For much of the 20th century India's relationship with Africa was mostly political, based upon solidarity with African anti-colonial and liberation movements. Jawaharlal Nehru, India's prime minister until 1964, referred to Africa as a "sister continent". Today, India's relationship centres on science and technology and trade. India-Africa trade has grown rapidly from $967 million in the mid-1960s to $30 billion in 2007-2008, with intentions to increase this to $50 billion by 2012. Africa's share of India's global trade increased from 5.8% in 2002-2003 to 8% in 2006-2007.

BURNING BRIGHT: INDIA'S TIGER ECONOMY IN AFRICA

ALEX VINES


National Geographic/James Stanfield

ENERGY is at the forefront of India's strategy in Africa. India's tiger economy growth rate is still forecast by the IMF to be just under 8% in 2009, despite the credit crunch, and presently 30% of the country's energy needs are met by oil and the rest by domestic coal reserves. The International Energy Agency predicts that by 2025, Indian growth will result in the country's importing 90% of its petroleum supply. India has increasingly looked to Africa to diversify its energy security needs and reduce its oil dependency on the Middle East, which accounts for two-thirds of its oil imports.

Previous page: Goldsmiths working in a communal workshop in Mumbai, the city which has become the world's largest gold and diamond jewellery-manufacturing centre

China's inroads into Africa are well known; India's approach has been much quieter. The India-Africa Forum met for the first time in April 2008 in New Delhi and offered fresh insights into this modern 'scramble for Africa'. Summits will be held every three years, with the next one in Africa in 2011.

India has enjoyed less Western scrutiny over its Africa policy than China. Like China, it has done deals with Sudan and has avoided criticising the Sudanese government on Darfur. President Abdul Kalam of India also visited Sudan in October 2003, the first visit by an Indian president for 28 years and recognition of growing economic ties. Sudan attracted the fourth-largest share of Indian foreign direct investment between 1996 and 2005 ($964 million) and the Indian government has extended three credits lines since the 2003 presidential visit. India's flagship oil and gas company, ONGC, produces Sudanese oil; ONGC invested $750 million to acquire a 25% partnership in the Greater Nile Petroleum Operating Company (GNPOC) in Sudan in 2003. Today, India gets 3.24 million tonnes of 'equity oil' from GNPOC. India also recently completed a $200 million oil pipeline that links Khartoum and Port Sudan on the Red Sea. In November 2006, India voted against a resolution at the UN Human Rights Council that would have put the onus on Khartoum to end the violence in Darfur.

India is also involved in Zimbabwe, with trade worth $40 million in 2006 and, in January, its acting ambassador in Harare praised the "good cordial relations" between the two countries. Its Africa policy is driven by economic interests, but competition, particularly with China, is also pushing New Delhi to deepen its presence on the continent. There are already important business relationships. Oil from Nigeria, for example, provides more than 12% of India's global imports. Last year's official visit to Nigeria by India's Prime Minister Manmohan Singh, the first by an Indian prime minister since 1962, indicated the significance of the links – Atal Behari Vajpayee was barely there for a day to attend the Commonwealth Summit in 2003. The previous prime ministerial visit to Angola was Rajiv Gandhi's in 1986, although prime ministerial visits to South

Africa have been more regular on account of the IBSA (India, Brazil, South Africa) Forum.

Nigeria is India's largest trading partner in Africa – bilateral trade was valued at nearly $8 billion in 2006-07, of which oil represented 95% of Indian imports from Africa's most populous country. Nigeria is also the largest destination in Africa for Indian manufactured goods and it imports more pharmaceuticals than any other country.

Indian exports to Africa consist mainly of manufactured items (49%), chemical products (11%) and machinery and transport equipment (10%). South Africa is the main trading partner, accounting for 22% ($2 billion) of total Indian exports to Africa in 2006-2007. This is followed by Kenya ($1.3 billion), Nigeria ($901 million), Egypt ($739 million) and Mauritius ($539 million).

The Tata group is India's leading investor in Africa, with a presence in 11 African countries, particularly South Africa. Apart from ferrochrome investment, Tata is also the ninth largest vehicle assembler in South Africa and is also investing in

ArcelorMittal

With its takeover of Iscor in 2004, Mittal Steel (now part of ArcelorMittal, the world's largest steelmaker) has become the predominant steel producer in South Africa infrastructure development, energy and hospitality services there. On the mining side, Tata is trying to participate in Liberia's extensive iron ore assets – before its civil war, Liberia was the world's fifth largest producer of iron ore.

Trade between India and South Africa has been growing at about 30% annually and South Africa now accounts for more than two-thirds of Africa's exports to India. South Africa, which is the fourth largest source for India's gold imports, is also an important exporter of diamonds to India, where some 800,000 people are employed in the diamond-cutting and polishing industry.

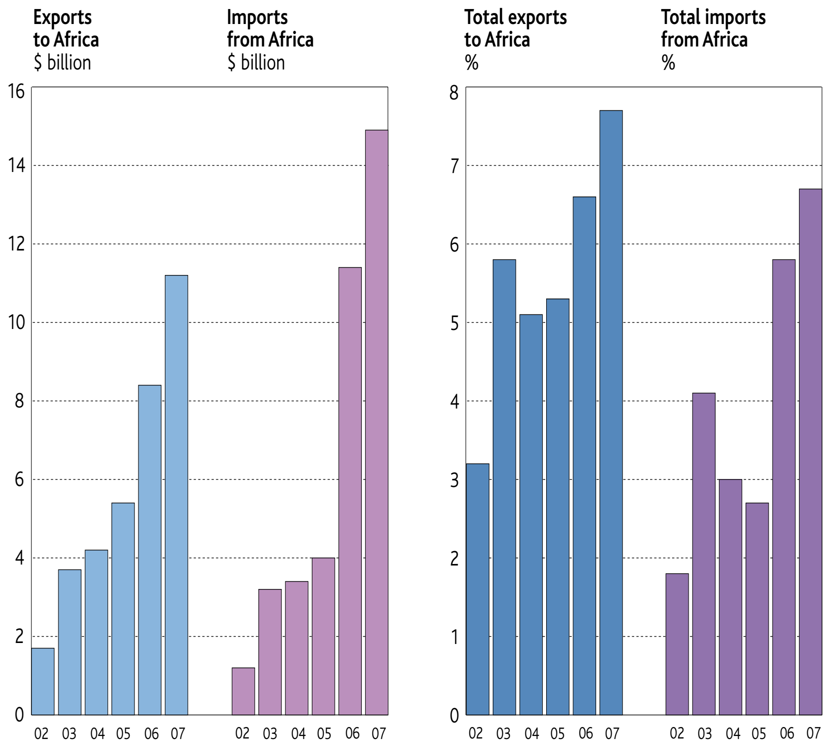
Exports of jewellery from India, the world's largest jewellery producer, are now running at around $7 billion a year, with the country's accounting for 90% of the world's exports of cut and polished diamonds by volume. However, most of these are small, of relatively low quality, yielding only a modest profit. Moreover, owing to a global shortage of quality gem diamonds and because the majority of bigger, higher-value stones reach the sub-continent via the 'middlemen' of London and Antwerp, African states such as Angola, Botswana, the Democratic Republic of Congo (DRC) and South Africa are becoming increasingly important to India. In Angola and Namibia in particular, India has been active in looking to lock in new direct supplies, while Angola's state-owned ENDIAMA has announced it will be opening a diamond office in Mumbai in 2009. India is also assessing how to respond to growing African efforts in the beneficiation field, such as the relocation of De Beers' Diamond Trading Company's former London-based diamond-sorting and -polishing facilities to Botswana and the recent moves by South Africa to guarantee allocations to local cutters.

For India, ore and metals still dominate imports from Africa, and uranium may become the focus of a new push for its ambitious civil nuclear-power programme. Another area of growth is inorganic chemicals, with Morocco, Senegal and South Africa the leading sources of India's imports. Egypt and Algeria are also important exporters to India. Perhaps surprisingly, Mauritius is India's single largest offshore investor, providing $1.9 billion during just one quarter last year.

Over the past five years, India has extended credit worth $2 billion to African countries, of which more than half has been taken up. Its economic links are moving beyond its traditional Indian Ocean and Commonwealth partners. Investment in Côte d'Ivoire, for example, is expected to grow to $1 billion by 2011, which represents 10% of Indian foreign investment over the past decade.

ONGC not only produces Sudanese oil, but has invested $2 billion in eight African countries, including Nigeria, Sudan, Côte d'Ivoire and Gabon. On the commercial level, however, India cannot compete, dollar for dollar, with China with its huge capital reserves of around $2 trillion. For example, in 2004, ONGC's bid for an Angolan oil bloc failed at the last moment when its offer of $310 million for infrastructure development could not compete with a massive $725 million bid from China. However, India hopes to fare better in the 2009 Angola licensing round and, in July 2008, India's oil minister announced that ONGC had qualified to bid as an operator in the next licensing

India's trade with Africa 2002-2007



round and would also consider jointly bidding with Angola's national oil company Sonangol. ONGC is also interested in bidding for a 20% stake in an Angolan oil field that US energy firm Marathon Oil Corporation is selling and will face tough competition from China's top three oil firms and Brazil's Petrobras.

On a diplomatic level, New Delhi has reopened its embassy in the capital of the DRC, Kinshasa. It

Dinodia Photo Library

Around 800,000 people are employed in India's diamond-cutting and -polishing industry, with many of the gemstones originating in Africa

has missions in 19 of the 47 sub-Saharan countries and plans others soon in Burkina Faso, Niger and Gabon.

India's concern about Chinese expansion is very real and most visible in the African-Indian Ocean rim, with deepening ties such as defence agreements with Mozambique, Madagascar and the Seychelles.

The opening of an Indian surveillance installation in Madagascar symbolises the importance of the Indian Ocean as New Delhi's backyard. The majority of India's imports and exports travel by ship, so keeping sea lanes safe is a priority. For India, monitoring the waters off Africa's east coast is an essential part of security of energy supplies through the Indian Ocean. More than 2.4 million Somalis rely on food aid, of which 80% arrives by sea. The waters off Somalia are the most dangerous in the world and there have been around a hundred pirate attacks on vessels off Somalia's eastern and northern coasts in 2008. Indian-flagged vessels have been attacked in the past and 18 Indian sailors were part of the crew of a Hong Kong-flagged merchant

Anglo Platinum

tanker that was overrun by Somali pirates in September this year, increasing calls by India's navy for permission to engage in anti-piracy operations off the coast of Somalia. Recently, the Indian Navy has received permission from the UN to pursue pirates in Somali waters and is likely to deploy a second warship to tackle piracy in the region.

Increasingly, it is China, rather than Pakistan – which is widely seen as a Chinese proxy – that worries New Delhi policy-makers.

overstretched in eastern Congo in the thick of the current crisis there. The India-Africa Forum summit was a modest effort compared with Beijing's Africa jamboree in November 2006. New Delhi did not want the two compared, so its invitation list was symbolic: 14 African heads of state and the heads of all eight regional groups. The summit was attended by the presidents of South Africa, Uganda, Tanzania, Ghana, Senegal and the DRC; the vice-presidents of Nigeria and Zambia; the

Reuters/George Esiri

An oil tanker docks at a fuel depot in Lagos in Nigeria. Piracy appears to be on the increase, so a naval warship usually shadows a vessel to its destination

India's trade with Africa exceeded China-Africa trade until as recently as 1999 but is now dwarfed by China's trade power. India's estimated $30 billion investment in Africa in 2007-08 is just over half of that of China's $56 billion in the continent. India also engages in fits and starts and, unlike China, does not have the weight of a permanent seat on the UN Security Council to provide a political spine to its Africa policy. New Delhi still seeks Security Council reform and its peacekeeping commitments are aimed at strengthening its case. There are 9,000 Indian troops in Africa serving with the UN, some of them

prime ministers of Burkina Faso and Ethiopia; ministers and special representatives from Algeria, Egypt, Kenya and Libya; and the chairperson of the African Union (AU) Commission.

The summit's Delhi Declaration and the Africa-India Framework for Co-operation provide for collaboration, especially in human resources; science and technology; industrial growth; minerals development; the health sector; information and communication technology; security; and judicial reform. The framework also recognises the need to promote small- and medium-scale businesses in India and Africa. It pledges to help improve food security in Africa and increase African exports to world markets.

India said at the summit that it would grant preferential market access for exports from all least-developed countries, 34 of which are in Africa. India will also increase its lines of credit to Africa to $5.4 billion and its aid to $500 million over the next five years (2008-12). Not a lot has happened since, although in late August the eighth India-Africa conclave on project partnership and trade was held in Dar es Salaam in Tanzania, which attracted business delegates from India and from 13 African countries, and was designed to follow up on another Confederation of India Industries conclave held in New Delhi in March. The World Bank says Indian firms employ a greater number of Africans than the Chinese, who traditionally import large numbers of their own workers on major capital projects. Harry Broadman, economic adviser on Africa to the World Bank, illuminates this difference in approach in an article in the March/April 2008 edition of *Foreign Affairs*. He cites a 2006 study of 450 business owners in Africa that found that almost half of the respondents who were ethnical Indians had taken African nationalities, against only 4% of owners who were ethnic Chinese.

While this may indeed be true, Indian business has had a mixed history on the African continent. In Nigeria, union members abducted 11 Indian steelworkers in 2007 over a pay dispute. There are also examples of corrupt practice, such as the recent UN scandal in the DRC in which Pakistani peacekeepers sold guns to rebels in exchange for gold that was then exported via East African-based Indian traders. Western countries have tried to get closer to India over its Africa ties. British prime minister Gordon Brown and German chancellor Angela Merkel have indicated their desire to work with India in Africa, but New Delhi has expressed its preference for southern partners not "tainted by colonial pasts". However, the ONGC partnership in Nigeria with Luxembourg-registered Mittal Investments – part of the business empire of Indian-born billionaire Lakshmi Mittal – shows commercial pragmatism. In May 2006, a deal created to compete against Chinese and South

Dr Reddy's, Bollaram, Hyderabad, India

Morocco, Senegal and South Africa are the leading suppliers of inorganic chemicals to Indian chemical plants, like this one at Bollaram in Hyderabad


Reuters

At India's summit with African leaders in Delhi in April this year, India said it planned to ease access for exports from the world's poorest countries, many of which are in sub-Saharan Africa

Korean competition by an ONGC-Mittal Investment consortium (known as OMEL) resulted in Nigerian oil-exploration rights for the consortium by strengthening India's bid as an infrastructure provider. Cyprus-registered OMEL was pre-assigned three blocs and, in return, committed to an investment of some $6 billion towards the construction of a refinery, a power plant and providing a feasibility study for a new east-west railway. This followed India's Cabinet Committee on Economic Affairs intervening at the last moment to prevent, on due-diligence grounds, the overseas arms of ONGC Videsh entering into a $2 billion deal for a stake in a Nigerian oil bloc in a 2005 licensing round after ONGC's unexpected loss to KNOC of South Korea of the two best deep offshore blocs on offer. The infrastructure projects proposed by OMEL have not started.

The OMEL consortium has been controversial in Nigeria, where the government of President Yar'Adua is reviewing concessions awarded by the previous Obasanjo administration. Two small, relatively unknown, Indian companies are under investigation. Sterling Global Resources won a discretionary award in late 2006 and Essar E&P Ltd a bloc in 2007, but risk having their awards revoked. The Yar'Adua government has also cancelled the sale of the Ajaokuta Steel Complex to Global Steel, controlled by the Mittal family (it had been sold reportedly for a token sum), accusing the company of asset stripping and of borrowing almost $200 million from local banks by pledging the plant's assets. Global Steel has challenged this ruling and taken the matter to court.

Other parts of the Mittal dynasty have also attracted controversy in West Africa. In late 2005, Mittal Steel (which in 2006 merged with Arcelor to create ArcelorMittal, the world's largest steel company) signed a $900 million deal with Liberia's Transitional Government to mine iron ore – which NGOs claim allowed Mittal to allegedly opt out of human rights and environmental law. The elected government of President Ellen Johnson-Sirleaf in 2006 reviewed the deal and a renegotiated agreement with Mittal was agreed in 2007.

Time and again, state-owned oil firms ONGC, IOC or Oil India come close to pulling off a major deal, only to lose – while Indian tycoons like the Mittals and the Ambani brothers seem to be able to act more quickly. But this can also cause problems.

The Ajaokuta saga in Nigeria resulted in a family dispute within the Mittal family. And the takeover effort by Reliance Telecom – one of India's largest mobile phone companies – of South Africa's MTN would have been one of India's biggest deals in Africa had the deal succeeded in July 2008 but unravelled after another family dispute, with Mukesh Ambani, the estranged elder brother of Reliance owner Anil Ambani, effectively vetoing the deal.[1]

Another Indian billionaire, Anil Agarwal and his London-listed Vedanta Resources, which produces around 500,000 tonnes per annum each of copper, aluminium and zinc, has been more successful. In November 2004, he completed an agreement with Zambia Copper Investments (ZCI) and Zambia Consolidated Copper Mines (ZCCM) to buy for $48.2 million a controlling stake in the biggest copper mine in Africa, Konkola Copper Mines (KCM) on the Zambian copperbelt. On the back of then-increasing copper prices, KCM posted a $301 million profit for 2006-2007. Vedanta, which increased its stake in KCM to 79.4% earlier this year, is proceeding with a $1 billion underground development called Konkola Deep.

The current global credit crunch and downturn in the price of commodities have seriously impacted the fortunes of some of these Indian tycoons. This may mean they are likely to tighten their belts and be less active seeking new acquisitions in the short term.

India's history in Africa is a long one. Glass beads made in India were so popular along the East African coast that, in the 16th century, Portuguese colonialists had trouble trading their European equivalents. Today, there are two million people of Indian origin in Africa.

India should not regard Africa simply as a source of natural resources – and it is at pains to stress its differences with China on that score. After living in South Africa, Mahatma Gandhi observed that "the commerce between India and Africa will be of ideas and services, not of manufactured goods against raw materials after

Earlier this year, Land Rover, for 60 years one of the best-known vehicles in Africa, was taken over by India's rapidly expanding Tata Motors

Land Rover Experience

the fashion of western exploiters". There is a need for India to co-ordinate its Africa efforts: the India-Africa Forum clashed with the 10th meeting of the African Partnership Forum (APF) in Tokyo. The APF was created in 2003 to broaden dialogue between G8 countries and the New Partnership for Africa's Development (NEPAD) to include Africa's major bilateral and multilateral donors. India is not part of this, but it would be helpful as an outreach country and an increasingly important player in Africa if it tried to co-ordinate with the APF partners.

India's Minister of State for Commerce Jairam Ramesh noted at the India-Africa Forum summit: "The first principle of India's involvement in Africa is unlike that of China. China says 'go out and exploit the natural resources'; our strategy is to add value."

That is certainly what it should be doing. There are already signs that it is happening, with, for example, India's funding of the pan-African e-Network Project in partnership with the African Union. This aims at "removing the digital divide, ensuring connectivity of all Africans and providing much-needed telemedicine and tele-education to the masses in African countries". The network will also support e-governance, e-commerce, infotainment, resource mapping and meteorological services. The proposal for establishing the pan-African e-Network Project was made by the then president of India at the pan-African Parliament in 2004. Progress had been slow until 2008, but by the end of July this year Tatanet had completed – in three months – a satellite hub station and data centre at Dakar in Senegal. It will be connected to a studio in India with facilities to connect to 12 specialised hospitals, seven Indian university centres, five universities in Africa and six African countries. This initiative will provide free telemedicine and tele-education and the aim is to eventually provide free services to all 54 African countries. More than 15,000 African students also currently study in Indian universities and Indian teachers are working in several countries, including Ethiopia, Botswana, Tanzania and Ghana.

Right: A health educator talks to women about prevention of malaria and demonstrates the correct way to use mosquito nets to best prevent transmission of the disease. India's pharmaceutical industry is heavily involved in malaria research and the export of medicine to Africa

Giacomo Pirozzi/Panos Pictures

In spite of the dispossession and repatriation moves in the 1970s by countries such as Uganda against Asians living in Africa, there are around two million people of Indian origin in Africa, many of them small-time traders like this woman in a clothing shop in downtown Nairobi, Kenya

India is home to roughly one-third of all poor people in the world and has a higher proportion of its population living on less than $2 per day than even sub-Saharan Africa according to the World Bank. India has 828 million people, or 75.6% of the population, living below $2 a day. Sub-Saharan Africa, often thought of as the world's poorest region, has 72.2% of its population (551 million) below the $2-a-day level. An important lesson for Africa, however, is that India has maintained

Reuters

progress against poverty since the 1980s, with poverty rates declining at a little under one percentage point per year. According to Goldman Sachs, India by 2020 will have the third-largest GDP in the world after China and the US, and will have a greatly-expanded middle class.

India's post-colonial democracy may provide lessons for Africa. Yet India remains ill-equipped to capitalise on all it can offer. The first India-Africa Forum in April attracted little press attention in India compared with China's 2006 effort and Japan's TICAD IV conference in May. Only India's *The Hindu* has maintained a bureau in Africa and expertise on Africa, including at India's universities and research institutes, is thinly spread. A welcome development was the launch in September 2008 of a Centre for Indian Studies in Africa (CISA) at Johannesburg's University of the Witwatersrand.

Yet India offers important experience in agricultural expansion, clean-water management and dealing with growing climate change threats. India has co-ordinated closely with a number of African countries on the Doha round negotiations, especially on agriculture. Climate change also featured in the Delhi Declaration concluding the India-Africa Forum, where the participants stressed the importance of a fair and equitable division between developing countries in sharing the burden of climate change.

The challenge is for business and governments to strike deals that generate wealth, help eradicate poverty and aid investment in Africa's people. ◆

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1. 'Business in India – a lost connection', *The Economist*, 26 July 2008