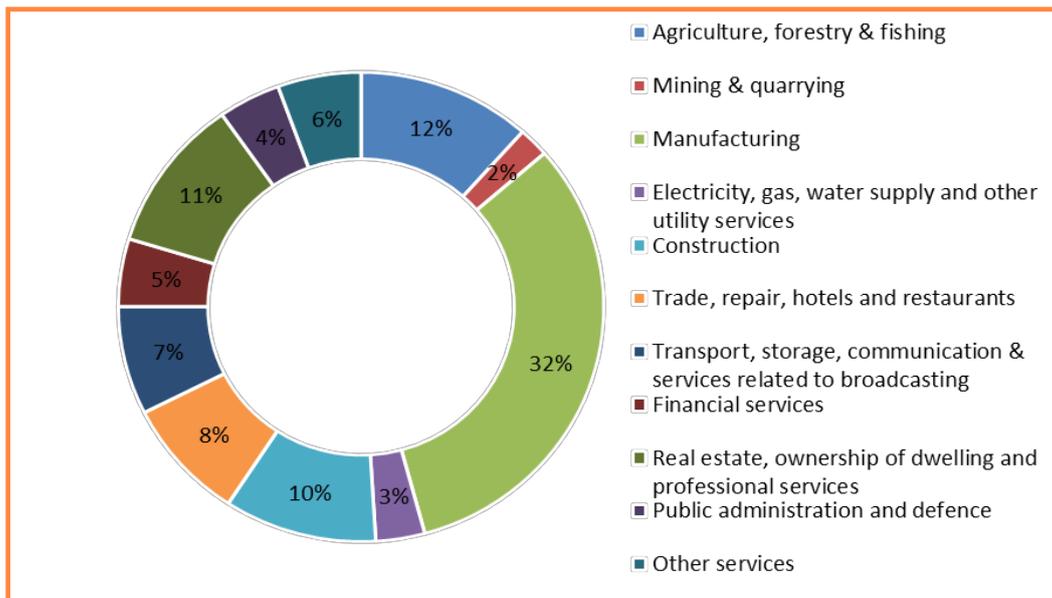




Accessing the Indian Market

India is the sixth largest economy in the world with a gross domestic product (GDP) of US\$2.602 trillion (2017 current prices); the third largest economy based on its purchasing-power-parity (PPP) share of world total (7.431%); and is the largest democracy with 1.316 billion people. It is also the 12th largest importer and 17th largest exporter in value, presenting significant trade opportunities for South African firms. India has an important agricultural sector employing over half of the population, a diversified industrial base and large services market.

Figure 1: Gross output by economic activity, current prices, 2016/17, share of total gross output (%)



Source: Ministry of Statistics & Programme Implementation, National Accounts Statistics, 2018

India is an important destination for South African exports and is its fifth largest market for goods. Both countries are members of the BRICS grouping and efforts are underway to negotiate a preferential trade agreement between the Southern African Customs Union (SACU) and India to encourage greater levels of trade.

There is a growing investment relationship between South Africa and India. More than 150 Indian companies are now present in South Africa across a wide range of sectors. South African firms with a presence in India include Sanlam, Life Healthcare, Momentum, Airport Company of South Africa, First Rand bank, Old Mutual, and NASPERS, among others. India attracted US\$39.9 billion in foreign direct investment (FDI) net inflows in 2017, according to the IMF/World Bank. The largest investment partners according to UNCTAD included Mauritius and Singapore; however, these countries have preferential tax treaties with India, thus many foreign investors set up an entity in these tax jurisdictions to make investments into India, warping the totals.

Key indicators – India and South Africa

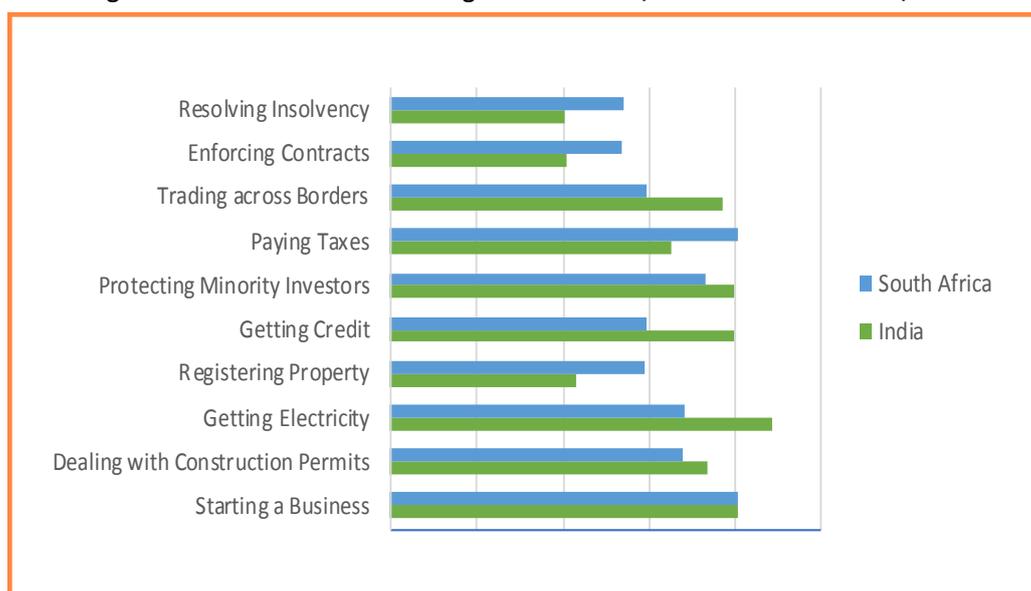
	India	South Africa
GDP	US\$ 2.602 trillion	US\$ 349.299 billion
GDP per Capita	US\$ 1 976.09	US\$ 6 179.87
Population	1.316 billion	56.522 million
Land Area	3.287 million km ²	1.22 million km ²
Population Density	460 people per km ²	46.2 people per km ²
World Bank Doing Business Ranking	77th	82th
WEF Global Competitiveness Index Ranking	58th	67th
Transparency International corruption index Rank	81	71
Official Language	Hindi (Devanagari script) and English are the official languages of the Government of India	11 official languages of South Africa: Afrikaans, English, Ndebele, Northern Sotho, Sotho, SiSwati, Tsonga, Tswana, Venda, Xhosa and Zulu
Currency	Indian Rupee	South African Rand

India Business Climate

The World Economic Forum (WEF) estimates that by 2030 India will see a tremendous jump in consumer spending, driven by increased incomes, a billion diverse internet users and a very young population. The urban versus rural paradigm of the past may not hold as firm in the future. India's economy has some structural strengths that have enabled robust economic growth and allowed the economy to be relatively resilient to the vagaries of global economic patterns. These include a domestic consumption driven economy with nearly 60% of India's GDP coming from domestic private consumption; healthy savings (India's households have maintained savings as a share of their income at 22%); and a majority of the population of working age with a median age of 28 years.

Doing Business

Figure 2: World Bank Ease of Doing Business score, India and South Africa, 2019



Source: World Bank Doing Business Index, 2018

The latest World Bank Doing Business Index notes that India has reduced the time and cost to export and import through various initiatives, including implementing electronic sealing of containers, upgrading port infrastructure, and allowing electronic submission of supporting documents with digital signatures. India reduced import border compliance time in Mumbai by improving infrastructure at the Nhava Sheva Port. Export and import border compliance cost were also reduced in both Delhi and Mumbai by eliminating merchant overtime fees and through the increased use of electronic and mobile platforms.

Overall the business environment in India is not dissimilar to South Africa according to the World Bank index. There are a number of steps and costs involved in registering a new business. These can be complex and time-consuming but the Indian government is working to improve the situation. Information on the process can be found at <https://smallb.sidbi.in>. It is recommended that local assistance be sought for completing the registration process.

The Indian economy is large and complex. It is suggested that it not necessarily be approached as one market and South African businesses consider regional or sectoral approaches when possible. There are language and cultural differences in each region. Different areas in India have become associated with specific economic activities.

Leading State Number of projects	Sector
Assam 114 projects	Energy
Uttar Pradesh 54 Projects	IT and Telecom
Karnataka 28 Projects	Tourism
Odisha 27 Projects	Healthcare
Maharashtra 10 Projects	Chemicals
Maharashtra 12 Projects	Food Processing
Maharashtra 7 Projects	Metals and Construction Materials
Gujarat 6 Projects	Pharmaceuticals and Biotechnology
National Capital Territory of Delhi (NCT) Delhi	National Capital, seat of all three branches of the Government of India

Source: Invest India, 2019.

Trade

Information for traders on the tariffs applied by India on imports, as well as the regulations covering imports, is available at <http://www.cbic.gov.in>. India does have relatively high tariffs on some agricultural products, in particular. There are also requirements to register some products (e.g. pharmaceuticals, cosmetics, nutritional supplements, electronics and manufactured goods). Detailed information is available from the relevant agency, such as the Central Drugs Standard Control Organization and the Bureau of Indian Standards.

South Africa currently has a trade surplus with India (US\$ 224.3 million), recording US\$ 4.139 billion in goods exported in 2017 and importing US\$ 3 914 billion from India. The following tables (see page 4) provide information on the top traded products.

Current India Imports from South Africa

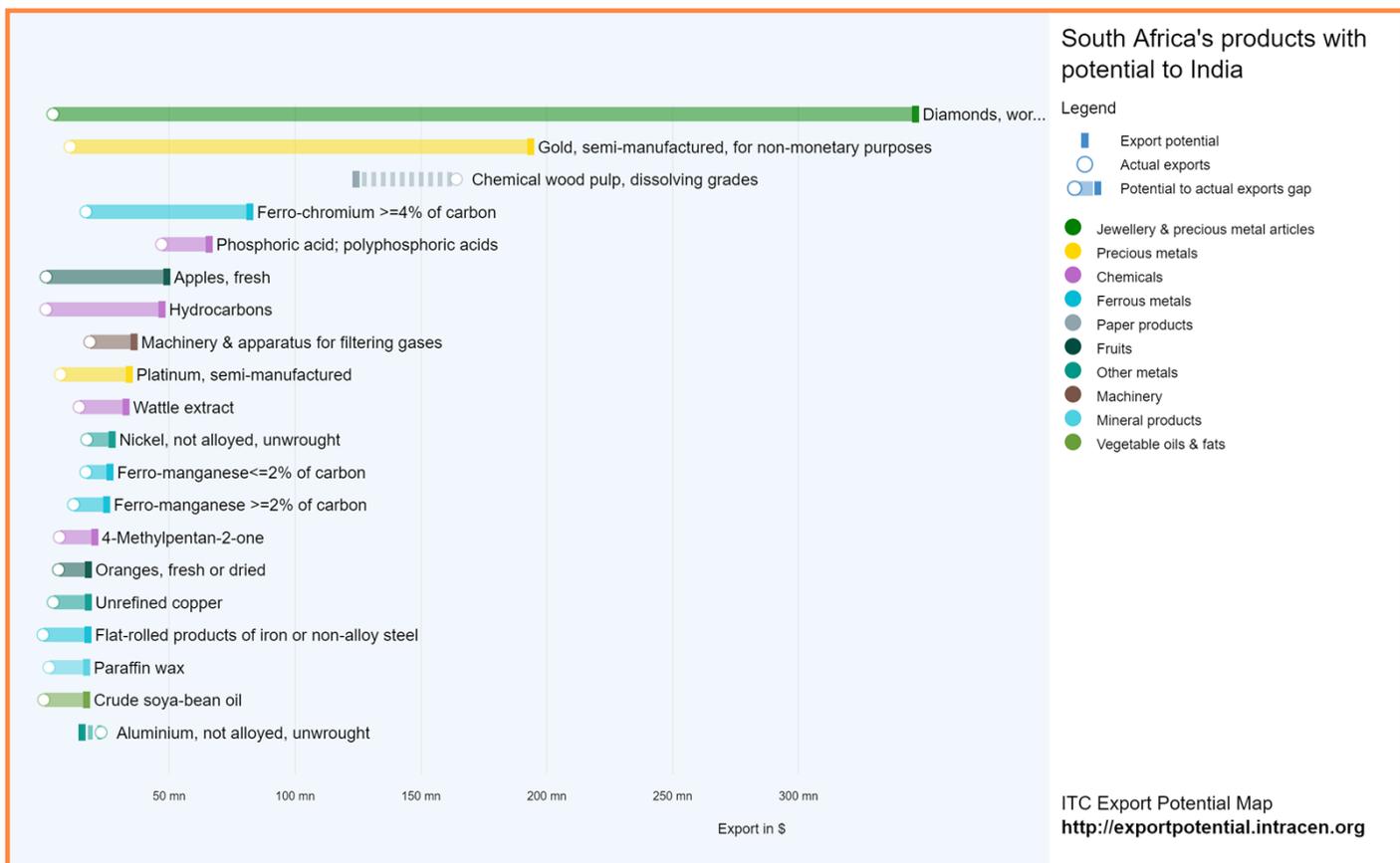
Table 1: Top 10 Indian imports from South Africa, 2017 (HS 8 digit level)

Product Label	National Tariff Code	US\$ thousands 2017	Share of global Indian Imports of the product percent
Coal	27011920	US\$ 2 465 832	27.1%
Gold	71081200	US\$ 1 862 755	5.2%
Non-industrial diamonds	71023100	US\$ 416 938	2.1%
Chemical wood pulp	47020000	US\$ 235 644	44.2%
Manganese ores and concentrates	26020040	US\$ 181 233	81.4%
Bituminous coal	27011200	US\$ 163 802	20.3%
Spark-ignition reciprocating piston engines	84073410	US\$ 111 463	32.7%
Non-agglomerated iron ores and concentrates	26011119	US\$ 88 146	100.0%
Waste and scrap of iron or steel	72044900	US\$ 70 383	5.6%
Phosphoric acid	28092010	US\$ 69 076	4.1%

Table 2: Top 10 South African imports from South Africa (HS 8 digit level)

Product Label	National Tariff Level	US\$ thousands 2017	Share of global South African Imports of the product percent
Light oils and preparations	27101230	US\$ 748 375	26.8%
Motor cars and other motor vehicles	87032290	US\$ 459 126	45.0%
Medicaments	30049090	US\$ 432 924	32.4%
Semi-milled or wholly milled rice	10063000	US\$ 119 172	26.4%
Light oils and preparations	27101202	US\$ 114 253	12.4%
Motor cars and other motor vehicles	87032190	US\$ 75 488	16.9%
Motor cars and other motor vehicles	87032390	US\$ 69 354	6.6%
Dumpers for off-highway use (trucks)	87041090	US\$ 66 959 000	20.2%
Diamonds (worked)	71023900	US\$ 45 367	37.4%
Motor cars and other motor vehicles	87033190	US\$ 40 593	53.3%

Source — Table 1 and Table 2: ICT, Trade Mp, 2018World Bank Doing Business Index, 2018



Based on information presented in the figure above from the International Trade Centre (ITC), South Africa still has the potential to increase its exports to India in all the products shown below, except chemical wood pulp and aluminium.

Investment

India's foreign investment environment has been on a steady path of liberalisation and reform for more than 20 years. There are no restrictions for FDI in most forms of manufacturing, infrastructure development, oil and gas, technology services, and other critical sectors.

The Modi government has steadily liberalised the sectors with remaining controls, making over 30 positive changes to the foreign investment environment in four years. For example, India has implemented reforms to simplify the tax system, given that taxes are levied by the central government as well as states.

The latest available bilateral FDI data (IMF Coordinated Direct Investment Survey 2018) shows that the Inward Direct Investment Position, from South Africa to India, peaked in 2014 at US\$ 160 million, while the Inward Direct Investment Position from India to South Africa peaked in 2010 at US\$ 427 million. The Inward Direct Investment Position from South Africa to India was at approximately US\$ 135 million in 2017. The Inward Direct Investment Position from India to South Africa has been increasing since 2015 and is currently (2017) standing at US\$ 351 million.

The World Economic Forum estimates that by 2030, India will see a tremendous jump in consumer spending driven by increased incomes, a billion diverse internet users and a young population.

The Indian Government has put in place a number of policies and programmes under which it is encouraging foreign investment in key sectors.

Opportunities in India

There are a number of broad reasons to consider investing in India, including:

- The large size of the market and the growing population of young, well-educated consumers.
- A relatively stable political environment.
- Growth in urbanisation.
- Increasing appetite for imported products.
- Strong economic growth.

FDI is allowed in some sectors without approval from the Government of India – “the automatic route”. Other sectors require approval from the relevant department – “the government route”. The details are set out in the Consolidated FDI Policy and Information is available at <https://www.investindia.gov.in/foreign-direct-investment>.

The Indian Government has put in place a number of policies and programmes under which it is encouraging foreign investment in key sectors. These include Make in India, Digital India and Smart Cities. It is estimated that India will need US\$ 4.5 trillion in the next 25 years for infrastructure development. This presents massive opportunities for a wide range of industries, including logistics, road, rail, financing and energy.

A number of incentive programmes are in place that are accessible to foreign investors in India. For example, there are Special Economic Zones across the country that offer incentives for manufacturing and exporting operations. Each state can also offer a range of incentives in categories such as stamp duty exemption for land acquisition, refunds or exemptions for value added tax, and exemption from payment of electricity duty.

South Africa has a Double Taxation Agreement in place with India – available at <http://www.sars.gov.za/AllDocs/LegalDoclib/Agreements/LAPD-IntA-DTA-2012-43%20-%20DTA%20India%20GG%2018545.pdf>.

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Online visas for India are available at <https://indianvisaonline.gov.in/visa/index.html>.

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