

# A Study of India-South Africa Bilateral Trade

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**Abstract:** This research paper examines India and South Africa's bilateral trade. The main objectives of this paper are to examine the bilateral trade trend and changes in the commodities composition of export and import between India and South Africa from 2000-01 to 2018-19. In the past two decades, bilateral trade between the two countries has increased significantly. India exports automobiles, mineral fuels, and pharmaceuticals, but these exports items have been changing with time. Trade between India and South Africa has undergone numerous transformations over time. For analysis of bilateral trade between India and South Africa we have used complementary trade index. This paper revealed that India and South Africa have emerged as important trading partners.

**Keyword:** South Africa, trade complementarity index, Trade, Africa, Balance of Trade

## **Introduction:**

In today's globalised economy, international trade's importance cannot be neglect; regardless of the obstacles, every nation aspires to make a distinction itself in international trade. India is also involved in this effort and is attempting to establish economic and political ties with all regions of the world. The purpose of this article is to provide a descriptive and analytical analysis of the bilateral trade relations that exist between India and South Africa. The relationship between India and Africa goes back a long way in history. In 1946, when the apartheid government was in power in South Africa, India imposed an embargo on trade. However, after apartheid was abolished in 1994, trade between India and South Africa restarted (India - South Africa Relations, 2017). In 1991, India adopted a new economic policy based on globalisation, liberalisation, and privatisation, almost simultaneously with the end of

apartheid in South Africa. After then, both nations enter a new phase of their new political and economic structures, liberalising their foreign trade policies and ensuring their participation in globalisation. It was a crucial time for both countries, during which India chose the path of free trade by abolishing the licence raj. In comparison, a long-standing racial law had been overturned in South Africa, and the country became democratic. At this time, both countries were eager to contribute to international trade, and they soon began increasing bilateral trade. As a result, both countries became important trade partners with each other.

Consequently, trade began between the two countries. The trade between the two countries increased after the year 2000. However, the structure of international trade has shifted over the past two decades. After the formation of the IBSA forum in 2003, trade between India and South Africa increased significantly. In 2006, India and the SACU

engaged in free-trade negotiations. South Africa became a member of BRICS in 2013. Between 2000-01 and 2018-19, the value of total trade between India and South Africa increased by 16.5% per year. The consistently negative trade balance with South Africa indicates that India imports a substantial number of commodities compared to its exports. South Africa is presently India's most important trade partner on the African continent.

### **Literature Review:**

Michaely, M. (1996) In their research paper, they employed an index of trade complementarity. They examine Latin American trade liberalisation policies.

Soko (2006) discussed the SACU and India preferential trade agreement negotiation. Soko has identified a crucial factor that affects the transaction. The expansion of liberal services to South Africa is a concern for India. At the same time, the protection of intellectual property rights is a concern for South Africa. Tariffs are another crucial negotiating issue. The article was written prior to the negotiation. Their analysis was accurate, and the negotiation failed to conclude. From 2006 to 2018, the fifth round of negotiations took place, but the preferential trade agreement remains unfinished.

Alves (2007) Examines the diverse facets of India-South Africa relations, including political, economic, etc. Regarding commercial relations, Alves discovered that India has trade potential in automobile, pharmaceutical, and engineering products even though commercial relations have increased continuously. The diversity of imports from India surpassed that of exports to India.

Shaji (2009) study focuses on Indian foreign policy in South Africa after 1990. India-South Africa is a developing economy; after the end of apartheid in 1994, trade between the two countries began to increase. According to the study, the establishment of the IBSA forum and the economic cooperation has challenged the hegemony of capitalist developed countries and enhanced the economic ties between the two countries

Ekor et al. (2017) studied South African trade relations with other BRICS nations. They found that South Africa and India have high Trade intensity among other BRICS nations. They were suggested that South Africa should focus on India and China to improve investment from these countries. South Africa should improve bilateral trade with Russia and Brazil, which has low trade intensity.

Wani et al. (2016) studied India's trade linkage with South Africa using the revealed comparative advantage index and the comparative advantage index method for trade potential between both countries. Their research found that India has a comparative advantage in exporting labour-intensive goods like textiles and scale-intensive goods. In contrast, South Africa has a comparative advantage in manufacturing goods. Expanding the trade growth path between economies has resulted in sustained growth in their merchandise trade flow.

Shnyrkov & Pliushch (2019) examine the trade partnership between Ukraine and the European Union using Michaely's trade complementarity index. With a trade complementarity index of 79.19 and a trade complementarity index of 72.72, re-

spectively. Based on the high trade complementarity index, they concluded that Ukraine and the European Union have a natural trading partner and strong trade relations.

#### **Methodology and Data Source:**

The present research paper is based on secondary data. The collected from the Ministry of Commerce (GOI). The nature of the paper is theoretical and descriptive. It critically analyses the economic relationship between India and the South Africa. These study presents the bilateral trade between both the countries, specifically top ten export and import commodi-

ties classified HS-code in two-digit. In order to analysis the trade partnership between both the countries we use “Trade Complimentary Index” developed by Michaely (1996), which give a quantitative measure for two countries.

For Trade complimentary index the data collected and calculated by using world integrated trade solution website.

#### **Objective:**

1. To study India’s Import-Export compositions with South Africa.
2. To analyse the Trade partnership, share through trade complimentary index.

### **India - South Africa Bilateral Trade:**

**Table-1: India-South Africa Trade since 2000-01 to 2018-19 (Million \$ US)**

Years	Export	Import	Total Trade	Trade Balance
2000-2001	310.67	1,021.91	1,332.58	-711.24
2001-2002	352.94	1,440.90	1,793.84	-1,087.96
2002-2003	483.98	2,093.48	2,577.46	-1,609.50
2003-2004	539.35	1,899.19	2,438.54	-1,359.84
2004-2005	984.04	2,197.67	3,181.71	-1,213.63
2005-2006	1,526.87	2,471.80	3,998.67	-944.93
2006-2007	2,241.61	2,470.14	4,711.75	-228.53
2007-2008	2,660.75	3,605.35	6,266.10	-944.60
2008-2009	1,980.28	5,513.58	7,493.86	-3,533.30
2009-2010	2,058.50	5,674.50	7,733.00	-3,616.00
2010-2011	3,912.37	7,140.55	11,052.92	-3,228.18
2011-2012	4,731.17	10,971.76	15,702.93	-6,240.59
2012-2013	5,106.93	8,887.89	13,994.82	-3,780.96
2013-2014	5,074.29	6,075.26	11,149.55	-1,000.97
2014-2015	5,301.99	6,496.52	11,798.51	-1,194.53
2015-2016	3,588.07	5,948.42	9,536.49	-2,360.35
2016-2017	3,545.95	5,833.75	9,379.70	-2,287.80
2017-2018	3,825.21	6,834.70	10,659.91	-3,009.49
2018-2019	4,067.20	6,517.33	10,584.53	-2,450.13

Data Source: Ministry of Commerce and Industry, Government of India.

Table 1 shows that India-South Africa's total trade has increased around tenfold from US\$ 1332.5 million in 2000-01 to US\$ 10584.54 in 2018-19, the growth accounting for 16.5% CAGR during the period. The table shows that during the entire study period, the value of imports from South Africa has been more than the export. The balance of trade between India with South Africa has been in deficit for India. Evident that there has been no significant growth in the trade after 2014-15. Imports increased marginally, and exports declined. Because of this, the trade deficit has increased. The main reason for the decline in trade between both countries is the global slowdown. It shows the impact on the trade relations of

both countries. There is another reason for this, as the flight connectivity in both countries is not direct, which creates a serious problem for businessmen (Misra, 2018). The Visa rules can be one of the reasons. The direct relation between the growth of the business of any country depends on the growth rate of that country itself. Currently, South Africa's growth rate has dropped significantly. Due to this, this country is facing an economic crisis. India's total export value to South Africa was US\$ 310.67 million in 2000-01. The composition of the top ten commodities and their share in exports for the year of 2000-01 along with their respective HS-codes are shown in Table No 2.

**Table-2: India's export to South Africa in 2000-01, 2009-10 and 2018-19,  
(Value in US\$ million)**

S. No	HS-Code	Value 2000-2001	Share in %	HS-Code	Value 2009-2010	Share in %	HS-Code	Value 2018-2019	Share in %
1.00	62	39.53	12.72	27	649.73	31.56	87	823.67	20.25
2.00	52	24.11	7.76	87	243.27	11.82	27	574.47	14.12
3.00	84	16.04	5.16	30	203.29	9.88	30	531.21	13.06
4.00	87	14.88	4.79	85	102.57	4.98	85	239.09	5.88
5.00	10	14.75	4.75	84	73.17	3.55	84	203.53	5.00
6.00	41	13.78	4.44	29	67.22	3.27	89	198.48	4.88
7.00	30	12.9	4.15	39	49.07	2.38	29	158.93	3.91
8.00	73	11.66	3.75	61	47.8	2.32	39	117.41	2.89
9.00	72	10.89	3.51	72	40.28	1.96	61	108.58	2.67
10.00	63	9.99	3.22	24	39.46	1.92	73	88.95	2.19
	Oth-ers	142.14	45.75	Oth-ers	542.64	26.36	Oth-ers	1022.88	25.15
		310.67	100.00		2058.5	100.00		4067.2	100.00

Data Source: Ministry of Commerce and Industry, Government of India

In which apparel and cotton are in the top position. Followed by nuclear reactors and boilers, vehicles other than railways, cereals, raw hides and skins, pharmaceutical products, articles of iron or steel, other made-up textile articles, etc. The value of exports increased to US\$2058.5 million in 2009–10, almost three times more. mineral oils product (HS 27) share account at 35 % in 2009-10. Vehicles other than the railway became the second most exported product consisting of a 12% export share and pharmaceutical products (HS-30) at 10%. Only These three articles comprised 50% export share to South Africa. Simultaneously, the share of export goods also changed. Textiles and cotton were the major export items in 2001; in 2009-10, it was replaced by mineral fuel vehicles other than railways and pharmaceutical products. Although apparel

still maintains its position among the top ten exported commodities. In 2018-19 India's export to South Africa reached US\$ 4067.2 Million, almost double that of 2009-10. In the commodities export order, vehicles other than railway got the first position, although the top five commodities are the same as 2009-10, only their share has changed. In 2018-2019 the exported commodities were; vehicles other than railways (HS-87), mineral fuels (HS-27), pharmaceutical products (HS-30), electrical machinery and equipment (HS-85), nuclear reactors and boilers machinery (HS-84), ships, boats and floating structures (HS-89) organic chemicals (HS-29), plastic and articles (HS-389) apparel and clothing (HS-61) and articles of iron or steel (HS-73), respectively.

**Table-3: India's import from South Africa in 2000-01, 2009-10 and 2018-19 (Value in US\$ million)**

S. No	HS Code	Value 2000-2001	Share in %	HS Code	Value 2009-2010	Share in %	HS Code	Value 2018-2019	Share in %
1	71	603.34	59.04	71	3384.73	59.65	27	2771.99	42.53
2	27	132.51	12.97	27	1326.73	23.38	71	1746.87	26.80
3	28	96.68	9.46	26	240.92	4.25	26	612.24	9.39
4	72	44.71	4.38	28	182.15	3.21	72	245.91	3.77
5	47	26.72	2.61	72	162.18	2.86	89	196.34	3.01
6	25	12.36	1.21	76	84.57	1.49	47	156.64	2.40
7	84	12.12	1.19	29	51.77	0.91	84	130.46	2.00
8	74	11.79	1.15	84	32.04	0.56	28	91.24	1.40
9	15	10.84	1.06	47	29.29	0.52	29	75.29	1.16
10	85	10.22	1.00	51	20.55	0.36	76	73.52	1.13
	Oth-ers	60.62	5.93	Oth-ers	159.57	2.81	Oth-ers	416.83	6.40
		1021.91	100.00		5674.5	100.00		6517.33	100

Data Source: Ministry of Commerce and Industry, Government of India.

India's export structure to South Africa was diversified in 2000–01. Become less diversified in 2009–10, in which most of the exports, about 50 per cent, comprised only a few such as vehicles other than railways (HS87), mineral fuels (HS-27) and pharmaceutical products (HS-30). The export diversification again increased in 2018-19. The commodities exported from India, which were earlier agricultural products like cloth and cotton, have changed in the last eighteen years to industrial products like vehicles other than railways, mineral fuels and pharmaceutical products. Although agricultural products still have a significant share in exports to South Africa.

India's import figures from South Africa show that India's imports from South Africa have continuously increased during the study period. The composition of India's imported commodities has been almost the same, but the value has increased. India's import from South Africa was US\$ 1021.91 million in 2000–01. The highest share of imported goods was 59.04% of Natural or Cultured Pearls (HS 71), followed by Mineral fuels and mineral oils products (HS 27) at 12.97% share, and inorganic chemicals (HS-28) at 9.46% share, and iron and steel. (HS 42) at 4.38% share. The other commodities were imported at 14% share. It can be seen that only four commodities account for around 85 % of the import share, and the rest of the others had around 15% left. The import value was US\$ 5675.50 million in 2009-10, it was fivefold more than in 2004-05. At the same time, India's trade balance with South Africa is highest at negative US\$ -3616.00 million. The composition of trade has 60% of natural resources and minerals (HS 71), 23% of Mineral fuels and mineral oils products (HS 27), 4 % of ores,

slag and ash and the rest of the other products. Only three products cover 87% of import share data shows that South African minerals and minerals product demand has significantly increased. The import increased to US\$ 6496.52 million in 2014-15. In 2018-19, the import from South Africa was US\$ 6516.33 million, a slight increase as compared to 2014–15. Changes were seen in the composition of imported goods, but their order remains the same. In this way, it has been found that there has been no significant decrease in India's imports, nor has there been any significant change in imported goods. It consists mainly of natural products imported from South Africa. The import value was US\$ 5675.50 million in 2009-10, five times more than in 2000-01. At the same time, India's trade balance with South Africa is highest at negative US\$ -3616.00 million. The composition of imports has around natural resources and minerals (HS 71) of 60% share, Mineral fuels and mineral oils products (HS 27) of 23% share and ores, slag and ash (HS-26) of 4 % share. Only three commodities cover 87% of the total import share, which shows that South African minerals and minerals product demand has significantly increased in the last nine years. The import from South Africa has been US\$ 6516.33 million in 2018-19. In 2001, India was heavily dependent on South Africa for its gold imports. It started importing from other African countries in 2017 (*Deepening South-South Collaboration: An Analysis of Africa and India's Trade and Investment*, 2018). Changes were seen in the composition of imported commodities, but their order remains almost the same. In this way, it has been found that there has been no significant decrease in India's imports, even nor has there been any significant change in imported commodities.

### Trade Complementarity Index:

The trade complementarity (TC) Index developed by Michaely (1996) which provides an indicator of two countries trade partnerships. The theoretical concept are how much two countries import-export are overlapped. Trade complementarity Index can be calculated by export side as well import side.

$$TC_{ij} = 100 * \left[ 1 - \text{sum} \left( \frac{|M_{jk} - X_{ij}|}{2} \right) \right]$$

Where  $X_{ij}$  = share of good i in global exports of country j.

$M_{ik}$  = share of good i in all imports of country k.

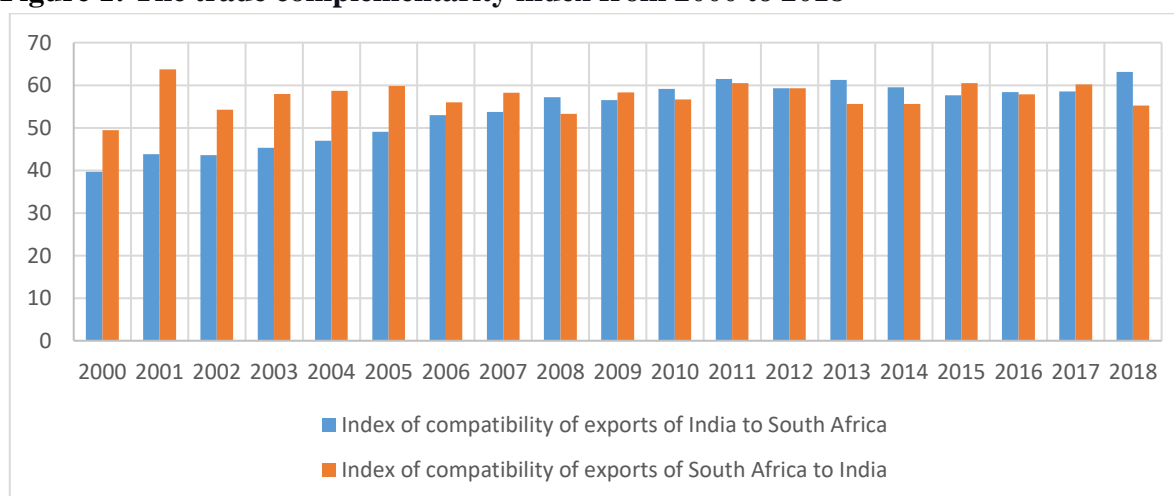
The index ranges from 0 to 100, 0 when no commodities are exported by one country or imported by the other and 100 when the value of export and import shares exactly match.

**Table-4: The trade complementarity index from 2000 to 2018**

	Trade complementarity Index of India to South Africa	Trade complementarity Index of South Africa to India	Year	Trade complementarity Index of India to South Africa	Trade complementarity Index of South Africa to India
2000	39.66	49.45	2010	59.16	56.69
2001	43.78	63.76	2011	61.46	60.49
2002	43.59	54.25	2012	59.33	59.25
2003	45.27	57.92	2013	61.22	55.61
2004	46.95	58.71	2014	59.49	55.60
2005	49.07	59.81	2015	57.61	60.53
2006	52.94	56.00	2016	58.41	57.84
2007	53.73	58.25	2017	58.56	60.17
2008	57.15	53.31	2018	63.14	55.26
2009	56.53	58.31			

Data source: world integrated for trade solution <https://wits.worldbank.org/>

**Figure 1: The trade complementarity index from 2000 to 2018**



Data source: world integrated for trade solution <https://wits.worldbank.org/>

The trade complementarity index shown in figure-1 from 2000 to 2018, the trade relation between India and South Africa become stronger over time. India-South Africa trade volume has increased on both sides, and the trade interdependency also increased simultaneously. In 2000, the trade complementarity index of exports from India to South Africa was 39.67, and the trade complementarity index of South Africa to India was 49.45. indicates both countries' trade partnership is less intense. Almost two decades after, the improvement of trade has become more intense. In 2018, the trade complementarity index of India to South Africa has now 63.13, and the trade complementarity index of South Africa to India has now 55.25, which is much more intense compared to 2000 on both sides. It also indicates that India-South Africa still has the potential to enhance their trade relationship because the trade complimentary index range has 0 to 100. It cannot be possible to achieve 100, but India-South Africa's trade complementarity index can reach up to 70 to 80 points. India and South Africa are both developing countries. In future, the GDP and trade volume of both the countries are likely to increase. Both countries' trade relations will also increase in upcoming years. India –South Africa both will be benefited from their strong trade relations.

### **Conclusion:**

The bilateral trade between the two countries has increased over time. However, in the last few years, the trade has been stable between two countries. There are many reasons why trade is stable and exports have gone down. There is another reason for this, as the flight connectivity in both countries is not direct, which creates a serious problem for businessmen. The Visa rules can be one of the reasons, as stated by orfole.org. The direct relation between the growth of

the business of any country depends on the growth rate of that country itself. Currently, South Africa's growth rate has dropped significantly. Due to this, this country is facing an economic crisis. Their growth rate may be the reason for the decline in imports. The trade complementarity Index of export, both countries improve and show that India- south Africa become vital trade partners in the African and Asian continents.

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