Staging a comeback, re-energising India's Africa policy

Africa is considered a foreign policy priority by India. The government designed a forward-looking strategy to deepen relations with African countries. Its implementation was managed quite well, with much political will invested in expanding the multi-faceted engagement. Even as the COVID-19 era began, New Delhi took new initiatives to assist Africa through prompt despatch of medicines and later vaccines. But now the policy implementation needs a critical review.

The macro picture

1. The latest economic data confirms what was apprehended by experts: India-Africa trade is on a decline. According to the Confederation of Indian Industry, in 2020-21, India's exports to and imports from Africa stood, respectively, at $27.7 billion and $28.2 billion, a reduction of 4.4% and 25% over the previous year.
2. Thus, bilateral trade valued at $55.9 billion in 2020-21, fell by $10.8 billion compared to 2019-20, and $15.5 billion compared to the peak year of 2014-15.
3. India's investments in Africa too saw a decrease from $3.2 billion in 2019-20 to $2.9 billion in 2020-21. Total investments over 25 years, from April 1996 to March 2021, are now just $70.7 billion, which is about one-third of China's investment in Africa.
4. India's top five markets today are South Africa, Nigeria, Egypt, Kenya and Togo. The countries from which India imports the most are South Africa, Nigeria, Egypt, Angola and Guinea.
5. India's top three exports to Africa are mineral fuels and oils (processed petroleum products), pharmaceutical products and vehicles. Mineral fuels and oils, (essentially crude oil) and pearls, precious or semi-precious stones are the top two imports accounting for over 77% of our imports from Africa. The composition of the India-Africa trade has not changed much over the two decades.

Global competition:

1. As a recent study showed, Africa experienced a sharpened international competition, known as 'the third scramble', in the first two decades of the 21st century.

2. A dozen nations from the Americas, Europe and Asia have striven to assist Africa in resolving the continent's political and social challenges and, in turn, to benefit from Africa's markets, minerals, hydrocarbons and oceanic resources, and thereby to expand their geopolitical influence.
3. A mix of competition and contestation involving traditional and new players, especially the United States, the European Union (EU), China, Japan and India, has attracted much attention from governments, media and academia.
4. While China has successfully used the pandemic to expand its footprint by increasing the outflow of its vaccines, unfortunately, India's 'vax diplomacy' has suffered a setback. This came in the wake of the debilitating second wave of COVID-19 in the country and the shortage of vaccine raw materials from the U.S.
5. Geopolitical tensions in Asia and the imperative to consolidate its position in the Indo-Pacific region have compelled New Delhi to concentrate on its ties with the United Kingdom, the EU, and the Quad powers, particularly the U.S. Consequently, the attention normally paid to Africa lost out.

India's role

1. This must now change. For mutual benefit, Africa and India should remain optimally engaged. India's aid for economic development in the African continent must continue.
2. It is time to seize the opportunity and restore Africa to its primary position in India's diplomacy and economic engagement. The third India-Africa Forum Summit was held in 2015. The fourth summit, pending since last year, should be held as soon as possible, even if in a virtual format.
3. Fresh financial resources for grants and concessional loans to Africa must be allocated, as previous allocations stand almost fully exhausted. Without new commitments, India's Africa policy would be like a car running on a near-empty fuel tank.

Areas with promise

1. The promotion of economic relations demands a higher priority. Industry representatives should be consulted about their grievances and challenges in the COVID-19 era.

Internal Security | Polity | History | Disaster Management
Science & Technology | Economic | Geography | Ecology & Environment
International Relations | Life Science | Social Issues | Ethics, Integrity & Aptitude

2. It is essential "to impart a 21st-century complexion to the partnership with Africa", as the above-mentioned study argues. This means developing and deepening collaborations in health, space and digital technologies.
3. Finally, to overcome the China challenge in Africa increased cooperation between India and its international allies, rates priority. The recent India-EU Summit has identified Africa as a region where a partnership-based approach will be followed.
4. Similarly, when the first in-person summit of the Quad powers is held in Washington, a robust partnership plan for Africa should be announced. For it to be ready in time, work by Quad planners needs to begin now.

The rural economy can jump-start a revival

1. The second wave of the COVID-19 pandemic could be slowly receding with a decline in the official estimates of daily infections and deaths. The economy is also very gradually getting back to normal, with many States beginning to ease some of the restrictions imposed in their lockdowns.
2. However, the challenge of an economic recovery is far more serious than the health pandemic despite official claims of there being an economic recovery. Last month, the National Statistical Office (NSO) released the estimates of the Indian Gross Domestic Product (GDP) growth for the fiscal year 2020-21.
3. The decline in GDP, at 7.3%, was slightly better than expected, even though this is a gross underestimate of the reality given the methodological issue of underestimation of the economic distress in the unorganised sector.

Making things worse

1. But what makes economic recovery challenging is that this decline followed three years of a sharp decline in GDP even before the novel coronavirus pandemic hit the country.
2. Economic growth had already decelerated to 4% in 2019-20, less than half from the high of 8.3% in 2016-17. Since then, the slowdown in the economy has not only made things worse as far as economic recovery is concerned but also come at a huge cost for a majority of households that have lost jobs and incomes.

3. The pandemic has only worsened an already fragile economic situation. The sharp decline in GDP was partly a result of the trend of a slowdown in economic activity since 2016-17.
4. While a strict national lockdown certainly hit economic activity last year, what made matters worse was the less than adequate response from the Government in increasing financial support to revive demand in the economy.
5. Many of the grand announcements remained largely on the monetary side without the enabling policy framework to help small and medium enterprises as well as the large unorganised sector which bore the brunt of the restrictions in economic activity.

Agriculture, a key driver

1. Despite the lack of financial support, an important contributor to the better-than-expected economic performance was the resilience of the rural economy, particularly the agricultural sector.
2. While rural areas were the first point of refuge for a majority of migrants who walked back thousands of kilometres from urban metropolitan areas, agriculture was the only major sector (other than electricity, gas, water supply and other utility services) that reported an increase in Gross Value Added (GVA) in 2020-21.
3. It not only provided jobs to returning migrants but also sustained the economy in the rural areas
4. Agriculture has not only been the biggest saviour during the period of the pandemic but has consistently been an important driver of the economy throughout the last five years which has seen the economy slow down sharply.
5. The average growth rate in agriculture GVA in the last five years, at 4.8%, is significantly higher than the GVA growth of the economy as a whole, at 3.6%, in the last five years.

The rural sector

1. The aggregate data are unlikely to capture the actual extent of devastation in the rural areas. While this is true for even the basic estimates of death and the health catastrophe caused by the pandemic, it is even more severe in its economic impact.

2. Similar to the official statistics which have underestimated deaths due to the pandemic in most States — as has been brought out recently in several newspapers — the economic distress in rural areas is also largely unreported and underestimated.
3. The second wave affected rural areas disproportionately, in terms of health but also in terms of livelihoods. Many households have lost an earning member and an equally large number have spent a large sum on private health care expenditure in dealing with the infection.
4. It will not be surprising if rural areas now witness a sharp rise in indebtedness from non-institutional sources.
5. However, the response from the Government has not been commensurate with the scale of the pandemic in rural areas. Unlike last year, the Government has not increased the allocation this year for the National Rural Employment Guarantee Scheme (NREGS).
6. While the free food-grain scheme has been extended this year as well, it does not include pulses as was provided last year. Similarly, there has not been any cash transfer to vulnerable groups, unlike last year.

The decline in jobs, income

1. The impact of declining incomes and job losses on demand is now visible even in rural areas.
2. While real wages have continued to decline with the latest estimates of April 2021 showing a decline in rural non-agricultural wages by 0.9% per annum in the last two years, agricultural wages continue to stagnate.
3. One indicator of declining demand is the decline in wholesale prices of most of the agricultural commodities. Cereals and vegetables, which together account for more than half of crop output, have seen prices decline on a year-on-year basis for more than six months now. This is happening at a time when international agricultural prices are at an all-time high.
4. Some of this is reflected in the rise in inflation in pulses and oilseeds groups, both of which are largely imported. The net result is a peculiar situation where output prices for dominant agricultural commodities in the domestic market are declining while consumer prices of essentials such as edible and pulses are contributing to rising inflation.

Internal Security | Polity | History | Disaster Management
Science & Technology | Economic | Geography | Ecology & Environment
International Relations | Life Science | Social Issues | Ethics, Integrity & Aptitude

Inflation threat

1. Rising inflation further threatens to reduce the purchasing power of the rural economy struggling with declining incomes and job losses. This is further compounded by the shift in terms of trade against agriculture which has put agricultural incomes under strain.
2. The rise in input prices for diesel has already contributed to rising input costs but the recent increase in fertilizer prices for most of the complex fertilizers have also added to the misery of farmers.
3. Rising inflation in international commodity prices also threatens the rural non-farm economy. A majority of the rural non-farm sector already struggling from low demand has now seen its profit margins getting impacted due to the increase in the cost of raw material.

Despite these setbacks, the rural economy including the agricultural economy continues to remain crucial for any strategy of economic revival. But for that, it will require proactive intervention from the Government to protect the rural population by speeding up vaccination.