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India – Africa: Trade and Investments in the 21st Century

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ABSTRACT. *The article discusses commercial relations and investment flows between India and the countries of Africa against the backdrop of globalization in the 21st century. The scale and substance of their economic interaction, determined by the level of development of their domestic economies and the specifics of external demand for the goods produced, significantly differ. African countries continue to require an inflow of foreign investments, especially given the substantial lag the majority of such countries still demonstrates in the development of their own research and development sector. In Africa's intercontinental contacts, a high degree of involvement is shown by India, whose government adopted the 2002 "Focus Africa" program aimed at promoting consistent development of economic contacts with the continent's countries. A considerable share of the shadow sector in their GDPs remains an essential negative feature of economic structures of the African countries and India. It not only complicates adequate assessment of the economic processes ongoing in those countries, but also has an adverse effect on the efficiency of their state institutes. One can observe the emergence of the middle class (although uneven by scale) and, as a result, of new types of consumption and demand, and their proliferation. This is making their domestic markets increase and diversify, which, in turn heightens foreign exporters' and investors' interest in accessing such markets. Especially important here is India's economic policy on the relations with the countries of Africa, including its use of "soft power" for further expansion of its position. The article focuses on the main forms of economic relations of India and African countries, the growing activity of large businesses, and high level annual economic summits. African countries' exports to India retain a high share of raw materials, and, primarily, agricultural produce and hydrocarbons. The share of African oil in India's total imports in 2016 amounted to 15%. While the leading countries of the West continue their traditional presence in the African and South Asian markets, China, as an exporter and investor, is gaining in economic influence. The role of Japanese and South Korean capitals in the competition for African markets is also on the rise. In February 2018, African countries agreed to create a common market. This prospect will significantly intensify competition for economic positions in trade and investments with the countries of the African continent.*

KEY WORDS: *globalization, India, Africa, shadow economy, middle class, purchasing power, summits India-Africa, "soft power", trade, commodity structure, oil, investments, African common market*

One of the key characteristics of the modern stage of globalization is the emergence of changes in the economic interactions of countries that participate in the global economy. This objective process is due to technological shifts, growing competition, and the evolution of means of communication. The demand of India and African countries, where both aim at industrialization, and many of them – at modernization, for raising foreign investments as a gateway to modern technologies, has considerably risen. The scale, areas and substance of foreign economic contacts form an intricate scheme of their interstate relations.

The economic interaction of India and African states constitutes an important part of their positioning in the global economy. In the 21st century, South – South foreign contacts are becoming a crucial element of such interaction. Their evolution and growth are led by India: "… the foundation was laid by independent India's first Prime Minister, J. Nehru, who followed the traditions of Mahatma Gandhi" [*Chaturvedi* 2016, pp. 4–5]. India's influence is further assisted by its economic success. According to the IMF, in 2017, by its GDP India ranked sixth in the world, with a prospect of joining the top five states by that indicator.

In the present conditions, the economic interaction of the African countries and India is of practical and theoretical interest: it occupies a special role in the system of relations with the states of the South, which generally corresponds to African countries' interests. The 2001 NEPAD (New Partnership for Africa's Development) program adopted by the majority of African states, and the 2013 ambitious Agenda 2063 that followed, have emphasized the need for African states to expand their foreign economic contacts in order to develop and modernize their national economies.[1]

Unique Characteristics of the Economies of India and African States

The dynamic 21st century that keeps opening new prospects for economic ties between the countries, is adapting the established practice to external challenges and changing domestic needs. There processes, of various scales by their economic and political weight, involve 54 countries of the African continent, and India. Theirs are long-standing, historical ties that are attaining new features in the current reality. When one deals with populous groups of states, it is often feasible to unite them by some common characteristic. For a long time, researchers have used the categories of the "Third World" and "developing countries" for states that broke free of their colonial past by mid-20th century. Today, these definitions are difficult to use due to the current drastic differences of such countries. This article uses the terms "periphery countries" and even the "periphery", but they cannot apply to India, South Africa and some other African states, although a need for such an umbrella term persists.

It appears useful to view the forms of economic interaction based on the example of India's unquestionable leadership and its diverse ties with Africa's countries, among which South Africa holds important positions, being one of the most economically developed countries of the African continent (with its 2016 *per capita* GDP of USD 5.3 thousand, one of the highest figures on the continent). Both countries are members of the BRICS,

1 For more details, see [Morozenskaya 2016, pp. 10–23].

which further increases opportunities for their interaction [*Larionova, Kirton* 2018, pp. 71–75]. Based on the UN's classification, five countries, namely, Botswana, Lesotho, Namibia, Eswatini (formerly Eswatini), and South Africa make the region of South Africa, as well as form the Southern African Customs Union that has South Africa in its lead. Principal positions in the economic ties of the African countries, primarily with India, are held by South Africa and the oil-exporting Nigeria and Angola. Reciprocal trade contacts of the majority of other states of the African continent with India are less significant.

India dominates African countries' foreign economic ties politically and economically, largely shaping, or materially affecting their scale and forms. Its population of 1,342 million people in 2017 is somewhat bigger than the same figure for the entire Africa (1,256 million) [World Population Prospects 2017, p. 1]. Traditionally, India is economically and politically connected with the South African Republic in many areas. A comparison of the GDPs of India and South Africa, each a leader in its respective region, on the one hand, and the GDPs of their neighbouring states demonstrates substantial quantitative differences between them.

When analyzing the economic interaction of India and African states, one must not forget about a considerable shadow sector in their economic structures. The IMF's 2017 comprehensive study showed that in a number of African-Asian countries, the informal (shadow, second, illegal) sector occupies significant positions, thus limiting the scale of the official economy. This is illustrated by the below data on India and South African countries (Chart 1). A large share of informal relations in production and employment, concealed from the state, is one of the reasons for frequent discrepancies in the statistics of the social and economic condition of an enormous global periphery.

Despite the imprecision of the above figures due to the complexity of defining the very category of informal employment and the weakness of statistics services in most African-Asian countries, the considerable positions of the shadow economy are evident. This complicates an adequate assessment of their domestic economic processes and opportunities for growth. A unique example on the African continent is Zimbabwe with its 60% share of informal sector in the GDP that has caused liquidation of official economic forms and the loss of control over currency circulation.

The shadow sector's material positions in many countries in Asia and Africa mean mass tax avoidance, reduction of budget proceeds, and a boom of uncontrolled/illegal transactions with money. Secret economic activities deplete centralized financial resources that should potentially be used by the state for economic development. Their shadow sector of around 20–30% of the GDP signals a weakness of the

Chart 1. Shadow Economy in India and South African States in 2015, %

	India	South African States				
		South Africa	Botswana	Namibia	Eswatini	Lesotho
Share of the shadow economy	17.9	22.0	24.0	21.8	40.9	32.3

Source: Medina L., Schneider F. (2018) Shadow Economies Around the World: What Did We Learn Over the Last 20 Years? IMF Working Paper WP/18/17, pp. 69–76 // https://www.imf.org/en/Publications/WP/Issues/2018/01/25/Shadow-Economies-Around-the-World-What-Did-We-Learn-Over-the-Last-20-Years-45583, last accessed on October 12, 2018.

state and its main institutions. It is usually accompanied by high levels of corruption and the convergence of interests of local large businesses and bureaucracy. Shadow economic relations result in a decrease/loss of control, the public system's inability to perform its functions. This can be illustrated by the money reform in India, carried out by the government of N. Modi in November 2016 in order to bring the concealed financial resources from the shadow and into the light.

In India and African states informal employment includes a large share of people employed in agriculture and crafts, processing and sales of products, including small businesses, all of which forms an informal employment market. This should also include cross-border trade, movement of goods and people between neighbouring states, since the borders are not sufficiently guarded. Thus, some estimate a 30% share of contraband in the trade contacts between India and Bangladesh [*Galishcheva* 2013, p. 350]. The totality of these specific characteristics has resulted in the formal (accounted for) employment, for instance, in India, amounting to approximately 15% of all real employment. Based on an analysis of India's employment market, the authors of a McKinsey Institute Survey made an important conclusion, "The unemployment rate is not very meaningful in the context of a large informal sector", – explaining that unofficial employment with all its negative social and economic implications is the norm in peripheral countries [*Woetzel, Madgavkar, Gupta* 2017, p. 8].

When periphery states are concerned, it stands to reason to make one more commentary, although it can be deemed debatable. For a long time, inherent in the studies of the majority of Asian and African countries was a description of their mass poverty as a consequence of low or even inexistent income with the key strata of the population, with all the adverse consequences this implies. According to some estimates, up to a half of the population of African states still lives in poverty. But that situation has, albeit slowly and inconsistently, begun to change. In Africa, a positive role in this process is performed by the reduction of the number of open armed conflicts between the continent's countries. The early 21st century is witnessing a relatively stable acceleration of economic growth in many African countries, and, consequently, an uneven, but still apparent increase in the purchasing power of the population. Deutsche Bank associates it with urbanization and formation of an urban middle class.

These positive developments are confirmed by the growth of expenses of households in India from USD 487.7 billion in 2011 to USD 637.3 billion in 2016 (in fixed prices). The figures for the beginning of 2017 are incomparable to the preceding years, since the abovementioned monetary reform has already caused a short-term decrease of the income of the population. The recovery began in the second quarter of 2018 after a spike in the sales of motor vehicles – that is, 6.9 million automobiles of various types, mostly light passenger cars, were sold as compared to the 5.8 million in the end of the preceding year.

N. Modi, speaking on June 25, 2018 in Mumbai on the occasion of the third anniversary of the creation of the Asian Infrastructure Investment Bank (AIIB), emphasized that this century is the age of Asia, and informed that the middle class in India numbers 300 million people.[2] Even with moderate income, that forms a huge consumer market. The growth of the middle

2 PM Narendra Modi's Speech at Opening Ceremony of Third AIIB Annual Meet (2018) // Financial Express, June 26, 2018 // https://www.financialexpress.com/economy/full-text-pm-narendra-modis-speech-at-opening-ceremony-of-third-aiib-annual-meet/1220855/, last accessed on October 12, 2018.

class causes qualitative changes in the country's domestic market. Demand gradually diversifies, the sector of services, including medical treatment and education, develops ahead of expectations, stimulating the national economy as a whole. There is a notable and quickly growing share of services in the GDP structure, as well as employment in India and a number of African countries, especially South Africa. According to the assessment of the African Development Bank, consumer expenses of the population of the continent's countries will amount to USD 1.4 trillion by 2020. The rising demand and gradual changes of its commodity structure affect the diversification of imports, primarily, of consumer goods.

The results of the above analysis of the specifics of India's and African countries' economies can be summarized as follows. Restriction of shadow economy can not only increase the real collection of taxes and revitalize the government apparatus and its key institutions. This policy will also allow to reformat public investments and make them more efficient. This may, among other things, result in an increase of the disposable income of the population. In that case, one can also anticipate an augmentation of the consumer purchasing power and the domestic consumer demand. Notably, the IMF listed the three main engines of economic growth, in the following order: consumption, investments, exports. Accordingly, economic growth is facilitated as the shadow sector's share in the GDP diminishes and a middle class emerges.

India: A Course Towards Expanding Economic Ties with African States

Globalization creates qualitatively new opportunities for the global economy's actors for accelerating their economic growth *via* mastering new technologies. The substance and forms of foreign economic ties between groups of countries that are different by their level of economic development, are changing. These processes involve, with varying success, all African states. As to India, it occupies a prominent position in the global turnover of goods, and seeks to further expand its influence.

In 2002, India's government adopted the "Focus Africa" program, further energized by Narendra Modi's assumption of the office of Prime-Minister. It purported to increase the commodity turnover, investments and other forms of economic cooperation with the participation of Indian public and private businesses. As an important part of this policy, the leaders of India and African countries have met on an annual basis. The October 2015 Third India – Africa Forum Summit held in Delhi became a certain landmark: India's government welcomed top officials of 54 African states, as well as the representatives of businesses. During the Forum's work, the parties noted the growth of India's bilateral trade with African countries in the last 10 years and the need to revitalize reciprocal economic contacts. An agreement was reached on implementing over 150 projects in Africa, including in the sphere of energy, to be funded with India's involvement. The least developed countries that make the majority on the African continent received additional benefits on exports to India. The Forum confirmed the principle of "soft power" in India's policy towards African countries – that is, humanitarian cooperation in education, healthcare, and culture. The participants announced the grant of 50,000 scholarships to educate students from Africa in India and a loan of USD 600 million to the "India – Africa" Foundation. This area is especially important for the majority of states in the Central and Southern Africa, since their human capital is defined as "low viability" capital, given the short life span, poor health and low levels of education [*Bulatov* 2017, p. 626]. They also discussed the problem of "blue economy", important for many African countries, since the safe use and protection of ocean basins are urgent issues, and those countries are waiting for assistance on such issues, including from the Indian navy.

The final meeting of the Third Forum affirmed India's suggested mantra of three 'S's – Skill, Scale, Speed, to characterize the relations between participating countries. The Forum adopted comprehensive final documents: the India-Africa Framework for Strategic Cooperation and the Delhi Declaration of the Third India Africa Forum Summit 2015. However, these were largely declarative in nature and turned out much less valuable than the specific economic proposals made to a number of African countries in December 2015 at the meeting of Chinese and African officials. That marked a new stage of competition of two of the largest states in the world for a foothold on the African continent.

In 2016, the policy of cooperation with African countries was supported by the formal visits of Indian officials who had primarily political aims before them. The country's President Pranab Mukherjee visited Ghana, Côte d'Ivoire and Namibia; Vice-President Hamid Ansari met the heads of Morocco and Tunisia, rarely visited by the Indian government. A communiqué issued as a result of those visits highlighted an aspiration towards intensifying contacts and developing cooperation. The same year was also marked by the first state visit of N. Modi to Mozambique in 34 years. India's capital holds important positions in that country's production of steel and coal, which occupies a vital place within India's energy balance (for more details, *see* [*Usov* 2014, pp. 177–180]). An Indian state oil company that owns one third of the shares in the local large oil deposit, aims to increase its share to expand exports to India. Its investments rank 8th in the foreign capital invested into Mozambique's economy. In order to multiply mutual financial proceeds, the countries entered into intergovernmental double taxation agreements. A deficit of grain in India due to the 2016 crop failure was overcome through agreements on Mozambique's supplies of beans, which serves as a nutritional base for India's poorest social groups, and doubling Indian procurement of bread grain by 2020.

N. Modi's African tour continued in Tanzania, where he signed an agreement on cooperation in the agricultural sector and an agreement on the possible creation of joint ventures in order to exploit that country's natural resources. Of notice is India's involvement in the functioning of the agricultural sector of a number of African states, since the continent as a whole is a pure importer of food due to adverse climate, preponderance of backward forms of economic management and, consequently, frequent harvest failures. N. Modi's visit to Kenya ended in the signing of an agreement on cooperation in the sphere of defense; the country's government received a gift of 30 field ambulance vehicles. In the context of India's "soft power" policy, a grant of USD 1 million was made to the Mahatma Gandhi Library of the University of Nairobi. There was an endorsement of N. Modi's government-funded practice of inviting young Africans to study in India, greatly appreciated by countries South of Sahara. The reason is simple enough: "Sub-Saharan Africa is the only part of the world where "massification" [mass education] is not much in evidence yet" [Excellence v Equity 2015, p. 4].

N. Modi's 2016 African tour ended with his visit to South Africa, which accounts for most of India's exports to Africa. That country is where Indian largest companies operate along with small and medium-sized businesses, working predominantly in the sphere of services. During his visit, N. Modi also mentioned that

South Africa's President J. Zuma supported India's intention to join the suppliers for the implementation of the South African nuclear power plant construction program. He has not, however, expressly endorsed that agreement.

In 2017, N. Modi, as a guest of honor at the meeting of the African Development Bank, called Africa India's top priority in terms of economic policy and foreign trade. Annual India – South Africa Summits became not only a form of activating their cooperation, but also an avenue for expanding contacts with other African states. During the negotiations at the Summit in January 2018, India's and South Africa's officials discussed opportunities for increasing commodity circulation by way of expanding contacts in the spheres of defense, energy and agro-processing. The participants noted that the volume of reciprocal trade between the two countries is growing, but with apparent fluctuations, and that they have failed to achieve a substantial revision of the commodity structure. Practical measures to rectify the situation were not sufficiently thought through. It seems, the imminent resignation of South Africa's President J. Zuma under the pressure of public opinion, enraged by the enormous scale of his corruption, has exacted its toll on the negotiations.

An increasing role of large Indian businesses in the foreign economic ties of India and South Africa was confirmed at the India South Africa Business Summit in Johannesburg on April 29–30, 2018 (the term "Business" was added for the first time) under the slogan "United by Legacy, Unified for Prosperity". The Summit was hosted by South Africa's new President Cyril Ramaphosa, who took this office on February 2, 2018 after the resignation of J. Zuma. Its distinctive feature was the wide attendance of representatives of large businesses advocating for maximization of the economic partnership of South Africa and India and mutual improvement of the investment climate. The Indian party suggested increasing its exports to South Africa, but the Summit hosts stressed that that would require introduction of concessive prices to Indian goods. As regards exports to India from other countries of the continent, according to trade statistics, in 2016 and 2017, the number of African countries actively exporting goods to India did not exceed six. South Africa's businessmen were also interested in Indian methods of developing startups in pharmaceutics, medicine, banking and insurance. Delegates from India and South Africa held a business meeting with the involvement of representatives of Lesotho, Botswana, Mozambique and Zambia, to signify an intention to expand economic interaction with these countries. Their representatives once again spoke in favor of liberalization of India's foreign trade.

As evidenced by discussions at annual summits between India and South Africa, that often invite the representatives of South Africa's neighbouring states, their participants acknowledge the need for intensification of mutual economic contacts. But the inertness of the existing economic structure, primarily of India's counterparties, is difficult to overcome. The summits reiterate. without fail. intentions to update the commodity range, increase the share of finished industrial products, but real developments to date are few and far between. India faces constantly growing competition on the part of China's business's assertive policy that seeks to secure its position on the African continent with the support of its state.[3]

3 South Africa-India Business Summit to Strengthen Trade, Investment (2018) // SABCNews, April 29, 2018 // http://www.sabcnews.com/sabcnews/systems-go-india-sa-business-summit/, last accessed on October 12, 2018.

Foreign Trade in India – Africa Interaction

Foreign trade contracts invariably remain the main form of economic ties between the countries of the Asian and African continents. For the majority of states, the beginning of the 21st century has been marked by a sequence of slumps and revivals of the rates of economic growth, dominated by upward trends and a special role of India with economic growth of up to 6.5-7.5% in some years of the 21st century. The IMF Report notes a consistent rise of its economy up to 7.4% in 2019, and this figure has been raised to 8% in the recent publications. 2018, however, has shown dangerous signals, such as the continuing growth of global oil prices and a leaping fall of the Indian rupee.

India and South Africa dominate in their respective regions by the scale of commodity turnover. The highest levels in 2017 are represented by India's trade with South Africa (USD 6.9 billion imports and USD 4.1 billion exports) and Nigeria (USD 8.3 billion imports and USD 2.1 billion exports). The indicators for India's 2017 trade with 43 African countries (Chart 2) evidence that the country's principal trade flows are still not due to Africa, African trade constituting no more than 8% of its global turnover.

In the second decade of the 21st century, India's foreign trade with South Af-

Chart 2. India's Trade with African Countries in 2017, USD million

Partners	Export	Import	Goods turnover	Country's share, %	Trade balance
World	294,400	444,100	738,500		-149,700
Africa	23,695	35,552	59,247	100.0	-11,860
South Africa	4,100	6,900	11,000	18.6	-2,800
Nigeria	2,100	8,300	10,400	17.6	-6,200
Angola, Egypt, Ghana, Tanzania			< 4,450	< 7.5	
Mozambique, Kenia, Algeria, Botswana, Sudan, Senegal, Zambia, Morocco			< 2,100	< 3.5	
Côte d'Ivoire, Guinea, Burkina Faso, Mauritius, Ethiopia, Benin			< 1,200	< 2.0	
Uganda, Equatorial Guinea, Togo, Somalia, Cameroon, Madagascar, the DRC, Tunisia, Gabon, Liberia, Mali, Guinea-Bissau, Zimbabwe, Congo, Gambia, Niger, Chad, Rwanda, Namibia, Lesotho, Libya, the CAR, South Sudan, Mauritania			< 600	< 1.0	

Source: [UN Comtrade Data 2017].

Chart 3. India's Trade with South Africa in 2011–2018, USD million

	2011–2012	2012–2013	2013–2014	2014–2015	2015–2016	2016–2017	2017–2018
India's exports	4,731.17	5,106.93	5,074.29	5,301.99	3,588.74	3,545.95	1,488.30
India's imports	9,973.11	8,887.89	6,075.26	6,496.52	5,948.42	5,833.75	2,688.30
Total trade	14,704.29	13,994.82	11,149.55	11,798.51	9,537.15	9,379.30	4,176.60
Data on trade in 2017–2018 is for the period from April through August							

Source: India – South Africa Relations // Mea.gov.in // https://www.mea.gov.in/Portal/ForeignRelation/36_South_Africa_December_2017.pdf, last accessed on October 12, 2018.

rica dropped, among other things, due to the volatility of global prices and the limitations introduced by the Indian party (Chart 3).

In 2017, the top 10 positions in the commodity structure of South Africa's imports from India were taken (in USD million) by mineral fuel, including oil – 927.3; transportation vehicles – 640.4; pharmaceutical goods – 493.3; machinery – 203.0; organic chemistry products – 158.2; grain – 125.8; electronics – 110.0; plastic goods – 7.9; rolled steel – 62.3; steel – 55.4.[4]

Top 10 commodities in South Africa's exports to India in 2017 include (in USD million): mineral fuel, including oil – 2,400; stock for steel production – 604.7; cellulose – 258.0; machinery – 160.4; steel – 132.1; inorganic chemistry products – 106.6; jewelry and precious metals – 102.8; organic chemistry products – 50.7; aluminum – 44.8; timber – 29.5.[5]

Experts believe that Indian exports of pharmaceutical goods to African countries will continue to grow. They anticipate stable demand for imported steel products due to low volumes of local production in the continent's countries. But India is unable to satisfy African countries' demand for agricultural produce since its own agricultural sector's performance is inconsistent.

At the same time, despite the poverty of their main social groups, African countries are demonstrating growing sales of passenger cars. This has encouraged an Indian company Tata to create a local facility in South Africa for the production of a three-wheeled car intended for mass buyers, inexpensive and capable of moving on rural roads. Demand is growing for Indian textiles and textile goods imported at "fair", that is, relatively low, prices, so as to hold India's leading positions in this growing segment of the African market. There is stable demand in African countries, and especially Nigeria with its 50% of urban population, for high quality rice imported from India. In the recent years, Indian farmers have been making efforts to cultivate it in Africa, including South Africa, with not much success. Various plastics imported from India to Nigeria and affordable for the mass consumer, are becoming more popular.

During summits between India and African countries, their representatives constantly stress the need to change the commodity structure of their mutual trade, especially as regards African states, whose exports to India are dominated by natural resources. In India's exports, primarily to the African countries South of Sahara, key positions are taken by automobiles, telecommunications-related and pharmaceutical goods.[6] A special role in the exports is attributed to major Indian trade and production groups: thus, Tata (IT, cars); Mahindra (cars and spare parts); Ranbaxy (pharmaceuticals; the demand here is especially high due to frequent pandemics in African states); the UB Group (hospitality industry, transportation services) and some others are successfully operating in Africa. An active role in solidifying India's business ties with African countries is played by the Confederation of Indian Industry that has created committees for the proliferation of professional education, training, student and information exchanges for traders and investors in African countries – an apparent and specific manifestation of "soft power".

4 Top South African Imports (2017) // Worldsrichestcountries.com // http://www.worldsrichestcountries.com/top-south-africa-imports.html, last accessed on October 12, 2018.

5 Top South African Exports (2017) // Worldsrichestcountries.com // http://www.worldsrichestcountries.com/top-south-africa-exports.html, last accessed on October 12, 2018.

6 Gurowsky J. (2017) India Continues Building Trade Ties with Africa // Foreignpolicyblogs.com, July 05, 2017 // https://foreignpolicyblogs.com/2017/07/05/india-continues-building-trade-ties-with-africa/, last accessed on October 12, 2018.

At this stage, India's economy demands a robust supply of motor fuel. In 2015, a boost for it arrived with the material reduction of global prices for crude oil. According to the Reserve Bank of India, savings on its imports amounted to around USD 50 billion, improving the country's financial condition. But since then, global oil prices have considerably risen, just like the domestic demand for this energy resource, in view of N. Modi's "Make in India" initiative aimed at modernizing the national industry. Oil consumption in India in 2006–2016 rose from 128.3 million tons/year to 212.7 million tons/year (to compare, the increase in South Africa was from 25.3 million tons/year to 26.9 tons/year). India's known oil reserves as of the end of 2016 were around 600 million tons; intensive geological prospecting is underway, but the production volumes are growing slowly – from 36.0 million tons in 2006 to 40.2 million tons in 2016 [BP Statistical Review of World Energy 2017; Annual Statistical Bulletin 2017]. Strategic oil reserves in the country's unique underground storage facilities have reached the figure of 39.1 million barrels, and it is planned to triple them. South Africa has no sources of this stock and imports its oil and oil products.

Most of India's imported oil in 2016 (212 million tons) was supplied by the Middle Eastern countries (64%), the American continent (16%), while the share of Western African exporter states was 15% [BP Statistical Review of World Energy 2017]. Nigeria, the leading African oil supplier, ranked second on the list of India's main trade counterparties (Chart 2). Imports of oil products to India amounted to 30 million tons in 2016. One can see here a sort of modern paradox in India's foreign trade, in that a country that depends on oil imports nevertheless acts as an exporter of oil products in the global market. India operates the world's largest oil refinery. Despite a deficit of its own crude oil, India's global export of oil products in 2016 was 61.9 million tons [BP Statistical Review of World Energy 2017]. Apart from industrial needs, oil imports are necessary to manipulate oil prices and prevent oil "shocks". India's government has set a task to curb dependency on oil imports by 10% by 2020. It is a rather moderate objective, which means that in the medium term, India will require considerable oil imports.[7]

The structure of India's foreign trade with African countries is changing slowly, which is due, to a certain extent, to the inert nature of their domestic demand. One can observe an intensification of efforts of other Asian countries active on the African continent, primarily China, Japan, and South Korea. China's economic policy in African states is characterized by heightened persistence and is implemented on several fronts at once: in trade, investments and low-interest lending. India's opportunities here are comparatively smaller. China's increasing presence is signaled by the import of Chinese workforce to infrastructural facilities being constructed in African countries with its funding. A future reinforcement, first and foremost, of China's economic position, as compared to India, seems natural in this light.

The globalization is transforming the substance of foreign economic ties in the global economy. For Africa-Asia interaction, that process is being held back by the slow changes in the structure of the economy of the majority of African countries, the retardation of infrastructure, and a persistent deficit of funds require to maintain modern production facilities.

In the remote, but promising future, India's economic ties to African coun-

7 Indiya sokrashchaet zavisimost' ot importnoi nefti [India to Rein in Dependence on Imported Oil] (2017) // Regnum. June 8, 2017 // https://regnum.ru/news/2286090.html, last accessed on October 12, 2018.

tries may increase according to the decision adopted by the majority of African states at a meeting in Rwanda's capital Kigali in March 2018. They agreed to create the African Continental Free Trade Area, AfCFTA, to be based on four freedoms – those of the movement of persons, goods, services, and capital. The agreement has already been ratified by the majority of African states, but South Africa is not one of them yet. Of course, its implementation will take time and the extent of practical involvement of various countries will also significantly differ, but the trend of their interaction on the continental scale may take root. As a result, one can expect growth of competition among African countries' key foreign partners for expanding economic ties with the association of such countries rather than with individual countries. Economists have acted with dispatch and assessed that the potential of the future common African market will exceed USD 1.2 billion.[8] Another possible result of creation of the African Free Trade Area is the reinforcement of economic positions of the continent's countries that have access to the maritime routes surrounding the continent. That prospect is substantially stimulating China's activity, oriented at spreading its presence in Africa.

Investment Policy: India – Africa

Against the backdrop of an upward trend, an opportunity is taking shape in the global economy for increasing investment flows intended for the developing economies badly in need of such support. As stated by the World Bank's President Jim Yong Kim, "This is a great opportunity to invest in human and physical capital." His January 2018 Global Economic Prospects Report projects the growth rates for six global regions. The highest figure is expected in South Asia – 6.5% at the end of 2017, to further increase to 69% in 2018. In African countries South of Sahara, these figures are much lower – 2.4% and 3.2% in the said years, respectively. Finally, they are minor for India's principal African counterparties: 0.8% and 1.1% for South Africa, and 1% and 2.5% for Nigeria, respectively.

India's economic growth in Africa is principally dependent on the size of foreign investment flows into their economies. The figures below confirm a manifold excess of volumes of investments into India and South Africa as compared to similar data for South Africa's neighbouring states (Chart 4).

Total investments into India from April 2000 through March 2017 amounted to USD 331,999 million, half of that being from Mauritius (33.6%) and Singapore (16.4%). The other half of the investments was made primarily by ten countries (Japan, the UK, the Netherlands, the US, Germany, Cyprus, France, United Arab Emirates, Switzerland). African countries' share of investments is negligible and does not exceed 0.04% of the total investments into India for the period in question for each of them, except for South Africa with USD 418.61 million of investments (0.13%).[9]

A special place in the inflow of foreign currency into India is occupied by its foreign diaspora which mostly supports N. Modi's economic policy of liberalization of conditions for business. The World Bank rated India the first by the amount of foreign currency transfers from na-

8 Intra-Africa Free Trade System Holds Great Promise for India (2018) // The Economic Times, March 24, 2018 // https://economictimes.indiatimes.com/news/economy/foreign-trade/intra-africa-free-trade-system-holds-great-promise-for-india/articleshow/63446303.cms, last accessed on October 12, 2018.

9 Fact Sheet on Foreign Direct Investment (FDI) from April, 2000 to March, 2017 (2017) // DIPP.nic.in // http://dipp.nic.in/sites/default/files/FDI_FactSheet_January_March2017.pdf, last accessed on October 12, 2018.

Chart 4. Net Foreign Investment Inflow to India and South African Countries in 2000–2016, USD million

	2000	2005	2010	2013	2014	2015	2016
India	3,584	7,269	27,397	28,153	34,577	44,009	44,459
South Africa	968	6,522	3,693	8,233	5,792	1,521	2,215
Botswana	57	420	218	398	515	679	10.5
Namibia	196	393	287	788	446	1,169	359
Eswatini	91	-45	136	82	26	31	27
Lesotho	32	27	9.5	50	94	113	80

Source: The World Bank. World Bank Group (US). Foreign Direct Investment, Net Inflows (BoP, current USD) // https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=ZA, last accessed on October 12, 2018.

tionals abroad – estimating that amount at USD 69 billion in 2017 as compared to USD 3.9 billion in 1991.[10] The peculiarity of this foreign currency inflow is that a considerable portion of the same is spent in the country for consumption, thus becoming a factor stimulating domestic demand. A certain portion is also transformed into production capital, driving the growth of domestic businesses.

Foreign investments into African states in 2007–2016 equaled 789.3 billion, that is, 9.3% of the global total for that period. Principal investors here are the United Arab Emirates, the UK, and China. India ranked 6th by investments into Africa with USD 37.1 billion of investments. Another form of proceeds flowing into African states *via* official channels in the recent decade is the practice of the Export-Import Bank of India issuing credit facilities to their governmental agencies. By late 2016, 154 loans totaling USD 7.7 billion were received by 44 countries of the continent.[11] A distinctive feature of India's investment into Africa is the consistent involvement of its large businesses, that is, oil, construction, automobile, and telecommunications companies. There is also a certain localization of Indian investments that mostly fell to Mauritius, India's traditional "overseas wallet". It is followed by Mozambique, Egypt, South Africa and some other principal hosts of India's foreign investments. Foreign investment inflow into African countries is unstable and is materially changing every year under the influence of global economic climate and the specific situation of both investor and host states (Chart 5). Thus, a dramatic increase of investment into Mozambique in 2014 is due to construction of new oil, gas and coal producing facilities.

At the first India South Africa Business Summit in Johannesburg that took place on April 29–30, 2018, South Africa's Minister of Trade stated that over 2003–2017, South Africa's investments to India increased sevenfold, but that the two countries must strive to expand them further, including in order to create jobs.

10 India Remains World's Top Recipient of Remittances From Its Diaspora (2018) // Bloombergquint.com, June 22, 2018 // https://www.bloombergquint.com/global-economics/2018/06/22/india-remains-worlds-top-recipient-of-remittances-from-its-diaspora, last accessed on October 12, 2018.

11 An Economic Agenda for India-Africa Ties (2018) // Gatewayhouse.in, April 12, 2018 // http://www.gatewayhouse.in/economic-plan-india-africa/, last accessed on October 12, 2018.

Foreign direct investments, as an important part of foreign economic contacts, are increasingly associated with the irregularity of digitalization of the economy in various groups of states. International production chains, built on the use of digital technologies, are aimed predominantly at countries with an adequate scientific and technological base. At the same time, an inflow of foreign investments, being a *sine qua non* of such a transition, as shown above, is unstable. The 2017 UNCTAD report notes that the top 20 FDI host economies in the said regions only include India and Angola [UNCTAD 2017, p. 7]. In 2017, the growth of investments into African countries was negligible.

In the 21st century, the volume of foreign investment inflow as a type of economic ties is especially important for the periphery countries aspiring to overcome their economic retardation. Foreign investments enhance their opportunities for creating modern production facilities. But their inflow is also limited since the domestic technical and scientific (research) structure of the African continent's states is often unprepared to embrace them. The share of domestic R&D in African countries is 1% of the same indicator for the world. Overcoming this gap requires an ever increasing inflow of foreign investments and a focused state policy.

In conclusion, we must highlight the important role India and the peripheral African states play in the global economy, that is defined, *inter alia*, by their foreign economic ties. Foreign trade, as a traditional form of international economic cooperation, and the initiation into the use of modern technologies now have a special meaning for that vast group of countries that are different in their level of development. The intensification of India's economic contacts with African countries pronounced in 2002 has resulted in an ap-

Chart 5. African Countries as Principal Hosts of India's Investments in 2008–2016, USD million

	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total in 2008–2016 гг,	India's investments into Africa in в 2008–2016 гг, %
Mozambique	5.9	0.0	0.3	3.6	0.5	1.9	2,648.8	1.7	4.1	2,666.9	52.9
Egypt	423.8	7.5	13.5	24.0	62.7	40.8	14.4	9.3	6.8	602.9	12.0
South Africa	29.0	84.7	29.5	23.6	137.0	18.9	27.6	63.9	28.3	442.5	8.8
Tunisia						108.2			82.3	190.4	3.8
Kenya	124.4	0.8	0.6	1.3	5.9	4.6	6.2	1.7	9.0	154.6	3.1
Zambia	0.1	0.6	0.9	2.0	4.1	6.7	13.6	88.1	29.4	145.3	2.9
Libya	24.5	12.9	52.5	3.5	0.6	27.4	7.4	0.1		128.8	2.6
Ethiopia	1.0	3.5	3.0	4.1	2.8	4.0	42.7	14.1	21.1	96.4	1.9
Sudan	55.5	16.2	13.9	0.0	0.0		0.0			85.7	1.7
Africa, total*	731.5	198.7	165.7	145.6	259.3	266.8	2,828.7	224.1	220.1	5,040.5	100.0

** except Mauritius*

Source: Malancha Chakrabarty (2017) Indian Investments in Africa: Scale, Trends, and Policy Recommendations // ORFonline.org, May, 2017 // https://www.orfonline.org/wp-content/uploads/2017/05/ORF_WorkingPaper_IndiaInAfrica.pdf parent revitalization of economic interaction in that area. But its scale is growing relatively slowly due to the weak financial base of the overwhelming majority of the continent's states, and, importantly, due to the continuing backwardness of their social and economic structure. The limited commodity nomenclature causes a slow change of the range of goods involved in the reciprocal trade and its volumes. The extent of participation of India and African countries in the two continents' trade contacts considerably differs, defined by the level of their economic development, and, to some degree, political orientation. Leading positions in their mutual trade are invariably occupied by India. But the volume of India's foreign trade with the countries of Africa does not even reach one tenth of its global commodity turnover and unfailingly boils down to a substantial deficit. Investment flows are characterized by irregularity and insufficiency. Given the need for industrialization/modernization, the demand of India and African countries for foreign investments is constantly on the rise. One can suggest a future growth and diversification of the African course in foreign trade and investment ties as a result of formation of a common African market.

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