

## INDIA-COMESA RELATIONS

India signed an MOU for long-term economic and technical cooperation with the COMESA in February 2003.

A COMESA ministerial delegation visited New Delhi in October 2006 for the first ministerial level meeting. The meeting decided an **Action Plan** primarily in the area of capacity building including deputation of experts under ITEC to COMESA Secretariat in the areas of industrial development, Drugs and Pharmaceuticals, ICT and energy. Our energy expert completed his one year deputation with COMESA Secretariat on 20<sup>th</sup> June 2009 and submitted a report on “COMESA Integrated Energy Planning Strategy”. The **Action Plan** also envisages cooperation in trade, SMEs, science & technology and agriculture. Progress has been made in the implementation of the Action Plan. In bilateral interaction, the COMESA delegation attended the CII’S Third Conclave on India – Africa Project Partnership from October 9 – 11, 2006 in New Delhi; CII Partnership Summit in Gurgaon in January, 2008; First India-Africa Forum Summit in New Delhi in April, 2008 and the Second India-Africa Forum Summit in Addis Ababa, Ethiopia in May, 2011.

As part of the continuing engagement between India and Africa on an institutional basis, the second meeting between India and the African Regional Economic Communities [RECs] is took place in New Delhi between 08 and 10 November 2011 in which a two member delegation led by the Secretary General of COMESA participated. The representatives of the RECs met with several Ministries and agencies of the Government of India who are engaged in implementing jointly agreed programme and projects. A cross-section of Indian investors and entrepreneurs met with the delegates to discuss opportunities in their region, to learn about the growing market size, i.e., from about 130 million people in the EAC to nearly 400 million in COMESA. The RECs expressed their deep appreciation for the Government of India’s initiative in inviting them as integral partners of India in Africa. The first ever meeting between India and the African Regional Economic Communities [RECs] was held in New Delhi between 14 and 16 November 2010.

In an Exim bank research brief distributed to the RECs delegates during the meeting, it was revealed that the COMESA region accounted for 38.2 percent of India’s total exports to Africa during the year 2009-10 while 13 percent of India’s imports from Africa were from the COMESA region.

India is one of the cooperating partners of COMESA. Our High Commissioner in Lusaka is accredited to COMESA Secretariat as India’s Special Representative to COMESA Secretariat which is based in Lusaka. Accordingly, our Special Representative participates in the Summit meetings of the COMESA Authority and other relevant meetings of COMESA organs.

A COMESA Workshop on Intellectual Property Rights was held in Harare on 03 May 2010 for stakeholders from Government and the Private Sector to exchange views on the COMESA Policy on Intellectual Property Rights. India too was represented at the workshop.

COMESA is Africa's largest economic community with ***a total population of around 430 million and an estimated combined GDP of US\$ 447 billion.*** The main goals of COMESA are to eliminate the structural and institutional weaknesses of member states and to promote political stability and sustained economic development.

The COMESA, EAC (Eastern African Community) and SADC in their tripartite Summit held in Kampala on 22<sup>nd</sup> October 2008 have resolved that the three regional groupings shall immediately start working towards their merger into a single regional organization. COMESA-EAC-SADC Ministerial Tripartite Meeting was held in Lusaka on May 13, 2011 under the tripartite framework. The meeting looked at proposals aimed at streamlining trading arrangements among member countries and discussed proposed modalities of establishing a single market by way of a ***Grand Free Trade Area*** – combining the Free Trade Areas of COMESA, EAC and SADC and thus presenting a large market with a combined population of 580 million for promoting and attracting both cross border and international investment.

COMESA established Africa's first FTA in October 2000 among 9 out of 19 Member states and the membership has grown to 14 out of 19 Member States, as a result intra-COMESA trade has grown from \$3bn in 2000 to over \$18.3bn in 2011. The 14 countries of the Free Trade Area account for 87% of COMESA's combined Gross Domestic Product and over 75% of intra-COMESA trade, in excess of 85% of COMESA's extra-regional imports and 80% of total COMESA trade (2004-2006, COMESA database).

COMESA Customs Union was launched in June 2009 with a transition period of three years and the key instruments for the operationalization of the Customs Union were in place. Member States had been expected to domesticate the Customs Management Regulations, to align their tariffs to the Common External Tariff and domesticate the COMESA Common External Tariff and to domesticate the COMESA Common Tariff Nomenclature. Although the COMESA Customs Union did not come into force as was expected due to some shortcomings, considerable progress was made during the year 2012 that so far 11 out of the 19 Member States have submitted their provisional list of sensitive products.

The 16<sup>th</sup> Summit of the COMESA Heads of State/Government was held in Kampala, Uganda from 23-24 November 2012 under the theme "Enhancing Intra-COMESA Trade through Micro, Small and Medium Enterprise Development". The Summit was preceded by the 31<sup>st</sup> meeting of the COMESA Council of Ministers and 12<sup>th</sup> meeting of the COMESA Ministers of Foreign Affairs. High Commissioner participated in the Council of Ministers meeting on 19-20 November and made a statement on India-COMESA Engagement.

India's relationship with Africa was given a new structure during the First India-Africa Forum Summit (IAFS-I) held in New Delhi in April 2008. The Second India Africa Forum Summit (IAFS-II) held in Addis Ababa in May 2011 celebrated our friendship and renewed our commitment to Africa. At the Summit, Prime Minister Manmohan Singh had said: "the India-Africa partnership rests on three pillars of capacity building and skill transfer, trade and infrastructure development". The Hon'ble Prime Minister announced many new initiatives to further strengthen our cooperation with Africa, including the availability of Lines of Credit (LoC) of US\$5 billion; more than 22,000 scholarships to Africa over the period of next three years; and establishment of more than 80 capacity building institutions in Africa. We hope COMESA countries would be able to take advantage of these measures.

Following are figures of COMESA's Trade with India, for years 2006 to 2010 in US\$ (Millions):

<b>S/ N</b>	<b>Year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
01	<i>Exports to India</i>	1,293	1,838	2,705	2,383	1,599
02	<i>Re-exports</i>	25	16	37	18	80
03	<b>Total Exports</b>	1,318	1,854	2,742	2,401	1,679
04	<b>Imports from India</b>	2,877	3,565	6,511	5,365	6,197
05	<b>Total Trade</b>	4,195	5,419	9,253	7,766	7,876
06	<b>Trade Balance (03-04)</b>	(-)1599	(-)1,711	(-)3,769	(-)2,964	(-)4,518

The COMESA exports to India are dominated by petroleum products (around 70%) followed by cotton (around 10%). On the other hand, major COMESA imports from India are refined petroleum products, rice, pharmaceuticals, steel etc.

Kenya and Egypt were the major destinations of India's exports to the COMESA region accounting for more than half of India's exports to the COMESA region in 2009. Other major export markets in the region include Sudan, Mauritius, Djibouti, Ethiopia and Libya. Regarding imports, Egypt accounted for more than half of India's imports from the COMESA region. Other COMESA exporters included Libya, Sudan and DR Congo.

## 12. Indian Investments in COMESA

- a) Indian investment in the region has also increase over the years. India's direct investment in joint ventures (JVs) and whole owned subsidiaries (WOS) in the region during the period 1996 to December, 2007 amounted to US\$ 5.2 billion, accounting for more than 10 percent of India's global

overseas investment during the same period. Among the COMESA countries, Mauritius was the major destination of this investment amounting to US\$ 3.5 billion during the period accounting for about two-third of total investment from India to the COMESA region.

- b) Other India investment destinations in the COMESA region include Egypt, Ethiopia, Kenya, Libya Madagascar, Malawi, Rwanda, Sudan, Swaziland, Uganda and Zambia. Between April 2000 and June 2010, the largest Foreign Direct Investment (FDI) to India from COMESA region was from Mauritius amounting to US\$ 49.1 billion. The other sources of investment flow into India from the COMESA region during this period came from Seychelles, Kenya, Uganda, Egypt, Libya and Sudan. Investments from Seychelles amounted to US\$16.68 million while that from Kenya amounted to US\$15.85 million during this period. Trade and investment flow between India and the COMESA region are indeed a clear testimony of how South-South Cooperation is working.

### **In Zambia**

- c) It is noteworthy to mention that M/s Vedanta Resources, (the parent company M/s Sterlite Industries in India) has invested \$ 2.7 billion in Konkola Copper Mine (KCM); their investment is expected to reach US\$ 3 billion in the next two years.
- d) Zambia Electricity Supply Company (ZESCO) and TATA Africa Holdings have formed a joint venture company called Itezhi Tezhi Power Corporation Limited (ITPC) to carry out US\$ 200 million Itezhi-Tezhi Hydropower project. Tata is also collaborating with the Copperbelt Energy Corporation (CEC) for 36 MW power project in the Copperbelt.
- e) TATA acquired a leather tannery from Zambia Development Agency (ZDA) in February, 2009 for US\$1.164 million at Kabwe, Central Province. The company plans to upgrade the tannery with further investment of about US\$4 million in the next four years.
- f) M/s Nava Bharat Singapore Limited, a subsidiary of Nava Bharat Ventures Limited, Hyderabad, India, has purchased 65% equity shares in Mamba Colliers Ltd. from Zambia Consolidated Copper Mine Investment Holdings (ZCCM-IH) after competing successfully against a global tender floated by Mamba Colliers Ltd. in December 2009.
- g) RJ Corporation of India, an Indian firm, has pledged to invest US\$30 million over the period of six years on Pepsi manufacturing plant. In Phase I of the project, a Pepsi bottling plant in Lusaka started production in October 2010; in Phase II, the firm would construct another plant for manufacturing fruit drinks at a cost of another US\$15 million.
- h) Taurian Manganese Limited, one of the group of Companies of Dharni Sampada Private Limited in India has invested US\$17 million in 2010 and plans to invest another US\$200 million in manganese mining in Zambia.

- i) Bharti Airtel launched its new brand, Airtel Zambia, on November 22, 2010. The new brand comes with a promise to meet the emerging needs of customers with innovative, affordable and relevant solutions to empower consumers and will provide low tariffs and roll out deep in rural areas and bridge the digital divide.

The Exim Bank has been providing credit lines to PTA Bank and these credit lines have been utilised by the private sector in sourcing machinery and equipment from India in various COMESA countries. A total of US\$76 million (including \$10 million extended during the COMESA October 2006 visit to Delhi) has so far been provided.

**Suggested Indian strategy for COMESA:** According to an IIFT study, several COMESA states such as Egypt, Mauritius, Kenya, Sudan, Ethiopia and Zambia are importing rice, wheat, tobacco, cotton yarn, footwear, pharmaceutical items, table, kitchen and household items, coal, related products of iron and steel, paper and paper board, diesel engines, chemicals and fertilizers worth about US \$ 1 billion from the non-COMESA states. There is potential for India to supply some of these items.

It will become easier for the Indian companies to increase their exports to the COMESA states if India and COMESA could enter into a Preferential Trade or a Free Trade Arrangement. Government of India has proposed setting up of a joint Study Group (JSG) to examine the feasibility of a **Free Trade Agreement (FTA) / Preferential Trade Agreement (PTA)** between India and COMESA. The first meeting of the JSG, co-chaired by the Chairman of the COMESA Bureau and the Joint Secretary, Ministry of Commerce, was held in Lusaka on 30-31 July 2012. The next JSG meeting will be held in New Delhi to consider the first draft of the JSG report.

The deeper integration among the COMESA states will enable the Indian companies to participate in infrastructure related projects being promoted by COMESA and set up facilities to manufacture items such as agricultural equipment, textiles, pharmaceuticals, telecom equipment, processed foods in these countries and export to the COMESA and other Sub-Saharan African states.

Since USA, Canada and European Union are providing duty and quota free market access to several COMESA states, the Indian companies will be able to export their goods from these states to their markets too.

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