EAST AFRICA, INDIA and EUROPE:
NORMS TO ENHANCE INDIAN OCEAN COMMERCE

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ABSTRACT

The paper seeks to identify key trade linkages in Indian Ocean littoral states in East Africa along with Indian Ocean island states as a means of understanding the scope for India and the European Union to cooperate in establishing transparent rules-based norms for supply chains in the region. Both India and the European Union are key trading partners for the African nations analysed in this paper, and as the region develops economically, the trade regime in the Indian Ocean will witness substantial changes. The paper sources data on the trade in commodities between India and the European Union with eight African nations in the Indian Ocean, and analyses the data to reveal key commodities traded between them. The paper identifies vital trends in the trade while noting the lack of commonalities. The recommendations in the end are suggested accordingly.

INTRODUCTION: Intersecting Requirements

The motivation for this paper emerges from three economic and strategic factors:

- Africa is poised for an economic take-off, driven by its youth bulge and the prospects for energized internal and external trade.
- The Indian Ocean and its littoral states are going to be a major focus for great power competition in the decades to come.
- India and Europe have a shared stake in creating and sustaining supply chains that nurture their economy while simultaneously ensuring that an open, transparent and rules-based trading, maritime and investment global order is maintained, particularly given the launch of the Chinese Belt and Road Initiative (which extends to Eastern Africa), and the expansion of Chinese economic activity across the African continent.

At the intersection of these three requirements lies co-operation between India and the European Union in the African states that abut the Western Indian Ocean.

What form, however, could this co-operation take? India is generally unwilling to open up its bilateral relationship with any other developing country; and Europe's stakes in East Africa have differed historically compared to India's. Any possible scenario for Indo-EU collaboration in the area must therefore be informed by the actual structure of the economic engagement between India, Europe, and East Africa. To that end, this paper collates and analyses recent trade data between these entities, to examine the existing structure of supply chains, and questions whether co-operation can take advantage of these existing economic ties or must rise above them. The paper therefore bases its conclusions on what the figures reveal. The numbers are not presented from an Indian nor from an EU perspective. It is the trade volumes and values revealed, as well as the composition and durability of trade which allow for neutral and shared conclusions to be drawn.

RESEARCH METHODOLOGY

Aim:

The aim of the study is to enable EU-India cooperation in developing an integrated and sophisticated supply chain for commodities, with minimal trade barriers, in the Western Indian Ocean. The second aim was to identify key pressure points in the Indian Ocean trade regime related to Africa, and if there was any scope for the EU and India to collaborate in those areas. The third aim behind the data collection was to better understand how trade figures in the calculus of countries in East Africa along with Indian Ocean island states.

Sourcing the Data:

The project collected data on the trade in commodities between India and eight East African countries that have an exclusive economic zone in the Indian Ocean, hereby referred to as IOA-8, and data on trade in commodities between the European Union (28 countries), hereby referred to as EU-28, and the same eight nations. The data was a time-series collection for the year 2015, 2016 and 2017. The data on the overall trade in commodities was further divided into exports to these countries and imports from these countries, into separate datasets. All the data was sourced from the United Nations Comtrade Database.[1] This allowed for seamless comparison and analysis, as the data source was unbiased and a trusted source for international trade statistics. Another source for analyzing the data was the website 'Trade Map' operated by the International Trade Centre (ITC), joint agency of the World Trade Organization and the United Nations.[2] The 'Trade Map' website helped us in ranking and separating the products using The Harmonized Commodity Description and Coding System.[3] Our final dataset however deviated from the Harmonized System and is classified under broader categories. All trade figures are denoted in US dollar, as it is the dominant global reserve currency.

Segregating the Data

This collected data was further segregated into the different classification of products that form the bulk of exports and imports. This was done by ranking the trade value of each product for a particular year in terms of the percentage of total trade (by value) it constituted from that particular year. Using 2015, as the base year, the top five products from each year (both export and import) were arranged, and their percentage share in total trade calculated for all three years (2015-2017). If any new product started faring in the top 5 products by percentage share, they were also included in the dataset. The ranking of this new product was however according to their position in trade share by value during the base year of 2015. This allowed the dataset to showcase how trade has changed over the period of three years, and how commodities have fared in the time. For example, in 2017, Sugar made for more than half of India's imports from Djibouti, 50.48 percent to be precise. Yet, the commodity saw zero value of imports in the preceding years 2015 and 2016. This allows us to analyze if a certain commodity is a staple of the trade regime between those two nations, or has only figured in that particular year, further helping us to recommend suitable policies for the upgradation of the trade practices between the two nations or nation-groups.

[1] For more information see the United Nations Comtrade official website: https://comtrade.un.org/
[2] For more information see the Trade Map official website: https://www.trademap.org
[3] European Commission, EU product classification system, European Commission Trade Helpdesk: http://trade.ec.europa.eu/tradehelp/eu-product-classification-system

ANALYSING THE DATA: What does trade look like?

India's Exports to IOA-8

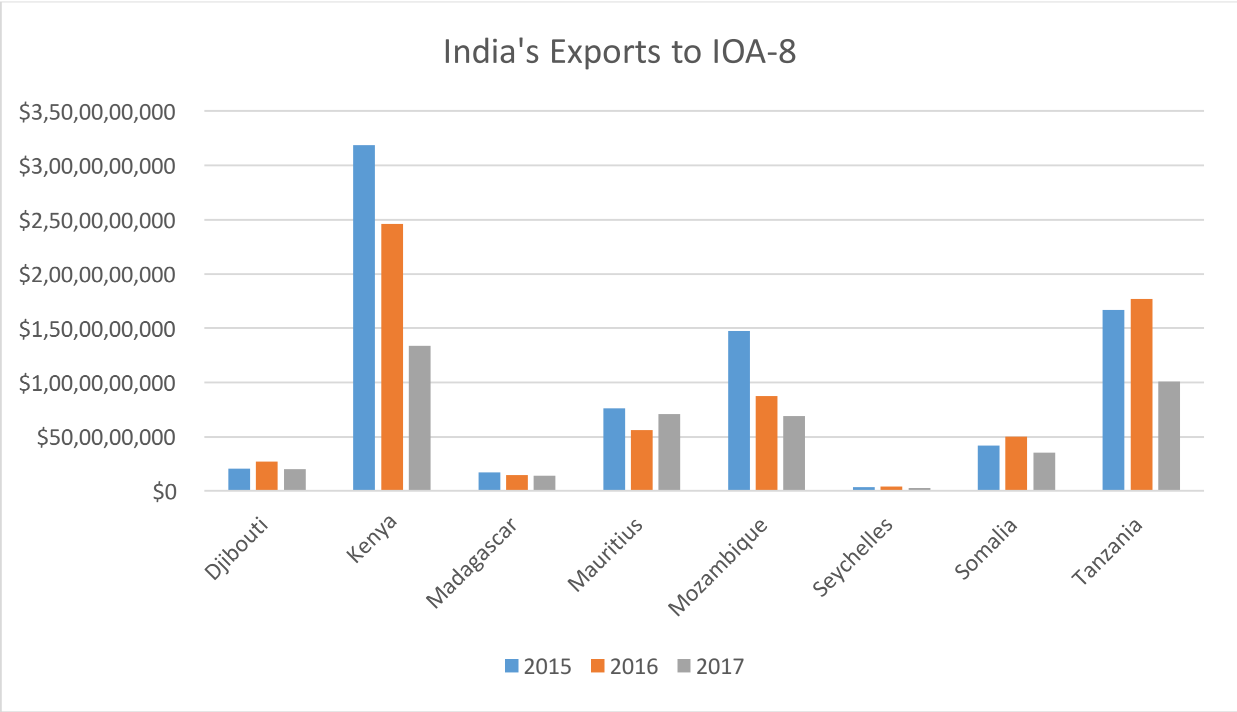


Figure 1.1 – India's Exports to the IOA-8 nations (2015-2017) (by value) (in USD)

Figure 1.2 – Aggregate of India's Exports to all the IOA-8 nations (2015-2017) (by value) (in USD)

The trend in Figure 1.1 and Figure 1.2, suggests a continued decline in the total value of commodities exported by India to the IOA-8 nations. Between 2015 and 2016, exports decreased by 16.4 percent and between 2016 and 2017, there was a further decreased in export value of 32.5 percent.

As seen in Figure 1.1, India's exports to the IOA-8 is mostly concentrated around Tanzania, Mozambique and Kenya, all countries with close political ties to India.[4] These countries are also moderately sized and have a larger Gross Domestic Product (GDP) (nominal) compared to the other nations.[5] Kenya and Tanzania both figure in the top 10 African economies by GDP and have comparatively better trade infrastructure.[6] However, given the fact that East Africa is the fastest growing economic region in the African continent, it is surprising to see that exports from India to the IOA-8 has reduced by gross value over the course of the three years.[7]

Across the three-year period recorded within this dataset, there are instances of India's trade activities with certain East African nations fluctuating drastically. Notably, between 2016 and 2017, India's combined imports and exports to Kenya decreased by nearly 50 percent, while similarly, in Somalia, between 2016 and 2017, substantial decreases in exports were noted. Tanzania is another country where exports decreased drastically between 2016 and 2017. India's exports to Tanzania dropped from $ 1,766,864,783 to $ 1,006,031,268, a 43 percent drop.

[4] Ministry of External Affairs, Government of India, India-Tanzania Relations, , August 2017 https://www.mea.gov.in/Portal/ForeignRelation/Tanzania_August__2017.pdf; Ministry of External Affairs, Government of India, India-Kenya Relations, January 2012 http://www.mea.gov.in/Portal/ForeignRelation/Kenya-January-2012.pdf; Ministry of External Affairs, Government of India, India-Mozambique Relations, https://www.mea.gov.in/Portal/ForeignRelation/Mozambique_Oct_2017.pdf

[5] International Monetary Fund, World Economic Outlook, April 2018 http://www.imf.org/external/datamapper/datasets/WEO

[6] International Monetary Fund, World Economic Outlook, April 2018 http://www.imf.org/external/datamapper/datasets/WEO; African Development Bank Group, East Africa Economic Outlook 2018, March 12, 2018 https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African-Economic-Outlook-2018-East-Africa.pdf

[7] African Development Bank Group, East Africa Economic Outlook 2018, March 12, 2018 https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African-Economic-Outlook-2018-East-Africa.pdf

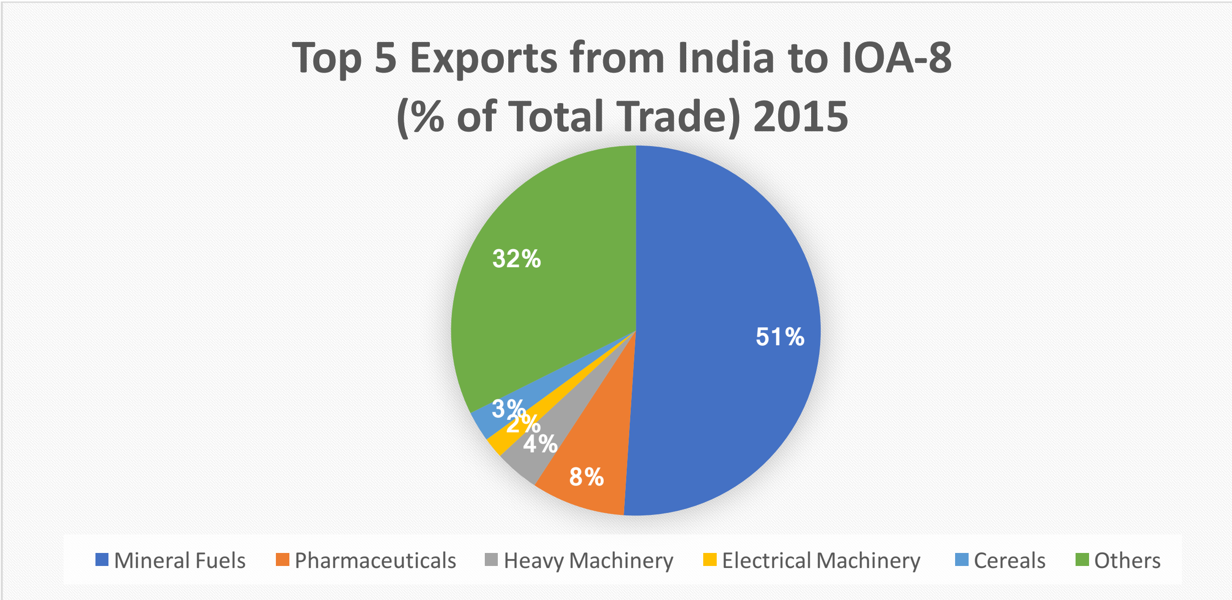


Figure 1.3 – Breakdown of India's Top Five Exports to all the IOA-8 nations (2015) (by value) (in USD)

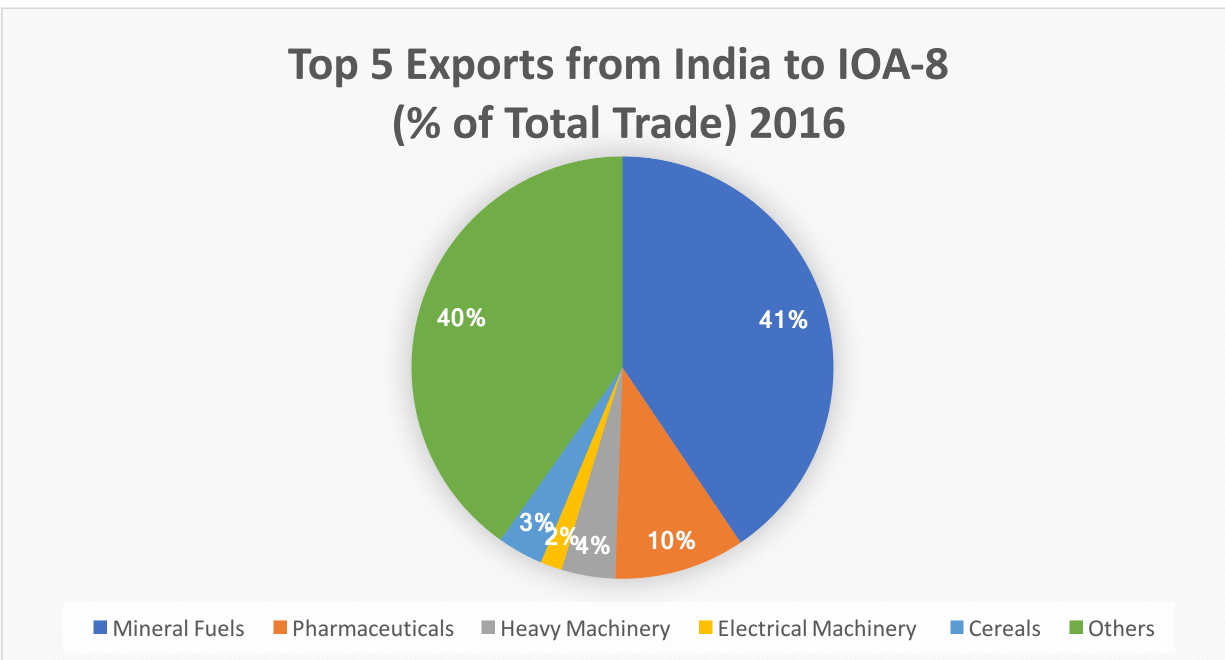


Figure 1.4 – Breakdown of India's Top Five Exports to all the IOA-8 nations (2016) (by value) (in USD)

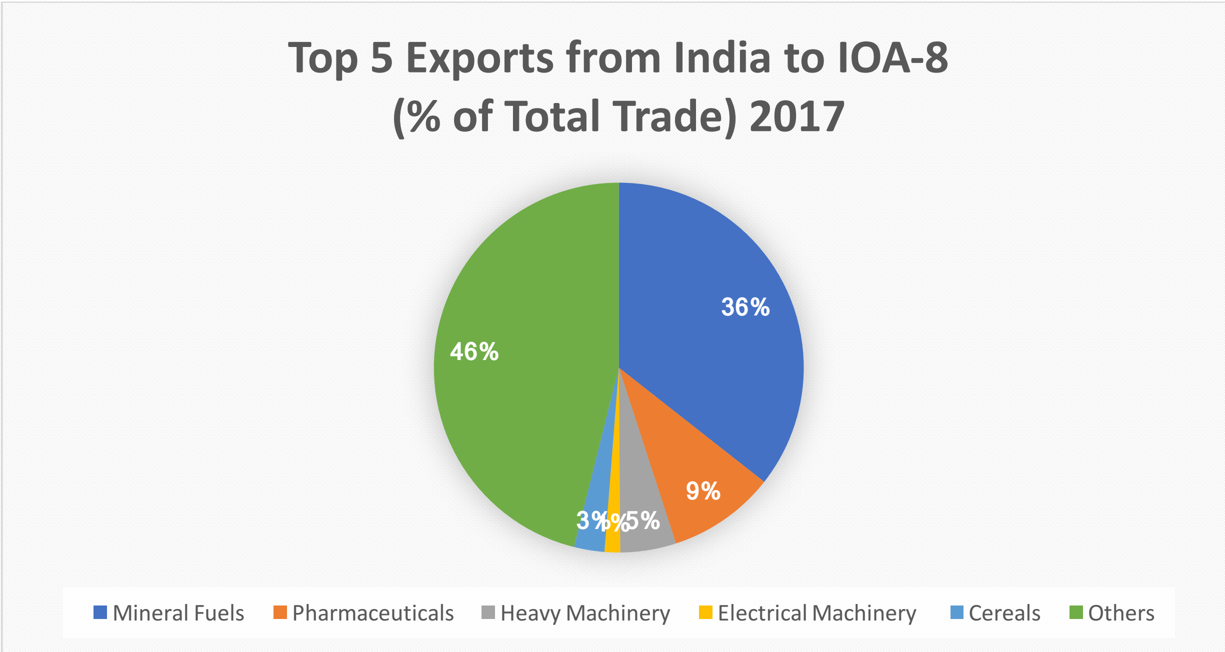


Figure 1.5 – Breakdown of India's Top Five Exports to all the IOA-8 nations (2017) (by value) (in USD)

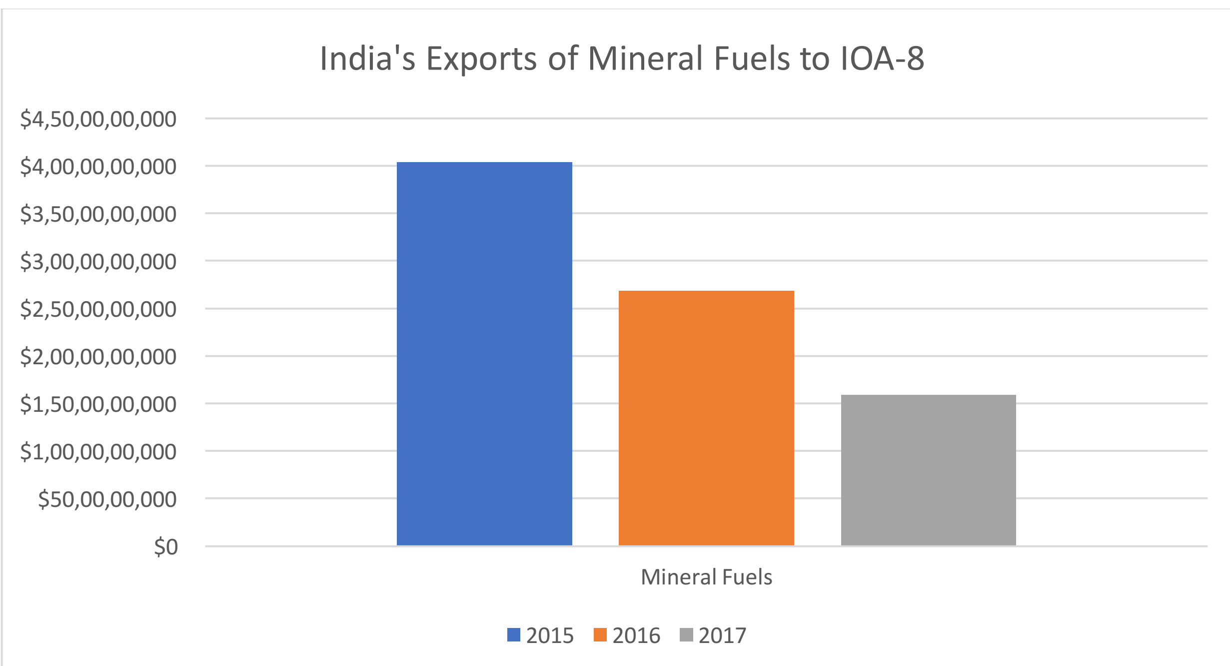


Figure 1.6 – Aggregate of India's Export of Mineral Fuels to all the IOA-8 nations (2015-2017) (by value) (in USD)

In respect to India's exports to the relevant East African nations, there has been a noticeable shift in the proportions of the types of commodities traded between 2015 and 2017. Notably, in both absolute and relative terms, the role of mineral fuels in India's exports has deteriorated. As seen in Figure 1.6, in 2015, combining the exports to all eight nations, India exported a bit over 4 billion dollars' worth of mineral fuels, composing approximately 51.8 percent of India's total exports to these nations. In 2016 this reduced to 2.7 billion dollars and 41 percent, while in 2017 it reduced further to 1.6 billion dollars and 36 percent. While there was a general decrease in Indian exports at large to the region to accompany this, the decrease was by 44 percent of the total value as opposed to the decrease by 61 percent that was noted for mineral fuels. However, it is important to note, that countries like Kenya that have imported the bulk of mineral fuels from India during the three-year term, have fluctuating trade value in mineral fuels.

Pharmaceuticals are the second-biggest export from India to the IOA-8 nations and this can be attributed to the general growth of India's pharmaceutical industry over the years, and India's success in manufacturing low-priced generic medicine.[8] As Figures 1.3, 1.4 and 1.5 showcase, the share of other commodities outside the 'Top 5' has fluctuated from 32 percent in 2015 to 40 percent in 2016 and then to 46 percent in 2017. This indicates that India has been unable to establish a niche in select exports to the IOA-8 market. The declining share of mineral fuels in exports plays a huge role in skewing the data in this regard. This makes it difficult for India to establish specific commodity linked infrastructure in this region.

A fact to note, however, is that India is a big exporter of services all around in the world, and in the absence of a unbiased and consistent database on the trade in services between India and the IOA-8 nations, trade in services data cannot be factored into the trade linkages between the two parties. India's success in the service sector in the past two decades, especially in information and technology will offer a clearer picture for the future.[9] Moreover, India can utilize this specialization for skill developmental assistance in the IOA-8 nations, and market its service sector products to other African nations.

[8] Indian Brand Equity Foundation, Indian Pharmaceuticals Industry Analysis, July 2018 https://www.ibef.org/industry/pharmaceutical-india.aspx

[9] Arpita Mukherjee and Avantika Kapoor, India and Trade Facilitation in Services (TFS) Agreement: Concerns and Way Forward, Indian Council for Research on International Economic Relations, Working Paper No. 347 http://icrier.org/pdf/Working_Paper_347.pdf

India's Imports from IOA-8

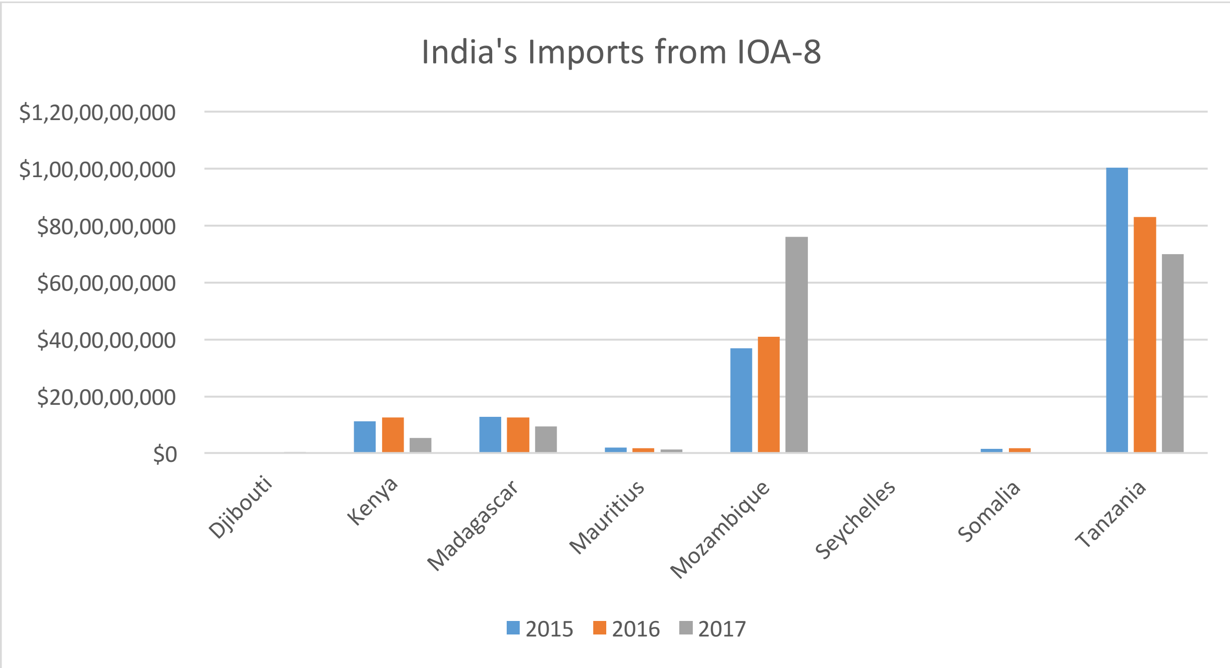


Figure 2.1 – India's Imports from the IOA-8 nations (2015-2017) (by value) (in USD)

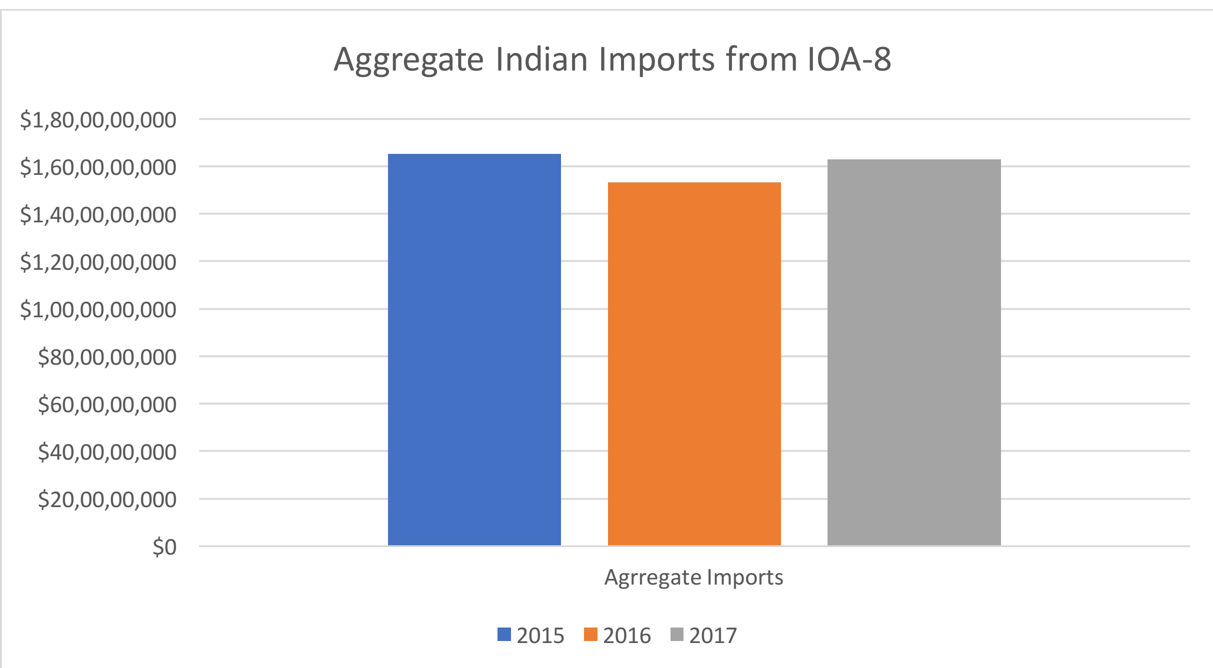


Figure 2.2 – Aggregate of India's Imports from all the IOA-8 nations (2015-2017) (by value) (in USD)

The trends in the data suggest an overall consistency when it comes to the overall value of the commodities imported by India from IOA-8 nations. Between 2015 and 2016, there is a drop of 7.3 percent, while in comparison, between 2016 and 2017, there is an uptick 6.3 percent in the total value of commodities imported by India. The data however also shows, the import of commodities is not equally divided among the eight East African nations. The majority of the commodities imported from India come from Tanzania and Mozambique, which account for more than 80 percent of the total imports. As Figure 2.1 shows, only once did Indian imports from these nations touch the $1 billion mark, when in the year 2015, Tanzania exported $1,004,389,133 worth of commodities to India.

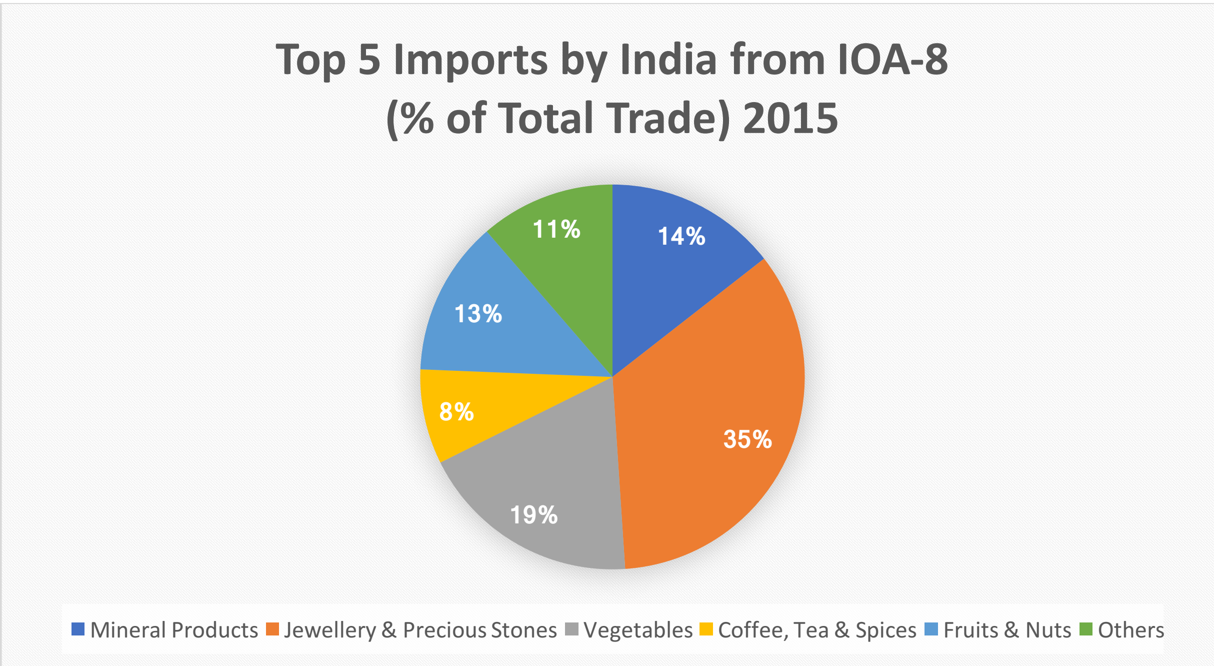


Figure 2.3 – Breakdown of India's Top Five Imports from the IOA-8 nations (2015) (by value) (in USD)

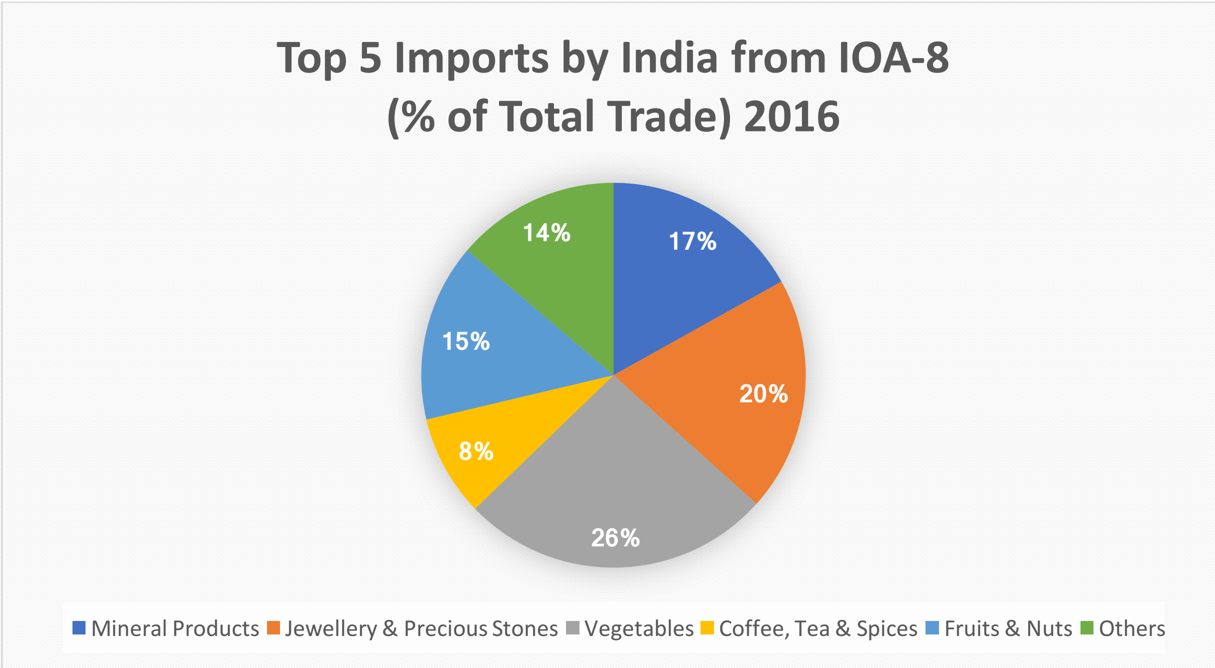


Figure 2.4 – Breakdown of India's Top Five Imports from all the IOA-8 nations (2015) (by value) (in USD)

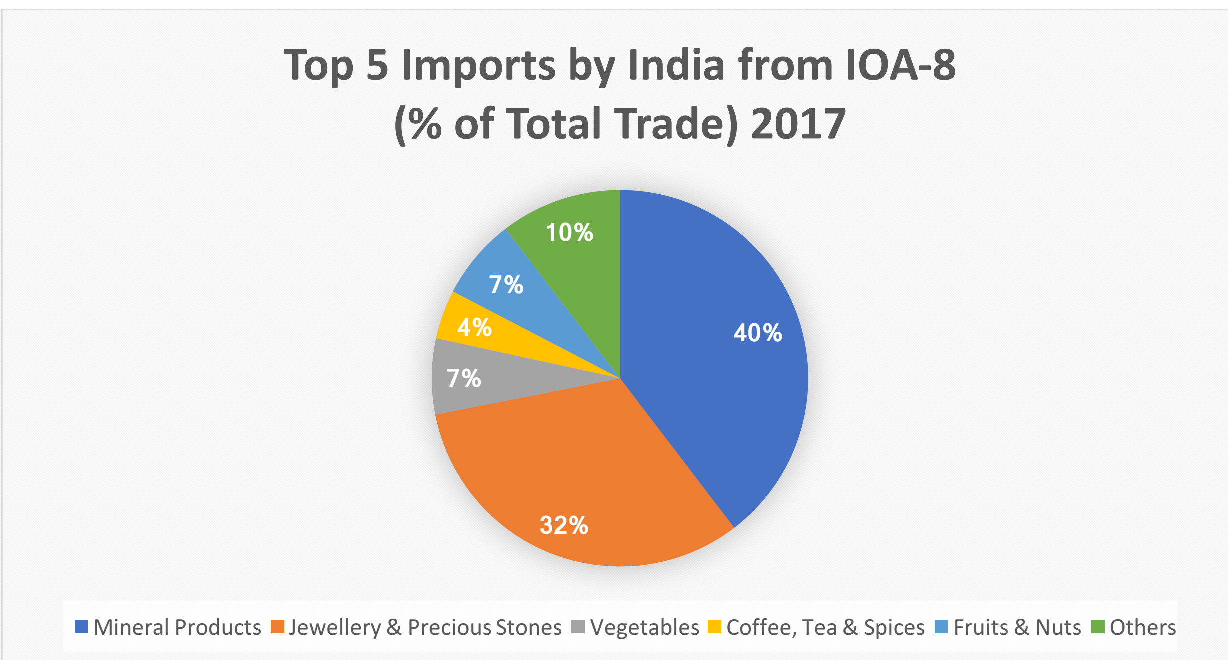


Figure 2.5 – Breakdown of India's Top Five Imports from all the IOA-8 nations (2015) (by value) (in USD)

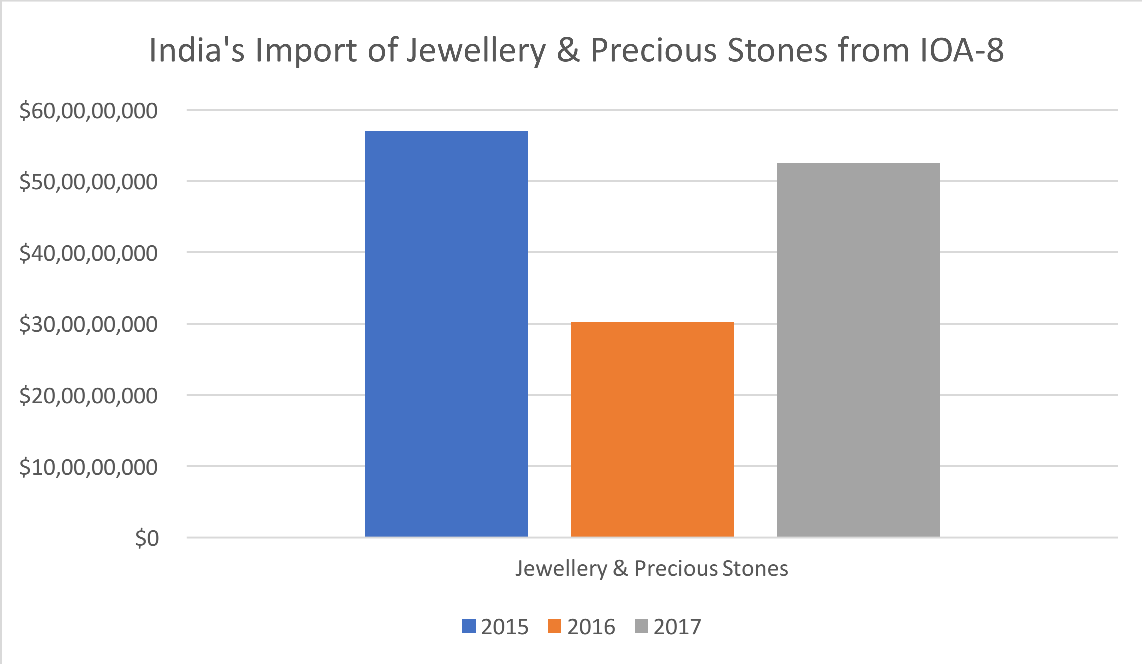


Figure 2.6 – Aggregate of India's Import of Jewelry & Precious Stones from all the IOA-8 nations (2015-2017) (by value) (in USD)

As, Figures 2.3, 2.4 and 2.5 show, the commodity group imported by Indian from the IOA-8 in the highest proportion by aggregate value over the three years is jewelry and precious stones. However, the figure of percentage of total trade fluctuates between 35 percent in 2015 to 20 percent in 2016 to 32 percent in 2017. Mineral Products account for the second largest imported commodity by value, and in the year of 2017 was the highest imported commodity by India from the IOA-8.

There is an overall consistency in the break-up of goods imported by India, with commodity groups such as vegetables, fruits and nuts, and coffee, tea and spices, all being traded in similar proportions. The value of jewelry and precious stones however, is attributable to Tanzania. Other products are consistently in the range of 10-41 percent of imports by India. This is opposite to the trend noticed among the export in commodities between the two groups. Therefore, while trade linkages in specific imports are well established, there is an overall lack of consistency in exports. Such inconsistency in the exported commodities and imported commodities begs the question, if all other trade indicators, as later showcased, are consistent over the period of three years, except Indian exports to the IOA-8 nations, there is a need for India to come up with a specialized trade policy and initiative for its exports to these nations.

<u>EU-28's Exports to IOA-8</u>

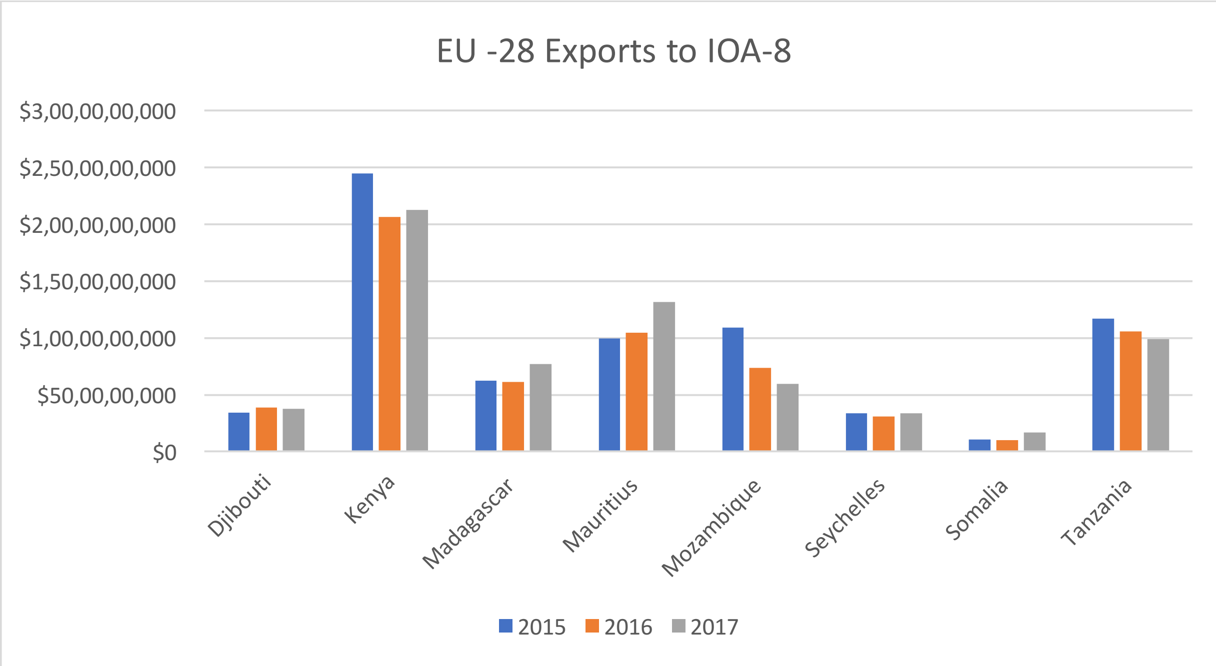


Figure 3.1 – EU-28's Exports to all the IOA-8 nations (2015-2017) (by value) (in USD)

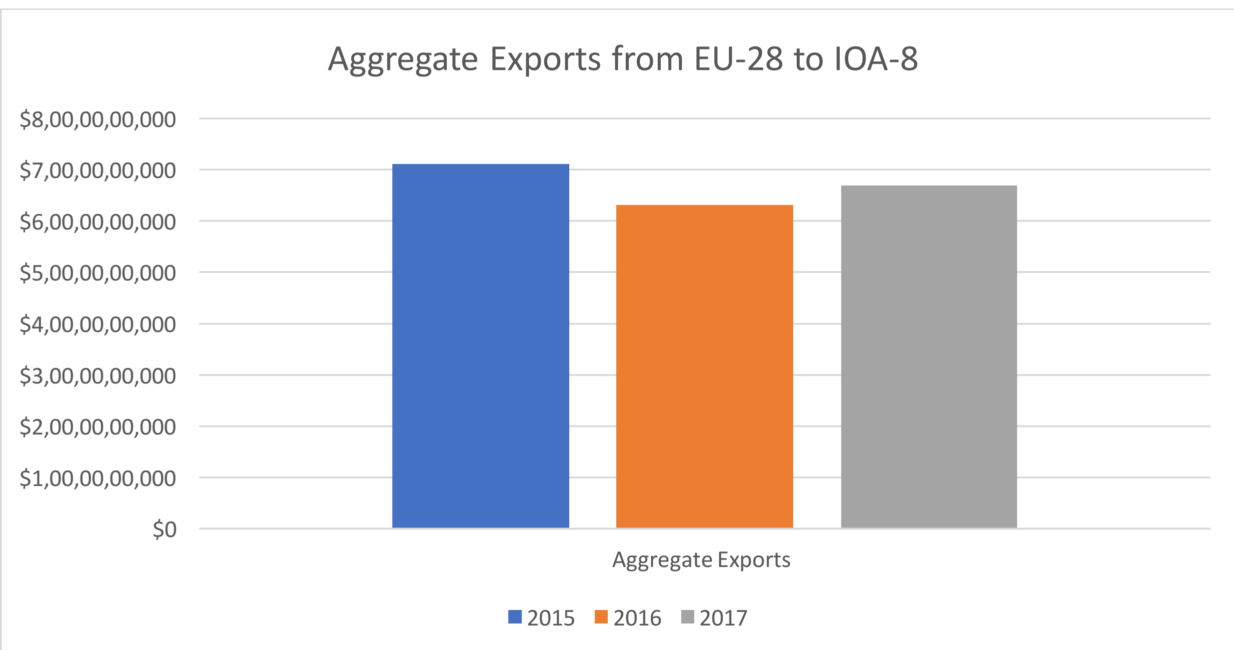


Figure 3.2 – Aggregate of the EU-28's Exports to all the IOA-8 nations (2015-2017) (by value) (in USD)

The trend in the data suggests an overall consistency in the value of commodities exported from the European Union (28) to the IOA-8 nations. There was an 11 percent decrease between 2015 and 2016, but then increased by 7.7 percent between 2016 and 2017. Kenya, which makes up for bulk of the European exports to these nations accounts for the fluctuation. Compared to India, the European Union enjoys a higher value of exports to countries like Seychelles and Mauritius.

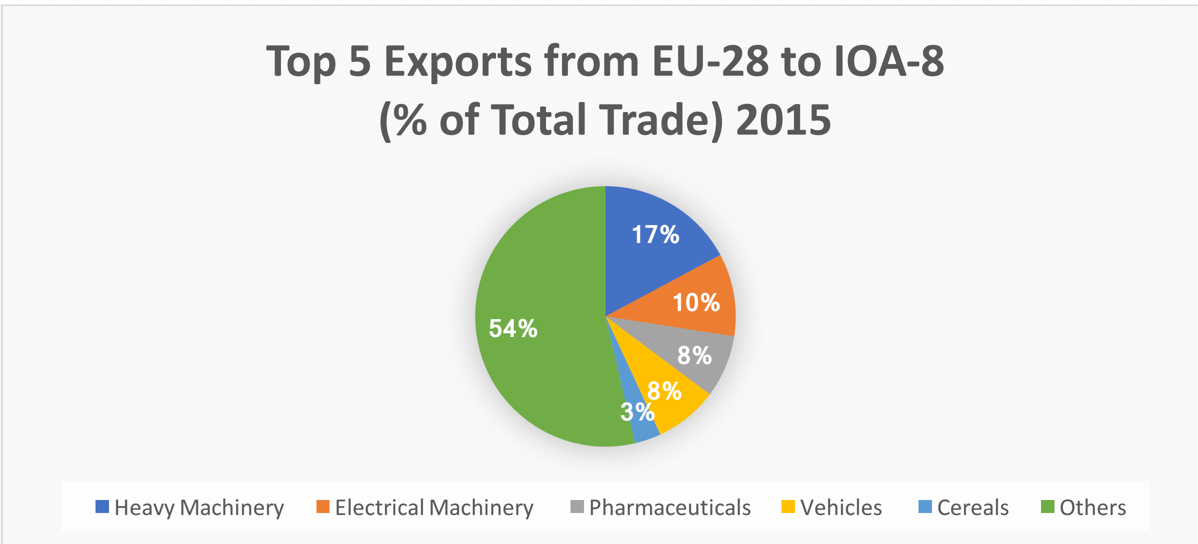
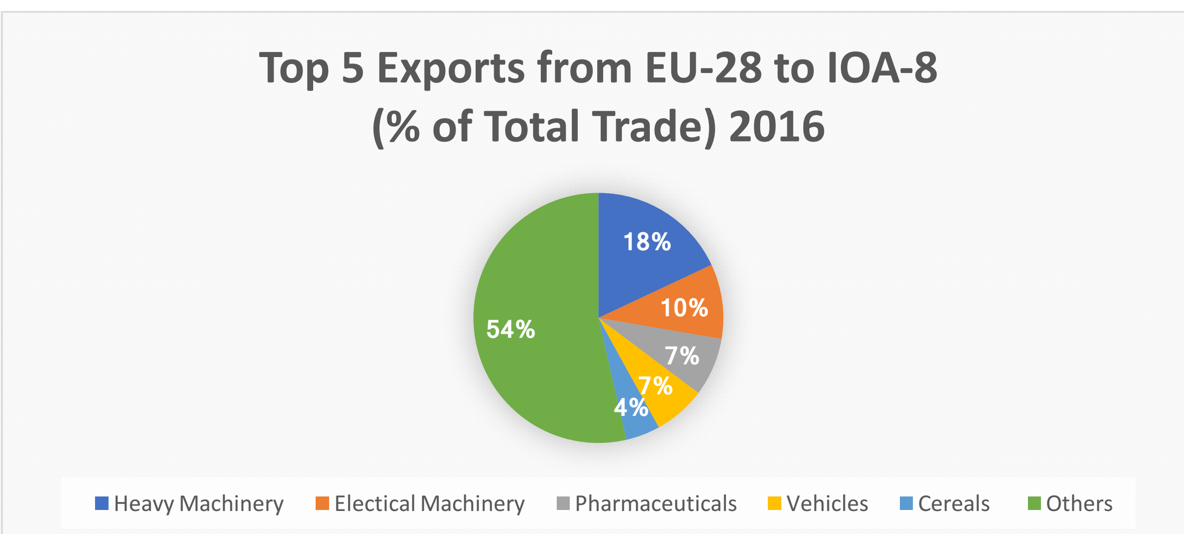


Figure 3.3 – Breakdown of EU-28's Top Five Exports to all the IOA-8 nations (2015) (by value) (in USD)



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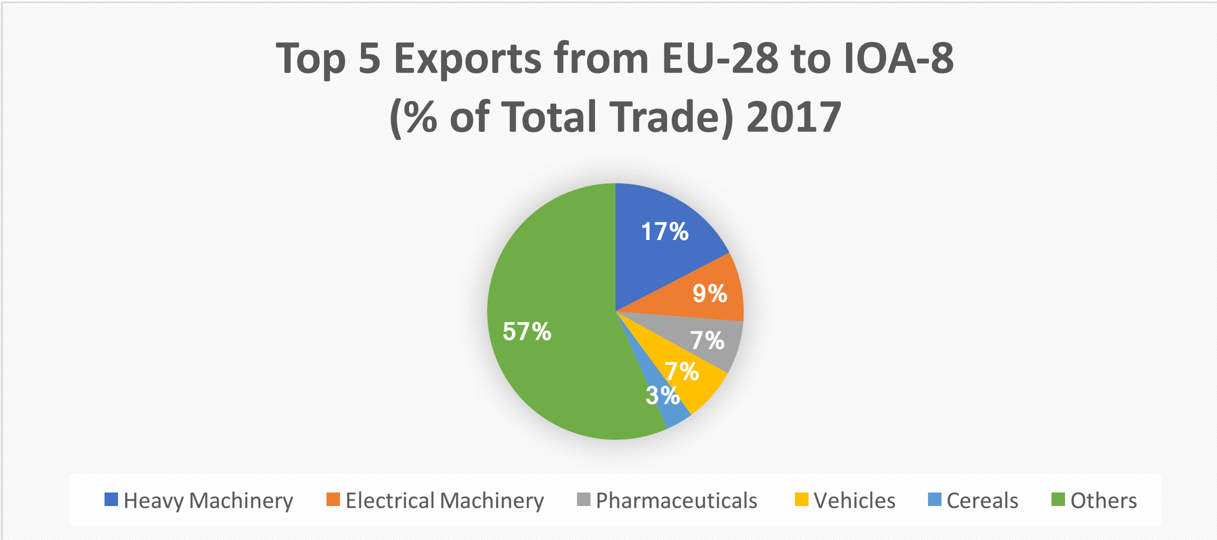


Figure 3.5 – Break-up of the EU-28's Top Five Exports to all the IOA-8 nations (2015) (by value) (in USD)

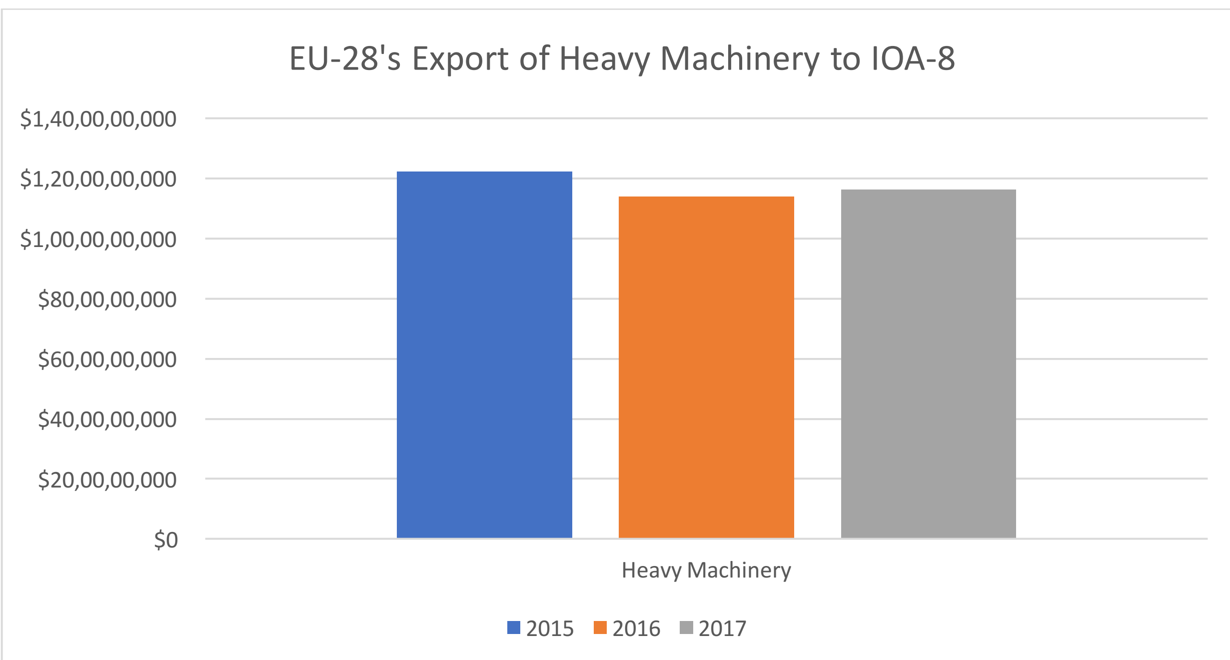


Figure 3.6 – Aggregate of EU-28's Export of Heavy Machinery to all the IOA-8 nations (2015-2017) (by value) (in USD)

As seen in Figures 3.3, 3.4 and 3.5, Heavy Machinery is the top exported commodity from the EU-28 to the IOA-8 nations ~ 17 percent. The African nations under analysis do not possess highly developed industrial bases, and therefore are unable to manufacture some of the machines required in factory sized production.[10] Similarly, electrical machinery is the second largest exported commodity from the European Union to these countries ~ 10 percent. An agreement to establish a technology park in one of the IOA-8 nations could help the EU-28 and India in boost their respective trade in the heavy machinery and electrical machinery sector by establishing direct business to business contacts.

Pharmaceuticals is another sector that sees trade between the European Union and the IOA-8, constituting ~ 7 percent trade in overall value over 2015, 2016 and 2017. At a time when societies in the IOA-8 nations are developing and there is greater demand for healthcare products, the pharmaceutical industry should see consistent growth in the long run.[11] India is also a key exporter of pharmaceuticals to these nations. This could provide a possible avenue for collaboration between India and the EU to design better medical infrastructure in these countries through developmental assistance, subject to concerns about competition between the two exporting sectors.

The share of trade among different commodities exported by the European Union is seen to be very consistent over the three years, even though trade values of these exports have fluctuated over time. This indicates that the European Union have established a concerted market of specific exports. While other commodities apart from the 'top 5' mentioned above account for more than half of the exports of the EU to these nations (54 ~57 percent), they widely vary from country to country. This indicates that the EU-28 nations have developed distinct trade linkages between themselves and individual IOA-8 nations.

[10] John Page, Africa's Failure to Industrialize: Bad Luck or Bad Policy? Brookings Institution, November 20, 2014 https://www.brookings.edu/blog/africa-in-focus/2014/11/20/africas-failure-to-industrialize-bad-luck-or-bad-policy/

[11] Edwin Ngarari Africa's Massive Healthcare Opportunity Is Underestimated, The Nerve Africa, August 18 2017 https://thenerveafrica.com/12548/africas-massive-healthcare-opportunity-is-underestimated/

EU-28’s Imports from IOA-8

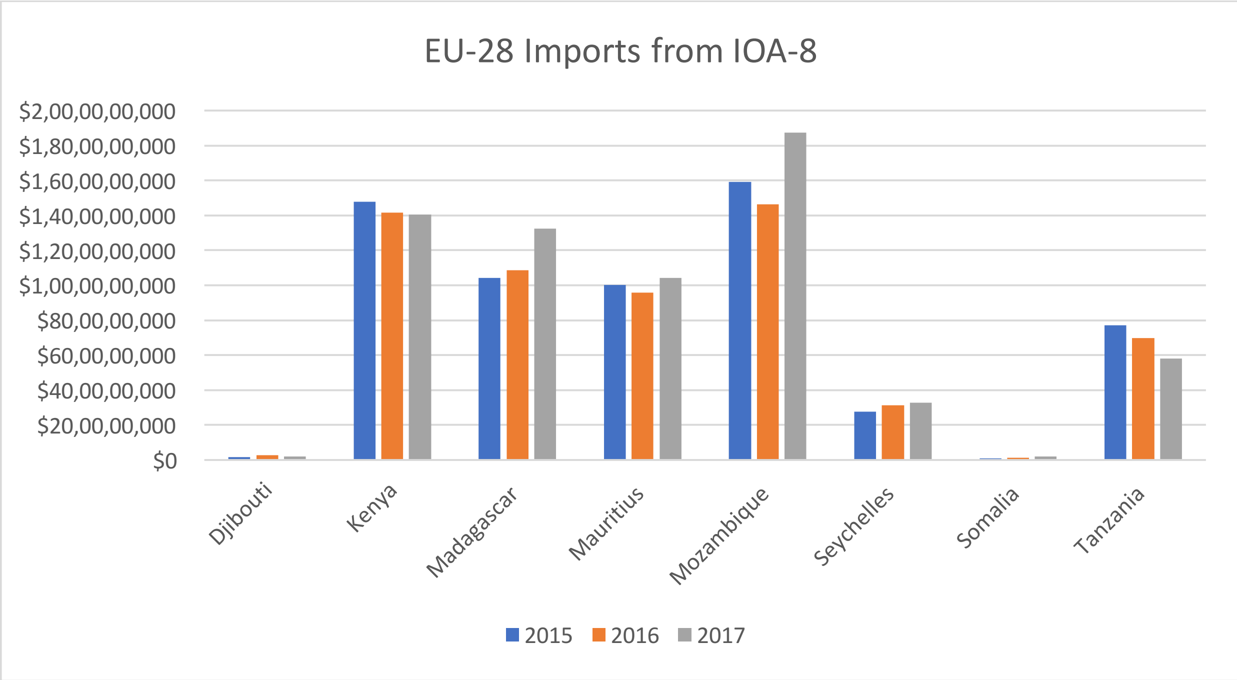


Figure 4.1 – EU-28’s Imports from all the IOA-8 nations (2015-2017) (by value) (in USD)

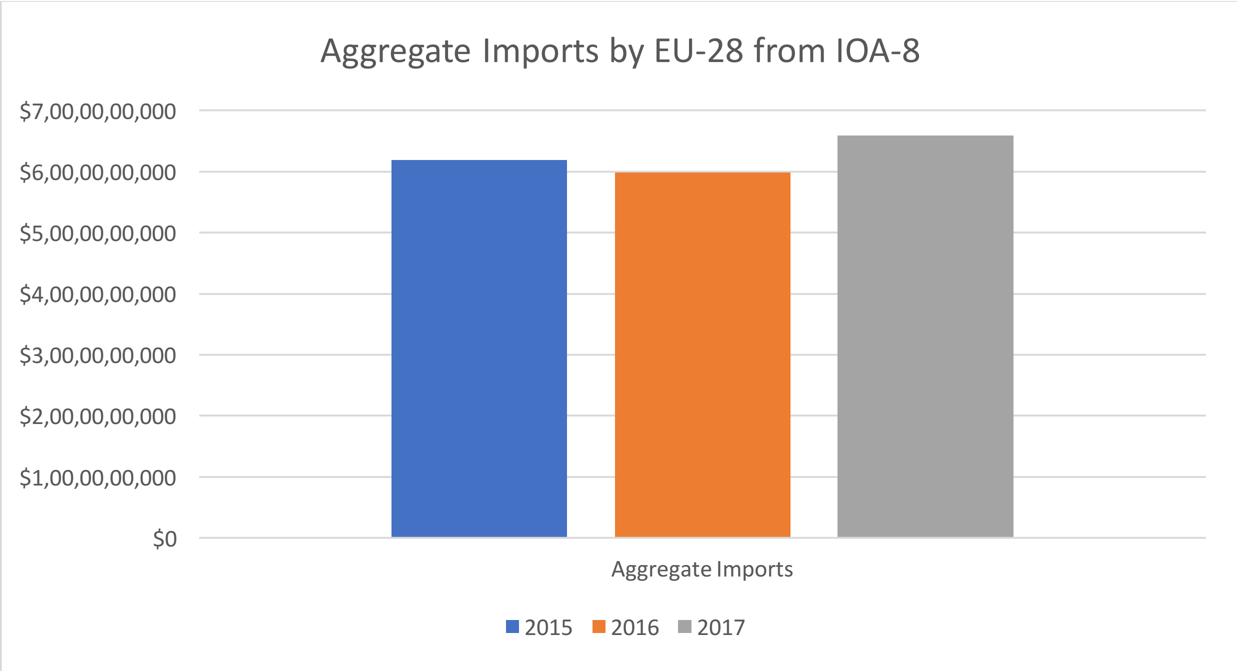


Figure 4.2 – Aggregate of EU-28’s Imports from all the IOA-8 nations (2015-2017) (by value) (in USD)

The trends in the data suggest an overall consistency in the value of commodities imported by the European Union (28) from the IOA-8 nations. There was a 3.5 percent decrease between 2015 and 2016, but then increased by 10 percent between 2016 and 2017. Mozambique accounted for the majority of commodities exported by the EU-28 from the IOA-8, while the other nations consistently exported commodities to European Union. As show in Figure 4.1, Kenya, Madagascar and Mauritius exported commodities in the excess of $ 1 billion for the three years studied.

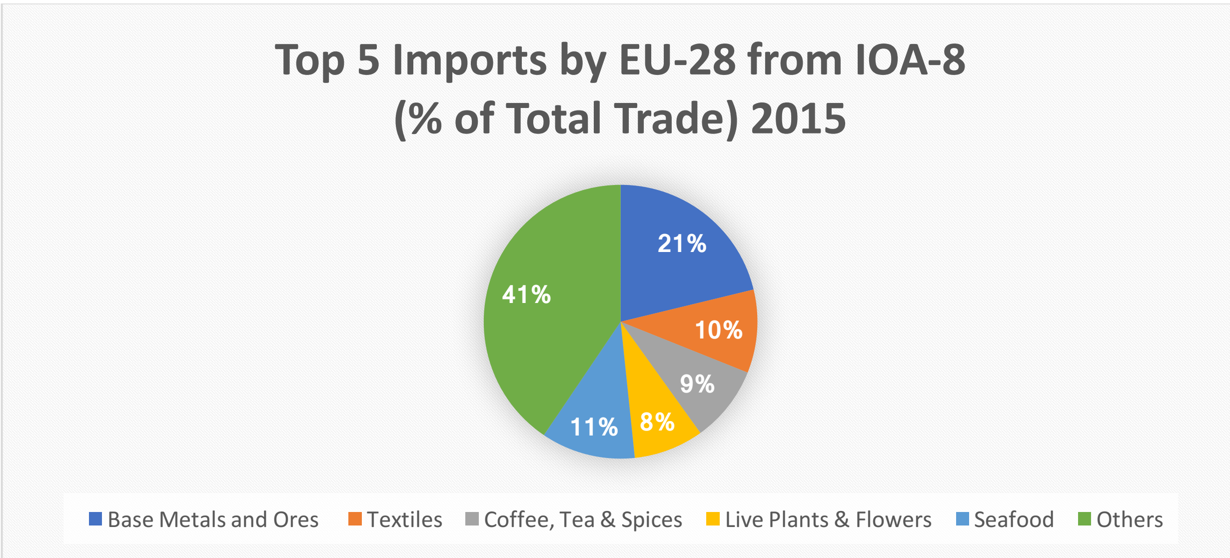
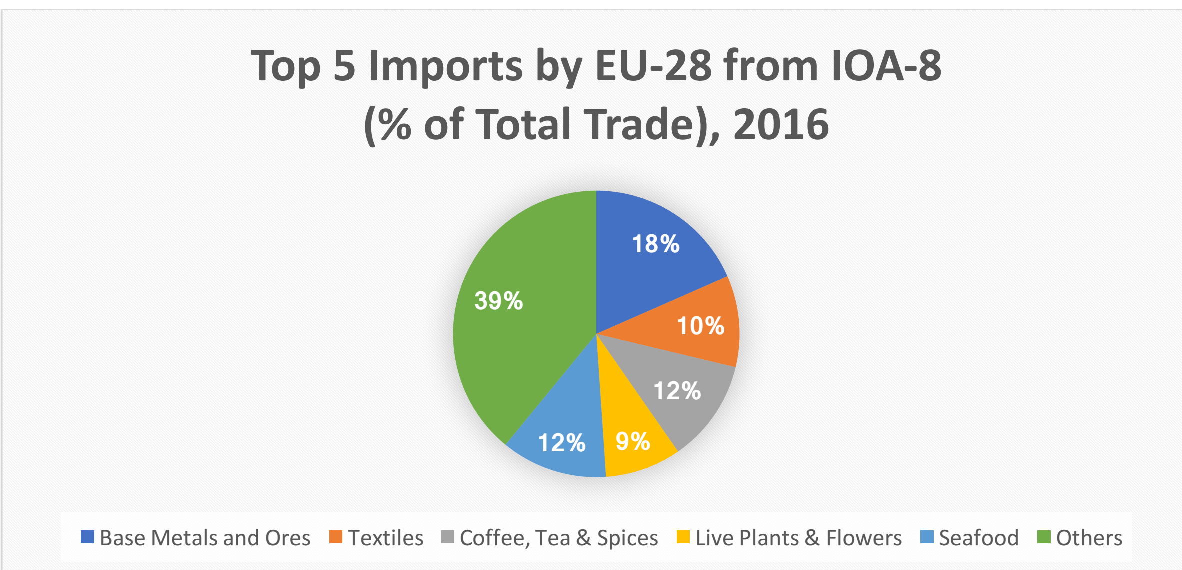


Figure 4.3 – Breakdown of EU-28's Top Five Imports from all the IOA-8 nations (2015) (by value) (in USD)



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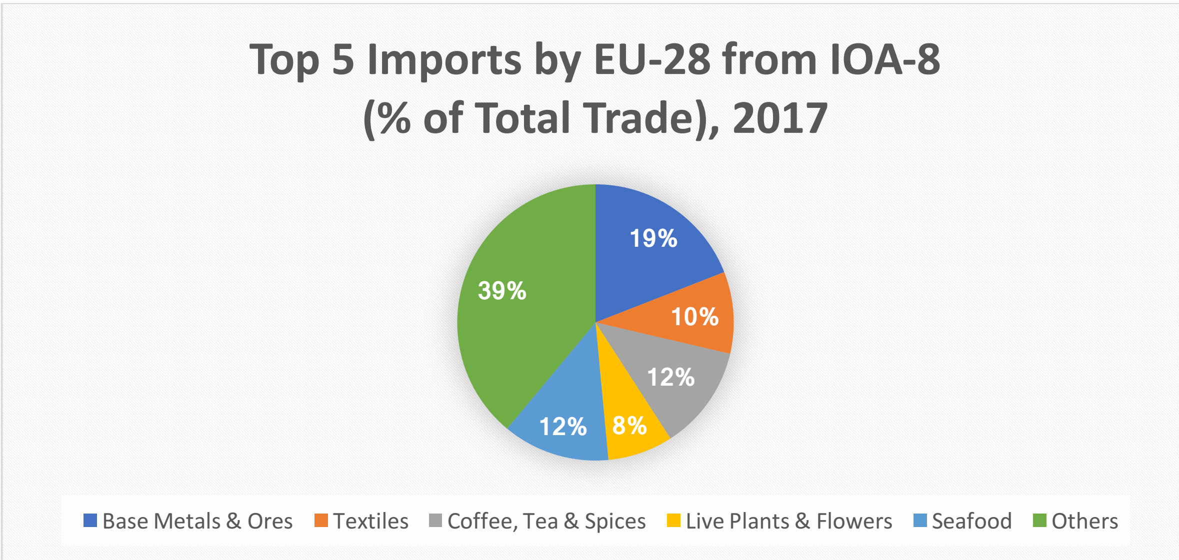

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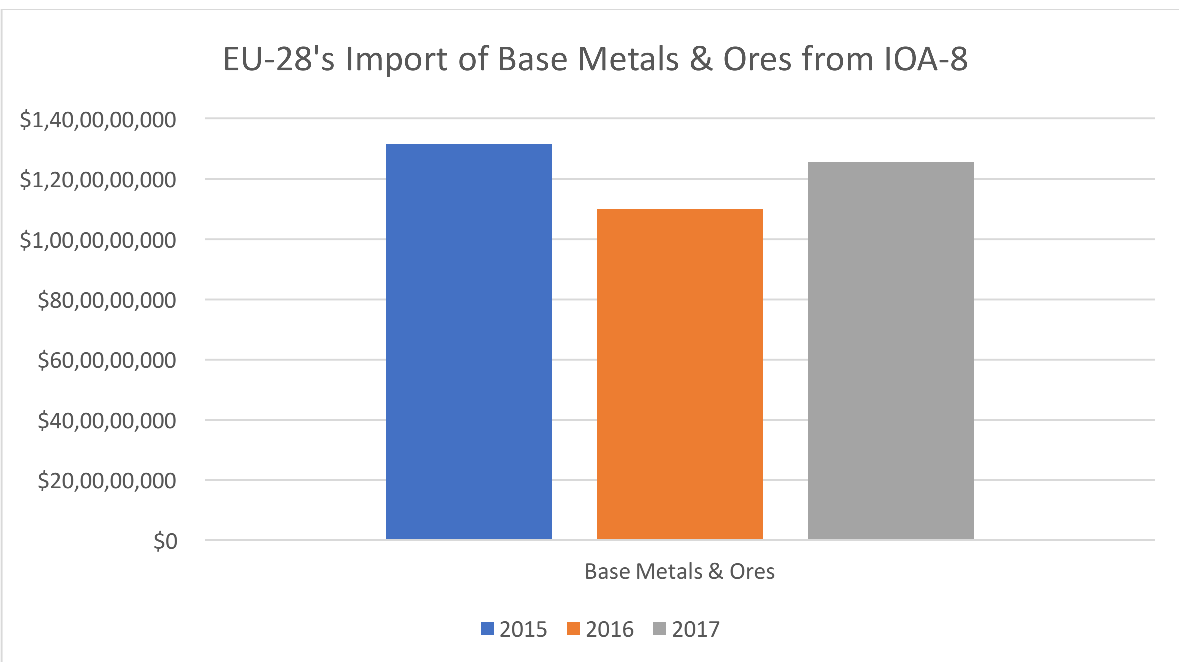

The commodity group imported by the EU-28 from the IOA-8 countries in the highest proportion by aggregate value is base metals and ores. However, the figure of percentage of total trade hovers between 18 ~ 21 percent. Seafood and prepared Seafood foodstuffs are the second biggest imported commodity by the EU. However, the import of seafood is mostly from the island nation economies Seychelles and Mauritius. Live plants and flowers are the fifth largest imported commodity, but this can be attributed completely to Kenya, whose trade value in the product alone surpasses the trade value of many other products like vegetables that are imported from two or more of the IOA-8 nations. Other products are consistently in the range of 39-41 percent of imports by the European Union. This suggests a similar trend noticed in the export of commodities between the two groups. Trade linkages in specific products with specific countries are well established and there is overall consistency in the nature of good exchanged. Such consistency in the nature of goods helps plan proper trade infrastructure geared towards a certain group of commodities.

The Overall Trends

Naturally, it is important while analyzing overall trade trends in the region to consider the unique circumstances of each individual nation in the region. For example, the relative individual trade activity of each of these nations is inevitably impacted by their economic size. It is clear when evaluating the total trade (imports + exports) divided by the GDP of each nation that certain countries' economies rely more on trade with the EU-28 and India. Notably, the proportion of the Seychelles' total trade with the EU-28 to their GDP is around 15 times that of Somalia or Tanzania, and around 9 times Kenya's. Similar trends exist with India's trade activity.

In 2015, India's export volume to the IOA-8 was higher, but in generally it appears that the EU enjoys a larger trade volume (both exports and imports) with these countries, and this is visible in both 2016, and in 2017. India has generally failed to capitalize on its geographical proximity to East Africa; perhaps a trade policy that continues to de-prioritise or arbitrarily control African imports is responsible. At the present moment, India's exports to these nations exceed its imports by large margins, thus creating large trade deficits for the IOA-8 nations with India.

A straightforward comparison of the combined import and export quantities of India and the EU-28 to East Africa reveals a substantial difference in absolute terms. The EU-28 has generally maintained a significantly higher trade volume consistently over the period; Trade with the EU has greater volume in absolute terms in all but two of the six nations studied (Somalia and Tanzania). However, adjusting for the higher cumulative GDP of the EU-28 compared to India (~17 trillion vs 2.2 trillion), India's trade, relative to GDP, is of a greater volume than the EU-28's. When normalized by GDP in this manner, India trades at greater volumes in all but two of the eight relevant East African nations (Seychelles and Madagascar).

Going forward, it is likely that the Indian Ocean littoral states will become gateways into Africa for competitive Asian manufacturing products. It is also likely therefore that the norms of trade in the IOA-8 will be a big influence on the trade policy around which Eastern African free trade will be set up. East Africa is the fastest growing region in the African continent for the past 3 years, and many projections agree that it will keep growing at over five percent in the coming years.[12] Thus the EU-28 and India will manage their economic relationship with these countries will be very important for its economic relationship with Africa as a whole, as the Tripartite Free Trade Area is operationalized.[13]

Data shows the comparative advantage the EU-28 holds in electrical and heavy machinery goods to these countries. As automation enters the next economic cycle, and becomes a global supply chain staple, the EU-28 will become the key supplier and benefactor around which the region could modernize. The demand for heavy machinery and electrical machinery is high among the countries analyzed.

It is important to note that these trade flows are far from static. In fact, they are likely to rapidly change and evolve. At a time when negotiations are going to establish a Continental Free Trade Area, countries in Eastern Africa facing the Indian Ocean, especially IOA-8, will have greater access to markets inside Africa. Subsequently, a free trade area encompassing all of Africa could mean a decrease in the trade many perishable and consumer commodities along with natural resources that African nations trade with the rest of the world. At which point many of the IOA-8 states could become the gateway for only specialized products entering from Asia, especially mineral fuels, machinery, textiles, automobiles, and exiting of perishables and organic products from other parts of the continent.

CONCLUSION: AN INTEGRATED INDIAN OCEAN TRADE REGIME?

It is clear that an objective analysis of available trade data suggests that there are considerable differences in the pattern of trade that East Africa has with the European Union and with India. In this context, we will examine several alternative scenarios of India-EU co-operation in the Western Indian Ocean, to see which is likely to create buy-in among all stakeholders given the pre-existing pattern of trade.

The wide-angle scenario: Building trade infrastructure

In many cases, the greatest institutional resistance to co-operation on trade in the Western Indian Ocean is likely to come from the Indian side. This is for understandable historical reasons. India is seeking to build up its influence in Africa more broadly and also in the Indian Ocean littoral states; thus unless there are strong and compelling reasons for it to seek synergies with another country or grouping, it will not want to dilute its influence and work bilaterally.

[12] African Development Bank Group, East Africa Economic Outlook 2018, March 12, 2018 https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African-Economic-Outlook-2018-East-Africa.pdf

[13] Calestous Juma and Francis Mangeni, The Benefits of Africa's New Free Trade Area, The Belfer Center for Science and International Affairs, Harvard University, June 11, 2015 https://www.belfercenter.org/publication/benefits-africas-new-free-trade-area-0

Yet there are also reasons to suppose that this traditional resistance is no longer as tight a constraint as it was earlier. The Indian government's rhetorical commitment to the Asia-Africa Growth Corridor, which is essentially a bilateral project with the government of Japan, is a useful and relevant example of this relaxation.[14] The AAGC's focus is clearly on extending both countries' influence in the Indian Ocean Region. India has enthusiastically sought avenues for co-operation with Japan in the Indian Ocean, with an eye more on a strategic convergence between the two countries than on immediate results; the question is whether there could be any rationale for a similar engagement with Europe in the region.

The data shows that both India and EU import a substantial number of organic products from these nations. Any new Indian Ocean trade regime needs to improve on the current problems with the slow delivery of perishables – a reduced turnaround time at ports, and better port infrastructure, roads, and railways would help. The East Africa Community (EAC) operates five modes of transport systems consisting of road, rail, maritime, air transport and oil pipeline. India and the EU can support the EAC in reforming the infrastructure sector and reduce logistical costs in the long-run. Proper regulatory authorities and operational agencies are required to this end.[15] Fiber-optic cables and a unified information resource center can help manage the logistical information of trade in commodities between IOA-8 and the rest of the world.

Yet it is possible, given the above data analysis, that the existing economic linkages are insufficient for co-operation to emerge organically. While the European Union has more developed supply relationships with East Africa than India does, the crucial common supply chains that would provide an impetus to co-operation are missing. In particular, the volatility in Indian imports from East Africa makes it difficult for a sustained relationship capable of co-operating on, say, infrastructure development, to form without an external political impetus. This does not mean that there is no reason for such a relationship. In fact, the opposite is true. However, it does increase the barriers to co-operation and raise the level of political engagement that would be necessary for a productive three-way relationship.

To choose a concrete example, consider the export of pulses – a staple food in India – from East Africa. The production of pulses is highly variable across time, and domestic prices in India are extremely responsive to supply shocks. On occasions when Indian production is insufficient to meet the growing demand for protein-rich pulses domestically, imports from East Africa in particular spike. Yet the next year, trade in that very commodity may shrink – indeed, partly as a response to non-tariff barriers being imposed by the Indian government. A longer-term perspective on commodity trade of this sort is required. Variability in trading volumes is not a sign of unimportance; in fact, of the opposite, since trade may be essential for a steady supply of an essential commodity. Yet volatility in volumes – and thus in the profits of traders – makes it difficult to form a steady political bloc that could argue for the expenditure involved in the creation of trade-enhancing infrastructure – such as, for example, more modern warehousing to serve Indian Ocean trade.

[14] Economic Research Institute for ASEAN and East Asia (ERIA), Asia Africa Growth Corridor: A Vision Document, May 2017 http://www.eria.org/Asia-Africa-Growth-Corridor-Document.pdf
[15] For more information see the East African Community official website: https://www.eac.int/infrastructure

This then must be a major aim for India's partners in the Indian Ocean Region (IOR). Their own steady trading volumes gives them an advantage in creating a constituency for investment in infrastructure. Synergies with existing Indian Ocean initiatives like the Asia-Africa Growth Corridor need to be exploited. When these factors are considered together with the strategic reasons for co-operation in the IOR, it is possible that both India's traditional unwillingness to dilute its influence and its schizophrenic attitude to trade will be overcome. India's own reputation on the delivery of such projects – such as in Afghanistan or in Myanmar – has not always been positive, and certainly bears scope to be expedited. Again, therefore, its partners will have to initially take on the responsibility of ensuring a catalytic amount of energy and of finance. India's strategic commitment to increasing connectivity in the Indian Ocean Region is unquestionable. But for "hard" infrastructure to be built, the co-operation of like-minded trading nations, including Japan and the European Union, is essential. From the European side, it might reasonably be assumed that there is a possibility of some resistance to grand joint initiatives, particularly by former European Member States with historical/colonial ties or current territories in the region. However, this problem might be avoided by the use of smaller, focused initiatives that supplement the special trade arrangements made between the EU and littoralstates..

The focused scenario: Governance, health and regional development

Both India and the European Union have expressed a clear interest in enabling governance effectiveness in Africa. The question that emerges from an analysis of trade patterns is whether there is a specific and common direction that could be imparted to governance assistance in such a way that the private sector is turned into a stakeholder in Indian and European efforts in East Africa.

One possibility, in particular, is in the healthcare sector. India is rapidly developing expertise in providing health care of reasonable quality with a cost structure that is appropriate to African conditions. Meanwhile, both India and Europe export pharmaceuticals to the countries studied above. While in general pharmaceuticals have been a source of competition, especially in the trade policy field, between India and Europe, there are also spaces that could be found here for co-operation. For one, Indian and European pharma exports are likely at different levels of quality and price. Thus there is no immediate reason why a shared approach to raising East African access to healthcare should only benefit one end of the spectrum and not the other. A shared commitment to investment in, and the development of, downstream medical care would thus be in both Indian and European interest, as well as being good for the people of East Africa. It is also the case that Indian pharma is seeking to move up the value chain, and to counter counterfeiting of drugs. A bilateral focus on increasing access in East Africa to effective medication – rather than a narrow view of intellectual property on the one hand or an anything-goes enabling of adulteration on the other – would be in both Indian and European industries' interests.

Specific countries also stand out as locations for possible co-operation between India and the EU. India's engagement in the island nations of Mauritius and Seychelles, for example, emerges from the data. In addition, it appears that the EU is of particular (relative) economic importance in the

Seychelles, while India has strategic interests in the archipelago. It is seemingly therefore the among the more obvious location for any focused collaborative project that could serve as a pilot for India-EU co-operation in the region. One possibility is to share the responsibility for turning Seychelles into a tech hub for the Western Indian Ocean. The Indian private sector has considerable experience with IT-enabled services, and the growth of the African market clearly serves as a motivating factor for its buy-in to any such project.

The long-term scenario: Building shared norms

In many cases, the greatest space for co-operation between India and the European Union is in the creation and development of shared norms, informed by a common heritage as liberal democracies with private sector-led economies and a "partnership" view of development assistance. The norms underlying trade and those that determine the nature of infrastructure investment are the two broad fields in which the Western Indian Ocean could transform co-operation between India and the EU.

On trade norms, India and Europe have had their differences in the past. Even aside from its specific bilateral frictions with the European Union on trade, India has been resistant to the notion of "behind the border" standards and requirements in any trade negotiations.[16] It is important to note that, however, engagement with East Africa might help interrogate this position. It is an area in which non-tariff barriers are a particularly strong deterrent to intra-regional trade; and, more importantly, one in which India need not automatically see itself as a "loser" from the introduction of common standards addressing, for example, commodity or pharmaceutical quality. This is, of course, the likely preconception about standards when it comes to direct India-EU trade. It is noteworthy that there has already been movement on creating common standards for agricultural products in East Africa as a pre-requisite for trade – for example the East Africa Grain Council has harmonized official standards for grain and pulses trade across several of the relevant countries.[17] Indian and European engagement in this field will serve to keep standards appropriate, and to ease both into an understanding of each other's constraints and requirements when it comes to behind-the-border trade policy – with unquestionable benefits for the bilateral relationship more broadly.

Norms regarding open, transparent, affordable, and end-user-determined infrastructure investment are also a vital location for co-operation between India and the EU in East Africa. The elephant in this room is, of course, China's giant Belt and Road Initiative, which aims to reshape connectivity in Africa and Eurasia. While accepting the possible benefits of increased infrastructure investment from the BRI, it falls to players committed to higher-quality and more democratically accountable investment finance, such as India, the EU and Japan, to create a persuasive alternative model. It may not be of the same scale as the BRI promises; but it should be more sustainable. When combined with the need to create a sustainable backstop for trade, including in commodities – as

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[16] Arpita Mukherjee and Avantika Kapoor, India and Trade Facilitation in Services (TFS) Agreement: Concerns and Way Forward, Indian Council for Research on International Economic Relations, Working Paper No. 347 http://icrier.org/pdf/Working_Paper_347.pdf

[17] Food Business Africa, East Africa moves to harmonise staple food standards, boost trade, February 12, 2018 https://www.foodbusinessafrica.com/2018/02/12/east-africa-moves-to-harmonise-staple-food-standards-boost-trade/

discussed above – it is clear that there may be benefits even to co-operation on a smaller "hard" infrastructure building project, especially at a point when intra-African trade is poised to take off.

Most importantly, a focus on building shared norms for both trade and investment goes to the heart of why India and the European Union seek a closer relationship. They are both trading regions with vast and disparate internal markets, which are committed to the values of liberal democracy, an equitable and open global order, and private sector-led development and growth. No two other large entities share these points of commonality. A future in which East Africa prospers economically is one in which trade operates with less friction and more focus on shared standards and procedures; in which international capital is domestically accountable; and in which infrastructure investment is sustainable both financially and environmentally. This is also the future that would emerge from the values that India and the EU already share. The question is whether the economic realities of the Indian Ocean, and the resource constraints faced by the powers relevant to the region, will allow that future to come into being.

One of the proposals of the recent Joint Communication 'Elements for an EU strategy on India' was to 'Establish regular bilateral, as well as trilateral dialogues on/with Africa, to discuss inter alia security, economic issues, as well as connectivity.' The main outcome of the research is that prospects for trade engagement between the EU and India in this region is actually less than may have been originally envisaged. This is a disappointing but important finding, given that EU-India cooperation will only take place on areas of substantive overlap.

However, as noted in the report, prospects for engagement on specific issues of shared interests were found, in particular in the Indian Ocean island states such as the Seychelles. Broader, grander narratives about trade cooperation in the region should therefore, for now, be nuanced and a more granular approach adopted. The most immediate and useful shared direction for policy makers to consider in the short term, therefore, is country-specific tech-related initiatives.