



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

February 2018

PHD RESEARCH BUREAU

PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi 110016

Phone: 91-11-49545454 | Fax: 91-11-26855450, 26863135

Email: research@phdcci.in | Website: www.phdcci.in

India - South Africa Relations

Bolstering Trade, Tourism and Investment Prospects

1. Introduction

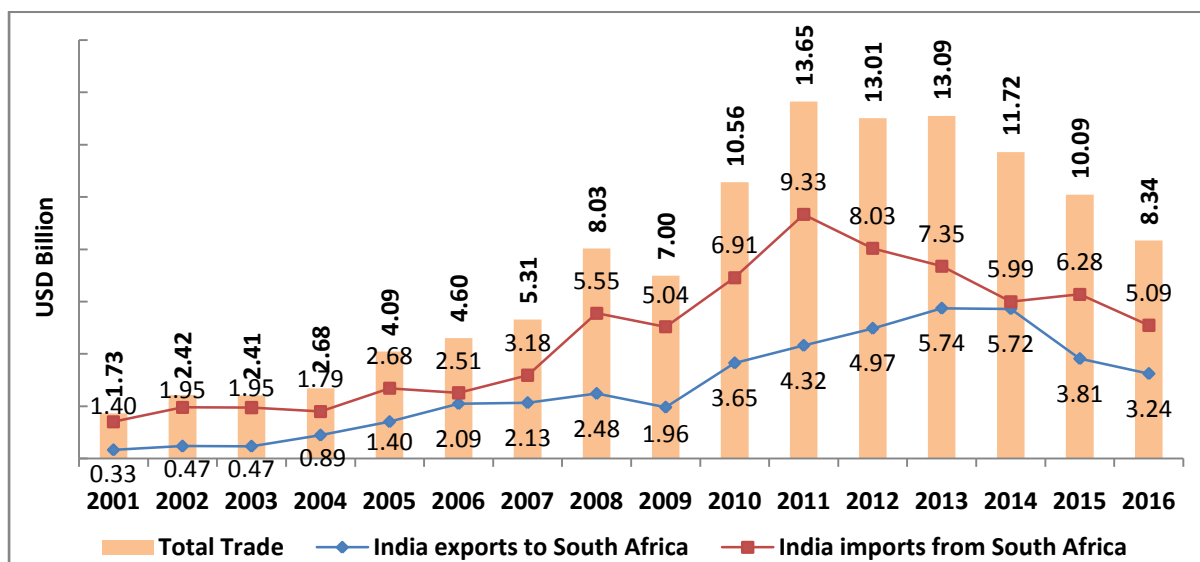
India’s relations with South Africa¹ date back several centuries. India’s relations with South Africa were restored after a gap of over four decades with the opening of a Cultural Centre in Johannesburg in May 1993. India’s relationship with South Africa can be classified as distinguished and unique. 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

¹ 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%
Total imports from South Africa		5092.34	100.0%	1.4%

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.

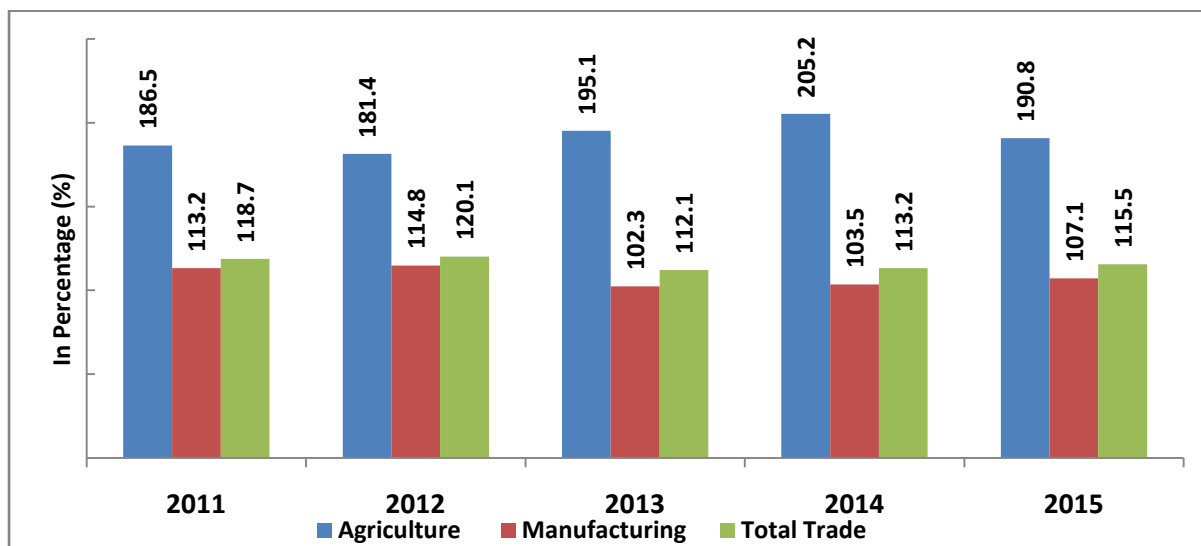
India's top ten exports to South Africa in 2016

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%
Total exports to South Africa		3243.1	100.0%	3.9%

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

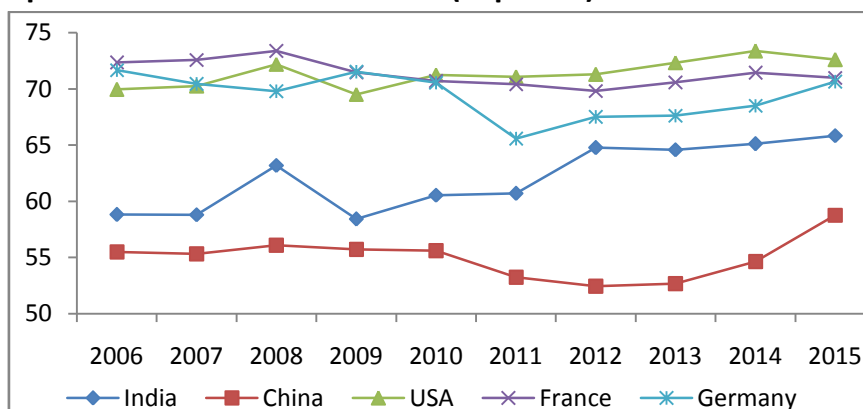


Source: PHD Research Bureau; Compiled from World Bank’s Trade Cost Database

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)



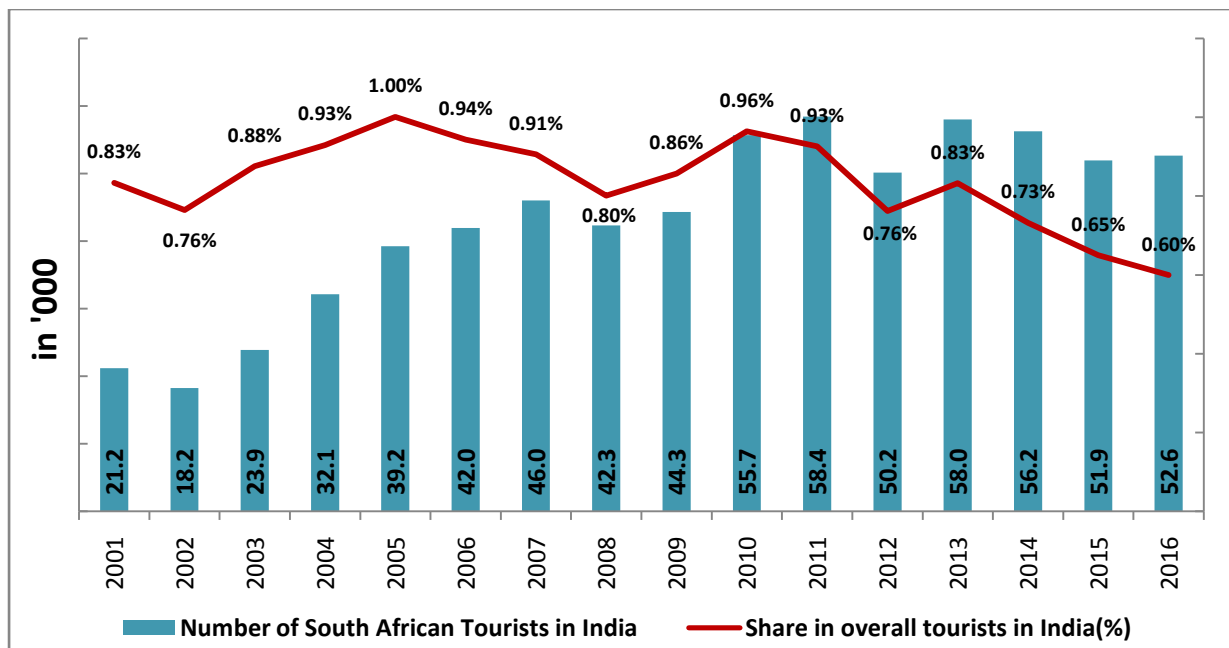
Source: PHD Research Bureau; Trademap Database

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 31st 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 million² 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

² 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

Dr. S P Sharma
Chief Economist

Mr. Rohit Singh
Research Associate

Disclaimer

“India – South Africa Relations: Bolstering Trade, Tourism and Investment Prospects” is prepared by PHD Research Bureau to provide a broad view of India’s bilateral trade, tourism and investment engagements with South Africa. This study may not be reproduced, wholly or partly in any material form, or modified, without prior approval from the Chamber.

It may be noted that this book is for guidance and information purposes only. Though due care has been taken to ensure accuracy of information to the best of the PHD Chamber’s knowledge and belief, it is strongly recommended that readers should seek specific professional advice before taking any decisions.

Please note that the PHD Chamber of Commerce and Industry does not take any responsibility for outcome of decisions taken as a result of relying on the content of this book. PHD Chamber of Commerce and Industry shall in no way, be liable for any direct or indirect damages that may arise due to any act or omission on the part of the Reader or User due to any reliance placed or guidance taken from any portion of this book.

Copyright 2018
PHD Chamber of Commerce and Industry

ALL RIGHTS RESERVED.

No part of this book including the cover, shall be reproduced, stored in a retrieval system, or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of, and acknowledgement of the publisher (PHD Chamber of Commerce and Industry).

PHD Research Bureau

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

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.

Research Activities	Comments on Economic Developments	Newsletters	Consultancy
<ul style="list-style-type: none"> • Research Studies 	<ul style="list-style-type: none"> • Macro Economy 	<ul style="list-style-type: none"> • Economic Affairs Newsletter (EAC) 	<ul style="list-style-type: none"> • Trade & Inv. Facilitation Services (TIFS)
<ul style="list-style-type: none"> • State Profiles 	<ul style="list-style-type: none"> • States Development 	<ul style="list-style-type: none"> • Global Economic Monitor (GEM) 	<ul style="list-style-type: none"> • Business Research Consultancy
<ul style="list-style-type: none"> • Impact Assessments 	<ul style="list-style-type: none"> • Infrastructure 	<ul style="list-style-type: none"> • Trade & Inv. Facilitation Services (TIFS) newsletter 	
<ul style="list-style-type: none"> • Thematic Research Reports 	<ul style="list-style-type: none"> • Foreign exchange market 	<ul style="list-style-type: none"> • State Development Monitor (SDM) 	
<ul style="list-style-type: none"> • Releases on Economic Developments 	<ul style="list-style-type: none"> • International Trade 	<ul style="list-style-type: none"> • Forex and FEMA Newsletter 	
	<ul style="list-style-type: none"> • Global Economy 		

Team, PHD Research Bureau

Dr. SP Sharma
Chief Economist

Email: spsharma@phdcci.in

Department of Economic Affairs and Research	Department of Financial markets, Taxation and Research	Department of Foreign Trade and Investments and Research
<p>Ms. Megha Kaul Associate Economist Developments in Economic Policy</p>	<p>Ms. Surbhi Sharma Senior Research Officer Banking, Finance and Taxation</p>	<p>Ms. Ankita Upadhyay Senior Research Officer International Trade & Investments Relations</p>
<p>Ms. Areesha Research Associate Macroeconomic Developments at National and International arena</p>	<p>Ms. Neha Gupta Research Associate FOREX and FEMA</p>	<p>Mr. Rohit Singh Research Associate India's Foreign Trade & Investments</p>
<p>Ms. Abha Chauhan Research Associate State Developments</p>	<p>Ms. Kriti Khurana Research Associate Macro and Financial Indicators</p>	
<p>Ms. Sunita Gosain, Secretarial Assistant Secretarial and Administrative Processes</p>		

Studies Undertaken by PHD Research Bureau

A: Thematic research reports

1. Comparative study on power situation in Northern and Central states of India (September 2011)
2. Economic Analysis of State (October 2011)
3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry-2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
17. Emerging Contours in the MSME sector of Uttarakhand (April 2014)
18. Roadmap for New Government (May 2014)
19. Youth Economics (May 2014)
20. Economy on the Eve of Union Budget 2014-15 (July 2014)
21. Budget 2014-15: Promise of Progress (July 2014)
22. Agronomics 2014: Impact on economic growth and inflation (August 2014)
23. 100 Days of new Government (September 2014)
24. Make in India: Bolstering Manufacturing Sector (October 2014)
25. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014)
26. Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
27. Role of MSMEs in Make in India with reference to Ease of Doing Business in Ghaziabad (Nov 2014)
28. Exploring Prospects for Make in India and Made in India: A Study (January 2015)
29. SEZs in India: Criss-Cross Concerns (February 2015)
30. Socio-Economic Impact of Check Dams in Sikar District of Rajasthan (February 2015)
31. India - USA Economic Relations (February 2015)
32. Economy on the Eve of Union Budget 2015-16 (February 2015)
33. Budget Analysis (2015-16)
34. Druzhba-Dosti: India's Trade Opportunities with Russia (April 2015)
35. Impact of Labour Reforms on Industry in Rajasthan: A survey study (July 2015)
36. Progress of Make in India (September 2015)
37. Grown Diamonds, A Sunrise Industry in India: Prospects for Economic Growth (November 2015)
38. Annual survey of Indian Direct Selling Industry 2014-15 (December 2015)
39. India's Foreign Trade Policy Environment Past, Present and Future (December 2015)
40. Revisiting the emerging economic powers as drivers in promoting global economic growth (February 2016)
41. Bolstering MSMEs for Make in India with special focus on CSR (March 2016)
42. BREXIT impact on Indian Economy (July 2016)

43. India's Exports Outlook (August 2016)
44. Ease of Doing Business : Suggestive Measures for States (October 2016)
45. Transforming India through Make in India, Skill India and Digital India (November 2016)
46. Impact of Demonetization on Economy, Businesses and People (January 2017)
47. Economy on the eve of Budget 2017-18 (January 2017)
48. Union Budget 2017-18: A budget for all-inclusive development (January 2017)
49. Annual Survey of Indian Direct Selling Industry 2015-16 (February 2017)
50. Worklife Balance and Health Concerns of Women: A Survey (March 2017)
51. Special Economic Zones: Performance, Problems and Opportunities (April 2017)
52. Feasibility Study (socio-Economic Survey) of Ambala and Rohtak Districts in Haryana (March 2017)
53. Goods and Services (GST): So far (July 2017)
54. Reshaping India-Africa Trade: Dynamics and Export Potentiality of Products in Africa (July 2017)
55. Industry Perspective on Bitcoins (July 2017)
56. Senior Housing: A sunrise sector in India (August 2017)
57. Current state of the economy (October 2017)
58. Equitable finance to fulfill funding requirements of Indian Economy (October 2017)
59. India-Israel Relations: Building Bridges of Dynamic Trade (November 2017)
60. Role of Trade Infrastructure for Export Scheme (TIES) in Improving Export Competitiveness (November 2017)
61. The Wall of Protectionism: Rise and Rise of Protectionist policies in the Global Arena (November 2017)
62. India-China Relationship: The Trade Giants of Past, Present and Future (January 2018)
63. Analysis of Trade Pattern of India and ASEAN (January 2018)
64. Union Budget 2018-19: A budget for livelihood and consumption led growth (February 2017)

B: State profiles

65. Rajasthan: The State Profile (April 2011)
66. Uttarakhand: The State Profile (June 2011)
67. Punjab: The State Profile (November 2011)
68. J&K: The State Profile (December 2011)
69. Uttar Pradesh: The State Profile (December 2011)
70. Bihar: The State Profile (June 2012)
71. Himachal Pradesh: The State Profile (June 2012)
72. Madhya Pradesh: The State Profile (August 2012)
73. Resurgent Bihar (April 2013)
74. Life ahead for Uttarakhand (August 2013)
75. Punjab: The State Profile (February 2014)
76. Haryana: Bolstering Industrialization (May 2015)
77. Progressive Uttar Pradesh: Building Uttar Pradesh of Tomorrow (August 2015),
78. Suggestions for Pr
79. ogressive Uttar Pradesh (August 2015)
80. State profile of Telangana- The dynamic state of India (April 2016)
81. Smart Infrastructure Summit 2016- Transforming Uttar Pradesh (August 2016)
82. Smart Infrastructure Summit 2016-Transforming Uttar Pradesh : Suggestions for the State Government (August 2016)
83. Rising Jharkhand: An Emerging Investment Hub (February 2017)
84. Punjab: Roadmap for the New Government Suggestions for the Industrial and Socio-Economic Development – Focus MSMEs ease of doing business (May 2017)
85. Prospering Himachal Pradesh: A Mountain of Opportunities (August 2017)



About the PHD Chamber

PHD Chamber of Commerce & Industry, a leading Industry Chamber of India, ever since its inception in 1905, has been an active participant in the India Growth Story through its Advocacy Role for the Policy Makers and Regulators of the Country. Regular interactions, Seminars, Conference and Conclaves allow healthy and constructive discussions between the Government, Industry and International Agencies bringing out the Vitals for Growth. As a true representative of the Industry with a large membership base of 48000 direct and indirect members, PHD Chamber has forged ahead leveraging its legacy with the Industry knowledge across sectors (58 Industry verticals being covered through Expert Committees), a deep understanding of the Economy at large and the populace at the micro level.

At a Global level we have been working with the Embassies and High Commissions in India to bring in the International Best Practices and Business Opportunities.



“We Walk Our Talk”

PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400
Fax : +91-11-2685 5450 • E-mail : president@phdcci.in • Website : www.phdcci.in, CIN: U74899DL1951GAP001947