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INDIAN AGRO-RUSH TO AFRICA

NEW OPPORTUNITIES FOR INDO-AFRICAN DEVELOPMENT COOPERATION?

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INTRODUCTION

The Millennium Development Goals will end in 2015. One of the persisting humanitarian challenges will remain in terms of finding solutions to hunger and malnutrition, in particular in Sub-Sahara Africa. Since 2008, the rising number of food crises has pushed the international community to re-discover the importance of livelihood and commercial agricultures. Despite the collapse of rural bilateral aid and the negative impact of structural adjustment programs, African food production per capita has continued to grow just to balance more or less the demographic increase. The relative decline of food demand from Northern countries - which are producers themselves, and the failure of the WTO negotiations, are obstacles to give new impetus to agriculture and post-farming activities in Africa, where there is an enormous and non-valorized potential. The central question is whether South-South co-operation could give an impetus of this type?

The untapped natural resources and territories in Africa attract new investors looking for opportunities: with China and India in the lead, agro-food commercial and financial interests of Asian emerging countries are more and more visible in Africa. One wonders whether densely populated and food stuff importing Asia is searching to secure its food supplies through the leverage of its new economic and financial power. This strategy could either generate negative impacts on the African rural world - even in terms of food security, or it could contribute to positive agricultural transformations. Both scenarios may challenge African food sovereignty and the good governance of Afro-Asian agro-relations.

This paper attempts to address the Indian agro-food rush to Africa. The focus deals with the rising presence of Indian public and private actors in Africa, due to relative geographic proximity and the presence of significant Indian business diasporas especially in Eastern and Southern Africa, and expanding in the rest of the continent. This could recreate some forms of rural land colonization by Indian corporations with the possible support of Indian public cooperation – both seeking to boost African export-oriented agriculture. But on the other hand, the critical mass and purchasing power of Indian food demand may also create new opportunities to promote African agricultures in the global value chains and to develop post-farming transformation – which is still so much absent in most African countries.

This avenue of non OECD and alternative cooperation with a major emerging economy like India could eventually influence the domestic orientations of local agricultures. But at the same time, it might command a strong capacity of African states and private actors to negotiate with new emerging foreign partners mutually beneficial agro-food trade, investment and rural development aid agreements.

RESEARCH HYPOTHESIS AND SCIENTIFIC BOTTLENECKS

In the context of the rising rush of Indian public and private actors to access African agro-food markets, the central hypothesis is to explore whether it constitutes a new external and neo-colonization threat for local agricultures and peasantry (including land grabing … and the production of export crops), or whether it could represent a real post-colonial opportunity for African agricultures to modernize and transform for the creation of employment (jobs for the youth), value added (instead of exporting commodities in bulk) and income (for local entrepreneurs and staff). This second proposition could tremendously help the African nations to have more control of their food sovereignty and to better secure their food supplies. It would address various urgent priorities of reducing domestic and local vulnerabilities, esp. on the food and employment fronts.

The proposed research could document three sub-hypotheses:

(1) The rapid growth and future projections of the Indian agro-food demand (taken alone or together with the demand of other emerging economies) could affect trade and investment between India and Africa, and have positive or negative impacts on African agro-food markets and their international externalities,

(2) The rising number of Afro-Indian trade, FDI and ODA agreements could have an impact on local agrarian, land and rural development policies in Africa ,
(3) Facing the size and sophistication of Indian public and private means to penetrate formally and informally local food markets in Africa, national/local governments and rural civil society stakeholders have to show good negotiation capacity and credibility to defend and promote national and local food sovereignty, otherwise they could be tempted by laissez-faire, compromise and vested interests.

Some four research bottlenecks cannot be easily overcome:

The concept of food security needs to be contextualized when applied to Africa and India. Besides, it could be rather difficult to trace various trade and financial flows between India and Africa, with many transactions taking place at decentralized levels of actors and territories, and more than once financial transactions can be informal or indirect (using for instance Mauritius or South Africa as intermediaries). It could be equally difficult to keep precise records of various types of development aid agreements or of other types of bilateral agreements between India and Africa country in agriculture and post-farming. There will be also difficulties to identify with precision the strengths and weaknesses of African states, both at central and decentralized levels, and in terms of capacity to negotiate fair deals with Indian counterparts. India's external economic and development aid policies may also reveal gaps and holes.

Further research difficulties are linked to the very limited number of studies on this new subject, also quite new to both Africans and Indians. In addition, measurement, impact evaluation and effectiveness of Indian economic and development aid agreements affecting the Afro-Indian food sector might be tricky to collect from both methodological and empirical sampling viewpoints.

SOUTH-SOUTH COOPERATION: BETWEEN IDEALS AND BARGAINING POWER AMONG UNEQUALS

South-South trade originates from so-called comparative advantages of proximity among developing countries (Erza 1989, Kubny 2008, Moen 1998, Porter 1999, Sridharan 1998, Schmitz 1990). In principle, such trade is more specific and more local know-how intensive than North-South trade. Its main validity lies in its substitution capacity to high cost imports from developed countries. Such imports are often made of high technologies not quite appropriate to the needs of LDCs (OCDE 2006, Schmitz 2004).

South-South cooperation has mainly been a post-colonial and pro-independence slogan launched in opposition to developed countries and North-South cooperation (Mourad 2006). With the creation of the Non-Aligned Movement and the later Group of 77 and the United Nations Conference on Trade and Development (UNCTAD), South-South cooperation was put on the international agenda (Moen, 1998). It was driven in the 1950s-70s by various regionalisation movements in the South. The 1980s-90s saw the rise of new regionalisms and inter-regionalisms, including some initiated by China, India and Brazil vis-à-vis Africa (Jaffrelot 2008, Kubny 2008, Liu and Régnier 2003, Ruet 2007, Subacchi 2008). Japan initiated in 1993 the first Tokyo International Conference on African Development (TICADI), followed by TICAD II, III and IV recently. The TICAD process put more light on the role of Japanese aid and private sector to boost economic take-off and growth in Africa (Horiuchi, 2006). TICAD III was also envisaged in 2001 as a contribution to the New Partnership for African Development (NEPAD) initiated in 2002–03 by the G8 African Action Plan. By 2005–06, Japanese ODA pledged to devote 40 % of its total aid to Africa by 2020.

Since the 1980s, the rapid growth and emergence of the Asian newly industrializing countries, then followed by some in Latin America, have led to sharp economic and social differentiations among developing countries. This process has created new opportunities of cooperation versus competition within the Third World, and has even challenged its very existence! Agro-business has been an emerging sector in South-South economic relations, with the rise of major new players mainly from Asia (China, India, Korea, Taiwan, Thailand, Vietnam) and from Brazil and South Africa.

South-South economic cooperation can offer many advantages to developing countries (Folke, 1992). It can primarily rely on comparative advantages of geographical proximity, and those are not yet fully utilized. In many cases, their products are better suited to their neighbours with similar levels of development.). Furthermore, trade among developing countries can help them become less dependent vis-a-vis OECD markets, and do not rely on their sole demand. However, South-South cooperation has remained very modest for several decades because of its disconnection from the global economic system, and the lack of concrete support from donor countries until the 1990s. Several major obstacles have been the absence of convergence between large and small producers, the lack of infrastructure and especially South-South transportation facilities, the high structure of tariff and non-tariff protection, the absence of South-South trade finance, the scarcity of foreign exchange and clearing systems among least developed countries, and the lack of after-sales services (Erzan, 1989; Bhagwati, 1991).

In practice, South-South trade can be divided into three periods (Folke, 1992). Between 1945 and 1972, it grew in absolute terms but decreased in percentage of world trade. Between 1973 and 1981, it continued to grow and regained former importance. After 1981, its relative importance fell, mainly due to the debt crisis and declining oil export revenues in OPEC countries. However, in the late 1980s, it expanded again because of the rise of the East Asian industrialising economies, and reached over 10 % of total world trade by 1995, a figure which has steadily increased ever since because of rapid Asian expansion, including India. About 40 % of total Southern trade currently goes to other developing countries (UNCTAD, World Trade Report 2010).

During the first decade of the 21st century, analysts have become relatively optimistic about South-South trade prospects due to continued rapid growth of the emerging economies and their strong demand for commodities, including food stuff. This is also due to the saturation and ageing profile of the OECD countries. This trend is even clearer when considering local agro-food products originating from developing countries, which qualify only for South-South markets in terms of quality, hygiene and health norms, and other standards.

Since the 1990s, developing and donor countries have also become aware of the key role of small enterprises in economic and social development, inclusive in rural and peri-urban sectors where farming and post-farming activities prevail. The Asian small and micro-enterprise development experiences have taken the lead. In the case of most African LDCs, the importance of the informal economy (microeconomic activities and very small enterprises) and the challenge of the so-called "missing link" (SMEs) have been underlined (Sen, 1999; Régnier, 2000; UNCTAD, 2001).

Since the WTO Ministerial Meeting in Hong Kong in December 2005, the G8 and the OECD countries have stressed their aid for trade priority vis-à-vis developing countries in three main fields: production capacity, access to demand and buyers, promotion of marketing and sales. A number of OECD donors have committed themselves to a more proactive facilitation of trade and finance among developing countries (South-South trade) at the sub-regional, regional and inter-regional level, as a second-leg option for developing economies and especially LDCs to reach global markets. Transnational corporations and other large firms are not direct beneficiaries of overseas development aid, but they are increasingly providers of business to business (B2B) or public-private partnerships in a West-

West or North-South context, but they can also play a South-South market linkage role. Apart from TNCs and large firms, small enterprises in developing economiescan enhance economic development in several ways:

- Local SMEs (formal economy) or at least a fraction of them already have access to South-South trans-frontier, sub-regional and regional markets in addition to their direct or indirect access to OECD buyers and sellers;
- Various forms of microenterprises (informal economy) are mainly active at the sub- domestic, domestic and trans-frontier levels, but can also contribute under certain conditions to the up-stream segment of domestic, sub-regional, regional and global chains of production and value-added (ADB, 2006; UNDP, 2004; Prahalad, 2006).

For several decades, international cooperation has promoted agriculture and post-farming production (supply side) in the developing world. It is only in recent years that some emphasis has been gradually put on the demand side. When local and/or external demand exists, it can encourage local agro-food production and also trade/marketing efforts accordingly. International cooperation, public and private, can continue only in relative terms to support LDC agro-food export promotion, but mainly in articulation with OECD import capacities, whose absorption capacities will be limited in several ways.

Global value chains and inclusion of agro-food products

Since the late 1990s, there is a substantial literature dealing with the emerging capacities of developing countries to integrate international value chains in manufactures. These chains can be transnational, regional, and even global ones. Much work has been inspired on this subject by UNCTAD World Investment Reports (annual), and deal with inclusion versus exclusion in global value chains of semi-transformed or transformed products from the South (Ekins 2009, Kolodko 2003, Pietrobelli 2004, Régnier 2003, 2004 et 2007, Sturgeon 2009).

There are numerous studies on North-North and North-South value chains in the agro-food sector, which include most tropical products in high demand in the North (Kalinsky 2007, 2008, McDonald 2008, Larsen 2009). But good knowledge of local, national and South-South existing or incubating post-farming value chains in developing countries is still limited despite new explorations from emerging countries like Brazil, China, India, South Africa, Thailand and others. The

Donor Committee on Enterprise Development (DCED)[1] encourages public-private partnerships for the promotion of small and micro-enterprises in global value chains. As food security and employment creation are the two official objectives of the G8/G20 since 2011, it will focus more on post-farming and agro-food manufacturing in developing countries, including the role of women entrepreneurs. However, the density and diversity of such activities is not high in Africa, and there is not enough accumulation of savings and skills to be invested in their expansion at any meaningful scale. This is precisely here that Indian investment could play a win-win strategic role.

Afro-Asian economic cooperation

For long, the analysis has focused on Japan as the major Asian developing aid and trading partner of Africa (Horiuchi 2006, Manning 2006, Rowland 2008, Watanable 2008). Yet, spontaneous and flourishing Afro-Asian trade is very ancient through the Indian Ocean (Jolly 2002, Vines 2008), but there are few studies on Afro-Asian economic cooperation and almost none on the agro-food sector (Afro-Asian Rural Development Organization 2009, 2010, Kregelund 2008, Rotb erg 2008, Sridharan 1998). It is only since the early 2000s that there is much interest for the development of Asian investments worldwide, including to Africa (Quhreshi 2008, Rajan 2008), but most studies deal with Chinese investment ((*Brautgam 2007, , Davies 2008, , Kaplinsky 2008, , Lemoine 2010,).*

There is much less concerning Indian investment (*Gutmann 2008, Jaffrelot 2008)* even though the existence of strong Indian business diasporas in Eastern and Southern Africa is well known, and drives their gradual expansion in the rest of the continent (*Etienne 2007, Goldstein 2009, Vines 2008).* India has also started to promote an ODA policy as illustrated during the 6th India-Africa Forum in New Delhi in March 2010 aiming to counterbalance the overall competition and visibility of China *(Broadman 2006,Chanana 2009, Rajan 2008, Santiso 2007).*

INDIA AND AFRICA IN AGRICULTURE: A VAST ARRAY OF UNTAPPED POTENTIAL

[1] DCED is a forum through which donor and the United Nations agencies promote economic opportunity and self-reliance through private sector development in developing countries.

A brief introduction to Indian and African Agricultures

People	Land	Economic
Total population (millions): 1 214 464 Life expectancy at birth: 64 Urban population: 30% Agricultural population, including forestry and fisheries (1000s): 587 377 Number of people undernourished (millions): 237.7 Proportion of undernourished in total population: 21% Per capita daily calorie intake: 2 301 Per capita daily protein intake (% kcal): 9 Child malnutrition, underweight: 43% Child malnutrition, stunting: 48% Child mortality rate (per 1000 live births): 66	Land area (1000 ha): 297 319 Arable land (1000 ha): 158 145 Permanent crops (1000 ha): 11 175 Pastures (1000 ha): 10 388 Irrigated land (1000 ha): 62 286 Share in total water use by agriculture: 90.4% industry: 2.2% domestic: 7.4% Forest area (1000 ha): 68 434 **Production** Cereals (1000 tonnes): 246 774 Meat (1000 tonnes): 2 766 Fish (1000 tonnes): 7 845 Woodfuel (1000 m³): 307 782 Industrial roundwood (1000 m³): 23 19	Agriculture as % of Gross Domestic Product: 16.5 Value of agricultural exports (US$ millions): 17 307 Share of agricultural exports (% of total exports): 8.9 Value of agricultural imports (US$ millions): 9 141 Share of agricultural imports (% of total imports): 2.8

Overview 2008	Sub-Saharan Africa	India	China
Forest (millions acres)	627	68	205
Pastures	911	10	400
Arable Land	219	158	115
Irrigated (%)	1	39	58
Farmers (millions)	195	587	314
Population (millions)	764	1214	1320

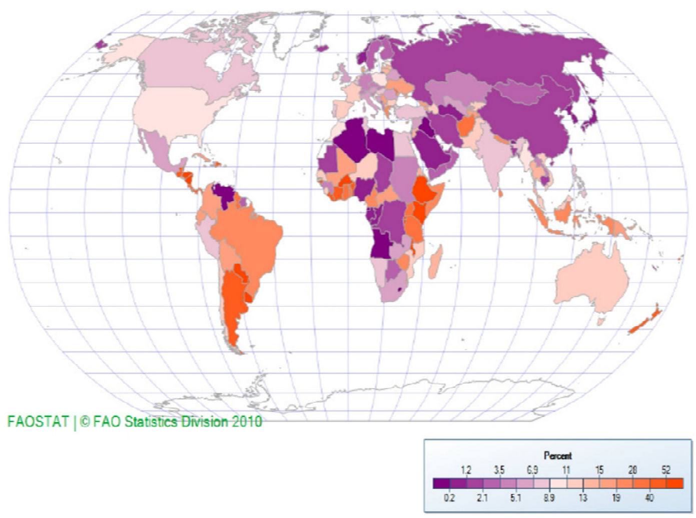
Source: FAO 2011

. Agriculture represents 16% of Indian GDP but only 8,9% of its total exports against 2,8% of its total imports (76% being food products). Like for China, Africa still plays a minor role in Indian agriculture imports and exports. Most of Africa is still untapped markets for Indian exporters in general, even though India has started to export food stuff, mainly cereals (rice), fish and crustaceans and meat to Egypt and South Africa (301 mil. US$ in 2010 according to UNCTAD). Other but smaller exports to Africa include flours, sugar confectionery and tobacco products. In addition, India exports some agriculture machinery (irrigation, water pumps, mechanicals, tractors,…), and some fertilizers and pesticides.

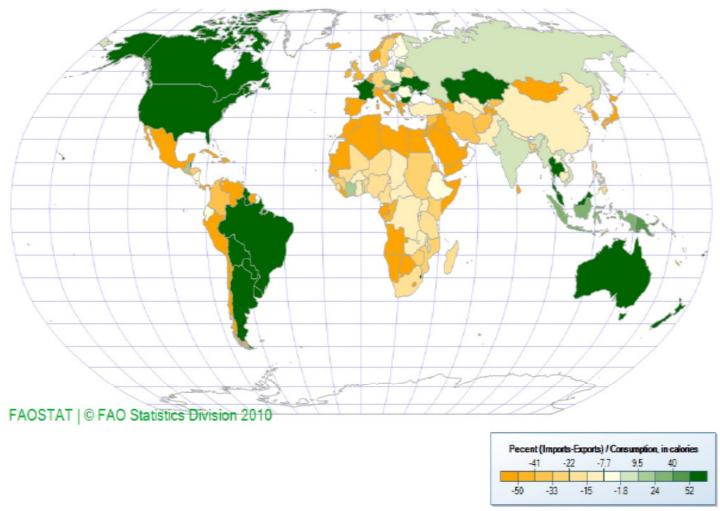
The contribution of Sub Sahara Africa to world trade in agriculture is approximately 6%. However, agriculture is the first top export contributor for a number of countries, including some facing very serious food security problems: Malawi (85%), Burkina Faso (83%), Uganda (62%), Ethipia (61%), Mali (56%), Kenya (46%), Rwanda (44%), Ghana (42%), Sénégal (37%), Tanzania (*35%), Madagasgar (35%), Togo (29%), Niger (14%). In 2000-08, African food imports have more than doubled, whereas exports have progressed slowly and have remained concentrated in a few unprocessed or semi-processed commodities.

None of the Sub-Saharan African countries are among the top ten agriculture and food exporters to India. African countries export mainly agricultural raw materials to India, two are in Eastern Africa (Egypt and Tanzania) and two in Western Africa (Ghana and Ivory Coast). There has been a considerable rise in exports since 2004, especially in major items like cork, fruits, nuts and wood cotton, fruits, nuts, and vegetables. Egypt exports mainly cotton to India. Ghana concentrates on cork, fruits, nuts, and wood, but also on oil and oleaginous fruits and cocoa. New African exporters to India include Guinea Bissau (fruits and nuts), Gabon (cork and wood), Algeria, Egypt, Morocco and Togo (crude fertilizer).

Share of agricultural exports in total export



Net trade in food



A rapid glance at the FAO statistics show little convergence between the first African ten agriculture exports and the first ten Indian import items.

Indo-African trade in agriculture represent a very small segment of total bilateral trade. Indian imports have less progressed in recent years than exports. This can be explained partly by the declining value of cotton imports - only partly compensated by cacao - whereas Indian exports have progressed (rice, tea, ….). The Indian trade surplus has widen as African exporters have not much benefitted of the Indian trade liberalization, whereas Indian private companies have expanded rapidly worldwide including in Africa.

Even though the Indian agriculture is facing less geo-climatic constraints than China, its rapid demography (overtaking China before 2030) and the acceleration of urban growth will be combined with a diversification of nutrition behaviours, esp. among the urban middle class. The overall consumption of cereals is expected to diminish in comparison with the rise in consumption of meat, fish, fruits, vegetables and dairy products. Even though India has still a potential to increase the productivity of agriculture on several fronts, imports in volume and diversification are expected to grow substantially, and the food self-reliance ratio will be modified.

Major Exports from Africa		**Major Imports of India**	
Commodity	Value mil. USD	Commodity	Value mil. USD
Cacao	3122	Palm oil	2744
Cotton	1379	Peas, dry	634
Coffee	1346	Cashew nuts, with shell	617
Tobacco	1214	Soybean oil	433
Other raw products	1203	Beans, dry	399
Sugar	954	Cotton lint	385
Tea	927	Pulses, nes	338
Wine	695	Sunflower oil	284
Rubber	659	Fatty Acids	275
Oranges	640	Rubber Nat Dry	215

Source: FAO 2008

Investment

Indian direct investment outflows 2011 show that agriculture and food processing do not figure among the leading sectors contrary to other manufactures, energy, and business and estate services. In 2011 alone, Ghana, Mauritius, Niger and Zambia were the top four destinations of Indian direct investment but not in agriculture.

However, lines of credit disbursed by the EXIM Bank of India up to April 2011indicate that 29 lines of credit were allocated to support Indian private ventures in Africa's agriculture and related sectors. A total of 138 lines of credit were allocated during this period out of which 94 were allocated to Africa.

Due to historical linkages, South Africa and Mauritius has been the main entry points for Indian companies and portfolio investors venturing into Eastern and Southern Africa. But recently, due to a concentrated effort of the Indian government, the capital city of Sénégal, Dakar, has emerged as a new gateway to the terra incognita of West Africa. Dakar has become home of one oversea office of the EXIM Bank of India. Some family members of the Indian business diaspora well established in East Africa have also been appointed since the mid-2000s as honorary consuls of India in Western Africa.

EMERGING INDIA VENTURING INTO AFRICA : FLURRY OF INTERESTS AND OPPORTUNITIES

Beyond geographical proximity, there are other links between India and Africa making this bilateral relationship rather specific compared to the recent rise of China in the continent.

Historical revisiting of India's South-South Cooperation and Africa

India's high profile during the Cold War in Africa was largely motivated by ideological motives related to anti-colonialism and the non-aligned movement, disputed with China after its separation from USSR in the late 1950s. But it had also pragmatic objectives to stabilize and develop links with its Central, South and Southeast Asian neighbours, where most public Indian aid has been concentrated for long. Therefore, most of concrete Indian development contributions to the continent have been realized through Indian business diasporas and other networks established during British colonial rule and beyond. Such networks have cultivated various links with the Indian public and especially private sectors, which were primarily in place before the Indian federal government started to shape a proper development aid policy during the second half of the 2000s, also as a response to Chinese aid competition abroad and in Africa in particular.

Since the 1991 liberalization of the Indian economy (called New Economic Policy), India's development aid has grown as a pragmatic pursuit of its own interests and as a support to the rapid internationalization of its leading private corporations. The rapid rise of the Indian Export-Import Bank (EXIM) providing concessional credit lines to various African countries to buy Indian equipment and machinery is a case in point.

Until 2010, the Indian government had not produced a document regarding its aid policy and its only in 2011 that the creation of a development cooperation agency has been announced. Yet, Indian development aid can be described as a two-front operation so far giving priority to its Asian neighbours and to African countries, the latter receiving mainly concessional loans from the Exim Bank with a concentration on infrastructure (Kondoh, Kobayashi, Shiga and Sato, 2010).

Indian private initiatives toward Africa coming first

Compared to Chinese cooperation in Africa led primarily by large State-owned companies and the Chinese central/provincial governments, the profile of Indian presence in Africa is significantly different. First, the business activities of the local Indian diasporas well established in Eastern and Southern Africa are understudied, and even more their recent extension endeavours toward Central and Western Africa. Second, the mergers and acquisitions in Europe and North America by leading Indian multinational corporations draw much more media attention than their ventures in Africa or elsewhere (Harry Broadman, Africa's Silk Road: China and India's New Economic Frontier, World Bank 2007 ; Andrea Glodstein and others, The Rise of China and India: What's in it for Africa? OECD Development Centre 2006).

What Indian (and Brazilian, Chinese, Korean, South African, Thai) firms are doing in Africa is not really new or unique. South-South trade has grown rapidly from 6% of world trade in 1990 to over 16% in 2007, and the share of developing countries' exports going to others has increased from 29% to 47% (Columbia FDI Perspectives no 34, Feb 2011). Even though opinion leaders circulate the news that Chinese and to a lesser extent Indian firms dominate Africa, this presumption does not stand as 90% of the stock of FDI in Africa still originates from OECD corporations. Whereas Chinese and Indian investment portfolios do concentrate in value terms on natural resources (energy, mining, agriculture), their FDI projects has started to diversify in infrastructure, manufacturing, food processing, telecoms and ICTs, financial and back-off services and tourism.

Indian corporations operating in Africa are mainly private, vary in size, enter African markets by acquisition of established businesses, engage in vertical integration (but much less than their Chinese competitors), facilitate and even encourage the integration of their management and workers in the African socioeconomic fabric (contrary to Chinese firms), and engage in large local sales with private entities rather than solely with government agencies (dealing mainly with deep pocket Chinese corporations able to out-compete other bidders for government procurement contracts). Indian firms play a significant role in reinforcing links between trade and direct investment in Africa, leading to an increase in African exports. They can achieve greater economies of scale and higher productivity than local African businesses, and thus export goods that are more diversified and higher up the value chain than local entrepreneurs: this is where post-farming and food processing activities may have a chance to grow in Africa and not outside possibly? Because Indian corporations are also integrating horizontally across borders and Africa's own internal market, it may help landlocked countries and/or countries with domestic markets far below commercial scale. Through joint ventures with African counterparts, Indian firms may also be able to foster African exports to a wider set of markets outside the continent (Harry Broadman, " China and India Go to Africa ", Foreign Affairs ,VCol 87, no 2, March/April 2008, 95-109).

Indian agriculture is wrought with small farm holdings. More and more companies are looking towards Africa for large scale commercial farming. According to the Associated Chambers of Commerce and Industry in New Delhi, with only 15% of the arable land being cultivated, African countries like Sudan, Ethiopia, Tanzania, Mozambique and Senegal are offering land to Indian agricultural companies on long term lease. According to the Vice-President of Yes Bank, which promotes Indian investment in Africa, the government ban on non-basmati exports was an incentive for Indian farmers to produce in Africa and export overseas. Besides, the cultivation of certain crops like animal feed attracts more profits in Africa than India where there is minimal government support for such cultivations. Although, meat consumption is on a rise in India and there is demand for animal feed.

Karuturi Global, one of the top 25 agro transnational companies of the world and biggest producer of cut roses bought 15 hectares of land in Ethiopia for about 1.9 million USD in 2005 to grow roses for export. Today it owns approximately 75 hectares of land in Ethiopia for rose cultivation. Besides, its total land acquisition of land for commercial farming in Ethiopia alone stands at 311, 700 hectares. In 2007, it bought one of the largest flower farms in Kenya for around $65.5 million[2] for the cultivation of sugarcane, palm oil, rice and vegetables. Tata group has got land on lease in Uganda for a pilot agricultural project and Jaipurias of RJ Corporation have bought land for a 50 acres dairy farm. Shapporji and Pallonji a Mumbai based construction company has acquired 50,000 hectares in Ethiopia and agricultural projects are under consideration. Mc Leod Russel India, the world's biggest integrated tea company acquired Uganda's Twenzori Tea Investments for 25 mil. US$ through its UK subsidiary. The Indian Framers Fertilizer Cooperative Ltd acquired the Industries Chimiques de Sénégal, a phosphate production industrial plant for 721 mil. US$. The Indian land-grabbing in Africa is not free from criticism within the country. Devinder Sharma of India's Forum on Biotechnology and Food Security is a staunch critic of India's domestic economic policies and does not mince words in speaking against the opportunist Indian farm companies' rush for cheap agricultural land in Africa the produce of which is imported back in India or exported overseas.

But this is not all and there is another side to the coin. Karuturi Global claims to be the largest employer in Ethiopia next only to the government. It even owns professional soccer teams in the country and was the supplier of roses for the FIFA World Cup in Africa. Indian enterprises like Jain Irrigation, Kirloskar Brothers Ltd and Mahindra and Mahindra contribute to the transformation and mechanization of the farm sector in Africa specializing in the domain of irrigation and manufacture and supply of tractors and other farm equipment respectively. Kirloskar Brothers Ltd, one of the largest producer of pumping solutions in the world, is synonymous of hand pumps in many African countries. The company provides pumping systems and customized local irrigation systems. Its foray in Africa began in Egypt in 1950 which since then houses more than 100, 000 Kirloskar pumps across the Nile. Their efforts in making Senegal self-sufficient in rice production are exemplary. The country is on its way to becoming a rice exporter from being a net importer till until recently. With an installation of over 2000 pump sets worth 21 mil. EUR, the area under rice cultivation in Senegal has increased from 19% to 40% in 5 years since the commencement of the project in 2005. In 2010, the company acquired 90% share in the South African Braybar Pumps Ltd through its wholly owned subsidiary in Netherlands. Jain Irrigation Systems, the world's second biggest irrigation equipment maker has been a pioneer of drip irrigation in India. In May 2011 the company commenced a partnership with the government of Rwanda for the provision of water management solution for farmers. Currently, the country operates in 15 African countries providing irrigation services and technology with minimal water and energy requirements. Mahindra and Mahindra, one of the top three producers of tractors in the world are present in 24 African countries with assembly units in Ghana, Nigeria, Chad, Gambia and Mali. The company seeks to double its exports earnings from Africa which currently stand at 15%. New assembly units[3] at Morocco, Tunisia, South Africa, Kenya, Zambia and Ethiopia are in the pipeline. New players like Yes Bank are providing finance to Indian companies investing in farming projects in Africa. Indian textile company Alok Industry opened a spinning mill in Bobo-Dioulasso in Burkina Faso for enhancing cotton production in the country. Besides, private sector and the government initiatives, cooperation between India and Africa extends to NGOs as well like ICRISAT (International Crops Research Institute for the Semi-Arid Tropics), which is involved in promoting research to promote agriculture in semi-arid regions in Asia and Sub Saharan Africa. The ICRISAT South-South Initiative was launched in March 2011. One of the regional offices of the NGO is situated at Bamako, Mali. The research focuses on five highly-nutritious but drought-resistant crops of chickpea, pigeon pea, pearl millet, sorghum and groundnut. The Indian chambers of commerce have been active in their engagement with Africa. The 6th CII (Confederation of Indian Industry) and Exim Bank Conclave on India- Africa Project Partnership was held in New Delhi in March 2010. It covered four themes: India-Africa partnership, Rural Economies, Africa Tomorrow and Going Green. It was attended by 34 African countries sand discussed 145 projects worth 9 bil. US$ (45 in agriculture, ICT and the SME sector), to be compared with 193 projects worth 7.2 bil. at the previous conclave. The 7th conclave was held in March 2011 and was attended by 650 delegates from 40 African countries. 204 projects worth 18 bil. US$ were discussed during the conclave in sectors covering. The Federation of Indian Chambers of Commerce and Industry (FICCI) on its part engages with apex chambers in the African countries through joint business councils to facilitate regular business interactions.

From Indian land grabing to win-win rural cooperation

Indian and other foreign/Chinese acquisitions or long term leases of vast farmland in Africa have become the focus of concern by Western media and NGOs. Many observers consider them a new form of colonialism that threatens food security and local peasantry. However, such investments could be also viewed as good news if the objectives of land purchasers are reconciled with the development needs of the African countries concerned, and not only their governments but also local entrepreneurs and rural civil society. As underlined by the FAO, capital gaps are alarming in Africa and the agricultural sector is in urgent need of productive investment in production and even more in food processing and valorization. After decades of low investment, FAO calculations show that at least US$ 30 bil.US$ would be required annually, mostly but not exclusively in Africa.

African capacity to fill this gap is very limited and official development assistance offers no real alternative. In fact, the share of aid going to agriculture has been on a downward trend to below 5 %. The question is not whether international investments should provide a supplement to other capital inflows, but how their impact can be optimized.

Empirical cases of Indian private ventures in the agricultural sector in Africa

During the first semester 2011, two Indian companies, *Verdanta Harvest Pvh* and *Shapoorji Pallonji*, are set to sign an agreement with Ethiopia's Ministry of Agriculture and Rural Development to lease for 20 years large land areas to grow tea and *Pongamia Pinnata*, a plant used for biofuel and industrial chemical production. *Verdanta Harvest Pvh* received 5,000 hectares of land while *Shapoorji Pallonji* was allocated 10,000 hectares. This comes in addition to similar cases in recent years. One of the most well known stories is derived from the Football World Cup 2010 in Johannesburg where all decorating flowers came from the Ethiopian rose gardens of Sai Ramakrishna Karuturi, a Bangalore businessman who has become the biggest rose grower in Kenya and one of the biggest private land owners. Interestingly, he also owns *Karuturi Sports*, a Kenyan football club that plays in Kenya's premier league. Indian companies already established in Africa, mainly in infrastructure projects, are offered land holdings usually on lease as they are looking to get involved in the agricultural sector, even if they are not intrinsically specialized in farming. For instance, the *Tata* group has been given a land lease in Uganda to run a pilot agricultural project, while the *Jaipurias of RJ Corp* have a lease of a 50 hectare model farm to supply dairy products in Uganda and Kenya. Constructor *Shapoorji Pallonji* has acquired the lease for 50,000 hectares of land in Ethiopia and may export maize and other crops. It is not just large Indian companies, but also SMEs in sectors ranging from tea and spices to chemicals, which are entering commercial agriculture in Africa. In total, about 70 Indian companies are already making a foray into the farming sector in Africa with biggest opportunities in Ethiopia, Malawi, Kenya, Uganda, Liberia, Ghana, Congo and Rwanda. Various Indian tea companies, for instance, are making a beeline to acquire estates. BM Khaitan-owned *McLeod Russel India*, the largest integrated tea company in the world, has already taken the acquisition route with Uganda's *Rwenzori Tea Investments* which it bought for $25 million. Various Indian tea companies are making a beeline to acquire estates: *BM Khaitan*-owned *McLeod Russel India*, the largest integrated tea corporation in the world, has already taken over for 25 mil. US$ – through *Borelli Tea Holdings UK* – the six estates of Uganda's Rwenzori Tea producing 15 000 tons of tea annually. The outmost objective is for the *Mc Leod Russel India* to be able to control 8% of the world tea market. BK *Birla* controls *Jay Shree Tea & Industries*, which has recently acquired three tea estates in Rwanda and Uganda. While acquisitions may work for the tea sector, the right formula for Indian companies looking at commercial farming in Africa is through value-added products, Indian experts say. The perception of Indian companies in Eastern African countries is that they generate local employment and engage in local skills development.

What do we know?

Information about Indian and other international investments in African agriculture is scarce and mostly based on anecdotal evidence. From limited available information three observations stand out: (i) India contributes to a recent investment increase in African agriculture, but land under foreign control remains a small portion; (ii) the focus has shifted from cash crops to the production of basic foods; (iii) though Indian and other investments are mostly private, African governments are heavily involved or at least supposed to be in control. Many deals are stimulated by food supply securitization concerns, especially those coming from emerging countries such as India with, demographic, land and water constraints. High food prices and policy-induced supply shocks like in 2008 and 2011 again have created fears that dependence on speculative world agriculture markets to satisfy domestic demand has become risky. On the negative front, lease or sale of African farmland (often customary owned and not properly cultivated) to Indian investors is not without risk as it can cause land expropriation or lead to an unsustainable use of resources, thereby undermining the livelihoods of local populations and exclude local peasantry from low productive but highly needed activities. On the more positive front, Indian investments may also bring up new opportunities in agriculture but also post-farming transformation and valorization like technology transfer to stimulate innovation and productivity increases, quality improvements, employment creation, backward and forward linkages and multiplier effects through local sourcing of labour and other inputs. It should and could increase food supplies both for domestic and export markets, and not exclusively to far distant India and global markets.

Much is at stake in this policy debate for the 800 million people in Sub-Sahara Africa through South-South trade and investment in agriculture led by Brazil, China, India and South Africa. In order to de-passionate and improve the quality of the debate, Indian research centres and universities should help to develop a systematic empirically-derived, cross-country and cross-sector consistent data on land grabing, to apply a rigorous analytical methodology, and to use an objective and coherent framework in order to dispassionate policy conclusions for all stakeholders – Africans in the first place, Indian investors and their home and local constituencies, and the international community (Columbia FDI Perspectives, no 34, Feb 2011).

RESEARCH PERSPECTIVES

It is almost impossible to bring up any preliminary conclusion at this stage of our ongoing research work.

First, one could argue like a number of observers that India's like other emerging countries's ODA has not become much different from OECD development aid, because it is guided by post-1991 liberal reform economic interests and rising power motives. Despite special Indo-African historical and ethno-economic shared interests in East and Southern Africa, India's ODA policy and practice in Africa may not differentiate much from other ODA players in the continent.

Second, India is facing not only food security pressures domestically but also rising pressures of corporate agro-food business interests to expand globally. Land space, existing natural resources, and unexploited agro-food potentials of Africa in particular, combined with communication and transport proximity vis-a-vis the Subcontinent, are very attractive and already lead to various forms of public-private partnerships between India's central and local governments, and the private sector. Such partnerships include high-profiled Indian transnational corporations targeting both African markets for themselves but also as regional leverages to expand their penetration on global markets.

Thirdly, the vast rural development experiences of India as a major leader of the South may be mirrored in the type and scale of South-South cooperation to be implemented in both African and Asian neighbours. Apart from pure economic motivations quite transparently declared in Exim Bank credit line policies for instance, the Gandhian moral argument of "mutual cooperation" with Africa seems to alternate aid also with a seemingly neutral and altruistic approach. Not only emerging India still includes numerous poor states and populations quite similar to most African LDCs, but many Indian instruments and technologies can be appropriate for Africa's needs and purchasing power as well demonstrated by Indo-African large and smaller enterprises already operating for long in the Eastern and Southern regions of the continent. This approach may contribute to a gradual but real diversification and post-farming valorization of African agricultures, with various positive spill-over effects on local employment and incomes.

Fourthly, and perhaps most important, this paper has not documented neither the strategic capacity nor the perception of African public and private actors in their recent dealings with emerging India's ODA and agro-food industry. Any formal or informal contractual partnership needs two players to guarantee local ownership, mutual benefits, sustainability, even though the two players may have different profiles, experiences and operating scale, and may indeed stand on unequal footings. It remains to be seen more deeply and systematically if most Afro-Indian agro projects imply a de facto good governance of the sector by

African partners, and if not, whether local partners are finding ways and means to develop more capacity to guarantee long term benefits for local entrepreneurs, peasantry, and rural society at large. It also questions the corporate citizenship and social responsibility of agro-food and other Indian firms more and more attracted to venture into African agricultures.

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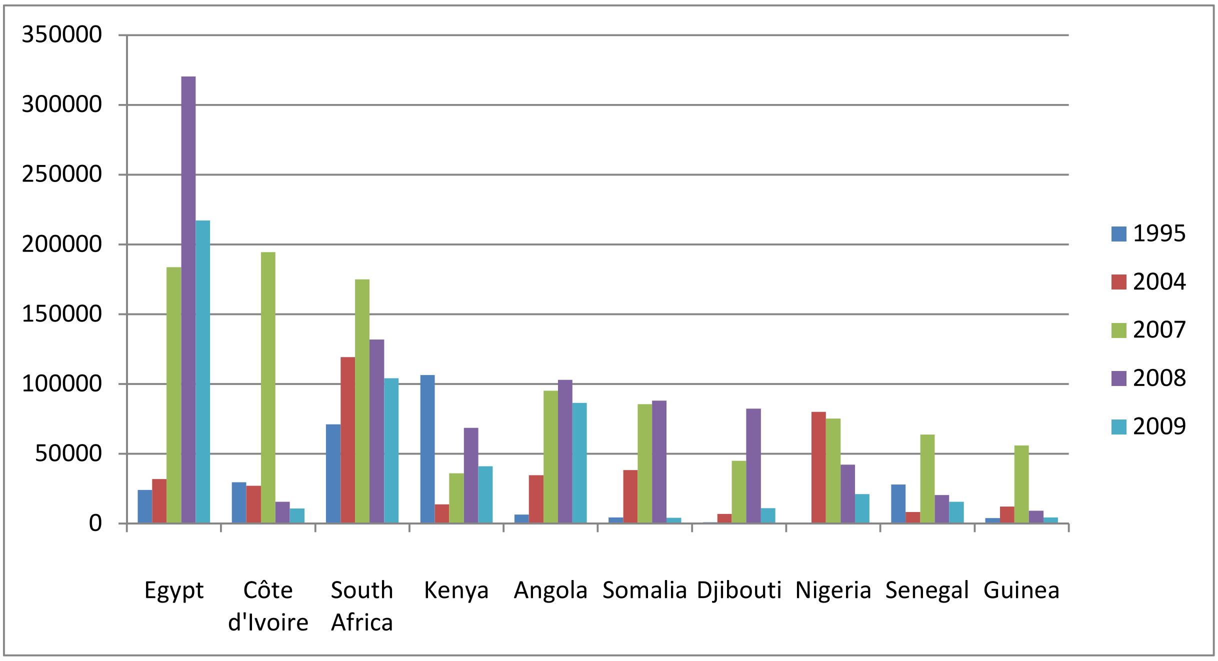
Annex 1

Food export from india to the 10 best partners in Africa



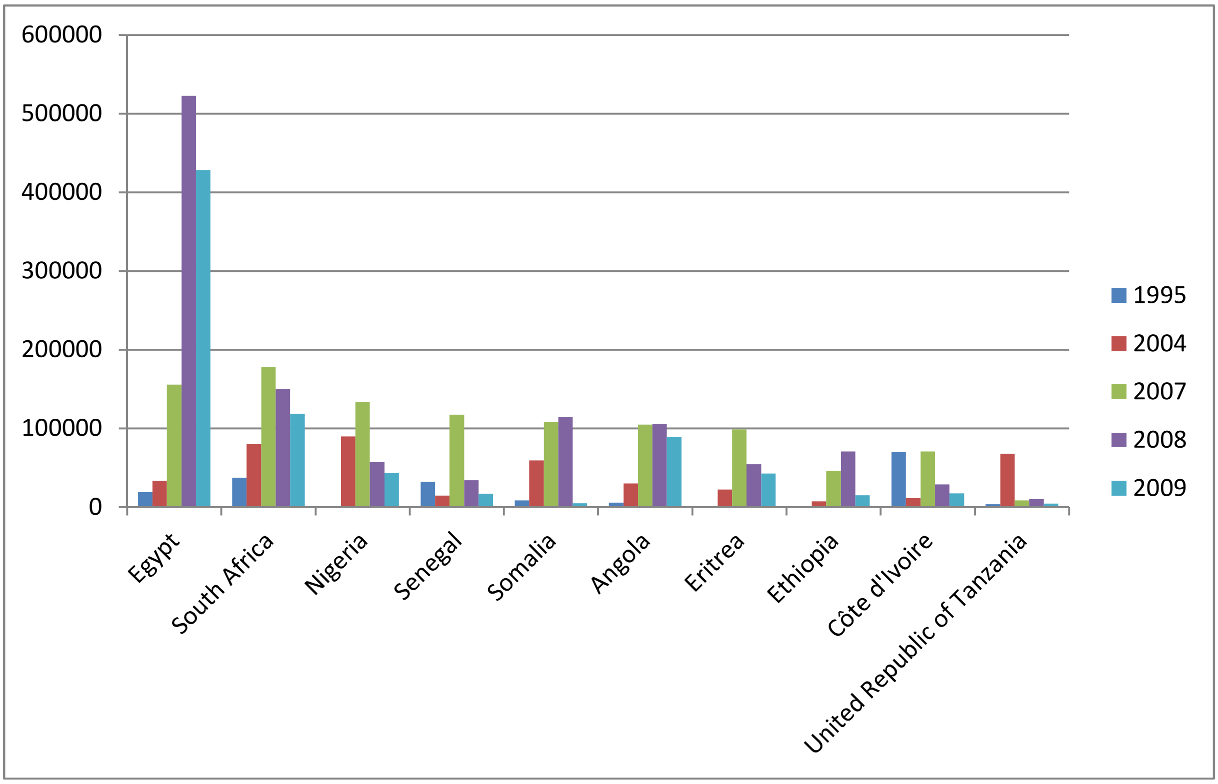
Merchandise trade matrix, exports, annual, 1995-2009
UNCTAD, UNCTADstat
ECONOMY : India
FLOW : Exports
PRODUCT : All food items (SITC 0 + 1 + 22 + 4)

PARTNER	1995	2004	2007	2008	2009
Egypt	24040,411	31938,395	183576,66	320211,766	217094,368
Côte d'Ivoire	29580,25	27173,68	194466,41	15692,957	10684,282
South Africa	71008,3313	119137,321	175066,566	131818,772	104153,24
Kenya	106383,898	13803,895	36071,584	68634,706	41011,392

Angola	6489,452	34577,068	95114,464	102854,28 5	86449,142
Somalia	4435,531	38418,409	85532,597	88151,08	4171,318
Djibouti	863,558	6807,165	44860,113	82258,278	10927,984
Nigeria	689,47	79985,406	75331,252	42108,763	21030,613
Senegal	27889,699	8248,36	63856,394	20474,425	15611,953
Guinea	3820,609	12252,945	55941,281	9122,928	4377,22

ANNEX 2

Food import to india from the 10 best partners in Africa



Merchandise trade matrix, exports, annual, 1995-2009
UNCTAD, UNCTADstat
FLOW Imports
PARTNER India
PRODUCT All food items (SITC 0 + 1 + 22 + 4)

ECONOMY	**1995**	**2004**	**2007**	**2008**	**2009**
Egypt	18963,321	33441,22	155464,6	522771,8	428215,6
South Africa	37497,57021	80198,15	177783,5	150256,2	118631,7
Nigeria	1037,019348	89888,07	133787,8	57154,8	43175,96
Senegal	31939	14552,49	117559,9	34182,24	16971,92
Somalia	8564,627138	59156,69	107971,8	114751,3	4990,965

Angola	5656,262546	30030,77	104690,5	105792,1	88930,35
Eritrea		22242	98911,77	54243,73	42559,2
Ethiopia	103,311	7276,094	45686,17	70817,92	15093,61
Côte d'Ivoire	69826,439	11221,05	70667,5	28644,58	17431,29
United Republic of Tanzania	3423,818	67946,69	8677,678	9992,918	4245,478

ANNEX 3

India's FDI oultflows

Overseas Country	FC - Loan *	FC - Guarantee Issued *	FC - Equity *	FC - Total
AUSTRALIA	1	2250	6,4756	2257,4756
BAHRAIN	0,0533	0	0,1111	0,1644
BANGLADESH	2	0	1,0332	3,0332
BELGIUM	0,1017	0	2,8513	2,953
BOLIVIA	0	0	0,5	0,5
BRAZIL	0	0	0,8166	0,8166
BRITISH VIRGIN ISLANDS	65,4559	300	0	365,4559
CANADA	0,417	0	0,0584	0,4754
CAYMAN ISLAND	1,8734	0	0	1,8734
CHINA	0,49	8,2	0,2525	8,9425
CYPRUS	4,3275	0	2,355	6,6825
CZECH REPUBLIC	0,4	0	0	0,4
EGYPT	0	0	0,57	0,57
ETHIOPIA	0	0	0,6992	0,6992
FINLAND	0	0	1,1634	1,1634
FRANCE	0	0	0,7233	0,7233
GERMANY	0,864	0	14,792	15,656
GHANA	0	8	0,108	8,108
GUATEMAL	0	0	0,08	0,08
GUINEA REPUBLIC	0	0	0,06	0,06

GUYANA	0,075	0	0	0,075
HONGKONG	1,335	15	3,9163	20,2513
INDONESIA	18,165	0	4,5737	22,7387
IRELAND	4,2	0	0	4,2
ITALY	1,9827	0	2,428	4,4107
KAZAKHISTAN	0	0	0,6877	0,6877
KENYA	0,077	0	0,415	0,492
KUWAIT	0	0	0,1037	0,1037
LUXEMBOURG	0	0	0,0525	0,0525
MALAYSIA	0,0119	347,5	18,9681	366,48
MAURITIUS	104,782	582,58	386,7871	1074,1491
MEXICO	0,022	0	0,275	0,297
NAMIBIA	0,7	0	0	0,7
NEPAL	0	0	0,1045	0,1045
NETHERLANDS	189,6567	7,5	21,0604	218,2171
NIGERIA	1	0	0,908	1,908
OMAN	0	0	0,8054	0,8054
PHILIPPINES	2	0	0,35	2,35
ROMANIA	0,1295	0	0	0,1295
RUSSIA	0	0	0,5639	0,5639
SAUDI ARABIA	0	15,3	4,454	19,754
SINGAPORE	447,5396	202,21	66,5823	716,3319
SOUTH AFRICA	0,02	0	0,49	0,51
SPAIN	11,2	0	0	11,2

SRI LANKA	0	34,0712	2,6098	36,681
SWEDEN	0	0	0,3	0,3
SWITZERLAND	13,4713	7	2,7431	23,2144
THAILAND	0	0	0,0915	0,0915
TURKEY	0,05	0	0,075	0,125
UNITED ARAB EMIRATES	33,5835	3,5	17,75	54,8335
UNITED KINGDOM	3,3801	8,5	5,6387	17,5188
UNITED STATES OF AMERICA	26,5718	110,376	65,164	202,1117
VIETNAM	0	0	0,4475	0,4475
ZAMBIA	0,1	0	0,301	0,401
Total	937,0429	3899,7372	641,374	5478,154

ANNEX 4

EXIM BANK'S OPERATIVE LINES OF CREDIT

Borrowing Country	Amount of Credit (million USD)	Purpose	Tenor (years)	Dibursement
Government of Niger	17.00	Acquisition of buses, trucks, tractors, motor pumps and flourmills	Upto 20 years	@
Government of Burkina Faso	30.00	Agricultural projects including acquisition of tractors, harvesters, agricultural processing equipment and construction of national post office	Upto 20 years	@
Government of Mali	15.00	Agriculture and food processing projects	Upto 20 years	@
Government of Malawi	50.00	Cotton processing facilities (US$ 20 mn), Green Belt Initiative (US$ 15 mn) One Village One Product (OVOP) (US$ 15 mn)	Upto 20 years	@
Government of Ethiopia	122.00	Development of sugar industry	Upto 20 years	@
Government of Ethiopia	166.23	Development of sugar industry	Upto 20 years	@.
Government of Sudan	25.00	Eldeum Sugar Project at White Nile state	Upto 20 years	@
Government of Guinea Bissau	25.00	Electricity project, mango juice and tomato paste processing unit and purchase of tractors and water pumps for development of the agricultural sector	Upto 20 years	@
Government of Mozambique	20.00	Enhancing Productivity of Rice-Wheat-Maize Cultivation in Mozambique	Upto 20 years	
Government of Tanzania	40.00	Export of tractors, pumps and equipments from India to Tanzania	Upto 20 years	@
Government of Angola	10.00	Financing export of tractors	Upto 6 years	26.04.2009

Government of Ghana	21.72	Improved fish harvesting & fish processing project and Waste management equipment and management support project	Upto 20 years	@
Government of D R Congo	25.00	Installation of hand pumps and submersible pumps	Upto 20 years	@
Government of Senegal	27.00	Irrigation project	Upto 20 years	@
Government of Cameroon	37.65	Maize Farm Plantation Projects and Rice Farm Plantation Projects	Upto 20 years	@
Government of Eritrea	20.00	Multipurpose agricultural projects and educational projects	Upto 15 years	@
Government of Mauritania	21.80	Potable water project and agriculture development project.	Upto 20 years	@
Government of Sierra Leone	15.00	Procurement of tractors and connected implements, harvesters, rice threshers, rice mills, maize shellers and pesticide soarat equipment	Upto 20 years	@
Government of Madagascar	25.00	Project for rice productivity and project for fertilizer production	Upto 20 years	@
Government of Cote d'Ivoire	30.00	Rice production programme	Upto 20 years	@
Government of Mali	27.00	Rural electrification and setting up of agro machinery and tractor assembly plant in Mali.	Upto 20 years	@
Government of Senegal	25.00	Rural electrification project and Fishing Industry Development Project	Upto 20 years	@
Government of Ghana	27.00	Rural electrification, agriculture, communication and transportation projects.	Upto 20 years	@
Government of Chad	50.00	Setting up of cotton yarn plant, Steel billet plant and rolling mill, plant for assembly of agricultural equipment and bicycle plant	Upto 20 years	@
Government of Ethiopia	213.31	Sugar industry rehabilitation in Ethiopia	Upto 20 years	

Government of Ethiopia	91.00	Sugar Projects	Upto 20 years	
Government of Malawi	30.00	Supply of irrigation, storage, tobacco threshing plant and one village- one project in Malawi	Upto 20 years	@
Government of Angola	13.00	Supply of tractors	Upto 5 years	20.12.2010
Government of Gambia	6.70	Tractor assembly plant project	Upto 20 years	@
Government of Mozambique	20.00	Transfer of water drilling technology and equipment	Upto 20 years	@

@ Max 4 Yrs. from completion date of contract for project exports and 6 Yrs. from date of Agreement for supply contracts