

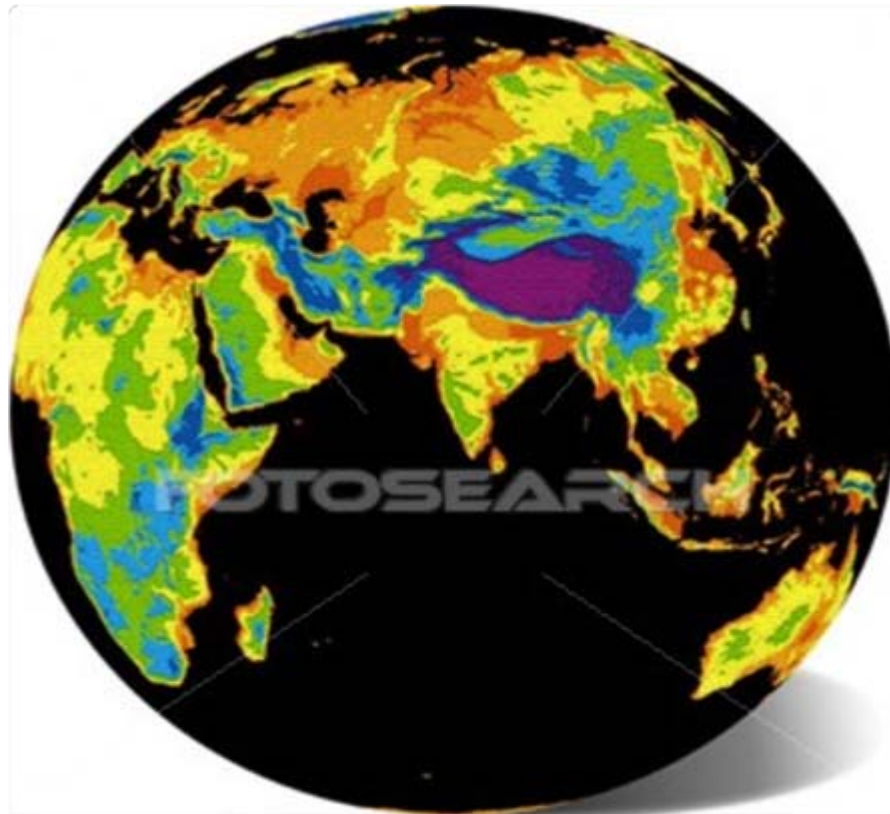
# Africa and India: People and Processes in a Shifting Political Economy

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- India
- East African littoral states
- Red Sea region
- Arabian coast

**The Indian Ocean Rim (IOR) Region**



- Commercial, cultural contacts & significant population movements.
- African immigrant communities in India & contribution to historical developments

**People**



- Merchants
- Musicians
- Military officers
- Administrators
  - Malik Amber ((1550-1626)
  - The Siddis of Janjira (1100 AD)
  - African figurines of Indus Valley (2200 B.C.E. - 1700 B.C.E)

- Eastern slave trade and mercenary warriors from Africa
- Significant presence since the inception of the Bahamani Kingdom in 1347 until 1800
  - Gujarat, Maharashtra, Coromandal coast, Karnataka, Andhra Pradesh, the Delhi Sultanate, Jaunpur and Bengal

## **African Diasporic communities in India**

- Africans as strong political groups in Medieval India
- Political and cultural positions within the Indian society
- The representation of the same by various historians.

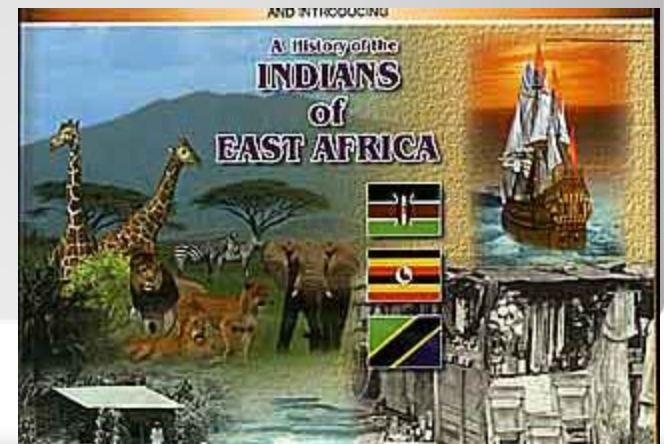
**Lack of research**



- Abolition of slave trade (1807)
- Ascendance of British control in the IOR region
- Several thousands of Indians shipped as indentured labourers to British colonies
  - Fiji, Mauritius, East Africa, South Africa, Guyana, Trinidad, Jamaica, Surinam, Malaysia...

**Reversal of the flow of people**

- Destruction of Indian cottage industries
- Destruction of family farms through taxation and the *zamindari* system
- Decades of famines
- Monetisation of the plantation economies of Africa



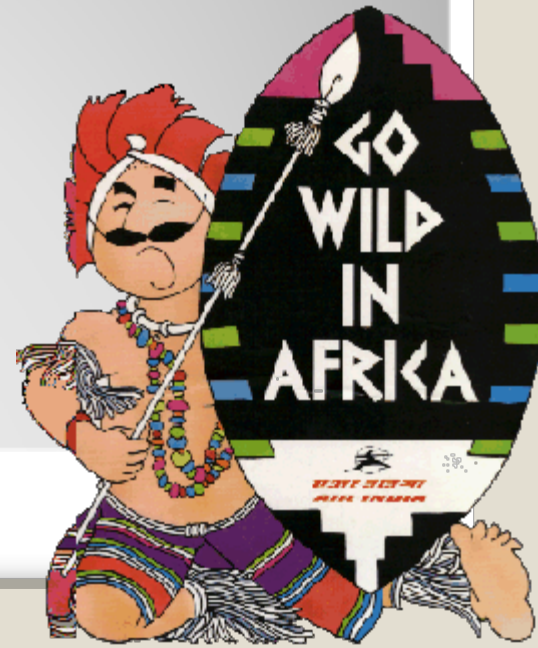
- Substantial number of indentured labourers chose to stay on in their new homes
- Enterprising Gujarati and Punjabi traders set up small and medium sized businesses
  - Kenya, Uganda, Tanzania and South Africa

## Indian Diaspora in Africa



- Currently nearly 3 Million PIO in Africa
- Complex patterns of cultural syncretism and acculturation

**Valuable Conduit**



- Political solidarity – 1950s & 1960s
  - (experiences and ideological overlaps)
- Selective engagements and disengagement – until the 1990s
  - (regional and Cold War politics)
- A New turn in the Twenty First Century?

## Indian Foreign Policy



- Post Cold War era
- G-20 World
- Demand growth for primary commodities
- Access and application of Mass Technology



## **Current International Context**

- More than a decade of 8% per annum growth or above
- Reduction of absolute poverty by half
- Strong political and economic institutions



**Contemporary India**

- Transformation of politics, society and the economy
  - Middle Class; consumerism; explosion of media
- Growth being fuelled by domestic demand
  - export of goods and services constitute about 20 per cent of India's GDP
  - Foreign exchange reserves (US\$308 billion)
  - high gross capital formation
  - high savings rates

## Contemporary India




- Uneven growth; infrastructure upgrade; environmental degradation; natural disaster management; corruption; terrorism; slower growth in industrial & farm sectors ...
- Vagaries of international finance & market
- Dramatic increase in industrial raw materials consumption and import

## Challenges



- **India imports 70% of its oil**
- Globally the 5<sup>th</sup> largest energy consumer with 3.75% (2008)
  - (double by 2030 to become the 3<sup>rd</sup> largest)
- Africa currently accounts for about 20% of India's oil imports
- Additional interests in copper, iron ore, rock phosphate and other mineral resources

**ENERGY**

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- Bandung (1955)
  - NAM
  - Economic diplomacy and selective engagement
    - Indian Technical & Economic Cooperation (ITEC) Programme (1964)
    - Special Commonwealth Assistance for Africa Programme

## **Afrindia Engagements**

- South-South cooperation and trade
- Diplomatic support and financial aid to liberation struggles in Africa
  - OAU
  - UN Fund for Namibia
  - UN Educational and Training Programme for South Africa
  - Action for Resisting Invasion, Colonialism and Apartheid (AFRICA) Fund

**Afrindia engagements**

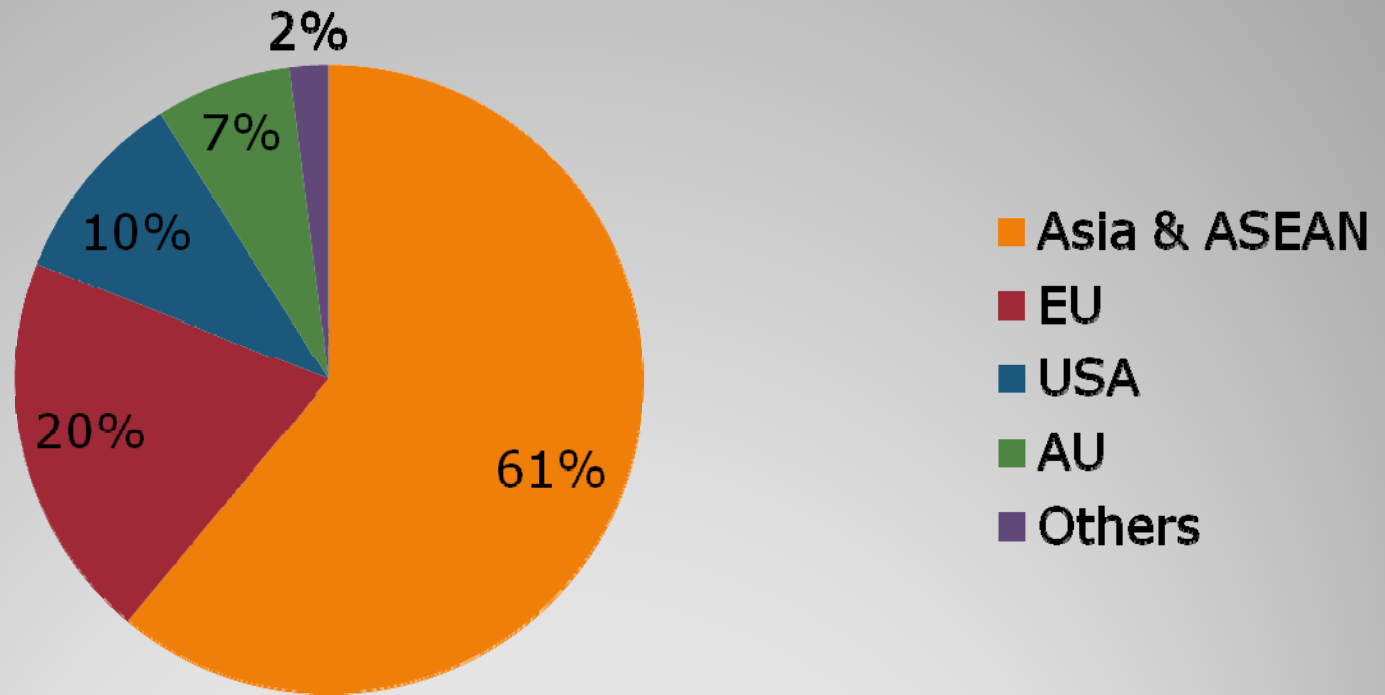
- Ideological, domestic & regional constraints to Indian FP
- Broadened definition of security interests
- Geopolitical partnerships in multiple directions
  - AU
  - IBSA
  - G20

**Expanded strategic vision**

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- Natural resources trading partner but also diverse regional & sectoral spreads
  - Bilateral trade rose by 226.83% between 2002 and 2008 (US\$39 billion)
  - Africa accounted for the highest growth in India's export in 2008 (73.26%)

**Expanding commercial interests  
in Africa**

## Series 1



**Dividing the Indian import pie**

- Sustained rates of growth and rising income levels in several African countries
- Private capital flows to sub-Saharan Africa reached an estimated \$50 billion in 2007 & overtook official aid flows for the first time.
- Africa foreign investor survey (UNIDO, 2008)
  - Top 4 are France (20%), the UK (9%), SA (7.2%) and India (5.6%)

## Indian trade and investment in Africa

- Series of Conclaves on India Africa Project Partnerships since 2002
  - Indian Ministry of Commerce and Industry, EXIM Bank & the Confederation of Indian Industry (CII)
- Collaborations for 131 projects worth more than \$10 billion in four main areas:
  - technology, agriculture, human resources and energy
  - New concessional line of credit of USD 100 million for a technology park and fisheries project in Cote d'Ivoire

## **Indian trade and investment in Africa**

- South Africa
- East African Community (EAC) region
  - Burundi, Kenya, Rwanda, Tanzania and Uganda
- Mozambique
  - Unprecedented growth in the past decade
  - Maputo as an alternative port to Durban in SSA
  - Look East Policy
- Mauritius

**African partners**

- Focus Africa Programme
- Go Global Policy
- Possible government guarantees to mitigate political risks
- Liberalisation of foreign exchange regulations for cross border M&A.

**Indian Policy Incentives**

- Plans to add to the twenty-five existing Indian embassies/high commissions on the continent
- First Asian country to become a full member of the African Capacity Building Foundation (ACBF)
- One of the twenty-four non-African members of the African Development Bank (ADB)

## **Indian Policy Incentives**

- USD500 million line of credit for the Techno-Economic Approach for Africa-India Movement (TEAM-9)
- USD200 million line of credit to NEPAD under the India-Africa Fund to promote African economic integration
- USD1 billion investment in a joint venture with the AU to build a pan-African e-network for tele-medicine and tele-education

**Initiatives to enhance economic & political cooperation**

## Africa

- Improving terms of trade
- Knowledge transfers
- Infrastructure
- Local capacity & skills development
- FDI
- International leverage

## India

- Mineral Resources
- Geostrategic interests in the IOR region
- Indian Diaspora

**What's in it for Africa & India?**

- Major trade routes & sea-lanes
- Covers nearly a third of the world's population
- Significant littoral economic, social & cultural networks
- Indian trade and oil supplies
- Pakistani, Chinese and American military influences

## **IOR Region**

- *Indian Ocean Rim-Association for Regional Cooperation* – SA initiative, 1997
  - information on trade and investment regimes
  - Biennial summits
- Challenging diversity of the region
- Shifting priorities of its members
- Mutual suspicion of India, China and Pakistan

**IOR-ARC (Port Louis)**

- India has a staggering 2.2 million square km of exclusive economic zone (EEZ)
  - Nearly 90 percent of the exports pass through the sea
- Bilateral security and diplomatic cooperation:
  - Mauritius, the Seychelles, Madagascar, Mozambique, and South Africa

- Most formidable economic and strategic partnership with India
  - Defence cooperation and other military ties
  - Piracy and counter-terrorism
  - Largest provider of offshore banking and investment services to India
- 68% of the population of Mauritius is of Indian origin


**Mauritius**

- To rise above regional constraints and position themselves as major power
- Strategic direction to the ongoing trade, investment, defence and cultural exchanges
- Reform and expansion of the UN Security Council & G-8
- Spurt in wide-ranging bilateral activities between SA & India

## **The IBSA Initiative**

- Describes the people who migrated from territories that are currently within the borders of the Republic of India (and their descendants)
- Estimated to number over 20 million
  - Non Resident Indian citizens (NRI) and Persons of Indian Origin (PIO), those who have acquired the citizenship of another country.
- More than a million each in 11 countries

## Indian Diaspora

- 
- Currently, nearly three Million People of Indian Origin (PIO) live in various African countries.
    - South Africa (1.3 Million)
    - Mauritius (850,000)
    - Reunion (220, 000)
    - Kenya (100,000)
    - Tanzania (90,000)
    - Uganda (90,000)
  - Stratified along caste, religious, linguistic, regional lines ...

## Indian Diaspora

- 
- Indian policy: disengagement to counter-productive engagement to aggressive engagement.
  - Financial liberalisation in India & regional liberalisation in Africa
  - Popularity of cultural bridges such as Indian movies, music and cuisines, and interestingly the love for cricket

**Diaspora's role**

- Quest for long-term and technological solutions to problems of developing economies, rather than relying on aid
- India's partnership due to similar experiences, offer of adaptable and affordable technologies, and collaborative solutions.
  - Joint initiative between the Indian government and the African Union to develop information communication technology (ICT) infrastructure across the continent.

**Partners and allies**

- Historical, social, economic, ideological and strategic overlaps
- Two-thirds of the Chinese companies in Africa are state owned or controlled
  - Indian companies divided among private owners, strategic investors and the public
  - Differential impact on competition, and regulations in the host country

**China v/s India**

- China's forays well coordinated & complemented by parallel diplomatic efforts, including generous aid
  - Rising trade deficit with China (in commodities other than fossil fuels or minerals)
  - Preference for bilateral agreements rather than engaging with regional institutions
  - Play down capacity development in the host country and import labour
  - Lack of transparency in financial deals
  - (The African Union task force on strategic partnerships)

**China v/s India**

- The role of the historical `Western' players in Africa is changing from being monopoly donors to strategic competitors
  - Malaysia, Singapore, Korea, Russia and Brazil, apart from China and India
- Actively set the terms of foreign engagement in Africa
- Disrupt the long established pattern of being mere suppliers of mineral resources

**What's in it for African countries?**

- competition for investment gives the host state a powerful advantage
- A broader range of potential sources of capital, technology and management skills
- Better bargaining power to negotiate with potential investors in setting and following their own development agenda

**What's in it for African countries?**

- The demise of the proposed \$24 billion tie-up deal between Bharti Airtel (India) & MTN (SA)
- The merger would have created a firm with more than 200 million customers across India, Africa and the Middle East
- Creating the third biggest telecom company in the world

**So much for emerging-market solidarity?**

- The financial meltdown of 2008/09
  - Interconnectedness of the global economy
  - Need for regulating the market
  - Limitations of the OECD-centred political economy
  - Need to reign in gung-ho free market ideologies.
- May be an opportunity for developing countries to tap into the diversity of economic regimes, institutions, and the concomitant survival strategies, that their rich histories encompass.

## Conclusion

- Prospect for Africa to reduce its marginalisation from the global economy, but also a challenge to harness this opportunity to promote effective economic development.

