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Abstract

India and South Africa are having great connection. With the invention of new route the trade between two countries started prospering with multiple exchanges. Mahatma Gandhi was the connecting bridge between two countries. However, India cut off the diplomatic relations with South Africa on the ground of morality. The relations between two countries took new turn after the removal of apartheid government in 1990 that established several diplomatic offices within important cities to enhance the bilateral relations. South Africa is the second largest trade partner for India in Africa after Nigeria. For South Africa India is the fourth largest importing country and fifth largest exporting destination. As far as trade relations are concerned, both India and South Africa exchanged wide variety of products by exploring the diverse areas like technology, services, mining etc. These areas have benefited both the countries but it has yet to reach at its peak. Beyond trade relations there several other opportunities to be explored and challenges to tackle. Both India and Russia shall cooperate on these areas to bring mutual prosperity.

Keywords – Trade, Investment, Relations, Opportunities.

Introduction

The alternative route to India discovered by Portuguese explorer Vasco da Gama was through the Cape of Good Hope, the southernmost point of South Africa. The famous voyage of Vasco da Gama, brought colonialism not only to the Indian sub- continent but also to South Africa. A common history of colonialism and anti- colonial struggle started for both the countries. The British colonial authorities took a large number of indentured labours from the Indian sub- continent to work in the sugar plantations in South Africa. This was the first major economic exchange between two countries. It was not only labourers but also a large number of traders from the sub- continent who went to South Africa to look for economic opportunities. The rise of India born lawyer Mohandas Karamchand Gandhi to the fame of Mahatma started with these traders from the Indian diaspora who were facing a lot discrimination in South Africa. The roots of Satyagraha were sown in the struggle against the British colonial administration on South African soil.

The experiment of Satyagraha moved to the Indian sub- continent along with Mahatma Gandhi and had a profound impact on the conduct of the Indian diplomatic relations with the world. India was the first country to raise voice against the apartheid policies implemented by the White government in South Africa. India decided to cut off all diplomatic relations with the apartheid government. India also decided to sever all trade relations with South Africa in spite of a big sacrifice it demanded. India- South Africa was flourishing at that point of time but the government decided to cut all of it on the grounds of morality and support to its diaspora.

Post-Apartheid Relations

After the removal of apartheid government in 1990, India established official relations and opened a commerce and culture centre in Johannesburg in 1993. India's High Commission was opened in May 1994 in Pretoria. India further opened a consular office in Cape Town and Durban in 1996.¹ In a gesture of reciprocation, South African opened a High Commission in New Delhi and a consular office in Mumbai. In order to establish closer diplomatic relations, India and South Africa jointly established a high-level Ministerial committee to identify areas of cooperation between the two countries. The committee in its meeting over the years has submitted several suggestions on custom duties, issuance of visa etc. Several high-level meetings took place between the ministers of both the countries. As a result, India and South Africa have developed a strong bond in its over three decades of relationship. Both the nations have reiterated the importance of bilateral cooperation in the promotion of interest of both the countries.

South Africa joining the BRIC groups brought both the countries closer. India recommended inclusion of South Africa in the group in 2010. President Zuma visited all four member countries to discuss the membership and joined the group of emerging economies in December 2010.² India and South Africa are also connected through many multilateral organisations such as India Brazil South Africa (IBSA), the Asia

Africa Strategic Partnership and the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC). Initiatives in these organisations further strengthen the bilateral ties. Both the countries called for reforms in the global institution and agreed to raise a common voice for issues in the United Nations, the World Trade Organisation and G-20.

India – South Africa Bilateral Trade

The bilateral trade has touched a mark of \$10 billion now with the balance of trade in favour of South Africa. It is the second largest trade partner for India in Africa after Nigeria. For South Africa India is the fourth largest importing country and fifth largest exporting destination. Some major products of bilateral trade are discussed below.

Refined Petroleum Products - South Africa is an oil and gas deficient country. The country is home to many strategic minerals, even fossilized minerals like diamond and coal but has no large deposits of oil and gas. During the apartheid regime, coal to oil project were undertaken but were not sufficient to fulfil the local demands. India has faced similar oil and gas deficits but it has sizable petroleum refinery projects which are not only sufficient to cater to the domestic market but are exported to many countries including South Africa. India's petroleum refining capacity stands at 249.87 MTPA which makes it the fourth largest in the world. India has 19 oil refineries in the public sector and 3 under the private sector.ⁱⁱⁱ The Jamnagar Refinery complex owned by the Reliance Industries Limited has the distinction of the largest oil refinery in the world.

Pharmaceuticals - India has a strong pharmaceutical industry with a wide global presence in the generic segment. Indian pharmaceutical industry has played a huge role in bringing down the cost of antiretroviral drugs (ARV) utilised in the treatment of HIV-AIDS patients. South Africa is home to over seven million people infected with HIV. South Africa is considered as the worst affected country with around 19 percent of the overall global population infected with HIV. Till the beginning of the present millennium, very few South Africa had access to ARV medication because they were unaffordable. The Indian pharmaceutical company CIPLA was a pioneer in bringing the cost down to an affordable range of \$1 per day. It was also the first company to introduce a three- in - One combination pack for ARV medication.^{iv}

Indian companies are ranked in the top ten generic suppliers' pharmaceutical companies in South Africa. Another Indian Pharmaceutical company Ranbaxy introduced an antimalarial drug in South Africa which has claimed to cure 95 percent of the infected population. Cipla and Ranbaxy have made investments in pharmaceutical plants in South Africa. The other Indian pharmaceutical companies are Zydis Healthcare, FDC, Sun Pharma and the Himalaya Drug Company. Dr Reddy's Laboratory is another Indian company which has a wide presence in South Africa. The company initially entered the market with a local partner but in 2010 it became a wholly owned company after buying shares from the local company.

Automobile - Tata Motors is an Indian pioneering company in South Africa. The company already had a wide presence in East Africa since the 1970s. The company has formed a subsidiary Tata Automobile Corporation SA to look after automobile business in South Africa. The subsidiary is responsible for marketing and distribution passenger and light commercial vehicles imported from India. It also has a plant in Pretoria which assembles a limited number of commercial vehicles and are sold in the local market. Mahindra and Mahindra is another large Indian automobile company that has a presence in the South Africa market. The company has a wide presence in South Africa, covering all nine provinces. It has an advantage that it has a large range of vehicles covering cars, commercial vehicles as well as agricultural equipment. Mahindra has even designed its popular vehicle Scorpio, in the South African market and is not sold in the Indian market. The other Indian automobile companies active in South Africa are Ashok Leyland, KLT Automotive and Motherson Sumi Systems. Indian companies have also benefited out of the South African government led Automotive Production and Development Programme aimed at boosting local production and exports.

In terms of imports, Coal is the largest item imported from South Africa in India. South Africa remained a major coal producer for the last centuries. India did not take interest in imports during the apartheid regime. However, in the post-apartheid period India started importing huge quantities of coal from South African mines to meet the domestic demand. It is estimated that to run a thermal power plant at a coastal

location, imported coal from South Africa is cheaper than running it on domestic coal. There are two major reasons are, the cost of carrying coal from the coal mines in the interiors of India with railway transport is higher than importing from South Africa. The imported coal has higher quality and is also high calorific value than domestic coal.

India's Exports to South Africa

No.	Commodity	2018-2019	2019-2020	% Growth
1	Vehicles	823.67	1,030.96	25.17
2	Refined Petroleum Products	574.47	590.52	2.79
3	Pharmaceutical Products	531.21	559.57	5.34
4	Machinery (electrical)	239.09	347.58	45.37
5	Machinery (Mechanical)	203.53	223.09	9.61
6	Plastic articles	117.41	109.61	-6.65
7	Organic Chemical	158.93	102.78	-35.33
8	Clothes	108.58	92.51	-14.8
9	Miscellaneous Chemicals	68.34	82.09	20.12
10	Rice	73.65	71.47	-2.97

All figures in US \$ million

(Source: <https://tradestat.commerce.gov.in/eidb/iecntq.asp>)

Diamond and precious stones are another major import from South Africa. South Africa is a leading diamond producer in the world. Diamond mining is the oldest mining industry like coal which started in 1867 with the discovery of kimberlite diamond deposits. De Beers is a name synonymous with diamond and is a South African company founded in 1888. South Africa currently produces over 7 million carats of diamonds and has an estimated 130 million carats of diamond deposits. However, unlike coal and other mineral product imports from South Africa, diamond and precious stones import is not primarily for the local market. These diamonds reach Indian mainly for polishing and are re-exported across the world. It is estimated that one in every three diamonds in the world is polished in India. This is a key export processing industry of India. It contributed, along with gold, 7.5 percent of the country's Gross Domestic Product and 14 percent of India's total merchandise exports.

The Investment in Industry

The investment remained a cornerstone of the strong bilateral relation between India and South Africa. There is reciprocity in the investments as companies from both the countries have invested in each other's economy. The most prominent investment from the Indian side was by Cipla, a Pharmaceutical company, which has a production unit in South Africa. There are about 30 South Africa companies that have invested in India which spreads into industries like finance, Banking and healthcare sectors. The cumulative investment by South African companies stands at \$ 790 million. Some major companies from South Africa are, Airport Company of South Africa, Sanlam, Old Mutuals (Financial Sector), First Rand Bank (Banking), Momentum (Insurance), NASPERS (e-commerce), Smollan (Retail), SAB Miller (breweries) Life Health. In the recent past, Phelan Energy Group, a South Africa renewable company won the bid to erect a 50 MW solar project in Rajasthan. The bid was aggressively priced and was responsible for lowering the overall tariff in India.

India's investment in South Africa is around \$ 4 billion with numbers ranging around 130 Indian companies. It has created more than 18,000 jobs. There are around 1440 Indian companies that have invested in South Africa. Major sectors of investments are healthcare and pharmaceuticals, information technology, Finance and automobile companies. These companies are found in following sectors;

Information Technology - Many Indian software companies like the Tata Consultancy Services, Infosys, HCL Technologies, Wipro, Nihilent and Zensar have operations in South Africa. Many of these companies have their African headquarters located in South Africa. Indian software companies are involved in providing services to telecom, financial services, manufacturing and healthcare sector. Their clients are large and medium industries, public sector companies and governments itself. Nihilent has a special place in South Africa, as it is a South African owned company but has headquarter in India and engaged in business across the world. Wipro has over 800 employees in South Africa with half of them from South Africa.

Mining - The Mining sector in south Africa has attracted billions of dollars' worth investments from India. Vedanta alone has invested around \$1 billion in zinc mining in the Northern Cape which has one of the world's largest undeveloped Zinc sulphide deposits. The company has presence in many other mines as well in extraction and processing. Jindal Africa has investment in coal and iron ore mines in South Africa and provides employment to 500 people. There are several other Indian companies involved in South African mining like Action group, A&B Global, Auk Marine and Mining and Osho Coal Mining. These companies are involved in building housing, school and infrastructure for their employees. Here is the list of commodities imported by India.

India's Imports from South Africa

No.	Commodity	2018-2019	2019-2020	% Growth
1	Coal	2,771.99	3,013.69	8.72
2	Diamond and precious stones	1,746.87	2,064.03	18.16
3	Ships and Boats	196.34	437.91	123.04
4	Ores, and slag	612.24	395.29	-35.43
5	Iron and steel	245.91	207.4	-15.66
6	Pulp of wood	156.64	144.9	-7.49
7	Machinery (Mechanical)	130.46	126.55	-3
8	Organic Chemical	75.29	72.34	-3.92
9	Copper	63.49	64.02	0.83
10	Aluminium	73.52	58.82	-19.99

All figures in US \$ million

(Source: <https://tradestat.commerce.gov.in/eidb/iecntq.asp>)

Financial Services - Indian banks have a large presence in South Africa, prominent among them are the State Bank of India, Export Import Bank of India, Canara Bank and ICICI. Their presence facilitates smooth transaction of money for Indian exporters and importers. These companies also lend to South African customers for business and housing projects. The Exim bank particularly supports the import and export with their product like lines of credit by utilising it the Indian companies help South Africa in different infrastructure projects.

The companies from South Africa as well as from India are involved in skill development in South Africa.

Tata Consultancy Services also sends students from South Africa to study Information technology in Indian and many of them get absorbed in the same company. Another company from Tata group, Tata Automobile has established an academy to train the local employees of its services network spread around the nation.

CRI Pumps has set up a Technology Training and Development Centre in Midrand where local workers are trained in new technologies and engineering skills. Allied Steel rode has also established a skill centre for graduates to impact specialised on the job training on the basis of earn while learn. Similarly, Steps are also taken to take students to higher education through the CSR activities. Tata Africa has provided South African students scholarships to study in the University of Kwazulu-Natal.^{vi} Women empowerment is another important part of CSR activities and Tata Africa has set up a Woman in Transport award where organisations imparting innovative training to women are acknowledged and awarded. To promote sports under CSR, Tata Consultancy Services has established the Mandela Day Cup for young soccer players from Johannesburg city and surrounding areas. Above all, staff volunteering is promoted in the Indian companies where staff members get a chance to enhance their skills and get involved in community developments.

Conclusion

India - South Africa has a long way to go in the coming decades but the road ahead is filled with both challenges as well as opportunities. There are many points where both Indian as well as South African companies face challenges in the conduct of business and should be removed in order to facilitate business. A big problem is that there is no direct flight between the two countries which makes business trips time consuming and costly. The Indian investors are sometimes threatened by the South African government rules of Broad-Based Black Economic Empowerment (B-BBEE) which mandates the employment of the local population in jobs and businesses. However, many Indian companies have successfully received B-BBEE certificates which allows them to compete for government contracts. There are issues with the issuance of visa especially for expatriate skilled workers. Many information technology companies would take experienced staff to set up business but there is delay in the issuance of visas. There is a provision for a BRICS visa which is issued quickly and for ten years but with a limitation that each stay should not exceed thirty days.

However, there lies many opportunities for the Indian companies in South Africa. Information technology has not reached the masses in South Africa and this provides an opportunity to the Indian information technologies companies. The opportunities are available not only in the industrial applications but also in civil administration, education sectors etc. Renewable energy is a big opportunity in both the countries as the technologies are making it affordable and scalable. Both the countries have ample opportunities in solar, hydel as well as wind energy. Agro Processing is another big opportunity in both the countries. The advantage with South Africa is that it has a developed Agri-processing sector. Their experience can be utilised in India for the processing of agricultural products. The other advantage is that the production in that country can easily be marketed in the African market.

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