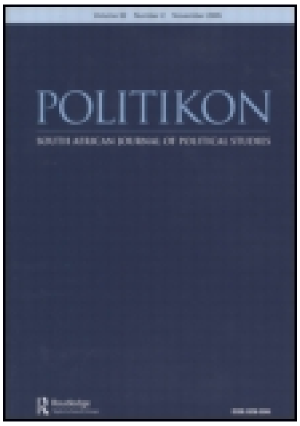

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Meenal Shrivastava

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India and Africa: From Political Alliance to Economic Partnership

MEENAL SHRIVASTAVA*

ABSTRACT *Contemporary political economy, driven by the juggernaut of economic and technological globalisation, has thrown out new opportunities and new challenges for every region of the world. However, despite the noticeable rise of a group of emerging powers in the past decade, mainstream political-economic analysis has been slow to take note of the continually evolving international or regional relationships that do not include the industrialised North. In particular, the rapid economic rise of China and India, with their enormous markets and their phenomenally growing appetite for mineral resources, has made it impossible to ignore their impact on the shifting economic geography and the international political economy. This paper picks one such strand in contemporary international political economy to firstly provide a broad overview of the ongoing interactions and considerable overlaps in the historical, political and economic experiences of India and the African nations. Secondly, it discusses some of the contemporary processes and agents of change affecting the Indo-Africa relationship.*

Introduction

The political alliance of India with African countries was forged in the 1950s and the 1960s, by the shared colonial experiences and ideological stances of the newly independent states. In the past several decades, however, this relationship has undergone tremendous changes ranging from political solidarity to selective engagements as well as disengagement (see Dubey, 1990; Beri, 2003). Moreover, the post-Cold War period is unfolding in a very different political and economic context, which is naturally influencing the relationship between India and the African nations.

To begin with, the main ideological positions that provided common grounds to India and Africa—the struggle against colonialism, as well as the non-aligned stance espoused by them—are rendered all but redundant in the post-Cold War era. Another important feature of the contemporary international period is the dramatic economic ascent of China and India. The rise of the Asian economies

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has been accompanied by new features of global interdependence, such as a brighter outlook for exporters of primary commodities, rising trade among developing countries, increasing exports of capital from the developing to the developed countries, and intensified competition on the global markets for certain types of products and manufactures (UNCTAD, 2007). Therefore, in the contemporary international economy, China and India are greatly contributing to demand growth for primary commodities, which directly benefits African countries. Due to their impressively growing economies and their huge populations, which are also undergoing a dramatic transformation in terms of the nature and scale of their consumption, some studies even portray India, along with China, as major competitors for extractive resources in Africa (Goldstein *et al.*, 2006; Broadman, 2007; UNCTAD, 2007; Ampiah and Naidu, 2008).

The din of concerns regarding the neo-colonisation of African countries is the loudest in popular coverage of China–Africa relationship, in particular (*The Telegraph*, 31 August 2007, http://www.telegraph.co.uk/opinion/main.jhtml?xml=/opinion/2007/08/31/do3102.xml; BBC, 26 November 2007, http://news.bbc.co.uk/2/hi/africa/7086777.stm; Hanson, 2008). However, the paper points to the manifold dimensions of this interaction, particularly those involving India and the African nations. There are many strands to India's relationship with individual African countries, not just the perceptible differences in India's foreign policy in the East African, West African and the Indian Ocean regions. The contextual scope of this paper is, however, much broader than bilateral or regional foreign policies.

In keeping with the theme of this special issue, the paper explores the evolving role of India on the African continent and provides a broad overview by bringing in historical contexts and processes to understand the nature, scope and drivers of this relationship. An important premise of the analysis is the acknowledgement of the complexity and dynamism of the internal and the international milieu within which this relationship is evolving. Therefore, the paper consciously adopts a historical approach and starts by providing a broad contextualisation of India's place in the current international political economy, its political and economic trajectory so far, and notes the changes in India's policy towards African nations in the past decades. While the data of the economic engagement of India-Africa provides quantitative evidence of the evolving relationship between India and the African nations, the paper tries to go beyond the numbers. Specifically, the paper highlights the mutual benefits accruing out of a strengthened Indo-Africa relationship, and discusses the changing role of the people of Indian origin settled in Africa. In particular, the paper argues that the strengthening of Indo-African relationship is an opportunity for African nations to benefit from the improving terms of trade of their primary commodities, knowledge transfers, infrastructure development, and the intensifying international competition for African mineral resources. At the same time, this relationship is crucial for India to consolidate its position in the shifting international economic geography.

‘Re’-emergence of India: setting the broad historical context

The Republic of India covers an area of subcontinental proportions, which is also a treasure trove for the study of structures, agency, and power within a globalising international system. India has attracted much scholarly and popular attention due to its vast regional diversity in terms of history, language, politics, and society, and more recently the economic dynamism of its mammoth economy. In terms of purchasing power parity (PPP), India has emerged as the fifth (World Bank, 2008a) largest economy, and in Gross Domestic Product (GDP) terms it is the twelfth largest (IMF, 2007) in the world.

The rise of India’s share in the global GDP is not historically unprecedented. India was the world’s largest economy in the first millennium, and despite a declining share due to the expansion of China and Western Europe it was still producing 22% of global GDP in 1700 (see Frank, 1998; Pomeranz and Topik, 2006; Venables, 2006; Maddison, 2007). Furthermore, a thriving Afro-Asian trade was the central focus of international economy until the onset of the industrial revolution in Western Europe. However, after the collapse of the Mughal Empire and the social, economic and political costs of adjusting to British governance, it was the poorest country in the world on the eve of independence. Therefore, in 1947, independent India was born with stalled industrial development, a rapidly growing population, one of the world’s lowest life expectancies, and the lowest rates of literacy (see Roy, 2001).

Within six decades of independence, India has emerged, along with a small group of populous and rapidly growing economies, as a significant beneficiary of new forms of trade, which have emerged with the growth of outsourcing and production networks in the contemporary international economy (see Venables, 2006). Despite an inequitable and volatile international economy, India has seen a decade of more than 8% per annum growth, becoming the latest poster child for economic growth and development. Significantly, the broad-based nature of this economic growth is evident in the reduction of absolute poverty by half, and the dramatic improvements in literacy and health conditions (World Bank, 2007). Aside from the impressive increase in growth indicators, India is remarkable for the very strong political and economic institutions for a country at its income level (see for instance Rodrik and Subramanian, 2004). Therefore, despite that fact that India remains home to the largest number of poor people on the planet, the story of India’s ongoing transformation is not just relevant for its people but is also instructive for and is spilling into many developing countries around the world.

India: a chequered history

Although the history of the Indian subcontinent can be traced back at least five thousand years to the urban settlements of the Indus Valley Civilisation, the nation-state itself is not only recent but also continually contested from within due to the linguistically, culturally and ethnically distinct regions within the ‘Indian Nation’ (see Menon and Nigam, 2007). In this context, the survival and evolution of liberal democracy in India is all the more remarkable.

Indian economic policy after independence was influenced by Fabian socialism involving both public and private sectors, and was based on direct and indirect state intervention, rather than the Soviet-style central command system. The first prime minister, Jawaharlal Nehru, laid a strong emphasis on import substitution, industrialisation, state intervention in labour and financial markets, a large public sector, business regulation, and central planning of concentrating simultaneously on capital and technology intensive heavy industry, and subsidising manual, low-skill cottage industries. Although, many of these policies were criticised as a waste of capital and labour (see for instance Friedman, 1963), and held responsible for India's low average growth rate of 3–5% from 1947–1980. However, these policies not only protected the nascent Indian industry from the ravages of international competition but also lead to the development of physical and educational infrastructure that allowed subsequent generations to take advantage of the New Economy.

Moreover, recent studies are re-evaluating the oft-repeated assertion that the free market and open trade policies introduced in the 1990s unleashed the current economic boom in India. Particularly, Williamson and Zagha (2002), DeLong (2004), and Rodrik and Subramanian (2004) have emphasised that India's growth rate started doubling in the 1980s, nearly a decade before the 1991 reforms. Rodrik and Subramanian go further and distinguish between pro-market and pro-business policies. The pro-business approach focuses on raising the profitability of the established industrial and commercial establishments. Easing restrictions on capacity expansion, removing price controls, and reducing corporate taxes are some examples of pro-business policies, which took place in India during the 1980s. This policy, which favoured *incumbents and producers*, benefited the formal manufacturing sector in particular, leading to an impressive increase in productivity and creating conducive conditions for the eventual take off.

In fact, these studies contend that 1991 pro-market economic liberalisation not only shifted the focus to *business entrants and consumers*, from incumbents and producers, but also added very little to aggregate economic performance in India. Growth records reveal that the doubling of India's growth rate took place in the 1980s, with little discernible change in trends after 1991. Indicators such as economy-wide total factor productivity actually decelerated after 1991 (Rodrik and Subramanian, 2004, p. 2). Therefore, while the pro-market reforms of 1991 surely played a role in sustaining and deepening an ongoing process of growth, the popular emphasis on these reforms or on the boom in IT and services, as the original source of India's economic growth is contentious. A critical analysis of the sources of India's economic success story is not just useful for setting the historical record straight. This is also a relevant case study in the debates regarding policy options, which may be unique and interesting variants of the neoliberal model, particularly in the current era of financial and institutional crises.

Indeed the period 1989–1992 witnessed a paradigmatic shift on many levels. Aside from the economic reforms, the most pertinent factors were the rapid rise of the Hindu nationalists, as well as the exponential expansion of the Indian middle class and consumerism. An interesting factor in the mix was the explosion of the media in India. Currently there are more than 300 TV channels, another 100 to be launched before the end of 2008; 600 radio channels; 60,000 newspapers in the country, and all these numbers are growing annually (Thomas, 2006; *Los Angeles Times*, 18 May 2007, http://articles.latimes.com/2007/may/18/business/fi-newspaper18). Together, these factors are largely propelling the transformation of politics, society and the economy of the country as well as its points of intersection at the global level.

Notably, most of India's 8–9% per annum growth is being fuelled by the domestic growth engine, the rising spending power of its 300 million-strong middle class. Contrary to popular perception, the software industry accounts for less than 5% of the Indian economy and the export of goods and services constitute just about 20% of India's GDP (see Prasad, 2007). This has ensured that the Indian economy is relatively well insulated from the global economy compared to China and other emerging economies, which have greater exposure in terms of exports and trade links with the international market.

The vagaries of the international market, on the other hand, do affect India's export earnings. The market turmoil of the Asian Crisis of 1997 and the bursting of the technology bubble in 2001–2002 led to negative foreign earnings and Indian economic growth slowed down to 4% during both periods. In 2008–2009, the combined effect of the international credit crisis, a looming American recession, and the overall downturn in the global economy is being felt in India in terms of stock market turmoil and declining exports in terms of value, among other things. However, the impacts of these global trends are being felt differently this time around. The Indian economy is slowing but from a much higher level of growth and also for different sets of reasons. In 1998 and 2001, for example, export growth fell heavily, which was an important factor in India's widespread economic slowdown. In 2008–2009, India is much better insulated from trade and hot money flows. The current issue for India is not one of weak growth but of overheating, inflation and higher interest rates (see Folk, 2008).

This optimism is confirmed by various trends such as the 7% growth in 2008 (ADB, 2009), and the highest consumer confidence in the last quarter of 2008, compared to the top 52 markets (Neilson, 2009). Furthermore, according to the Central Statistical Organisation (CSO, 2009), the Indian economy is predicted to grow 7.1% during the 2009 fiscal year as against 9% in 2007–2008. This overall growth projection comes despite expectations that both agriculture and industry (especially manufacturing and construction) will register deceleration. While industrial growth is expected to fall from 8.1% to 4.8% this fiscal year, the farm sector will see a lower decline from 4.9% to 2.6%. The CSO, however, forecasts that the slowdown in industry and agriculture will be partially offset by a 9.6% growth of the service sector, which registered 10.9% growth in 2007–2008.

However, notably, India imports 70% of its oil and heavily subsidises domestic prices; therefore, the biggest pressure on the Indian economy is currently being exerted by booming global oil and food prices. This is leading to double-digit inflation figures after 13 years of being under 6%. Higher interest rates and inflation are affecting consumer spending and, coupled with the global slowdown, have lowered the 9.6% growth experienced in 2007 (RBI, 2008a). However, instead of regarding this slowdown as the end of the 'Indian Miracle' (India Insight, 2008), the 6–7% projected growth rate of India needs to be seen in the context of a global slowdown, where most other economies are struggling to grow at 3–4% or less.

India has emerged as a global player in information technology, business process outsourcing, telecommunications, and pharmaceuticals. Among other factors, this sustained growth has been supported by huge inflows of FDI (foreign direct investment), rising foreign exchange reserves, information technology and service industry boom, a flourishing capital and real estate market, high gross capital formation, and high savings rates (see Srinivasan, 2006; World Bank, 2008a). In 2007, estimated exports stood at US$140 billion and imports were around US$224.9bn. Foreign exchange reserves rose from US$5.8bn in March 1991 to US$308bn on 4 July 2008, and GDP climbed to US$1.089 trillion (see RBI, 2008b). Textiles, jewellery, engineering goods and software are major export commodities, while crude oil, machineries, fertilizers, and chemicals are major imports. India's most important trading partners are the United States, the European Union, and China.

As a testament to its vibrant democracy, the privatisation of publicly owned companies and the opening of certain sectors to private and foreign participation have continued amid intense political debate (see Sachs, *et al.*, 2002), particularly since growth has been uneven when comparing different social groups, economic groups, geographic regions, and rural and urban areas. Undeniably, many problems remain which include poverty, regional disparities, the need for infrastructure upgrade, environmental degradation, natural disaster management, corruption, and terrorism, to name just a few.

Nevertheless, sustained rapid growth and rising living standards in China and India have been accompanied by a dramatic increase in Asia's shares of world exports and raw material consumption. Rapid growth in these two large economies has spilled over to many other developing countries. Due to the high dependence of these large Asian economies on imports of primary commodities for industrial output growth, in particular fuels and industrial raw materials, and the resulting linkages with other developing countries, variations in their growth performance has had strong repercussions on the terms of trade and export earnings of Latin American and African countries in particular. China and India have become not only the leading destinations of total FDI to developing countries, but are also emerging as an important sources of outward FDI (UNCTAD, 2006). Significantly, the emergence of China and India as the 'new growth pole in the world economy' (UNCTAD, 2005, p. iii) is contributing to a shift in the economic geography of the world; and Africa occupies an important place in the unfolding dynamics.

India and Africa: historical associations

The Indian Ocean Rim (IOR) region, which includes India, the East African littoral states, the Red Sea region and the Arabian coast, have not only had a long history of commercial and cultural contacts, but also significant population movements. The role of the Indian immigrants in monetising and transforming the plantation economies of Africa is well documented (see for instance the exhaustive annotated bibliography by Mickleburgh, 2002). In contrast, the role of African immigrant communities in India and their contribution to historical developments has remained rather neglected, apart from a handful of books and papers (Harris, 1971; Irwin, 1977; Rashidi and Sertima, 1995; Ali 1996).

More recently, another body of literature is emerging on contemporary African communities in the IOR region (Jayasuriya and Pankhurst, 2003; Segal, 2003; Alpers and Jairazbhoy, 2004). In contrast to the abundant research done on the African diaspora in the Atlantic region, there is little research on the Eastern slave trade or African diasporic communities in the IOR. Thus, while these new studies are indeed filling a wide gap, their focus is an anthropological analysis of contemporary African communities in the region. What is still missing is a systematic analysis of the long history of African presence in India and the IOR region and not just the use of this history as a short background to anthropology.

People and processes

The most celebrated African in Indian history was Malik Ambar (1549–1626), who rose from the position of a slave to Regent, the de facto ruler of the Nizamshahi rulers of the Deccan region of India. Often brought in as slaves or mercenary warriors by the thousands, people of African origin played an active role in the turbulent historical developments within the Indian subcontinent. The significant presence of Africans was noted in India at least since the inception of the Bahamani Kingdom in 1347, but also in Gujarat, Maharashtra, Coromandal coast, Karnataka, Andhra Pradesh, the Delhi Sultanate, Jaunpur and Bengal (Ali, 1996) until the beginning of the British rule in the eighteenth century. This rich history is largely untapped except for a very small number of books that barely scratch the surface of the role of Africans as strong political groups in medieval India, their political and cultural positions within the Indian society, and the representation of the same by various historians.

With the abolition of slavery and the ascendance of British control in the IOR region, the flow of people was reversed with several thousands of Indians shipped as indentured labourers to British colonies across the world to work on plantations and railways. Sizeable numbers of these indentured labourers were sent to Fiji, Mauritius, East Africa, South Africa, Guyana, Trinidad, Jamaica, Surinam, Malaysia, and other places. While the colonial agents and recruiters were notorious for enlisting unsuspecting labourers through trickery and deceit, a large number of voluntary émigrés came from among the very poor people of Madras, Bengal, Orissa, Uttar Pradesh, and Bihar (see Tinker, 1974; Torabully and Carter, 2002; Lal, 2004).

This flow of population particularly gained momentum in the nineteenth century as British policies destroyed Indian cottage industries and family farms through taxation and the *zamindari* system. This led to decades of famines in India, further swelling the ranks of Indian indentured labourers in the British colonies. This also partially explains why a substantial number of indentured labourers chose to stay on even after the end of their contracts, often setting up petty businesses in their newly adopted homes. Additionally, in the early part of the twentieth century, many enterprising Gujarati and some Punjabi traders left for East Africa in large numbers in search of economic opportunities and set up small and medium-sized businesses in Kenya, Uganda, Tanzania and South Africa (see Jain, 1993).

Despite their internal differences, their political, economic and cultural resistance to an increasingly common oppression over a century led to closer cooperation and further disintegration of internal differences amongst the Indian community in Africa. However, this process is extremely complex, uneven and indeed incomplete (see Jain, 1993; Desai, 1996). Much like the histories of enslaved Africans, the experiences of indentured Indian labourers inspired resistance against domination and violence, patterns of cultural syncretism and acculturation, and survival against extreme odds. These experiences have provided a rich and unique legacy for the nearly three million people of Indian origin currently living in Africa, who are seen as valuable conduit for the evolving India–Africa relationship and are discussed later in the article.

Political engagements in the twentieth century

The first prime minister of independent India, Jawaharlal Nehru, further cemented the historical depth of the India–Africa relationship. Under his leadership (1947–1964), India was a vocal supporter of the struggle against colonialism and racial discrimination in international forum, particularly the UN. Nehru was one of the founders and an active champion of Africa–Asia partnership as espoused in the Bandung Conference (1955) and later the Non-Alignment Movement (NAM), which was supported by many African leaders such as Kwame Nakrumah, Kenneth Kaunda and Julius Nyerere.

However, this ideological solidarity did not translate into mutual political support bilaterally or in international fora such as NAM, the Commonwealth or the UN. African leaders were disappointed by India's hesitation in fixing a date for the end of colonialism in Africa in the Belgrade NAM Summit in 1961. India regarded it as an unrealistic target, while the African leaders perceived this as evidence of India's soft stance towards the colonial powers. Moreover, India's insistence on the adoption of peaceful means for African liberation movements was in stark contrast to China's overt gestures towards arms assistance (see Mazrui, 1977; Dubey, 1990).

It is important to note that during Nehru's tenure as prime minister, India was a nation battling with the circumstances of its birth as an independent country. Aside from the economic costs of colonialism, the region was burdened by the violence of partition. British India had been divided into the Islamic state of Pakistan and the secular, though Hindu-dominated, state of India. In the months immediately following the creation of India and Pakistan, 14.5 million people crossed the borders to what they hoped was the relative safety of religious majority. The newly formed governments were completely unequipped to deal with population exchange of such staggering magnitude, and massive violence occurred on both sides of the border. Estimates of the number of deaths range between 500,000 to 1,000,000 (see Visaria, 1969; Talbot and Singh, 1999). Territorial and ideological disputed between the two countries have since erupted into three full-scale wars (1947–1948, 1965, 1971) and a long series of sporadic, ongoing, low-intensity conflicts along the border.

To add to the woes of the new nation, another border conflict escalated into the Sino-Indian war of 1962. The cause of the war was a dispute over the sovereignty of the Aksai Chin and Arunachal Pradesh border regions. India claims that Aksai Chin belongs to Kashmir, while China considers it part of Xinjiang. Arunachal Pradesh is the easternmost state of India and China claims portions of it as South Tibet. Most importantly, the region contains an important road link that connects the regions of Tibet and Xinjiang. China's construction and military build up in this region was one of the triggers of the conflict. The war ended when the Chinese captured the disputed area and unilaterally declared a ceasefire on 20 November 1962 (see Calvin, 1984).

The Sino-Indian conflict was a turning point for India on many levels. Politically, it was a severe blow to Nehru's friendly foreign policy with China, which had already been under stress over Nehru's decision to grant asylum to the Dalai Lama. Nehru faced harsh criticism domestically for having promoted pacifist relations with China and for his inability to anticipate Chinese aggression. Internationally, it put an end to Nehru's earlier hopes that India and China would form a strong Asian axis to counteract the increasing influence of the Cold War bloc superpowers (see Retzlaff, 1963; Sinha, *et al.*, 1992). Militarily, the Indian army's rout in the high-altitude combat led to an overhaul of the Indian army in terms of doctrine, training, organisation and equipment. Consequently, by 1964, the size of India's military was doubled (see Calvin, 1984).

Furthermore, the failure of the non-aligned nations to condemn China unequivocally deeply disappointed India, since only the United Arab Republic openly supported India (see Sinha, *et al.*, 1992). Consequently, India undertook a serious reassessment of its foreign policy towards African nations in mid 1960s. The Indian Technical and Economic Cooperation (ITEC) Programme, and its corollary SCAAP (Special Commonwealth Assistance for Africa Programme) were launched in 1964 as bilateral programmes of assistance of the Government of India. The most important output of the ITEC programme was the civil training to over 10,000 trainees from mostly African countries between 1964 and 1989. Additionally, from 1995 to 1998, over three thousand government nominees from various African countries were trained in diverse fields including diplomacy, mass media, foreign trade, management, audit and accounts, banking, manpower planning, agriculture, rural development, small-scale industries, computer and information technology etc. (see Government of India, 2008d). These programmes heralded an era of economic diplomacy and selective engagement with African nations, replacing the treatment of Africa as a bloc.

For industrialised countries, the oil crisis, economic recession, and the ascendance of neoliberal economics marked the decades of 1970s and 1980s. However, during the same period, the developing world witnessed steady growth, the 'Green Revolution' and an emphasis on South–South relations amongst countries in Asia and Africa. The Lagos Plan of Action (1980) by the Organisation of African Unity (OAU), the Buenos Aires Plan of Action (1975) proposed by the Technical Cooperation among Developing Countries (TCDC), and the declarations, action programmes and agreements proposed by the Group of 77 (G77) were examples of the importance given to regional and South–South cooperation. The impact of these initiatives was an all round increase in South-South trade (see UNCTAD, 2005). In addition, through the 1970s and 1980s, India provided diplomatic support and financial aid to liberation struggles in Africa through multilateral institutions like the OAU, the UN Fund for Namibia, UN Educational and Training Programme for South Africa, and the Action for Resisting Invasion, Colonialism and Apartheid (AFRICA) Fund (Government of India, 2008d).

The post-Cold War turn and new dimensions in the twenty-first century

The social, economic and political upheaval of the 1980s paved the way for a remarkable post-Cold War era. Aside from the fall of communism as a political ideology, the 1980s witnessed multiple debt crises in developing countries, and their increasing reliance on aid from the International Monetary Fund and the World Bank. The 1990s, on the other hand, were notable for the cementing of free market capitalism, the widespread adoption of high technology, and increased economic productivity, which led to the equity market booms around the world and caused an influx of wealth to the United States, Europe and parts of Asia.

As mentioned earlier, trends in India have followed international patterns to an extent, but in a way unique to India. The balance of payment crisis of 1991 forced India to abandon its quasi-socialist approach of strict government control over private sector participation, foreign trade, and foreign direct investment. Due to a variety of domestic economic policy shifts and the positive impact of certain processes of globalisation, the Indian economy has grown steadily over the last two decades. The largest democracy in the world has also become one of the fastest growing in the world, with an average annual GDP growth rate of 5.7% in the 1980s and the 1990s, and 9% and above from 2001–2007. Furthermore, with the world's fourth largest armed forces, India is indeed a regional power and its growing international influence allows it to be regarded as a potential superpower (see Santana, 2005; Raja Mohan and Khanna, 2006).

India has a long history of international collaboration aside from being the founding member of several international organisations. Most notably, India is a founding member and long-time supporter of the United Nations, with over 55,000 Indian military and police personnel having served in 35 UN peacekeeping operations deployed across four continents. In 2007, it was the second-largest troop contributor to the United Nations. India has also actively participated in

UN reforms and is currently seeking a permanent seat in the UNSC, along with the G4 nations. In recent years, India has played an influential role in the ASEAN, SAARC, the Asian Development Bank, the East Asia Summit, the G20 group of nations, the IBSA Dialogue Forum, IMF, and the WTO (see Fair, 2005; Curtis, 2007).

The end of the Cold War significantly affected Indian foreign policy as it adapted to meet the challenges of the twenty-first century. In the past few years, New Delhi has expanded its strategic vision, from its primary role as a leader of the Non-Aligned Movement, to a broadened definition of its security interests. Since 2000, the overall thrust of Indian foreign policy has been to seek geopolitical partnerships in multiple directions to serve its national interests. Consequently, it has pursued special diplomatic and economic relationships with the US, Russia, China, Japan, Israel, Mexico, Brazil, and member countries of the European Union, the Association of Southeast Asian Nations, the African Union, and the Arab League. Additionally, although India continues to have a very strong military relationship with Russia, Israel has emerged as India's second largest military partner. India is also building a strong strategic partnership with the United States, despite the temporary setback suffered in the aftermath of the Indian nuclear testing in 1998 (see Curtis, 2007; MEA, 2008).

Throughout the twentieth century, despite the rhetoric of India's place in human history and the international community of states, the objectives of India's foreign policy remained rather myopic, confining its influence to South Asia and its environs. In part, this was due to the legacy of Nehruvian idealism and partially due to its domestic and regional constraints (see Heitzman and Worden, 1995; Raja Mohan and Khanna, 2006). In the past decade, however, Indian foreign policy has acquired a new pragmatism, which has seen a move away from the moral rhetoric and anti-American stance of a decade ago (see Dixit, 1998; Ganguly, 2003). Most notably, India has started to play a more involved role in a wide spectrum of multilateral and regional institutions.

Nonetheless, India is not necessarily perceived as a champion of the global South. In spite of taking a leading role in South–South initiatives such as the G20+ in WTO and IBSA, the Indian approach has not been radical enough concerning the transformation of the existing international economic or political structures, nor does it articulate a concrete agenda to promote Southern interests, or the interests of non-members (see Alden and Vieira, 2005; Taylor, 2005). Moreover, a reformist agenda, for the greater integration of competitive developing countries into the global economy, could ironically lead to further intensification of economic globalisation and international competition for markets, which would lead to further marginalisation of the least developed countries in the world. To an extent, India ingratiating itself with the United States and the declaration of its foreign policy in terms of manifest national interest could lead to distancing India from its historical allies in the global South (see Shrivastava, 2008).

African nations and India appear to be on the same side of the ideological divide in the international system and have often made common cause. While not essentially advocating for the democratisation of international institutions, both support and advocate for greater involvement and power in international and regional institutions (See Shrivastava, 2008, pp. 130–134). Additionally, there are several persistent and overlapping links, which connect Africa and India. The challenges of poverty reduction for the vast majority of their populations, the uneven effects of economic liberalisation, the management of the looming threats of environmental and food security, and the existence of the influential Indian diaspora in Africa are further common grounds for India and Africa to build on.

A new era of economic associations

If ideological and historical linkages provided the political compulsions of India's foreign policy towards African nations in the twentieth century, certainly in the twenty-first century, economic linkages have revitalised this relationship. India's dramatically expanding commercial interests in Africa are not only leading to the emergence of India and the African nations as natural resources trading partners, but are extending into diverse business sectors, accompanied by local capacity-building and skills-development initiatives.

As pointed out in the Confederation of Indian Industry report, bilateral trade between India and Africa between 2002 and 2007 rose by 226.83%, which is estimated to be almost three times in actual terms. In 2006–2007 alone, India's export to African countries rose by 110 % reaching US$29bn (CII, 2008, p. 2). While this amount is indeed much smaller than the US$73bn for China during the same period, it is significant that 85% of Africa's exports to China come from five oil-rich countries—Angola, Equatorial Guinea, Nigeria, the Republic of Congo, and Sudan (Hanson, 2008). Indian investment is notably more diverse in terms of its regional as well as sectoral spreads (see Naidu, 2008). While oil and ore products dominate India's trade with Africa, the trade basket is continually expanding with the inclusion of agricultural products and technology, transport equipment, pharmaceuticals, machinery and equipment.

It is instructive to note, however, that Asia and ASEAN accounted for 61.56% of India's total imports during 2006–2007 followed by Europe (19.91%) and the USA (9.4%), while Africa only accounted for 7% of this market. Among individual countries the share of China stood highest at (9.1%) followed by the USA (5.7%), and Germany (3.99%). Nevertheless, during the same period, Africa accounted for the highest growth in India's export at 73.26% followed by Asia and ASEAN (35.66 %), Europe (21.94%) and the USA (21.95%) (Exim Bank of India, 2008).

As opposed to its ad hoc approach in the political arena, India has a much more focused and pragmatic foreign trade and investment policy towards African nations. The Indian Ministry of Commerce and Industry and the Confederation of Indian Industry (CII) have been organising a series of 'Conclaves' on India–Africa project partnerships. These Conclaves have emerged as an ideal forum for interacting with potential investors and Indian companies with special interest in economic and business partnerships with Africa. The third conclave, held in October 2006 in New Delhi, was attended by over 326 delegates representing nearly 300 Indian industry members, 32 African delegations, four regional organisations, and six banking and financial organisations. The previous CII Conclaves resulted in projects worth US$677 million being undertaken by Indian companies, and a large number of the projects have utilised the lines of credit announced by the Export Import Bank of India for the African region (Exim Bank of India, 2008, p. 8). The Conclave on India–Africa Project Partnership 2008 was jointly organised by the CII, EXIM Bank and Department of Commerce, to discuss and forge collaborations for 131 projects worth more than $10bn in four main areas: technology, agriculture, human resources and energy. Two hundred and fifty delegates from African countries participated in this event, which was hailed as the largest and the most successful India–Africa event so far (*The Hindu*, 15 March 2008, http://www.hindu.com/2008/03/15/stories/2008031562111400.htm).

One example of a focused strategy and mutual benefit can be seen in the Conclave on India–South Africa Project Partnership organised in May 2007, in which 27 Indian IT firms and infrastructure companies participated. While South Africa has considerable strengths in the IT and infrastructure sectors, the country is constrained by lack of adequately trained human resources. This event led to several business negotiations and the signing of two significant MoUs: between CII and the Umsobumyu Youth Fund for skills development; and between Encore (India) and iBurst for technology transfer in the area of IT hardware (CII, 2008, pp. 4–5). Bilateral trade between South Africa and India was at nearly US$6bn in 2006–2007 and the two countries aim to achieve US$10bn mark by 2010 (Zuma, 2006, p. 185).

Even though these figures are a fraction of the trade flows of the two countries, the evolving relationship between India and South Africa is indicative of the newly refined focus of India's foreign policy in the region. Most significantly, the bilateral agenda between India and South Africa extends beyond trade and investment into issues of energy, information and communications technology, and transport. In 2006, Indian and South African leaders signed the Tshwane Declaration (DFA, 2006), which covers the substantive ground of the bilateral relations between the two countries, from defence and strategic cooperation to economic and cultural ties. The two countries signed pacts for establishing ties between the Indian Railways and South Africa's Spoornet on training railway personnel, as well as on cooperation in education.

As regional superpowers, South Africa and India are emerging as natural partners in the IOR; however, the regional and sectoral spread of Indian economic associations with African nations is quite diverse. For instance, the expansion and regional integration of the East African Community (EAC) region—comprising Burundi, Kenya, Rwanda, Tanzania and Uganda—has made it an attractive sub-region of Africa for Indian companies and investors. Mozambique is emerging as another gateway to landlocked Southern African countries, positioning Maputo as an alternative port to Durban in the Southern African region. Its unprecedented growth in the past decade and the 'Look East' policy has further attracted joint ventures and investments from India in sectors such as IT, telecom, agro-processing, automobile and transport industry, mineral and related industries. Another example is the new concessional line of credit of US$100 m announced at the Cote d'Ivoire conclave for a technology park and fisheries project, which will benefit sectors such as agriculture, horticulture, irrigation, transport, power generation, distribution and transmission, and construction (see CII, 2008 and Exim Bank of India, 2008, for specific details).

According to the very comprehensive Africa foreign investor survey (UNIDO, 2007) South Africa and India top the list of emerging market investors in Africa. The survey supports the view that investors from developing countries are less risk-averse or more willing to adapt to hostile conditions, compared to those from developed countries. It shows dramatically that investors from the South are much less likely to see negatives in the operating environment, such as problems with the local market or political stability, than those from the North, who continue to provide nearly half of the FDI to African nations. Almost half of all investors (48%) are from Europe. France (20%) topped the list of investors, followed by the UK (9%), SA (7.2%) and India (5.6%).

Indian multinationals such as the Tata group and Mahindra and Mahindra have been present in Africa for several decades (Tata, 2008). However, the outward investments of Indian companies are set to rise sharply, partly in response to the government's 'Focus Africa Programme' and the 'Go Global' policy. These policies have provided substantial opportunities through economic liberalisation with regard to cross-border mergers and acquisitions, foreign direct investments, including possible government guarantees to mitigate political risks (see Department of Commerce, 2007; Exim, 2008; CII, 2008). Key changes to India's foreign exchange regulations are expected to lead to more cross-border investments, especially in the rest of Africa.

Future drivers of change and continuities

For the first time in decades, several African countries are seeing sustained rates of growth and rising income levels. Despite global financial turmoil, and food and fuel price shocks, growth so far has remained strong. Several countries on the continent are attracting new investment and have developed a strong foundation for future growth. Private capital flows to sub-Saharan Africa reached an estimated $50bn in 2007. Although small compared with global capital flows, they overtook official aid flows for the first time in 2006 (IMF, 2008a).

Despite a few notable exceptions, the relative stability and the improved terms of commodity trade has motivated many African countries to look for long-term solutions to problems associated with their developing economies. Rather than relying on aid from Western countries, which has been significantly drying up over time, African nations are increasingly looking at long-term and technological solutions. India is emerging as one of the partners in this quest, as a country that has similar experiences and can offer adaptable and affordable technologies and collaborative solutions. A good example of this new spirit is the joint initiative between the Indian government and the African Union to develop information communication technology (ICT) infrastructure across the continent. Ethiopia has been selected as the first country to benefit from the pilot phase of the Pan-African E-network Project. Under the initiative, India will donate $1bn to connect 53 African countries through satellite and fibre optic networks to promote telemedicine and tele-education programmes (Reuters, 2008).

Undoubtedly, while India's economic involvement in Africa is growing substantially, it is more than just business. Building on the long history of friendly political and social contacts, India is scaling up its diplomatic initiatives within Africa. There are plans to add to the 25 existing Indian embassies and high commissions on the continent. The Indian Ministry of External Affairs has created three joint secretaries, covering the regional divisions of Africa (see Pham, 2007). As the first Asian country to become a full member of the African Capacity Building Foundation (ACBF) and as one of the 24 non-African members of the African Development Bank (ADB), India has also embarked on a series of initiatives to further enhance economic and political cooperation with African nations (see Naidu, 2008). Most notable among these are: the US$500 m line of credit for the Techno-Economic Approach for Africa-India Movement (TEAM-9); US$200 m line of credit to NEPAD under the India-Africa Fund to promote African economic integration; and the US$1bn investment in a joint venture with the AU to build a pan-African e-network for telemedicine and tele-education (see CII, 2008).

This long list of ongoing initiatives and financial associations is not motivated by historically bonhomous relations between India and the African nations alone. Currently, India is the fifth largest consumer of energy in the world, accounting for about 3.75% of global consumption. With rapid economic growth and industrialisation, India is expected to double its energy consumption by 2030, overtaking Japan and Russia to become the world's third largest consumer, after the United States and China (IEA, 2008). Maintaining energy security is one of the major policy challenges facing India. Not unlike China, India also views Africa as a possible source of raw materials and energy for its industrial growth. Africa currently accounts for about 20% of India's oil imports, a figure that is only likely to rise in the future. Aside from oil, India is interested in copper, iron ore, rock phosphate and other mineral resources. African countries rich in any of these resources have thus attracted a significant portion of Indian development-lending initiatives.[1]

While the abovementioned economic factors will continue to propel Indo-Africa relationship in the near future, there are two additional factors, which are likely to shape this relationship in the long-term. *Firstly*, the geostrategic importance of the Indian Ocean Rim is more apparent for India with the end of the Cold War. The IOR region remains crucial and challenging, with immense significance for the economic growth and security of India. Most of India's trade and oil supplies, both vital for its economy, are by sea. Additionally, India is wary of Pakistani, Chinese and American military influence in this region, which has led to the increasing significance of the African IOR states. *Secondly*, the changing role and relationship of the Indian diaspora settled in African countries, notably in Mauritius, Kenya and South Africa, has emerged as a vital conduit for Indo-Africa relations.

The Indian Ocean Rim

The Indian Ocean is world's third largest ocean. Half of the world's container ships, one-third of the bulk cargo traffic, and two-thirds of the world's oil shipments cross this ocean (IORNET, 2008). The Indian Ocean Rim (IOR) region comprises of Southern and Eastern Africa, the Horn of Africa and the Red Sea, South Asia, Southeast Asia, and Australasia. Despite its vast diversity, this region is woven together by trade routes and major sea-lanes and covers nearly a third of the world's population.

An informal cooperative economic community of traders, seamen, fishermen, and pilgrims thrived on these waters for many centuries (see Campbell, 2003). Although punctuated by the British hegemony in the Indian Ocean, these littoral economic, social and cultural networks continue to exist, and were indeed strengthened, by the common historical experience of European imperialism. For instance, the British East Africa Protectorate (present-day Kenya and Uganda) was originally administered out of Bombay, with the Indian rupee as its currency. Additionally, the Portuguese, who often used stamped-over Indian rupees, connected Goa and Mozambique.[2] As mentioned earlier, these connections remain vibrant through the significant Indian diaspora in East and Southern Africa.

In 1995, during a visit to India, President Nelson Mandela stated,

> the natural urge of the facts of history and geography ... should broaden itself to include the concept of an Indian Ocean Rim for socio-economic co-operation and other peaceful endeavours ... Recent changes in the international system demand that the countries of the Indian Ocean shall become a single platform. (DFA, 2004)

South African leadership helped establish the 'Indian Ocean Rim Initiative' in Mauritius in 1995, which was formally launched as the Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC) on 6–7 March 1997.[3] The Association disseminates information on trade and investment regimes, with a view to expand intra-regional trade.[4] Its secretariat is based in Port Louis, Mauritius, which has helped to organise international summits biennially since 1997. However, due to the challenging diversity of the region and the shifting priorities of its members, enthusiasm for the association dwindled within a short period, with few tangible results under its auspices (see Campbell, 2003; Vines and Oruitemeka, 2008).

Among other things, the mutual suspicion of India, China and Pakistan limits the effectiveness of a disparate regional association such as the IOR-ARC. The resulting security concerns, however, have led to the increasing significance of the African Indian Ocean Rim states for India. Because of these strategic concerns, India has improved security and diplomatic cooperation with Mauritius, the Seychelles, Madagascar, Mozambique, and South Africa, in particular (Campbell, 2003; Winner, 2006).

Notably, Mauritius has the most formidable economic and strategic partnership with India. The two countries have signed the far-reaching Comprehensive Economic Cooperation and Partnership Agreement. Mauritius has backed India as a candidate for a permanent seat on the UN Security Council and has stressed ‘the overwhelming importance of India’ for its own development (PMO, 2005). Mauritius is a significant provider of offshore banking and investment services to India, along with other countries in the IOR-ARC.

Mauritius has remained the highest FDI contributor to India since 2005. The trend of global funds being routed through tax havens such as Mauritius, Cyprus and Singapore continued in the April–June period in 2008, when total the contribution from these three countries was about 45% of the total FDI inflows of R41bn (US$1bn) (*The Economic Times*, 10 October 2008, http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Cyprus_becoming_new_Mauritius_for_FDI_into_India/articleshow/3578172.cms). Undoubtedly, an important reason for the close Indo-Mauritius ties is the fact that nearly 68% of the population of Mauritius is of Indian origin (Government of India, 2008b).

India has defence cooperation and other military ties with Mauritius, the Seychelles, Madagascar, South Africa, Tanzania and Mozambique, through Memorandums of Understanding, joint exercises, and patrolling by the Indian Navy and Air Force. Piracy and counter-terrorism are additional incentives for India, particularly with the recent increase in piracy off the coast of Somalia (see Kumar *et al.*, 2008).

The trilateral association with Brazil and South Africa is another example of India’s effort to rise above regional constraints and position itself as major power. The Brazil, India, South Africa (IBSA) initiative, launched in 2003, is to provide more strategic direction to the ongoing trade, investment, defence and cultural exchanges amongst its members. Undoubtedly, the underpinnings of IBSA are economic as much as ideological since it fits in with the agenda of its members to reform the UN Security Council and expand the G8, among other things (Shrivastava, 2008, p. 136).

While its success as an intraregional economic alliance remains to be seen, IBSA has definitely led to a spurt in wide-ranging bilateral activities between India and South Africa. Looking towards the strategic importance of the South African coastline, India signed an agreement with South Africa in March 2006 to improve cooperation in merchant shipping and other related activities (IORNET, 2008), although both India and South Africa were in general agreement that security issues should be kept out of the scope of the IOR-ARC. India has a staggering 2.2 m square km of exclusive economic zone (EEZ), while South Africa has an EEZ of one million square km. Nearly 90% of the exports of both countries pass by the sea.

The success of the IOR-ARC has been limited due to factors such as the lack of a common vision and a viable political agenda, and the disparate nature of its membership (Vines and Oruitemeka, 2008). Its near dissipation as a regional institution is consistent with the trend of major and emerging powers circumventing regional and multilateral institutions in favour of bilateral relations. Nevertheless, due to its economic and strategic significance, the IOR region will remain crucial for India—a fact clearly attested to in India's Maritime Doctrine and Strategy (Ministry of Defence, 2007).

The Indian diaspora

The Indian diaspora is a generic term to describe the people who migrated from territories that are currently within the borders of the Republic of India. It also refers to their descendants. The diaspora is currently estimated at over 20 m and is composed of Non Resident Indian citizens (NRI) and Persons of Indian Origin (PIO), those who have acquired the citizenship of another country. The Indian diaspora numbers more than a million each in 11 countries, while as many as 22 countries have concentrations of at least 100, 000 ethnic Indians (see Government of India, 2008a).

Currently, nearly 3 m PIO live in various African countries. South Africa has the largest share with nearly 1.3 m PIO, followed by Mauritius (850,000), Reunion (220,000), Kenya (100,000), Tanzania (90,000), and Uganda (90,000) (Government of India, 2008b; 2008c). In the past decade, a significant number of Indian entrepreneurs have struck a wide variety of commercial relationships with businesses owned by the diaspora communities in Africa. Such associations are being boosted by financial liberalisation in India as well as regional liberalisation in Africa.

As mentioned earlier, the origin of the earliest Indian diaspora lies mainly in the introduction of indentured immigration in 1834 when the British abolished slavery and required a new and cheap labour force as replacement. Naturally, the majority of Indians in Africa, the Caribbean, West Indies, and other places where they have no living memory of India, do not have the same relationship with India as do recent Indians immigrants in the post-industrial West, particularly since none of the 25 official languages bind together diaspora Indians in the manner in which Chinese language holds together the Chinese diaspora. Nor does religion play a unifying role in the amalgam of people deeply stratified along caste, religious and regional lines.

Indian migrant settlers are not a cohesive diaspora (see Patel, 2007). Rushdie's use of the plural 'homelands' and 'Indias of the mind' is indicative of the many versions of India that are conceptualised in each person's mind (Rushdie, 1992, p. 10). Moreover, as Judith Brown explains:

> So great is the diversity of origins, characteristics and experiences, that it is most realistic to see South Asians abroad as members of different diasporic strands, or even as different diaspora groups originating on the one subcontinent, who have created many transnational communities which share a sense of origin in that region of the world (Brown, 2006, p. 13).

Furthermore, the Indian government's policies towards PIO in Africa have vacillated between disengagement to counter-productive engagement. Nehru advised PIO to identify with the local communities and the aspirations of their adopted countries, without seeking special privileges (see Dubey, 1990). Indira Gandhi advanced a policy of engagement and referred to PIO as ‘ambassadors of India’ (see Dubey, 1990; Beri, 2003). However, soon after, when the policy of ‘Africanisation’ forced Indians out of East African countries, it not only revealed the severe divisions between Indians and their African compatriots, but also the limits of India’s engagement with PIO. Subsequently, the government of India reverted to the policy of disengagement with PIO, in Africa and elsewhere, until the 1990s.

The end of the Cold War also saw a shift in the Indian government’s policy towards PIO. This was also the time, when the Bharatiya Janata Party (BJP) assumed power in New Delhi. BJP’s ascent to power is sometimes simplistically seen as the victory of ‘Hindu Nationalism’ over the ‘secular’ Congress Party. However, like everything else in India, the explanations and manifestations of the rise of BJP are much more contested and complex (see Menon & Nigam, 2007). The BJP did not break any new grounds with respect to the liberalisation of the Indian economy, or even the strengthening of India’s nuclear capability. The ball was set rolling on both these developments during the Congress era itself. What was new was the energy that BJP infused into many of these programmes in the name of ‘national interest’.

Concerning PIO and NRI, the BJP government turned the previous policy of disengagement around and made them the focus of foreign policy initiatives in different parts of the world. The first-ever meeting of parliamentarians of Indian origin was held in New Delhi in 1998. In the past few years, government schemes of issuing dual nationality, the PIO and Overseas Indian cards, and the annual state-sponsored jamborees celebrating overseas Indians are projects geared toward attracting these communities and connecting their substantial wealth and enterprise to India. The impetus for this turnaround comes partially from the fact that China attracts 90% more FDI than India, and that 50% of this FDI comes from the 55 m-strong Chinese diaspora, which has long been eager to invest in their homeland.

In the recent past, several factors have helped to build bridges between the widely disparate elements that make up the Indian diaspora around the world. The popularity of cultural bridges such as Indian movies, music and cuisines, and interestingly, the love of cricket, is playing a vital role in reinforcing the idea of an ‘Indian’ community. These forces have been tremendously bolstered by accessible technology, the notion of an economically resurgent India, and a policy shift of actively encouraging the diverse diaspora to invest in India.

The story of Indian diaspora in South Africa is particularly instructive in this regard due to its unique and rich cosmopolitan history. Despite its internal differences, the Indian community nonetheless managed to build up a thriving commerce within the limits of the inward-looking apartheid economy. The unique circumstances of apartheid ironically also contributed to the formation of a substantial professional and commercial class amongst South African Indians. There also existed a strong contingent of ANC-allied radicals, which ensured that Indians played a prominent part in the negotiations that culminated in the legalisation of the ANC in 1990. This professional and commercial class of

South African Indians has been particularly prominent since the move to democracy in the 1990s. When the ANC government was formed in 1994, six Indian ministers were appointed to a cabinet of 27—a proportion many times higher than their share of 2% of the national population.

Their historical experience has given South African Indians a sure economic and political footing, which is particularly advantageous in a regionally integrating Africa, enabling the rapid expansion of South African businesses across the continent. While the big Indian IT, energy, automobile, and pharmaceutical MNCs are breaking into these markets on their own, small and medium businesses owned by Indians on either side of the Indian Ocean are increasingly forging significant business alliances with each other. Although it is difficult to quantify this trend due to limited reliable data, this trend is significantly impacting on the rapidly increasing South Africa–India trade and investment figures. Similar patterns can be seen in Mauritius, Kenya, Uganda, Tanzania, and other African countries with significant Indian diasporas. The African Union recognises that the Indian diaspora can optimise cooperative links with India and encourages it to play a visible role in cementing the emerging Africa–India partnership (African Union Commission, 2006, p. 28).

Conclusion: a case for strengthening Indo-Africa ties

The growing relationship between India and the African states is significant since it affects Africa's relationship with Western countries, as well as new entrants to Africa's economic and political dynamics, such as China. The role of the historical Western players in Africa is changing from that of monopoly donors to strategic competitors with each other as well as with emerging economies, which include—apart from India and China—Malaysia, Singapore, Korea, Russia and Brazil. This provides a significant leverage to African nations to actively set the terms of foreign engagement in Africa and not follow the long-established pattern of being mere suppliers of mineral resources.

Furthermore, it is simplistic to equate Indian and Chinese relations with African countries for a variety of reasons. *Firstly*, Indo-African relations have the advantage of multiple perceptible overlaps in historical, social, economic, ideological and strategic spheres. *Secondly*, the thriving Indian diaspora is an important conduit and increasingly plays a significant role in furthering the relationship between India and African nations. *Finally*, the most important difference between the Indian and Chinese enterprise is in respect to their corporations. According to the Boston Consulting Group survey of the outward FDI of the top 100 companies from rapidly developing economies (BCG, 2006), more than two-thirds of the Chinese companies in the list are state-owned or state-controlled. The remaining corporations have mixed ownership; only four are privately owned. In contrast, the shares of Indian companies are divided among private owners, strategic investors and the public. In that list, only one Indian company is controlled by the state. This is significant since private companies and state-driven enterprises have a different impact on competition and regulations in the host country. For instance, China's forays into the African continent are not only more coordinated, but are also complemented by parallel and sustained Chinese diplomatic efforts, including generous aid and ODA to African nations. However, some of these efforts have elicited strong criticism (see Tull, 2006; Taylor, 2007). The African Union task force on strategic partnerships noted concerns with specific issues such as: the rising trade deficit with China (in commodities other than fossil fuels or minerals); China's preference for bilateral agreements rather than engaging with regional institutions such as the African Union; the practice of Chinese companies to play down capacity development in the host country and import labour from China; and the lack of transparency in financial deals particularly when dealing with corrupt regimes such as those in Angola, Sudan, Zimbabwe and others (African Union, 2006).

The alternative of competition for investment from a wider variety of developing countries opens up new options for African countries. In particular, the success of private companies depends on gaining the confidence of African governments, which gives the host state a powerful advantage. Competition among private Southern investors is also likely to provide a broader range of potential sources of capital, technology and management skills. A UNIDO survey (UNIDO, 2007) found that Southern investors create more employment than their Northern counterparts do. However, the biggest advantage Southern investors provide the host country is in form of better bargaining power to negotiate with potential investors in setting and following their own development agenda.

Despite a fair amount of criticism and suspicion of China's role in Africa, the benefits of forging a strategic alliance with China, using its interest in Africa's natural resources, cannot be overstated (African Union, 2006, pp. 5–22). It is revealing, however, that although China has emerged as Africa's most important partner in trade and economic cooperation, its FDI in Africa has lagged behind and is only concentrated in a few African countries and extractive industries (see African Union, 2006). On the other hand, India, along with Singapore and Malaysia, is currently one of the top three Asian originators of FDI in Africa (UNCTAD, 2007).

Broadman points out that in Africa, Indian and Chinese trade flows and FDI are complementary activities, rather than substitutes:

> For one thing, Chinese and Indian businesses tend to achieve larger-sized operations than do their African counterparts within the same sectors, and this appears to allow them to realize economies of scale. It is not surprising, then, that the evidence shows that, all other things equal, Chinese and Indian firms have significantly greater export intensity than do African firms. Moreover, the exports from Africa produced by Chinese and Indian businesses are considerably more diversified and higher up the value chain than exports sold by domestic firms. (Broadman, 2007, p. 28)

The success of India and China has great significance not just for Asia but also for other parts of the world that want to benefit from their lessons, avoid their mistakes, and benefit from the rise of these economic giants. In terms of similarities, both are conscious of their role in the world economy. Both seek to play a bigger role on the world stage, and both are carving out ever-increasing portions of the

African pie. Therefore, the rise of India and China offers the prospect for Africa to reduce its marginalisation from the global economy, but also a challenge: for it to harness this opportunity to promote effective economic development at home.

At the time of writing, the American credit crisis had worsened into a full-blown financial disaster and was threatening to turn into the worst economic catastrophe since the 1930s Great Depression. The impact of the American economic and financial situation had sparked global concerns regarding volatility, liquidity and growth. Financial markets in emerging market were experiencing sharp falls after nearly three years of dramatic gains. The Indian market was experiencing significant drops in the stock market, fluctuations in the value of the Indian currency, and the flight of foreign funds. However, this has not so far shaken the investor optimism about the long-term health of the Indian economy, which continues to regard this trend as market correction rather than a downtrend (see Folk, 2008). Given the positive rate of earnings growth associated with current and expected GDP growth rates, the IMF expects a continuation of strong economic growth in India (see Prasad and Rajan, 2008). Ongoing strong trends in FDI flows into India indicate that India remains an attractive investment destination despite the global financial turmoil (Guha, 2008).

In the wake of the financial turmoil in high-income countries, and amidst high food and energy prices, developing countries' growth is easing, but is still robust. Private capital flows to emerging markets, which hit a record $1 trillion in 2007, are expected to drop to around $800bn by 2009, which would still be the second highest level ever, says the World Bank report (World Bank, 2008c). Global Development Finance 2008 predicts a slowdown in world GDP growth from 3.7% in 2007 to 2.7% in 2008, while growth in developing countries is expected to slow from an extraordinary 7.8% in 2007 to 6.5 % in 2008 (World Bank, 2008c).

In its most recent projections in the *World Economic Outlook* (IMF, 2008a) the IMF forecasts growth in sub-Saharan Africa to remain above the 6% level in 2008 and in 2009, since it believes that Africa will be only mildly affected by the financial crisis buffeting advanced economies. The risks to the regional growth outlook are related mainly to slower-than-expected growth in global demand and slowing capital inflows. The main challenge for the region is how to respond to the large commodity price shock and the threat of slowing capital inflows (see IMF, 2008a; IMF, 2008b).

The financial meltdown of 2008 has proved the interconnectedness of the global economy, and the need to regulate the market. It has also brought into sharp relief the limitations of the OECD-centred political economy and a move away from gung-ho free market ideologies. This may be an opportunity for developing countries, like India and the African nations, to tap into the diversity of economic regimes, institutions, and the concomitant survival strategies that their rich histories encompass.

In this era of the impasse of neo-liberalism in the global North, the India–Africa relationship signifies much more than the study of a strand of contemporary South–South relations. The re-emergence of the Asian giants, in particular, necessitates the incorporation of the dynamics of the global South in a comprehensive analysis of international political economy. In this context, a broader understanding of history provides a deeper and long-term view, which is useful in identifying, analysing and predicting the junctures, agents and processes of change. An understanding and acknowledgement of the historical context is not only important to counter the prevalent Afro-pessimism, but also to contextualise the dynamic nature of the international political economy. Therefore, it is important to broaden our focus to include the historical processes and institutions in the regions of the world where most of humanity lives. This is a necessary corrective to the current discursive bias of political economy, which looks no further than the history of the policies and their administrations in the global North.

Notes

* Associate Professor and Coordinator, Political Economy and Global Studies, Athabasca University, Edmonton, Canada. Email: meenals@athabascau.ca

1. See Tables 1, 2, & 4 in Naidu (2008).
2. For a great explanation and description of the integrative and connected nature of world history, albeit from an Indian historical perspective, see Subrahmanyam (2005a, 2005b).
3. Along with South Africa, the other states that participated in this process were Australia, India, Kenya, Mauritius, Oman, and Singapore. These were subsequently referred to as 'the core group' or M7 (DFA, 2004).
4. IOR-ARC members comprise Australia, Bangladesh, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, the United Arab Emirates, and Yemen. China, Egypt, France, Japan, and the United Kingdom are dialogue partners.

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