

India's Economic Relationship with Algeria

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Review Article

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ABSTRACT

Economic activities have largely dominated current global affairs. All around the world, governments are engaged in creating spheres of influence that reflect their economic priorities. For most of their histories, this is also true in the case of India and Algeria. In the pre-modern era, the northern part of Africa was an important trading station between Europe and Asia. As the fastest expanding economic behemoth in the world, India has been increasingly looking towards Northern Africa and, especially to Algeria. In the last 20 years, the two countries have evolved from minimal contact to deep economic engagement. From 2000, trade and investment became the main driver of the bilateral relationship. This intense economic engagement between them was further cemented in 2009 when India became one of the largest trading partners and export destinations to Algeria. The establishment of the India Africa Forum Summit in 2008 had already taken the India-Algeria economic relations to a new level. India and Algeria Business Association has identified various trade and investment opportunities for Algerian businesses seeking to enter the Indian market. This research paper will look at the rapid transformation of the economic relationship between India and Algeria in a remarkably short period. It will also analyze the trade relations between India and Algeria from 2000 to 2015, elaborating on economic cooperation and investment.

INTRODUCTION

The Northern region of Africa has always attracted the close attention of the major powers of the world. Its distinctive geographical position Sahara desert in the South, the Atlas Mountains in the west, Nile River in the east,

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Mediterranean Sea, and the Atlantic Ocean has increased its strategic importance in global affairs, simultaneously establishing North Africa as a cornerstone of international trade. Since ancient times, many traders have travelled through this region, from north to south and west to east, in search of trading potentiality and habitable lands.

North Africa has been and continues to be, the land of ancient civilizations, which has opened up manifold opportunities for cultural capital in our own times. It is also the last remaining bastion of great wildlife in the world. In the context of the tremendous loss of biodiversity, it assumes a central plank in the politics of conservation. The accidental construction of Africa as a dark continent has given way to an image of North Africa with tremendous opportunities for economic growth and multilateral trade. In this context, the interests of the great powers-China, America and the European Union, in Africa have to be understood.

LITERATURE REVIEW

This region of Africa has had its share of the resource curse mainly that the resource-rich region of the world continues to be the poorest region of the world. The interest in the raw minerals, rubber, gold, diamonds, tungsten, diamond, and slaves, led the European powers of the 19th century to the infamous Scramble for Africa. It was the process of the slow destruction of a rich, diverse culture that spanned across huge geographical and cultural landscapes, which ended up creating arbitrary borders in a largely egalitarian-tribal society.

That Africa and more specifically the northern part of Africa continues to grapple with political conflicts is largely a result of this haphazard division of a largely indistinguishable space. The colonisation process left a deeply divided society in countries like Algeria and has impacted the development of a modern, democratic and vibrant society. The fact that the worst forms of racial segregation developed in Algeria are not an accident. It has to be seen as the result of the violent subjugation of the indigenous populations and their marginalization from all power structures, which is central to the workings of colonialism itself.

The process of decolonisation that set in the 1950s and 1960s led to the famous “winds of change.” It was the gradual establishment of democracies, several black majority ones- across the continent. For the first time in human history, the oppressors-the world’s great powers US, UK, France- had to sit together with the oppressed and collaborate to create a world sans conflict. Though there have been several shortcomings in achieving this goal, the goal itself is a worthy one. Most of these countries also participated in the Non-Aligned movement and the Commonwealth. They utilised these forums to keep the Cold War a largely twin power conflict even as they supported the process of independence of the former colonies.

Historical background of India-algeria relations

The formal beginning of the diplomatic relationship between India and Algeria dates back to the year 1962. Due to colonial shared past and efforts of initial leaders of respective countries, India leveraged and excellent bond with Algeria since the beginning [1,2]. Both countries being members of the Non-alignment movement have supported each other on vital issues at bilateral and multilateral levels in mutual pursuits and effectively contributing to North-South and South-South dialogues. Several Indian politicians visited Algeria from 1973 to 2016. In 1973, the then Indian Prime Minister Smt Indira Gandhi [3] visited Algeria to attend the NAM summit. After this, Prime Minister Rajiv Gandhi visited Algeria in 1985. Algerian President Chadil Bendje did also visit India three times in 1982, 1983 and 1987[4]. Apart from this, Algerian President Bouteflika also received the honour of being the chief guest of India’s republic day celebration in 2001[4].

But the main showstopper year in mutuality between the two countries is 2008, where with the creation of the India-Algeria Parliamentary Friendship Group. Under which the two young Algerian parliamentarians came to India under the banner of 'Leaders of Future' in March 2013. And after that, the movement of politicians started smoothly at a fixed interval between the two countries ^[5].

India has signed several agreements with Algeria, and some of them are as under:

1. Double taxation avoidance agreement-not ratified and still not operational.
2. Phytosanitary agreement.
3. Veterinary sanitation protocol air service agreement.
4. Agreement between press trust of India and algerian press service.
5. Agreement on cooperation in small and medium-scale enterprises.
6. Cultural exchange programme.
7. MoU of foreign office consultations.
8. MoU between AIR and Algerian National Radio, and MoU between Doordarshan and Algerian National Television ^[6].

Economic imperative for stronger cooperation

Algeria is one of the largest countries in Africa whose economy relies on the export of oil and natural gas. Both are taken together account for 96% of total export value, 60% of government revenue, and 30% of GDP. In the 1980s, Algeria faced a heavy foreign deficit due to a global decline in oil prices ^[7]. Post said experience of the 80s; Algerian government opened up their economy for the private actors and attempted diversification. In such a positive economic environment, India's investors expressed a positive stance toward the Algerian market. As a result, by 2001, India's total turnover from Algeria was 55 million US dollars. "In 2011, India-Algeria bilateral trade rose to 3.33 billion US dollar. But in 2016, the trade between the two countries saw retraction and came down to 1.37 billion US dollars. The root cause of this is attributed to the falling price of oil in the international market. India's exports to Algeria in 2016 were US\$0.920 billion, and imports from Algeria were the US \$0.510 billion"^[4]. Therefore, depending on the said data, it can be said that oil is the main link of trade between the two countries. Algeria is the largest country to export oil to India after gulf countries ^[8].

India has been dependent on the Gulf countries for many years to fulfil its domestic energy needs. But with the inauguration of trade relations with Algeria has led to compact dependence on Gulf countries for oil. But it cannot be said that oil is the only entity of trade between the two countries ^[9]. Apart from oil, there are many things that the two countries exchange through trade. India imports oil, gas, lubricants, and phosphate from Algeria and exports frozen meat, chickpeas, milk powder, rice, spices, cashew nuts, automobiles spare parts, agricultural and industrial machinery, and equipment, pharmaceuticals, mobile phones and accessories, and cosmetic products, etc.

Various Indian public and private sector companies were actively trading with Algeria. Like Engineers India Ltd. and IRCON International Ltd. are executing projects in their respective fields ^[10]. Algerian Oil PSU EIL signed an agreement with Sonatrach for study and assistance on the revival of the petrochemical unit in Skikda. Private Sector: L&T, KEC International, and Kalpataru are active in the power transmission sector. Other companies like Vijay Electricals, an Indian company manufacturing power transformers, Dodsai Engineering and Construction FZE, Construction company Shapoorji Pallonji and Indian pharmaceutical companies like Zydus Cadila, Dabur, Sun Pharma, Cipla, and Hetro Drugs are present in Algeria ^[11]. Pharmaceutical companies like PharmAccess are

executing EPC projects for Algerian companies. Dodsal was awarded a contract of US \$1.1. Billion by Algerian Oil National company, Sonatrach [1].

The bilateral trade between India and Algeria has grown from 55 US million dollars in 2001 to 3.4 US billion dollars in 2011 (ET, 2014). The impressive growth in trade between India and Algeria depends on several factors like growing stock of FDI, deepening economic and political ties through programs like 'Focus Africa' launched by the Indian government in 2002, and India-Africa Forum Summit in 2008 to boost trade with African countries. In addition, the Indian government also established Duty-Free Tariffs Preference Scheme for countries like Algeria to promote trade finance and capacity building. As a result, trade between India and Algeria has grown steadily after 2000, characterized by the rise of both economies [12].

Despite the impressive growth of trade and investment from 2000 to 2015 that facilitated India and Algeria to increase their trade volume, trade between these two countries is still driven by a limited number of products. Primary commodities and natural resources account for around 75% of Africa's total export to India. On the other hand, India's exports to Algeria are dominated by finished and pharmaceutical products. The economic relations between India and Algeria are below the potential of both the economies. Moreover, they have continued to develop a mechanism that can trace out the area of further trade and investment.

Focus areas of cooperation: oil and gas

Political solidarities beginning with India's support to the Algerian liberation movement from French colonial masters to encouraging its role within the non-aligned movement and agreement on issues of fundamental importance to developing countries have played a considerable role of cementing force in strengthening the relationship. India driven by its concern of future resource needs, has tried to maintain a strong foothold in the country, underlined in the regular exchange of high-level political visits over the last two decades.

India is home to a large population of about 1.3 billion, second only to China. This demography comes with its problems and prospects. A developing economy has insatiable energy hunger, and such an aspiring young population multiplies the hunger many fold. A key challenge faced by India is solving the rural energy problem and dealing with the issue of energy and poverty linkages, instead a vicious circle. Cooking accounts for 75% of the domestic energy claim, of which 70% still comes from biomass (Ahmad, 2010).

Furthermore, over 50% of the population lives in households without electricity. Hence, household energy security is one of the toughest challenges before India. As a result, India's dependence on energy imports increased from 20 percent to 33 percent over the last 10 years. It could cross 50 percent by 2030 on account of growing demand and challenges in domestic production. And India cannot fulfill such a huge energy demand from its domestic sources.

As per India Hydrocarbon Vision-2025, India's energy security dilemma is that Indian crude oil's self-sufficiency declined from 63% in 1989-1990 to 30% in 2000-2001 and expected to be a mere 15% by 2024/2025. Due to the expected decrease in oil self-sufficiency by 2024-2025, the Government of India is giving top priority to energy security in its energy policy. In this sequence, the Government of India has decided that to ensure its energy needs, energy relations should be extended with Algeria. Algeria is rich in the field of energy. Algeria and Libya represent 50 per cent of the proven African oil reserve, and they represent 46 per cent of the proven natural gas reserves in Africa.

Algeria was the top five exporter of natural gas in 2009 with 55 billion cubic meters net export and seventh largest producer of natural gas in the same year. Algeria holds 12,200,000,000 barrels of proven oil reserves as of 2006, ranking 16th in the world and accounting for about 0.7 percent of the world's total oil reserve of 1,650,

585,140,000 barrels. Algeria is a member of OPEC and it was the 7th largest exporter of oil in 2008, and it actively pursuing expansion of its upstream oil and natural gas sector ^[13].

Potential for expanding economic cooperation So, Algeria has enough resources in its reserve that can address India's energy security concerns. Although at present, India is regularly receiving its share of oil and gas from Algeria and Libya which is expected to be continued in future also. This would be an important contribution by Algeria to India's energy security. It is also necessary for India to reach its growth targets. For this, India would need to pursue all available fuel options and energy sources, conventional and non-conventional present in Algeria. It could be stated that India's energy security would remain anchored in coal but domestic coal would not be sufficient to meet its requirements. Imported gas would get a larger share in the country's energy mix. So, to meet the targeted growth rates, India has to keep an open mind concerning the utilization of different energy sources from Algeria.

Although in recent years, India has delved into deeper interactive bonds with Algeria, the share of India's oil imports from Algeria is small. India has taken some major steps to increase cooperation in this area. Few companies that have been actively involved in the acquisition of assets overseas other than ONGC Videsh Limited (OVL) are Oil India Limited (OIL), Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL), Reliance India Limited (RIL), Hindustan Petroleum Corporation Limited (HPCL), GAIL and Cairn India. India has allowed public sector companies such as ONGC and OIL to secure ownership of oil and gas fields and companies overseas including Algeria (Pant, 2015).

CONCLUSION

Since ancient times, there has been political, economic and cultural engagement between the India and Algeria, which has become stronger with time over time. It is believed that because of its geographical location, Algeria is going to be very important in the coming time. Keeping this in the mind along with the existing natural resources, and their needs, India is making an effective policy of building economic relations with Algeria.

Many countries of the world see Africa as a dark continent or a hopeless region. But India's attitude towards Africa is quite different and constructive. India considers African as brother because they also suffered from the same pain and sorrow by their colonial masters through which India has passed. That's why India always stood with Africa. Helping the needy is the tradition of India, and this will strengthen the India-Africa relations further.

Algeria is facing many challenges in recent years. Like political, economic instability and terrorism. But despite all these problems, India is focusing on building and expanding its relations with Algeria. Through Algeria, India can strengthen its position in northern Africa. That's why since Algeria's independence in 1962; India has been trying to become more connected with this country. By doing so, India can protect its political, economic, energy and food security, strategic and regional interest.

However, India's relations with Algeria have gone through many ups and downs, like the political crises of Algeria after the civil war influence Indo-Africa relation in a negative way, on the other hand, China's growing interest in Algeria has worried Indian policymakers. But one should not forget that India's policy towards African countries is beyond profit and loss. Regardless of international criticism, many a time India has raised its voice in favor of member countries of North Africa because the philosophy to help someone who is in need and stand for the needy is in Indian culture.

Today, India is pushing for collaboration and cooperation with the help of government and nongovernment agencies with Algeria. India has promoted investment in Algeria at a broader level. This is the result of India's positive thinking African countries, that Algeria has emphasized the strengthening of relations with Asia and especially with India, rather than Europe. And it is a great opportunity for India to assimilate with the need for their market and develop our economy in turns as well. Both have prospects of mutual benefits in several ways in several fields. Therefore, it can be stated that there is a huge possibility of collaboration and relationship between the two, which will further strengthen through bilateral economic relations in the coming time.

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