



East Africa, India and Europe: Norms to enhance Indian Ocean commerce

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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 EU to cooperate in establishing transparent rules-based norms for supply chains in the region.

Both India and the EU 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 EU with eight African nations in the Indian Ocean and analyses the data to reveal key commodities traded between them.

The motivation for this paper emerges from three economic and strategic factors: (i) Africa is poised for an economic take-off, driven by its youth bulge and the prospects for energized internal and external trade; (ii) The Indian Ocean and its littoral states are going to be a major focus for great power competition in the decades to come; (iii) 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 China's Belt and Road Initiative (BRI) 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 EU 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 cooperation 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.

This study has thus three main objectives. The first 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 is to identify key pressure points in the Indian Ocean trade regime related to Africa, and if there is any scope for the EU and India to collaborate in those areas. The third aim behind the data collection is to better understand how trade figures in the calculus of countries in East Africa along with Indian Ocean island states.

The analysis of available trade data suggests that there are considerable differences in the pattern of trade that East Africa has with the EU and with India. Based on these findings, the paper presents in the conclusion some policy recommendations, presenting them in the form of three 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.

(i) 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. 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 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. 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.

(ii) The focused scenario: Governance, health and regional development: Both India and the EU 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 field, there are also spaces that could be found here for cooperation.

(iii) The long-term scenario: Building shared norms. In many cases, the greatest space for co-operation between India and the EU 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.



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