

# India and South Africa - Trade and investment

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South Africa can learn a lot from India, its fellow BRICS member which has achieved an average GDP growth rate of eight percent in recent years and is one of the most popular destinations for foreign direct investment in the world.

Consul General of India to Johannesburg, Dr K.J. Srinivasa told a gathering at the Gordon Institute of Business Science (GIBS) that the Indian economy is “one of the shining lights of the world economic landscape.” According to the IMF, the country’s economy is the sixth largest in the world and the third largest in terms of purchasing power.

Director of the Centre for Leadership and Dialogue at GIBS, Abdullah Verachia, said, “India stands on the brink of becoming a global superpower. With its population of 1.25 billion people, India’s influence on the global stage is well established and growing.”

India’s long-term economic prospects are promising due to high savings and investment rates, a young population and integration into the global economy.

India has the potential to become one of the three largest economies in the world in the next 20 years and the third-largest consumer economy by 2025, Srinivasa said. Corporate earnings are expected to increase by twenty percent for the 2017/2018 tax year and the country anticipates GDP growth of seven-and-a-half percent for 2017.

“The overall economy is ready for a big take-off,” he added.

## Policy initiatives and measures to promote growth

The Indian government has introduced a number of economic policy initiatives to boost growth and the country’s attractiveness as an investment destination.

Measures include:

- The **Make in India** initiative to encourage manufacturing activity to boost purchasing power and demand.
- **Digital India** to provide internet and Wi-Fi access to most of the Indian population and promote start-up businesses. The government offers a three-year tax waiver for start-ups to promote entrepreneurship.
- **Invest India** incentivises foreign companies to invest in the country. 300 foreign companies are expected to invest a total of \$62 billion in 2017.
- The government’s **Smart Cities Mission** is an urban renewal project with a \$9-billion budget to improve the infrastructure of Indian cities.

## India and South Africa bilateral trade relations

“India is a phenomenal country that is doing phenomenally well, and we need to catch up. South Africa is going through a rough patch, I don’t think anybody can deny that,” retired media executive, Professor Govin Reddy said.

South Africa’s growth rate is “of greater concern,” he added. “To be very honest, we are in negative terrain. Our country is in dire straits and it cannot be swept under the carpet.”

Dr Srinivasa advised South Africa to focus on three core areas in the attempt to improve its economic prospects. Efforts should place emphasis on investing in education, especially science, technology and mathematics training; being open to the exchange of talents with other countries and opening up the economy as an investment destination.

India's policy reforms to encourage investment had resulted in it becoming the top FDI destination in the world. "You have to have an open economy in order to attract investment," he said.

While South Africa is the largest economy in Africa after Nigeria, it is still relatively small when compared to India, Reddy pointed out.

India is South African's seventh largest trade partner. Imports from India account for four percent of total, while imports from China account for approximately twenty percent. This is a large gap when considering the strong cultural and political ties between the two nations he said.

South Africa had the largest Indian diaspora in the world two decades ago, and "despite the wide gaps between the two countries, there is a lot that binds us."

The bilateral commercial and political relationship between South Africa and India are special and premised on a common colonial past and shared histories.

Head of Trade and Structured Trade and Commodity Finance at First National Bank, Bobby Madhav, said many companies from India have become entrenched in South Africa, the flow of Indian business into Africa has increased significantly since 2008.

For local companies looking to take their businesses to India, Madhav said "the level of education, expertise and knowledge is profound, and it is easy to find the right resources." However, he advised businesses to gain a thorough understanding of the country's regulatory and cultural landscape.

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