



India and South Africa as Partners for Development in Africa?

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Summary points

- The engagement of India and South Africa in Africa can be explained as much by the shifts in global power and realpolitik as by their desire to be seen to be playing a positive developmental role and shouldering global responsibilities.
- India articulates its Africa policy through a national-interest prism, especially with regard to energy security, trade and terrorism. Development cooperation is a by-product of its engagement in Africa rather than a central driving force.
- South Africa is currently reassessing how it articulates its national interest in the context of its African agenda. It sees India's engagement in Africa in a positive light, especially its focus on human-resource development, ICT and agriculture.
- While cooperation between the two countries may be possible in certain areas such as the India Brazil South Africa Forum (IBSA), in others it may be too politically sensitive for them to be perceived to be working together. Both aim to advance their commercial interests on the continent, which implies an element of rivalry.
- There is scope for deepening the substance of political and economic relations between India and South Africa, which has been hampered by capacity constraints on both sides and differing priorities. Development cooperation between the two in Africa is not a priority for either but using the private sector in this field is an important potential model.

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Introduction

India and South Africa are both competitors and potential partners; they are developing countries playing a leadership role in the South, but in fact also display substantial differences in interests compared with other, smaller developing countries, for example in the World Trade Organization (WTO) or climate change negotiations. Their engagement in Africa can be explained as much by the shifts in global power and realpolitik as by their desire to be seen to be playing a positive developmental role, exerting influence and shouldering global responsibilities – which many in the United States and elsewhere in the North regard as an essential criterion for permanent membership of the UN Security Council.¹

Identifying the overlap of interests in Africa between India and South Africa is a key element in assessing whether they can be partners for development in Africa. This paper begins with a brief discussion of Africa's place in their respective foreign policies and the relations between the two countries. It then explores the concept of trilateral cooperation. A key element of this discussion is the concept of South-South cooperation, which has grown in prominence in the last few years, but the meaning of which has taken on different forms. The paper then explores the potential for collaboration between the two countries in Africa and some of the possible pitfalls.

For cooperation to occur there needs to be an element of trust and underlying commonality of values and interests. Both India and South Africa would agree that since the resumption of relations in 1993 the political and economic potential of their relationship has not been fully realized. This is partly because of capacity constraints on both sides, as well as a lack of clarity or misunderstanding on where each country sits on certain issues, and the fact that, for all the rhetoric about South-South cooperation, they are potential rivals or competitors, especially on the

African continent. While cooperation may well be possible in certain areas, therefore, in others it may be too politically sensitive for them to be perceived to be working together.

Africa in the international relations of India and South Africa

South Africa is the African country most widely recognized as a global player. As the biggest economy on the continent, with global aspirations in terms of a new world order and a seat on the UN Security Council, but also a country with genuine interests in seeing Africa become more stable, peaceful and competitive, South Africa is considered by many countries, but particularly in the North, as an important partner for development on the continent. Indeed, the 'African agenda' (as the Department of International Relations and Cooperation calls it) is the South African government's top priority.² Clearly, this is not driven solely by altruism but also by a belief that South Africa can gain much (politically and economically) through its engagement in Africa and by working for the continent's peace and stability.

The administration of Jacob Zuma, through the president's state visits in his first year in office, has indicated a greater alignment of South Africa's foreign policy with its economic and commercial imperatives. Two developments in particular point to a more complex foreign policy engagement with its immediate region. First, there is its decision to establish the South African Development Partnership Agency through which to channel its development cooperation. Second, there is talk within some government departments of terminating the revenue transfers to neighbouring Botswana, Lesotho, Namibia and Swaziland (the BLNS states) via their common customs revenue pool, the Southern African Customs Union (SACU), and of establishing a new development fund which would not transfer money as 'budget support' as has been the case to date.

¹ See, for example, Kara C. McDonald and Patrick M. Stewart, *UN Security Council Enlargement and US Interests*, Council on Foreign Relations, Special Report 59, December 2010.

² See Department of International Relations and Cooperation, *Strategic Plan 2010–2013*, <http://www.dirco.gov.za/departments/strategic%20plan%202010-2013/index.htm>.

The extensive participation of the private sector in the president's state visits in Africa and elsewhere also reflects a more commercially driven foreign policy agenda. This would include recognizing the competitive advantage that some South African companies have in the region, and wanting to protect and advance South African commercial positions and gains.

There is a triple paradox in South Africa's foreign relations. It seeks to cultivate strong links with emerging powers, which are also rivals in its 'backyard'; it often speaks for Africa's causes but is not recognized as the continent's spokesperson by African states; and it acknowledges that its own domestic imperatives mean that it has to adopt a far more savvy economic diplomacy, which may clash with the interests of other African countries.

India has historical links with Africa. In the post-colonial period these links became more overtly political as India supported the national liberation struggles of many African states and was instrumental in establishing the Non-Aligned Movement. Its own substantial diaspora in eastern and southern Africa, however, was largely disowned by Prime Minister Jawaharlal Nehru and lost some of the connections with India that could subsequently have been used to build bridges to Africa. Although a staunch supporter of anti-colonial struggles, in the post-Cold War period India has been a far more recent suitor than China in the courtship of Africa. Until recently it lacked the high-profile diplomacy that has characterized China's relations with the continent. Much of the new engagement has occurred via Indian private-sector companies – in contrast again to the state-driven commercial relations of China. A concentration of Indian companies can be found in South Africa, Tanzania, Kenya, Nigeria, Ghana, Egypt and Algeria.

The Indian government has done much to differentiate itself from China in Africa. The first India–Africa Summit, held in New Delhi in 2008, was a smaller affair that did not match the spectacle of the Forum on

China–Africa Cooperation (FOCAC) summit in Beijing two years earlier. At the political level India has also sought to engage and work with regional bodies in Africa, supporting the New Partnership for Africa's Development (NEPAD) via its Pan-Africa e-network (see below), and recently agreeing a plan of action with the African Union on most of the issues addressed in the 2008 framework document signed in Delhi.

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Mining and hydrocarbons are key drivers of Indian engagement in Africa (India is the world's fifth largest consumer of oil and will be in third place by 2030). Uranium mining, essential to power India's nuclear energy sector, is another area that has elicited great interest from Indian companies.³ Furthermore, India is increasingly concerned about not losing ground to potential power rivals such as China on the continent, but equally importantly in ‘its ocean’, where China has already made some progress in establishing bases (known as the ‘string of pearls’).⁴ The Indian Ocean is a vital arena for commercial trade, and securing maritime trading routes is essential for safeguarding India's energy supply lines.

Development cooperation is important for India but is a by-product of its engagement in Africa, rather than a central driving force. Like South Africa, India recognizes the value of development cooperation as a

³ For example, Taurian Resources, a private Indian company, signed a deal with Niger in 2007, giving it exclusive rights to explore and mine 3,000 km² in the Arlit region. Taurian Resources Private Company changed its name to Dharni Sampda in 2009.

⁴ During 2010 China donated some US\$100,000 to the Indian Ocean Rim Association.

soft-power tool of influence. South Africa sees India's engagement in Africa in a positive light, especially its focus on human-resource development, IT and agriculture. President Zuma encouraged the two business communities to work together to establish partnerships in Africa within the NEPAD framework. Yet Indian officials sense a degree of 'prickliness' from the South African side on some of the initiatives proposed by India at the continental level, remarking on the fact that South Africa has yet to sign a Memorandum of Understanding on the Pan-African e-network, which brings tele-education and tele-medicine to remote parts of Africa. India's support of the e-network in the context of NEPAD was an early undertaking made by the Indian prime minister, Manmohan Singh, in an address to the Pan African Parliament in 2006. Some 30 countries have already signed. However, South Africa has argued for the specific agreement with itself to be redrafted to take into account its particular infrastructural environment, which is very different from that of, say, Ethiopia. South Africa has argued that given the existence of other bilateral agreements with India, especially in science and technology, there is no special need for South Africa to sign the agreement.

At the same time, as emerging markets both countries aim to advance their commercial interests on the continent, regarded by many as a fairly unsaturated market compared with other parts of the world. This may not be a zero-sum game between the two but it does imply an element of rivalry. The projection of soft power and the question of global status are also important for both countries as they have a stake in how the world order evolves, making the development of coalitions important. Africa with its 53 states plays a numerically significant role in multilateral forums.

It may be that the obstacle to closer cooperation in Africa is South Africa's continuing difficult relationship with the continent and its perception that it must therefore act with caution. The consequence of this is that any cooperative efforts may in effect be minimalist.

India–South Africa relations

South Africa and India have a long history of relations: 2010 was the 150th anniversary of the arrival in South Africa of the first Indian indentured labourers; India was a staunch supporter of the anti-apartheid struggle; and both countries remember Mahatma Gandhi's stay in South Africa and the impact of South Africa's racial policies at the time on the evolution of his own political activism.

“Policy-makers in both countries believe that there is more scope for deepening the substance of political and economic relations”

Both countries regard their relations as strategically important. On taking office in May 2009, the Zuma administration emphasized that cultivating South-South ties would be a priority. This was couched in the context of the shift in global economic and commercial power to the east. Linked to this objective, South Africa has campaigned to join the BRICs (Brazil, Russia, India and China). In the first 18 months of his presidency, President Zuma visited all four BRIC countries, accompanied on his visit to India in June 2010 by seven ministers and over 200 business people. In December 2010 South Africa was invited to join the BRICs as a full member.⁵

Both states are members of the India-Brazil-South Africa Dialogue Forum (IBSA), established in 2003 to bring together three big democracies from the developing world with similar internal social challenges and a common global vision and values. They are arch-proponents of the need to reform the global governance system, including the UN. However, they may differ in their specific positions on some of these issues.

⁵ Press release, Department of International Relations and Cooperation, 'Minister Nkoana-Mashabane on South Africa's full membership of BRICs', 24 December 2010, <http://www.info.gov.za/speech/DynamicAction?pageid=461&sid=15414&tid=26188>.

Areas of convergence and divergence

Notwithstanding the professed good relations and the goodwill, policy-makers in both countries believe that there is more scope for deepening the substance of political and economic relations. Capacity constraints on both sides are partly to blame for slow implementation, as indeed are different emphases and priorities. For example, South Africa has been characterized as 'too coy' about expressing its world-view, which Indians feel ought to be similar to their own. However, South Africa's concern about not breaking African ranks on matters where the continent has taken a position is often a constraining factor.

This section of the paper will focus on three key elements in the relationship: multilateral, security and commercial issues.

Multilateral reform

India and South Africa share the view that the global system has to change to reflect the new distribution of economic and political power, and to give a greater say in global institutions to the developing world. This similarity of outlook has manifested itself at the World Trade Organization, the climate change negotiations, the international financial institutions, the G20 (of which they are both members) and the UN. Yet there is not necessarily full agreement between them on the modalities of reform or on policy initiatives. While India operates at all levels without being constrained by a regional position or perspective, South Africa often prefers to be less bold about its national interest, deferring to the African Union (AU) consensus on certain issues, most notably on UN Security Council reform. Clearly, however, South Africa's involvement in WTO sectoral groupings and its decision to sign the Copenhagen Accord on climate change in December 2009, in the face of opposition from the G77 and many

in the African group at the time, illustrate that this is not always the case.

Within the WTO, India and South Africa have worked together in the G20 on agriculture and the Non-Agricultural Market Access 11 (NAMA 11), although India has adopted a more defensive posture on agricultural matters than South Africa. They have spearheaded South-South alliances on which IBSA collaborates. Among the issues on which these three countries collaborate is advocating global reform, in which they all have a stake.

In the G20 both India and South Africa oppose the competitive devaluation of currencies and any resurgent protectionism. South Africa's particular focus is to ensure that the closing of the 'development gap' between rich and poor becomes a priority on the G20 agenda.

At the Copenhagen summit on climate change, India and South Africa joined ranks with China and Brazil to negotiate the Copenhagen Accord together with the United States, and the four countries have since become known as the BASIC group. They continue to meet as a group on climate change matters. However, cracks among them were evident at the Cancún climate change conference in December 2010. South Africa and Brazil supported a legally binding agreement, while India and China opposed legally binding emission cuts.⁶

It is on the issue of reform of the UN Security Council that South Africa's desire not to break ranks with the AU is most apparent. It has maintained support for the Ezulwini Consensus;⁷ India, on the other hand, argued that it contributed to the failure of the reform process in 2005, rather than encouraging consensus for reform, even of a limited nature. India, which sees itself as a potential permanent member of the Security Council, has articulated its support for a permanent seat for South Africa too, but South Africa has been very careful not to be drawn into expressing a position that is contrary to the African

⁶ India argued that it supported the position that all countries must adopt binding commitments 'under appropriate legal form' to control greenhouse gas emissions, but was opposed to a 'legally binding agreement'. See 'India moves to break deadlock in Cancun', *Deccan Herald*, 9 December 2010, <http://www.deccanherald.com/content/119247/india-moves-break-deadlock-cancun.html> (accessed 14 February 2011).

⁷ African heads of state agreed to the Ezulwini Consensus in July 2005. The proposal was to increase the UN Security Council's size to 26 members by adding six permanent and five non-permanent members. Africa would have two permanent seats, to be determined by the AU, and all new permanent members would have full veto rights.

one, although it does support India's candidacy. When the discussion on Security Council reform was on the table during 2005, South Africa was part of the AU committee mandated to make recommendations to the AU on the matter. During the process leading up to Ezulwini it adopted a more compromising position on reform (which may have been closer to that adopted by the G4),⁸ but it did not associate with the G4 formally and made no public declaration of its interest to serve on the Security Council as a permanent member until much later, after Nigeria had declared its 'candidacy'. More recently, South African officials have been more forthright about their interest in a permanent seat. However, the country is unlikely to break with the AU consensus on reform of the UN Security Council.

Both India and South Africa were voted in as non-permanent members for 2011–12. The positions they take and the nature of their collaboration on the Security Council may offer pointers to the trajectory of their future multilateral engagement.

Security matters

South Africa and India see security challenges through different prisms, although this aspect of the relationship has evolved over the last few years. This section will focus primarily on three elements: nuclear weapons and the global non-proliferation regime, fighting terrorism, and combating piracy.

Nuclear weapons and non-proliferation

South Africa has earned kudos for dismantling its nuclear weapons capability before the end of apartheid, signing up to the Nuclear Non-Proliferation Treaty (NPT), playing a constructive role in the treaty reviews and more generally on pushing for global compliance, including among the declared nuclear power states. South Africa is also a member of the Nuclear Suppliers Group (NSG), a group of 45 states that coordinates controls of nuclear exports to non-nuclear-weapon

states. It has been a strong advocate of the non-proliferation regime, while vigorously defending the right of developing countries to have access to nuclear technology for civilian use.

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India is not a signatory to the NPT, refusing to sign it in 1968 because it viewed it as biased. For many years it followed a policy of nuclear ambiguity, although it tested its first nuclear bomb in 1974. By the late 1990s its approach had become one of overt weaponization,⁹ in response to the perceived threat from Pakistan and China.

India and South Africa have adopted different stances on nuclear weapons since the mid-1990s. During President Thabo Mbeki's visit to Delhi in 1996, the discussions in the bilateral political affairs sub-committee were exclusively on the nuclear issue. South African observers from that period recall that the two countries were far apart on the issue of non-proliferation. The South Africa team had played an important and constructive role in the NPT review conference the previous year. When IBSA was launched in June 2003 the draft declaration, which had been drawn up by India, was positive about the weapons programme, but after South Africa's intervention the relevant paragraph was removed. Following the 2007 IBSA summit in Pretoria, the declaration emphasized:

⁸ The G4 comprised India, Brazil, Germany and Japan. The group advocated additional permanent seats without the veto, hoping that this might break the deadlock on the reform process.

⁹ See S. Ganguly, 'Behind India's Bomb: The Politics and Strategy of Nuclear Deterrence', *Foreign Affairs*, September/October 2001.

[the leaders'] commitment to the goal of the complete elimination of nuclear weapons and expressed concern over the lack of progress in the realisation of this goal. They emphasised that nuclear disarmament and nuclear non-proliferation are mutually reinforcing processes requiring continuous, irreversible progress on both fronts (...)

The leaders strongly emphasized the need for ensuring the supply of safe, sustainable and non-polluting sources of energy to meet the rising global demand for energy, particularly in developing countries. In this context, *they agreed to explore approaches to cooperation in the peaceful uses of nuclear energy under appropriate International Atomic Energy Association (IAEA) safeguards*. They further agreed that international civilian nuclear cooperation, under appropriate IAEA safeguards, amongst countries committed to nuclear disarmament and non-proliferation objectives, could be enhanced through acceptable forward-looking approaches, consistent with their respective national and international obligations. They also reiterated the importance of ensuring that any multilateral decisions related to the nuclear fuel cycle do not undermine the inalienable right of States to pursue nuclear energy for peaceful purposes in conformity with their international legal obligations.¹⁰ (Emphasis added.)

By 2007 India had already signed the agreement with the United States that would facilitate nuclear cooperation between the two countries (although the deal was only ratified by the US Congress in 2008), and that *de facto* recognized India as a nuclear-weapon state, without bringing it into the NPT. In terms of the agreement India would allow inspectors from the International Atomic Energy Agency (IAEA) access to its civilian nuclear programme (although not to its military programme). India had also decided to adopt similar nuclear export standards to those imposed by the NSG.¹¹ South Africa, which was chairing the NSG in 2007, supported the India-specific exemption at the group, which would thus lift the ban on sales of nuclear

fuel and technology to India. Overall, the two countries have moved closer on matters of nuclear non-proliferation, although India remains outside the formal governance frameworks. The developments outlined above have also created the potential for cooperation between them on civilian use of nuclear technology.

Fighting terrorism

Progress in nuclear matters has not been matched to the same extent by coherence around the fight against terrorism. Indian officials have argued that in this area, which is vitally important for India, there has been very little successful cooperation between the two countries. South Africa characterizes the engagement on this front as 'uneasy'. India wants a joint working group on terrorism, but South Africa feels that cooperation between police forces at the practical level is adequate.

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Both countries agree on the need for measures to stamp out international terrorism. South Africa's position, however, is that emphasis must be placed equally on eliminating the causes of terrorism, such as poverty and under-development, not just on dealing with the symptoms. These different approaches are the consequence of the two countries' differing experiences in their respective regions. India's experience of terrorism is intricately linked to its difficult relationship with Pakistan, which it has accused of supporting terrorist organizations that have operated in India (the most recent high-profile case being the Mumbai bombings in November 2008).

¹⁰ IBSA Summit Declaration, Pretoria, 2007.

¹¹ See Jayshree Bajoria and Esther Pan, 'The US-India Nuclear Deal', Council on Foreign Relations, 5 November 2010.

Terrorism carries different historical connotations for South Africa. The national liberation struggle by the African National Congress (ANC) was described as terrorism by many Western powers; hence the ANC government's unwillingness to be drawn into the debate around who is considered a terrorist and how violence of this nature can be eliminated.¹² Many in the government are loath to potentially define a legitimate liberation movement as terrorist. The discourse on the 'war on terror' and the manner in which the United States conducted it following 9/11 did not sit well with the South African government. In fact, South Africa was highly critical of American policies, which paradoxically also saw the United States seek a rapprochement with India (of which the nuclear deal was the high point). It is unlikely that there will be greater cooperation at this stage, despite India's hopes.

Combating piracy

Differences of opinion between India and South Africa also exist on the security threat presented by piracy off the Horn of Africa in the Indian Ocean, an area of vital strategic interest to India – where, as was pointed out by a former Indian High Commissioner to South Africa, pirates hijacked a Bangladeshi ship barely 90 nautical miles from Indian territory.¹³ India has deployed ships to the Horn of Africa, and supports a similar deployment by the South African navy. The South African government has, however, emphasized the complex nature of the piracy problem in the Horn, and is unwilling to wade into it. It recognizes first and foremost that piracy is largely a consequence of the failure to resolve the conflict and governance void in Somalia. Second, although South Africa was asked by the AU in July 2010 to deploy troops to Somalia to augment the Ugandans and Burundians already there, the cabinet decided that it was not in a position to do so; the minister of defence expressed concern about South Africa becoming a target

for terrorists in the way that Uganda had been targeted during the FIFA World Cup.¹⁴ There has also been much discussion within the South African government and among the public about deploying vessels to the Horn, but no decision has been taken to date. The hesitance to deploy (whether in Somalia or at sea) may be partly attributed to real military constraints, even though South Africa is the only country in sub-Saharan Africa with an effective and operational navy.

Nevertheless, since 2000 there has been a Defence Cooperation Agreement in place between the two countries and since 2003 the two navies have held annual talks which have formed the basis of professional personnel exchanges, training course, exercises, mutual revision of naval doctrine, and high-level visits. For example, after South Africa acquired new Type-209 submarines from Germany, the Indian navy provided additional training to the South African submariners. Navy chiefs have exchanged official visits, and the navies have made port calls on each other, accompanied by combined naval exercises.¹⁵

Commercial relations

Trade between India and South Africa increased more than *fivefold* between 2003 and 2009, from US\$928 million to US\$4.786 billion (at current exchange rates), and both countries aim to increase total bilateral trade to US\$10 billion by 2012. Two-way investment has also grown over the years. Overall investment stock of Indian companies in South Africa amounted to US\$6 billion in 2010, and South African investment in India was estimated at about US\$500 million.¹⁶ Some of South Africa's key companies have a presence in India, including Sasol, First National Bank and the Airports Company South Africa. Indian companies in South Africa include Tata Motors, Mahindra, United Breweries, Dr Reddy's, Kirloskar and Dabur.

12 In 1998, the South African government defined terrorism as: 'An incident of violence, or the threat thereof, against a person, a group of persons or property not necessarily related to the aim of the incident, to coerce a government or civil population to act or not to act according to certain principles.' See T. Masaku, 'Reflections on South Africa's Approach to Terrorism', *CHRI News*, February 2002, p. 2.

13 R. Bhatia, 'Horn of Africa: why India should care more', *The Hindu*, 18 December 2010.

14 'South Africa: Sisulu warns of "terror" threat for joining AU forces', *Business Day* (Johannesburg), 30 July 2010.

15 F. Van Rooyen, 'An Analysis of India's Security Engagement in Africa and with South Africa', draft unpublished SAIIA paper, December 2010.

16 *The Star*, 31 August 2010.

Both sides recognize that a number of hurdles need to be overcome for their bilateral trade and investment potential to be realized. Inevitably, such hurdles are not just economic but also have a political nature. President Zuma's visit to India in June 2010 sought to overcome the obstacles to deepening ties. His key message during the trip was that South Africa was open for business and served as the gateway to the Southern African Development Community (SADC) market, which provided great opportunities for Indian and South African companies. The key outcomes of the visit were the resuscitation of negotiations on a preferential trade area (PTA), which had been on the agenda since 2003–04; and the relaunching of the India–South Africa CEOs Forum, which is co-chaired by Ratan Tata (chairman of the Tata Group) and Patrice Motsepe (chairman of African Rainbow Minerals).¹⁷

India has complained about South Africa's stringent visa and work permit regulations, while South Africa has complained about India's opaque market rules.

Negotiations on a PTA (which includes South Africa's SACU partners) will also address the particular constraints that hamper their doing business with one another. Some of these were identified by the president of Business Unity South Africa, Futhi Mtoba, in her remarks in Mumbai during the state visit in June 2010: approval processes for facilities and medicines in the pharmaceuticals sector by the South African authorities as well as the limitations on foreign ownership in the financial services industry in India; and the need for the creation of an

enabling regulatory environment to promote private-public partnerships (PPPs) in infrastructure and transport. India has complained about South Africa's stringent visa and work permit regulations, while South Africa has complained about India's opaque market rules. For example, South African wine-makers face many barriers in exporting wine to India including cumbersome and restrictive administrative procedures, high duties, and problems of moving the product from one state to another where different rules apply.

The CEOs Forum, a grouping of representatives from both countries that had been largely dormant, was relaunched in June 2010 and met in August to discuss the agenda of the PTA and to reduce duties for collaborative investments. Four sectoral groups were established: in energy, financial services, mining and infrastructure. These groups were expected to report back in March 2011.

For SACU members, trade liberalization could help provide access to affordable medicines, competitive prices for motor vehicles and equipment for heavy industry. It could also create fresh export markets for iron and steel, chemicals, aluminium and furniture. There is considerable potential for increased intra-industry trade in basic fabricated metals, precious stones and jewellery, and non-metallic minerals. India has pursued a number of bilateral and regional free trade agreements, and regards this approach as key to its strategy to increase its share of global trade.¹⁸

India had largely blamed South Africa for dragging its feet on the PTA after the original launch of negotiations. More recently, during his visit to South Africa in August 2010, India's trade minister, Anand Sharma, argued that there had been no agreement owing to the 'low level of ambition by the SACU partners'.¹⁹ Since 2002 when the new SACU agreement came into force, South Africa's trade negotiations with external parties have no longer been a purely bilateral affair: the agreement democratized relations between South Africa and the other four

¹⁷ In addition, the two countries signed a memorandum of understanding on agricultural cooperation; an amended Bilateral Air Services Agreement; and a memorandum on mutual cooperation between the Diplomatic Academy of the South African Department of International Relations and Cooperation and the Foreign Service Institute of the Ministry of External Affairs of India.

¹⁸ See M. Soko, 'SACU and India: Towards a PTA', *SACU Trade Policy Briefing No. 11*, March 2006.

¹⁹ *Business Day*, 31 August 2010.

members, removing South Africa's ability to negotiate with external parties unilaterally. In addition, South Africa's decision to implement an industrial policy driven by the imperative of creating more jobs has affected all its (and SACU's) trade negotiations (the Economic Partnership Agreements with the EU and indeed a preferential trade agreement with China) and has created a rift within SACU. However, progress has been made on these fronts in the last year. South Africa's emphasis on South-South trade is a positive indicator for the outcome of the PTA, as is its outreach to its neighbours in SACU, most notably Botswana, whose president paid a state visit to the country in November 2010. If one considers the signing of free or preferential trade agreements with other countries or regions as part of a broader geopolitical calculation 'that the two parties have long-term interests in forging a closer partnership',²⁰ then the PTA with India is clearly in that league. The objective of that PTA forms part of the long-held aim of IBSA to establish a free trade area between SACU, Mercosur and India.

For all the talk about the two countries being strategic partners, however, one recent commercial development that seems to have left a sour taste in the Indian mouth is the failed attempt in 2009 at a merger between the two cellular companies Bharti (from India) and MTN (from South Africa).²¹ The talks had involved a proposal for a cross-ownership alliance, rather than a merger, which would have permitted retention of national ownership and independence. The structure clashed with regulations in both countries. For example, Indian law does not permit dual listings of companies, one of the conditions of the agreement, and in South Africa the deal might have required exchange-control approval from the treasury.²² South Africa's communications minister, Sipiwe Nyanda, stated that MTN was South African and should remain so. This probably contributed to the perception by some Indian officials that the government did not want to see MTN, one of the most successful South African companies in the post-apartheid era, taken over by an Indian company. Indian officials contrast this experience with

South Africa's agreement to the sale of 20% of Standard Bank to the Industrial and Commercial Bank of China (ICBC) a few years earlier. There were of course notable differences between the two cases, including that ICBC purchased only a minority stake in Standard Bank. While the full story of the failed merger has still to be written, what is relevant is the way in which some in India viewed it.

Trilateral cooperation: purpose and problems

Trilateral cooperation has become a fashionable concept with the rise of new powers globally, and especially in Africa where they have increased their diplomatic and economic activities. The fact that these are largely Southern powers has provided the impetus to explore whether their engagement in other developing regions can be the basis for substantial South-South cooperation of the type often spoken about in the past, and whether this is any different from the more traditional and entrenched North-South engagement. The Organization for Economic Cooperation and Development (OECD) defines trilateral cooperation as 'partnerships between DAC (Development Assistance Committee) donors and pivotal countries (providers of South-South cooperation) to implement development cooperation programmes/projects in beneficiary countries (recipients of development aid)'.

Paradoxically, Africans consider these initiatives, which until now have been largely driven by the North, as motivated less by altruism around development than by realpolitik to ensure that the Northern countries do not lose leverage in the new geopolitical context. On the other hand, African states sometimes view South-South cooperation for development as motivated less by realpolitik and more by willingness to learn from one another. Yet the altruism that may have defined South-South cooperation in the 1970s is now also subject to a very real dose of national interest on the part of the emerging 'donors'.

Geopolitical realities are very relevant factors that Southern states consider in determining the nature of their involvement anywhere. To argue that South-South

20 K. Mahubani, *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East* (New York: Public Affairs, 2008), p. 231.

21 Bharti has subsequently bought Zain Telecoms.

22 See Lesley Stones, 'A match that appealed only to the star-crossed lovers', *Business Day*, 2 October 2009.

cooperation is shorn of any political motivation is naïve. Certainly some African countries regard much of South Africa's assistance to or diplomatic initiatives in Africa, whether in post-conflict reconstruction or in economic support, as having an underlying commercial objective, and thus they view such approaches with suspicion. Many South African officials often bemoan the fact that it has not reaped the economic benefits of the 'peace dividend' in countries it has helped emerge from conflict. The establishment of the South Africa Development Partnership Agency may well articulate a clearer national-interest dimension in South Africa's development cooperation.

In the last few years a number of trilateral initiatives focusing on development cooperation have been undertaken. These involve largely Northern donors providing funding for Southern countries to carry out a project in a third developing country. The actors may include governments to governments, private foundations, government agencies, NGOs, the private sector or a combination of these.

The Accra Agenda for Action of 2008 encourages this type of trilateral or triangular cooperation, as well as South-South cooperation. As the first and second tier of developing countries, including China, India, South Africa and Turkey, enhance their development cooperation and streamline their operation, triangular cooperation will take on increasingly varied forms: North-South-South, South-South-South, or a combination of the above with different public and private actors. In the process development cooperation will have to be redefined from the OECD model cited above. What is most interesting and perhaps useful in this regard is the closer link between development cooperation and trade and investment, which may, if operating within an appropriate policy framework, open up wealth- and value-creation opportunities.

South Africa has been fairly active in trilateral cooperation in Africa where it works with a Northern partner in a beneficiary country. In 2008 it signed a declaration of intent on trilateral cooperation with the Nordic countries

and some initiatives are already under way.²³ Limited resources within South Africa's own budget mean that collaborating with other partners creates opportunities to implement projects which might otherwise not have been possible because of financial or technical constraints.

Some of the challenges and potential pitfalls of trilateral cooperation (both the North-South-South and South-South-South models) include concerns about:

- the North seeking to have some influence over the agenda of Southern development cooperation partners by encouraging triangular arrangements;
- whether in embarking on trilateral development cooperation initiatives with the North, Southern countries might not in fact become tools/instruments of the North in a third country;
- how the recipient states would view the motivation of Southern partner; and
- whether other countries might perceive such cooperation as trying to shut them out of the 'market' commercially and politically.

Michelle L. Chang notes that while this new trend of triangular cooperation 'provides added financial and programme support to developing countries, [it] can easily slide into a hegemonic, North-dominated relationship'.²⁴ Clearly some of the difficulties of triangular cooperation include:

- facilitating coordination among partners;
- ensuring Southern leadership; and
- ramping up such cooperation from initiatives that may be limited in scope and project-based.²⁵

Southern partners in trilateral collaboration also have to be aware of their own perception that as developing countries they know best what is good for Africa. Africans resist and resent this attitude, which can create tension in both bilateral and trilateral initiatives.

23 Some examples of trilateral cooperation between South Africa and other countries are: with Norway and Burundi on conflict resolution and reconciliation; with Sweden in Rwanda to train police; and with Cuba to fund Cuban doctors in Mali.

24 M.L. Chang, 'Trends in South-South Cooperation', *One Pager* No.103, International Policy Centre for Inclusive Growth, February 2010.

25 B. Lucas, 'Current trends in South-South and triangular cooperation', <http://www.capacity4dev.eu/c4d-lib/document/south-south-and-triangular-cooperation>, 8 December 2009.

Box 1: Pharmaceuticals – case study

One of the greatest successes of Indian companies moving into Africa has been in the area of pharmaceuticals. As leaders in generic medicines, Indian companies have found opportunities both for exports and for investments in a number of African countries, including in South Africa. Their price-competitiveness, especially in generic drugs that are crucial to many African countries, such as anti-retroviral (ARV) and anti-malaria drugs, has made management of diseases more viable for state health sectors.

Could there be areas of possible trilateral collaboration between South Africa and India with a third party to address some of Africa's developmental health challenges? One model of successful collaboration between the public and the private sector, North and South, is the tripartite initiative between the United Kingdom Department for International Development (DFID), the Clinton Health Access Initiative and a number of Indian companies to help Indian pharmaceutical companies produce cheaper drugs to treat malaria and AIDS in India and Africa. The programme (amounting to £9 million between 2009 and 2012) provides technical support to Indian companies in producing and registering new treatments for AIDS and malaria, and negotiates affordable prices for these drugs.

As the most developed pharmaceutical market in sub-Saharan Africa, South Africa could potentially be a partner in such collaborative activities. However, it has also regarded Indian companies as rivals in a sector which the South African government has targeted for development and support in its industrial policy. In fact, an Indian generic pharmaceutical company, Aurobindo, lost out to two South African companies in a government tender to supply ARVs in 2009, even though Aurobindo's tender was 30% cheaper than that of the South African companies, Aspen and Adcock Ingram. These two companies won the bulk of the tender (valued at US\$400 million) while the balance went to other smaller undisclosed manufacturers. Aurobindo applied to the courts to review the application and to set aside the awarding of the tender. It subsequently withdrew its application, given the time that had lapsed from the awarding of the tender to the court case, but asked for costs, which it won.^a The South African treasury maintains that its action was in line with the policy to develop and support the domestic pharmaceutical sector. According to South Africa's Preferential Public Procurement Framework Act, selecting ARV tenders that favour local firms is permitted and encouraged.^b

At the same time, in June 2009, Aurobindo announced plans to set up a manufacturing plant in South Africa. The South African government had originally invited Aurobindo to invest, but the company had turned down the invitation, arguing that the potential for economies of scale did not exist. It is unclear what made the company reverse its decision. Arguably, having a plant in South Africa that employs local staff is likely to stand the company in better stead to bid for state tenders, although some analysts believe that local companies are still more likely to win.^c Nevertheless, Indian pharmaceutical companies have also recognized that South Africa is an appropriate springboard for expansion (both trade and investment) into the African continent.

This corresponds with the view of South African companies such as Aspen and Adcock Ingram which are looking at opportunities to expand not only into Africa but also beyond. Joint ventures with Indian pharmaceutical companies are a distinct possibility and there have already been cases of collaboration in South Africa. Sonke Pharma, a South Africa company, is a joint venture between Ranbaxy and Community Investment Holdings. It is the second largest supplier of generic ARV medication in South Africa, and in December 2010 won 21.9% of the total value of the South African state tender to supply ARVs to public hospitals for 2011–12. Cipla Medpro, another South African company, has a long-term supply agreement with Cipla India, which gives it access to a pipeline of medicines that it imports to South Africa. (In August 2010 Cipla India announced that it would acquire a 25% stake in Cipla Medpro's manufacturing division in South Africa.)

However, two factors have to be considered regarding collaboration in this domain. First, the South African pharmaceutical sector is regarded as a strategic part of the government's industrial strategy. Second, the collaboration between DFID, the Clinton Foundation and Indian pharmaceutical companies is creating a platform for these companies to improve their overall competitiveness in the African market; hence it is not surprising that South Africa may see such undertakings as providing rivals with a leg-up in what they regard as their backyard.

- a The court found that one of the bidders had been singled out for special treatment. The judge noted that 'it appears to be probable that, if the point scoring system had been correctly applied, the applicant could have been awarded the tenders in respect of each of the products tendered for, in that its tendered prices were significantly lower than the prices of its competitors. Had this happened, the tax payer may also have been saved a considerable amount of money.' (See *Aurobindo Pharma (Pty) Ltd vs The Chairperson of the State Tender Board and others*, North Gauteng High Court, Pretoria, Case No. 59309/2008, 27 May 2010.)
- b Source: <http://www.pharmaceuticalsinsight.com/file/79021/aurobindo-to-sue-treasury-over-lost-tenders.html>.
- c See *Pharma and Healthcare Insight*, <http://www.pharmaceuticalsinsight.com/file/79021/aurobindo-to-sue-treasury-over-lost-tenders.html>. In December 2010 Aurobindo won 3.1% of the total value of the South Africa state tender to provide ARVs. Most of the balance of the tender went to South African companies.

Challenges and opportunities for cooperation in Africa

In discussing possible areas of cooperation between India and South Africa in Africa, with or without Northern partners, three questions require consideration. Is there a confluence of interests between India, South Africa and the beneficiary? Is there a sufficient level of trust between the two parties and the beneficiary countries to execute a project? What value is added by India and South Africa respectively in a particular project?

Confluence of interests

It is clear from the preceding discussion on the India–South Africa bilateral relationship as well as on the drivers of their foreign policies in Africa that there are a number of areas of potential competition, especially in accessing unsaturated markets or natural resources. Pursuit of these 'hard' interests is linked to the desire to build up 'soft power' and influence within the continent. South Africa is part of the continent and, although it may not be blunt about it, regards Africa as a key economic and political arena for the advancement of its own interests, which are increasingly taking on a politically driven commercial agenda.

Arguably there are a number of areas of potential synergy and agreement. Relevant to this issue is the fact that India has recognized the importance of engaging

with Africa's regional architecture. The India–Africa summit of 2008 gave impetus to that and a workplan has been developed with the AU. India's commitment is to support and create centres of excellence in Africa in ICT, mineral beneficiation and medicine. These projects fit neatly with what South Africa wants to achieve in Africa.

Level of trust

Trilateral cooperation may be the most difficult type of collaboration, because it requires a great deal of trust among the parties involved. While the interests of India and South Africa may not always clash, there are still too many issues in the bilateral relationship that need to be addressed for a partnership to develop. Related to the matter of trust is the necessity of strong institutional mechanisms at the bilateral level to mediate difficulties or disputes. There is scope for work in that arena, and a cautious, gradual approach to such cooperation would be wise.

Adding value

This depends on the particular project or country. South Africa's history of relations with its immediate region and its economic size may often be a stumbling block to its initiatives in Africa. How does South Africa aim to be perceived by other African states? How do these states actually perceive South Africa? After all, development projects are at least partly about winning the hearts and minds of the recipients. What are the

perceived downsides for South Africa in Africa to such cooperation with India? This would be dependent on the circumstances and the specific history of relations; or on how such cooperation may be perceived by third countries, such as China or the EU – what one interviewee called ‘the geopolitics of the situation’. India’s own footprint in Africa is much smaller than that of either South Africa or China and the traditional developed-country players. Northern partners have often emphasized that South Africa’s political access, technical capacity and knowledge of African practices are advantageous. This may not always be the case, however. India can boast specific skills and developing-country experiences too, although some observers contend that these are not always adapted to the African context. Furthermore, India faces its own social constraints in Africa where there have been historical animosities, especially in eastern and southern Africa.

Trilateral cooperation in Africa involving both India and South Africa may be possible in the medium term on an ad hoc basis rather than systematically. It is clear that development cooperation between them in Africa is not on either side’s priority list.

There are a few areas where such opportunities for trilateral cooperation could be explored, although some of these may be aspirational rather than realistic at this juncture. Using the private sector for cooperation in development with governments is an important potential model. Thus areas of cooperation between India and South Africa could include health (where there are already joint ventures emerging between South Africa and Indian pharmaceutical companies; see Box 1). Others could be in agriculture and infrastructure. President Zuma is ‘co-champion’ of the AU’s high-level sub-committee on infrastructure and the north–south road and rail development corridor. The north–south corridor, which is intended to link the member states of SADC, the Common Market for Eastern and Southern Africa and the Eastern African Community, is a priority project of the AU/NEPAD Africa Action Plan (AAP). The AU has recognized the AAP as the basis for

Africa’s engagement with international development partners.²⁶ During his visit to China in August 2010, President Zuma persuaded the Chinese government to provide assistance in developing the north–south corridor. This and other projects identified by the AAP could form the basis of cooperation between India and South Africa.

Another area of mutual interest and involvement is peace and security. India is one of the top contributors to UN peacekeeping forces (the third highest in 2010). Conflict resolution has been a defining element of South Africa’s post-1994 engagement in Africa, and some 3,000 personnel are attached to various peace missions on the continent. South Africa sees itself as a peace-builder in Africa, rather than a peacekeeper. Its involvement in UN missions is usually linked to the existence of, and its participation in, the political processes of conflict resolution. Furthermore, the South African government is looking at the role its private sector can play in supporting peace, reconstruction and development on the continent. In the area of the peace and security architecture, the establishment of the AU standby brigades and the related need for capacity-building and resources for them to be fully functional presents opportunities for collaboration. It is an area in which India has some experience and which it regards as part of its outreach to Africa. South Africa’s own support for strengthening the institutional architecture of the AU and the regional economic communities may thus create possible synergies in various areas of Africa’s peace and security architecture.

Conclusion

At first glance India and South Africa may look like natural partners in development cooperation in Africa. However, on closer examination it becomes clear that each has significant constraints as well as differing interests. Constraints relate to capacity, but also to politics and the presence of real competitive elements. India articulates its Africa policy through a national-interest prism, especially with regard to energy security, potential markets and terrorism. South Africa is currently

26 Address by President Jacob Zuma during the meeting of African Heads of Agencies and Technical Experts, Presidential Guest House, Pretoria, 17 December 2010, <http://www.thepresidency.gov.za/pebble.asp?relid=2903>.

Box 2: An example of South-South trilateral cooperation

One concrete area of cooperation is the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation (IBSA Trust Fund), which was created out of the IBSA Dialogue Forum in March 2004. Its purpose is to identify small projects in the fight against poverty and hunger that can be implemented quickly in interested developing countries. The fund, as an example of cooperation in development among three developing countries, constitutes a pioneering and unique initiative to enhance South-South cooperation for the benefit of the neediest nations of the South.^a

The UN Development Programme's Special Unit for South-South Cooperation, which is mandated by the UN General Assembly, manages the IBSA Trust Fund. There is a Board of Directors and a set of project guidelines.^b Individual grants may not exceed US\$50,000. Proposals are evaluated on ten criteria, including reduction of poverty and hunger, national ownership and leadership (alignment with the priorities of the country concerned), South-South Cooperation (mutual exchange of experiences between developing countries, in particular best practices in reducing poverty and hunger), use of IBSA country capacities, strengthening local capacity, sustainability, replicability in other interested developing countries, and innovation (new ways of approaching development issues with an emphasis on the replication of innovative experiences already implemented in other developing countries, especially the IBSA countries).^c

Each IBSA member contributes US\$1 million to the fund. In Guinea-Bissau, the fund financed the introduction of new seeds and capacity-building in improved agricultural techniques. In Cape Verde, it financed the refurbishment of two local and isolated health units to support the elderly and the disabled. In Burundi it supported capacity-building workshops to improve the national HIV/AIDS plan. The fund has also been active in Haiti and in Palestine.

The IBSA Fund could become the springboard for increased development activities not only in Africa, but also in Asia and Latin America, using a pure South-South model. Both India and South Africa are in the process of streamlining their development cooperation activities into fully-fledged institutional entities. It is not clear what the relationship would be between the IBSA Fund and its members' respective development cooperation institutions; however, once these institutions are established there would be more opportunity for a systematized cooperation framework.

a In September 2010, the three governments were recognized by the Millennium Development Goal Awards, in partnership with the United Nations Development Programme's Millennium Campaign and the Office for Partnerships, for 'their leadership and support of the IBSA Facility for Poverty and Hunger Alleviation (IBSA Fund) as a breakthrough model of South-South Technical Cooperation.'

b The directors are the accredited representatives of the three countries to the UN.

c Information supplied by South Africa's Department of International Relations and Cooperation.

reassessing how it articulates its national interest in the context of its African agenda. There is debate over a more overt, commercially driven approach in its engagement, with some officials maintaining that this should not be South Africa's approach and others arguing that South Africa should get something out of its efforts to build continental structures and peace and security. Probably the biggest challenge for South Africa, not only in how it takes its relations with India forward but also in relations with other emerging countries, is the constant and careful balancing act between upholding African solidarity and differentiating itself as a regional power and an emerging market. While South Africa often believes that it should

speak out on African issues when it is given an opportunity at global forums, neither India nor any of the other emerging powers take that approach.

The two countries' different interests also arise from their size and potential power-projection. India is an aspiring global power. South Africa, for all its global influence, can never aspire to be a global power in the same way. Yet India is not in a position to allocate vast resources to Africa, while South Africa is clearly the regional hegemon, whether it regards itself as such or not. Thus in the short term, any cooperation in developmental initiatives in Africa is likely to be limited in scope and tend to react to opportunities as they present themselves.

A Índia e a África do Sul como Parceiros para o Desenvolvimento em África?

Resumo Executivo

- Pode-se explicar o engajamento da Índia e da África do Sul em África em termos tanto das mudanças do poder global e da realpolitik como do desejo que estes países têm de serem considerados actores positivos no desenvolvimento e na partilha de responsabilidades globais.
- A Índia articula a sua política para África através de um prisma de interesses nacionais, em especial no que diz respeito à segurança energética, ao comércio e ao terrorismo. A sua colaboração no desenvolvimento é um subproduto da sua participação em África, e não uma força motriz básica.
- A África do Sul está de momento a reavaliar a forma como os seus interesses nacionais são articulados no contexto do seu programa de acção para África. O país considera a participação da Índia em África um fenómeno positivo, particularmente em termos de uma concentração no desenvolvimento de recursos humanos, TI e agricultura.
- Embora a colaboração entre os dois países seja possível em certos sectores, noutros talvez seja politicamente demasiado delicado que sejam observados a trabalhar juntos. Ambos têm o objectivo de fazer avançar os seus interesses comerciais no continente, o que implica um elemento de rivalidade.
- Existe a oportunidade de aprofundar a substância das relações políticas e económicas entre a Índia e a África do Sul, o que tem sido dificultado pelas diferentes prioridades e problemas de capacidade enfrentados em ambos os países. A colaboração para o desenvolvimento em África entre os dois países não constitui prioridade para nenhum deles, mas o emprego do sector privado neste campo é um modelo potencial importante.

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