INDIA’S TRADE AND INVESTMENT ENGAGEMENT WITH ZIMBABWE: PROSPECTS FOR GROWTH AND PARTNERSHIP IN A GLOBALISED INTERNATIONAL SYSTEM

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ABSTRACT

India – Africa trade relations date back to the pre-colonial period during the mid first century when ancient India began to trade with the Kingdom of Aksum. Relations with Africa were solidified during the cold war period with India being instrumental, to the formation of the Non-Aligned Movement (NAM). In the post-cold war period, India – Africa relations have been governed by a mutual interest in trade and investment echoed in the rhetoric of South – South co-operation. India has amid intense competition from the BRICS, particularly, China, and the West, registered its presence in mineral and oil rich Africa. In 2002-2003, India launched The Focus Africa Programme to enhance its trade with Africa with more than 25 African countries, including Zimbabwe. Trade relations between India and Zimbabwe commenced in the 14th Century during the Munhumutapa Kingdom when Indian merchants established links with the country, trading in textiles and minerals. In the 21st century, Zimbabwe and India have continued to trade in minerals, textiles and pharmaceuticals. This paper, therefore, seeks to analyse the nature and extent of India – Zimbabwe trade relations. It assumes that the prospects for growth and partnership are high albeit on an asymmetrical basis. A qualitative research methodology informed the basis of this research. Documentary review, key informant and in-depth interviews were instrumental in data collection and synthesis. This paper concludes that the presence of minerals and a vast market for Indian products in Southern Africa will ensure that the partnership between Zimbabwe and India is substantiated by growth.

Key Words: Trade, Investment, Partnership, Growth and South – South Co-operation.

1.0 INTRODUCTION

Asia – Africa relations are growing at an unprecedented pace in international relations. China and India, countries that once occupied a semi-peripheral status in the global economy, now compete for the world’s resource rich markets with the metropolis or capitalist core. The Global Financial Crisis has spurned economic turmoil in Europe and America, paving the way for the Asian Giants to emerge as the leaders in economic progress, sealing the culmination of the 21st Century. China and India are the leading Asian states with the fastest growing economies in the world, at a rate of 9% to 5% per annum. As their economies expand, these nations have begun to seek closer partnerships with Africa, which boasts of a plethora of natural resources vital for the growth of their ever industrialising nations. Unlike their Western industrialised counterparts that colonised and plundered Africa of her natural resources, the leading Eastern bloc is courted with charm as Africa embraces the axioms of south – south co-operation to rid her of the dependency syndrome that had intoxicated the continent. In the last twenty years, Zimbabwe has intensified the Look East policy adopted in 1992 but pronounced in policy pronouncements in 2003, focusing largely on China and India because of her "anticipation
that future trade, investments, joint ventures and tourists would come from the East rather than the West [3]. In light of this, the study sought to answer the following questions:

1. To what extent has the India – Zimbabwe trade and investment partnership intensified economic growth in both countries?
2. Are the bilateral trade relations between the two states reciprocal in relation to other global partnerships?
3. Is the notion of South – South Co-operation feasible in the current global economic epoch?
4. Which of the two countries, India or China, is a better trade and investment partner to Zimbabwe?

2.0 RESEARCH METHODOLOGY

The methodology that formed the basis of this paper was largely qualitative. Documentary reviews of media publications, journal articles, press statements, books and research reports sought to provide the background and statistical data for analysis and synthesis. Documentary reviews were triangulated with key informant interviews with members of the diplomatic corps at the Indian Embassy and officials from the Ministries of Foreign Affairs and Industry and Commerce respectively. The interviews gave an in-depth account of current India – Zimbabwe economic relations that formed the premise of the analysis, conclusions and recommendations of this study. Ethical considerations were taken into account as most respondents consented to participate in the study but on condition of anonymity. The author has therefore, not cited the respondents names in the paper.

3.0 BACKGROUND TO INDIA / AFRICA RELATIONS

3.1.1 India – Africa Relations and the Cold War Period

While India – Africa relations began in the mid – first century with Ethiopia, they intensified during the cold war period, amidst the formation of the Non – Aligned Movement (NAM). According to Beri [1] the first Prime Minister of India, Jawaharlal Nehru, President Josip Tito of Yugoslavia, President Gamel Nasser of Egypt and President Nkrumah of Ghana were the founding leaders of NAM. The NAM formed after the 1955 Bandung Afro-Asian Conference marked the establishment of India – Africa relations. Having gained independence in 1947 from British colonial rule under the leadership of Mahatma Gandhi and later Jawaharlal Nehru, India supported the objectives of the NAM which included assisting developing countries in their fight against imperialism, colonialism and the dependency syndrome. Most African countries, particularly, South Africa (SA) were inspired by Mahatma Gandhi’s non – violent philosophy or Satyagraha, hence, they employed civil disobedience strategies such as strikes, boycotts and hunger strikes to end apartheid and colonial rule. According to Pham [12] other African leaders enthused by Gandhi’s Satyagraha included Kwame Nkrumah of Ghana, Obafemi Awolowo of Nigeria, Julius Nyerere of Tanzania, and Kenneth Kaunda of Zambia who implemented non – violent strategies in their struggle for independence.

The ideological goals of non-alignment in the period of alignment either with the United States of America (USA) and the Union of Soviets Socialists Republic (USSR) which represented capitalism and socialism respectively, marked the genesis of India – Africa relations, hinged on the premise of preventing the escalation of tensions between the main superpowers and all out nuclear conflagration. With the achievement of independence of most African states and the culmination of the cold war in 1991, the goals of non-alignment, disarmament and decolonisation lost currency. Beri [1] notes that India – Africa relations increasingly became governed by economic interests. India, an emerging economic power, alongside China, Brazil, South Africa and Russia, amidst competition for resources in the richly endowed continent of Africa, has sought to engage Africa in the areas of trade and investment.

3.1.2 Post – Cold War India – Africa Relations

The post – cold war period resulted in a shift in global politics, presenting a unipolar system in which the USA became the only superpower. The USA became the dominant
power in international relations; hence its capitalist ideology gained pre-eminence against socialist – communist conceptions. The leadership of the USA and the United Kingdom (UK) in the Bretton Woods Institutions, the International Monetary Fund (IMF) [6] and World Bank (WB) during the Thatcher and Reagan administrations in the 1980s, resulted in the implementation of Structural Adjustment Programmes (SAPs) which brought most African economies to their knees. Liberalisation of markets introduced African nations to unfair trade practises, while de- regulation of the public sector and the cutting off of social safety nets left many jobless, poor and worse off than the pre – SAPS period. According to Gonclaves (1996:7) most African countries, among them, Zambia which fully implemented SAPs suffered huge economic losses as most small to medium scale industries shut down as they failed to compete with private foreign owned industries.

Jauch [8] adds that after 5 years of implementing SAPs, poverty escalated in Zimbabwe resulting in food riots and social unrest, while its debt to the IMF and WB increased dramatically. In a nutshell, SAPs were a complete failure, leaving Africa worse off, in a debt trap and a period in which African scholars such as Adebayo Adedeji (2002:6) denote as “the lost decade”. Indeed, most African economies including, Uganda, Ghana and Angola were grossly affected by the advent of the SAPs which spanned from the 1980s to the late 1990s. As the eastern bloc countries particularly India and China began to emerge as economic powers during the 1990s, the need for abundant raw materials from Africa to feed their growing industries increased, hence the rekindling of Asia – Africa relations which had gone cold. High interest rate SAPs have since been replaced by Indian soft loans which have lower interests’ rates. Hence Africa is set to benefit from India – Africa Post – Cold war relations.

4.0 LITERATURE REVIEW AND THEORETICAL/ CONCEPTUAL FRAMEWORK

4.1. Trade

According to the International Monetary Fund [6] international trade is the exchange of imports and exports between different countries to enhance economic development. India – Africa relations are based on trade of semi – processed and raw materials from the African continent whilst India offers textiles, technology transfers, investment, aid and cheaper soft loans in exchange.

4.2 Investment

Malik [11] defines investment as the action or process of investing. Foreign investment is simply “investment originating from another country.” This study focuses on the investment originating from India to Zimbabwe. Another concept closely related to foreign investment is Foreign Direct Investment (FDI). Malik [11] is investment whereby one country invests in another country for the purposes of economic gain. Closely related to FDI is partnership. While FDI denotes long – term relations between two entities, partnership is the mechanism that fosters that relationship.

4.3 Partnership

The Joint Improvement team [15] defines a partnership as a body of two or more entities working towards achieving the same objectives collectively.

WHO [14] further notes that a partnership can be defined as a venture involving two or more parties based on mutual trust, aiming for the attainment of a specific goal

The partnership between Zimbabwe and India is a formal partnership which is governed by the Bilateral Investment Promotion Protection Act (BIPPA) [7]. It is defined by the specified goal of achieving economic growth in both countries as they engage in trade and investment of commodities and services as illustrated in this study.

4.4 Economic Growth

Investopedia [8] defines economic growth as a process of increasing the production of goods and services operating at optimum efficiency. Economic indicators for measuring economic growth include the Gross Domestic Product, Gross National Product and aggregate Inflation among others.
Zimbabwe is one of the nations with the lowest rates of inflation in the world due to its use of multi currencies. It is therefore a cheaper destination to invest in, hence India’s interest in engaging Zimbabwe in trade and investment. The discovery of diamonds in Chiadzwa in Marange District has paved the way for economic growth for Zimbabwe as it has begun trading with India, a global player in diamond mining and processing. Investopedia [8] notes that economic growth is usually associated with technological changes. Technology transfer in diamond processing, the power and energy sector as well as the pharmaceutical sectors is likely to increase economic growth in Zimbabwe. Likewise, the abundance of natural resources in Zimbabwe in the form of gold, platinum, diamonds, iron and other minerals will benefit India, one of the fastest growing economies in the world after China and Japan. The Sunday Mail [15] observes that the US$4 trillion economy was forecasted to grow by 8 percent by the end of 2011.

4.5. Globalised International System

The world is now a globalised international system. No one country can exist in isolation. Blackmore defines (2000:133) globalization as the increased interconnectedness of capital, labour and information among various countries transcending through political, cultural, economic, social and geographic frontiers.

The phenomenon of globalisation has therefore made the world a global village through transport and communications, hence reducing distance, time and space and increasing the magnitude and propensity of trade between nations, particularly India and Zimbabwe which are the focal point of this study. Technological changes in the form of the telecommunications, the internet, mining, processing of mineral, power and energy have positively enhanced the trade and investment partnership between India and Zimbabwe in a globalised international system. This paper highlights that Zimbabwe’s Look East Policy which includes among other countries India and China is beneficial to Zimbabwe as these countries signify the fastest growing economies in the world which have not been heavily affected by the Global Financial Crisis and are geared to be the global leaders in economic development in the next half century.

5.0 THEORETICAL FRAMEWORK

5.1 Dependency theory

The study is premised upon the dependency theory of international relations. The theory was a direct response to the failure of the modernisation theory to explain the causes of underdevelopment in the third world. One of the early dependency theorists, Raul Prebisch was commissioned by the United Nations (UN) under the auspices of the Economic Commission of Latin America (ECLA) to conduct research on underdevelopment in the third world. His findings suggested that the wealth of poor nations were conditioned for underdevelopment by the growth and expansion of rich nations. This was mainly because of unequal trade and asymmetrical relations.

Most third world countries do not determine the prices of their exports and imports, which are decided by the buyer and supplier respectively, hence they hardly benefit from trade with the western industrialised nations. Most African countries, including Zimbabwe have been locked in a state of perpetual dependency on the west for FDI, Loans, Aid and technology.

According to Theotonio Dos Santos (1971:226) dependency is historical in nature. Subordinate economies or countries at the periphery were conditioned to develop at the rate of growth determined by countries at the capitalist core. Therefore peripheral nations are dependent on wealthier nations for capital and technology, creating a dependency syndrome.

This dependency syndrome drove many third world countries, among them, Zimbabwe to adopt Structural Adjustment Programmes (SAPs) which perpetuated their dependency and deepened their poverty. Dependency theorists’ advocate for South – South Co – operation, which is trade and investment between developing nations, self reliance of a country and import limitations. They also forbid foreign investment that draws on the resources of a nation. Dependency
Indian exports to Africa have focused on textiles, drugs and pharmaceuticals; machinery and transport equipment and telecom and information. Other organisations enhancing India – African trade were; India Trade Promotion Organization, Export Promotion Councils, Apex Chamber of Commerce and Industries like CII, India Mission and institutions such as the Export-Import Bank of India (Tripathy, 2008:15). India also opened lines of credit to African countries, to which Zimbabwe has been a major beneficiary. In addition to the Focus Africa Programme India has established TEAM-9 Initiative: Focus on West Africa. This programme focuses on the following Western African states, Burkina Faso, Chad, Cote d'Ivoire, Equatorial Guinea, Ghana, Guinea-Bissau, Mali and Senegal. It is based on the same principles as the Focus Africa Programme. Overall, India’s major trading partner is Nigeria. Other significant African partners are Cote d’Ivoire and Ghana. Consequently West Africa is India’s number one trading partner due to the existence of oil in that region. Southern Africa is the second largest trading partner because of its abundance of mineral wealth followed by North Africa and lastly East Africa (Tripathy, 2008:15). North Africa is an important partner to India because of its abundance of oil and fertilisers.

7.0 THE BRICS AND INDIA

As an emerging power, India is part of the rising economies, the BRICS grouping, which encompasses Brazil, Russia, China and South Africa. In 2010, the BRICS accounted for 25 per cent the global GDP (in PPP terms). These countries occupy 30% of the world’s land and host 40% of the world’s population, [2]. These statistics illustrate the significant contribution the BRICS make on the world economy. The formation of the BRICS grouping was formally declared in 2009, commencing the advancement of economic diplomacy between the BRICS and Africa. The need for a vast pool of resources to propel the BRICS economies has resulted in intensified BRICS – Africa relations. Chand [5] posits that in 2011, trade between Africa and the BRIC increased from $3.5 billion in 2000 to close to $200 billion. This depicts a phenomenal increase in trade denoting a renewed interest in Africa by the BRICS. Individual BRICS countries have sought partnerships with African countries and

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boosted their trade. From 1990 to 2011, China increased its trade with Africa from $3.5 billion to about $150 billion whilst India’s trade with Africa exceeded $50 billion. Brazil and Russia’s trade with the continent was $16 and $10 billion respectively (Ibid). Whereas, China is the leading rising economic power globally and in the BRICS grouping, India is a fast growing contender and the second emerging power from the BRICS grouping to engage Africa in trade and investment.

As highlighted above, the failure of the Bretton Woods prescriptive policies in the form of SAPs presented an opportunity for the BRICS to increase trade and invest heavily in Africa, effectively refocusing the continent’s focus to the countries in the Eastern Bloc particularly China and India. In addition the advent of the Global Financial Crisis which affected the Northern countries particularly the USA and Europe, paved the way for greater co-operation between the BRICS and Africa. Zimbabwe has enjoyed cordial relations with all BRICS countries, particularly China, India and Russia who have invested in Zimbabwe and engaged in trade and investment with the country.

8.0 THE GLOBAL FINANCIAL CRISIS

The Global Financial Crisis (GFC) presented a rare opportunity for the expansion of Indio – African relations in the wake of sluggish European and American economies. According to the IMF [6] the GFC began in 2007 in the USA, instigated by the housing bubble. The huge housing mortgages lent to the American middle class who failed to repay led to the banking crisis. Akbar (2008) notes that credit crunch led to the collapse of financial institutions like Goldman Sachs, Lehman Brothers, Morgan Stanley, J.P. Morgan, Bank of America, Merrill Lynch, Citigroup, Wells Fargo, Bank of New York Mellon and State Street. The GFC spread to Europe which had a similar banking crisis that culminated in the bankruptcy and subsequent nationalisation of Northern Rock, the biggest British mortgage bank and the Anglo – Irish Bank in Ireland in 2008 [9]. The most affected European nations are termed the PIIGS nations. PIIGS is an acronym which stands for Portugal, Ireland, Italy, Greece and Spain. These nations have implemented austerity measures which include cutting down fiscal deficits and public debts as well as implementing market liberalising reforms. These austerity measures which are IMF driven are similar to SAPs which culminated in increased social unrest, poverty and political turmoil. European interventions through the Eurobond and European Financial Stability Facility (EFSF) have not managed to bail out the PIIGS which risk losing their membership to the EU as a result.

While most countries have experienced the financial effects of the GFC, the effects on the GFC have been minimal to emerging economies. According to the BRICS Report (2012:14) the GFC spread to the BRICS through the channels of trade, finance, commodities, and confidence just like everywhere else. The BRICS banks were not heavily affected as European banks but the crisis inflicted significant loss in output in all the BRICS economies. Trade diminished slightly, but the BRICS recovered from domestic demand driven by their expanding economies as well as trade with other regions other than Europe, which is most affected. In addition, India and China’s economic performance remained impressive, (Ibid) Hence, India and other members of the BRICS have experienced growth rates of between 8 to 5% over the past five years amidst a global recession indicating that India – Africa relations should be strengthened as both global players will benefit from mutually exclusive goals of trade and investment. Africa’s GDP has grown at a rate of over 6% per annum despite the crisis, depicting reciprocal relations albeit on an asymmetrical basis with India and China. According to the IMF [6] Zimbabwe’s economy has been experiencing a slower growth rate than the 9% of 2010, the 6.8% of 2011 to the 5% of 2012. However, forecasts predict that in 2013 the growth rates will improve to 6%. The main reason for slow growth have been the IMF debt stress, a huge public sector wage bill and lower returns in diamond trade. Zimbabwe needs to address corruption if it is to experience attractive GDP rates that will attract foreign investment. However, the country has one of the lowest inflation rates (consumer inflation) in the world of 3.63% as of 2012. This low inflation
rate will ensure that Zimbabwe benefits from its partnership with India. Ultimately, servicing the IMF debt will remain a major challenge in Zimbabwe’s near future. India has also experienced slower growth rates in 2010 and 2011; however growth in 2013 is forecasted to be above 5%. The fact that India and Zimbabwe are not experiencing recession indicates that both countries can benefit from trade and investment between themselves.

9.0 ANALYSIS AND DISCUSSION

9.1 An Overview of India – Zimbabwe Relations

9.1.1 Zimbabwe – India Colonial Relations

India – Zimbabwe relations spanning a period of several centuries from the 14th century were established on trade. The two nations’ trade was largely premised on textiles, minerals and metals, products which still form the basis of existing relations. India – Zimbabwe relations were strengthened during Zimbabwe’s struggle for independence from its former British coloniser. According to the Business Economy (2010:2) India, like its Chinese counterpart, provided Zimbabwean guerilla fighters with training, logistical and material support during the liberation struggle. Thus being members of NAM, both countries have shared the ideological goals of non-alignment, anti-imperialism, decolonization and south–south co-operation. Both India and Zimbabwe, were British colonies, thus when they gained independence in 1947 and 1980 respectively, they joined the Commonwealth which offered an opportunity for greater co-operation between the two states. However, in 2003, Zimbabwe withdrew from the organization citing unfair treatment on the basis of its bilateral dispute with the UK. The Commonwealth suspended Zimbabwe in 2002 citing a violation of democratic principles, values, on which the organization is premised.

9.1.2 Zimbabwe – India Relations after Independence

India – Zimbabwe relations remained cordial with the gaining of independence of Zimbabwe. India alongside the USA and China were among the countries to attend Zimbabwe’s first independence celebrations in 1980. According to the Business Economy (2010:2), the amiable relations between India and Zimbabwe resulted in President Mugabe receiving the Jawaharlal Nehru Award in 1989. This highlighted the growing significance of the relationship. When most countries in Europe were opposed to Zimbabwe’s election to the UN Human Rights Council citing human rights abuses, India was among the countries that voted in favour of Zimbabwe in 2003. Zimbabwe in turn, supports India’s candidature for a permanent seat in the UN Security Council. The USA also supports India in that regard. However, Pakistan is uncomfortable with India’s elevation to the powerful UNSC. Notwithstanding this, it is important to note that India and Zimbabwe support each other at various international meetings.

9.1.3 India – Zimbabwe Relations under the GNU

The Global Political Agreement is a peace agreement brokered between the main contesting political parties in Zimbabwe, the Movement for Democratic Change Tsvangirai (MDC - T), Zimbabwe African National Unity Patriotic Front (ZANU PF) and Movement for Democratic Change Mutambara (MDC – M). India – Zimbabwe relations were buttressed by the signing of the GPA which ended political violence, economic turmoil and the social unrest that bedevilled Zimbabwe and had scared away potential investors. Trade and investment between the two countries has increased phenomenally.

- Trade: The Indian US$1.6 trillion economy is the fourth largest in the world by power parity ranking (according to World Bank, June 2011) after the United States, China and Japan. According to the Zimbabwe Tourism Authority (2013:1), Zimbabwe has one of the lowest rates of inflation in the world. Trade between India and Zimbabwe was US$125.51 million during the period between 2010 and 2011. These statistics indicate that trade between the two countries doubled between 2008 and 2011 leading to growth of US$81.16 between 2009-10. In 2010-11, India’s exports to Zimbabwe were US$113.95 million and imports from Zimbabwe were US$11.56 million (Business Economy 2011:2). This increase in trade shows that the prospects for
enhanced trade are high. It also demonstrates that the partnership is beneficial to both countries and the likelihood for stronger ties are high. The commodities that are traded by Zimbabwe and India vary.

Sibanda [13] notes that India imports nickel, diamonds, dyes and non-ferrous metals from Zimbabwe, whilst the latter imports pharmaceuticals, chemicals, cars and machinery from the former. Zimbabwe benefits from trading with India particularly in the minerals sector. Sibanda [14] denotes that most diamond firms in Zimbabwe sell their gems in India, where they fetch better prices than elsewhere in the world. In addition to the above, India was instrumental in leading a coalition of developing countries in opposing the bid by Western Countries led by the United States of America (USA) to categorize Zimbabwean diamonds as “blood diamonds” to prevent their sale on global markets under the Kimberly Process (Ibid). Zimbabwe is one of the leading diamond suppliers, while India is the country’s major buyer. According to Sibanda [13] nine out of 10 diamonds are polished in India, making the Asian country a major global player. Hence, both countries mutually benefit from diamond trade. It is estimated that Zimbabwe will realise about US$2.5 billion in diamond exports in the next few years while US$600 million has already been provided for under the 2012 national budget.

- **Investment**

Mpfou [10] posits that the largest Indian investment in Zimbabwe was instituted in 2010 when Essar Africa Holdings Limited (EAHL) won a tender to takeover the financially beleaguered Zisco Steel. Zisco now called the New Zimbabwe

Steel Holdings Limited is the largest iron and steel company in Zimbabwe. It was once the largest iron and steel company on the continent but corruption, mismanagement and a hostile economic environment in the late 2000s brought the company to its knees. EAHL invested US$750 million to recapitalise the troubled company. EAHL own a 54 percent stake in the New Zimbabwe Steel Holdings Limited, while the government owns the rest, depicting a near adherence to the provisions of the Indigenisation, Economic Empowerment Act (IEEA) that requires foreign investors to own at least 51% stake in Zimbabwean businesses.

Another Indian corporation that has invested in Zimbabwe since 1984 is the Water and Power Consultancy Services Limited (WAPCOS). Though it is a 100 percent Indian government owned international consultancy firm, the corporation is currently carrying several feasibility studies for power generation projects in Zimbabwe (Ibid). WAPCOS is therefore working in collaboration with the Zimbabwe Power Company, a subsidiary of the power utility, Zesa Holdings in research and development to improve the effectiveness of Hwange Thermal Power Station. If the Indian company continues to invest in power generating projects and Hwange Thermal Power Station operates at maximum capacity, power outages could be a thing of the past in Zimbabwe. In addition, EAHL has indicated interest to invest in a Greenfield 1 000 megawatt thermal power station to augment the electricity generated from the Kariba Hydro – Electrical Power Station and the Hwange Thermal Power Station. The capacity of the thermal power station is estimated to be higher than the two largest power stations in Zimbabwe, [10].

Indian companies are investing in mining, infrastructure development, agriculture, manufacturing, renewable energy projects, ICT and the services sectors. According to Chanakira [4] Zimbabwe and India are yet to sign a Bilateral Investment Promotion and Protection Agreement (BIPPA) [7] respectively to strengthen their investment relations in 2011. To further promote investment, the two nations formed the Indo-Zimbabwe Chamber of Commerce in the same year. To intensify trade between the two states, Zimbabwe and India held the first one day investment conference in 2011 on "Doing Business In Zimbabwe - Investment Opportunities And Challenges" [4]. Several business delegates from India and Zimbabwe attended and this enhanced the Zimbabwe – Indian partnership.

In addition to the above, Mpfou [10] notes that bilateral trade and investment relations with Zimbabwe doubled within four years and yielded US$165 million worth of investments and trade. This suggests that the advent of the GPA had positive effects on the Zimbabwean economy, particularly on its relations with
India and the rest of the world. Apart from investment, India has sought to co-operate with Zimbabwe on humanitarian grounds. During severe drought in 2003, India donated 50,000 tonnes of rice to Zimbabwe. This shows that the relations between the two nations are not only technical but are social as well.

- **Capacity Building**

  In line with NAM principles of South – South co-operation, India, according to Sibanda [14] is empowering most of its African partners through capacity building initiatives including diamond cutting and processing. India is one of the largest diamond processing nations, accounting for 90% polishing and 60% trading of the precious stones globally. Mushawevato [11] notes that India is specialised in the cutting and polishing of diamonds and this has contributed to the growth of the county’s economy. In addition, it has created close to 500,000 jobs in Surat (Ibid). Likewise, Zimbabwe is set to steer its institutional capacity building fund and India’s investment for Africa, US$700 million partnership in future Indo - African relations. Sibanda [13] notes that Zimbabwe will also benefit from India’s US$5 billion investment for Africa, US$700 million institutional capacity building fund and India’s education programme for 22,000 Africans. India is therefore interested in not only trading and investing with Zimbabwe, but in building capacity in the country and ending dependency. Mushawevato [11] posits that this is in line with the Zimbabwe’s Medium Term Plan (MTP) goals initiated after the establishment of the GNU in 2009. The MTP discourages local industries from exporting raw materials without any value addition as this is inimical to the country’s development.

**10.0 IMPACT ON TRADE AND INVESTMENT**

The impact of Indo – Zimbabwe trade and investment partnership has been tremendous. The following table illustrates the level of increase in trade between India and Zimbabwe from 2002 to 2011.

<table>
<thead>
<tr>
<th>Year (April – March)</th>
<th>Exports to Zimbabwe (in million US$)</th>
<th>Imports from Zimbabwe (in million US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002 -03</td>
<td>15.83</td>
<td>14.04</td>
</tr>
<tr>
<td>2003-04</td>
<td>23.51</td>
<td>16.42</td>
</tr>
<tr>
<td>2004-05</td>
<td>23.45</td>
<td>27.15</td>
</tr>
<tr>
<td>2005-06</td>
<td>23.99</td>
<td>25.55</td>
</tr>
<tr>
<td>2006-07</td>
<td>31.90</td>
<td>32.18</td>
</tr>
<tr>
<td>2007-08</td>
<td>31.91</td>
<td>22.24</td>
</tr>
<tr>
<td>2008-09</td>
<td>58.99</td>
<td>13.77</td>
</tr>
<tr>
<td>2009-10</td>
<td>48.70</td>
<td>21.87</td>
</tr>
<tr>
<td>2010-11</td>
<td>113.95</td>
<td>11.56</td>
</tr>
</tbody>
</table>

In the period 2002 to 2003, trade between Zimbabwe and India was at almost at par and slightly in favour of India. Trade between the two states began to increase steadily until in the 2007 and 2008 period where Zimbabwean exports to India began to decline dramatically particularly because of the economic crisis which had crippled the state. Even the signing of the Global Political Agreement did not increase Zimbabwean exports to India particularly because most local Zimbabwean industries have closed due to stiff competition from cheap Chinese goods, economic demise in the late 2000s and lack of foreign investment. However, as is shown by the table, Indian exports to Zimbabwe have increased phenomenally to US$113.95 against Zimbabwean exports to India which were US$11.56. These figures show that trade between the two countries, though reciprocal has been asymmetrically skewed in favour of India. This depicts a dependency picture were the metropolis or capitalist core has changed location from the West to the East and Zimbabwe remains a satellite or peripheral state. The notion of South – South co-operation advocated by the dependency theorists is problematic in the sense that India, the fourth largest and one of the fastest growing economies after USA, China and Japan, and Zimbabwe, a country still recovering from a pre – Government of National Unity economic quagmire are
engaged in an unequal trade and investment partnership. Conversely, the discovery of diamonds in Marange District in Zimbabwe portrays a glimmer of hope for the country. Already the country has experienced an economic growth rates ranging from 9% to 5% per annum following the discovery of the precious metals. The capacity building efforts by India as well as the investment in value addition for Zimbabwean diamonds and other minerals will ensure that Zimbabwe, with time begins to benefit from its engagement in trade and investment with India. However, India has in the past received international condemnation for taking part in illegal smuggling of diamonds extracted from Zimbabwe’s Marange diamond fields which have been termed blood diamonds [10]. To what extent this is true remains to be seen, but what is evident on the ground is economic progress for both countries as they engage in trade and investment.

11.0 CONCLUSION

The paper sought to analyse the nature and extent of India – Zimbabwe trade and investment engagement in a globalised international system. The study noted that generally India – Africa relations were expanding due to India’s need for a plethora of abundant natural resources which are readily available in Africa. It was noted that like China’s Forum on China Africa Relations and China’s Export – Import Exim Bank, India has likewise established its Forum Africa Programme which includes trade with most African Nations. The study observed that West Africa followed by Southern Africa were the most important Indian trading partners due to their abundance of oil and mineral resources respectively. As a Southern African state, Zimbabwe has become a vital trading partner with India. Its imports from India have increased albeit it’s decreased exports due to its pre-GNU economic demise. However, the Zimbabwean economy is recovering and growing at a rate of 7% per annum due to its look east policy encompassing trade and investment with the fastest growing economies in the world, China and India. Zimbabwe stands to benefit more from its trade and investment engagement with India than with its Chinese counterpart because of India’s value addition and capacity building initiatives. Indian mining in Zimbabwe accounts for nine percent of total trade and investment with the country as compared to China’s 51.37 percent [10]. From these statistics, it can be thus be concluded that Indian investments are motivated by efficient seeking motives as opposed to the resource seeking agenda of the Chinese economy. Ultimately, India – Zimbabwean trade and investment engagement is likely to continue in the near future as it is apparent that it will yield positive results for both countries.

12.0 RECOMMENDATIONS

- India should continue to engage Zimbabwe and other African nations in trade and investment to ensure that all parties benefit from the expansion and growth of both India and Africa.
- Since India has initiated the process of value addition in its trade and investment with Zimbabwe, it should lobby other BRICS states to do likewise so as to set Africa on a development path and end its dependency syndrome.
- Africa should focus on its relations with the East were the leading economies that are likely to propel it to unprecedented growth levels are than the West whose polices like the SAPs damaged the continent’s economies.
- Zimbabwe should ensure that it increases its exports to India to offset a negative balance of payments account with India.
- It is critical for Zimbabwe to partner with other investors like the EAHL which will steer struggling enterprises on the path of success again. This will in turn initiate the much needed economic growth which can only be fostered by industrial growth.
- Zimbabwe should refrain from exporting unprocessed raw materials without value addition as this will lead to deeper dependency. It should increase partnerships with global players like India who are amiable to technology transfers and capacity building initiatives with their trading partners.
- It is crucial for Zimbabwe to concentrate on other sectors like Agriculture were potential investors can boost the country’s
agricultural production and set it on course as the bread basket of Africa.

- Zimbabwean policy makers need to enact legislation which supports infant industries, particularly in the textile and leather sector from unfair competition exhibited by larger external industries.

13.0 BIBLIOGRAPHY


