



An Analysis of Trade Relations between India and South Africa

Seema

Junior Research Scholar (UGC), Department of Economics, M.D.U. Rohtak.

ABSTRACT

This article provides an appraisal of trade relations between India and South Africa. India and S. Africa both are the emerging economies of the world. In recent years trade relations between the two countries has grown considerably. The paper provides a detailed analysis of India's trade with S. Africa and analyzed the trade intensity of India-S. Africa trade, balance of trade and trade pattern during the time period of 2001-2013. Calculations are based on trade intensity index, compound annual growth rate, average annual growth rate, simple averages and percentages. The study found that the export intensity between India and S. Africa is quite high means no geographical bias to Indian exports in S. Africa and intensity of imports is also more than one during the study period. Other findings of the study revealed that Balance of trade is favorable for S. Africa (except for the year 2006) during study period. The share of S. Africa's trade in India's total trade is almost stagnant.

KEYWORDS : Balance of Trade, Bilateral Trade, Trade Intensity Index, Trade Pattern.

Introduction

In recent global economic scenario trade has assumed vital importance in growth and development of every country. Trade is also an important determinant factor in deciding the economic relations between two countries. India and South Africa are the two middle income, fastest emerging market economies of the World. Traditionally the driving force of India-South Africa relations was their common historical experience of colonisation and Indian Diaspora in South Africa. South Africa is the largest economy of African Continent and it has abundant mineral resources (Dongwei and Rinan, 2012). Now both countries are members of various forums like IBSA (India, Brazil and South Africa), BRICS (Brazil, Russia, India, China and South Africa) which further enhance their partnership. There is a paradigm shift in their bilateral trade relations and South Africa emerged as the one of the main trading partner of India in Africa (Shrivastav, 2008). The trade between India and South Africa has increased from US\$ 50 million in 1993 to US\$ 1 billion in 2001 and US\$ 11 billion in 2013. Major exports of India to South Africa includes transport equipments, telecommunication equipments, iron and steel, pharmaceutical products, chemicals and petroleum products whereas major imports of India from South Africa includes primary and scrap products like coal and wood pulp, iron and steel, ores and concentrates and gold. India has made huge investment in South Africa. Major Indian investment in South Africa confines to coal, iron ore and manganese mines. India is among the top ten investing countries in South Africa (Kahn, 2011). India is expanding its role in African Continent which has generated competition for South Africa especially in service sector whereas South African investment in India is not much (Besada, 2013). The composition of trade indicates that South Africa still largely export primary products while Indian exports are of value added products. Bilateral trade relations has increased because of various bilateral trade cooperation agreements between the two countries such as India-Brazil and South Africa agreement signed in 2003 (Vadra, 2011). Balance of trade is continuously unfavourable to India which is a matter of concern. India should focus on increasing its exports to South Africa and further enhance their trade cooperation.

Objectives of the Study:

1. To examine the trends and pattern of India-South Africa trade.
2. To analyze India's trade intensity with South Africa.

Research Methodology

For an overview of India's trade with South Africa a detailed analysis of exports and imports has been carried out by using trade data from UNCTAD Statistics. The proposed study is based on secondary data. The data are collected from various sources, like UNCTAD Statistics & CMIE Website. The study is analytical in nature to the extent that it seeks to analyze the India's trade relations with South Africa, Trade pattern of India-South Africa trade & India's Trade Intensity with South Africa for the time period of (2001-13).

Trade Intensity Index

Trade Intensity Index provides a useful tool of analyzing the relative

importance of the bilateral trade partnership of India and South Africa with each other. I have used the trade intensity index given by "Brown" (1949) and "Kojima" (1964) that describe the bilateral trade between two countries in relation to total value of world trade and its share in it. I had calculated India's export intensity with South Africa and India's import intensity with South Africa separately. In order to analyze the trade intensity, the trade intensity index is divided into export intensity index and import intensity index. For that following formula has been used:-

Export Intensity Index:-

$$x_{ij} = X_{ij} \div X_i / M_j \div (M_w - M_i)$$

x_{ij} = Export intensity index of country i with country j.

X_{ij} = Export volume of country i to trading partner j.

X_i = Export volume of country i.

M_j = Import volume of country j.

M_w = Total volume of world imports.

M_i = Total import volume of country i.

Import Intensity Index:-

$$m_{ij} = M_{ij} \div M_i / X_j \div (X_w - X_i)$$

m_{ij} = Import intensity index of country i with country j.

M_{ij} = Import volume of country i to trading partner country j.

M_i = Import volume of country i.

X_j = Export volume of country j.

X_w = Total volume of world exports.

X_i = Total export volume of country i.

Trade intensity index (TII) values lies between Zero and infinity. The index indicates whether or not India and South Africa trade more to themselves than the world does on an average.

If TII = 0, indicates no bilateral trade.

If TII = 1, shows that trade between members has no geographic bias.

If $0 < TII < 1$, that indicate trade between partners is less intensive.

If $1 < TII$, indicates that trade between partners is more intensive.

Results and Discussion

Table-1

India's Trade Intensity with South Africa

Year	Value of Export Intensity Index	Value of Import Intensity Index
2001	1.83	4.80
2002	2.34	5.61
2003	1.51	4.15
2004	2.29	3.32
2005	2.37	3.98
2006	2.67	2.36
2007	2.54	2.28
2008	2.16	2.80
2009	1.84	2.80
2010	2.63	3.19

Table-2

India's Trade with South Africa (in thousands of US \$)

India- S. Africa Trade Pattern

To analyze trade pattern exports, imports and balance of trade are studied here intensively as follows:

Year	Indian Exports to South Africa (in thousands of US dollars)	Average Annual Growth Rate (in %)	Indian Imports From South Africa (in thousands of US dollars)	Average Annual Growth Rate (in %)	India's Total Trade With South Africa	Average Annual Growth Rate of Total Trade (in %)	Trade Balance	Share of South African trade in India's total trade (in %)
2001	326689	----	1165465	----	1492154	----	-838776	1.58
2002	470318	43.96	1497926	28.53	1968244	31.91	-1027608	1.83
2003	467434	-00.61	1474036	-1.59	1941470	-1.36	-1006602	1.47
2004	891642	90.75	1663508	12.85	2555150	31.61	-771866	1.46
2005	1404101	57.47	2546020	53.05	3950121	54.59	-1141919	1.64
2006	2094445	49.17	1846788	-27.46	3941233	-0.23	247657	1.32
2007	2129593	1.68	2304085	24.76	4433678	12.49	-174492	1.21
2008	2480948	16.50	4103086	78.08	6584034	48.50	-1622138	1.32
2009	1959653	-21.01	3728339	-9.13	5687992	-13.60	-1768686	1.28
2010	3650058	86.26	6022276	61.52	9672334	70.05	-2372218	1.69
2011	4319584	18.34	6810802	13.09	11130386	15.07	-2491218	1.46
2012	4973300	15.13	6396113	-6.08	11369413	2.14	-1422813	1.46
2013	5742467	15.46	6240197	-2.43	11982664	5.40	-497730	1.49
	CAGR=26.98%		CAGR=15.01%					

Source: UNCTAD.Org/Statistics

Table 2.shows the trade between India and South Africa i.e. Indian exports to South Africa, Indian imports from South Africa, its growth rate and trade balance. The trends of India's exports, imports from South Africa and share of South Africa's trade in India's total trade are shown in table 2. Trade has been the integral part of growing relations between the two nations. Trade between two nations has grown rapidly during the study period exports with a compound annual growth rate (CAGR) of 26.98% whereas the imports with a CAGR of 15.01%. The annual average growth rate of exports and imports has shown vast fluctuations during the study period. Total trade of India with South Africa has grown over the years but the growth rate of overall trade is also fluctuating and not steady. The share of South Africa in Indian total trade is almost stable at approximately 1.5% hence it required attention to boost the bilateral trade in coming years. The trade balance between India and South Africa is in favor of South Africa except for the year 2006 which is a matter of concern for India. There is need for enhancing Indian exports to South Africa.

Year	Value of Export Intensity Index	Value of Import Intensity Index
2011	2.10	2.82
2012	2.48	2.66
2013	2.47	2.61

Source: UNCTAD. Org/statistics

Table-1 Investigates the intensity of trade between India and South Africa during 2001-2013 which shows the growing intensity of trade between India and South Africa. The Export Intensity Index (EII) values are more than one during the study period indicates that there is no geographical bias to Indian exports in South Africa. The value of EII is shows an increasing trend except some minor fluctuations. Overall EII is quite high. In considerations of imports, value of Import Intensity Index (III) is also quite high during the study period but it shows declining trend over the years still its value remains more than one during the study period indicating that South Africa is an important source of imports for India.

Conclusion

This paper assessed the statistical data of merchandise trade between India and South Africa over the last decade. The analysis was based on measures of trade intensity index, CAGR, Average Annual Growth Rate and percentages. On the Basis of the analysis the study revealed that the intensity of trade has been increasing continuously between India and South Africa. The export intensity index shows an increasing trend during 2001-2013 and shows a very high intensity of exports with value more than 1 which means there are huge potentials for increasing Indian exports in South Africa. On the other hand import intensity is somewhat declining still more than one indicating South Africa is India's major import destination. The findings of the study indicate that the share of South Africa in India's total trade is quite low and stagnant during the whole study period so there is a need to boost exports of India to South Africa for that necessary trade reforms are need to be implemented. The results of the study show that balance of trade is unfavorable to India during the study period except the year 2006. There are huge potential to increase India-South Africa trade because South Africa accounts for a minute share of our total

trade 1.49% in 2013 so there is a need to enhance trade between the two nations.t

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