

Evolving Trade Relations Between India And South Africa

Antony Jeyakumar J¹ , Abdul Jamal M²

¹Ph.D. Research Scholar, Department of Economics, The New College
(University of Madras), Chennai, Tamil Nadu, India., janto0312@gmail.com

² Associate Professor, Department of Economics, The New College (University of Madras), Chennai, Tamil Nadu, India., abduljamal@gmail.com

How to cite this article: Antony Jeyakumar J, Abdul Jamal M (2024). Evolving Trade Relations Between India And South Africa. *Library Progress International*, 44(3), 13103-13110.

Abstract

The connection between India and South Africa boasts a deep historical foundation of cordial relations, developed through traditional and political ties that have persisted nearly for two centuries. It has been further strengthened in recent decades, to foster the economic and social status of both the regions. The study's objective is to investigate trade relations between India and South Africa using a 20-year data set, spanning from 2004 to 2023. The study carefully examined India's exports and imports in relation to its trade links with South Africa. The results have proved that the trade between India and the South Africa have seen seven-folds increase from US\$ 2.59 billion in 2004 to US\$ 19.36 billion in 2023, demonstrating the strong growth in bilateral trade. The advantages gained by both nations through the sharing of their resources have been demonstrated by an analysis of the trade history spanning two decades between the two regions.

Keywords: Bilateral Trade, Export Potential, TII (Trade Intensity Index)

JEL Classifications: F1, O5.

Introduction

Both India and South Africa are crucial players in the global economic landscape, recognized as the fastest-growing economies in the 21st century, and their relationship is mutually beneficial. The trade relationship between India and South Africa has experienced notable expansion since the early 21st century, yet there is a lack of comprehensive studies addressing this development. India enjoys a harmonious and amicable relationship with South Africa, underpinned by a long-standing history of friendly connections that trace back centuries. The enduring friendship between the two nations serves as a vital link to strengthen trade relations in the current era and the objective of this paper is to analyse the extent and trends in trade between India and South Africa from 2004 to 2023.

Historical and political ties between India and South Africa

Historically, India-South Africa relations were built upon the foundation of opposition to colonialism and to racial discrimination. The period from 1834 to 1917 witnessed the movement of more than 1.3 million Indian labour migrants to European colonies across the Indian and Pacific Oceans, South and East Africa, and the Caribbean, driven by the indentured labour system (Andrea Major). These individuals took on various roles as soldiers, labourers, traders, and intermediaries, each contributing to the structured framework of colonial society. Mohandas K. Gandhi, who would eventually be known as the father of Indian independence, was part of that movement and he joined an Indian law firm in Natal in 1893 and remained in South Africa until 1914, a time when he spearheaded the Indian community's efforts for civil rights in South Africa (Dubey 2015). He started the first political formation in South Africa by establishing the Indian Natal Congress in 1894 and fought against British discriminatory policies in South Africa (Greg Bayer). Having suffered racial discrimination in South

Africa, led him to oppose such injustices within the country, for next 21 years. The Indian passive resistance between 1946 and 1948 was a significant event in the history of South Africa's liberation. It was the beginning of a persistent movement against racism and served as a training ground for many Indians who would later aid the national liberation efforts. This movement also began to raise international awareness for the fight for freedom in South Africa (E S Reddy). India consistently worked to put the issue of apartheid on the agenda of the United Nations, the Non-Aligned Movement (NAM), and other many organizations. Since the 1960s, the ANC has operated a representative office in New Delhi, while India has played an active role in establishing the Africa Fund to assist frontline nations in their fight against apartheid. Throughout this period until South Africa's first non-racial democratic elections of 1994, India's support to the country was significant and India resumed its diplomatic and consular ties with South Africa in November 1993. The year 1997 saw India and South Africa solidifying their relationship with the signing of the Red Fort Declaration, establishing South Africa as India's first strategic ally. As they reached the milestone of 30 years of diplomatic ties in 2023, their partnership has flourished across numerous domains, including economic cooperation, defence, culture, health, human settlements, public administration, and science and technology. A vital component of this relationship has been India's Technical and Economic Cooperation Programme (ITEC), which has played a pivotal role in fostering their collaboration. The recent interactions at high-level and ministerial meetings between the leaders of the two nations have further solidified their partnership. From August 22 to 24, 2023, the Honourable Prime Minister Narendra Modi made a significant trip to South Africa to engage in the 15th BRICS Summit, along with the BRICS-Africa Outreach and BRICS Plus Dialogue. While in Johannesburg, he held significant bilateral meetings with honourable President Cyril Ramaphosa. The two leaders have maintained a strong communication line, having spoken on various occasions, including the celebration of three decades of diplomatic ties. The two leaders have also met in Germany to discuss various topics, including their collaboration on COVID-19. Notably, Honourable President Ramaphosa was a participant at the G20 Leaders' Summit in New Delhi and attended the 8th BRICS Summit in Goa. It is clear that this traditional alliance has effectively reinforced the trading ties between the two nations.

Current trends in India-South Africa trade

The strong growth in bilateral trade between India and South Africa has been driven by growth in exports and imports. Though India's total trade value with South Africa in 2023 have seen a decline of 0.32 percent, amounted to US\$ 19.36 billion, compared to US\$ 19.43 billion in 2022, India's total trade with South Africa has risen more than seven-folds from US\$ 2.5 billion in 2004 to US\$ 19.36 billion in 2023, which accounted for 1.8 percent of India's total trade value around the globe.

South Africa is one of the key trading partners of India and the bilateral trade volumes have increased from just US\$ 2.5 billion in 2004 to US\$ 19.36 billion in 2023, with India-South Africa trade accounting for 1.8 percent of India's total trade and 8.8 percent of South Africa's total trade in 2023, against 1.5 percent and 2.8 percent, respectively, in 2004. India's export to South Africa have increased from US\$ 0.891 in 2004 to US\$ 8.01 in 2023, amounted to 900 percent increase. Likewise, India's import from South Africa have increased from US\$ 1.7 billion in 2004 to US\$ 11.35 billion in 2023, amounted to 667 percent increase. While, India's import is higher than the exports throughout the years 2004-2023, the percentage at which exports increase is higher than the imports in recent years. Over the period 2004-2023, India had negative trade balance with South Africa, which was US\$ 0.809 billion in 2004 and US\$ 3.3 billion in 2023.

Table : 1
India's Total Trade values with South Africa

Years	India's export to South Africa in USD Billion	% of Growth	India's Import from South Africa in USD Billion	% of Growth	India's Total value of Trade with South Africa in USD Billion	% of Growth	India's Trade Balance with South Africa in USD Billion	India's total Trade Value with World USD Billion	World's total trade value in USD Billion	% of India's total trade value's share in World's total trade	India - South Africa trade's % of Share in India's global trade value
-------	---	-------------	---	-------------	---	-------------	--	--	--	---	---

2004	0.891		1.7		2.591		-0.809	174.9	18512.8	0.9	1.5
2005	1.4	57	2.6	53	4	54	-1.2	241.2	20984.7	1.1	1.7
2006	2.09	49	2.5	-4	4.59	15	-0.41	299.4	24264.5	1.2	1.5
2007	2.12	1	3.1	24	5.22	14	-0.98	364.5	27961.2	1.3	1.4
2008	2.48	17	5.5	77	7.98	53	-3.02	497.6	32427.9	1.5	1.6
2009	1.95	-21	5.03	-9	6.98	-13	-3.08	443.2	25081.6	1.8	1.6
2010	3.65	87	6.9	37	10.55	51	-3.25	570.4	30426.2	1.9	1.8
2011	4.31	18	9.3	35	13.61	29	-4.99	763.9	36500.6	2.1	1.8
2012	4.97	15	8.034		13.004		-3.064	778.5	36902.0	2.1	1.6
2013	5.74	16	7.351	-8.5	13.091	0.66	-1.61	802.7	37697.1	2.1	1.6
2014	5.722	-0.31	5.994	-18	11.716	-11	-0.271	776.9	37772.2	2.1	1.5
2015	3.811	-33	6.280	5	10.091	-13.9	-2.468	654.7	32990.9	2.0	1.5
2016	3.243	-15	5.092	-19	8.335	-17.4	-1.849	617.7	32004.1	1.9	1.3
2017	4.074	26	6.883	35	10.956	31.5	-2.809	739.7	35360.4	2.1	1.5
2018	4.028	-1	6.615	-4	10.643	-2.9	-2.588	833.3	38995.3	2.1	1.3
2019	3.983	-1	6.635	0	10.617	-0.2	-2.652	802.1	37858.9	2.1	1.3
2020	3.498	-12	6.673	1	10.171	-4.2	-3.175	643.5	35240.9	1.8	1.6
2021	5.989	71	11.071	66	17.060	67.7	-5.081	965.2	44609.3	2.2	1.8
2022	8.266	38	11.166	1	19.432	13.9	-2.901	1185.3	50126.2	2.4	1.6
2023	8.019	-3	11.350	2	19.369	-0.3	-3.331	1103.4	46844.6	2.4	1.8

Source: ITC calculations based on UN COMTRADE statistics since January, 2023.

None of the years between 2004-2023, India’s export was higher than its imports from South Africa (Table 1). Notably, the percentage of increase (747 percent) in India’s trade value with South Africa from 2004 to 2023 is higher than the percentage increase of India’s total trade with value (630 percent) with the world. On the other side, the proportion of share of India- South Africa’s trade relative to India's total trade has not experienced a corresponding increase, particularly when considering India's increase in its proportion of share in global trade (Table1).

India’s export to South Africa

Since 2004 until 2023 the major products which dominated the India’s export basket to South Africa were Mineral Fuels which includes Petroleum products, Vehicles other than railway, Pharmaceutical Products, Nuclear reactors and boilers, Electrical machinery and equipment, plastics and articles, cereals, and organic chemicals. Between the years 2015-2023 those products together accounted for almost 75% of the India’s exports to South Africa. Other listed products in the above (table 2) consistently occupied their place throughout the years 2004-2023, except for Cereals, and iron and steel.

Table:2
India's export to South Africa (% of share in India’s export to South Africa)

Products	2004-2008	2009-2013	2014-2018	2019-2023
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	34	33	24	31
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	12	16	19	20
Pharmaceutical products	5	8	12	10
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	4	3	4	5

Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	2	5	3	5
Plastics and articles thereof	2	2	2	2
Cereals	4	2	2	2
Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals,	0	0	1	1
Organic chemicals	3	3	4	2
Rubber and articles thereof	1	1	1	1
Ceramic products	0	0	0	1
Miscellaneous chemical products	1	1	1	1
Essential oils and resinoids; perfumery, cosmetic or toilet preparations	0	1	1	1
Articles of iron or steel	2	2	2	1
Articles of apparel and clothing accessories, knitted or crocheted	1	1	2	1
Iron and steel	5	2	1	2

Source: ITC Trade Map

In the period from 2004 to 2008, India’s exports of cereals and iron and steel to South Africa were substantial. However, starting in 2009 and continuing through 2023, these figures experienced a slow decrease, dropping to about half of their previous share by 2023. An analysis of the years 2004 to 2008 indicates that the supply of petroleum oils to South Africa has experienced a minor decline in market share between 2019 and 2023. Conversely, the share of vehicles, excluding railway, along with pharmaceutical products, has nearly doubled from 2008 to 2023.

India’s import from South Africa

The following table shows India’s major import products from South Africa, during the period 2004 to 2023. The share of Natural or cultured pearls which includes Gold, and Diamonds, Mineral fuels such as Coal briquettes, tops the import list of India from South Africa. The changes in shares of these products in India’s imports are notable since 2013. During the years 2009-2013 Natural or cultured pearls which includes Gold, and Diamonds contribution was 60 percent of India’s import from South Africa, but it has seen a decline in 2023 amounted to just 41 percent.

Table:3
India's import from South Africa (% of share in India’s Import from South Africa)

Products	2004-2008	2009-2013	2014-2018	2019-2023
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	59	60	31	41
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	12	21	41	35
Ores, slag and ash	4	4	10	5
Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or ...	1	1	3	3
Iron and steel	5	5	5	2
Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth	9	2	1	1

Salt; sulphur; earths and stone; plastering materials, lime and cement	0	0	0	1
Organic chemicals	2	1	1	1
Edible fruit and nuts; peel of citrus fruit or melons	0	0	0	1
Nickel and articles thereof	1	0	1	1
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	1	1	2	1
Aluminium and articles thereof	2	1	1	0
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, televi	1	0	0	0
Wood and articles of wood; wood charcoal	0	0	1	0
Residues and waste from the food industries; prepared animal fodder	0	0	0	0
Plastics and articles thereof	0	0	0	0

Source : ITC Trade Map

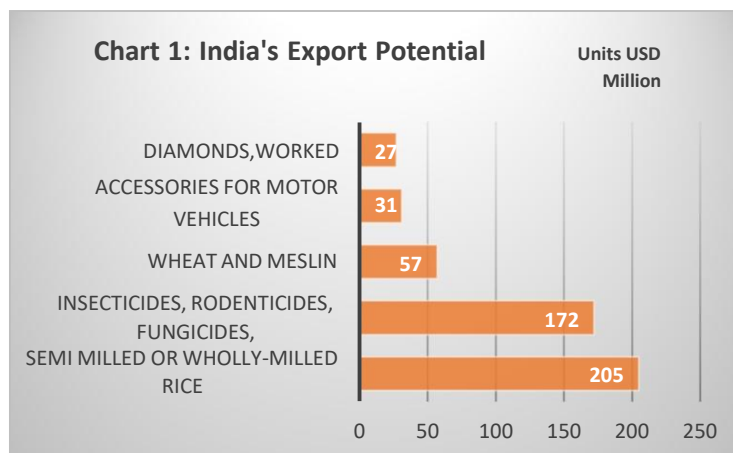
In contrast, the share of mineral fuels in India's imports from South Africa has seen a notable increase, moving from 12 percent in the years 2004-2008 to 35 percent in the years from 2019 to 2023. The products such as Iron and steel, and Inorganic chemicals have seen a decline from 5 percent and 9 percent of it share respectively from the years 2004-2008 to 2 and 1 percent respectively, of its share in years 2019-2023.

Key Products with highest potential to enhance trade between India and South Africa

The International Trade Centre (ITC) has developed a methodology to analyse trade products between countries that show significant export potential. It assesses a country's possible exports to a target market by looking at three main factors: supply, demand, and trading ease (EXIM bank). Using the Export Potential Map, the trade products that have high export potential between India and South Africa has been assessed. The Export Potential Indicator reveals products where both India and South Africa are internationally competitive and likely to do well in each other's markets.

India's Export Potential to South Africa in 2024

The top five products that have got a high export potential from India to South Africa are semi-milled or wholly milled rice, Insecticides, rodenticides, fungicides, herbicides & similar, Wheat and Meslin, Accessories for Motor Vehicles, and Worked Diamonds.



The Export Potential Indicator reveals, Semi-milled or wholly milled rice having the largest absolute difference between potential and actual exports in value terms, providing the opportunity to comprehend additional exports from India to South Africa, worth US\$ 205 million. India's unrealized (the difference of export potential and actual exports) export potential for Insecticides, rodenticides, fungicides, herbicides & similar is US\$ 172 million,

for Wheat and Meslin is US\$ 57 million, for Accessories for Motor Vehicles is US\$ 31 million, and for Worked Diamonds is US\$ 27 million.

South Africa’s Export Potential to India in 2024

The products with greatest export potential from South Africa to India are Diamonds worked, Manganese Ores and Concentrates, Diamonds unworked, Diamonds unsorted, and Gold semi-manufactured.



The Export Potential Indicator reveals, Diamonds worked having the largest absolute difference between potential and actual exports in value terms, providing the opportunity to comprehend additional exports from South Africa to India, worth US\$ 627 million. South Africa’s unrealized (the difference of export potential and actual exports) export potential for Manganese ores and concentrates is US\$ 490 million, for Diamonds unworked is US\$ 359 million, for Diamonds unsorted is US\$ 138 million, and for Gold semi-manufactured is US\$ 92 million.

Trade Intensity Index

According to the World Bank, Using the trade intensity index (T), one can ascertain whether the value of commerce between two nations is higher or lower than one would anticipate given their significance in global trade. It is calculated by dividing the amount of a nation's exports to a partner by the total amount of exports to that partner worldwide. It is computed as follows:

$$T_{ij} = (x_{ij}/X_{it})/(x_{wj}/X_{wt})$$

Where x_{ij} and x_{wj} are the values of country i’s exports and of world exports to country j and where X_{it} and X_{wt} are country i’s total exports and total world exports respectively. An index of more (less) than one indicates a bilateral trade flow that is larger (smaller) than expected, given the partner country’s importance in world trade([Trade Indicators worldbank.org](https://tradeindicators.worldbank.org)).

Table: 4
Trade intensity of India with South Africa

Years	India's export to South Africa	India's export to the world	Worlds' export to South Africa	World's total export	TII of India with South Africa
2004	891641	7,59,04,200	47603274	9,10,88,42,024	2.247763268
2005	1404101	10,03,52,637	55032639	10,35,39,20,380	2.632413088
2006	2094445	12,12,00,606	68469125	11,97,64,05,730	3.022705885
2007	2129593	14,58,98,053	79872587	13,80,97,45,453	2.523684363
2008	2480948	18,18,60,898	87593068	16,01,51,93,458	2.494254598
2009	1959653	17,67,65,036	63766058	12,38,69,24,567	2.153558798
2010	3650058	22,04,08,496	82795946	15,09,32,63,749	3.018877726
2011	4319584	30,14,83,250	102793029	18,13,76,64,368	2.528112716
2012	4973300	28,95,64,769	104135663	18,39,19,08,309	3.033375982

2013	5742467	33,66,11,389	103366085	18,84,98,43,134	3.110995443
2014	5722396	31,75,44,642	99794562	18,85,69,57,626	3.405162704
2015	3811453	26,38,89,005	85754735	16,41,80,63,890	2.76524175
2016	3242763	26,09,63,959	75126145	15,92,42,03,652	2.633912211
2017	4073518	29,58,62,157	83293796	17,56,35,86,196	2.903225448
2018	4027817	32,39,97,680	94023947	19,32,90,50,174	2.555641108
2019	3982930	32,32,50,726	88216179	18,76,18,14,917	2.620533822
2020	3498286	27,54,88,745	68704670	17,51,49,68,797	3.237237491
2021	5989463	39,48,13,673	93614253	22,15,40,54,456	3.590103297
2022	8265804	45,26,84,214	111878211	24,71,97,95,601	4.034494384
2023	8018915	43,14,18,488	107264215	23,29,10,72,313	4.03600302

Source : ITC Trade Map

The Trade Intensity Index depicts that the trade intensity of India with South Africa has increased 97 percent from 2.24 intensity value in 2004 to 4.03 intensity value in 2023. Since the trade intensity values are higher than 1 in all the years from 2004-2023, it depicts the bilateral trade flow between India and South Africa are larger than expected.

Conclusion

The enduring relationship between India and South Africa is evident not only in their political and historical ties but also in the dynamics of their trade relations. Regardless of the fact that the proportion of share of India- South Africa's trade relative to India's total trade has not experienced a corresponding increase, particularly when considering India's increase in its proportion of share in global trade, the analysis has proved the trade interactions between both the regions are still larger than expected and intense. The prospect of deeper cooperation and new agreements between India and South Africa promises to elevate their existing ties, allowing both regions to fully harness their trading capabilities and play a vital role in the global economic landscape.

References

- Bhatia, R. (2021). *India–Africa Relations: Changing Horizons*. Routledge India.
- Biswas, A. (2015). India-Africa Relations: Evolving Past to a Promising Future. *Indian Foreign Affairs Journal*, 10(3), 284-299.
- Decreux, Y., & Spies, J. (2016). Export potential assessments. A methodology to identify export opportunities for developing countries, 31.
- Dubey, A. K., & Biswas, A. (Eds.). (2015). *India and Africa's partnership: A vision for a new future*. Springer.
- Kucera, D., Roncolato, L., & von Uexkull, E. (2012). Trade contraction and employment in India and South Africa during the global crisis. *World Development*, 40(6), 1122-1134.
- KALIT, A. INDIA-SOUTH AFRICA ECONOMIC RELATIONS IN POST-APARTHEID ERA. *ATISHAY KALIT*, 262.
- Mawdsley, E., & McCann, G. (2010). The Elephant in the Corner? Reviewing India-Africa Relations in the New Millennium. *Geography Compass*, 4(2), 81-93.
- Mawdsley, E., & McCann, G. (2010). The Elephant in the Corner? Reviewing India-Africa Relations in the New Millennium. *Geography Compass*, 4(2), 81-93.
- Patel, S., & Uys, T. (Eds.). (2013). *Contemporary India and South Africa: legacies, identities, dilemmas*. Routledge.

- Sidiropoulos, E. (2011). *India and South Africa as partners for development in Africa?*. Chatham House.
- Vahed, G., & Desai, A. (2014). After Mandela Met Gandhi: The Past and Future of India-South Africa Relations. *Journal of Sociology and Social Anthropology*, 9-18.
- Vieira, M. A., & Alden, C. (2011). India, Brazil, and South Africa (IBSA): South-South cooperation and the paradox of regional leadership. *Global Governance*, 17, 507.
- Vijay, S. (2017). India-South Africa: A Soft Power Perspective. *Madhya Pradesh Journal of Social Sciences*, 22(2), 61.
- Wani, N. U. H., Rehman, D. A. U., & Kukreja, M. (2016). India's trade linkage with South Africa: Prospects and future potential.