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India in Africa: Moving beyond Oil

A 14-nation “Africa Summit” in New Delhi in April might have sounded like a throwback to the strongest days of the Nonaligned Movement. But India’s policy today in Africa is different, driven chiefly by energy. India hopes to secure energy assets through a vigorous commercial presence, the beginnings of an aid program, and political engagement. This is also part of India’s “rebranding” of its international role. For the United States, this expansion of India’s international leadership role should be welcome, though some of its manifestations may be inconvenient.

India’s oil interests: Energy is at the forefront of India’s strategy in Africa. India’s economy has grown at an incredible 8 percent per year in the last decade. Presently 30 percent of India’s energy needs are met by oil, with 70 percent of oil supply being imported. Much of the remaining 70 percent of energy demand is met by domestic coal reserves. The International Energy Agency (IEA) estimates that in order to stay on its current growth trajectory, India will have to increase its energy consumption by at least 3.6 percent annually. This will lead India’s energy demand to double by 2025, compelling it to import 90 percent of its petroleum supply.

As part of its international strategy to diversify suppliers, the government’s oil exploration and production enterprise, the Oil and National Gas Corporation (ONGC), has ventured into Africa. Nigeria is already India’s second largest supplier, with 15 percent of the market. ONGC Videsh, the international arm of the agency, has acquired shares in oil exploration ventures in Libya and Nigeria. It has also made substantial investments in Sudan’s hydrocarbon sector and plans to invest

in offshore drilling in the Ivory Coast. Reliance Industries, one of India’s largest privately held energy companies, is also negotiating energy collaborations for refining with several African countries including Angola and Nigeria.

An economic bargain: In exchange for access to energy, India is prepared to offer economic aid, assistance in finding low-cost solutions to poverty, and improved business relations. The private sector plays a significant role in strengthening Indian goodwill in the continent. Indian pharmaceutical companies supply low-cost generic drugs and provide support to humanitarian programs across the African continent. Ranbaxy, a leading Indian pharmaceutical company, has provided reasonably priced medicines, particularly Anti-retroviral (ARV) drugs, to several African countries including Nigeria, Kenya and Zambia. Another pharmaceutical company, Cipla, provides HIV/AIDS drugs to 1 in 3 patients in Africa. Some pharmaceutical companies, notably Ranbaxy, also have production facilities in Africa. These pharmaceutical companies are not only adding to their bottom line, they are providing urgently needed healthcare at affordable prices.

India’s leading telecommunications companies have also expressed an interest in investing in Africa. Bharti Airtel is currently in negotiations to acquire 51 percent of the controlling share in South Africa’s Mobile Telephone Networks, the largest mobile phone-operator in Africa.

India-Africa trade has grown rapidly in the last 5 years \$3.39 billion per year in 2000 to \$30 billion per year in 2007. Although energy trade currently

accounts for the lion's share sectors such as construction, automotive manufacturing, hotels, steel and information technology are increasing as well. India recently announced import duty concessions, which is expected to further bolster imports from Africa. Overall India runs a trade surplus with Africa.

India is unique amongst developing countries in that its foreign direct investment (FDI) outflows exceed its FDI inflows. In 2007, it is estimated that India invested \$13.6 billion abroad. If even a fraction of this investment goes into Africa, it could significantly facilitate Africa's integration into the global economy.

Engaging Africa politically: The first India-Africa summit in New Delhi in April 2008 witnessed a serious strategic push from the Indian government to strengthen its ties with leading African nations. 14 African countries were represented at the summit, including Algeria, the Democratic Republic of Congo, Egypt, Ethiopia, Ghana, Libya, Nigeria, South Africa and Uganda.

At the policy level, trade policy is an important element. India has coordinated closely with African countries on the Doha Round of negotiations, especially on agriculture. India has looked especially toward South Africa, creating a forum of large developing countries with Brazil, the India-Brazil-South Africa (IBSA) bloc. However, although IBSA has negotiated successfully at Doha and other trade talks, they not yet established trilateral trade agreements among themselves, nor have they established any institutions for the group.

Climate change is also an issue of common interest. In the Delhi Declaration concluding the summit, the participants stressed the importance of a fair and equitable division between developing and developed countries in sharing the burden of climate change, by taking into account historical emissions in addition to current emissions. They also expressed a desire to ensure that the adoption of new policies is funded

through dedicated resources and not through funds meant for development purposes.

India is also trying to develop African support for its candidacy for a permanent Security Council seat. In principle, this is to work both ways, with India supporting a suitable African candidate, presumably South Africa.

The China factor: The Indian government has repeatedly stated that India is not in competition with China in Africa, but China is undoubtedly India's foremost rival in strengthening ties with African countries. China has a much larger presence in Africa, in terms of acquiring energy deals and in terms of government engagement. China's trade with Africa is currently approximately \$60 billion per year and although India has substantially increased its trade with Africa, it still remains only half of Sino-African trade.

The main driver for both Asian giants is energy. Interestingly, it is against the backdrop of Africa's energy landscape that India and China have are learning to fine-tune their bilateral balancing act; they have co-operated when it has suited their interests and have competed when necessary. However, India has lost several lucrative oil deals to China and so far New Delhi seemingly lacks the unyielding strategic drive that Beijing has deftly displayed in the African continent.

India is also reportedly uncomfortable with the growing Chinese presence on the African rim of the Indian Ocean. The security of Indian Ocean sea lanes is an area of major concern for India, which has traditionally seen the Indian Ocean as its strategic backyard. According to a recent report released by Chatham House, this is another issue that drives India's desire to strengthen its presence in Africa.

A new kind of globalization: In the days of maximum influence for the non-aligned movement, this kind of political contact between Indian and African officials and leaders was

commonplace. There are three differences today. India has very concrete interests in play in Africa. Its private economic companies are significant players. But most importantly, this engagement with Africa comes at a time when India is also cultivating a global relationship with the United States, and it is interacting in Africa with other global powers such as China. Africa is still a relatively small part of India's foreign policy, far less significant in commercial or political terms than the Middle East or Southeast Asia. But as India cultivates its global role, this is an area where it can position itself as a leader, a supplier of investment, and an aid donor.

For the United States, much of what India does in Africa is below the radar screen. India's commercial presence is a plus from Washington's perspective, reinforcing the dynamic growth that has been so important to the new U.S.-India relationship. On issues like trade policy and climate change, Indian-African coordination will be a thorn in Washington's side. It is a reminder that as India expands its global role, a serious partnership with the United States will require Washington and Delhi to understand better each other's goals and hopes in different parts of the world, including this one.

—*Vibhuti Haté*

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