



# India - South Africa Relations

**Bolstering Trade, Tourism  
and Investment  
Prospects**

**PHD Research Bureau**

**PHD Chamber of Commerce and Industry**



# India – South Africa Relations: Bolstering Trade, Tourism and Investment Prospects

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**PHD RESEARCH BUREAU**

**PHD CHAMBER OF COMMERCE AND INDUSTRY**

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# India - South Africa Relations

## Bolstering Trade, Tourism and Investment Prospects

### 1. Introduction

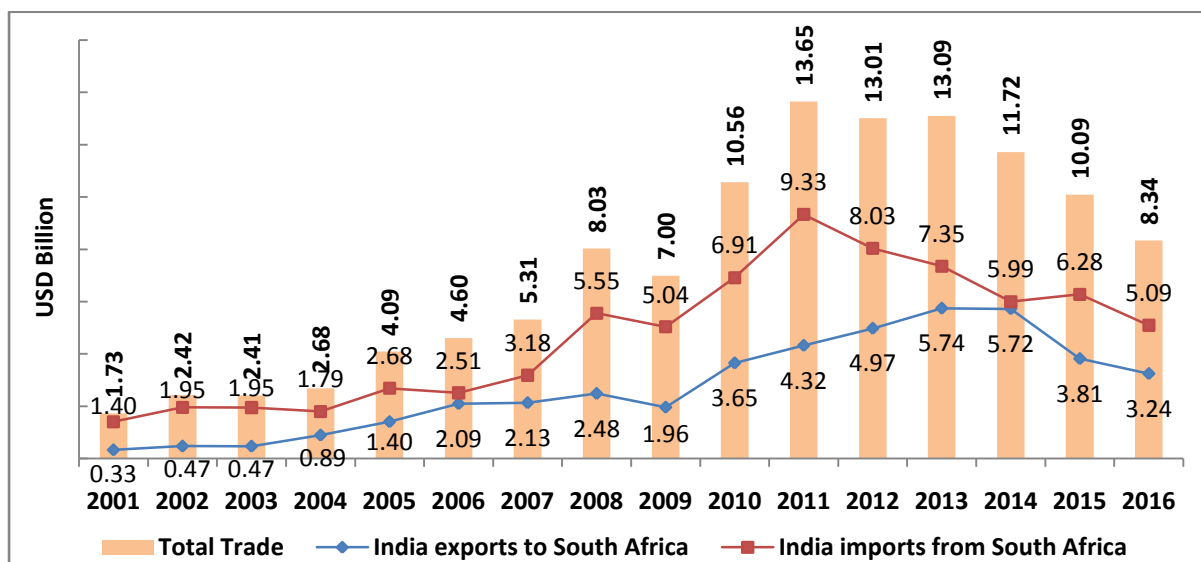
India’s relations with South Africa<sup>1</sup> date back several centuries. India’s relations with South Africa were restored after a gap of over four decades with the opening of a Cultural Centre in Johannesburg in May 1993. India’s relationship with South Africa can be classified as distinguished and unique. Both the economies are driven by similar factors such as favourable demographic dividend, rising per capita income, among others.

India and South Africa have embarked upon establishing new areas of trade and development. The partnership has remained vivacious, extending and touching greater heights in terms of growing trade and investment to technology transfers, knowledge sharing and skills development.

### 2. Trade Dynamics

The trade between India and South Africa has increased from USD 1.73 billion in 2001 to USD 8.34 billion in 2016.

**India – South Africa Trade at a Glance**



Source: PHD Research Bureau; Trademap Database

<sup>1</sup> India – South Africa relations, Ministry of External Affairs, Government of India

Notably, the trade between the two nations is witnessing a consistent decline, which needs to be addressed at the earliest. Since 2011, the trade volume has decreased from USD 13.65 billion in 2011 to USD 8.34 billion in 2016.

The volume of India's exports to South Africa has increased from USD 0.33 billion in 2001 to USD 3.24 billion in 2016 whereas the volume of India's imports from South Africa

India's imports of top ten products from South Africa comprise of 95% of the total imports from South Africa. Around three-fourth of the imports from South Africa are of Mineral Fuels (41%) and Natural Pearls (34%). For products like pulp of wood and items thereof (HS 47) and ores, slag, and ash (HS – 26), South Africa has a significant footprint in India as 12.5% and 8.8% of India's imports from world of pulp of wood and products thereof and Ores, slag and ash are from South Africa.

Other major importable products from South Africa are (HS-72) Iron and Steel; (HS-84) Mechanical appliances; (HS 76) Aluminum products among others.

#### India's top ten imports from South Africa in 2016

HS Code	Description	India's imports from South Africa	Share in total imports from South Africa	Share in Imports from World
		USD million	(%)	(%)
'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	2054.69	40.3%	2.3%
'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	1700.95	33.4%	3.5%
'26	Ores, slag and ash	326.96	6.4%	8.8%
'47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or ...	202.04	4.0%	12.5%
'72	Iron and steel	166.02	3.3%	1.9%
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	149.61	2.9%	0.5%
'76	Aluminium and articles thereof	91.50	1.8%	2.7%

'28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, ...	56.25	1.1%	1.2%
'29	Organic chemicals	53.49	1.1%	0.4%
'44	Wood and articles of wood; wood charcoal	43.89	0.9%	2.0%
<b>Total imports from South Africa</b>		<b>5092.34</b>	<b>100.0%</b>	<b>1.4%</b>

Source: PHD Research Bureau; Trademap Database

India's top ten exports to South Africa comprise of 76% of the total exports to South Africa. Major exportable products include (HS 27) Mineral Fuels (21.6%); followed by (HS 87) Vehicles other than railway (19.5%); (HS 30) pharmaceutical products (12.9%); (HS 29) Organic chemicals (4.5%); (HS 84) Machinery and Mechanical appliances (4.3%) among others.

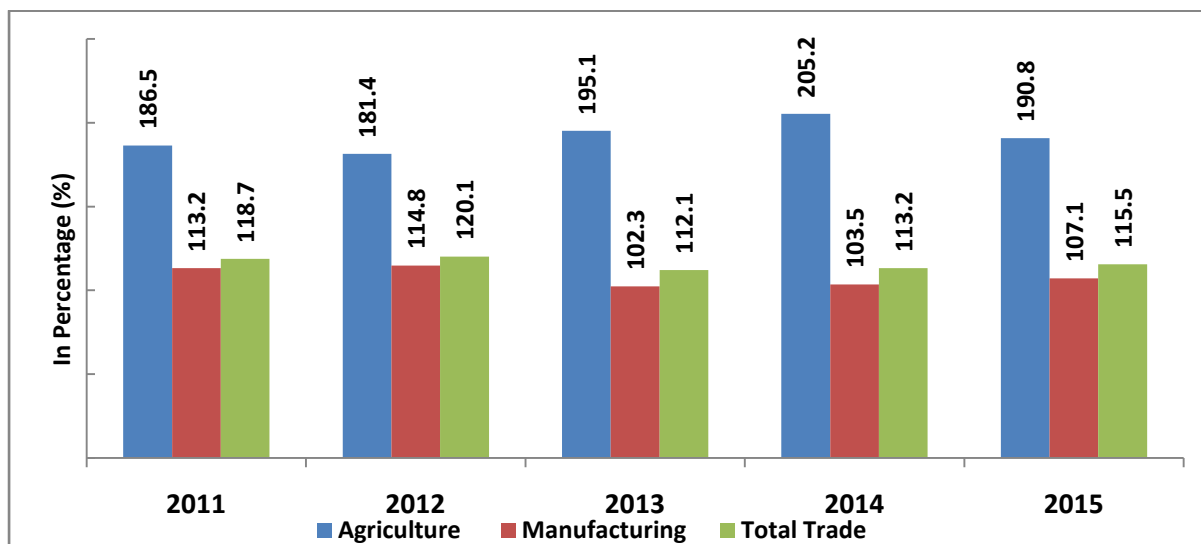
### India's top ten exports to South Africa in 2016

HS Code	Description	India's exports to South Africa	Share in total exports to South Africa	Share in South Africa's imports
		USD million	(%)	(%)
'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	699.6	21.6%	5.7%
'87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	631.1	19.5%	8.9%
'30	Pharmaceutical products	417.8	12.9%	18.7%
'29	Organic chemicals	145.3	4.5%	10.8%
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	138.4	4.3%	1.3%
'61	Articles of apparel and clothing accessories, knitted or crocheted	106.0	3.3%	13.5%
'10	Cereals	105.2	3.2%	10.3%
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	85.9	2.6%	1.0%
'39	Plastics and articles thereof	70.4	2.2%	2.8%
'62	Articles of apparel and clothing accessories, not knitted or crocheted	63.6	2.0%	7.2%
<b>Total exports to South Africa</b>		<b>3243.1</b>	<b>100.0%</b>	<b>3.9%</b>

Source: PHD Research Bureau; Trademap Database

Astoundingly, India has a significant presence in South Africa’s imports from world for the products like (HS 30) pharmaceutical products, (HS 61) articles of apparel and clothing accessories, (HS 29) organic chemicals, (HS 87) vehicles, (HS 27) mineral fuels and (HS 10) cereals.

**India’s trade cost with South Africa**

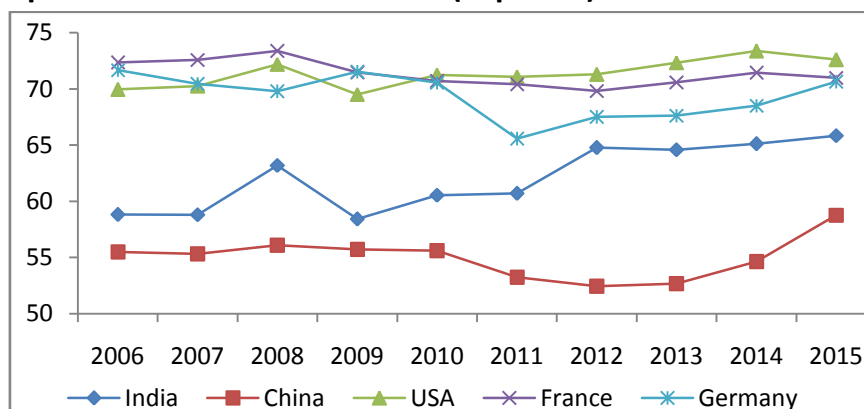


Source: PHD Research Bureau; Compiled from World Bank’s Trade Cost Database

On the trade cost front, India – South trade cost is at rise which has hindered the true potential of trade between the two nations. The trade cost between the two nations has increase from 112% in 2013 to 115% in 2015.

Although the trade cost for agricultural products is substantial, the rate has witnessed a downfall from 205% to 190% during 2014-15 whereas for the manufacturing products the trade cost has slightly increased from 103% to 107% during the same period.

**Trade Complementarities Index of India (exporter) with South Africa (importer)**



Source: PHD Research Bureau; Trademap Database

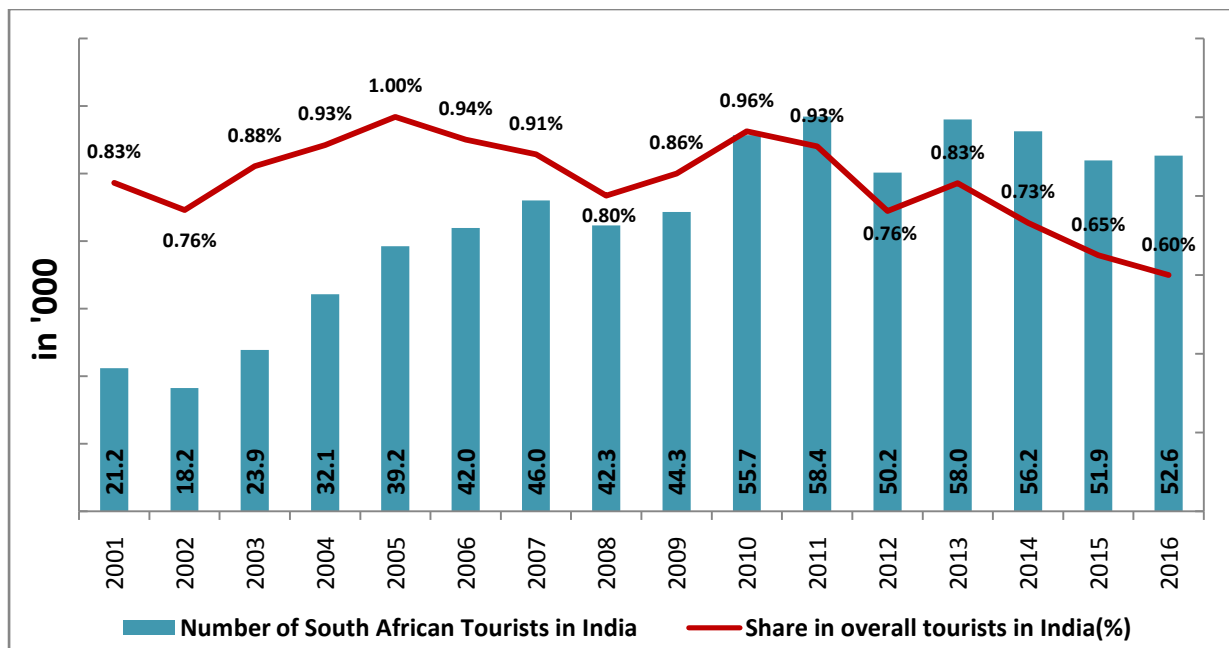


India’s trade complementarities index stood at near 51 in 2015 compared to 41 in 2006. This highly suggests that over the period of a decade, India’s export pattern have become more aligned with the import pattern of South Africa. Notably, India’s TCI trend has consistently increased during the same period. India is still behind USA, France and Germany as far as complementarities goes. But growing alignment projects a significant shift in Indian exports to a new growth trajectory.

### 3. Tourism Dynamics

The South African Indian origin community numbers around 1.5 million and constitutes about 3% of South Africa’s total population. About 80% of the Indian community lives in the province of KwaZulu Natal, about 15% in the Gauteng area and the remaining 5% in Cape Town. South Africans of Indian origin are well-represented in Government, business, media, legal and other professions.

**Foreign Tourist Arrivals in India from South Africa**



Source: PHD Research Bureau; Compiled from Ministry of Tourism

The volume of foreign tourists from South Africa has increased at a steady pace since from 21.2 thousand in 2001 to 52.6 thousand in 2016. However, the share of South Africa in overall tourist arrivals in India has hovered around 0.6-

1%. As per the recent figures, share of tourists from South Africa has witnessed a consistent decline since 2010.

Conversely, South Africa witnessed a remarkable surge in Indian tourists during 2016. Indian visitors to South Africa had surged by 21.7% to 95,377 during 2016.

#### 4. Investment Scenario

On the investments front, South Africa is the 31<sup>st</sup> biggest investor in India. South Africa invested USD 424.2 during April 2000 – September 2017, at a share of 0.12%. On the other hand, India invested around USD 442.5 million<sup>2</sup> between 2008 and 2016. Prime sectors in which India has invested are hotels, steel, information technology, and FMCG among others.

The business climate has been growing in South Africa. India has pitched itself to South Africa as an attractive destination for defence production and gained South Africa's endorsement for its bid for membership of the Nuclear Suppliers Group, pharmaceuticals, information and communications technology and services, automobile sector, power sector among others are the major receivers of funds from India.

However, factors such as the lack of direct flights between South Africa and India are constraining the true potential of tourists' inflow, which needs to be addressed at the earliest.

#### 4. Conclusion

The trade dynamics between India and South Africa is of immense potential. The rapport between the two nations emanates immense promise for the future. India's trade complementarities have significantly increased with South Africa. India and South Africa are the two important emerging economies of the world with strong history of understanding.

In the global world marketplace, India and South Africa enjoy comparative advantages for labor and resource intensive sector. India has privilege advantage in exporting agricultural items such as live animals other than

<sup>2</sup> Outward Foreign Direct Investment, Reserve Bank of India Database



animals of division 03, Feeding stuff for animals (not including unmilled cereals), Sugars, sugar preparations and honey and South Africa specializes in manufacturing items such as paper and pulp, metalworking machinery. This reveals that India dominates in agricultural exportations and South Africa do well in manufacturing commodities.

South Africa import baskets consist of many commodities for which country has to depend on India to import the commodities. Commodities such as feeding stuff for animals (not including unmilled cereals), furniture, and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings matches the trade potential between India and South Africa.

On the investments front, the business environment in India had improved at a fast pace and India is among the top ten improvers globally. India's economic prospects are promising on the back of high savings and investment rates, a favourable demographic dividend and expanded integration into the global economy.

South Africa has a great scope for investments in India in areas like manufacturing, wholesale and retail trade, financial services, transport, mining, agriculture, tourism, information and communications technology, energy and agri-processing, all of which South Africa has expertise in.

Going ahead, there is a need to build economic cooperation between India and South Africa which would benefit in pushing bilateral relations in positive direction. With further liberalization of FDI policy in different segments and the advent of GST, FDI from South Africa is expected to touch a new growth trajectory. Based on strong intra industry trade and growth prospects, the trade between two nations is expected to double in the next five years.

## Study/Project Team

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The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers. Recently, the Research Bureau has undertaken various policy projects of Government of India including Framework of University-Industry Linkages in Research assigned by DSIR, Ministry of Science & Technology, Study on SEZ for C&AG of India, Study on Impact of Project Imports under CTH 9801 for C&AG of India and has attracted a World Bank Project on free trade zones.

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<b>Ms. Sunita Gosain, Secretarial Assistant</b> Secretarial and Administrative Processes		

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26. Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
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### B: State profiles

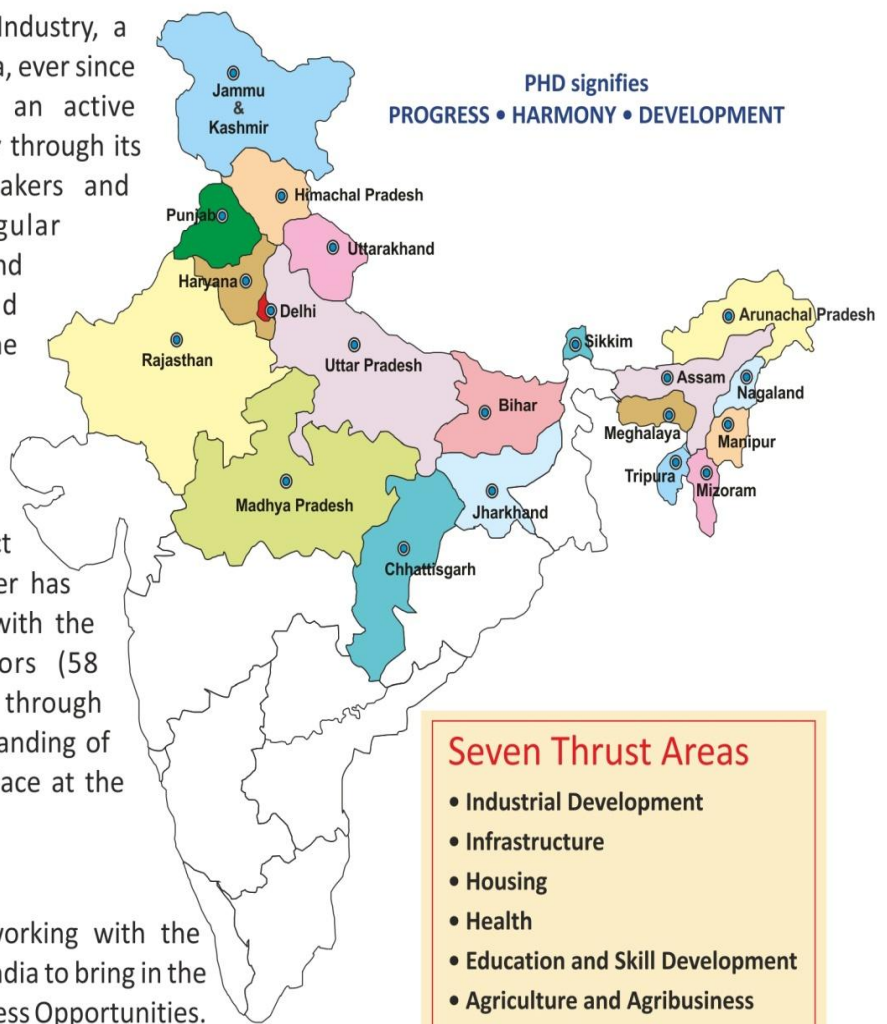
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