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# India's Engagement with the African **Indian Ocean Rim States**

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## **Summary**

- In recent years India has strengthened its involvement in the African Indian Ocean Rim considerably. This shift in policy comes in part because of India's desire to compete with China's growing influence in the region. The Indian Ocean has immense significance to India's development. India's strategy is deepening not only commercially but due to concerns over its security and hegemony in the region, which are underpinned by India's 2004 maritime doctrine.
- During the mid-1990s Indian foreign policy was largely introspective and concerned with consolidating its position as the regional power. Despite being a member of the Indian Ocean Rim Association for Regional Cooperation, there was little enthusiasm for the association and it produced few tangible results. The emergence of trilateral developmental initiative between India, Brazil and South Africa clearly reflected India's priority of positioning itself as a major developmental power.
- The growing importance of the African Indian Ocean Rim to India is evidenced by increasing bilateral and trilateral efforts and improved relations, notably with Mauritius, the Seychelles, Madagascar and coastal states such as Mozambique, Kenya and Tanzania. India's most formidable economic and commercial partnership in the African Indian Ocean is with Mauritius.

### Introduction

Colonial history has tied a number of African Indian Ocean Rim countries to the India sub-continent since the 16<sup>th</sup> Century. Mozambique was a staging post for the Portuguese in Goa and often used over stamped Indian rupees. The British East Africa Protectorate (now Kenya and parts of Uganda) was

originally administered out of Bombay and Indian rupees were its currency from 1897-1920. Today rupees remain the currency of the Seychelles and Mauritius and a significant Indian diaspora lives along the coast of East and Southern Africa, particularly in Mauritius, Kenya and South Africa. India has its most comprehensive diplomatic presence in this part of Africa, with embassies or high commissions in Kenya, Tanzania, Mozambique, South Africa, Seychelles, Madagascar and Mauritius.

Although India regards the Indian Ocean as its backyard, it had only really regarded its relationship with Mauritius as a strategic partnership, cooperating with others primarily through South-South initiatives such as the Non-Aligned Movement, the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) and further ad hoc economic arrangements led by the Indian private sector. Over the past few years, India has deepened security and diplomatic co-operation with the Seychelles, South Africa, Madagascar and Mozambique. This paper charts the evolving relationship between India and other countries of the African Indian Ocean Rim and looks at factors inducing change.

## The Indian Ocean Rim Association for Regional Co-operation

The collapse of the Soviet Union led to a period of introspection in Indian foreign policy, out of which it moved to develop new relationships in order to shore up its position in a potentially multi-polar world. In the mid-1990s, Indian foreign policy largely centred on improving relations in its immediate neighbourhood, confirming its position as the regional power. This aspiration was fundamental to India's support of the IOR-ARC regional grouping.

Shared membership of the IOR-ARC links India to the African Indian Ocean Rim states. South Africa was the original instigator, initially through apartheid era foreign minister Pik Botha in 1990. As the country emerged from apartheid in the early 1990s, South Africa sought to re-assert itself and the search for increased co-operation across the Indian Ocean was one such effort. In 1995, then president Nelson Mandela stated, The natural urge of the facts of history and geography should broaden itself to include the concept of

an Indian Ocean Rim for socio-economic co-operation and other peaceful endeavours.'  $^{\mbox{\tiny N}}$ 

In India at this time, economic reforms and liberalisation of the economy were under way and after 1994, when India joined the Multilateral Investment Guarantee Agreement, the country was more open for such relationships. Indeed liberalisation was a primary reason for India's support of the IOR-ARC. VII

India also saw IOR-ARC as a body that could compete with the South Asian Association for Regional Co-operation (SAARC) within which Indo-Pakistani rivalry impeded progress. The rejection of India's membership application to join the Asia Pacific Economic Co-operation (APEC) group provided further impetus as the IOR-ARC fitted India's then emerging 'look east policy'. VIII

When India's Foreign Minister Inder Kumal Gujral briefed his parliament on the launch of the IOR-ARC, he expressed the view that 'The Indian Ocean Rim is linked to India's destiny by name, by the Indian diaspora and by the opportunities these Rim countries hold for expanding and globalising the Indian economy.' He added, 'Indian participation in IOR-ARC takes further our wider neighbourhood strategy. South Asia, South-East Asia, Asia-Pacific, the Gulf, East and Southern Africa are now part and parcel of our close neighbourhood approach and nodal points of intensified interaction', heralding the association as 'yet another dimension of South-South co-operation'. Gujral was keen to improve relations with India's neighbours and smaller and developing countries, not least because of aspirations of gaining a permanent seat in the UN Security Council (often called the Gujral Doctrine).

Another key country was Australia, which was, at the time, looking 'west', wanting to emulate Asia Pacific Economic Co-operation (APEC) but also looking for expanding markets. Further, in 1995 the Australian foreign minister was seeking support for his candidature of the UN secretary general post.

Australia, India, Kenya, Mauritius, Oman, Singapore and South Africa originally came together in 1995 in Mauritius, to discuss the formation of the

IOR-ARC.<sup>xi</sup> By the time of the launch, 14 countries had signed up. Seychelles, not included in the initial line up, was concerned that Mauritius was attempting to dominate representation of the South-West Indian Ocean, but subsequently became a member after the second Ministerial meeting in Maputo (Mozambique) in March 1999 until 2004.<sup>xii</sup> Four other countries also joined at this meeting, considered on a case-by-case basis, but Pakistan's application for membership was rejected as it did not offer Most Favoured Nation status to India.<sup>xiii</sup>

On paper, the association looks impressive, with 18 member states covering 75-million square kilometres, including India and Indonesia, South Africa and Australia. With its secretariat based in Port Louis (Mauritius), the IOR-ARC aimed to have major summits every two years presided over by foreign ministers as well as a second track of regular technical meetings. Since 1997, the association has met regularly but produced few tangible results. Parallel business and civil society networks have collapsed, replaced by the Indian Ocean Rim Academic Group, the Indian Ocean Rim Business Forum and the Working Group on Trade and Investment, but again little of substance has emerged from any of these initiatives.

India, Australia and South Africa showed dwindling interest in IOR-ARC, as evidenced by reduced ministerial attendance at summits. Australia's interest waned after the second ministerial conference in Maputo in 1999 when it realised that voluntary trade liberalisation would not take place. When Thabo Mbeki became president, South Africa had become more interested in issues closer to home such as the Southern African Development Community (SADC), the converting of the Organisation of African Unity into the African Union (AU) and the New Partnership for Africa's Development (Nepad), initiated in 2001. \*\*India still showed some interest but found that the IOR-ARC had not assisted it to assert its regional space nor had it stimulated trade and investment. A non-paper drawn up by the association's Secretariat was discussed in March 2007 at the seventh meeting of the Council of Ministers of IOR-ARC in Tehran. It identified the following problems:\*\*

There had been no correspondence on the Constitution from the Group of Heads of Mission (Mauritius, Iran, Singapore and United Arab Emirates) tasked with conceptualising the Format of the Economic Summit or on its proposals:

Disappointment in the activities of the Working Group of the Heads of Mission, which had apparently lost interest in its work;

Regional meetings not being held on schedule and sometimes cancelled;

Difficulties experienced by the Secretariat in keeping up with the dynamic global economic conditions;

A lack of technical staff at the Secretariat affecting the performance of the Secretariat and the organisation at large.

There have been some efforts to remedy the situation. South Africa seconded an official to Mauritius to augment the capacity of the Secretariat. In 2006, Iran, as the two-year chair of the association, established an ambassadorial-level working group in South Africa to provide some momentum in implementing projects. Pretoria plays an important role, given that it is the only state in which all 18 members are diplomatically represented. An expert meeting on a trade priority agreement also took place in Oman in September 2007. In 2008, the organisation still has 18 Indian Ocean states as members. China, Egypt, France, Japan and the United Kingdom are Dialogue Partners, while the Indian Ocean Tourism Organisation is an observer.

The reality, though, is that with the exception of Mauritius, Oman (because it needs more economic space to assert itself) and Iran (to break international efforts to isolate it), there is little enthusiasm for the IOR-ARC. The IOR-ARC charter adopted in March 1997 highlighted 'shared experiences and geo-economic linkages' of members. In essence it advocated open regionalism through voluntary action and sectoral co-operation at a time when regionalism as a response to globalisation was fashionable.

However the IOR-ARC is much too disparate and a regional grouping based on economic integration without a political agenda or a strong vision is difficult to sustain. The IOR-ARC expanded its membership too quickly and embarked on sectoral projects that were of limited interest to the majority of its members. It is therefore not surprising that co-operation among member countries of the IOR-ARC has comprised largely bilateral, rather than regional, arrangements. This is perhaps an inevitable outcome given that

'consensus based, evolutionary and non-intrusive economic co-operation' is a defining feature of the IOR-ARC. xix

Over the past five years, as India experienced dramatic economic growth, and circumvented multilateral institutions that it had little or no role in forming, bilateral initiatives became more important. This move away from regionalism was underlined by a reaction to the Indian Ocean *tsunami* in December 2004. While India played a significant role in relief efforts, nothing was co-ordinated under the IOR-ARC — although paradoxically this was perhaps the first time that any real shared sense of purpose existed among Indian Ocean Rim countries.

## India-Brazil-South Africa (IBSA)xx

When South Africa's Mbeki defended his record in office on 17 December 2007 and outlined why he should be re-elected leader of the African National Congress (ANC), he made no reference to the IOR-ARC but to the IBSA trilateral developmental initiative between India, Brazil and South Africa in promotion of South-South co-operation and exchange.

IBSA emerged in the context of discussions between the relevant countries at the G-8 meeting in Evian (France) in 2003 and, following ongoing trilateral consultations, the foreign ministers of the respective countries met in Brasilia on 6 June 2003 to launch the IBSA Dialogue Forum. For India, the emergence of IBSA reflects a change in policy after 1998. With the Bhartiya Janta Party coming to power, India became less interested in developing relations with smaller countries and keener to position itself as a major power in order to be compared to other large powers, such as China and Brazil. A hybrid version of this policy emerged following the 2004 election of the National Congress to power. India remains focused on large powers but also has shown renewed interest in smaller countries.

In October 2007, Mbeki, Brazil's Luiz Inácio da Silva and Indian Prime Minister Manmohan Singh signed a slew of co-operation agreements, on issues such as wind resources, health and medicines, culture, public administration, higher education, and customs and tax administration. The

group reaffirmed its goal of achieving free trade agreements but made little headway on tariffs. Defence was also identified as an area of future cooperation, with South Africa announcing that in May 2008, the three nations' navies planned to participate in joint exercises off Cape Town.

IBSA clearly fits India's, Brazil's and South Africa's more immediate priority of reforming the UN Security Council and also expansion of the G-8 industrialised nations to a G-13 (to include South Africa, Brazil, China, India and Mexico). But as an economic alliance it is unlikely that it will be any more successful than the IOR-ARC. \*\*xiii\*

The debate about China's request to be included in the IBSA Dialogue Forum on commercial issues is also revealing. South Africa supports China but India, fearing loss of influence, has opposed the move on the grounds that China is not a democracy.

### **Bilateral growth**

India, asserting itself through bilateral and trilateral efforts, has strengthened its relations along the African Indian Ocean Rim, notably with Mauritius, the Seychelles, Madagascar and coastal states such as Tanzania, Mozambique and Kenya. These states are members of the AU, and other regional or economic groups such as SADC and the Common Market of Eastern and Southern Africa (Comesa). xxiii

An Indo-Seychelles Commission exists and during a state visit of the Seychelles president to India in 2005, India pledged \$10 million to the government's reform programme and to assist with debt rescheduling. There is also a bilateral medical agreement under which serious patients are taken to India for treatment. India also provided construction equipment and materials to the Seychelles as part of the reconstruction efforts of infrastructure damaged by the *tsunami*.

India is also looking to expand its commercial activities in Madagascar. India's Essar Group has already taken stakes in three oil and gas exploration blocks

in Madagascar. Trade between India and Kenya touched \$450 million in 2004-05, an increase of nearly 55% over two years (slightly below China's trade with Kenya). Indian exports to Kenya include engineering goods, pharmaceuticals and cotton while imports comprise inorganic chemicals and gemstones. In January 2008, Essar Group announced that it would invest millions of dollars in two local operations: the Econet wireless subsidiary in Kenya and Kenya Petroleum Refineries, in which the state has a 50% stake.

The Indian Oil Corporation Ltd (IOC) also announced in 2007 that it was looking to operate in Kenya, Tanzania and Mozambique. IOC offered Mozambique support in building a compressed natural gas (CNG) network, gas-based petrochemical plant (in the event that excess gas is available), as well as liquefied natural gas (LNG) business opportunities. Mozambique has attracted increased interest from Indian business and is now among its top 10 investors. India has also cancelled the debts owed by Mozambique and by Tanzania. In July 2007, Maputo was chosen to host a meeting of the Conclave on India/Africa Project Partnership 2007, a signal that Indian business sees Mozambique as an entry point into the SADC market.\*

However, India's most formidable economic and commercial partnership in the African Indian Ocean is with Mauritius. Likewise Mauritius has stressed the 'overwhelming importance of India' for its own development. Ties between the two countries are particularly close because out of Mauritius's 1.25 million people, 68% are of Indian origin.

With the winding down of privileged access to European markets under the Sugar Protocol, together with reduced competitiveness in the labour market, Mauritius has increasingly looked to economic links with Southern African countries with which it has friendly relations to offset reduced revenues. South Africa is Mauritius's most significant continental trading partner and the latter has become a prime source of cheap goods for the Mauritian market, a relationship boosted by its relatively close proximity. Madagascar and Mozambique are other African markets with which Mauritius is developing closer economic links. In 1998 an agreement with the government of Mozambique allowed for the establishment of a 100 000 hectare special economic zone on the Mozambique mainland. More recently, in 2005, Mauritius signed a number of bilateral agreements on tourism, fisheries and textiles with Madagascar, and similar (although more limited) agreements with

Seychelles.\*\* An earlier Indian study financed by EXIM Bank in 2002 identified sectors in which Mauritius should seek to gain a foothold in Africa with India working as an implementing partner.

Mauritius has further sought to develop its services industry in order to diversify its traditional economic base of sugar, textiles, and tourism. The number of Indian visitors to Mauritius has increased by 50% from 2003 to 2007 and in response Air Mauritius is planning a direct Bangalore-Mauritius flight by mid-2008. Financial service provision has also been central to this diversification strategy. The island has become a significant provider of offshore banking and investment services for a number of South Asian countries (particularly India), as well as for member states of SADC and the IOR-ARC. Mauritius, a stable middle-income country with a bilingual and skilled workforce, is also attractive for foreign investment because of its good and soon- to-be-expanded port facilities.\*

However, the far-reaching Comprehensive Economic Co-operation and Partnership Agreement between the governments of India and Mauritius centred on investment and economic co-operation and the increased flow of Indian investment and technology transfer has yet to be finalised due to lack of progress over the controversial Double Taxation Avoidance Agreement. Under the agreement, foreign direct investment (FDI) into India has been increasingly routed through Mauritius as there is no capital gains tax in either India or Mauritius for the sale of shares in an Indian company by a Mauritian company. India is a major trading partner and Mauritius is the single largest offshore investor in India accounting for \$1.9 billion during the 2007 June quarter. The Prime Minister of Mauritius assured the Indian side that measures had been taken to ensure the provisions of the Double Taxation Avoidance Agreement were not misused while India reassured Mauritius that no action would be taken that would hurt the Mauritian economy, in particular its financial services sector.

#### Increasing strategic importance

On 16 December 1971, the UN General Assembly adopted a resolution declaring the Indian Ocean 'for all time as a zone of peace'. The groundwork for this had been laid at the Non-Aligned Summit in Lusaka in 1970. India

supported these efforts, but it is clear that they were a product of the geopolitical environment of that time and focused on superpower rivalry. \*\*xxxiv\*\* The introduction of nuclear issues into the region complicated things and nothing of consequence was achieved by the time the UN Committee, set up to implement the General Assembly resolution, was dropped in 1998. \*\*xxv\*\* By 1997, India's policymakers believed that the 'meetings of the Ad Hoc Committee have shown that they more often add to the problems than they resolve them and they do not contribute to an effective dialogue. It is suggested that a better option may be to bury the dead and start anew'. \*\*xxxv\*\*

In 1997, shortly after the launch of the IOR-ARC, Inder Kumar Gujral, then Indian Minister of External Affairs said, 'By virtue of its geographical position, India has a natural interest in maintaining the Indian Ocean as a region free from military rivalries. The Indian Ocean Rim initiative, with which we have been associated since its inception, aims to bring together countries with a shared objective.'\*\* However, security co-operation within the framework of the IOR-ARC was not part of India's immediate vision. India is wary of Pakistani, US and particularly Chinese military influence, which has led to the increasing significance of the African Indian Ocean Rim states.\*\* Mauritius has regularly supported India from selective membership of IOR-ARC on issues related to defence.\*\*

Since it was published in 2004, India's Maritime Doctrine has shaped India's policy in the Indian Ocean. It asserts that all 'major powers of this century will seek a toehold in the Indian Ocean Region' and envisages an ambient naval presence from the Strait of Hormuz to the Strait of Malacca.<sup>xl</sup>

Chinese diplomatic and economic expansion in the Indian Ocean is watched particularly closely by India. China is increasing its access to global ports and airfields and developing special diplomatic relationships from the South China Sea to the Arabian Gulf. The state-owned China Harbour Engineering Company, with a \$198 million Chinese loan, helped Pakistan complete Phase I for its deep-sea port at Gwadar, just 72 kilometres from the Iranian border at the mouth of the strategic Strait of Hormuz, a major conduit for global oil supplies. The significance of the Indian Ocean to India's economic development and security is immense. Most of India's trade is by sea and nearly 89% of its oil arrives by sea. Avoiding disruption in the sea lanes of communication in the Indian Ocean are vital for India's economy.

Delhi was particularly alarmed that Chinese President Hu Jianto ended his tour of eight African states in early 2007 by visiting the Seychelles. Symbolically in March 2007, 10 members of China's communist Youth League arrived in the Seychelles, the first of a group of more than 300 youth volunteers. Increasing Chinese activity in the Seychelles resulted in India signalling its concern to Beijing when External Affairs Minister Pranab Mukherjee indirectly warned the Chinese that 'We have a strong stake in the security and stability of these waters, which is linked to energy security, since a large percentage of Asian oil and gas is shipped through the Indian Ocean'. XIIII

The Indian navy has patrolled the Exclusive Economic Zone of Mauritius since 2003. \*Iiv\* India has similarly agreed on defence co-operation with Seychelles through a Memorandum of Understanding drawn up in 2003 for India to patrol its territorial waters. In February 2005, a move by the Indian naval chief ahead of an anticipated Chinese move in a similar direction included provision of Indian patrols and training of Seychelles navy personnel, in addition to the donation of a patrol vessel and helicopters. The Indian government took a further step to strengthen initiatives with the island nation when, in September 2005, it created a new defence ministry office headed by a two-star admiral. \*Iiv\* The Indian navy is planning further joint exercises with the Seychelles in 2008.

A further response has been India's first listening post on foreign soil, which began operations in northern Madagascar in July 2007. New Delhi has apparently rented land for \$2.5 million from the Malagasy government in order to construct a radar surveillance station with high-tech digital communication systems to watch shipping movements. In India has further been in discussions with the Mauritian government about a long-term lease of the Agalega Islands, which would officially serve as a high-end tourist resort. In strategic terms, Agalega could serve as a small, yet important, base on the path between India and the important shipping lane of the Mozambique Channel on the south-east coast of Africa. In strategic terms, and the important shipping lane of the Mozambique Channel on the south-east coast of Africa.

Indian military ties have also been growing with other African Indian Ocean Rim states. In late 2004, the Indian air force conducted a combined air

defence exercise with its South African counterpart — the first ever combined air exercise by India in Africa with six mirage-2000s — with the help of two II-78 aerial tankers and two II-76 transporters carrying personnel and supplies to South Africa via Mauritius. India and South Africa also conducted combined naval drills off the African coast in June 2005.

India's president visited Tanzania in 2004, which led to an agreement for increased training of Tanzanian military personnel in India and more frequent calls by Indian warships at Tanzanian ports. Relations have also expanded with Mozambique. For example, India provided joint patrols off the Mozambique coast during the AU summit in Maputo in 2003 and provided this service again in 2004 for the World Economic Forum's meeting in the capital.xiviii In 2006, a defence agreement was signed to enable the Indian navy to organise regular patrols off Mozambique's coast and to supply it with arms and services for defence purposes.xiix

Piracy and counter-terrorism also feature in India's increasing naval interest in the African Indian Ocean Rim. Regular acts of piracy in the sea off Somalia has made that country's waters the most dangerous for merchant shipping in the world. Indian ships are not immune; an Indian commercial vessel and its 35 crew were hijacked by Somali gunmen in March 2006, for example.

#### Conclusion

India's African Indian Ocean Rim strategy is deepening and, unlike India's engagement in other parts of Africa, is not simply about commercial links, but is also underpinned by India's 2004 maritime doctrine. New Delhi maintains a special relationship with Mauritius because of its strong Indian population but also because it is the largest offshore investor in India. Chinese and Pakistan efforts in the African Indian Ocean Rim are closely monitored by India and concerns about Chinese expansionism have resulted in India looking to deepen its defence and commercial engagement with the Seychelles, Madagascar, Mauritius and Mozambique. India's blocking of Pakistan's membership of the IOR-ARC and China's access to IBSA, are part of this policy.

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#### **Endnotes**

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<sup>&</sup>lt;sup>i</sup> ALEX VINES is the Africa Programme Head at Chatham House in London and BERENI ORUITEMEKA is a consultant project assistant to the programme.

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Approximately 80 000 ethnic Indians are currently resident in Kenya.

iv India had 20 ambassadors or high commissioners posted in sub-Saharan Africa in 2007. In addition to missions in all the African Indian Ocean Rim countries (except Comoros), there are envoys in the Democratic Republic of Congo, Angola, Namibia, Botswana, Côte d'Ivoire, Senegal, Sudan, Uganda, Zambia, Zimbabwe, Ghana, Nigeria and Ethiopia. There is also a network of honorary consuls.

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