



A STUDY ON THE CURRENT FOREIGN RELATIONS BETWEEN INDIA AND SOUTH AFRICA

Vishwajeet Gurjar,

Research Scholar,

Department of African Studies, University of Delhi

ABSTRACT

For the purpose of this research, we investigate the commercial connection that exists between India and South Africa. Both (1) analyzing the structure of bilateral commerce between India and South Africa and (2) tracking the change of the commodity mix of exports and imports from the year 2000-01 to the year 2018-19 are the key aims of this research. Over the course of the last two decades, there has been a stratospheric surge in terms of two-way trade. The things that India used to export include autos, mineral fuels, and pharmaceuticals; however, these products have undergone significant changes throughout the years. The character of the commerce that takes place between South Africa and India has undergone a number of transformations. In order to conduct an analysis of the bilateral trade that takes place between South Africa and India, we have used the complementary trade index. According to the information presented in this article, India and South Africa have developed into substantial business partners.

Keywords: Africa, India transformations.

INTRODUCTION

In today's interconnected world, no country can afford to ignore the significance of international commerce. No matter the challenge, every country strives to stand out in international trade. Along with other countries, India is trying to forge political and economic links with every corner of the globe. The goal of this piece is to describe and analyze the South African and Indian commercial connections that are now in place. India and Africa have a deep and ancient history of friendship and trade. India placed a trade ban on South Africa in 1946, during the apartheid government's rule. India - South Africa Relations (2017) states that commerce between the two countries resumed after the 1994 abolition of apartheid. Nearly concurrent with the fall of apartheid in South Africa in 1991, India embraced a new economic strategy centered on globalization, liberalization, and privatization. Once that happens, the two countries' new



political and economic frameworks kick in, and they'll liberalize their trade practices with other countries and make sure they're part of globalization. During this pivotal period for both nations, India decided to end the licensing raj and embrace free commerce. On the other hand, South Africa became a democracy when a long-standing racial statute was repealed. Both nations were keen to make a mark in global commerce at the time, thus they quickly ramped up their trading with one another. Consequently, the two nations' trading relationships flourished.

Traders started moving goods back and forth between the two nations. Following the turn of the millennium, commerce between the two nations flourished. But in the last 20 years, there has been a change in the structure of global commerce. India-South Africa commerce grew substantially after the 2003 establishment of the IBSA conference. India and the SACU began free-trade talks in 2006. In 2013, South Africa joined the BRICS group. The overall value of commerce between South Africa and India rose by 16.5% per year between 2000-01 and 2018-19. It is clear from India's persistently negative trade deficit with South Africa that the country buys much more goods than it exports. For the time being, South Africa is the most significant African trading partner for India.

LITERATURE REVIEW

In 2006, Soko covered the topic of the preferential trade agreement talks between SACU and India. An important consideration for the deal has been made by Soko. India has reservations about South Africa's decision to expand its liberal services. South Africa is also concerned about protecting intellectual property rights. Tariffs are also an important point to negotiate. The piece was prepared before the talks even began. The analysis they made was spot on, and the negotiation ended in failure. The preferential trade agreement was not finalized despite the fifth round of discussions that took place from 2006 to 2018.

The political, economic, and other aspects of India-South Africa ties are examined by Alves (2007). Despite the constant growth of business contacts, Alves found that India offers trading possibilities in engineering, pharmaceutical, and car sectors. Imports from India were more diverse than exports to India in terms of variety.

Research by Shaji (2009) examines Indian diplomacy with South Africa following the year 1990. Trade between India and South Africa increased with the fall of apartheid in 1994, making the two nations a rising economy. Economic cooperation and the creation of the IBSA conference, the report claims, have strengthened links between the two nations while also challenging the dominance of capitalist industrialized nations.



The economic ties between South Africa and the other BRICS countries were examined by Ekor et al. (2017). They discovered that, compared to other BRICS members, South Africa and India had a high trade intensity. The idea was put out that South Africa need to target China and India in order to increase investment from those nations. The low trade intensity between South Africa and Russia and Brazil necessitates an improvement in bilateral trade.

Wani et al. (2016) investigated the nature of India-South Africa trade ties by calculating the two nations' comparative advantage indices and revealing their trade linkages. They discovered that when it comes to exporting commodities that need a lot of human labor, such as textiles, or goods that are large in size, India has a distinct edge. On the other hand, when it comes to producing things, South Africa really shines. The goods trade flow between economies has been growing steadily since they expanded their trade growth route.

Using Michaely's trade complementarity index, Shnyrkov & Pliushch (2019) analyze the EU-Ukraine trade cooperation. The trade complementarity index for these two items is 72.72 and 79.19, respectively. There is a strong economic relationship and a natural trading partner between the European Union and Ukraine, according to the high trade complementarity score.

OBJECTIVES

1. to research the import-export ratios between South Africa and India.
2. To Using the trade complementary index, analyze the trade partnership.

RESEARCH METHODOLOGY

Secondary sources provided the data used to compile this research report. The data was gathered from the Government of India's Business Ministry. This work mostly consists of theoretical and descriptive elements. It examines the South African-Indian economic connection in detail. This research details the two-way commerce between the two nations, focusing on the 10 most traded goods by HS code (two-digit classification). We utilize Michaely's (1996) "Trade Complimentary Index," a quantitative metric for two nations, to examine their trade cooperation. The data gathered and computed via the World Integrated Trade Solution website is used for the Trade Complimentary Index.

According to Table 1, the total value of commerce between India and South Africa has climbed from US\$ 1332.5 million in 2000-01 to US\$ 10584.54 in 2018-19, a growth rate of 16.5% CAGR. According to the data in the table, South Africa's imports have consistently outpaced its



exports over the whole research period. As a result, India's trade balance with South Africa is negative. After 2014–2015, it became clear that the commerce had not grown much. Despite a slight uptick in imports, exports fell. This has led to a widening of the trade imbalance. Reduced commerce between the two nations is mostly attributable to the worldwide economic downturn. It reveals the effect on the two nations' trading connections. Another factor contributing to this is the fact that businesspeople have significant challenges due to the non-direct air connection between the two nations (Misra, 2018). Visa regulations could be a contributing factor. Any country's economic growth rate is directly proportional to its business growth rate. At the moment, South Africa's pace of growth is quite low. This has caused an economic catastrophe in the nation. South Africa received a total of 310.67 million US dollars in exports from India in 2000-01. Table No. 2 shows the breakdown of the top ten commodities by composition, export proportion in 2000–01, and HS-code.

at which clothing and cotton are at the top position. Afterwards, there are nuclear reactors and boilers, non-railway vehicles, grains, unprocessed skins and hides, pharmaceuticals, iron and steel goods, various man-made textile items, etc. Almost tripling in value from 2008–09 to 2009–10, exports reached US\$2058.5 million. HS 27 mineral oils accounted for 35% of the market in 2009–10. After pharmaceutical goods (HS-30) with a 10% export share and vehicles other than railways with 12%, the second most exported product was pharmaceutical products. The three items listed above accounted for half of the total exports to South Africa. At the same time, the proportion of export items also shifted. Mineral fuel vehicles other than railroads and pharmaceutical goods surpassed textiles and cotton as the top export commodities in 2009 and 2010. Despite this, clothing is still one of the top 10 exported goods. India sent 4067.2 million dollars worth of goods to South Africa in 2018–19, about twice as much as in 2009–10. Vehicles other than railways topped the list of exported exports, however the top five remained same from 2009–10. The only variation was in the proportion of each commodity.

As a whole, India's exports to South Africa were more diverse in 2000–01. Lessen the focus on a small number of exports in 2009 and 2010; they accounted for half of all exports, and they included items like pharmaceuticals (HS-30), mineral fuels (HS-27), and vehicles other than trains (HS87). There was an uptick in export diversification between 2018 and 2019. Over the last eighteen years, India's exports have shifted from agricultural goods like cotton and textiles to industrial goods like cars (not including railroads), natural fuels, and pharmaceuticals. Agricultural goods continue to make up a significant portion of South African exports. Import data from South Africa shows a consistent growth in Indian imports during the research period. While the value of India's imported goods has grown, their composition has remained almost same. In 2000-01, South Africa's imports to India were US\$ 1021.91 million. Natural or



Cultured Pearls (HS 71) accounted for the largest percentage of imported commodities at 59.04%, followed by Mineral Fuels and Mineral Oils Products (HS 27) at 12.97%, inorganic Chemicals (HS 28) at 9.46%, and Iron and Steel (HS 42) at 4.38%. A fourteen percent proportion went to other imported items. It is clear that only four commodities make up around 85% of the import share, while the remaining 15% are accounted for by other items. There was a fivefold increase from 2004–05 to 2009–10, with an import value of US\$ 5675.50 million. Similarly, with a negative balance of US\$ -3616.00 million, India's trade deficit with South Africa is the largest. Natural resources and minerals make up 60% of commerce, followed by mineral fuels and mineral oil products at 23%, ores, slag, and ash at 4%, and all the other items. South African minerals and mineral product demand has skyrocketed, with only three goods accounting for 87% of import share. For the fiscal year 2014–2015, imports reached \$6,496.52 million. Imports from South Africa were \$6516.3 million in 2018–19, up slightly from the previous year. The imported products' content changed, but their order did not. Thus, it has been determined that neither the quantity nor the quality of commodities imported into India have changed noticeably. The majority of its components are all-natural items that were brought in from South Africa. Imports in 2009–10 were worth \$5675.5 million, five times as much as in 2000–01. Similarly, with a negative balance of US\$ -3616.00 million, India's trade deficit with South Africa is the largest. Natural resources and minerals make up around 60% of imports, followed by mineral fuels and mineral oil products at 23% and ores, slag, and ash at 4%. While just three commodities account for 87% of total imports, the demand for minerals and mineral products in South Africa has grown substantially during the last nine years. In 2018 and 2019, South African imports totaled \$6,516.33 million. When it came to importing gold in 2001, South Africa was India's main supplier. Deepening South-South Collaboration: An Analysis of Africa and India's Trade and Investment (2018) states that it began importing from other African nations in 2017. The sequence of imported goods has remained mostly same, however their mix has changed. Thus, it has been determined that neither the quantity nor the kind of goods imported into India have changed noticeably.

DATA ANALYSIS

India and Africa India's foreign policy is heavily focused on FDI and economic cooperation. Indian officials have been in constant contact with their African counterparts in an effort to boost trade, investment, and economic cooperation. In order to help African nations improve their infrastructure, industries, and people resources, India has extended concessional lines of credit. Additionally, it has helped African nations carry out a range of development initiatives by providing both financial and technical support. Because of their advantageous locations, which attract FDI and boost economic cooperation, the economies of India and Africa benefit



greatly from one another. This is because of factors like the size of their respective markets and the relative costs of transportation and other infrastructure. India has established export processing zones (EPZs) and special economic zones (SEZs) in conjunction with many African nations. India has also ratified a number of pacts with African nations to foster investment, commerce, and economic collaboration. Additionally, as part of its Indian Technical and Economic Cooperation (ITEC) program, India has agreed to educate African experts and recognize their credentials. India is an active participant in the India-Africa Forum Summit and has also set up booths at several trade shows around Africa.

The private sector in the home country has benefited from FDI because of the increased exposure to international trade, business networks, and cutting-edge technology. It also makes it easy to disseminate the results of R&D projects. As part of its business strategy and to make better use of the raw resources from host nations, India has increased its investments in Africa via this approach. Native American.

Table 1 India-African Trade in US Dollars, 2001–2021

Years	Africa imports from India	African imports into India
2001	2.68	2.41
2002	2.92	3.27
2003	3.53	3.24
2004	4.55	3.35
2005	6.38	4.91
2006	9.12	12.66
2007	12.08	18.08
2008	14.93	26.12
2009	12.86	20.73
2010	17.41	30.81



2011	22.64	39.32
2012	27.32	43.01
2013	34.07	39.43
2014	34.64	40.37
2015	25.65	33.79
2016	22.62	26.15
2017	24.37	35.77
2018	27.02	50.74
2019	29.58	38.76
2020	26.04	27.48
2021	37.87	44.65

The majority of overseas investments made by businesses were motivated by the desire to get access to new resources, markets, or technology. According to Sadik et al. (2001), the majority of Indian investments in Africa are of the market- and resource-seeking kind. Over the course of the last fifteen years, India's foreign direct investment (FDI) has seen a meteoric upward trend. According to Table 2 of the official financial statistics of India, the amount of Official Foreign Direct Investment (OFDI) in the nation increased from \$1.40 billion in the 2001–2002 fiscal year to \$15.2 billion in the 2021–22 federal fiscal year.

Table 2: Total Foreign Direct Investment from India and India's Proportion of the Outflow to Developing Economies



Year	Indian foreign direct investment	Overseas Direct Investment in Developing Markets	Contribution of India to Emerging Markets
2001	1.41	54.93	2.53
2002	1.67	36.36	4.62
2003	1.89	35.72	5.24
2004	2.17	107.37	2.02
2005	2.98	103.14	2.88
2006	14.27	189.01	7.55
2007	17.24	256.3	6.73
2008	21.15	257.07	8.21
2009	16.05	231.15	6.94
2010	15.94	337.02	4.74
2011	12.47	357.95	3.47
2012	8.48	333.26	2.56
2013	1.67	385.55	0.43
2014	11.77	424.52	2.77
2015	7.56	383.56	1.98
2016	5.06	386.03	1.32
2017	11.15	447.86	2.48



2018	11.46	376.08	3.03
2019	13.15	387.04	3.41
2020	11.12	372.27	2.97
2021	15.53	438.39	3.53

CONCLUSION

The two countries have seen an increase in their trade over the last several years. The level of commercial activity between the two countries, on the other hand, has stayed relatively unchanged over the course of many years. The trade is ongoing, although exports have been declining for a number of different reasons. Another possible cause is that there is a lack of direct flight connections between the countries, which makes it difficult for businesses to go from one country to another. Orfoline.org suggests that the procedures for obtaining a visa might be one of the main reasons behind this. Both the pace of economic growth and the rate of company growth are directly linked to one another in any given nation. It is now the case that South Africa's rate of growth is quite slow. Because of this, the nation's economy has been thrown into complete disarray. One potential explanation for the decline in imports is that their quick growth rate is the cause of the decline. As seen by the trade complementarity index of exports, which demonstrates that both nations are making progress, India and South Africa have developed into significant trading partners on the continents of Asia and Africa.

REFERENCES

1. Nivedita Ray, India and East Africa Partnership: Opportunities and Challenges, (New Delhi: Vij Books India Pvt Ltd)
2. Ministry of External Affairs, "Annual Report 2015-16", Government of India (2016), https://mea.gov.in/Uploads/PublicationDocs/26525_26525_External_Affairs_English_AR_2015-16_Final_compressed.pdf
3. "Hamid Ansari leaves for Morocco, Tunisia", The Hindu, May 30, 2016, <http://www.thehindu.com/news/national/vicepresident-hamid-ansari-leaves-for-morocco-tunisia/article8666286.ece>



4. “President to visit 3 African countries from June 12”, The Hindu, September 16, 2016, <http://www.thehindu.com/news/national/president-pranab-mukherjee-to-visit-ghana-cote-divoireand-namibia-from-june-12/article8705349.ece>
5. Nivedita Ray, India and East Africa Partnership: Opportunities and Challenges, (New Delhi: Vij Books India Pvt Ltd)
6. Ajay Kumar Dubey, India and Africa's Partnership: A Vision for a New Future, (New Delhi: Springer, 2013)
7. United Nations Conference on Trade and Development. “The Least Developed Countries Report 2015: Transforming Rural Economies”, UNCTAD/LDC/2015, United Nations Conference on Trade and Development (2015)http://unctad.org/en/PublicationsLibrary/ldc2015_en.pdf
8. United Nations. “State of the Least Developed Countries 2016”, United Nations Office of the High Representative for the Least Developed Countries, Land Locked Developing Countries and Island Developing States (UN-OHRLLS), 2016, <http://unohrlls.org/custom-content/uploads/2016/08/State-of-LDCs2016.pdf>
9. Chris Alden and Raj Verma, “India's pursuit of Investment opportunities in Africa,” in India and Africa's Partnership: A Vision for a New Future. Ajay Kumar Dubey and Aparajita Biswas (New Delhi: Springer, 2013), 61-82
10. Ministry of External Affairs. “India-Mozambique relations,” Government of India (2016), https://www.mea.gov.in/Portal/ForeignRelation/Mozambique_13_01_2016.pdf
11. Steel Authority of India. “ICVL acquires Rio Tinto's 2.6 Billion Tonnes coal resource in Mozambique,” Press Release, July 30 2014, <https://www.sail.co.in/sail-press-release/icvl-acquires-riotinto%E2%80%99s-26-billion-tonnes-coal-resource-mozambique>
12. Ministry of External Affairs, “India-Mozambique relations,” Government of India (2016), https://www.mea.gov.in/Portal/ForeignRelation/Mozambique_13_01_2016.pdf
13. World Bank, “Overview”, <http://www.worldbank.org/en/country/kenya/overview> 16. Mwangi S. Kimenyi and Josephine Kibe, “Africa's Powerhouse”, Brookings Institution, 2014, <https://www.brookings.edu/opinions/africas-powerhouse/>



-
14. Nivedita Ray, India and East Africa Partnership: Opportunities and Challenges, (New Delhi: Vij Books India Pvt Ltd)
 15. Mwangi S. Kimenyi and Josephine Kibe, “Africa's Powerhouse”, Brookings Institution, 2014, <https://www.brookings.edu/opinions/africas-powerhouse/>
 16. Gerard McCann, “Ties that bind or binds that tie? India's African engagements and the political economy of Kenya,” Review of African Political Economy 37 (2010): 465
 17. Ministry of External Affairs. “India-Kenya relations,” Government of India, https://www.mea.gov.in/Portal/ForeignRelation/India-Kenya_Relations.pdf
 18. Beri, R. (ed.). 2014. India and Africa: Enhancing Mutual Engagement. New Delhi: Pentagon Press.