just three years into his four-year term. His deputy, Goodluck Jonathan was a southerner who completed Yar'Adua's last year and then went on to win the subsequent election and serve a full term afterwards. Buhari's election was supposed to restore the balance, but his ill-health may see Vice-President Yemi Osinbajo come to power and potentially use this as a springboard for a presidential bid himself. However, Osinbajo is a southerner.

Northern Nigerians are already resentful that, due to various circumstances, 13 of the past 18 years have seen a southerner holding the presidency. Buhari's health has become a matter of national concern. Northern Nigeria is largely Muslim while the south largely Christian. Northern sense of marginalization has helped lead to the rise of Boko Haram, the Al Qaeda affiliated terrorist group, in the northeast of the country. These sensitivities led Buhari, when he was in London, to not declare Osinbajo acting president but instead designate him "coordinator of national affairs." The net result, however, has led Nigerian politicians to begin preparing for the possibility of elections being held earlier than their scheduled 2019 date, leading to a drop off in legislative and policy-making activity needed to boost the sagging Nigerian economy.

Both South Africa and Nigeria will become increasingly inward-looking for the remainder of this year. President Jacob Zuma's government is likely to survive opposition attempts to unseat him. But the open split within the coalition that supports his government will mean he will be increasingly ineffective as a ruler. Nigeria will be similarly be paralysed until there is some certainty about the physical condition of President Muhammadu Buhari. Barring a full recovery of health, all the possible scenarios for the immediate future point to an Abuja focused on the next election cycle. At a time both economies are in a trough thanks to depressed commodity prices, growth figures in both cases will remain low until the political uncertainty is gone.

(The views expressed are personal)
