

India - South Africa trade relations since 1994

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ABSTRACT

This paper begins with a brief discussion of South Africa's place in their respective foreign policies and the relations between the two countries. A key element of this discussion is the concept of India South Africa relation, which has grown in importance in the last few years, but the meaning of which has taken on different forms. What has grown relationship between India and South Africa since the 1994? The paper then explores the potential for partnership between the two countries. But despite close collaboration on a range of issues and growing trade and investment ties, the relationship is a long way from reaching its full potential and there are still areas of difference between the countries. Both politically and economically, and where it might be going mainly since 1994. We will examine the South Africa and India, emerging areas of co-operation, India-Brazil-South Africa (IBSA) Initiative, Indian Diaspora in South Africa, areas of conflict and cooperation between South Africa and India. The bilateral relations between the two countries are good at the present stage. This can be due to different factors. First is historical factor. Second, during the days of apartheid, India was at the forefront of international struggle against apartheid and during that time India formed close links with anti-apartheid bodies including the African National Congress (ANC). Since then, there has been a mutual regard between South Africa and India. Third, in the post-democratic South Africa, India was the first country to establish a relationship with South Africa. Today, the IBSA bloc has become a force in World affairs. Now, let us examine a brief background of South Africa and India's relations. "South Africa is indebted to India for its support in suppressing apartheid and racism. From Mahatma Gandhi and Nelson Mandela, now is the time that the relations between the countries have to be taken to the next level," Aiming to boost bilateral trade between the two countries, South Africa showcased the technologies related to food processing and agriculture sector in India, in the first ever 'South Africa Week'. The South Africa Week was intended to further promote the bilateral trade between the two nations.

Key Words : Trade relation, ANC, IBSA, Emerging area

INTRODUCTION

India and South Africa have long historical relationships. Both were British colonies. Both have contained social and cultural similarities. During colonialism, a large number of

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Indians were taken to South Africa as indentured servants. Mahatma Gandhi was a common supporter against colonial and discriminatory regimes.

India is a key partner for South Africa in South Asia, and total trade has been increasing rapidly since 1994. South Africa and India have enjoyed strong historical ties, which have translated into a firm political commitment. In light of these shared historical links, closer economic ties are being fostered using initiatives such as the Joint Ministerial Commission (JMC) and the India-South Africa Commercial Alliance. Developments in building economic relations with India are also expanding to include partners in SACU, as reflected in SACU's decision to pursue PTA negotiations with India. The proposed preferential negotiations between SACU and India should accelerate trade flows between the two economies, extend the range of traded goods and services and, more importantly, increase the proportion of trade in higher value-added products.¹ The Apartheid government vanished between 1980 and 1994 by domestic pressures and international situation arise with the change in the international system.

In this regard, a comprehensive Strategic Partnership between India and South Africa, which was established through the Red Fort Declaration (March, 1997) that later reaffirmed in the Tshwane Declaration (October, 2006), which was hailed as an important mechanism that has contributed in the past to both South Africa and India achieving identified national objectives. Both countries further committed to elevate efforts in achieving the goals set out in the Declaration.²

India is South Africa's sixth largest trading partner in Asia, with two-way trade worth more than US\$2-billion a year. South Africa has various co-operation agreements with India involving several sectors, including technology, telecommunications and small business (SMEs). It has established an India-South African Commercial Alliance, and set up a JMC with India. Amongst other things, the JMC allows for ministerial consultations on political and economic matters.³

India is a key strategic partner for South Africa. In 2006, Deputy Minister Pahad held bilateral political and economic talks with India's Minister of State for External Affairs, Mr Anand Sharma, in South Africa.

Historical background of India- South Africa relations :

India's association with South Africa dates long time back a long way. India was in the forefront ever since Mahatma Gandhi started experimenting with Satyagraha in South Africa. Mahatma Gandhi's experience did great in fighting the discrimination against the Indians in India. In fact, it made a great contribution in the evolution of the strategy of Satyagraha by him. It was this very philosophy which Gandhi applied in India's struggle against the British and successfully led the country to freedom from the clutches of the British rule. Nelson Mandela, "Indeed it was on the South African soil the Mahatmaji founded and embraced the philosophy of Satyagraha." Later India became the first country to have trade and diplomatic relations with Pretoria in 1946 in protest against its racial policies. India was also the first to bring up the issue of apartheid on the agenda of the United Nations and was influential in the imposition of economic sanctions against South Africa. For more than, fifty years India has done a lot for the betterment and development of the country. It was provided considerable

moral and material aid to the anti-apartheid movement. Diplomatic relations were strengthened during the visit to India of the then South African foreign minister Mr. Pik Botha, on November 22, 1993. Later the Indian high commission was opened in Pretoria in May 1994 after the inauguration of President Nelson Mandela's multi-racial government.⁴

South Africa is regarded as a microcosm of the world with people of different national and racial origins. Though the racist regime in that country has been pursuing a criminal and suicidal policy, the freedom movement has made consistent efforts for the need to establish a just and non-racial society in the interests of all the people of that country irrespective of caste, creed, race or sex.⁵ South Africa is a country of singular importance for the understanding of contemporary International Relations.

South Africa sees India's engagement in Africa in a positive light, especially its focus on human-resource development, agriculture.

Soon after the Second World War, India got independence in 1947. In the similar vein, most of the Sub-Saharan African countries got their independence from late 1950s to mid 1960s. Being the first colonial country to become independent, India was historically placed under fully committed leadership of Jawaharlal Nehru to carry forward the movement of liberation and struggle against racial discrimination in Africa. Moreover, India strongly took their cause to all international forums such as the UN and Commonwealth for bringing them in rank of free countries. Jawaharlal Nehru put all out efforts behind these unfinished tasks.⁶ It was India's dependable efforts that the process of decolonization and end of racial bias in Africa became the rallying point of Indo-African relations, which later on strengthened their ties.

After returning from South Africa in 1914, Gandhi became instrumental in Indian freedom struggle. In fact, he became the leader of the colonized people first in South Africa. It was Gandhi's initiative to establish the Indian Natal Congress in 1894 as the first political formation in South Africa. Further, Indian National Congress (INC) became a source of inspiration for the African leaders to take up their fight for liberation from colonial rule. At the Calcutta session of INC in 1928, the Indian struggle for freedom was officially linked with the struggle of other countries against imperialism and colonialism.⁷

Exchange of visits :

Ties between India- South Africa were further strengthened by a number of visits exchanged by dignitaries at all levels. The former Prime Minister Inder Kumar Gujral visited South Africa in October 1997. This was the first visit by an Indian Prime Minister to South Africa at the highest level. Prime Minister Atal Behari Vajpayee visited South Africa twice—once during the Non Aligned Summit in 1998 and the second time during the Commonwealth Heads of Government meeting in November 1999. Further, in June 1999, Shri Jaswant Singh, the then external affairs minister visited South Africa. In the similar vein, President Mandela visited India twice, in 1995 and again in 1997. The South African vice president visited India in December 1996. There have also been a number of ministerial level visits exchanged between the two countries for strengthening their ties.⁸

India-South Africa Bilateral Trade Relations Since 1994 :

The present day trade relations between India –South Africa the two countries derive

their sustenance from the strategic partnership agreement signed between the two countries in 1997. The words “strategic partnership” to define the relationship between India and South Africa were first used by the then Deputy President Mbeki during his visit to India in 1996. During President Nelson Mandela’s visit to India in March 1997, a declaration was made at the historic Red Fort in New Delhi of the launch of a strategic partnership between the two countries. This basically involves the enhancement of bilateral cooperation and collaboration in the international fora⁹

The trading relationship between India and South Africa can be underpinned by various bilateral agreements. In 2003, an agreement called the India-Brazil and South Africa agreement’ was signed with the purpose of fostering the corporation and coordination activities between these nations on global level. The tourism sector of both nations has also seen a tremendous growth rate. Indian tourism sector to the South Africa has increased by 17 percent in 2006, whereas it has made an additional high of 16.9 percent in 2007. Since 1994 South Africa has been busy in building its relations with the Asian nations by engaging into bilateral trading activities with them and executing agreements in respect of various sectors like scientific and technological exchange, international development assistance and various investment strategies.¹⁰

On positive note, President Zuma and Prime Minister Modi expressed satisfaction with the current status of bilateral relations. It was, however, emphasised that there is still scope for the further strengthening and deepening of relations in the political, economic, scientific and socio-cultural spheres. It was agreed that frequent and sustained contact between South Africa and India in mutually identified areas will further serve to maintain the momentum of the bilateral relationship.

India-South Africa Commercial Alliance :

ISACA was first mooted in 1997 after the then Indian Prime Minister I.K. Gujral’s visit to South Africa to promote co-operation between the private sectors india and south Africa.

These areas include engineering, pharmaceuticals, chemicals, information technology, investment, joint ventures, technology transfers, food processing, the small and medium enterprises sector, tourism and entertainment and project exports.¹¹

Commercial interaction visits of businessmen, and trade promotion measures including participation in trade fairs, etc. of both the countries. have been and continue to be intensive. CII which has an office in Johannesburg organised ‘Enterprise India’ and ‘Made in India’ shows in 2001 and repeated them in 2003. Another ‘Enterprise India’ show with focus on ICT sector was held in Cape Town in March ,2005. The India-South Africa Commercial Alliance (ISACA), which group’s government and private sector on both sides, had become somewhat moribund but has now been successfully revived. Last that it met in South Africa in October, 2004. Further, An India-South Africa CEOs Forum meeting was first held in the same month. Later on its second meeting was held in Mumbai in early May, 2005.¹²

Economic cooperation :

In the economic sphere the total trade between India and South Africa has raised tremendously in the last several years. India is the seventh largest investor in South Africa.

From US \$ 575.6 million in 1995-96 to about US\$ 2.5 billion in 2000, it is expected to reach the 4 billion mark by the end of 2003. South Africa has shown keen interest in the exchange of expertise in developing small scale and cottage industries. The main items exported from India are textiles, leather hides, chemicals, machinery and equipment, and vegetable products. Major imports from South Africa include base metal and products, chemicals, wood pulp and paper and mineral products. The Confederation of Indian Industries (CII) also signed MOUs for future cooperation with the South African Chamber of Business (SACOB) in 1994, with the National African Federated Chamber of Commerce and Industry (NAFOC) a predominantly black chamber as well as the Afrikaanse Handels Institute (AHI) predominantly Afrikaner Chamber in 1996. A number of Indian company's viz., NSIC, EEPC, TEXPROCIL, CII, TATA, UB Group, DCM, SRF, Liberty Shoes, Ranbaxy, Torrent Pharmaceuticals, Thapar Group, Shriram Industrial Enterprises and a host of other small companies have already opened their offices in South Africa. While the State Bank of India and the Exim Bank has opened their offices in Johannesburg, Bank of Baroda has done so in Durban.¹³

During 1992-93, India and South Africa have the total trade of US\$3 million, which has shown a massive increase over the years. In 2004-05, India's total trade has crossed the mark of US\$3.1 billion. It is due to this steady increase that the India has become the 6th largest trading partner of the South Africa in the Asia region and has also bagged the title of 20th largest exporter and import market throughout the world. India is from the group of top 10 investing companies of South Africa, with the investments that has reached to R10 billion. Tata Motors, with estimated investments of around R9 billion, has been characterized as the South Africa's sixth largest investor company. It has made most of the India's investment in South Africa. The Tata Group has made a diversification of investments in the South Africa in the various sectors viz. iron and steel, motor vehicles industry etc. It is expected that by the next decade trade of both nations would be able to reach over R20 billion. In last 10 years of time span, trade between both nations has risen to a new height from R200 million of 1995 to R18 billion in 2007.¹⁴

Another important development has been the establishment of India-South Africa Commercial Alliance (ISCA). The terms of reference for the establishment of this alliance were signed during the visit of the then Prime Minister I.K. Gujral to South Africa in October 1997. The alliance is co-chaired by the director general of South African department of trade and industry and Indian commerce secretary. The first meeting of the alliance was held in Pretoria, South Africa on December 3, 1998. The discussions were held mainly on seven sectors of cooperation viz. chemicals and pharmaceuticals, engineering and equipment, information technology, mining, housing and infrastructure, food Processing and transportation. ISCA the need for a more structured approach to engagement, on the new for sectoral MOUs to be initiated to identify projects for cooperation and the need to conduct studies to identify complementarities and synergies for the formation of joint ventures. Federation of Indian Chambers of Commerce and Industry (FICCI) is working as a secretariat for the alliance on the Indian side and has held discussions with the members of the industry to give concrete shape to the business opportunities between the two countries.¹⁵

Technical training :

India has offered technical training to South Africans under the Indian Technical and
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Economic Cooperation Programme (ITEC), established in 1964. The main objective of this programme was to strengthen ties with some developing countries which had considerable potential and with countries which a large population of people of Indian origin. This involved technical training, consultancy services and project assistance. South Africa had been offered 60 slots under the ITEC programme for 1995-96. Out of these slots, 30 have been utilised for the training of South African diplomats who were attached with the Indian Foreign Service Institute in March-April 1996. India could provide technical training in other areas such as management, defence policy and strategy, engineering, etc.s¹⁶.

Agreements/MOU's (Memorandum of Understandings) :

India and South Africa signed eight memorandums of understandings (MoUs) in context with future cooperation in a wide range of areas. The MoUs were signed at the South Africa-India CEOs Forum on the sidelines of Prime Minister Narendra Modi's maiden visit to Pretoria with the aim to bolster cooperation on economic, political, social and international areas.¹⁷

Since the establishment of diplomatic relations in November 1993, India and South Africa have signed around 15 agreements/MOUs on various spheres including economic, defence and cultural cooperation. Around 10 agreements/MOU's are under consideration. A joint commission was set up between the two countries in January 1995. Its first meeting was held in Pretoria (July, 1995) that was co-chaired by Minister of State for External Affairs Mr. Salman Khurshid and South African Deputy Foreign Minister Mr. Aziz Pahad. The second meeting was held in New Delhi (December, 1996) that was co-chaired by external Affairs Minister, Shri I.K. Gujral and Mr. Aziz Pahad. The third meeting was held in Pretoria on December 4-5, 1998. It was co-chaired by Ms. Vasundhara Raje and Mr Aziz Pahad. The joint session consists of five committees: political, economic, trade and technical cooperation, education and culture, health and science and technology.¹⁸

SACU has recently begun serious negotiations with India with a view to intensify the trade relations between the two parties. India became a major trading partner for South Africa, with exports valued at \$1.35 billion destined for the sub-continent in 2007 (up some 72.8 percent from 2006). Fuels (including coal) were the main export, followed by inorganic chemicals. During 2007 India was the 9th main source of South African imports (\$1.78 billion) that include fuels and then vehicles.¹⁹

India is one of top 10 South Africa's trading partners. Both the countries need to expand and diversify the traded products. At a minimum, the PTA should at least boost the level of trade between the two countries as called for by heads of state.

So far as tariff comparisons between the two countries are concerned, India has considerably higher tariffs and it will benefit South Africa if the trade agreement were to result in the lowering of these tariffs.²⁰

Thus South Africa provides promising scope for India for investment opportunities in various sectors of the economy. Moreover, the rates of returns on Foreign Direct Investment (FDI) in Africa are the highest in the developing world. During 1990-1994, rates of return on FDI in sub-Saharan Africa averaged 24-30 per cent, compared to 16-18 per cent for all developing countries.²¹

A number of other bilateral agreements and MoUs are expected to be finalised in the next few months. The areas of cooperation in these include Information Communication Technology, Tourism, Sport, Culture, Grassroots Innovation, Renewable Energy, Audio-Visual and Visa Simplification Procedures. South African co-chair of the Forum Vivian Reddy said he and his Indian counterpart Adi Godrej were committed to ensure that the body meet more regularly to achieve the objectives of enhancing trade and investment between the two countries.²²

Conclusion :

South Africa and India enjoy strong historical relations that have been formalized through various bilateral and multilateral mechanisms. The two countries share membership of multilateral groupings such as BRICS, IBSA and the G20. The structure of trade between South Africa and India reflect on both developments. Historically we can see India -south Africa trade relation has been good. India-south Africa relations have grown tremendously since 1994. South Africa and India co-operate in the G20, which is a grouping of developing countries seeking to address development challenges in the global economic system. Bilateral trade with south-east Asia, particularly the Association of South-East Asian Nations (ASEAN) members, increased rapidly from a low base from 1990.

While the trade surplus is in favour of India, efforts are underway to promote South African exports of especially value added products. South Africa was keen to strengthen trade between the two countries since diplomatic relations with India were resumed in 1993 after a break of almost four decades as India led the international fight against the minority white apartheid regime. There is a wealth of goodwill towards India in South Africa. We should get all the opportunities to increase cooperation. South Africa is interested in India. The large number of presidents, vice-presidents, ministerial, academic and business delegations in different parts of our country point to that direction. The South African minister visited India in the last one year, in which the Defense Minister was also involved. Apart from this, we should remember that during the India visit in 1996, the “strategic partnership” between the two countries was previously said that it was Mbeki. During the India visit, the new leadership of South Africa had emphasized the importance of giving more economic material to strategic partnership, a feeling that India could clearly identify with it. Expansion of cooperation areas will strengthen the link.

India is keen for an extensive trade arrangement that will cover both trade in goods and trade in services. South Africa would do well to reconsider its stance in this regard, particularly as there are sectors where South Africa would have a competitive advantage over India and would stand to gain from the liberalization of those sectors. It is a waste of time and resources to pursue trade-lite arrangements regardless of the broader foreign policy considerations.

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