India – Kenya: Opportunities and Challenges

Why in news?

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- India on Wednesday announced **100 million dollars Line of Credit for Kenya's agricultural mechanisation.**
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- The announcement followed talks between PM Modi and Kenyan President Kenyatta during which they agreed to deepen economic cooperation and expand trade.
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How the LoC will help?

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- Modi said that the Line of Credit would open a new dimension of engagement.
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- The Kenyan leader's leader top priority is likely to be to seek more access to the Indian market for Kenyan goods, while India is likely to be interested in **exploring ways to become its top foreign trading partner.**
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- "Long-term arrangement with Kenya for production and import of pulses is being explored and discussed. We would also be happy to share best practices in organic farming with Kenyan farmers," said Modi.
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- Modi emphasised that broad-based and wide-ranging cooperation in agriculture and food security was a shared priority.
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What are the avenues of engagement?

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- Right from his first visit in 2015, Kenyatta has repeatedly called for India's help in **augmenting Kenyan healthcare.**
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- The Indian prime minister had also offered to help set up a full-fledged cancer hospital in Kenya – a promise on which Kenyatta would certainly hold Modi to his words.
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- Kenyatta has publicly invited Indian firms to set up manufacturing facilities in his country and make it a distribution hub for generic drugs for the region.
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- **The agriculture and leather industries** are other sectors where Kenya is hoping to attract Indian investment to offset the trade imbalance.
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- India has already explored the possibility of importing foodgrains from Kenya to help meet its **insatiable demand for pulses.**
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- Modi said that the two sides will encourage industry and businesses in both countries to take lead in exploiting opportunities in healthcare, tourism, information technology, agriculture, blue economy and energy.
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- The Joint Business Council meeting tomorrow will work to build commercial engagement through specific projects in these areas.
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What are the challenges?

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- With the Kenyan economy expected to be among the star performers in Africa this year, India is looking at the East African economic powerhouse as a safe haven for investments and a hospitable market, but **regaining the top spot for trade from China will be a hard climb.**
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- Modi identified challenges in the maritime domain as a shared concern and added that the two sides will explore opportunities in blue economy.
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What is the Chinese involvement in Kenya?

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- According to the Kenyan Economic Survey, Indian imports were around $2.4 billion, while **Chinese imports were $3.09 billion in 2015.**
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- The sharp rise in China's trade figures was attributed to import expenditure for railway construction materials from China.
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- Besides **laying rail tracks, China is also constructing roads** around the country and building berths at Laamu port. All this is coming at a price, of course.
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What are the advantages for India?

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- In the World Bank paper, between 2003-2015, Chinese FDI was only the fifth largest creator of jobs. In contrast, **Indian FDI was the top employment generator for Kenyans,** creating 7422 jobs during the same period.
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- For Kenya, with a large youthful population, accelerating job creation is an essential part of maintaining domestic stability.
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- Beyond economic ties, **India is keen to build up a strong security relationship linked to Kenya's coastal location on the Indian Ocean.**
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- While India will find it difficult to win a race with China on financing, Indian money can be stretched in other ways.
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Concluding remarks:

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- India's Africa policy is broadly in line with **Agenda 2063,** promoted by the African Union.
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- However, some recalibration in New Delhi's approach may be needed because issues such as UN reform, counterterrorism, climate change and international solar alliance will inevitably take longer to show results.
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- Meanwhile, India must concentrate on actions that strengthen its economic

cooperation with select African countries.
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