

India's African Engagement (ARI)

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Theme: The April 2008 India-Africa Forum Summit not only marked the zenith of India-African cooperation following intensified cultural, political and economic interactions between India and African countries, but also the increased competition with China over access to Africa's resources and markets. The author reviews India's development cooperation with African economies.

Summary: The exceptionally fast growth of big economies like China and India has resulted in a new-found interest in the economic and political consequences of this growth for the developed economies. Recently, traditional donors' concern that 'emerging' donors were re-emerging on the development scene was addressed. This kicked off a quest among donor agencies, think tanks and researchers alike to identify and establish the doings of these 'emerging' donors. To date, however, China has received most attention while the doings of other donors like India, Brazil and South Africa have remained virtually invisible. This ARI describes India's current engagement in Africa and analyses the reasons why India once again puts Africa high on its political agenda. It argues that the development cooperation and in particular the 2008 India-Africa summit is a way to brand India anew.

Analysis:

Introduction

In April 2008, 14 African heads of state and leaders of eight African regional groups gathered in New Delhi, with their Indian host, Prime Minister Manmohan Singh, to inaugurate the 1st India-Africa Forum Summit. The summit not only marked the zenith of India-African cooperation following intensified cultural, political and economic interactions between India and African countries, but also the increased competition with China over access to Africa's resources and markets.

While African countries have never been a prime destination for Indian trade and investments, economic flows between the two regions have increased dramatically in the past 20 years, and in the past half dozen years oil- and mineral-rich African countries have experienced an upsurge of interest from Indian companies such as ONGC Videsh, the overseas arm of India's Oil and Natural Gas Corporation and Indian Oil and Reliance Petroleum. Likewise, Africa is high on the agenda in India's quest to change the world's perception of the country from being a developing country in need of aid to being a developed country able to provide aid to the needy, and African votes are essential in

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gaining a seat in an enlarged UN Security Council if India's quest to reform the UN system is to be successful. Finally, security issues place Africa at the centre of India's foreign policies as Africa is India's offshore neighbour across the Indian Ocean.

India is not the only country courting Africa. China is eagerly engaging African countries via high-level visits, aid, investment, trade and military support. Like India China seeks access to resources, investment possibilities and new markets in Africa. African countries have thus become a new arena for India and China's power struggles.¹

However, while Chinese political and economic engagement with Africa is highly topical, India's engagement with Africa has not attracted much attention. This brief seeks to further our understanding of the complex nature of India's engagement with African countries and the role of development herein.

India's Africa Policy in Historical Perspective

India's relations with African countries date back centuries, and with varying degrees of importance, Africa has been part of India's foreign policy since independence in 1947. Mahatma Gandhi led the way. During his stay in South Africa in the late 19th and the beginning of the 20th Centuries, Gandhi gained first-hand experience with racism and he became personally involved in the anti-colonial movement in South Africa. Nehru built on this relationship in his quest for liberation of all nations under colonial rule and was one of the founding fathers of the 1955 Bandung Conference, which in turn paved the way first for the Non-Aligned Movement and later for the Group of 77. In the late 60s and early 70s South-South cooperation was high on the agenda and both India and African countries played important roles. The oil crisis of the 70s, however, split the South and South-South cooperation came to exist in name but not in substance.

This situation was mirrored in India's relations with Africa. But for a few visits by Rajiv Gandhi to front-line states of Southern Africa and the establishment of a special fund to support them, Africa did not figure in India's foreign policy agenda in the 1980s. Following India's liberalisation programme in the beginning of the 1990s, however, Indian companies began to look for new markets and investment possibilities outside India, including in regions with large Indian diasporas, such as Eastern and Southern Africa. Indian foreign policy followed suit at the turn of the millennium after India's much criticised nuclear tests in 1998, which resulted in worldwide condemnation and sanctions and India's reformulation of its foreign policy that came to include (countries in) Africa (much like the Tiananmen massacre a decade earlier had made China turn to her 'all-weather friends' in Africa). According to an observer of Indian foreign policy (and Africa's role therein), Lalit Mansingh, this policy centres on the following key issues: a focus on key partnership countries (especially neighbouring countries), particular attention to economic aspects including possibilities of trade, investments and energy security, and protection of borders and territorial integrity. With the exception of geographical proximity, Africa fits very well into this agenda.²

India's Quest for International Recognition: The Role of Development Cooperation

¹ For an excellent overview of China's Africa engagement see C. Alden, D. Large & R. Soares de Oliveira (Eds.) (2008), *China Returns to Africa. A Rising Power and a Continent Embrace*. Hurst, London. For a detailed analysis of China's development assistance to the African continent, see D. Brautigam (2009), *The Dragon's Gift. The Real Story of China in Africa*, Oxford University Press, Oxford.

² L. Mansingh (2009), 'Notes Towards India's New Africa Policy', *Africa Quarterly*, vol. 48, nr 4, p. 18-23.

Just like most other donors, India's development cooperation is an integral part of its foreign policy and development cooperation is used to facilitate trade and investment. In fact, India's development cooperation is closely linked to these other financial flows, and most often it is impossible to distinguish the aid component, ie, what is known as 'official development assistance' (ODA) in OECD's Development Assistance Committee (DAC) parlance, from 'other official flows', comprising funds from governments that do not meet the criteria for ODA. This, however, is not unusual. In fact, it is a characteristic of most Asian aid today.

Even if India's development cooperation programme only recently has received media and scholarly attention, it is by no means new. It began in the 1950s, first targeting neighbouring countries with economic as well as military aid, and from the beginning of the 1960s, as a direct consequence of the competition with China, India also began to target countries in Africa. Since then India's interest in Africa, and thus its use of development cooperation to further its interest on the African continent, has fluctuated. From an important, though financially small, instrument in the 1960s and 1970s, India lost its interest in development cooperation as a foreign policy tool in the 1980s and 1990s and changed its perception of aid again in this millennium, now seeing it as an instrument to gain political and economic influence. Therefore, the then Minister of Finance, Jaswant Singh, decided in 2003 to use development cooperation, or rather, a shift from mostly being an aid recipient to also being an aid donor, as a means to get more international political leverage, and ultimately obtain a seat in (an enlarged) UN Security Council. He, therefore, made an effort to downsize India's relationship with (small) external donors resulting in a situation where India now only accepts bilateral aid from eight bilateral donors and the EU. Simultaneously, he launched the 'India Development Initiative'. These two initiatives, the shift in status and the launch of a new initiative, were perceived as a means to brand India anew: the world's attention had to be diverted away from India's internal problems of poverty and inequality towards its role as an emerging economy.

India's Development Cooperation Programmes in Africa

Although India's development cooperation has been, and still is, minuscule compared with both China and the big traditional donors, it comprises several different programmes. Historically, the most important programme has been the Indian Technical and Economic Co-operation (ITEC), which was initiated in 1964 and is still running. According to the Ministry of External Affairs (MEA), India currently transfers Rs500 million (US\$10.3 million) a year via this programme. Even though it also targets African countries, the main beneficiaries of this programme are countries located in India's immediate periphery. Basically, ITEC uses a slots system to allocate aid. Slots may then be exchanged into five different aid modalities, namely: (1) training of personnel in India; (2) project aid; (3) technical assistance; (4) study trips; and (5) humanitarian assistance. The MEA allocates slots to India's cooperating partners reflecting the economic and/or political importance India gives each country. The slots are adjusted on a yearly basis and recently a number of African countries (to a large degree coinciding with the TEAM-9 countries, see below) have had their ITEC slots increased. During its life-span of close to 50 years, a total of US\$1 billion has been transferred from India to other developing countries via this programme.

ITEC has a sister programme called the Special Commonwealth Assistance for Africa Programme (SCAAP). Basically, it makes use of the same aid modalities as ITEC but, unlike ITEC, only targets African countries in the Commonwealth (19 in all). However, not all African Commonwealth countries are targeted with the same degree of eagerness and

offered the same conditions. Rather, SCAAP units, which can be exchanged with any of the five aid modalities, are allocated according to the perceived importance of the recipient country for India (just like the ITEC slots). Hence, countries like Mauritius, South Africa and Uganda (with large Indian diasporas and/or economic importance) receive a relatively large number of slots, while countries with hardly any Indian diaspora, no natural resources and no economic influence receive only a tiny amount of slots.

India also offers scholarships to overseas students (university courses at various levels, professional courses and courses linked to Indian music, dance and art) via the Indian Council for Cultural Relations (ICCR) scholarship scheme. By far the majority of the slots offered with this scheme go to neighbouring countries, but during the 2009-10 academic year some 15% of the slots will go to African countries. Like the ITEC and the SCAAP, India uses this scheme geo-politically. Hence, countries like Mauritius (40), South Africa (25) and Kenya (20) are allocated far more scholarships than, say, Cameroon (1), Guinea (1) and Togo (1).

No doubt the transfers from India to her African partners were small in the first three or four decades of the programmes' existence and although India's development assistance to Africa is still insignificant in financial terms, it has been boosted massively over the last few years. The new importance given to development cooperation was sparked by the 2003 budget speech, which set the unsuccessful 'India Development Initiative' in motion. Since then, numerous schemes with a particular focus on Africa have been launched, totalling Rs26.7 billion (US\$547 million) in 2008. Hardly any of these would be categorised as ODA in a strict DAC sense of the term. Rather, they are amalgamations of grants, contributions to international organisations and international financial institutions, direct loans and subsidies for preferential bilateral loans.

Among the most important new initiatives is the Focus Africa Programme (2002-07) totalling US\$550 million, administered by the Export Import Bank of India. Essentially, it seeks to enhance commercial links between India and African countries by offering export subsidies to Indian companies trading with African nations and tied lines of credit to African governments and regional entities. Likewise, the Techno Economic Approach for Africa India Movement (TEAM-9) is important. It provides eight West African countries with credit lines worth US\$500 million. Just as the other Indian aid programmes, the focus of TEAM-9 also reflects India's political-economic interests. Hence, the TEAM 9 countries overlap with countries courted by Indian oil companies, and much of the assistance provided by India is tied to purchases of products and services from India. In addition, India has offered NEPAD a US\$200 million credit line and is funding the Pan-African E-Network with US\$100 million. Moreover, India offers bilateral debt relief (by 2008, India had written off debt totalling US\$24 million), UN peace-keeping operations and humanitarian assistance to several African countries.

These initiatives seem to bear fruit for the Indian private sector: in 2007, India's trade with Africa was valued at US\$30 billion –almost a tenfold increase from 2000– and according to Indian observers this figure is likely to increase even more in the years to come, reaching US\$150 billion by 2012. This picture is mirrored by Indian investments in Africa, which come in all shapes and sizes (and ownership patterns), ranging from small family firms to large multinational enterprises in the manufacturing, construction and telecommunication sectors.³

³ E. Mawdsley & G. McCann (forthcoming), 'The Elephant in the Corner? Reviewing India-Africa Relations in

Scaling Up Development Cooperation: The India-Africa Summit

The April 2008 India-Africa summit in New Delhi, attended by heads of state of 14 African countries and leaders of the main regional groupings, marked the culmination of India's renewed focus on Africa. It was spurred largely by India's desire to change the world's perception of it –away from being a recipient to being a donor– in order to boost its global political position. Moreover, it was a realisation that political ties have lagged behind the growing economic ties between India and certain African countries. However, there were more reasons: India's competition with China played a major role in setting up the summit, and it was also seen as a way to reinvent and rejuvenate an old relationship between India and Africa (NAM and South-South relations) and thereby influence the global political and economic agenda. Just as important, however, was India's aim to diversify its energy resources (India currently imports 20% of its oil imports from Africa –11% from Nigeria–) and create market access for Indian products and pave way for Indian investments in Africa.

The India-Africa summit resulted in the adoption of two documents: the India-Africa Framework for Cooperation Forum and the Delhi Declaration. Like China's 2006 Africa Policy and the Beijing Action Plan 2007-09 that came out of the much hyped 3rd Forum on China-Africa Cooperation held in Beijing in November 2006, the Framework for Cooperation lists several areas (and sub-areas) for cooperation such as economic cooperation, political cooperation, science, technology and research, social development, tourism, and infrastructure, energy and environment, and lists a number of focus areas therein, for instance, agriculture, trade, regional integration, peace and security, ICT, and culture. In that sense, the Cooperation Framework is nothing new. What is really interesting, though, is the vague wording of the form (cooperation, sharing of experiences and capacity building) and the extremely few concrete initiatives, that have lacked any reference to costs, agency of implementation and time frames. On the other hand, one thing is clear: the focus is on South–South cooperation (especially towards establishing a new World order) and particular attention was given to interaction between equal partners.

In addition to the Framework, the partners agreed to develop a plan of action and follow-up mechanisms to implement it. Since the summit, India has announced several financial development pledges including a US\$5.4 billion credit line over the next five years (increasing from US\$2.15 billion in the past five years), grants worth US\$500 million over the next five years (including a 60% increase in the 2009 financial year to US\$20 million) and a unilateral opening of India's economy for exports from all LDCs (34 African).

Conclusion: India has again acknowledged the importance of African countries in global governance. Hence, cooperation with African countries has recently been scaled-up and publicised massively. India's development assistance, however, is still small in terms of funds transferred, but it is not insignificant. Moreover, it can create a new platform for South-South dialogue and it is framed as a partnership between equal partners, which can enhance its developmental aspect. India's development assistance is totally linked to India's own capabilities and its interests in Africa. It is a combination of tied project aid and scholarships and it mainly targets African countries rich in resources or rich in Indian diasporas.

Thus, India's development cooperation to a large extent mirrors that of China –though on a much smaller scale–. It uses aid to facilitate other financial flows and the modalities are somewhat similar, ie, comprising technical assistance, few grants, export credits, debt relief and unilateral zero-tariff access for African products. Likewise, India refrains from the use of political and economic conditionalities in its development cooperation programme.

India benefits from its invisibility and has so far managed to escape external criticism of its approach to development cooperation. Instead, China's 'no strings attached' approach has (rightly or wrongly) absorbed all of this. However, India can only maintain this position as long as the financial flows remain minuscule and India has to prepare herself for external scrutiny that might end up in criticism of its approach to development.

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