A political economy approach of India in Senegal. A “win-win” partnership?

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A political economy approach of India in Senegal. A “win–win” partnership?

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ABSTRACT BRICS are on the rise in the world economy, and indeed this fact has a reflection on Africa in terms of growing engagement with the region. The effects of these increasing trade, investment, and aid flows on the development prospects of Africa are a key issue in the political economy of the continent. This article pays attention to a specific case of this growing presence: India in Senegal. Based on fieldwork in Senegal, we present and analyse the features of the Indian presence in the country, and assess the possible developmental impact in terms of contribution to economic development.


Keywords: India; Senegal; Africa; South–South co-operation

Introduction

The presence of emerging developing countries in sub-Saharan Africa (SSA), especially China and India, in terms of trade, investment, and co-operation, has significantly increased in recent times, leading to remarkable and lasting changes in the international political economy of the continent. This increasing presence is a reflection of the emergence of the so-called BRICS (Brazil, Russia, India, China and South Africa).

The impressive combined economic growth of these large emerging economies, sustained over more than two decades, is producing major changes in several dimensions of the world economy, which are creating a real shift in the relative importance of BRICS vis-à-vis developed countries in the world economy (OECD 2010; Ward 2011). In SSA and other developing areas, the BRICS’s increasing prominence in trade and investment is frequently embedded in institutional and aid frameworks promoted by their governments, and commonly known as South–South cooperation (SSC) (UNCTAD 2010; Modi 2011).

The traditional discourse of SSC in SSA was set up in a framework of North–South confrontation following the struggles for independence on the continent and it was rather ideological. Now,
this discourse includes economic issues corresponding to the process of capitalist globalisation. On the one hand, there are aid policies and the establishment of strategic coalitions in international fora like the WTO or UN. On the other hand, these policies are used to reinforce the pattern of increasing trade and investment flows from BRICS to SSA, and securing access to strategic natural resources, crucial to maintaining the momentum of economic growth in BRICS. The promoters of SSC partnerships have traditionally claimed that these partnerships should provide mutual benefits for the parties involved.

In relation with the emergence of BRICS in SSA and the “win–win” hypothesis, a vast literature has emerged in African studies to deal with this topic. In particular, the specific “China in Africa” topic is the most extensively analysed. Although there is a less remarkable presence of scholarly articles on the “India in Africa” topic, it has been well investigated. Anyhow, case studies of the Indian presence in Africa at a national level are scarce. In order to help fill this gap and contribute to the current debates on the BRICS’s presence in Africa, this article wants to present a case study, based on fieldwork, on the presence of India in Senegal.

Senegal is a particular case of the Indian presence in SSA, since its presence is stronger here than in other African countries, and also stronger by West African standards. Since the end of the 1990s, India has developed a remarkable presence in the country. India–Senegal bilateral trade has grown steadily, as has Indian investment in the country. This article attempts to study the particular framework and features of the Indo-Senegalese partnership, at both public and private levels, taking into account the patterns and dynamics of aid programs, bilateral trade and Indian investments in Senegal. We want to analyse the impact of this growing Indian presence in Senegal in terms of its actual and potential contribution of cooperation links, which could lead to economic impacts in terms of development.

Emerging economies and least developed countries: new roles

In the past decade, the BRICS have consolidated themselves as emerging economies in the global arena. The great economic performance of BRICS has allowed them to displace developed economies as the main contributors to the performance of global aggregate demand. In fact, India and China are the sole economies whose economic performance during 1980–2000 in terms of economic growth was higher than during the period 1950–1960 (Nayyar 2008). It facilitates the foreseeable future role of the BRICS as engines of the world economy for the coming decades, defining in turn a progressive shift to a multipolar world economy, a fact actually favoured by the current global crisis (Pieterse 2011).

BRICS’s economic dynamism is reflected by their increasing weight in the world economy. BRICS’s combined GDP in 2010 was ten-fold that of 1970, a pattern that has accelerated during the last decade. It is in the external position of these economies where their increasing presence is more obvious. BRICS’s exports share in the world economy has increased 10 points in the last 40 years, climbing to 13 per cent of world exports in 2012.

With regard to foreign direct investment (FDI), BRICS’s share of total inward FDI flows have increased from 2.2 per cent in 1990 to 17.8 per cent in 2010, thus becoming significant recipients of FDI flows. In fact, in 2010, for the first time, developing and transition economies combined, received more than 50 per cent of global FDI flows (UNCTAD 2011).

Regarding FDI outflows, BRICS have recently become active investors in both developed and developing countries. In 2010, six developing and transition economies were among the top 20 investors. These six countries (China, Russia and India among them) invested predominantly (70%) in developing countries, a fact usually claimed as SSC. These countries are becoming dynamic investors abroad, fuelled by their rapid economic growth and the consequent need to
position themselves in the world economy, and acquire or participate in strategic assets, like natural resources.

The growing centrality of emerging countries in the global economy has transformed their external relations vis-à-vis other developing countries, like Senegal. Some figures show this incipient transformation: the share of South–South FDI flows has grown from 4 per cent in 1998 to 14 per cent in 2009, and South–South merchandise exports in 2009 have increased more than fourfold since 1995. The data show this increasing interdependence, although it is also known that the bulk of South–South trade and FDI are concentrated in the most dynamic developing countries.

The economic emergence of BRICS and the subsequent shifts in the world economy has seen a consistent increase in new collaborative strategies in the international fora among emerging and developing countries, which some call the “axis of the South” (Alden and Vieira 2006). This reflects some changes in the pre-1990s SSC frameworks. The question that arises is to what extent this cooperation will foster socioeconomic development in LDCs, where poverty is widespread and structural blockings persist.

There are certainly shared interests between governments of the Global South, but the main question is whether there are mutual benefits. Is there a basis for the trumpeted win–win outcomes of SSC in terms of development? A significant corpus of literature has been developed around the growing interdependence between BRICS and LDCs in terms of its socioeconomic impact (UNCTAD 2010; Mlachila and Takebe 2011; IMF 2011; Samake and Yang 2011; United Nations and UN Office of the High Representative for the Least Developed Countries 2011). Some of these works warn about the fact that the current pattern of the LDCs–BRICS trade would lead LDCs to another commodity trap and consequently lessening its developmental content. In this article the analysis of the Indian presence in Senegal investigates the added value of such SSC framework as a specific case study.

India’s involvement in sub-Saharan Africa: the cooperation framework

Economic and aid strategies

Political and economic relations between India and SSA have been apparent since the post-war period. Initially, they were linked to anti-colonialist strategies; however, nowadays they have stronger connections to the emergence of India in the world economy, in the context of globalisation.

India’s balance of payments crisis that led to a debt crisis in 1991 took the Indian economy through a program of slow but increasing liberalisation, strongly influenced by the IMF. By dismantling constraints to trade and FDI, India started to overcome its post-independence low rate of growth and expanded its productive and consumption capacity considerably. FDI outflows also experienced a significant growth, from US$514 million in 2000 to US$14,624 million in 2010. Exports in 2010 were more than three-fold those of 2000, increasing from US$72,906 million to US$261,555 million (Acharya 2002; Rodrik and Subramanian 2004; Panagariya 2004; Cairó-i-Céspedes 1997).

Despite the emergence of India, Africa is not yet a crucial economic partner for her. The share of Indian FDI outflows to Africa represented 15.2 per cent of total Indian outflows in 2008 (Government of India Ministry of Finance 2012), and imports from Africa accounted for 7.7 per cent of total Indian imports in 2010 (UNCTAD 2012). Nevertheless, the Indian presence is significant for Africa considering that in 2008 India was the fifth developing country with the highest stock of FDI in Africa, only behind leading Asian investors such as Singapore, China, Hong Kong and Malaysia (UNCTAD 2010, 86).5

However, the relevant point is the growth rate of trade and investment flows. Between 2002 and 2008 Indian FDI in SSA multiplied three-fold and Indian imports from this region in 2010
were 20 times those of 1995 (Figure 1). It is worth highlighting that these flows are significantly concentrated. For instance, in 2010 41 per cent of Indian merchandise imports came from Nigeria, and the offshore financial sector of Mauritius received 86 per cent of Indian FDI outflows in 2008–2009.6

So, in spite of the current low aggregate volumes of trade and investment flows and a high geographical concentration, there is an incipient interdependence with enough foundations to foresee a growing partnership for the near future.

Regarding the content of the trade flows between India and SSA, there is a clear asymmetry, since they are reproducing somehow the traditional North–South trade pattern. India basically imports raw materials from SSA, and exports manufactured products to the region (Figure 2). This trade pattern shows different stages of industrial development and economic dynamism, and if it persists it could deepen the weakness of inter-industrial linkages in the African economies involved.

Figure 1. Indian merchandise imports from sub-Saharan Africa and Indian FDI outflows to sub-Saharan Africa.

Figure 2. Composition of India’s external trade with sub-Saharan Africa, 2010.
Source: UNCTAD (2012).
For a better understanding of the India–Africa partnership we must consider other relationships beyond trade and investment. Following the McCormick (2008) model to assess the impact of aid from China and India to Africa, India combines monetary and non-monetary forms of aid, with a blurred frontier between one and the other, thus making analysis more complex. If we consider here a wider concept of aid, we can observe the different dimensions of India’s donor role in SSA. This enlarged concept of aid would include the typical financial transfers such as grants or soft loans, but also technical assistance, equity investment by Indian public companies and preferential treatment in trade relationships with LDCs.

The first aid instrument to mention is the (Indian Technical and Economic Cooperation Program (ITEC), which was launched by the Indian government in 1964. ITEC depends on the Indian Ministry of External Affairs and aims to share Indian development experiences with Southern partners. ITEC basically promotes technical assistance through training programs. With regard to Africa, some 1,000 experts from the continent attend training courses in India in a number of technical fields from food processing to information technology. This program accounts for one-third of the total Ministry budget, with India’s neighbouring countries being the main beneficiaries (Government of India Ministry of External Affairs 2012).

Another Indian instrument of cooperation is the Exim Bank Lines of Credit (LOCs) available to India’s trading partners in developing countries for importing Indian merchandise and services, carrying a concessional interest rate depending on the external debts and economic situation of the recipient countries. In 2004, the government of India launched the TEAM-9 (Techno-Economic Approach for African Movement), in which eight African countries, including Senegal, plus India committed to a cooperation framework. The deal includes a LOC of US$500 million for developmental initiatives in these African countries, including technological transfer, and is delivered through the Exim Bank. Compared to ITEC programs, developing countries sharing the LOCs resources are more geographically balanced. As of February 2012, the total amount of Exim Bank operative LOCs amounts to around US$8 billion, while 44 per cent was addressed to SSA, mostly focused on financing rural electrification, transport, and irrigation projects among others (Eximbank 2012).

Indian instruments of cooperation in SSA are completed with a trade preferences scheme. The fact that India has become the first developing country to extend the WTO Duty Free Quota Free scheme to all LDCs, adopted in Doha in 2001, is relevant. India’s Duty Free Tariff Preference Scheme for LDCs came into effect in 2008 with tariff reductions spread over five years. This scheme could potentially affect 33 African LDCs, although to date only 18 have accessed it (Government of India Ministry of External Affairs 2011). This mechanism grants duty free access on 94 per cent of India’s total tariff lines, providing preferential market access on tariff lines that include 92.5 per cent of global exports of all LDCs.

**Shared interests: a renewed cooperation scheme?**

As we have seen, the current growing and deepening partnership between India and SSA started being consolidated in late 1990s. In recent years, India’s renewed interest in the SSA was institutionalised at the highest level in the India–Africa Forum Summit held in New Delhi in 2008 (Government of India Ministry of External Affairs 2008). It was a genuine political effort to reinforce some strategies previously established, like the TEAM-9 or the Focus Africa Program. It also fostered new partnerships through the New Partnership for Africa’s Development (NEPAD).

Indian presence in SSA is first discussed in academic literature (Cheru and Obi 2010a; Carmody 2010; Shaw, Cooper, and Antkiewicz 2007; Naidu 2008). The major economic appeal of SSA is the availability of raw materials that India requires to feed its current pattern
of economic growth. Secondly, business opportunities in an undeveloped region like SSA in terms of infrastructure, pharmaceutical industry, telecommunications technologies, and agricultural requirements open the doors for the expansion of Indian firms abroad. And last, but not least, the political interest of India in SSA must be placed in the future redefinition of global governance and the position of India in the new international order.

Moreover, this increasing partnership is linked to shared interests regarding some sensitive global issues such as agriculture trade liberalisation or climate change negotiations. Developing countries’ cooperative strategies in international institutions like the WTO generate positive spill overs in terms of shared motivations, which in turn can be translated into more responsible and committed partnerships. The example of the G-20 developing economies coalition created at the Fifth Ministerial WTO Conference, held in Cancun in 2003, in response to USA and EU protectionist and trade distorted practices in agriculture showed not only the potential of strategic coalitions in pursuing common goals, but also the success of such a coalition formation rooted in mutual interest.

The kind of partnerships enabling the strengthening of bilateral and regional programs of cooperation among Asian and African countries is a topic of high interest (UNCTAD 2010; Naidu 2008; Mawdsley and McCann 2010). There is a broad consensus among authors that Indo-African partnerships combine different aims, such as mutual benefit, altruism, and strategic interests, notwithstanding the presence of real asymmetrical interdependence in economic terms.

Our focus is to analyse the extent to which India’s presence in Africa (in our case Senegal) promotes a different kind of partnership that can promote developmental outcomes. Investment and assistance (financial or not) from India in strategic sectors can open ways to deal with African developmental problems. The aim is to set up an approach that considers this mutual interest under a new framework, which differs from the traditional one in which Western countries and institutions have established their policies vis-à-vis LDCs.

This new framework must be analysed, taking into account the developing status of these partners, and forging an attitude of greater equality of treatment towards each other. This new relationship pattern can basically be related to the particular way in which India gets involved in African countries (Katti, Chahoud, and Kaushik 2009).

Our focus is on two features of this involvement that are crucial to understanding this new kind of relationship. First, the prominent role of technical and training assistance programs financed by the Indian government, as well as the participation of state-owned Indian enterprises in some investment ventures, differ from the traditional North–South financial cooperation towards LDCs. This public nature does not mean that economic interest is absent, as the tied nature of Exim Bank LOCs shows.

Second, the declared principle of non-interference and non-conditionality differs from the traditional approach sustained by Western donors, which strongly narrows the policy space of recipient countries (Whitfield 2009). Certainly, a distinct feature of the South–South partnerships is that they do not narrow policy space as much as traditional partnerships do. This is reinforced by the establishment of dialogue platforms to set the basis for new partnerships allowing a new way to capture and adjust competing interests among partners.

**India in Senegal: a growing partnership**

As early as 1975, both governments officially established diplomatic relations, which have been translated into several economic cooperation agreements. For instance, both countries have been members of the G-15 since 1989, a coalition of developing countries established to cooperate along a wide range of issues related to development. Nonetheless, it was not until recent times that Indo-Senegalese relations have intensified, to the point that today India can be considered
a strong strategic partner for Senegal. The Indo-Senegalese partnership is displayed in the increasing trade and FDI flows between both countries, and in a growing number of cooperation programs, including agriculture, transport equipment, rural electrification, and information and communication technology (ICT).

India is not at all the only BRICS present in Senegal. As in many other African countries, China has a remarkable presence in Senegal, especially in the area of trade and public works. In 2011, China was the third source of Senegalese imports behind the European Union and Nigeria, accounting for the 7 per cent of the total imports (European Commission 2012, 5). We must mention as well the significant amounts of aid allocated in Senegal by Islamic countries like Saudi Arabia or Kuwait.

Back to focus on the Indian presence, in Figure 2 we can see that the Indo-Senegalese aggregate trade value has consistently grown in recent years. In 1996 the total merchandise trade between the two countries amounted to US$117 million and in 2010 it had increased almost three-fold, totalling US$333 million. It is also important to highlight that 80 per cent of Senegalese exports to India are concentrated in one product: phosphoric acid produced by the Industries Chimiques du Sénégal (ICS), the main Indian investment in the country. Thus, Senegalese exports to India are strongly shaped by this specific Indian private investment, as long as it is not conceived to produce goods for the domestic market.

Regarding the content of the Indo-Senegalese trade, it replicates somehow the common pattern of many other African countries, and is consistent with the general Indo-African pattern highlighted above. As Figures 3 and 4 show, Senegal exports commodities or low-added-value merchandise, and imports mainly manufactured products. In this regard, it is worth remembering the case of cashew nut trade pattern between Senegal and India. The Casamance region of Senegal, Guinea Bissau and Gambia are significant cashew nut producers, and the main part of their production is exported to India through Banjul, the capital of Gambia. The raw nuts are processed in India, and then a share of them exported to Senegal, Guinea Bissau and Gambia. So, it is possible to buy in Dakar cashew nuts grown in the country, but processed in India and sold with the label “Made in India” (Red River 2010). Regarding phosphoric acid, which is the main Senegalese export to India, it is not strictly speaking a raw material; it is, rather, a commodity with low added-value. Phosphoric acid is the product of an industrial transformation of the raw phosphate rock, which involves basically crushing the rock and subsequent chemical treatment. This process can be considered a first stage of industrial

Figure 3. Total merchandise trade Senegal–India, 1996–2010 (currently estimated at US$ million). Source: Authors’ own calculation from UNCTAD (2012).
processing which adds some value to the raw phosphate rock. This process is not a highly technological one, but certainly triggers some modest product linkages that could lead to more sophisticated activities undertaken by local firms with potential developmental outcomes (Morris, Kaplinsky, and Kaplan 2011).

On the import side, a significant part is machinery and transport equipment. These imports have been increasing in relation to other imports in the last 15 years, and include tractors, vans, and buses for public transport, and water pumps. Not all of these manufactured goods are for private consumption; they are, rather, inputs for activities like agriculture or for improving mobility in urban areas. Interestingly, these imports are linked, to a great extent, to Indian public cooperation policies. In sum, although there is some scope to see potential developmental linkages, in terms of technological upgrading of existing activities, trade patterns tend to reproduce the traditional North–South trade pattern.

Figure 4. Structure of Senegalese merchandise exports to India (period averages). Source: Authors’ own elaboration from UNCTAD (2012).

Figure 5. Structure of Senegalese merchandise imports from India (period averages). Source: Authors’ own elaboration from UNCTAD (2012).
In the following sections we will focus on different features of the Indian presence in Senegal. A cutting distinction between public and private dimensions of this presence is not useful, because in many cases the presence of Indian firms is not purely a private affair and involves Indian conscious public policies. Thus, we will present these features not on the basis of a distinction of being a public or private initiative, but on a case-by-case basis.

**Natural resources on the stake: the takeover of Industries Chimiques du Sénégal**

The flagship industrial company of Senegal, Industries Chimiques du Sénégal, is nowadays controlled by an Indian consortium, which holds 85 per cent of the shares. At the same time, this is the largest Indian investment in the country. ICS is the leading industrial enterprise of the country in terms of jobs (around 1,900), sales, and assets (around 2% of the Senegalese GDP comes from ICS). ICS is also a significant player in the regional and global fertiliser industry.

Based on a remarkable site of phosphate rock of exceptional quality in Taïba (100 km northeast of Dakar, exploited since 1948), the company established a factory close to the mine at the end of the 1970s to transform this rock into phosphoric acid, which is the basic component of many fertilisers. The factory, called Darou Khoudoss, started its activities in 1984. This acid is the basic component of many fertilisers. Finally, the third step to vertical integration is another chemical factory in Mbao, 18 km eastwards from Dakar, which manufactures fertilisers mainly out of the phosphoric acid produced in Darou Khoudoss.

ICS has two subsidiaries. The first one is the Société d’Exploitation Ferroviaire des ICS (Sefics), which covers the logistic needs of the company. Sefics owns and operates the exclusive railway that links all the production sites with the port of Dakar. The second subsidiary is Senchim, the division of ICS devoted to marketing the final output produced in Mbao in Senegal and West Africa, and also to ship the phosphoric acid produced in Darou Khoudoss to India.

The seeds of the ICS, as it exists today, were sown in 1976, when the Government of Senegal (GoS) established the Société des Industries Chimiques du Sénégal (SICS), a company devoted to transform the phosphate rock into phosphoric acid and then into fertilisers. The SICS was created in the context of the GoS’s Impulsion Externe policy, which took place at the beginning of the 1970s, when an exhausted GoS treasury had to lean on international credit to develop its Third and Fourth Development Plans. These loans covered not only current expenditures, but also large investments, like the SICS. The point here is that SICS, later transformed in ICS, was part of a plan that contributed crucially to the growth of the state apparatus and the development of an accumulating class linked to the state that has shaped the capitalist development of the country (Boone 1992, 172–177).

Until the 1980s, ICS was a parastatal in which the government of Senegal had a 53 per cent stake in shares (an investment supported by international credit). Among the shareholders were the governments of the Ivory Coast, Cameroon, and Nigeria, a fact that reflects the regional projection that ICS had when it was established. There were also private firms among the shareholders like Rhône-Poulenc (France), Southern Petrochemicals Industries Corporation (SPIC, from India) and Indian Farmers Fertilisers Cooperative (IFFCO). In fact, since the beginning of ICS, IFFCO has been almost the only client.

When the structural adjustment programs started in the early 1980s, a process of increasing privatisation began, and in 1986 a pack of shares was sold to international private investors, taking GoS’s stake from 53 to 47 per cent, thus losing the majority. In 2003 IFFCO and SPIC significantly increased their stake (a process that had started in 1988) in order to invest in doubling the capacity of the Darou Khoudoss facilities (Bermúdez-Lugo 2003, 16.3).

In 2006, ICS had serious problems and faced the possibility of bankruptcy. This was mainly due to the low international prices of phosphoric acid combined with an increase in the exchange
rate of the euro vis-à-vis the dollar (many ICS inputs are denominated in euros and ICS exports in dollars). In addition, the company experienced serious internal management problems. These developments caused a deterioration in the financial situation of the company and led the GoS to begin negotiations in December 2005 with an Indian consortium, composed of IFFCO and the Archean Group, in order to encourage them to invest in the restructuring of the company.\textsuperscript{12,13} Owing to these difficulties, the company temporarily interrupted productions (Bermúdez-Lugo 2006, 18.3).

In July 2007, an agreement between the Indian consortium and the GoS was reached to recapitalise the company (IMF 2007, 53). When the agreement was finally executed (April 2008), the consortium had invested more than US$100 million and its stake in the company went up to 85 per cent, bringing down GoS’s to 15 per cent.\textsuperscript{14}

After the 2006 crisis, production recovered and today the prospects for the company are good, boosted by a solid and growing Indian demand coupled with high international prices of rock phosphate (see Figure 5).\textsuperscript{15}

Although a modest presence in the shareholding, today IFFCO leads ICS. The management of ICS depends on IFFCO, and at the same time IFFCO is the main client of ICS. IFFCO is the world’s largest fertiliser cooperative federation, whose main activity is to manufacture fertilisers in their five plants in India, and distribute these fertilisers among 55 million farmers in the country.\textsuperscript{16} It is estimated that 58 per cent of the phosphoric acid IFFCO needs comes from Senegal, which means 30 per cent of Indian agricultural needs (Hazard et al. 2009). Certainly, Senegalese phosphates are key to explaining the consolidation of the Green Revolution achievements in India.

The entry of IFFCO in ICS, both world-class companies, constitutes a strategic drive of a TNC pursuing vertical integration in a foreign country. Apparently, this venture goes a step beyond the classical securitisation of raw materials supply because it involves investment and securitisation of the supply of an intermediate output, as 85 per cent of the phosphoric acid production is intended to go to India under the current agreement. This requires a first-stage industrial manipulation as explained in the introduction that leaves some added-value in the country and contributes to the creation of some forward and backward linkages, like the railway and the port. Moreover, the phosphoric acid left in the country (15%) is intended for use in manufacturing fertilisers in the Mbao facilities, thus contributing to an increase in the agricultural productivity of Senegal and the region.

However, the production of fertilisers in Mbao is very weak. The 2008 investment deal did not include the fertiliser factory, as the Indian consortium showed no interest in reinforcing the local production of fertilisers. In fact, between 2009 and 2011 the actual production of fertilisers covered on average only 41 per cent of the budgeted production. Nowadays, the Mbao factory suffers from serious managerial dysfunctions and ICS wishes to transfer the property to the GoS, which is looking for a technical partner to take on the factory. This is certainly a backlash to the prospects of ICS to become a strategic fertiliser supplier for Senegal and the region, and shows that it is not the interest of the Indian investors to develop linkages with the rest of the economy out of this investment project.

As we can see in the case considered, although these investments mean a source of employment and economic activity for the country, they somehow reinforce the classical investment pattern oriented to secure raw materials with limited linkages with the rest of the economy. Although there existed some policy intervention, the Indo-Senegalese cooperation framework does not make a significant difference in terms of linking private investments with developmental outcomes.

\textit{Tata in Senegal: market penetration supported by World Bank and Indian aid}

The Indian holding Tata has established a branch in Senegal, devoted to selling motor vehicles manufactured in India.\textsuperscript{17} However, in the past the company tried to set up a factory to manufacture
vehicles in the country and sell them in the region. The engagement of Tata in the country began in the early 1990s, when the Dakar public authorities, including the central government, launched a public transport bus renewal scheme with public funding, in which Tata participated as a supplier. The initiative, set in the broader framework of the Programme d’Amélioration de la Mobilité Urbaine (PAMU) was finally set up as a co-financing scheme, in which the private bus operators would pay 25 per cent of the cost of the new bus, and the rest would be paid by the GoS through a World Bank credit. It is claimed to have been the first ever program of its kind in SSA. In September 2003, an international public tender for 505 urban buses to substitute a share of the 2,500–3,000 “car rapides” circulating around Dakar was launched. The contract was awarded to Tata International in January 2004 in a bid that totalled around US$19 million (Kumar and Diou 2010).

In order to stimulate industrial value creation and backward linkages, another condition of the scheme was that the buses had to be assembled, at least partially, in Senegal. For this purpose the company Senbus was created ad hoc, and based in Thiès. The local investors group Société d’Intervention Financière SA (SIFI) holds 93 per cent of the shares of Senbus, while the GoS owns the remaining 7 per cent. To set up the assembly line of Tata buses in Senbus, the agreement included the detachment of 30 Tata specialists to train Senegalese workers. The project created some 250 direct jobs. Some supplies were contracted to the workshops of SNCS, and it is estimated that 30 per cent of the value of the buses was added in Senbus.

In May 2004, Senbus delivered the first 105 buses to the private transport operators who joined the scheme. The remaining units were delivered progressively until 2008. Today, 505 Tata “car rapides” are circulating around Dakar. This entry strategy in the Senegalese and regional markets was reinforced in 2007 with another Exim Bank LOC granted to the GoS within the PAMU framework worth US$17.87 million to import 350 urban buses, a deal executed the same year. Finally, in 2011 another contract was awarded to Tata to supply 300 bus kits to be assembled at Senbus, again in the framework of the renewal buses program. This last project started to be executed in May 2012.

Although in Senbus there has been some technological transfer, the extent of this transfer has been limited (Hazard et al. 2009, 1569). Today, Senbus is not a real integrated bus factory, but rather a limited assembly line with modest linkages with the rest of the economy. The reason is that the demand for this kind of vehicles is weak and strongly dependent on international cooperation programs. It happens not only in Senegal, but as well at the regional level. Thus, the prospects of establishing an industry devoted to bus building are weak, and so are the industrial and technological linkages that this industry could develop.

Indian aid programs in Senegal
ITEC offers scholarships for Senegalese students to study in India. It has been a usual policy in SSC programs since earlier times. The reason is because it doesn’t involve large amounts of money as other projects like infrastructure construction do, and it creates long-lasting links between professionals in strategic areas like engineering in donor and recipient countries. In the academic year 2010–2011, 15 slots were available and they were all utilised. In accordance with the agreements reached in the 2nd India–Africa Forum Summit (May 2011), the number of slots available for Senegalese students has risen to 45. Previously, following a G-15 meeting in 1997, the Indian government commissioned ITEC to set up centres for vocational training in different African countries. The outcome for Senegal was the Centre d’Entrepreneuriat et de Développement Technique (CEDT), known as the G-15, inaugurated in 2002 in Dakar and still in use today, but with no further Indian support.

As pointed out in earlier sections, the main instrument of Indian cooperation in Senegal is the Exim Bank, since the bulk of the projects are financed through soft loans provided by this
From 2007 up to mid-2012, eight projects have been funded by Exim Bank, totalling US$130.5 million. Interestingly, aid provided by Exim Bank is always explicitly tied. The suppliers of the projects must be companies registered in India with a 51 per cent shareholding by Indian residents. Simply put, the Exim Bank LOCs are openly an export promotion scheme.

Through these credits, several Indian companies have made inroads in the Senegalese and regional markets. For instance in the agricultural sector, we can mention the equipment manufacturers Hindustan Machine Tools International (HMTI) and Kirloskar Bros. In the framework of the Programme de Développement Agricole Sénégal-Indien (PDASI), a LOC was opened to import HMTI machinery intended for the irrigation and mechanical cultivation of 1,000 ha a year in the so-called Rice Belt, in the River Senegal region, and to increase the yields of the cotton fields in the region of Tambacounda. In the framework of the TEAM-9 program, the GoS benefited from another Exim Bank LOC worth US$15 million, which permitted the import in 2006 of 510 tractors, also from HTMI. The final users (rural cooperatives) paid 60 per cent of the value of the tractors, but the rest was subsidised.

The other Indian firm involved in the agricultural sector is Kirloskar Bros, a pump manufacturer. With the help of the Indian material and other cooperation programs from other donors, the overall production and yields of the Senegalese rice culture has certainly increased. The causality between increased production and food security is not straightforward, and further research is required to assess the impact this increased production on food security. Anyhow, since 2009, more than 30 per cent of domestic consumption has been covered by domestic production (whereas in the 2007/2008 that figure was 12.1 per cent\textsuperscript{22}) satisfying partially the objectives of the trumpeted GoS’s Grande Offensive Agricole pour la Nourriture et l’Abondance (GOANA) plan, launched in the 2008/2009 season, amidst the global food crisis, which caused food prices to skyrocket, challenging the food security of poor people in developing countries.\textsuperscript{23}

Other projects have been executed thanks to Exim Bank LOCs. For instance, there is the investment in Le Petit Train de Banlieue (PTB), a light urban train that links Dakar and Rufisque, on the outskirts of Dakar. In 2005 PTB commissioned five locomotives and 20 coaches from Rail
India Technical and Economic Services (RITES), an Indian public engineering firm founded in 1974 and based in Delhi, and strongly dependent on the Indian Railways company. Another relevant project is the setting up of cold storage facilities to support the agro industry in the country. In October 2008, Expotec International, part of the larger Lucky Group, signed a contract with the Ministry of Maritime Economy, in which 15 independent cold storage facilities for fish, fruit and vegetables would be set up all over the country. There are also projects of rural electrification, training in ICT, and medical equipment supply.

In sum, Exim Bank LOCs in Senegal are an instrument of cooperation that combines commercial objectives (promotion of Indian exports), and somehow Senegalese developmental needs of acquiring capital. However, it is not possible to perceive an integrated plan to incorporate these acquisitions of capital into a long-term development plan, either comprehensive or sectorial; it is rather an accumulation of projects driven by opportunity.

A relevant feature worth highlighting is the regional projection of Indian presence in Senegal. The private and public presence of India in Senegal has a remarkable regional projection, consistent with the traditional openness of Senegal to the region. For instance, in 2008 the fourth CII–EXIM BANK Regional Conclave on Africa Project Partnership, promoted by the influential Confederation of Indian Industry (CII), took place in Dakar, underlining the strategic interests of India in the country as a bridgehead to West Africa. Other prominent examples of this regional consideration of Senegal are the regional character of the Exim Bank branch in Dakar, and the establishment of regional headquarters by Indian private firms like Ranbaxy or Arcelor Mittal. As we have seen above, the ICS and Tata ventures in the country had a part of regional projections as well.

A particular case of the regional projection of the Indian presence in Senegal is the Pan-African e-Network, a major continental telecommunications project funded by the GoI in the framework of its commitment with NEPAD. Not surprisingly, the central operational hub is near Dakar, as the GoS has shown leadership commitment in the NEPAD since its inception. The GoI signed a partnership with the African Union in February 2009 to set up the project at a cost of around US$116 million. The project consists of establishing a telecommunications network between India and Africa. The network connects Indian universities and hospitals with a data centre in New Delhi, which is placed in the headquarters of the Indian contractor, Telecommunications Consultants India Ltd (TCIL). Then, the Dakar hub station receives the signal and broadcasts it to the RASCOM satellite to distribute it to the African network clients, and vice versa. That will make tele-education and telemedicine available on a large scale. TCIL is to hand over the network to the African Union in July 2014.

TCIL is an Indian publicly owned company, which supports the efforts of the powerful telecommunications sector in India. Thus, we can interpret the development of the Pan-African e-Network as a support from the GoI to the expansion of the Indian telecom industry in Africa (Naidu 2010, 47). The tele-education side of the network also serves the expansion of the education services of Indian universities, another powerful sector. Nevertheless, the technological transfer of the project to Senegalese or African counterparts is certainly weak, although three years have passed since the start of the project; the interest in the project shown by the Senegalese authorities is weak for the moment.

Conclusions
The current trend of relations between India and Africa shows a greater interdependence among developing countries in terms of SSC. The BRICS emergence has reinforced such links not only through increasing external trade and foreign direct investment flows contributing to the reconfiguration of the world economy in a multipolar way, but also through public cooperation
mechanisms fostering SSC. The case of India in Senegal is an example of this emerging framework of cooperation among developing countries.

Although the Indian presence in Senegal is still modest, there is a growing interest and involvement in the Senegalese economy. India’s late coming to the liberalisation process and integration in the world economy on one hand, and specific economic features of Senegal – not well endowed in raw materials – on the other hand, explain the still low profile of such relationships in economic terms. While Senegal is not a leading supplier or an emerging investment market for the Indian economy, there has been an increasing rhythm of mutual interdependence in recent years, and it is foreseeable that this growing trend will continue in the near future.

But it is beyond macroeconomic data where we can distinguish the particular form that the economic and political India–Senegal interdependence adopts. If we view relationships in terms of cooperation, which includes not only trade and investment but also technical assistance, soft loans, or preferential trade treatment, we can consider that a “new” framework of cooperation appears. In this framework the relationship between both countries develops in a different manner than in the traditional North–South cooperation pattern. What we have called “public nature” and “policy space” as featuring growing socioeconomic links between India and Senegal can be deduced from case studies of Indian involvement in the Senegalese economy. The key question that arises is to what extent the growing relations between India and Senegal constitute a “win–win” partnership. To answer this question has required analysis of the Indian presence in Senegal at both private and public levels.

The first case studied is the leading industrial company in Senegal, Industries Chimiques du Sénégal (ICS), which is owned and controlled by an Indian private consortium with a small participation by the GoS. Different phases of recapitalisation of the company have been sustained on agreement between the Indian consortium and the GoS, based on shared interests. While the Indian consortium secures the provision of a crucial input for producing fertilisers for Indian agriculture, the GoS keeps first-stage manufacturing of phosphoric acid in the country with some employment and investment linkages. The cases of HMTI, Kirloskar Bros and Tata provide other examples of reinforcing mutual links through shared interests.

It is possible to conclude that a new kind of partnership between both countries could open the door to mutual economic benefits. Anyhow, to realise this potential there is a need for a targeted policy (especially on the Senegalese side) able to redirect investments, imports, and aid to fulfill internal development goals. Today, there is not any comprehensive plan on the Senegalese side to allocate the resources coming from the Indian partnership.

The short-term perspective of such a partnership prevents elucidation of evident impacts, but present analysis allows us to foresee a new kind of cooperation and the linked potentialities in development terms. So, these case studies allow us to consider the forging of a new kind of cooperation between developing countries based on shared interests. In fact, these benefits in terms of linkages shape an emerging pattern of cooperation. Three features of this pattern can be highlighted: (1) public–private cooperation is explicit under the premise of “equal” partners; (2) cooperation policies are geared in some degree to productive capacity development, although they are not articulated in the framework of a Senegalese active industrial policy; (3) aid programs are not conditioned to macroeconomic or governance objectives.

All these factors, which underpin the new framework of SSC, can foster better outcomes for developing partners in a context of unbalanced capitalist globalisation. The case of the India–Senegal partnership shows how incipient industrial linkages and agricultural sufficiency can be a beneficial outcome of such cooperation. So, even though the contribution of the Indian presence in Senegal is still limited today in terms of productive linkages and human development, as shown in the article, the foundations and the content of this partnership permits us to foresee some scope for future developmental outcomes in Senegal.
Table 1. Indian presence in Senegal.

<table>
<thead>
<tr>
<th>Firms</th>
<th>Activity</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industries Chimiques du Sénégal</td>
<td>Phosphate rock extraction; phosphoric acid; fertilisers</td>
<td>Main industry of the country; an Indian consortium holds 8 per cent of shares</td>
</tr>
<tr>
<td>ArcelorMittal</td>
<td>Iron ore extraction</td>
<td>Project suspended</td>
</tr>
<tr>
<td>Tata Motors Senegal</td>
<td>Import and commercialisation of Tata vehicles</td>
<td>Tata participated in the establishment of Senbus and has benefited from Exim Bank LOCs and World Bank’s credits</td>
</tr>
<tr>
<td>Ajanta Pharma, Ranbaxy, National Institute of Information Technologies (NIIT), CSL</td>
<td>Commerce, formation, civil works</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Institution/instrument</th>
<th>Activity</th>
<th>Firms involved</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aid programs</td>
<td>Supply of buses and spares</td>
<td>Tata Motors</td>
<td>Upgrading of the urban buses system (Dakar Dem Dikk); amount: US$17.87 million</td>
</tr>
<tr>
<td></td>
<td>Acquisition of railway coaches and locomotives</td>
<td>Rites</td>
<td>Upgrading of the Petit Train de Banlieu; shared project with Mali, in the framework of the TEAM-9 Initiative; amount for Senegal: US$7.08 million</td>
</tr>
<tr>
<td></td>
<td>Irrigation project</td>
<td>Kirloskar Bros</td>
<td>Project under the framework of the TEAM-9 Initiative; amount: US$27 million</td>
</tr>
<tr>
<td></td>
<td>Women poverty alleviation program and acquisition of vehicles</td>
<td>HMTI and Tata Motors</td>
<td>Amount: US$11 million</td>
</tr>
<tr>
<td></td>
<td>IT training projects</td>
<td></td>
<td>Amount: US$10 million</td>
</tr>
<tr>
<td></td>
<td>Rural electrification project and fishing industry development project</td>
<td>Angelique, Expotech</td>
<td>Amount: US$25 million</td>
</tr>
<tr>
<td>ITEC (Indian Technical and Economic Cooperation)</td>
<td>Supply of medical equipment</td>
<td></td>
<td>Amount: US$4 million</td>
</tr>
<tr>
<td></td>
<td>Rural electrification project</td>
<td>Not yet awarded</td>
<td>Academic year 2010/2011: 15 slots available for Senegalese students; academic year 2011/2012: 45 slots</td>
</tr>
<tr>
<td></td>
<td>Scholarships</td>
<td></td>
<td>Amount: US$4.5 million</td>
</tr>
<tr>
<td></td>
<td>Establishment of the Centre d’Entrepreneuriat et de Développement Technique (CEDT)</td>
<td>HMTI</td>
<td></td>
</tr>
<tr>
<td>India’s Duty Free Tariff Preference Scheme for LDCs</td>
<td></td>
<td></td>
<td>Senegalese exports potentially benefited: cotton; cashew nuts; sugarcane; and ready-made garments among others.</td>
</tr>
</tbody>
</table>
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Notes
2. Among many, see Alden (2007), Bräutigam (2009), Rotberg (2008), and Guerrero and Manji (2008).
4. The dynamism of the emerging countries is reflected in the external domain of the world economy. In fact, this external growing prominence explains their raison d’etre from the perspective of the global economy dynamics (Cairó-i-Céspedes and Martínez-Peinado forthcoming).
5. In fact, the share of Asian countries of total African FDI inflows has grown from 6.7 per cent in 1995–1999 to 15.2 per cent in 2000–2008 (UNCTAD 2010, 81)
6. It is also the case of the $750 million investment of Indian oil company (OVL) in Sudan in 2002 which represented 84 per cent of total Indian foreign investment in SSA. In the case of Mauritius the portfolio nature of this investment distorts foreign investment analysis when considering country-wise destination. It is due to the fact that Indian data on approvals of foreign investment by destination country are aggregated foreign direct investment and portfolio investment under the aggregated category of “foreign investment”.
7. As for traditional aid partners, France remains the largest donor in terms of allocated money, being Canada the fourth among bilaterals (OECD data, see http://www.oecd.org/dac/stats/SEN.gif, accessed April, 17 2013). For Canada, Senegal is one of the seven African “countries of focus” defined by Canadian International Development Agency (see http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CiDA.nsf/eng/JUD-51895926-JEP, accessed April 17, 2013).
8. For a more comprehensive view of the economic exchanges and cooperation frameworks existing in Senegal with emerging countries, see Colom-Jaén (2013).
9. Data contained in this section regarding ICS were provided by the company unless otherwise stated.
10. In 1996, the SICS absorbed CSPT, creating the currently existing Groupe ICS.
11. To get a general view of the process of adjustment in the whole industrial sector in Senegal, see Guèye (1997) and Boone (1991).
12. The GoS also had to bailout ICS in February 2006, as a payment default would put the entire financial system of the country at risk, since the majority of the creditors were Senegalese banks (African Development Bank and OECD 2006, 450).
13. Archean Group is a holding of Indian companies based in Chennai (Tamil Naidu state), and focused on chemical industry.

14. This 85 per cent is divided into 18.54 per cent for IFFCO’s own resources, 66 per cent for the Archean Group, which participates in the consortium through Senfer Africa Ltd, and 0.46 per cent for the Indian government.

15. In the international markets, the price of phosphate rock has multiplied six-fold between the end of 2007 and mid-2008, reaching almost US$300 per tonne. Between February 2011 and June 2013, the price seems to have stabilised in the range from 165 to 202.50 dollars per tonne (data from the “Pink Sheet”, World Bank Commodity Price Data).

16. IFFCO started its activities in 1967 with the aim to produce fertilisers to fill the gap observed in the country between supply and demand of fertilisers. Nowadays, IFFCO is registered as a multistate cooperative society, with its headquarters in New Delhi, and has around 40,000 member cooperatives all over the country. IFFCO has been ranked number 37 by Fortune magazine in the India 500 List corresponding to 2011, which portrays the biggest companies in India (see http://www.iffco.nic.in, accessed April 19, 2013).

17. Formally established as Tata Africa (Senegal) SARL, this branch depends on Tata Africa Holdings, based in Johannesburg. At the same time Tata Africa Holdings is a branch of Tata International (see http://www.tatainternational.com, accessed April 25, 2013).

18. SIFI is mainly owned by Senegalese cadres from SOCOCIM Industries, the biggest cement manufacturer in West Africa. SIFI also owns the local popular oil stations network Elton.

19. The regional projection of Senbus is displayed by the fact that at the inauguration of the factory in September 2003, the president of the country, Abdoulaye Wade, was present, and some other high representatives of neighbouring countries, like Presidents Ould Taya (Mauritania), Compaoré (Burkina Faso), Pires (Cape Verde), and even El Bechir (Sudan). Wade underlined in his speech that Senbus “must be a regional enterprise oriented to the entire ECOWAS” (Afrik.com 2003). In fact, these buses were called “les bus de l’intégration” by local media (Amath2004).

20. As a follow-up of the renewal program, another contract was awarded to the Chinese company, King Long, with funding from China Eximbank in September 2009. Senbus set up a separate factory in Thiès for assembling these 406 King Long buses.

21. As a HIPC country, Senegal is eligible for Exim Bank loans with an annual interest rate of 1.75 per cent, refundable in 20 years with a five-year grace period included.


24. CII promotes, since 2005, an annual conclave that gathers the key actors, public and private, of the Indian presence in SSA. With the support of the Exim Bank and the GoI, there is an annual meeting in New Delhi, called CII–EXIM BANK Conclave on Africa Project Partnership. Besides these continental meetings there are regional conclaves. Between 2005 and 2011 there have been 13.

25. The Pan-African e-network takes advantage of a system of submarine fibre cables already working. This system splits in two tranches. The first one, called SAFE (South Africa–Far East), goes from Kochi (Kerala, Southern India) to Melkbosstrand in South Africa, near Cape Town. The main stakeholders of SAFE include Tata Communications, AT&T (US), Telkom (South Africa). The second tranche of the system links Melkbosstrand and Sesimbra (Portugal), all along the West African Coast, which lands in several coastal countries, including Senegal. RASCOM stands for Regional African Satellite Communication Organisation, and is a pan-African intergovernmental organisation. RASCOM was established in 1992 with the mission to establish and exploit a pan-African satellite communications system, overcoming the dependence on the Western communications infrastructure.

26. Actually, the pilot project was set up in Ethiopia and consisted in 26 students successfully completing an MBA program at the Indira Ghandi National Open University (IGNOU) in New Delhi. Significantly, the educational programs offered by the Indian universities are mainly focused in the area of business administration and ICT.

References


