

▶ Chapter 5

Relations Between India and Europe, Russia, the Middle East, and Africa —From Traditional Friendly Countries to the Frontiers

Go Yamada

Principal Economist, Japan Center for Economic Research

1. A 400-Year Relationship—India and the EU

1.1 The History of India-EU relations

The economic policies of India, which won its independence after resistance against Great Britain, suppression, and bloodshed, did greatly swing towards “domestic production” as a reaction to colonial rule. However, relations with European countries remained relatively amicable. It is thought that there are not many Indians who are bitter about the UK, the former colonial ruler, or the European countries. Behind this is the fact that the EU currently is India’s largest import partner region, with a total value of trade exceeding \$90 billion in fiscal year 2010 (figure 5.1). The EU is also the largest source of direct investment in India. India and the EU started Free Trade Agreement (FTA) negotiations in June 2007. It is expected that a conclusion will be reached in 2012. As a result, it is expected that relations with the traditional partner of Europe will further strengthen and expand.

1.2 European corporations integrate into India

European corporations, including from the UK, expanded business in India while implementing a high level of localization. For example, business in India by Unilever, the Anglo-Dutch manufacturer of daily necessities, goes back to when Sunlight brand soap was sold in 1888. Unilever’s predecessor Lever Brothers opened its first office in India in 1933, and the Indian local affiliate Hindustan Lever (currently Hindustan Unilever) was founded in 1956 and still exists today. This company has many brands known in Japan such as Lux (soap), Knorr, Lipton (food products), Domesto, and Jif (household products), and is in close contact with the lifestyles of Indian people. Swiss company Nestle also similarly started business in India in 1912, opening a factory in the state of Punjab in the northwest in 1961. German electronics manufacturer Siemens also started

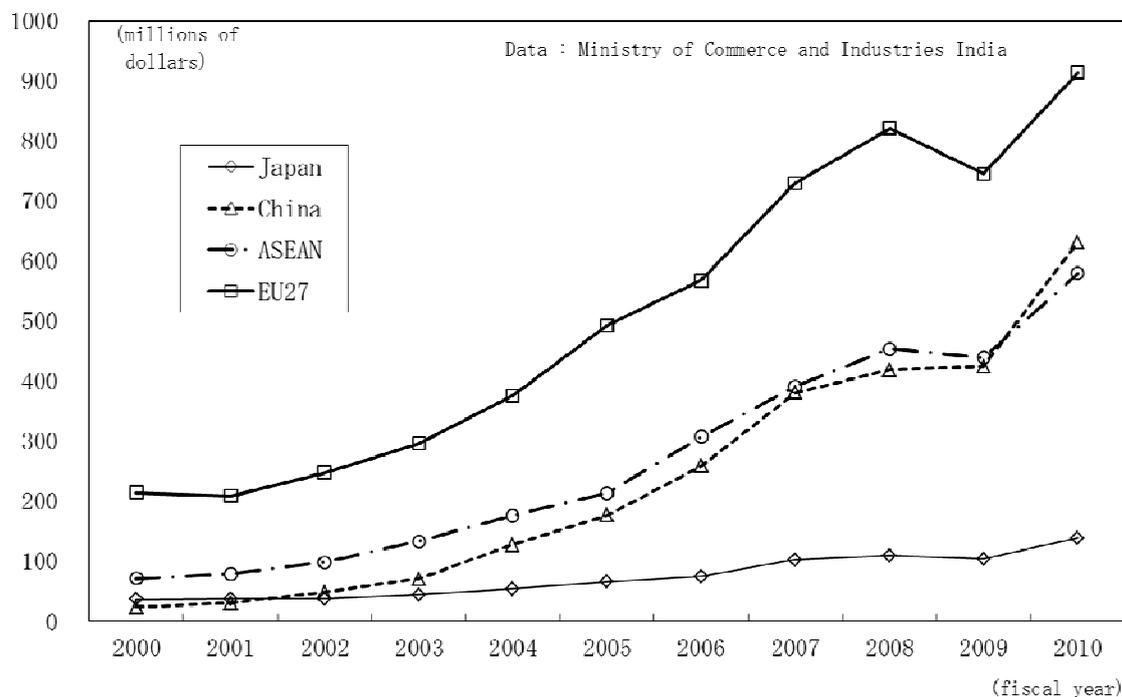
business in India in 1867 in order to lay telegraph lines from London to Calcutta (modern-day Kolkata), and established an Indian local affiliate in 1957.

Even more than the manufacturing industry, which is backed by long tradition, it is the financial sector such as banking and insurance where European corporations are exerting the greatest presence in India. Of the top 10 foreign banks that have expanded to India, six are European banks. According to the Reserve Bank of India (RBI), there were nine banks totaling 213 branches operating in India that are headquartered in the EU as of March 2010. Of course it goes without saying that management resources are being injected not only in individual retail services, but also asset management services for the wealthy population and investment banking services working with M&A and the like.

UK-based Standard Chartered Bank opened its first Indian branch in Calcutta in 1858. Since then, it has become the largest foreign bank in India, with over 90 branches in the country. In India, this bank along with HSBC, BNP Paribas, Société Générale, and the like engage in commercial bank services, in addition to offering credit cards, deposits for NRIs (non-resident Indians), private banking targeting wealthy clients, and the like. According to the Economic Times, a leading economic newspaper, 2010 pre-tax profits in India were up 23% year-over-year to reach \$1.119 billion, eclipsing Hong Kong to hold a market share of 18% and to stand as the largest base for global operations.

These European corporations have furthered the strengthening of networks of branches and offices and the expanding of productive capacity in preparation for severe competition not only from local Indian corporations, but also Japanese and Chinese firms. Nonetheless, considering that foreign direct investment (FDI) numbers do not show their scope, it can be inferred that profits earned in India are being reinvested without relying on additional investment from the home country. On this point, it might be said that localization in the activities of European corporations is already proceeding to an extent resulting in not being reflected in FDI statistics

Figure 5.1: India's Trade with Major Countries/Regions



1.3 “Consistent” India–EU Trade

The value of exports from India to the 27 countries of the EU in fiscal year 2010 rose 29.9% year-over-year to \$46.82 billion. By contrast, imports from the EU to India amounted to \$44.54 billion (a 15.9% increase). The balance of exports/imports seen here has been largely maintained over the past ten years. In trade with various countries/regions, there is an excess of imports across the board, and so there was a \$120 billion trade deficit in the same year. By contrast, the EU is an extremely balanced trade partner to India. A reason cited for this by the Institute for International Trade and Investment is that the fields of relatively advantageous industries between India and the EU differ from each other and there is almost no overlap.

The total India–EU trade in goods during fiscal year 2010 of \$91.36 billion was about a 4.3-fold expansion compared to fiscal year 2000 (according to data of the Indian Ministry of Commerce and Industries). Total trade, including services, in euros rose 3.3-fold from €25.6 billion in the year 2000 to €85.8 billion in 2010. It is apparent from the actual breakdown of traded items that each other's relative advantages are fully taken advantage of. Looking at trade with India by country in Europe, EU non-member Switzerland is number one (number five in the world), from which nearly all of India's imports (FY 2010) of about \$24.8 billion were rough gemstones such as diamonds. India has a deficit with EU's largest industrial country, Germany, due to mounting imports of nuclear power-related equipment, automobiles, and electric equipment. Still, due to the contribution of exports such as petroleum products, textiles, automobiles, and the like, India has a surplus with many of the other countries, and the value of trade in 2010 rose by double digits year-over-year nearly

across the board. In particular, exports from India increased by 30-60% to countries including Belgium, Italy, France, and Poland.

1.4 Conflicting interests in the India–EU EPA negotiations

To India, the EU makes up 18.6% of exports and 12.0% of imports (fiscal year 2010), but India's share of EU exports and imports are both only around 2-3%. That is why there are hopes for the early conclusion of an India–EU EPA, for which negotiations are currently at a crucial time. Still, as of February 2012, India is maintaining its uncompromising stance regarding items that the EU would like to export and for which high tariffs would remain, such as grains including wheat and barley, fruit including lemons, apples, and pears, alcoholic beverages including wine and spirits, eggs, automobile parts, and chemical products. Furthermore, the EU side is pointing out that there are various non-tariff barriers in India, and the schedule aiming initially for a resolution by the end of 2011 was greatly delayed. Nevertheless, the Indian government is relatively optimistic about the situation, and is displaying confidence in a settlement soon.

1.5 Investment

As discussed in section 1.2, European corporations have continued business in India since far before India achieved high economic growth. Reflecting their track record, the major European countries including the UK, the Netherlands, Germany, and France hold the top positions in terms of direct investment in India. In terms of automobile and automobile part manufacturers, Volkswagen has greatly expanded production in recent years, and German automobile parts heavyweight Bosch is also exhibiting a large presence, such as by supplying parts to Tata Motors' ultra-low-cost car, the Nano. In September 2011, French-based PSA Peugeot Citroen decided to build a factory in the state of Gujarat in the west, and will be the 13th foreign passenger vehicle manufacturer to expand to India. As a recent new development, French nuclear company Areva and India's Nuclear Power Corporation of India, Ltd. (NPCIL) agreed to cooperation on building a nuclear power plant in Jaitapur in the state of Maharashtra in the western portion of the country. Then, as a result of the nuclear accident at Fukushima Daiichi in Japan in March 2011, there have been fierce opposition protests in the area. Nevertheless, the field of nuclear energy has the possibility of being a model case for Indian–European cooperation in the mid- to long-term.

2. India–Russia relations—Old and new friends

2.1 Rapidly rising trade

India, which had worsening relations with the US during the Cold War, rapidly drew towards the USSR, such as by signing the Indo–Soviet Treaty of Friendship and Cooperation in 1971. The

vestiges of this are the large numbers of Soviet- and Russian-made military aircraft and tanks that still remain in the army, navy, and air force (including those produced under license, and the like). Russia's Atomstroyexport, like French Areva, is in the midst of cooperating in the building of Kudankulam Nuclear Power Plant Units 1 and 2, which are under construction in Tamil Nadu. There is also an agreement towards cooperation on Units 3-8, which will be built in the future.

India–Russia trade during fiscal year 2010 was \$1.579 billion in Indian exports and \$3.6 billion in imports, which are respectively a 1.8-fold and 7.0-fold increase over 10 years ago. However, Indo–Soviet trade just before the collapse of the USSR in 1990s exceeded \$4 billion, and so trade has been sluggish since then for a long period. In recent years, the quantitative level of trade has finally begun to chase after where it was during the Soviet era.

In fiscal year 2010, exports from India to Russia showed a marked change, jumping 1.6-fold year-over-year. However, this was immediately after the goal of expanding bilateral trade to \$20 billion by 2015 was declared within India–Russian summit diplomacy¹, and so this is seen as the result of promoting Indian exports to Russia instead of the West, which was facing economic stagnation as a result of the global downturn. Within the breakdown of exports to Russia in fiscal year 2010, black tea (partially including coffee), which can be considered an Indian specialty product, rose 12.3% year-over-year, pharmaceuticals rose 56%, and electrical equipment jumped 2.4-fold. Meanwhile, imports from Russia that same fiscal year involved a 2.5-fold year-over-year rise in fertilizer, which is nearly 20% of overall imports, as well as a 2.6-fold increase in rough gemstones such as diamonds as part of a diversification of sources. Petroleum, steel, machinery, and the like also have a large share.

Trade between India and Russia has thus shown notable growth, but Russia's share of India's imports is a little over 1%, while Russia's share of exports remains at around 0.5%. It can be said that there is plenty of room for future expansion in bilateral trade.

2.2 A gradual expansion in mutual forays and joint ventures

Cumulative direct investment in India from Russia from fiscal year 2000 to 2005 broke past \$100 million. Approximately a further \$350 million was added to this through the end of 2010, finally starting to show increased momentum in the second half of the 2000s. Russian corporations, just like Chinese firms, are attempting to actively participate in the construction of roads, pipelines, metro transit, and the like in India. Also, with India's largest private bank, ICICI Bank, establishing a subsidiary in Russia, and the like, forays by both countries into the other are becoming a more noticeable movement.

¹ In December 2009, Prime Minister Manmohan Singh visited Russia and met with President Medvedev, and made this announcement.

Among Indian corporations that are investing in Russia's oil sector, the participation by India's Oil and Natural Gas Corporation (ONGC) in the Sakhalin-1 oil and gas development project in Russia's far east (with a contribution rate of 20%) is notable. Also, the same ONGC acquired England's Imperial Energy, which had the rights to an oil field in Tomsk in Siberia, in 2008 (the acquisition was approved by Russian government in March 2009), and thus was able to acquire oil rights in Russia's interior, a coveted aspiration. After that as well, India's government indicated strong interest in mining areas such as the Arctic Sea and East Siberia, and there is the possibility that future political negotiations could lead to India acquiring new rights to oil and gas.

3. Relations between India and the Middle East—more than just migrant workers and oil

3.1 Relations since the British Empire

India and the Middle East have had a deep connection since the British Empire even more than the geographical relationship, especially with the Arab Gulf oil-producing countries including Saudi Arabia, the United Arab Emirates (UAE), and Kuwait. Of course, each of these countries has been accepting large numbers of workers from South Asia, particularly from India, due to the abundance of oil, but the Indians are not just simple laborers; there are many who have settled down in their local areas as experts such as doctors, nurses, and oil company accountants, as well as high-ranking businesspeople working in Arab conglomerates. In this article, the relationship between India and the Middle East is discussed centered on the Arab Gulf states, which have the deepest relationship with India. According to the Ministry of Overseas Indian Affairs of the Indian government, there are 5.5 million overseas Indians (including those who have acquired a new citizenship) living in the six countries of the Gulf Cooperation Council (GCC, with a membership of Saudi Arabia, Kuwait, the UAE, Oman, Qatar, and Bahrain). Their remittances to India in fiscal year 2010 nearly reached about \$20 billion, and together with trade in services, form most of the “invisible trade” that compensates for India's tremendous deficit in trade in goods. As a recent characteristic, Indian firms in automobiles, construction, consumer goods, services, and the like are rushing to expand to the Gulf states, and are increasing their business. For example, construction and engineering giant Larsen and Toubro (L&T) has been engaging in infrastructure work such as road building for a long time in Oman and Qatar. Also, the top beauty salon chain VLCC, which has about 160 salons in India, is already in the middle of deploying 20 stores in nine countries such as Dubai in the UAE, Bahrain, and Kuwait. Up to now, India had been often seen as the base of a supply of migrant laborers. However, with its economic growth, it has become an equal economic partner to the Arab Gulf states in both name and results, and multidimensional relationships are being formed.

3.2 Trade supported by oil and precious stones

In fiscal year 2010, the UAE, which has Dubai as a commercial and trade hub representing the Middle Eastern region, just squeaked by China to be India's largest trade partner. However, in contrast to India's trade with China, which is running a significant excess of imports, the trade structure with the UAE is balanced with imports and exports. According to estimates from UK-based HSBC, India-UAE trade is predicted to rise from around \$67 billion currently to \$103.6 billion by 2015. Additionally, Qatar's largest bank, Doha Bank, predicts that total trade between India and the GCC as a whole will exceed \$130 billion by 2014. India relies on imports for over 70% of its domestic oil consumption, and nearly 80% of this is supplied by the Middle Eastern region such as the Arab Gulf states.

Listed in order of trade with India, the Middle Eastern countries line up with the powerful oil-producing states of the UAE, Saudi Arabia, Iran, and Kuwait at the top (table 5.1). The fraction of imports from the Middle East (including North Africa) that is oil and petroleum products is as high as 85-99%, which is an enormous excess of imports for India across the board. However, in the case of the top trade partner, the UAE, the imports totaling over \$30 billion centered on oil, petroleum products, and gold bullion are cancelled by exports of precious stones such as polished diamonds, and so trade is nearly balanced.

Table 5.1: Trade between the Middle East and India (FY 2010)

(in millions of dollars)

World Rank	Country	Exports	Imports	Total of Exports and Imports	Balance of Trade	Trade Share (%)
1	United Arab Emirates	34,349.10	32,753.16	67,102.26	1,595.93	10.8
4	Saudi Arabia	5,227.19	20,385.28	25,612.46	-15,158.09	4.1
13	Iran	2,742.46	10,928.21	13,670.67	-8,185.75	2.2
17	Kuwait	1,959.48	10,313.64	12,273.13	-8,354.16	2.0
20	Iraq	738.65	9,008.30	9,746.95	-8,269.65	1.6
25	Qatar	381.77	6,819.87	7,201.64	-6,438.10	1.2
31	Israel	3,029.75	2,253.51	5,283.25	776.24	0.9
33	Oman	1,151.70	4,002.07	5,153.77	-2,850.37	0.8
38	Egypt	2,257.92	1,354.56	3,612.47	903.36	0.6
39	Turkey	2,757.75	821.06	3,578.80	1,936.69	0.6
41	Algeria	1,066.89	1,816.19	2,883.08	-749.3	0.5
45	Yemen	514.37	1,743.90	2,258.27	-1,229.53	0.4
54	Bahrain	912.18	641.25	1,553.43	270.93	0.3
59	Jordan	484.07	818.93	1,303.00	-334.86	0.2
60	Morocco	339.38	839.64	1,179.02	-500.26	0.2
63	Sudan	502.37	613.78	1,116.15	-111.41	0.2
64	Libya	136.11	969.09	1,105.20	-832.98	0.2
	Global Total	251,135.88	369,769.12	620,901.95	-118,633.24	

Data: Ministry of Commerce and Industries India

But looking at oil and petroleum products, the value of India's imports from the Middle East from 2001 to 2010 went from \$0.56 billion to \$71.1 billion, an actual 126-fold increase (the Middle East has a 67.4% share of imports). Still, exports from India grew about 10-fold during this period, and

exhibited a relatively uniform increase in textiles, automobiles, and precious stones. In this way, imports and exports centered around oil and petroleum products are still dominant in the trade relationship between India and the Middle East, but exports from India are also steadily expanding both in value and in quantity.

In the FTA between India and the GCC, towards which negotiations have currently started, India has high hopes for increasing exports of generic and other drugs, one of its specialty fields. The Arab Gulf states are also strongly encouraging active participation and contributions by Indian firms in the privatization of state-run enterprises, which is currently underway. Thus, there are large benefits to both sides.

3.3 Investment relations

India and the Middle Eastern countries are very important partners in terms of trade, but it cannot be said that the potential on both sides is yet being sufficiently exerted in investment, joint ventures, and the like. The UAE had almost no history of foreign direct investment (FDI) in India, but it has been increasing quickly since 2005. In 2009, it reached \$629 million, ranking 9th for that year. Still, the cumulative value from the year 2000 does not yet reach \$2 billion.

It is extremely common for investment in India to go through companies set up in tax havens like Mauritius and Cyprus, and so it is difficult to distinguish the real investing entity from the statistics, from the Middle East or otherwise. Still, according to the Doha Bank, cumulative investment from the GCC member countries to India exceeded \$125 billion in October 2011, of which \$112 billion was in the infrastructure sector, the remainder being in agriculture and food processing, real estate, oil and gas, and so forth. The Doha Bank also expressed a sense of expectation, citing IT, education, medical care, telecommunications, tourism and hospitality, and the like as promising fields for Indian investment in the GCC countries.²

4. India–Africa relations—India’s new frontier

To India, which has been promoting a foreign policy that emphasizes the economy and developing an omnidirectional diplomacy that has no historical precedent, Africa is the target of a new orientation in Indian diplomatic strategy. Trade between India and sub-Saharan Africa reached about \$45 billion in fiscal year 2010. The governments on both sides are holding up the objective of bringing this to the \$70 billion level by 2015.

Africa is attracting this much attention because, to the West as well as to the emerging countries such as India and China, it is the last frontier having abundant reserves of oil, precious metals, and even rare metals, and at the same time it is an enormous untapped market that has finally entered a

² PTI News wire from Dubai, November 10, 2011.

growth stage. In the 2000s, India successively forayed into Sudan, Libya, and Nigeria in search of oil resources. India put great effort into competing with China to acquire oil field rights, but China kept prevailing. In Angola, ONGC was on the verge of a successful bid, but a state-run oil company intervened. India had to drink from the bitter cup of the rights being handed to China at the eleventh hour. This could be called the fruit of China's active diplomacy, which includes large ODA grants. However, India has the non-resident Indian (NRI) community scattered across Africa from the British Empire, and there are those who believe that India has the advantage in terms of soft power. Prime Minister Singh attended the Second India–Africa Forum Summit held in Ethiopia in May 2011. Detailed and broad economic cooperation was promised to the African countries, such as a \$6 billion aid package containing a \$5 billion extension of credit, support for the development of the textiles industry, and educational/occupational training. Although there is no comparison with China, which promotes resource diplomacy towards Africa as a state project, India is building a foundation in Africa using its unique strategy.

4.1 Trade relations

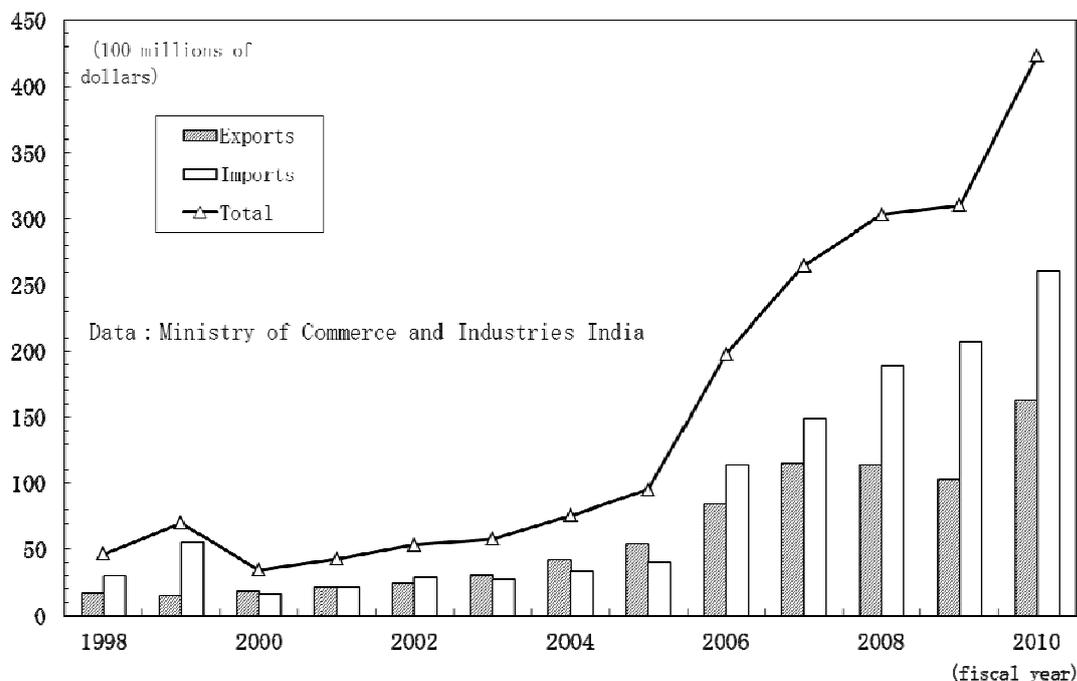
The value of trade between India and Africa (all 48 sub-Saharan countries) will be examined next. Indian–African trade in 2010 amounted to \$42.3 billion. This was more than a ten-fold expansion from 10 years prior. However, Nigeria has the largest share of trade with Africa at 25.5%, followed by South Africa at 21.9%, so these two countries together are nearly half of the total, and 90% is concentrated in the top 15 countries in a kind of oligopoly. A reason that can be cited for this is that trade items are greatly biased towards energy and mineral resources. Since the mid-2000s, oil exports from Africa to India have risen quickly. In particular, the value increased 32-fold in 2006 compared to the previous year, shooting up to \$7.69 billion. Of this, \$6.93 billion was imports from Nigeria. ONGC acquired the rights to an oil field in Nigeria the following year in 2007, which can be inferred to be related to the rise in imports.

Exports from India to Africa are also strong. In fiscal year 2010, petroleum products rose 72% year-over-year to about \$4.47 billion (a 27.4% share of overall exports to Africa), pharmaceuticals rose 33% to \$1.58 billion (a 9.7% share), and automobiles, which have started to make large gains in recent years, doubled to \$1.49 billion (a 9.2% share). In each of these cases, the value of products in one of India's specialty fields increased greatly.

In the case of Nigeria, the number one African trade partner in fiscal year 2010 for India (a 30.8% share; the global share is 2.1%), \$10.66 billion of imports that year to India, or 99% of the total imports of \$10.78 billion, were for a volume of oil that even managed to surpass that from the UAE. The trade structure with the third largest African trade partner, Angola, was exactly the same. However, in the case of the number two country, South Africa, roughly 30% or \$4.42 billion of Indian imports were in the category of “precious stones (rough stones) and precious metals,”

resulting in a large excess in imports. Still, South Africa is a relatively balanced trade partner as exports of petroleum products, automobiles, and pharmaceuticals grew by a large amount reducing the deficit.

Figure 5.2: Trade between India and Africa



The ranking continues with Kenya, Tanzania, Ghana, and Mauritius, but exports of petroleum products and textiles to these “non-resource countries” contributed to a large trade surplus for India with respect to each of them. In trade with Africa, a marked difference can be seen in the trade structures with countries that have resources and those that do not. To India, trade with Africa overall is in a deep deficit. Although it is difficult to imagine significantly decreasing its cause, oil imports, for the foreseeable future, many Indian firms are accelerating their expansion to Africa. Thus, in the future, a gradual improvement in the India–Africa trade balance is conceivable through an increase in export and sale of Indian products.

4.2 Indian corporations landing one after another—Investment relations

As mentioned earlier, many Indians left behind their footprints in the southern portion of Africa, where the power of the British Empire had extended, and a subset of them elected to settle in Africa. Due to this historical background, even now there are at least 2.8 million NRIs and people of Indian descent living in Africa. This is said to be a great advantage for the business expansion of Indian businesses. Amidst these circumstances, there has been a succession of new large-scale investment projects by Indian corporations in Africa in recent years.

A representative case is that of India's largest cellular service provider, Bharti Airtel. This company acquired the African business of Kuwaiti company Zain in March 2010 for the enormous sum of about \$10.7 billion, and started business in 16 sub-Saharan countries. The number of contracts was more than 60 million in June 2011. Bharti Airtel further unveiled a followup investment plan to the tune of \$1 billion. Also, major consumer goods conglomerate Godrej Consumer Products (GCPL) successively acquired four companies from 2006 to 2011, including Nigerian personal care product manufacturer Tura, and South African hair care giant Darling Group. Thus, business in Africa is swiftly expanding. Another daily commodity heavyweight Dabur revealed a plan in May 2011 to build factories in South Africa and Kenya. Also, core drug manufacturer Twilight Litaka Pharma decided on a 26% capital contribution in South African Interpro Healthcare.

Of course, the abundant and undeveloped energy resources are also drawing interest. ONGC has been producing or exploring oil and gas in Sudan, Nigeria, and Liberia since the year 2000. In 2009, private-sector oil company Essar Group acquired 50% of the oil refinery rights in Kenya. In November 2010, another private-sector oil company JSW Energy acquired Canada-based CIC Energy, which owns coal mines in Botswana. Through these cases, a foothold is steadily being consolidated in Africa.

There is no doubt that the community of NRIs remaining since the British Empire, the level of English usage, and the similarity in legal structure are advantages for India in opening Africa. Furthermore, it must not be overlooked that "Indian-style" business can be applied in Africa, such as the credit management and payment collection knowhow exemplified by low-cost marketing and pre-paid-card-type cellular phones, which applies to cellular service provider Bharti Airtel.

The 48 sub-Saharan countries have a population exceeding 850 million people, and this has moreover been growing at an annual average rate of 5.6% from 2001-2008. According to estimates by Ernst & Young, intra-regional GDP (of the entire continent including North Africa) will expand from \$1.6 trillion in 2008 to \$2.6 trillion in 2020, during which time consumer spending will rise from \$860 billion to \$1.4 trillion. Africa is no longer a "dark continent."

4.3 The resource acquisition race with China

As discussed at the beginning of section 4, in India, private-sector corporations are at the center of investment in Africa, excepting the energy sector, while in China, enormous state-run enterprises are the backbone, such as oil companies that have tremendous funds that they can decide to use quickly. In fact, China-Africa trade in 2009 exceeded \$100 billion, and both sides have the goal of achieving \$300 billion by 2015. China's investment in Africa increased from about \$20 million in 1998 all the way to \$10.6 billion in 2008. Here as well, the Chinese government has indicated the intention to increase this to \$50 billion by 2015. In recent years Indian corporations are setting out to exploit

not only enormous oil resources, but also the rights to iron ore and coal mines at a global scale. A case was mentioned earlier of JSW Energy acquiring a company owning mines in Botswana, but aside from this, it seems that similar M&As related to resources will come in succession, such as the plans by the state-operated Kudremukh Iron Ore Company Limited (KIOCL) to acquire iron ore mines in Mozambique.

Large sums of aid are another characteristic of China's African diplomatic strategy. According to the US Congressional Research Service, tangible and intangible aid to Africa from China, such as resource development and infrastructure projects, and even including profit sharing with each country, reached \$25 billion in 2007. It is another characteristic of China's business in developing countries that it is not clear what is aid and what is business (investment), and this is sharply demonstrated in Africa. It is said that India's strengths are both in detailed strategy, such as in the consumer goods market and the area of IT, and in so-called "soft power," including the network of Indians and people of Indian descent who are scattered in every region. India will likely promote economic diplomacy toward Africa using an approach different from that of China.

Of course, the race between India and China on the stage of Africa does not have such a simple pattern. Chinese firms, which had been causing friction with the inhabitants and local employees wherever they went, have gradually learned, and have come to engage in localization and to give consideration and understanding to the local culture and customs. It is also quite conceivable that the African countries are letting India and China compete to maximize the national benefit from their own resources.

Up until now, in regards to the overseas expansion of Indian corporations, just as in the policy for attracting foreign capital, the Indian government, to put it well, has been indifferent to domestic or abroad, and to put it badly, has continued to have no measures in a *laissez faire* manner. Finally, the Indian government has started to investigate support plans that are concrete and effective. At the end of May after the India-Africa Forum Summit, the Indian government directed the Ministry of Commerce & Industry Department of Industrial Policy and Promotion and the Department of Public Enterprises to create a system for supporting the overseas expansion of corporations. Of course, keeping in mind competition with China in promising overseas markets such as Africa, this was welcomed as a clear announcement of a policy of the government supporting corporate activities.

5. Conclusion

The US is the most important strategic partner to India, and the country requiring the most caution is China. It is also likely that there will not be any large changes for the foreseeable future in the policy that places importance on the ASEAN countries as a market and as a trade partner. However,

the economic relationship with the traditional friends of Europe, Russia, the Middle East, as well as the new market of Africa, will likely become more diverse, more developed, and thus much more important to India. In this light, it is likely that Japan should take advantage of bilateral agreements such as FTAs, and investigate the possibility of building a new production and sales network that initiates and expands business in Europe and Africa in a manner that ties in with Indian firms. This is the very thing that could be the important next step to draw in India's growth to Japan.

References

- Centre for the Analysis of Regional Integration at Sussex (CARIS). 2007. Qualitative Analysis of Potential Free Trade Agreement between the European Union and India. Annex 4: EU-India FTA - Implementation Issues
http://trade.ec.europa.eu/doclib/docs/2007/july/tradoc_135349.pdf
- Chen Deming. 2010. China, India Invest in African Markets. Knowledge for Markets. Vol. 1 No.15
<http://www.ftkmc.com/newsletter/Vol1-15-june28-2010.pdf>
- Constantino Xavier. 2010. *India's strategic advantage over China in Africa*. IDSA Comment June 30, 2010. Institute for Defence Studies and Analyses.
http://www.idsa.in/idsacomments/IndiasstrategicadvantageoverChinainAfrica_cxavier_300610
- Kavaljit Singh. 2011. The EU-India Free Trade Agreement: The liberalization of trade and investment in banking services. *Global Research*, March 24,2011.
- Kushan Mitra and Rajiv Bhuvaa. 2011. This time for Africa. *Business Today*. 29 May 2011.
<http://businesstoday.intoday.in/story/corporate-india-explores-opportunities-in-africa/1/15440.html>
- Mikhail Rapota. 2011. Trade and Investment Cooperation between Russia and India. In website of embassy of the Russian federation in the republic of India.
http://www.rusembassy.in/index.php?option=com_content&view=article&id=3920&Itemid=108&lang=en
- Pal, Parthapratim. 2009. Surge in Indian Outbound FDI to Africa: An Emerging Pattern in Globalization?. Working Paper, Indian Institute of Management. Calcutta, India.