CHAPTER - 5

Constraints of the Trade Between the Economy of India and African Countries
Many constraints of trade identified in the way of trade between India and African countries. These are analyzed as below:

5.1 Constraints for the Export

There are many constraints of export which affect Indian export to African countries. They are as follows:

I. Lack of Raw Material: In India there is a big problem of proper supply of raw material. There are many goods in which improper supply of raw material like engineering goods, vehicles, furniture, woods etc. These factors responsible for low export of goods. For example - Maruti 800 car manufactured by Indian company but the engine of Maruti Car is imported from other countries.

II. High Costs of Production: Shortage of raw material generate high cost of raw material which increase production cost of Indian goods.

III. Poor Quality of Goods: In world market the image of Indian goods is not very good. The tendency of “poor India” also affect the value of Indian goods in international market. In abroad market most of foreign trader think that Indian goods means poor quality. They think only American, Japanese, Chinese goods quality is good. So they give first preference to these countries goods while giving order for imports.
IV. **Unreliability of Exporter**: It has been observed that Indian exporters are regarded unreliable. A black mark on Indian exporter is reneging. They are unreliable also because of their inability to provide good service.

V. **Lack of Domestic Support**: In Indian export there is a problem of governmental support. In India government provide few supports for exported goods like - SEZs, export subsidy etc. Many of infant industries shut down because of weak domestic supports of government.

VI. **Lack of Research and Development**: In African countries such as Egypt, Tanzania, Zambia there is a big demand of Indian embroidery based garment, carpets, cloths etc. but in these sectors there is few research and development programmes organized by Indian government. For this reason export of these goods increased slowly.

VII. **Lack of Integrated View**: In Indian exporter there is a lack of integrated view of the development potentials and objectives and a long term strategy based on such as an integrated approach. In India individual exporter want their own profit. For these own profits they destroy other exporters industry or business by hook and by cook, which is a constraint of Indian trade.

VIII. **Uncertainties in Commitment of Exporter**: In India, exporter take all responsibilities lightly. Most of exporter work on the basis of “Jugad”, they think that just like domestic market they can do delay in supply of exported goods but international market work on “on time delivery” basis where delay means shutting your business.
IX. **Uncertainty of Policies and Weak Encouragements**: Uncertainty of policies and weak encouragement are the great fault of India’s trade policy. Many time government break or shut trade policies and trade subsidies in mid way.

X. **Weak Information System**: For international trade market good information system is required. But in Indian market, information system is weak and low. If we see other countries trade information system like Japan have Jetro, Korea have Kotra, and Singapore have S.T.D.B. information system which provide all trade related information news in time but in India Task force unable to provide information in time. In India maximum trade information released after date. Abid Hussen committee focus on this problem but Indian government ignore their suggestions.

XI. **Problems of Market Access**: Market access is a main problem of Indian goods / commodities. There are many small scale industrial goods which have potential to export to African countries, like Lizzat Papad, Pickle etc. but these commodities unable to reach African market because these industries have small financial support and they running only on state level. Second example of manual embroidery work. There is a large export of embroidery garment to Egypt but in other countries of Africa such as Benin, Sudan, Zambia, Embroidery export is low because these goods unable to access in these African countries market.

XII. **Lack of Financial Support**: India and African countries trade relation both side faced financial support problems. It is noticeable that Indian
government released export subsidy but this subsidy is not essential for export promotion. On the other hand in African countries there are also lack of financial support. Like-as we know Benin is a small country so government of Benin unable to support export properly. This is the main reason of faceless present of export of Benin not only in India but also in world market.

XIII. Supply Problems: The big problem of Indian export is proper supply. The problem is that much of the exporting is the result of the residual approach rather than conscious effort of producing for export. The tendency for exporting what we produce rather than producing for export still continues to characterize the export behaviour.

XIV. Faceless Presence: Many export items of India like live animals, preparations of meat of fish, wood and articles of wood, wood charcoal, cork and articles of cork, musical instruments, parts and accessories thereof etc. leave in many cases, a faceless presence in Benin, Egyptian and Zambian markets. Although these exports items are small in quantity. There are many reasons for small quantity, some time bed quality, old design of wood articles.

XV. Lack of Innovation: Lack of innovation is one of the most important factor that affected the position of export in African countries market because most of Indian goods like furniture, embroidery garment etc. is based on traditional pattern. In African countries market Indian goods faced competition by Chinese goods because Chinese goods design much better rather than Indian goods.
XVI. Weak Governance and Infrastructure Quality: Focusing on the poorest countries in the selected sample, it appears that significant trade expansion could be achieved by easing constraints related to governance and infrastructure quality. Agricultural exports to these countries could more than double if quality of infrastructure were brought to the level observed in the richest developing countries.

XVII. Tariff Problems: Tariffs are found to have a significant negative impact on trade relation of selected countries. On average, a reduction of tariff by 10% would increase trade value with these countries.

5.2 Determinants to Import

In India, there are many import regulations which are regulated by Indian government the important factors which determine the volume of India’s imports are:

1. The rate of growth of the Indian economy high rate of growth, ceteris paribus, is associated with rise in imports.

2. The relative price of imports (relative change in the prices of imports and domestic goods). An increase in the imports, ceteris paribus, is associated with a fall in the relative price of imports. From the above two factors, it can be inferred that the volume of imports trend to be very high when there is a conjuncture of high rate of economic growth and a sharp fall in the relative price of imports and vice versa.
3. In a number of years, the volume of India and African countries was kept down by moderating growth of the economy together with relatively high price of imports.

4. A sharp decrease in the volume of imports was noticed when there was a combination of low growth of the economy and a sharp decrease in the relative price of imports (and with import liberalization) were associated with rising imports to India.

5. On the other hand, there was a large increase in imports when there was a combination of good growth of the Indian economy and a sharp decrease in the relative price of imports.

6. Large imports in several years were associated with moderate growth of the economy and substantial fall in the relative price of imports.

7. When change in the relative price of imports has been moderate, low growth of the Indian economy has been associated with low growth in the volume of imports.

5.3 Transportation and Communication Problems

In India and African countries trade, transportation and communication is a big problem. Export from India facing transportation problem because there is no direct airway to Benin and Zambia by which export from India may be delivered after due date to destination.

Second problem is communication problem as we know that African continent is not properly developed. Most of African exporter do not know English language because of this they are unable to understand demand of Indian importers
which affects African countries export. For example – India import few items from Benin, which is the result of bad communication skill of Benin exporters.

5.4 Problem of Payment and Clearing Arrangements

Payment and clearing arrangements is a major problem of India – African trade because African countries such as Benin, Kenya, Sudan and Zambia are LCDs countries and most of them depend upon foreign countries subsidies and World Bank subsidies. On the other hand Indian exporters also suffered from these problems. They are unable to give “on time payment” which affected India and African countries trade payment system.

5.5 Constraints of Trade from African Countries Side

Major constraints from African countries side they are as follows:

I. Crisis of Egypt : The unrest in Egypt has forced some Indian companies to temporarily shut down their manufacturing units as a precautionary measure, while some are still standing to face the possible impact. FMCG companies like – Dabur India and Marico temporarily shut down their unit, while other like Asian Paint believed to be considering follow shut if the trouble continue.

II. Weak Capacity to Develop Appropriate Trade and Investment Policies : African countries such as Benin, Kenya, Zambia, however rich in tradable natural resources but they have weak capacities in the design of effective development policies in the area of trade and investments. In the case where trade and investment policies have been developed, they were inconsistent with the overall national growth and development strategy.
For most African countries, the structure of their economies has remained unchanged, since independence. Agriculture constitutes the mainstay in terms of production and employment, representing the largest share and in the creation of national wealth. Africa has failed as a continent of widen its resource based sectors and moved up the value added chain ladder. The failure is mainly due to weak policies that failed to address the supply side constraints including poor transport and communications infrastructure, low productive capacities. There’s a lack of capacity in African countries required to design, implement and monitor international trade and investment.

III. Weak Infrastructure and Supply Side Capacities: Various barriers are constraining trade and investments from the supply side thereby undermining the African countries capacity to respond to trade and investment opportunities. The African continent is experiencing considerable deficits in infrastructure, raising significantly the transaction costs for traders and investors alike. Producers need access to the market to sell their products, and this usually requires adequate road and transport systems, exports and storage facilities and energy and water supply. Trade and investment support services, particularly in the area of trade and investment promotion, development finance, and marketing are inadequate.

IV. Trade Related Constraints: In West Africa it was observed in 2011-12, if transaction costs affecting agricultural products were reduced by 10% of the farm gate price, production and the real income of farmers would each increase by 4%.
5.6 Other Constraints

Energy shortage, unreliable transport, communication facilities, hinder growth of exports, power shortage and breakdowns, interrupt production schedules, increased production cost and also affected timely shipment of Indian export to African countries.

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