

## Indian foreign direct investments in Africa: a geographical perspective

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**Abstract.** Foreign direct investments (FDI) into Africa from developing economies have grown substantially over the past decade. While the focus of the enquiry among the geographers has been the rise of Chinese investments in Africa, India has become an important 'Asian driver' within the 'new scramble for Africa'. This article highlights the geography of Indian involvement in Africa in terms of its growing scale, new patterns and the emerging complex structure of Indian investments. The article finds that the nature of India-Africa trade relationship mirrors colonial trade relationships between India and the Great Britain. The Indian investments in Africa are resource-oriented and fused with geopolitical dynamics, driven by capitalistic agendas.

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## 1. Introduction

The question of Foreign Direct Investment (FDI) in Africa has become a subject of immense enquiry among geographers with particular attention directed towards Asian FDI into the continent (Carmody, 2009; 2010; 2011). This is, in part, driven by the internationalisation process of firms seeking to expand their operations beyond their home country as well as states actively promoting globalisation through political, economic and socio-cultural engagements. In these contexts, Chinese engagements in Africa have attracted most attention among scholars and media. Recent academic writings have become fixated with the 'new scramble for Africa' (Mawdsley, 2008; Arnold, 2009; Carmody, 2011) and the growing influence of China in Africa as a result of the enormous scale of Chinese investments in the continent. McCann (2010a: 466) suggests that still 'the picture of new foreign presence in Africa is skewed driven largely by the ideological proclivities and more materialist anxieties of various Western actors'. However, other emerging economies, particularly the Brazil, Russia and South Africa, have also become important players in African political economy which has given rise to the political-economic discourse of 'South-South' globalisation (Carmody, 2013a).

Among the BRICS (Brazil, Russia, India, China and South Africa) nations, whilst China continues to expand its operations in Africa, India's involvement has been overlooked. Some scholars have termed India's involvement as 'globalisation slipstreaming' behind China (Carmody, 2010). Although India has avoided scholarly scrutiny, its engagement with Africa, according to some observers, is strategically more important than China given its proximity to the continent, its large diaspora and its more cooperative strategy than the Chinese 'go out policy' for Africa (Mawdsley and McCann, 2010; Carmody, 2011). The Chinese government provides tax incentives and loans to its companies to invest in Africa and source natural resources, agricultural products for its rapidly growing economy and also create markets for Chinese goods and services. This has been made possible by the comparatively richer Chinese firms than India. India, on the other hand, which cannot match the economic resour-

es of Chinese in Africa has tried to adopt an image as development partner by its direct dealings with African governments in terms of knowledge transfer, technical training and development assistance (McCormick, 2008, Mawdsley, 2010 cf. Carmody, 2011).

In recent years, India has become an active player in the world capitalist economy. It is currently the world's tenth largest economy in nominal terms (World Bank, 2014) and is expected to become the third largest by 2030 behind China, according to some estimates (The Hindu, 2014). Africa has become an important source for mineral and energy resources for India. In 2012, 70 % of Indian imports from Africa consisted of crude oil (Standard Bank, 2012). There is no denying the fact that relations between Africa and India are equally important as Africa-China relationships (Mawdsley and McCann, 2010, Carmody, 2011).

Studies on India-Africa relations mostly focus on either eastern or southern African countries partly because of historical ties between India and the region (Mawdsley and McCann, 2010). India's relationship with northern and western African countries is hardly analysed. However, recently India started to exert its influence in these regions of Africa. Considering India's rapidly changing relations with Africa, it is important to analyse India's contemporary economic relations with the continent. This article highlights the importance of Indian involvement in Africa because of the growing scale, new patterns and the emerging complex structure of Indian investments. The overall objective is to present a geographical account of contemporary Indian foreign direct investments (FDIs) in Africa. The second section of the article will deal with the contemporary trade relationship between India and Africa which is predominantly resource oriented and hence concentrated in resource rich countries of Africa. Then the article moves to highlight the drivers of Indian FDI in Africa. The third section will provide a geography of the Indian FDI in Africa in terms of sectoral and regional distribution across the continent. The article concludes that the nature of contemporary Indian engagements is often projected as a new model of globalisation based on 'horizontal' development cooperation and fused with geopolitical dynamics driven by capitalistic agendas.

## 2. India-Africa trade relationship

India is currently a very important trading partner for Africa, its fourth largest after the EU, China and US. Although the scale of its trade is far behind that of the three biggest partners, it has grown rapidly in the last ten years, at a pace only comparable with China (Carmody, 2011). India accounted for only 5.6 % of Africa’s trade in comparison to China’s 16.9 % in 2011 (Standard Chartered, 2012). Total trade between India and Africa stood at US \$ 5.3 billion in 2001 and grew to US \$ 12 billion in 2005 to US \$ 70 billion in 2012, a figure which is higher than India’s trade with US (CII, 2013). Estimates

of trade growth suggest total trade between Africa and India should reach in excess of US\$ 100 billion by 2015 (The Times of India, 2013a).

India’s imports from Africa grew from US\$ 587 million to US\$ 39.8 billion between 1990 and 2011 while its exports to the continent increased from US\$ 436 million to US\$ 23 billion during the same period (African Development Bank (ADB), 2011; CII, 2013). In 2012, India’s exports to Africa grew to US\$ 28 billion, while the corresponding figure for India’s imports from Africa rose to US\$ 42 billion (Fig. 1). In 2005, Africa accounted for 3.5 % of India’s total imports which increased to 8.6 % in 2011 (CII, 2013). Africa’s exports to India are growing at 32 % while Indian exports to Africa expanded annually at 23.6 % during the 2001-2011 (CII, 2013).

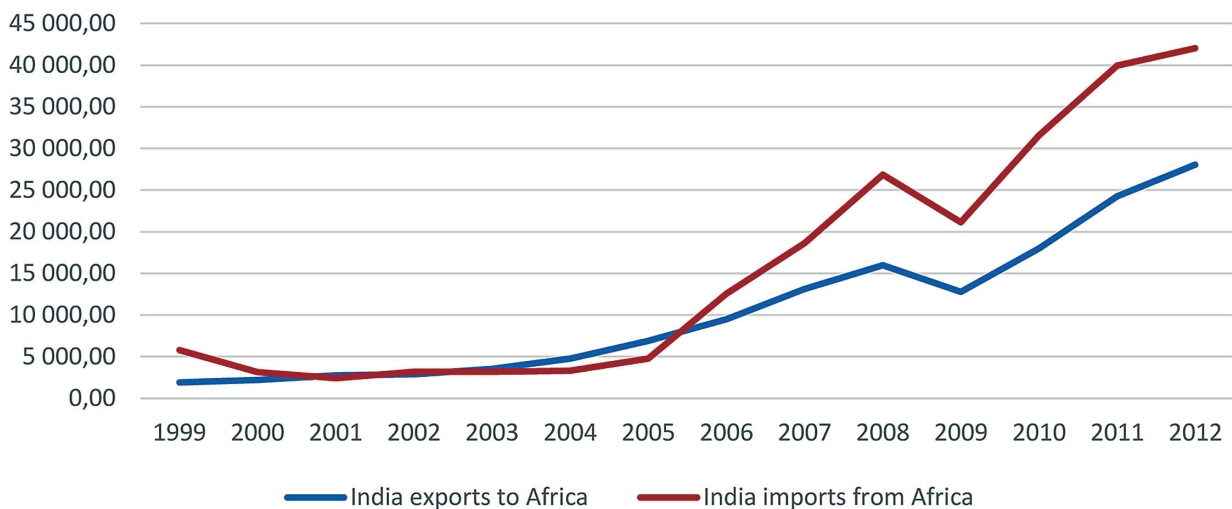


Fig. 1. India-Africa Trade Growth (1999-2012) in US\$ millions

Source: reproduced from Van Niekerk (2013) Table 3, p. 4

India’s trade relations with Africa are dominated by imports of natural resources (CII, 2013). Imports from Africa constitute predominantly crude petroleum and minerals highlighting India’s demand for energy resources to support its rapidly growing economy. Currently India is the world’s fourth largest consumer of energy (The Hindu, 2013a). Africa now supplies around one-fifth of India’s crude oil imports; this figure was zero in 2005. On June 2014, Nigeria announced that India had replaced the US as its largest crude oil importer accounting for more than a quarter of its daily output (The Times of India, 2014). Africa already supplies the bulk of India’s

minerals needs. In 2012, mineral products, precious stones and metals imports from Africa constituted around 86 % of all Indian commodity imports from the continent (Van Niekerk, 2013).

Trade between the two regions is dominated by commodities exports from Africa to India. The top six commodities, of oil 60%, gold 15%, phosphoric acid 3.8%, coal 3.5 %, liquefied natural gas 2.7% and shelled cashew 2.6%, together constitute 87% of total African exports to India (CII, 2013). Contrastingly, India’s exports to Africa are diverse from medium to low technology finished products and include manufactured goods, machinery, transpor-

tation equipment, food and pharmaceutical products (Van Niekerk, 2013; CII, 2013). Africa's trade relations with other fast growing developing economies of Brazil and China also give a similar picture. Natural resources such as mineral fuels dominate Africa's total exports to these countries, 70% for China, 80 % for India and 85 % for Brazil (CII, 2013). Imports are more diversified, for example agricultural products such as sugar, meat and cereals dominate imports from Brazil, industrial machinery electrical and electronic equipment from China and low value added products such as refined petroleum, automobiles and pharmaceuticals from India (CII, 2013).

The nature of Africa-India trade is such that several African countries run a trade surplus with India which is largely driven by exports of oil, gas, ores and gold. Not surprisingly, the top six African exporters- Nigeria, South Africa, Angola, Egypt, Algeria and Morocco- account for 89 % of total African exports by value to India. They have a total of US \$ 24. 5 billion in trade surplus which at a current rate is likely to reach US 67 billion in 2015 (CII, 2013). Latest data from the Department of Commerce suggests that Nigeria has emerged as 13<sup>th</sup> biggest trad-

ing partner of India mainly driven by oil exports, with total bilateral trade of US\$ 16.8 billion, higher than UK's trade with India (Department of Commerce, Government of India, 2014). Nigeria alone runs a trade surplus with India of US\$ 11.5 billion (Department of Commerce, Government of India, 2014). By contrast, India runs a trade surplus with 40 out of 54 African countries (CII, 2013).

Regionally, India's trade with Southern Africa and East Africa has always been of paramount importance. However, in recent years West and North African countries have emerged to a very important trading partners, experiencing tremendous growth in both exports and imports with India (Figures 2 and 3). While Southern Africa accounted for almost 60 % of exports to India, West Africa only accounted for around 16 % in 2001. These figures changed dramatically in 2011 when West Africa accounted for 40 % of exports to India while Southern African figures dropped to just 24 %. Northern Africa's share of exports to India stood at 18 %, a significantly high figure, mainly driven by the oil and energy supplies. Contrastingly, East Africa's share of exports to India is only 2 %, while it has 34 % share of Africa's imports from India (CII, 2013).

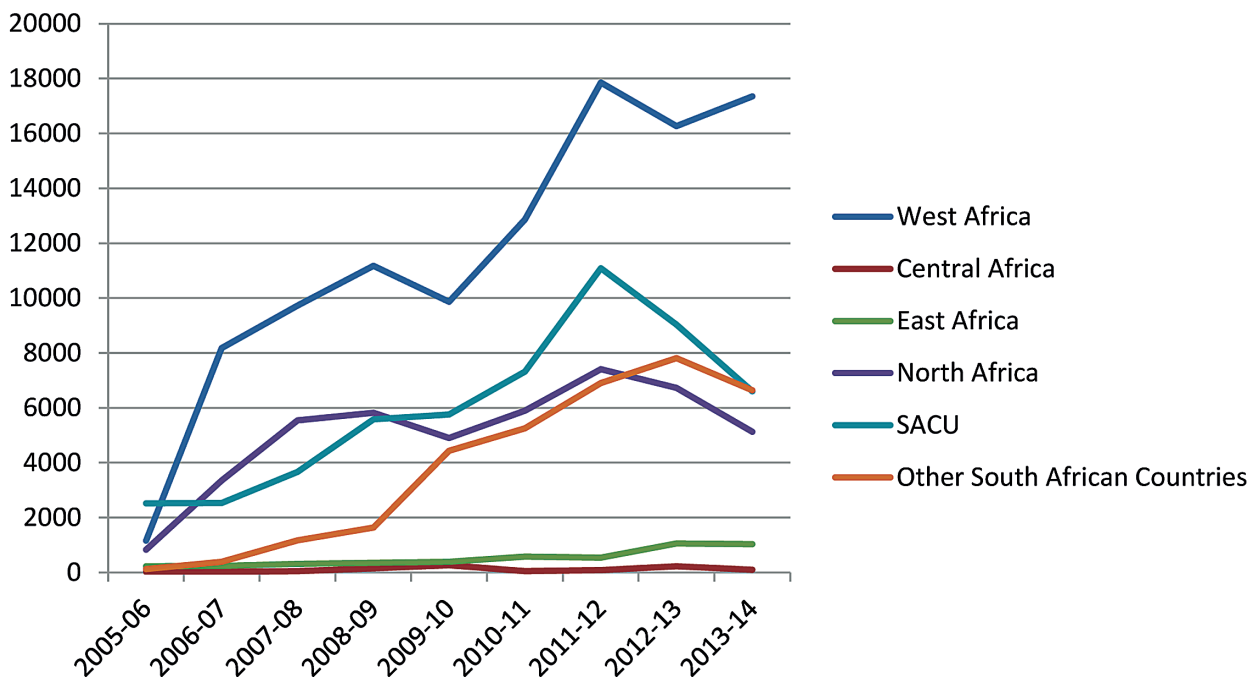


Fig. 2. India's imports from different African regions (2005-2014) in US\$ millions

Source: Export-Import Data Bank, Department of Commerce, Government of India

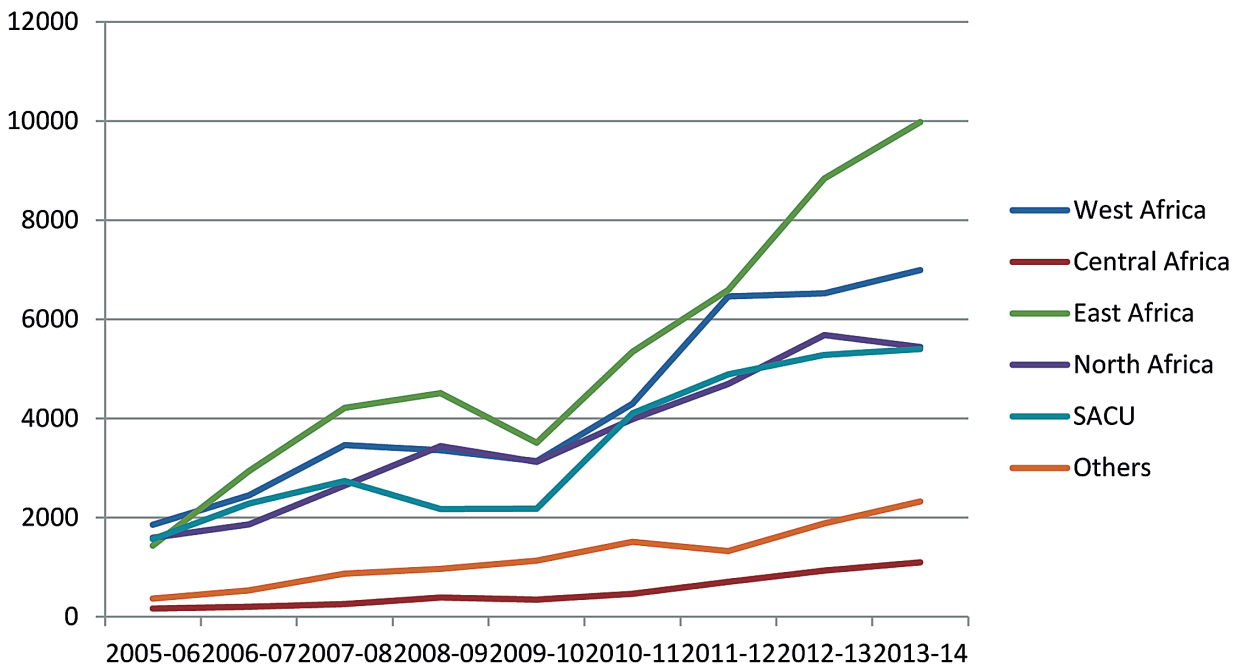


Fig. 3. India's exports to various African regions (2005-2014) in US\$ millions

Source: Export-Import Data Bank, Department of Commerce, Government of India

Despite the India-Africa relationship being resource extractive in nature, India has recently become actively involved in Africa in terms of industrial manufacturing, bilateral agreements, lines of credits, economic diplomacy and development assistance (Bhattacharya, 2010 in Cheru and Obi, 2010; Carmody, 2011, 2013a; Mawdsley and McCann, 2010; Naidu, 2008, 2009, 2010). The Indian government has been keen to diversify its activities in Africa. According to an ex-Minister of State for External Affairs: “India is a partner in terms of capacity building, utilisation of local resources, generating capital and employment as well as value addition, as we are fully committed to the development and industrialisation of Africa” (Ministry of External Affairs, Government of India, February 18, 2008).

Indian firms, both public and private, have gained a notable presence through wide-ranging investments in various sectors across different regions of Africa. Indian oil companies have ventured into Central and West Africa, particularly for oil and steel (Angola, Nigeria, Equatorial Guinea and Liberia), to Zambia and South Africa for copper and gold respectively and Ethiopia in the north for agriculture. There are also significant investments coming from Indian firms in Africa for industri-

al production such as steel, automobile assembly plants, chemical processing and beverages and Information and Communication Technologies (ICTs) and services sector. The next section will discuss the drivers of contemporary Indian investments in Africa.

### 3. Drivers of Indian investments in Africa

Overall it is evident that the contemporary Indian investments in Africa are large in scale and diverse in nature- from oil, minerals, agriculture, forestry, renewable and non-renewable energy and services. India is keen to expand its scope of engagement with Africa. Indian investments in Africa are driven by a complex set of political, economic, cultural and ideological factors and actors, both the Indian government and the private sector. There are both ‘push’ and ‘pull’ factors that contribute towards the rise of Indian investments in Africa.

A large proportion of Indian investments in Africa are largely driven by India's food and energy security, water shortages, demand for natural resource

coming from rapidly growing Indian economy (Carmody, 2011, 2013b; Mawdsley and McCann, 2010; Matondi, et. al, 2011; Rowden, 2011). Much of the current focus on Africa among Indian policy makers is towards improving the food security condition at home in terms of both production and access to food grains, diversifying sources of natural resources (oil and minerals), as well as securing new market outlets. Currently, India sources 75 % of its oil supply from the Middle East. The political and economic volatility among the Arab states and US dominance on oil in the region means India looks for sources beyond the Middle East. Iran, which has been India's reliable source of oil for long, has been put under economic sanctions by Western states. India is continuously pressurised to stop its dealings with Iran. However, New Delhi continues to source oil from Iran since there are no long-term alternative sources available for supply of oil to India. Therefore, India's quest to meet its growing energy demand means that Africa has become an important trading partner because of its huge reserves of crude oil. In addition, India has significantly shifted its locus of interest to North and West Africa with these regions rich in oil and mineral resources (Singh, 2007; McCann, 2010b).

Beyond, energy security India's quest for African natural resources is driven by growing concerns among the policy makers on food security conditions in India. Although, Green Revolution of 1970s helped increased food grain production in India expansion of production has slowed down since 1990s (Singh, 2008; Ahmad and Haseen, 2012), while the demand for food grains is increasing at alarming rate due to rapid rise in population. Much of agriculture in the country is dependent upon monsoon rains, which means failure of rain contributes to regular shortages in food grain production. Furthermore, water tables in Northern India have declined considerably in the states of Punjab, Haryana and Uttar Pradesh- the breadbaskets of the country (Rowden, 2011).

The prospects for the agricultural development in the country look unpromising. Land ownership in India is highly fragmented and per capita land availability is a mere 0.002 hectares making it hard for mechanisation of agriculture on a national scale to improve agricultural productivity and rural development. The government of India's concerted ef-

forts to consolidate those land holdings to be used for large-scale mechanised farming and industrialisation met with nationwide resistance after the Special Economic Zones (SEZs) policy was launched in 2005 (Anwar, 2014). Compounded with the global food price crisis in 2008, India's government started encouraging firms to seek 'land abroad for growing crops to meet consumption needs (Hooda Committee cf. Rowden 2011: 16)

In Africa, Indian private firms were able to purchase land with ease. This is due to several reasons. First, in many parts of Africa, land is a state subject and the ownership rests with the communities or government/leaders. This makes it easier for private firms to buy land in Africa. Secondly, the price of land per hectare in India is many times higher than in Africa (GOI Monitor, 2011 cf. Carmody, 2013b). Furthermore, the land holdings are of a large size in comparison to India which makes easier for private firms to secure huge tracts of land and easier for the mechanisation of agriculture and also capital accumulation through various investment opportunities.

On the pull side of the equation, there are narratives that African leaders can shape external influences to their own advantages (Vines, et. al, 2009 cf. McCann, 2010a). From that perspective, it becomes important to understand the role of African leaders in shaping Indian's involvement in Africa. Below are the statements made by heads of the state of some African countries, as compiled by Palmer (2010): "*Mozambique's Minister of Energy, Salvador Namburete, for example, stated that 36 million hectares of arable land could be used for biofuels without threatening food production, while another 41 million hectares of marginal land would be suitable for raising jatropha*"; *Zambia's Minister of Agriculture, Brian Chituwo, boasted 'we have well over 30 million hectares of land that is begging to be utilised'*; while his counterpart in Ethiopia, *Abeda Deressa, suggested that pastoralists displaced by land grabbing can just go somewhere else*" (Palmer, 2010: 5 cf. Matondi et. al. 2011).

India also tries to promote its image as a development partner of Africa. Unlike previous colonial experiences which have created the image of foreign engagements in Africa as the 'scramble for Africa', India's development assistance to the continent is seen in the light of South-South Cooperation, even though the principal logic behind this cooperation

is geopolitical (Carmody, 2013a). India is raising its voice for the reforms of the United Nations Security Council (UNSC) by increasing its support for African representation in the UNSC (The Times of India, 2013b). India's is also actively lobbying for a permanent seat in UNSC by courting African nations. It announced that it will build a US\$ 250,000 monument against slavery and remember victims of the slave trade which is certainly going to be appealing African nations (The Times of India, 2011).

Arguably, India's economic relations with Africa are largely driven by economic agendas. They are facilitated by the presence of large Indian diaspora, particularly in Mauritius and South Africa. However, the Indian communities living in East Africa and in Kenya in particular remained 'aloof from incoming Indian capital' (McCann, 2010a: 467). Yet the government of India is actively seeking to engage with the large Indian diaspora across Africa through various initiatives to facilitate cooperation and communication between Africa and India (Taylor, 2012). For example, in 2004 the Ministry of Overseas Indian Affairs (MOIA) was created which promotes various educational financial and cultural projects through its Global Network Knowledge Portal. In addition an award (Pravasi Bharatiya Samman) was set up for honouring the achievements of the Indian diaspora in improving bilateral relations (MOIA website).

#### 4. Geography of Indian investments in Africa

The first investment made by an Indian firm in Africa was in Ethiopia by Birla Group to establish Indo Ethiopian Textiles Share Company in 1959. Subsequently, several Indian firms invested in African countries such as Nigeria, Kenya and Sudan but the scale of these investments was small. In the contemporary era, investments in Africa from India have grown and are spatialised in different regions of Africa. The caveat has to be made that data on Indian outward FDI is sketchy, the government reports are aggregated and tend to carry methodological inaccuracies (Pradhan, 2008). Additionally, Indian investors employ different financing mechanisms which makes it hard to get precise

data (Taylor, 2012). Therefore, this article relies on sources such as journal articles and industry organisations such as Confederation of Indian Industries and several international institutions such as United Nations Conference on Trade and Development (UNCTAD) and International Monetary Fund (IMF).

It is evident that Indian investments in Africa have increased dramatically in the last ten years. According to UNCTAD, total Indian FDI stock in Africa at the end of 2011 was US\$ 14.1 billion, making it the seventh largest investor in the continent (UNCTAD, 2013). The majority of the Indian investment in Africa has gone through private firms from India. This is in contrast to China's involvement in the continent which is mainly through state-controlled corporations (Taylor, 2012). However, Indian state-owned corporations in Africa, in recent years, also have become significant players particularly in the energy sector while Indian private firms have a very dynamic presence in the manufacturing and services sector.

Indian investments in Africa are concentrated in the natural resources sector such as oil, gas and other minerals such as gold and diamond and phosphorous etc (Carmody, 2011; ADB, 2011). Oil and Natural Gas Corporation (ONGC), a state owned company from India, has invested US\$ 650 million in Sudan's hydrocarbon sector. US\$ 12.5 million in offshore drilling is invested in Cote d'Ivoire. Vedanta Resources, a public limited company listed on London Stock Exchange owns 79% of the issued and outstanding ordinary shares of the Konkola Copper Mines plc, Zambia's biggest copper mine (Konkola Copper Mine website). Tata Group, one of India's largest multinational conglomerate, owns Africa's largest Soda Ash manufacturing plant in Kenya (Tata Group website), Arcelor Mittal Steel invested US \$ 1.5 billion for iron ore extraction in Liberia, and is also South Africa's largest steel producer (Cheru and Obi, 2010).

Apart from the investments made by Indian firms in the resource sector, a large proportion of Indian investments in Africa are channelled towards manufacturing, services and ICTs. Indian companies have invested heavily in various sectors such as pharmaceuticals, textiles, plastics, food and drink, and chemicals (Naidu, 2008). Africa accounts for 14% of India's US\$ 8 billion pharmaceutical ex-

ports in 2008-09 (ADB, 2011; Naidu, 2008). Pharmaceutical firms such as Ranbaxy Laboratories and Cipla have established a presence in many African countries, where the demand for cheaper generic drugs remains high. United National Breweries SA in South Africa is run by UB Group of India, the world's second's largest spirits manufacturer in terms of volume (The Economic Times, January 25, 2010).

Indian firms such as Tata Group, have diversified their operations in various African countries. Most prominent among these locations is South Africa where they have headquarters of Tata Africa Holdings in Johannesburg. The Tata Group has investments in ICTs, engineering, steel, chemicals, energy and tourism. In total Tata Africa Holdings has operations in 11 African countries and has total investment of US\$ 145 million (Tata Africa Holdings website, November 27, 2013). TATA Group obtains US\$ 2.3 billion in revenue from Africa (The Hindu, 2013b). Tata Group has also set up an instant coffee processing plant in Uganda, a vehicle assembly plant in Zambia and Tata Africa controlled 68.5 percent share in Neotel, the second largest national fixed line operator in South Africa. Tata Group has recently sold Neotel to Vodacom for US\$ 676 million citing debt concerns (The Wall Street Journal, May 19, 2014).

The ICT sector in Africa has been a major centre of Indian engagement in Africa. In 2009, India launched the Pan-African e-Network Project, which connects 48 African nations. The project is a platform for distance education, e-commerce, e-governance and telemedicine and a unique example of growing South-South cooperation. Several private Indian firms have made huge investments in Africa's ICT sector. Most notable among them is the US \$ 10.7 billion deal Bharti Airtel, an Indian telecom company to acquire Zain Africa, the largest deal done by an Indian firm to acquire another firm in the world. The acquisition of Zain is seen as Indian firms looking to tap into the emerging market of Africa through the diffusion of mobile and internet technologies. Other Indian firms such as IC India, Karro Technologies and Eastern Software Systems are exploring acquisition opportunities in the African telecommunications market (ADB, 2011). In 2012, an Indian outsourcing firm WNS acquired a South African firm Fusion Out-

sourcing (BPesa, July 5, 2012). In addition, several firms such as Wipro, Tata Consultancy Services (TCS) and National Institute of Information Technology (NIIT) have set up a number of IT Centres of Excellence across the continent. NIIT set up its first IT education centre in Botswana in 1997 and now has 44 learning centres across nine African countries (CII, 2013).

The services sector has become the subject of interest for both India and Africa, particularly with growing political economic relationships between the two regions. India's position as leading player in the services sector complements its relationship with Africa where it has grown at a rapid rate since 2000 (Broadman, 2007). Within the services sector, tourism has 51% share of Africa's total exports of commercial services. In countries such as Kenya, South Africa and Mauritius, tourism is an important foreign exchange earner (Broadman, 2007). There has been a sustained growth of Indian tourists travelling to African destinations. Between 2001 and 2010, outbound Indian tourists to Africa doubled from 135,555 to 410,700 (CII, 2013). Even though this figure makes up only 3% of total outbound tourists from India, it is growing largely due to increasing disposable incomes among the Indian middle class and burgeoning of trade relationships which increases business trips to Africa. Indian firms are keen in investing in exploiting the untapped tourism market in African countries. Tata group have operations in the tourism sector through the Taj Group. They operate Taj Cape Town a five star hotel and plan to invest more in luxury resort and spas in coming years in both Johannesburg and Durban. Tata Group acquired 70% stake in Pamodzi Hotel and renamed in Taj Pamodzi in Lusaka, Zambia (Tata Africa website). It further invested US\$8 million in the renovation of that hotel (Naidu, 2009).

#### 4.1. Land acquisition by Indian firms

One of the aspects of India's investments in Africa that recently has received widespread attention is the land acquisition deals done by Indian firms in the continent. Indian firms both private and public have sought actively to buy large amounts of land in Africa. The Land Matrix, an independent online



global observatory for land deals around the world, records transactions that entail a transfer of rights to use, control or own land through sale, lease or concessions that cover 200 hectares or larger and that have been concluded since 2000. The Land Matrix classify negotiation status of land into three states. One is intended where there is an expression of interest or under negotiation between the parties. The concluded deals are where a contract has been signed and finally the failed deals are those where contracts have been cancelled or negotiations failed. However, there remain several biases in data regarding land grabs in Africa. For example, data on land deals are hard to collect, land deals data is collected from several sources with varying degrees of reliability or verifiability and therefore the fact on deals could be inflated or deflated (Oya, 2013). Land Matrix itself has warned their users on the reliability of their data. However, in the absence of another verifiable database on land deals around the world, Land Matrix or the GRAIN remain two very important sources of data and are constantly improving to make their facts more reliable.

The interest in land by the investors around the world is increasing due to 'commodity price volatility, human and environmental pressure and worries about food security' (World Bank, 2010: xiii). Africa has become a centre for land acquisition due to its large size and substantial availability of land. The Land Matrix estimates that out of 35 million hectares of land deals 'concluded' around the world, 14.4 million hectares of land has been acquired in Africa (Land Matrix, 2014). Overall, India is the world's fifth largest investor country in terms of land deals. Estimates from the Land Matrix suggest that Indian firms have acquired more than two million hectares of land globally of which 811,814 hectares of land deals are 'concluded' in Africa alone, with the prospects of further 873,254 hectares of 'intended' deals in the continent. India is already the largest land investor in Ethiopia with more than 70 % of land deals in the country done by Indian firms (The Economic Times February 2, 2011; Ethiopian Review, March, 3, 2011). Investments by Indian firms in various African countries in 2010, for buying land or leasing are estimated to be about US\$ 2.5 billion (Rowden, 2011).

One of the most well-known Indian firms, which has been the subject of media attention to acquire

land in Africa is Karuturi Global Ltd, the world's largest producer of cut roses. Karuturi has acquired 300,000 hectares of land in Ethiopia's Gambella Province, 11,000 hectares in Bako, Ethiopia and is negotiating 370,000 hectares in Tanzania (GRAIN, 2012). Another major Indian firm with interests in African land is Siva Group which has bought large amounts of land, estimated to be about 756,000 hectares, in various African countries including Sierra Leone, Liberia, DR Congo and Cameroon for palm oil plantations (GRAIN, 2012). Other Indian firms have also acquired large tracts of land in Mozambique, Tanzania, Kenya, Senegal, Ghana and Madagascar (Rowden, 2011).

#### 4.2. Regional distribution of Indian investments

Historically, Indian investments within Africa have been concentrated in the Eastern and Southern African region much of which is channelled through Mauritius. Mauritius remains the main destination for Indian FDI since displacing Singapore in 2012 as the favoured destination for Indian FDI (The Economic Times, 2012). In 2010-11, total Indian FDI into Mauritius stood at US\$ 5 billion. Indian firms try to take advantage of Mauritius offshore financial facilities and enjoy various incentives. The final destination of the majority of the investments done through Mauritius is often other African countries (UNCTAD, March 2013).

Among policy makers in India there is a sense of urgency and importance accorded to Africa for expanding economic relationships through various regional economic blocs of Africa, such as Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), Economic Community of West African States (ECOWAS), Southern African Customs Union (SACU) and East African Community (EAC) (Financial Express, March 21, 2008). Regional trade agreements with India allow goods to enter freely into the markets of member states of various economic blocs whose membership overlaps among these blocs. This has contributed to expanding India's trade with different African countries. Table 1 presents the share of total India trade with different African regions.

**Table 1.** COMESA, SADC, SACU and EAC shares of total Indian trade with Africa (1999-2012)

Economic blocs of Africa	Share of total India trade with Africa (1999)	Share of total trade with Africa (2012)
COMESA	36.15%	40.09%
SADC	31.53%	26.89%
SACU	7.74%	15.40%
EAC	5.53%	8.27%

Source: Van Niekerk (2013) Table 3, p. 3

In recent years, a large proportion of Indian investments has gone towards West, North and Central African countries. India is the biggest investor in Ethiopia and one of the top five investors in Egypt, Ghana, Burkina Faso, Senegal, Togo and Nigeria (IMF Coordinated Direct Investment Survey, 2014). Some prominent investments made by India in these regions are: a US\$ 7.5 fish processing plant in Elmina, Ghana set up through the government of India's LOCs, a MOU signed between India and Ghana for setting up US\$ 1.2 billion Joint Venture Fertiliser Project, Jindal Steel and Power Limited's US\$ 2 billion for iron ore plant in Sierra Leone, Oil and Natural Gas Corporation (ONGC) and its foreign arm ONGC Videsh Limited (OVL) and Indian Oil Corporation (IOC) have acquired stake in the Libyan hydrocarbon sector, Mittal Energy Limited (MEL) have invested in iron ore extraction in Liberia and OVL and MEL have won exploration rights in Nigeria in exchange for investments of up to US\$ 6 billion (Naidu, 2008, CII, 2013, ADB, 2011). Additionally, several LOCs have been extended to the Democratic Republic of Congo for projects ranging from hydroelectric power, water supply and cement plants (Ministry of External Affairs, 2013). India's Export-Import Bank has forwarded loans amounting to US\$ 74 million to Sierra Leone in the areas of agriculture, ICTs and potable water (CII, 2013).

### 4.3. Indian development assistance to Africa

Apart from the direct investments made by Indian firms in Africa, there is a growing relationship between the Indian government and various African countries in the areas of economic cooperation, capacity building, skill transfer, technical assistance and partnerships on various development projects. One of the earliest programmes of technical co-

operation is Indian Technical and Economic Cooperation (ITEC) launched in 1960s, which is an important component of India's development cooperation with African states. Since 2000 several partnership schemes have been launched by the Government of India in conjunction with the private sector to widen its economic engagement with Africa. In 2005, the Export-Import Bank of India (EIBI) along with CII launched the Africa-Indian Conclave to deepen economic ties with Africa. This has been quite successful in attracting Indian FDI to Africa. So far, a total of 2163 projects worth US\$ 241.32 billion have been discussed in these conclaves (CII Africa Conclave website).

At the 2011 India-Africa Forum Summit, India further pledged to extend Line of Credits (LOCs) worth US\$ 5.4 billion until 2014 to support development projects for its African partners (The New Partnership for Africa's Development, (NEPAD), Press Release, May 26, 2011). With regards to the India-Africa Forum Summit, an ex-Minister of State for External Affairs remarked: *"the goal of India is partnership in multi-sectoral priority areas in which we will engage. These include agriculture, food, security, health, infrastructure development, science and technology, generics, capacity building and industrialisation. We are already covering these areas, but we will examine how we can give further impetus and crystallise this engagement so that we work together and help Africa to get a larger share in world trade, as the world economic architecture is changing, and to have more voice in determining international regimes- i.e. in negotiations with WTO and multilateral organisation, so that issues vital to developing countries are articulated effectively in organisations of more representative characters"* (Ministry of External Affairs, Government of India, February 18, 2008).

In 2009, the ADB and EIBI signed a Memorandum of Understanding (MOU) for co-financ-

ing various project in Africa (ADB, 2011). During 2011-12, the Indian government extended LOCs to the amount of US\$ 614 million to 14 African countries under the India Development and Economic Assistance Scheme (IDEAS). Many of these countries are in Central Africa including Gabon, Republic of Congo, Central African Republic, Chad and Cameroon. The majority of the projects financed through the LOCs in these countries are development projects on power generation, rural electrification and agricultural projects (CII, 2013).

## 5. Conclusions

The discussion above provides a picture of the nature and scale of contemporary Indian investments in Africa. Africa faces significant challenges of persistent poverty and high income inequality. It may be argued that foreign direct investment (FDI) presents part of the solution to these challenges in Africa. It is true that FDI into a region may lead to capital supply and chances of spillovers of technology will aid growth and development. However, trade between the two regions is dominated by commodity exports from Africa to India, while India supplies low to medium technology products to Africa. Thus little value-addition takes place in Africa while much of the value added to the products is captured outside Africa. For example, Africa supplies a large proportion of crude oil to India and India exports refined petroleum back to the continent. Also, the evidence suggests that investments so far made by India in Africa are heavily resource extractive in nature and hence very unevenly distributed. However, there has been a recent surge in private Indian firms investing in the manufacturing and services sector as well.

Furthermore, India has expanded its economic relationship with Africa through development assistance in the form of LOCs for various development projects. Importantly, India cooperates with African countries on skills transfer and technological capabilities. Therefore, India's economic relationship with Africa is driven by political and economic concerns both domestic and international. Food and energy security is a critical driver for private Indian investments into Africa. Also, India's development

cooperation with Africa is oriented towards the projection of India as a development partner. This offers an opportunity for African nations which are willing to break away from the Western dominated model of 'aid for development' which kept African countries subjugated under unequal political economic terms.

India's engagements in Africa are often alluded to as a 'win-win' situation characterised by transformative model of globalisation based on competition and collaboration as it seeks non-interference in sovereign affairs of the nation states. This has given to rise to a new globalisation model based on South-South cooperation (Carmody, 2013a). This new model of globalisation has greater appeal to the African states because it promotes 'horizontal' development based on mutual cooperation. However, the SSC is fused with geopolitical dynamics, driven by capitalistic agendas providing ample opportunities of investments and capital accumulation for the foreign investors and in turn strengthens authoritarian regimes in Africa (Carmody, 2013b; 135).

While there remain hopes that India's engagements in Africa presents an opportunity for the political and socio-economic development of the continent, the trend of contemporary Indian engagement in Africa suggests otherwise. Arguably, India's current economic relationship with Africa parallels the colonial trade relationship between India and Great Britain. India acted as a supplier of raw materials to British industries and imported largely manufactured goods produced at the industrial centres of Sheffield, Newcastle and Manchester. The kind of trade relationship that took place eventually drained Indian resources leaving the country impoverished.

A similar kind of relationship is developing between India and Africa where raw materials are exported to India while manufactured goods are imported back to Africa. While higher prices of raw materials offer development opportunity, the sale of natural resources to foreign investors also allows ruling elites in Africa to strengthen their control over returns from those resource deals. The nature of the capitalist economy gaining roots in African nations has a firm grounding in the colonial mode of unequal trade relationship with outside powers where the benefits were accrued to colonial regime and local political and economic elites. That eco-

conomic relationship of Africa with colonial powers was based on direct and coercive control of natural resources by its colonial masters. However, the contemporary economic relations between Africa and newly emerging economies is wrapped within the neoliberal economic framework that is based on privatisation of natural resources and deregulation with the help of African leaders.

This highlights the fact that the contemporary globalisation model has extended and intensified the classical political economy of colonial times, which was centred on resource extraction. Natural resources have been long at the centre of decades long conflicts in many African countries (Derman, et. al. 2007, Escobar, 2006). Where this model differs from earlier times is that there are more players vying for the natural resources of Africa such as BRICS (Brazil, Russia, India, China and South Africa) thus intensifying the accumulation process in the continent.

The accumulation process brought in by this type of globalisation in Africa is extractive in nature, and provides only short-term benefits to a minority of the African population. However, studies on sector specific or country level studies on the development implications of Indian investments in Africa are little investigated (Carmody, 2013a). Two important sectors, in which India has emerged as one of the biggest investors in Africa, are ICTs and land deals, which have huge implications for African development as well. The development of the ICTs and the subsequent emergence of the 'new information economy' give high hopes for African development. In fact, proliferation of ICTs in Africa further reinforces the dynamics of capital accumulation (Carmody, 2012; Anwar, et. al, 2014; Murphy, et. al. 2014) and expedites the process of uneven geographical development of Africa. Similarly, land deals in various countries of Africa have become the centre of conflicts between local populations and private investors. The tangential evidence so far suggests that Indian investments may be hampering the local development of the African population (Carmody, 2013b). Expanded research is needed with more empirical analyses based on case studies to investigate this issue.

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