India, South Africa and Africa in a Changing Global Landscape

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Conference background

India has emerged in the 21st century as an important global economic and political actor and increasingly, a significant partner for Africa. Relations between the African continent and India go back many centuries. In the 20th century India's role as a leader of the Non-Aligned Movement, a supporter of national liberation movements and the struggle against apartheid further augmented those ties. However, it is the potential synergies between Africa and the subcontinent, created by the changing economic and geopolitical landscape that has deepened interaction over the last several years.

Trade has multiplied from $967 million in 1990-91 to $39 billion in 2008-09. In one year (2007 to 2008) investment to Africa rose from $3.7 billion to $6.8 billion. Both India and Africa have large, young populations. By 2025 India will have the fifth largest consumer market in the world. In the next five years some 200 million Africans will also enter the market for consumer goods and the continent's working age population will double to 1.1 billion by 2040.

Africa is important for India in a number of areas: as a source of energy, a market for its goods, and as a supporter/partner on global issues in the multilateral arena. India has also been active in encouraging South-South co-operation with Africa. Moreover India provides African states with the potential to diversify trade and investment partners, contribute to the development of national and regional economies, and collaborate on innovation.

Within Africa, South Africa (SA) has been a key strategic partner for India since the end of apartheid. Both countries have identified a number of synergies on the global stage. Driven by their belief in a more equitable international system and the power-shift in favour of the larger developing countries,

opportunities for South-South co-operation have been re-energised. Nevertheless there is much greater scope for deepening engagement.

Opening remarks

In May 2011 Addis Ababa hosted the second India-Africa summit – to take stock of what had been achieved since the last summit in Delhi in 2008 and to reaffirm the political commitment and co-operation between the two nations in tackling both regional challenges such as underdevelopment and inequality, as well as global challenges such as climate change.

As the various debates over recent times reflect, most notably in the G20's adoption in November 2010 of the Seoul Development Consensus on Shared Growth, development cannot be achieved solely through aid. It requires economic growth that is balanced and shared. Africa's deepening relations with big emerging markets such as India have made the possibility of achieving such growth more tangible, especially since growth in the markets of the North has slowed down so considerably over the last three years.

Most importantly, perceptions of Africa have changed largely because of progress made in many countries in achieving both political and economic stability. It is now characterised as the new frontier of growth, or as the World Bank put it in March 2011, 'Africa could be on the brink of an economic takeoff, much like China was 30 years ago, and India 20 years ago.'

A recent report by Ernst & Young entitled *It's Time for Africa: the Africa Attractiveness Survey 2011*,[1] observed that:

> Africans themselves are leading the growth in investment across the continent, and display an overwhelming optimism about the growth prospects and investment potential of the continent. This optimism and self-belief is underlined by a 21% compound growth rate in Africans investing in other African countries from 2003 to 2010 (and in a diverse range of sectors).

After all, there is no better indicator of confidence in a national or regional economy than when domestic investors believe in their own future. The survey also noted an 'interesting difference between developed and emerging market investors, with emerging market investors generally more positive about Africa's attractiveness'.[2] The survey went on to say that a key difference between developed and emerging market investors was that the latter regarded Africa as critical to sustaining their own growth, whereas the former saw it as a potential future market that still needs to develop.

What does this say about India and Africa? That beyond our deep, historical ties of support and solidarity, especially in SA against apartheid, there is a new narrative that has emerged that can make a concrete difference in the lives of the people of both India and Africa as each country tackles its specific developmental challenges of poverty.

Of course, the relationship is about much more than commerce, crucial as this might be. There is much that still needs to be done at the global level around debates on socio-economic justice and a

fairer global economic system. On the security level new threats have emerged or old ones have been accentuated: the rise of piracy in the Indian Ocean - a symptom of the intractable conflict in the Horn of Africa, unfettered nuclear proliferation, terrorism, and the human security challenges posed by climate change – in all of these India and Africa have a vital stake in how they play themselves out.

Joint initiatives that speak to our common interests and dialogue to tackle differences where these may arise are thus vital if we are to make progress on any one of these.

In his opening remarks **HE Virenda Gupta**, the High Commissioner of India to South Africa, remarked that the way in which developing countries weathered the global financial storm since 2008 indicated the contribution they can make to global issues. The necessity for legitimacy in global decision-making was making it increasingly difficult for the West to take decisions without the input of developing countries. The links between India, SA and Africa were qualitatively different from those with the North and were vital to promote the interests of developing economies in a transforming global landscape. India did not want the perception to be created that the relationship with Africa was one of exploitation. India has much to contribute in terms of capacity development, human resource management and financing of scholarship programmes for African students. For India, SA was an important anchor for its broader relationship with the continent.

Mr Paul Baloyi, the CEO of the Development Bank of Southern Africa (DBSA), noted that greater fluidity in structures of government in both the developed and the developing world created both risks and opportunities. Mr Baloyi emphasised the need for South-South co-operation in a global context in which economic development and the gains from globalisation are uneven. Unless Africa exploited the opportunities properly, it was likely to remain globally marginal, notwithstanding that it had experienced higher rates of economic growth than the global average. BRICS and the India-Africa forum are key sites of co-operation and must be utilised to make the most of Africa's comparative advantages such as human capital and resource wealth. These meetings are valuable sites of information-sharing and learning can be maximised in the areas of skills, capacity building, resource mobilisation and best practices.

He pointed out that the massive growth seen in the Indian and Chinese economies was largely premised on the strategic exploitation of human capital and under-utilised resources in Africa. Although Africa faces many challenges, it holds many advantages including higher comparative returns on investment and the 'opportunity of population'. Demographics in Africa were creating opportunities for future private consumption spending whereas industries of beneficiation allowed better exploitation of natural resources. Neither of these was without challenges, however there has been a shift in Africa's risk profile for the better over the last few years.

SA was in a unique position; it is seen as the 'gateway into Africa' and has the most developed infrastructure, economy, information and communication technologies as well as access to large capital markets, a skilled labour force and a sophisticated market for domestic consumption. The country's entry into the BRICS allowed for the exploitation of these advantages. The DBSA was appointed in April 2011 to represent SA (and Africa) on capacity building and financing in the BRICS forum. This would allow the DBSA to capitalise on its network of collaborators to provide access to

funding, where African countries were unable to leverage their own currencies for funding. The DBSA's focus as a development finance institution is to facilitate development by enabling the growth of domestic capacity through infrastructural development in housing, the health and education sectors, and by developing new strategies to increase access to liquid assets, credit and aid –not only in SA but also beyond its borders. The India-Africa engagement complemented the BRICS forum's goal. India created an opportunity for access to fixed investment and improved skills.

Mr Raman Dhawan, the Managing Director of Tata Africa Holdings, focused on the value that Indian business can bring to Africa, with the growing importance of trade between the two. He spoke on the volume of bilateral trade between India and Africa which was currently at $50 billion and was expected to reach $70 billion by 2015. Indian investment and trade on the continent was largely concentrated in the mining, agriculture and pharmaceutical sectors, although it also has a significant impact on other areas such as transport, and information and communications technologies. In the next two decades India would need to import food, which would also create new opportunities for business in Africa.

The Tata group of companies has a long history on the African continent, with a presence in 11 African countries, and is a key player in the transport, mining, pharmaceuticals, telecommunications, tourism and hydropower and power-generation industries. The company was committed to grow in Africa thus contributing in turn to Africa's growth. In the transportation sector Tata dominates in the automotive sector, having 50% of the market share in many parts of Africa. Tata's success could be attributed to the appropriateness of its products for an African market. The second sector of involvement was in mineral beneficiation. Tata had invested in a 30 000 tonne smelter in Richards Bay, even though the benefit of cheap electricity in SA had been eroded over the last couple of years. Tata was also invested in mining in Mozambique and other African countries, but the principle was that mining would be linked to mineral beneficiation. The third area of investment was in telecommunications (for example Neotel in South Africa). Tata had also invested in hydro power and hotels in Zambia and Cape Town. In the pharmaceutical sector, Tata had set up a distribution network outside SA in which SA could also cooperate. The IT sector in which Tata Consulting operated (employing over 160,000 people world-wide) had huge potential in South Africa, especially in the development of skills. The emphasis in all sectors was in the development of greenfield projects, in contrast to most of the capital flowing into SA, which was linked to acquisitions.

Africa's focus should be on job creation. The manufacturing sector had to be a key focus of any initiatives on job creation. However, manufacturing in Africa and in SA in particular, was not competitive. To improve the competitiveness of the sector required reducing the costs of labour, transport, credit and materials and instilling greater confidence in investors. In concluding he suggested that SA had much to learn from India, even in terms of its redistributive policies, such as Black Economic Empowerment (BEE), as India had faced similar problems. The SA model of BBEE focused on wealth distribution, whereas one needed to create wealth, which required the nourishing of entrepreneurs.

Unleashing Economic Opportunities in Africa – The Private Sector, Investment and Trade

Mr Oti Ikomi, from the Nigerian banking group Ecobank, emphasised the improving political and economic climate in Africa which was encouraging investment and growth in its peripheral economies. Political risk in Africa was also decreasing. Conflict had reduced substantially, particularly in sub-Saharan Africa. Although miniscule, sub-Saharan African gross domestic product (GDP) as a proportion of the world had grown from 0.96% in 2001 to 1.76% in 2011. Similarly inflation had come down. Overall, the macroeconomic level was positive.

The overall business environment had improved, but FDI as a proportion of GDP was still quite low. However, because public debt in much of sub-Saharan Africa was quite low, it could be optimised for public good. The overall improved climate had fostered the growth of a significant African middle class which would be a vital driver of growth on the continent in the coming decades. According to McKinsey, Africa already has more middle-class households (defined as those with incomes of $20,000 or above) than India.[3] The middle class had grown in the last 10 years due to a stronger policy environment that had allowed the private sector to flourish.

Mr Ikomi observed the success of India's Bharti Airtel telecommunications in Africa and elsewhere. This was achieved by optimising their supply chains and keeping costs per dollar down. India had also leveraged its deep roots for trading and manufacturing in SA, East and West Africa. Indian ICT involvement was also stronger, with the advantages of expertise and emerging markets experience. However, there needed to be more exchange and cross-fertilization of ideas, skills and jobs but there were few Africans in India. India should also be active in Africa's infrastructure development. In Nigeria, Indian companies were exploring investment in the power generation sector.

Mr Ikomi concluded by commenting that Ecobank was present in 32 African countries and prided itself on being Africa's leading independent pan-African banking group that was able to offer a wide range of banking solutions to facilitate trade, investment and growth on the continent. It had alliances with South Africa's Nedbank and the Bank of China. While Ecobank had not yet looked into India for investment, they hold regular sessions with Indian banks. In general Indian firms were efficient, had cost-effective innovation and Indian vendors provided satisfactory services.

Dr Stephen Gelb from the Edge Institute, explored the foreign direct investment (FDI) links between India and SA, and compared them with those between SA and China. SA's official FDI data are kept by the South African Reserve Bank (SARB), whereas in India FDI outflow is kept by the Ministry of Finance and the inward is kept elsewhere. It was thus difficult to find the FDI figures from India to South Africa.

Indian investment in SA in 2009 amounted to $342 million compared with Chinese investment of $5,123 million in the same year. Both India and China began investing in SA at more or less the same time, though China's FDI jumped with the ICBC-Standard Bank deal ($3.5 million).

Moreover South African statistics on Indian investment in SA were understated: Dr Gelb estimated that Tata alone has $1.6 billion worth of assets in South Africa. Part of the reason for the understatement though was that much of the investments were routed from India via Mauritius, as both countries have signed a double taxation avoidance agreement.

Dr Gelb's own data on Indian firms showed a different picture to the official aggregate data. In 2010, 93 Indian firms were present in South Africa, compared with 47 Chinese firms. Only two Indian firms had withdrawn from doing business in South Africa, compared with 19 Chinese firms (a 36% failure rate). There were 45 South African firms in India, compared with 32 in China, with withdrawals of three and seven respectively (a 6% failure rate in India and just under a 20% failure rate in China).

The reason India's failure rate was lower than China's, was that Indian firms enter SA with more caution and invest over a long period of time. For example, Tata arrived in SA in 1994. It took some time to start its bus assembly operations (1998) and the Tata consultancy services (2000) – investments increased after Tata was present for over 10 years. Ranbaxy followed a similar pattern to Tata, where it built its brand first and entered SA very cautiously. Dr Gelb suggested that whereas Chinese investment dwarfs that of India, Indian businesses in SA have had far greater success and more staying power than Chinese firms (due to long-term investment horizons, better risk assessment, and management). China's entry into SA was part of its first phase of internationalisation and its risk assessment was too quick, thus leading to a higher company failure rate. Operating a multinational corporation globally is more complex than doing so in the home market. Chinese firms internationalised prematurely. There were also differences ascribed to 'psychic' distance, culture and language compared with Indian firms that share a similar business culture with SA(both being ex-British colonies and sharing a language). Indian outward investment was $100 billion of which Africa received 12%. This was higher than what Africa receives in global FDI flows. In China three quarters of its outward investment went to Hong Kong. About 20% came to Africa.

Dr Gelb stressed that while rates of investment are important indicators, foreign investment must not only be calculated in terms of monetary value but also in terms of knowledge assets being transferred through the investment. Thus, the number of firms investing in SA was as important as monetary values. He found that about 40% of Chinese and Indian firms are concentrated in the manufacturing sector in South Africa, a sector where South Africans were not heavily invested.

Indian investments in the pharmaceuticals and ICT sectors make up a quarter each of India's FDI in South Africa.

Some 85% of Indian firms are 'market seeking', ie planning to sell to the South African market and the region. They are not present primarily to extract resources but to produce goods and services. This compares with 75% of Chinese firms that are market-seeking.

Overall in terms of job creation, greenfield investments had the greater impact. In South Africa, the attraction of such Asian investment was important, and the manufacturing sector held the most promise of employment creation. In contrast beneficiation did not create as many jobs and was not for

low-skilled workers. Indian and Chinese firms have shown that manufacturing plants in SA could be competitive.

Anthony Rayment, CEO, South African Coal Mining Holdings and Director of JSW's Africa Operations, highlighted the similarities between the Indian and South African markets, suggesting that both had overcome a similar history and faced similar challenges as emerging markets. He also intimated that the success of Indian companies highlighted by Dr Gelb is likely due to the highly competitive market in India and the result of the high market competitiveness of Indian firms.

Up until ten years ago it was extremely difficult for Indian companies to invest externally. Consequently there were few companies with foreign experience. With a regulatory environment and high competition in the Indian economy, Indian firms have a strong entrepreneurial strength and a competitive base which they used to approach Africa. Moreover India's skills sets were wide, diverse and deep. In both India and SA the exchange control regulations remained a challenge.

Resources, pharmaceuticals, telecommunications and energy were important areas for Indian involvement in Africa. India was the fastest growing market for South Africa's thermal coal. Indian firms should bring their domestic experience and background into Africa, especially in the area of energy. Many of his colleagues in fact see SA as the India of 10 years ago, with an energy supply dilemma.

Mr Rayment argued that Indian firms have much to offer Africa, and particularly South Africa, as they have a strong interest in resource investment; a positive attitude towards black economic empowerment; access to foreign capital and could add value in terms of human resources, skills transfer and development. Indian firms were increasingly important in the energy, mining and financial services sectors and had much to offer African countries.

SA was not as competitive as India, and he wondered how SA could change this. At the same time he sees South Africa's mining industry, financial services and specialised areas such as defence- and resource- related knowledge as winning sectors.

Mr Ridhwaan Mayet, of Frontier Advisory, suggested that India-Africa relations were somewhat one-sided with substantial Indian involvement in Africa but relatively little African involvement in India. He intimated that Indian growth was premised largely upon the services sector and suffered from relative infrastructural inadequacy.

Nevertheless, India and Africa needed one another because of India's enormous energy needs. Coal is the main source of energy for India, with SA and Indonesia key suppliers. Indian growth has largely been built on the services sector yet infrastructure was inadequate (when compared to China's). Accelerating the development of transport infrastructure was a key objective of India's 12th Five-Year Plan (2013-2017). Africa faces similar infrastructure challenges, especially in the development of its manufacturing sector, which could be aided by partnerships.

In the discussion that followed, questions were asked on the volume of Indian investment in Africa and the problems that Indian firms faced on the continent. Dr Gelb responded that Indian companies face the added complexities of operating as multinational corporations although they have a big

advantage over Chinese companies in terms of culture, language and 'psychic distance.' These firms do still face the challenges of under-developed transport infrastructure and the difficulties of achieving brand-familiarity in a market which is under-exposed to strong Indian brands. Building brands takes time. India's outward FDI is $100 billion, of which Africa receives 12%. This was not unreasonable; it was more than Africa's global FDI received. With China, facts are distorted because of the Hong Kong factor, although about 20% of China's outward FDI goes to Africa – which is higher than India.

Concerns were also expressed about media stories of Chinese exploitation in Africa and use of their own labour, and resistance to the Indian diaspora in Africa. Dr Gelb indicated that, firstly, the accuracy of media coverage needed to be questioned (who it served and where it came from). He was positive on Chinese and Indian FDI in Africa, which provides competition to Western investments. Media in Washington, particularly, approached this topic from the perspective of competition. The Chinese only bring about 10% of their own labour force with the rest being local.

Myths are perpetuated by the media and the question is, if Indian firms grew larger in Africa, would they also be criticised as such?

There was also a question about the industries being targeted for investment by India. India's strongest areas of expertise are in pharmaceuticals, ICT, infrastructure (namely telecommunications) and machinery. SA could bring financial services and infrastructure expertise to Asia.

South-South Co-operation: New Methods for Achieving Sustainable Development?

Ms Elizabeth Sidiropoulos, SAIIA, began with an interrogation of the concept of South-South co-operation (SSC) and what it had come to mean in contemporary 'development-speak'. SSC was about more than just aid, it encompassed foreign direct investment, trade, remittances and economic and political co-operation; it carried none of the baggage that had characterised North-South relations. Many saw emerging SSC as a win-win rather than a zero-sum game; but Ms Sidiropoulos warned against the unquestioned and uninterrogated acceptance of these new relationships as they may not always be as benign as some would like to believe.

The presentation covered four key questions.

- What has the growth of SSC done for the development discourse?
- Who benefits from SSC and how is it being measured?
- What has India being doing in Africa?
- How should African states best harness the opportunities that SSC presents?

As the importance of emerging economies in the global economy grows, these powers have had increasing opportunities to engage in trade, investment and development co-operation with other emerging markets and with less developed states. Increasingly the voice and advice of the OECD countries had found competition from emerging economic powerhouses whose interests and ideas of

development had led to the perceptions of alternative development paths. The rise of SSC had led to a new focus on development effectiveness rather than aid effectiveness, and had widened the range of options that were available to less developed countries to fund their development. Development effectiveness was about recognising the importance of growth, albeit that it must be shared and inclusive. Aid was simply one tool in an armoury that supports development. Equally more focus must be given to the productive sectors, not only the social sectors. This paradigm shift was extremely important.

While the mantra of SSC was about mutual benefit and broad statistics of growth in Africa indicate that increased trade and investment from emerging countries have certainly helped, the direct impact in terms of social indicators was difficult to determine. Indicators of progress were often undefined, missing or relatively intangible.

India had a long history of SSC on the continent with the private sector operating there for many years. One of the most innovative initiatives combining the Indian government and private business has been support for the Nepad initiative on a Pan-African e-network (to provide tele-medicine and tele-education), which has brought together the Indian government, TCIL as the implementing party, and 47 African states. The ultimate value of such initiatives was how they helped advance the various national and regional development plans in Africa and improve social and economic indicators.

In taking advantage of opportunities presented by SSC, African states should adopt a developmental approach in seeking FDI to ensure that such investment provides national/regional benefits. The assumption that opportunities for SSC were free of 'donor demands' was not always borne out in reality as there were often implicit or explicit assumptions tied to these agreements. African states needed to increase their bargaining power through the effective use of regional and continental organisational associations and should increase their use of monitoring and evaluation tools to track inputs and outcomes even at a grassroots level. Most importantly, African states needed to streamline existing plans and partnerships with regional and national planning priorities to avoid overburdening the fiscus with dozens of initiatives that would only impede implementation and progress.

Mr Sunil Joshi, the CEO of Neotel South Africa, spoke about the advantages that SA and India brought to the table and the challenges they both faced. India's growth had been driven by a large consumer and resource base, a large, and young, working population, the rise of the knowledge economy and the emergence of a large number of globally competitive Indian firms. Comparative South African advantages lie in the existence of strong financial institutions, the maintenance of a business-friendly environment and sound business infrastructure. In spite of these, both countries suffered from a range of challenges including infrastructural inadequacies, income inequality and social problems that might slow long-term growth.

Members of the audience put an emphasis on SSC as a platform for providing greater interaction between countries in the context of mutual learning, and saw IBSA as a way of expanding SSC. How IBSA might be affected by the accession of SA to BRICS, and the rising role of BRICS as a multilateral forum were also tackled. IBSA and BRICS had different agendas and different things to offer. IBSA was a forum in which three democracies developed mutually beneficial political and

economic agendas. Due to converging political interests, there was a higher likelihood of achieving consensus within IBSA. BRICS was more a forum for developing mutually beneficial economic policies in spite of the divergence of its members on political issues.

There was also a sense that the 'new scramble for Africa' presented new opportunities. Africa is seen as the 'new frontier' in terms of investment, trade and markets for goods, providing African states with increased leverage and negotiating capacity. Countries are now more able to 'shop' for the most advantageous partnerships and strategic opportunities.

One proposal was to establish a Southern development organisation that would provide a proper institutional framework as a counterweight to the ODA discourse.

African and Indian Security Concerns – Platform for Co-operation?

For both Africa and India, the Indian Ocean is an area of economic and geostrategic importance. The more recent piracy problem linked to the ongoing malaise in the Horn of Africa perpetuates has created security challenges for both India and Africa. In her presentation on 'Indian Ocean security and India's foreign policy', **Professor Surjit Mansingh** emphasised that Indian Ocean security concerns were largely about keeping the sea lanes of communication (SLOCs) open. There were two key threats to Indian Ocean security: the instability of certain littoral states such as Somalia, Myanmar and Pakistan; and the rise of the non-state actors perpetrating piracy,terrorism and the narcotics trade. Not one country (including the US) was capable of managing or controlling these threats on its own. Multilateral co-operation was essential.

The changing global landscape had manifested itself in a number of ways in India's case. Indian foreign policy has had to change dramatically with respect to the Indian Ocean. The Indian navy has close links with the British navy, bBut at present, India carries out more joint naval exercises with the US than with any other country. The US has played a key role in the Indian Ocean where the eastern Indian Ocean falls under the US's Pacific Command, and the western Indian Ocean under US Central Command. The apparent relative decline of the US and the rise of China, with its goal of becoming an Indian Ocean power, has complicated the triangular relationship among the three.

Although the Indian Ocean had been declared a zone of peace in 1971 at the UN General Assembly, this had not stopped extra-regional powers from having bases there. However, nothing came of the declaration because no agreement was possible among the littoral states, especially with the US and its allies against it, The Persian Gulf has also been very significant for India because of its oil reserves, and the 5 million Indian workers in the region. In the 1970s and 1980s Iran and Saudi Arabia were both important oil suppliers to India and thus the country sought to steer away from entanglement in their conflicts, succeeding in maintaining good relations with both. The implication of this was that India's Muslim community did not suffer as a result of a proxy war between the two, unlike Pakistan. Changes in India's foreign policy came about in the 1990s with economic liberalisation. In that decade, India's 'Look East' policy reaped results with ASEAN, China, Japan and South Korea. India has now been accepted as part of Asia and is hosting the 2012 Asia summit. India is now engaged across the world.

During this period there was also a ‘Look West’ policy, focusing on the US – a most dramatic policy reversal, which saw the two countries move from being adversaries to a strategic partnership. Nevertheless, the non-aligned mindset in India has remained. The relationship with the US is a partnership, but not an alliance. In its positioning, India is looking further to Central Asia, Latin America and to permanent membership of the UN Security Council.

India now also has an active naval diplomacy, with regular joint exercises with a number of countries and groupings, such as IBSAMAR (India, Brazil and South Africa), and the Malabar (involving India, the US, Japan, Australia and Singapore) and Milan (the navies of South and South East Asian countries and New Zealand and Australia) exercises. India has adopted a modest security posture, where the accent is on shared security and prosperity. India’s approach is multilateral, recognising that the US cannot solve everything, but equally that the US should not be replaced by China.

Dr Tim Murithi of the Institute for Justice and Reconciliation argued that with India’s increasing investment and trade in Africa, there was bound to be an interest in peace and security there. There were currently some 7,000 troops deployed in Africa as UN troops. The challenge for India was how to strike a balance between national interests and solidarity with others. He noted specifically India’s unwillingness to end its commercial engagements in Sudan at the height of the conflict there.

Over the last few years, India has deepened its relations with the AU, having attended the summits since 2002. The final communiqué of the May 2011 India-Africa summit in Addis included reference to the imperative of democratising and reforming the UN and the Security Council. Dr Murithi emphasised how important it was for Africa and India to strategise on how to bring about real change. However, for the AU to be an effective interlocutor there needed to be more continental integration and less parochial interest of a few core states, which made progress difficult.

The discussion following the presentations focused on the SLOCs and the likelihood of denial of access by any one state, as well as the engagement between African littoral states and India. Clearly, all parties had an interest in keeping the SLOCs open. India had the use of Kenyan ports. India also cooperated with Mauritius, Seychelles and the Maldives. The Indian navy was also undertaking constabulary duties in the Straits of Hormuz and Malacca where it has been accompanying US ships, not just focusing on Indian merchant ships.

Questions were asked about the types of interventions from India that might help African states in the area of peace and security. Traditionally partners of the African Standby Force had not included India, but for example, Delhi’s Centre for Peacekeeping Training could be helpful, especially in the area of preventive diplomacy.

Strategic Partners – India and South Africa

The relationship between India and SA was strategic because it was based on historical ties (and cultural linkages). As emerging powers they were fitting strategic partners cooperating in many multilateral areas, and they had strong commercial ties.

SA's former High Commissioner to India*,* **Mr Francis Moloi**, described the emerging areas of co-operation between India and SA as mutlilevel – bilateral, regional, continental and global.

In bilateral relations Mr Moloi identified the key sectors of co-operation as:

- minerals beneficiation;
- energy;
- tourism;
- health;
- infrastructure (SA has the expertise as demonstrated in the ACSA involvement in Mumbai Airport. India is also set to build more airports);
- agro-processing(specifically exports of SA wine);
- rural development and land security(specifically lessons from India on self-sufficiency in food);
- nuclear commerce (SA has the uranium that any country with a nuclear commerce sector would require. SA is also looking for peaceful uses of atomic energy)
- culture. There is potential in co-operation with Bollywood. (SA is a good location for filming but one could look at co-production agreements) and
- defence.

At the regional level, India and SACU were negotiating a preferential trade agreement (PTA). Once the PTA was concluded it could expand into an FTA. Developing railway networks and skills in SACU could be an area of further co-operation with India. A SADC-India Forum also existed.

High Commissioner, Gupta, emphasised that strategic relations meant defence and security co-operation which applies to India and South Africa. They were strong partners in the Indian Ocean Rim grouping and carry out joint maritime exercises in IBSA. Bilaterally, they had significant defence co-operation, with high level exchanges and training exchanges.

How had the relationship benefitted the people? Trade had already reached $10 billion dollars (ahead of target) and the aim is $15 billion by 2014. There were also strong links in wanting to develop the interests of developing countries. BRICS was a work in progress but it could evolve in a way that could counter the G-7/8 developed economies. BRICS could also help emerging countries coordinate, and was a forum to protect and secure the interests of emerging countries.

Areas of co-operation identified by President Zuma when in India included:

- human resources and skills development; and
- land reform and subsistence farming.

Beneficiation was also an area of mutual learning.

High Commissioner Gupta added that Indian firms were advised to provide concrete frameworks on a beneficiation plan in their South African operations: SAwas a major producer of iron ore and Indian firms were encouraged to participate in steel making in the country. The Steel Authority of India had signed an MOU with SA for a 5 million tonne capacity steel plant. India imported South African phosphates, for converting into fertilizer in South Africa. In the pharmaceutical sector Indian firms were contributing to South Africa's healthcare through high quality generic drugs. Ranbaxy had a large presence in South Africa, including manufacturing facilities.

Mr Stavros Nicolaou, Senior Executive, Strategic Trade Development Aspen Pharmacare (the 9th largest generic pharmaceutical company in the world), provided an industry perspective. Pharmaceuticals are where SA and India were both collaborators and competitors. The strengths of India's pharma sector was in formulation and development capabilities (they produce the active pharmaceutical ingredient, as well as the capsule) andhad a strong manufacturing base and economies of scale. SA companies were not good at formulation and development, had a fledging manufacturing base which was not vertically integrated. Aspen was the only South African company that had some vertical integration because it had identified a niche market.

Both countries had similar aspirations andthey both had similar disease patterns (first and third world diseases) and competed with one another in the same markets to increase market share.

For South African pharma companies the cost was the API. If received it at a competitive rate they could compete better. In other areas Aspen had strong links with MNCs that are strong R&D companies. For example, it had outstanding relations with GSK which was second among all pharmaceutical firms in R&D. GSK provided an interesting case study of tripartite co-operation with Aspen and Indian companies. Aspen's strengths for GSK, which has purchased 19% of Aspen, was a product pipeline in emerging markets, and its partners in India who have the right formulation. This gave GSK access to hitherto inaccessible markets.

Three things were achieved: GSK accessed an emerging market pipeline; Indian development and formulation was leveraged, and revenue was made, and Aspen boosted the local manufacturing sector through skills and benefit.

Nicolaou pointed out that direct competition was value dilutive and challenges remained in the form of:

- geostrategic alignment: India and SA compete in the same market segments and have aspirations in the same territories. The challenge is to look for respective strengths to collaborate; they need to almost "carve up the world".;
- the incentive provided by government. The Indian government is more supportive of its manufacturing industry. India's special export zones are a relevant lesson for South Africa. Aspen recently acquired Australia's largest generic manufacturer. However, Australia's incentives are not good. Should the manufacturing base move to India or SA when SA was not willing to provide assistance, whereas Indian authorities were.

In the discussion that followed, Mr Moloi pointed out that the main challenge for advancing relations was the perception of many South African business people, who still believed the world revolved around Europe and North America. Africa, India and China were still viewed negatively. There needs to be a change in perception in business minds. Much could be learnt from the flexible and pragmatic nature of Indian governments. SASOL was interested in acquiring some of India's coal blocks, which were in public hands. However, because India needed the technology SASOL has to offer, the government was ready to change its policy to accommodate SASOL and its partners.

Stavros Nicolaou referred to 'competitive-collaboration' as characterising the trade relationship. Raw material exports from India to SA carried 0% tariffs on some materials. If a local producer exports to India the average bound tariff is 15%. Local producers had been in discussions with the South African government relating to a potential amendment of the preferential procurement regulation framework. A few days earlier the government had promulgated new regulations regarding local procurement, Nicolaou added.

India and South Africa as Actors in Global Governance Reform

G20 and Bretton Woods Reforms

Dr Renu Kohli, ICRIER, said that in the post economic crisis era there had been an intense drive for the reform of Bretton Woods Institutions due to their deficiencies. None of the financial institutions provided adequate warning on the crisis or the outcomes

India's position was not clear thus far except relating to its dissatisfaction with the IMF's voting power structure and quota issues. At the G20, India supported the expanding of resources of IFIs and called for a comprehensive quota review by 2013. The Indian prime minister expressed the view that the G20 had provided firepower and helped to push greater democratisation of the IMF. India had argued for more weight to be given to PPP weighted GDP, not market rates, and for changing the proposition allocated to trade openness. (The IMF formula is made up of weighted average of GDP [50%]; trade openness [30%], variability [15%] and international reserves [5%].) GDP is measured as a blend of GDP based on market exchange rate (60%) and PPP (40%). India would like to see this increase to 50%.

The Eurozone should have one seat at the IMF, although that would mean a voting share of more than 15%, which would give it veto powers. The principle of a double majority should be adopted where 85% of the vote was required plus a widespread consensus of 60% of all members.

Dr Kohli ended her presentation stating that the selection of IMF management needeed to be open, merit based, and transparent. If there was no reform of the IFIs there might be a move to establish a development finance Bank of the South.

Peter Draper, **SAIIA**, touched on the G20, the IFIs, global imbalances and the multilateral trading system. The G20 had been fairly effective in the wake of the financial crisis; though in the post-crisis phase its effectiveness had been questioned, especially on rectifying global imbalances. Attempts to broaden its agenda may dilute it and reduce its efficacy. The G20 was likely to default into the G7

mould. The chair would pick up specific issues but the core agenda would be financial regulation and IMF reform. If its core agenda was broadened too much, it would become meaningless.

SAwas the only African country in the G20, yet the question, 'can SA represent Africa' was a red herring, if a country like Brazil was not expected to represent its region. Still, these are largely questions of legitimacy. The more SA's legitimacy was questioned, the more stumbling blocks there were for the group.

Regarding the Bretton Woods Institutions, SA chairs two working groups: the development working group and that on IMF reform. South Africa's position is to ensure there is a floor on the extent of the loss of the African share at the IMF. In light of the discussion about an IMF managing director, he said that the ancient regime still prevailed. He also said that the IMF was a public good that thus should not operate as a bank or a company.

In dealing with global economic imbalances, political was a key factor in explaining the absence of progress. Currency 'manipulation' played an important role here. South Africa's finance minister had expressed concern about the US quantitative easing policy, however the currency peg of China was also problematic: if SA wanted to promote its industrial base, unfair competition in the form of China's undervalued currency should be avoided. Yet, the BRICS had made no statement on this, except for criticising the US. The BRICS had indicated the need to replace the $ as the global currency but it is not clear what would replace it.

On the multilateral trading system, Draper asked whether that should be a G20 issue? Trade and finance were in symbiosis, thus trade should be part of the discussion in that forum. Rather, most of the focus had been on protectionism. The most useful development would be to declare the Doha round of talks dead and shift to plurilateral negotiations.

Climate Change

Dr Prodipto Ghosh, The Energy and Resource Institute, dispelled the myth about climate change negotiations being about 'saving earth from humankind'. It was above all about economic negotiations. Energy was ubiquitous and key to production and consumption. So climate change was about economic consequences because decisions taken could alter the growth path of countries. Ghosh provided the key landmarks in the 23 years of climate change negotiations. The UN Convention on Climate Change (1992) enunciated the important principle of common but differentiated responsibility and respective capabilities of countries. The North-South divide was about how this principle is interpreted.

The Kyoto Protocol (1997) created the global carbon market. However, the US– the largest emitter – did not ratify the protocol, thereby creating problems. The Copenhagen Accord (2009) was an odd outcome that was reached behind closed doors with Brazil, India, South Africa, China and the U.S. (Europe was left out). This was a plurilateral political accord with no legal standing under the UN.

The Cancun outcome (2010) legitimised the Copenhagen Accord, It weakened the UN principle of common but differentiated responsibility (as well as uncertainty on Kyoto protocol outcome). India advanced the position that there should be equal access (per capita) to resources.

He believed that the financial mechanism under the Convention should be separate from aid. The aid paradigm did not recognise the role of imperialism, while during climate change discussions there was clear acknowledgment that developed countries were responsible for the problem. Assessed contributions should therefore form the basis of the financial mechanism. Agencies must also be internationally accountable, not only the countries providing the money. In the area of technology, the developing country agenda received a setback as the North insists on full respect for intellectual property rights. Cancun endorsed the developed country agenda – compulsory licensing.

Dr Lesley Masters, Institute for Global Dialogue, focused on the international politics of climate change and stated: “the economic crisis had done more for climate change than politics”. She briefly highlighted the positions of some of the key players. Among developed countries there were questions on whether the E.U. would play a leadership role in Durban as in Kyoto (although it took a peripheral role in Copenhagen). Moreover Japan, Canada and Russia were unlikely to support the second commitment period for the Kyoto Protocol.

The Africa group was the only negotiating coalition but as a very divergent group questions about its sustainability are relevant. The BASIC group of countries agreed on:

- the second commitment period for Kyoto with its common but differentiated approach in responsibilities and respective capabilities;
- emphasis on adoption for LDCs; and
- financial and technology transfers.

The expectation of SA as host of COP 17 was that expectations should be moderated; SA would listen to the African agenda and champion African interests; defend a two-track process; push for a second commitment period; and be a bridge builder.

Energy, development and climate change are inseparable. Development has to be a key feature of a climate change regime.

UN reform

Dr Yolanda Spies, University of Pretoria, believed that South Africa and India, who were both founding members of the UN, qualify to be permanent members, although for different reasons. There were two main imperatives of reform – the need for representative global governance; and the changing nature of the UNSC agenda. The UNSC is entrusted with global policy. Global power is now diffused and the nature of security has also changed.

Africa comprises 25% of the UN membership and also dominates the UN agenda (90% UN deployments are in Africa).

The main obstacles to reform were:

- states harbouring opposition to other states joining, eg. Pakistan versus India;
- criteria for eligibility for permanent UNSC membership, as the Charter does not elaborate on this. Sizeable contributions to peace and security may be one criterion. Many middle powers argue that they are more involved in these areas. Prospective members should also have diplomatic clout;
- the P5 are entrenched by international law, and
- concern about accession of non-trustworthy states.

In the last few years the working methods had seen the most transformation.

A number of groupings had formed on UN reform. Firstly, the G4: Japan and Germany (the 'loser' nations) are large contributors to the UN's funds and question why they were excluded from the exclusive club. The group includes India and Brazil. They wanted veto powers and were willing to wait 15 years. Although there were differences within the group Germany was willing to compromise whereas India and Brazil were more rigid. Second, Uniting for Consensus/ the Coffee Club: The group was a counter to any G4 proposals and included countries like Pakistan, South Korea, Mexico, Argentina and Chile. They advocated absolute consensus. Third was the Africa Group/Ezulwini Consensus. They demanded two permanent UNSC members from African and four non-permanent members. They refused to budge on this proposal. It was the only bloc to endorse a common position. However, it masked significant lack of consensus, and why SA had not made progress on its own bid. Fourth, Kofi Annan's high level panel has tried to bridge these previous groups, proposing that veto power should not be extended to new members.

Dr Spies listed India's credentials for membership: it was the world's second largest population; the world's largest democracy; the 11th largest economy; the 3rd largest active armed force; the leading country in anti-terrorism; a nuclear power; the third largest contributor to UN troops under UNSC mandate and it is endorsed by all P5 states. (China apparently endorse India's candidacy this year, although one participant noted that this was not unequivocal.)

South Africa's credentials were as follows: it is an economic and military power and the only African state in the G20; it is a gateway to Africa and its billion people; SA has moral stature; it was the first to unilaterally disarm its nuclear arsenal; it champions global governance for the global South; and was elected into the UNSC as a non-permanent member in 2010 (182 votes out of 190, and unanimously endorsed by the AU).

In Spies' opinion however, India was bogged down by the G4, and SA was bogged down by the Ezulwini Consensus. India and SA were in many groups together: BASIC, IBSA, BRICS, and G20. 2011 was the right time to re-examine the debate. SA and India's 'internships' in the UNSC would send the message that they were willing to take on responsibility and work together.

Mr Vikram Doraiswami, Consul General of India (Johannesburg), who previously served at the UN, said that UNSC reform acquired a new sense of possibility after the end of the Cold War. There

was no challenge to the view that reform needs to happen. The question was what reform and how it should be achieved. The historical opportunity in 2005 was not taken.

For Mr Doraiswami, the following issues needed to be tackled in the negotiation process.:

Veto power: this was the most contentious process. This related to working methods. Practically, there was no hope that veto powers would be taken away; it was in the Charter and thus could be removed. Amendments to the Charter also require two-thirds majority and the ratification by the P5.

How could use of the veto be circumscribed procedurally? The Africa group said the veto power is unfair but if it remains new members should get it too. The veto did not need to be a stumbling block though. New members should have the veto but pragmatically, for progress, this could be phased in over a period. Regarding the size and composition of the UNSC, there should be at least 6 new permanent members (of which two should be from Africa). A possible interim solution would be to have long-term elected members. India saw no merit in this proposal (how long should an interim period be?).

While progress had been made on the working methods, this was just window dressing that could not substitute greater UNSC reform.

So 'where to from here?' It was important for countries to create positive alliances that were overlapping. This would help to identify the positive elements in the positions of the various groups. Both speakers agreed that India and SA's current term on the UNSC was an 'internship' – to help form new alliances and be observed by other states in how they tackle matters brought before them at the SC. African support for India was critical but Africa also needed to make up its mind. It was unlikely that the P5 would allow the process to move forward without Africa nominating their two candidates.

Spies pointed out that the AU and G4 did actually come close to a consensus and SA and Nigeria were willing to compromise on a waiting period but many African countries opposed this. She agreed that SA and Nigeria were the most likely contenders but there was also Egypt. However, Egypt says Nigeria is corrupt while Nigeria sees Egypt as too Arab and SA too white. The AU should decide who should be eligible as this was not yet defined. The dispute bogs Africa down.

There was also a discussion about whether the IBSA alliance was proactive in agenda setting or defensive and reactionary at the UNSC. Spies observed that IBSA had been dwarfed by BRICS. It seemed to have lost its lustre and was on the periphery. All three countries were vocal but had not taken practical steps to set the agenda as a grouping. Doraiswami said that IBSA was never a political forum. It was set up as a trilateral mechanism so in that way he believed it had fulfilled its mandate; although IBSA had used the UN as a platform to coordinate some projects.

One participant pointed out that SA seemed to have changed its strategy, taking a stronger position on a permanent seat for itself. Spies said that SA could not be arrogant and disregard Africa either. It w the gateway and should club together with other countries on the continent like Nigeria. SA should also press for Ezulwini to evolve and become more pragmatic.

[11] Ernst & Young (2011). It's time for Africa: Ernst & Young's 2011 Africa attractiveness survey. p.7.

[2] Ibid.

[3] McKinsey Quarterly, What'd driving Africa's growth', June 2010.
http://www.mckinseyquarterly.com/Whats_driving_Africas_growth_2601