India in Africa

3/2013

India should 'Stand Out' as an economic partner in Africa

India has had strong historical and cultural ties with Africa over many years, and is now a key economic partner in many countries

At one point of time, the world saw foreign direct investment (FDI) almost as a monster that could only bleed developing countries dry of their natural capital and in no way could contribute towards local development. Today, most economists support FDI as a tool to help developing economies with transfer of technologies, enhanced local capacity, better services and above all, more jobs, which has helped reduce absolute poverty.

In 2012 and for the first time ever, developing economies received more FDI than developed countries, accounting for 52 percent of global FDI flows.[1] Africa led the trend with a 5 percent increase in FDI inflows, (total inflow amounting to US$50bn), although global figures fell by 15 percent. Several sub-Saharan African countries present interesting cases for examining improvements in South-South economic cooperation, when we look at their trade and investment flow over time.

Value of Indian trade with African countries has risen from US$7.5bn in 2000 to US$66bn in 2013, with Indian exports to Africa witnessing a remarkable rise from US$5.4bn in 2004-05 to over US$26bn in 2011-12. Indian FDI in Africa has also increased from US$3.2bn in 2008 to US$5.8bn in 2012.[2]

Indian corporate presence in Africa has been in sectors like extractives, infrastructure, services, etc. One of the characteristics of India's investment in Africa over the years has been a consistent attention to local development and knowledge creation. Indian investments have maintained a strong developmental footprint in terms of local capacity building, skills development, technology transfer, local employment generation, etc. A feature that has made Indian economic partnership in Africa stand out from the others. One such example is the Pan-Africa e-Network Project (PAN) which is revolutionising Africa's tele-medicine and tele-education services. There are several other such examples.[3]

One of the challenges for Indian industry as it strengthens its economic presence in African countries, it to maintain its character as a 'stand out' partner with a key interest in improving lives of the average African. Extra efforts need to be made both by the investor and the host government in this regard. Some recent stories about Indian investment's adverse impact on local communities is disturbing, and needs to be analysed from the above perspective.

Since 2011, Salgaocar an Indian firm has been mining for low-grade iron ore in Swaziland's Malolotja Nature Reserve, a reserve which had the potential of becoming a heritage site. Not only has this mining operation affected the nature reserve badly, but it has also had adverse effects on the water supply of Mbabane, Swaziland's capital city. From the beginning, it seems that Salgaocar did not pay much attention to prevent iron-rich waste water from entering local streams and rivers. Weak regulatory oversight of relevant authorities has aggravated the situation.

Vedanta, another Indian mining company, owns a subsidiary in Zambia, called Konkola Copper Mines (KCM). This subsidiary has faced much criticism on grounds of violation of employee's rights, unsafe working conditions, and use of Indian labour instead of local employees.[4]

FDI is a process of exchange that involves meticulous planning both by the investor as well as the host country government/agencies, to help develop a win-win outcome for both parties. Indian investors/TNCs need to work together with African host governments in order to work out a strategy that looks at long-term gains for both sides and not one-sided, short-term benefits only.

The country has traditionally maintained its position as a close friend of Africa and its people, and it is high time for the leaders from government and business to strive towards maintaining this position.

1 UNCTAD, World Investment Report 2013, Geneva (Switzerland)
2 Department of Commerce, Government of India, 2013
3 India's Economic Engagement with Africa (www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/India's%20Economic%20Engagement%20with%20Africa.pdf)
4 "What is happening to Konkola Copper Mines?" 28 June 2010. Zambian Watchdog. 19 November 2012. <http://www.zambianwatchdog.caom/2010/06/28/what-is-happening-to-konkola-copper-mines/>.

Sirleaf an example for Africa!

Liberian President and Nobel laureate Ellen Johnson Sirleaf was conferred the prestigious Indira Gandhi Prize for Peace, Disarmament and Development by Indian President Pranab Mukherjee in New Delhi, India.

74-year-old Sirleaf, the first democratically elected woman Head of State of any African country, was honoured for serving as an example and an inspiration for ensuring the return of peace, democracy, development, security and order in Liberia and for her strong interest in the consolidation and improvement of ties between both the nations. *(www.ndtv.com, 12.09.13)*

India-Senegal Cultural Ties

Exchanges in theatre, heritage and archaeology are some of the aspects of a cultural treaty signed between India and Senegal. The two countries signed the Executive Programme for Cultural Cooperation for 2013-2015. The agreement was signed by Culture Minister Chandresh Kumari Katoch and Adboul Aziz Mbaye, Minister of Culture, Senegal.

The agreement is valid for a period of three years. The programme seeks to exchange experts in theatre, encourage training in artistic heritage, creative activities, audio visual, music, dance, theatre and puppetry and exchange publications on cultural heritage.

There would also be exchanges on canvas works and prehistoric archaeology. The agreement also envisages organising a cultural week featuring on the cultures of both the countries.

(www.indiafricaconnect.in, 29.07.13)

India Turns to Africa for Minerals

After being beaten by Chinese players in the quest for mineral assets in West Africa, Indian firms, such as state-owned Oil and Natural Gas Corporation (ONGC), Oil India and private players, such as RIL and Cairn have now set their eyes on the eastern part of the continent, which is fast emerging as a key supplier of minerals especially liquefied natural gas and coal.

Chinese companies, such as Sinopec and CNPC have garnered most of the acquisition opportunities that came up in African countries, like Angola and Ghana.

Sources said Indian oil sector players are already scouting for investment opportunities in oil and gas sector in Mozambique and Tanazania. Power companies like Jindal Power and Tata Group are setting up power plants in countries like Botswana and Zambia. *(FE, 26.09.13)*

India-South Africa PTA to Sign Pact

Negotiations are on to sign Preferential Trade Agreement (PTA) between India and South Africa as a part of efforts to boost bilateral trade.

"It is in negotiation. We negotiated with the Indian government. But we still need our African brothers to agree. The process is on," M W Mogale, Acting High Commissioner of Republic of South Africa to India, said at a conference organised by Southern India Chambers of Commerce and Industry.

Stating that the two countries were in the 20th year of bilateral ties since signing the first agreement in 1994, he said the trade between India and South Africa which was US$5bn in 2007 grew to US$15bn in 2012. *(ET, 04.09.13)*

India-Mozambique Gas Deal

India's state-owned energy ONGC bought a 10 percent stake in Area 1, a gas field off the coast of Mozambique, for US$4.2bn. Area 1 is estimated to contain as much as 65 trillion cubic feet of natural gas, and is one of the largest offshore gas fields in the world.

Coming on the heels of China's announcement of forthcoming investment in energy and infrastructure projects in Kenya, India's deal in Mozambique signals a renewed focus by Asian businesses on east African opportunities, especially in oil and gas.

India is returning to Africa, and Mozambique's gas reserves are only one attractive investment among many. Trade between India and Africa has exploded over the past decade, reaching US$50bn in 2011-12.

(www.blogs.the-american-interest.com, 26.08.13)

India-Africa Trade Constraints

Lack of proper financing mechanism and poor infrastructure facilities are the major constraints to trade and investment between India and Africa, according to a report jointly released by the Confederation of Indian Industry and the World Trade Organisation.

The trade between India and Africa has grown to around US$50bn in 2011-12 from US$1bn in 2001. Both together accounts for a huge market of 2.2 billion people with a combined gross domestic product of more than US$3tn. There has also been a surge in Indian private investment in Africa with big ticket investments in telecommunications, IT, energy and automobiles sectors.

Additionally, the report mentions, greater cooperation in agriculture and agro-processing would have a great bearing on the food security situation in India and African continent. *(TH, 10.07.13)*

Source: ET: Economic Times; FE: Financial Express; TH: The Hindu

India in Africa: Published by **CUTS International, Head office:** D-217, Bhaskar Marg, Bani Park, Jaipur 302016, India
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