

India in Africa

Tide of Indian Interest in Africa is Rising

Ronak Gopaldas*

Africa's economic relationships with the Brazil, Russia, India, China and South Africa (BRICS) powers, in particular China and India, have grown rapidly over the past few years. India is now seeking to expand its political and commercial influence across the world's fastest-growing region.

Very little has been made of India's foray into Africa to date. The route followed by Indian companies in Africa differs markedly from China's. Unlike China's policy of direct investments led by state-owned entities, it is India's private sector that plays the leading role in Africa. Indian corporate giants such as Bharti Airtel, HCL and the Tata group have spearheaded the country's charge into Africa, while new Indian investment and trade into Africa is gaining traction.

Since 2005, Indian companies have spent about US\$16bn on the continent. India's trade with Africa has also doubled in the past four years, from US\$24.98bn in 2006-07 to US\$52.81bn in 2010-11, with Indian companies active across a range of sectors, including mining, pharmaceuticals, machinery and equipment, chemicals, textiles, paper, financial services, software, refineries and printing.

Indian companies are acquiring overseas assets to establish their presence in foreign markets and to upgrade their competitive strength as they realise their future growth will be driven by the share they have in the global market. According to Thomson Reuters data, Indian acquisitions made up a third of total acquisitions (in terms of value) in sub-Saharan Africa in 2010, the highest by any country in the region.

Bharti Airtel, India's largest cellphone provider, has become the



A wave of interest in Africa is coming from emerging global powers

second-largest mobile operator in Africa. Tata Motors has opened an assembly operation in South Africa, while the Essar Group is investing in the African steel sector and Godrej is very active in the consumer goods market.

India is clearly looking to Africa to fulfil its growing resource needs and major investments are also under way in mining and oil exploration. Oil & Natural Gas Corporation has acquired shares in oil exploration ventures in Libya and Nigeria, while Vedanta Resources invested nearly US\$750m in Zambia's Konkola Copper Mine. Africa's hydrocarbon potential is immense, with significant oil production already coming from West Africa and new promising gas discoveries in East Africa.

Many Indian business people believe Africa is on the cusp of a boom and see similarities to India 30 years ago. Consumer spending in Africa is expected to double to as

much as US\$1.8tn by 2020. Consequently, India views Africa as a place where it can reproduce the business models it has refined at home and replicate its success in building vibrant manufacturing and services sectors.

The burgeoning commercial relationship between Africa and India has created the need for a deeper engagement between the African and Indian business sectors. The India-Africa Business Network was established in 2011 in Johannesburg with the idea of increasing synergy between India's emerging multinationals moving into Africa and African companies looking to establish a footprint in India. Given India's large diaspora, businesses are also increasingly using the expatriate Indian network to tap opportunities in Africa.

The government of India, too, via its Pan-African e-Network project, has started playing an active role via a strategy of 'soft-power diplomacy', which matches the best Indian expertise in scientific, medical and telecommunication services, to African countries' daily needs.

The foreign direct investment flow from India has significant long-term benefits for the industrialisation of Africa, particularly in sectors such as education, infrastructure, tourism and health, where India can offer expertise and customised solutions for African countries. For India, Africa is the world's largest untapped market for trade and investment.

With an abundance of natural resources, a middle class larger than India's, rising per capita incomes and major institutional and political improvements, the continent is set for an unprecedented decade of economic expansion.

* Country Risk Analyst at Rand Merchant Bank. The article appeared in the Business Day, on January 28, 2013

India-Africa Agriculture Cooperation

Researchers and scientists from Liberia, Kenya and Malawi visited the Central Institute of Post-Harvest Engineering and Technology (CIPHET), India for getting first-hand information regarding various activities initiated by the institute in area of post-harvest sector an identifying various collaborative areas.

Deepak Raj Rai, Head, Transfer of Technology Division said that they are conducting number of hands-on-trainings, entrepreneurship development programmes, providing consultancy and contract research for dissemination of the technologies.

(www.paepard.blogspot.in, 26.02.13)

India-SA Trade Talks

India and South Africa are pushing for an early finalisation of the country's preferential trading agreement with Southern African Customs Union (SACU) that could result in two-third duty cuts for select items traded between the partners. Other members of SACU include Botswana, Lesotho, Namibia and Swaziland.

India has proposed that duties on select products be slashed on an average by 70 percent as part of the Preferential Trade Agreement. India expressed satisfaction at the steps taken towards having a long-term arrangement for bilateral trade in gold, diamonds and minerals between India and South Africa. (BL, 15.1.13)

Revised Trade Targets

Notwithstanding the gloomy global economic environment, India and Africa revised upwards their bilateral trade target for 2015 to US\$100bn. The decision to revise the target by US\$10 was taken in New Delhi at the India-Africa Ministers Round Table conference chaired by Commerce, Industry & Textiles Anand Sharma.

He conveyed to the visiting ministers that despite the gloomy global environment, where there has been a contraction of trade and with

Focus on Indian Investment

“South Africa has identified India as a strategic partner due to the fact that its economy presents enormous trade and investment opportunities for South African businesses”, said Deputy Trade and Industry Minister Elizabeth Thabethe in New Delhi, as the Department of Trade and Industry (DTI) of South Africa kicked off its fourth trade and investment mission to the Asian country.

During President Jacob Zuma's state visit to India in 2010, the two countries set themselves the target of achieving US\$15bn in trade by 2014. South Africa was looking to grow trade in targeted sectors, including agro-processing, metals beneficiation, mining technology, and automotive component manufacturing. South Africa was also looking to attract FDI and joint venture partnerships in various sectors.



(www.southafrica.info, 05.03.13)

India's own trade contracting with major trading blocks, US\$100bn trade by 2015 is achievable. Trade between India and Africa totalled US\$70bn in 2011-12.

The Indian investments in Africa are now close to US\$50bn. A Joint Study Group for examining the feasibility of a Free Trade Agreement between India and COMESA has been set up. (www.rediff.com, 18.03.13)

Indian Investing in Power

India has made US\$250mn available to finance a power project in the Maputo region in southern Mozambique. The Chairman of Mozambican Electricity Company (EDM), Augusto de Sousa Fernando, said the project will kick off by June and end in 2016.

Fernando also said the project is in the phase of elaboration and that the tender will be published soon to select the company to accomplish the work. The Mozambican capital Maputo, which shares the name of the region, is always expanding and needs new investments for the growing need of power.

In Nampula province, power consumption grew by 26 percent in 2012, Fernando said, adding that the EDM needs new investment in building the second power transmission line in Nacala.

The Maputo region suffered power cuts last week as a result of the explosion of the distribution control panels, the problem which will involve 6 million dollars to be solved. (www.trademarksa.com, 15.02.13)

Zambia to Woo Indian Tourists

Zambia Tourism Board is in the final stages of sealing a deal with Mumbai-based Blue Square Consultants for market representation in India. The NTO will raise awareness of Zambia through advertising, road shows and fam trips for the media and trade.

It is also looking at educating travel consultants through a tie-up with Kuoni Academy and an online training programme. Apart from wildlife, the country's adventure products and UNESCO World Heritage Site Victoria Falls will also be promoted.

Mato Shimabale, Director Marketing, Zambia Tourism Board, said: "I think it is the right time to open a representation office in this part of the world as Indian travellers are looking for new destinations." Around 25,000 Indians visited the African nation in 2012, a number that Zambia Tourism Board aims to double over the next two years. Traffic mostly comprises business travel.

(www.trademarksa.com, 18.02.13)

Sources: BL: The Hindu Business Line