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CHINESE AND INDIAN FOOTPRINTS IN AFRICA, 2000-2013

Hema Narang
Institutional Affiliation: Chinese Division, Centre for East Asian Studies, Jawaharlal Nehru University, New Delhi, India

ABSTRACT

The recent emergence of China and India as two giant economies in Asia has led to the restructuring of the global order in the 21st century. Adjusting their foreign policies to suit their economic objectives, they have forged greater ties and closer economic partnerships with the developing countries cutting across continents Asia, Latin America and Africa. The African continent with the largest number of developing countries has recently come to occupy a key place in the economic transformation of China and India.

China and India are not new actors on the continent but in the recent years, their engagements have increased at an astonishing rate. China overtook United States as the largest trading partner in 2009. China has also invested in diverse sectors of African economy such as mining, energy, agriculture and infrastructure-related projects. On the other hand, India's presence may still be marginal but has been making significant advances towards increasing its footprint in Africa. India's trade with Africa is increasing at a rate of 32% between 2005 and 2011 and targets to reach $90billion by 2015. India also supports human resources development, market access and food security in Africa, which differentiates India from other players including China in the region. While the driving factors for both the countries are similar, the strategies and techniques employed to achieve their objectives are different.

The paper seeks to explore the rise of China and India in Africa. A comparative analysis of the two Asian countries in Africa will help to better understand the 'strategic advantages' of one over the other. The paper will seek to examine their political and economic footprints in the continent over the past one decade and thus answer questions relating to the nature, similarities and differences of Chinese and Indian engagements in Africa.

Keywords: *China-Africa, India-Africa, China-India*

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The accelerated growth of China and India has made them increasingly important players in the global economy. The share of trade in GDP almost doubled for India between 1990 and 2003 and increased by more than two-thirds for China (Jenkins and Edwards, 2005). This rapid economic rise has paved way for a new balance of power in the world economy. Increasing levels of trade, particularly exports have created a huge demand for new markets, new allies and new resource suppliers. This rise of China and India has coincided with the neo-liberal reforms imposed upon Africa through the IMF and World Bank during the 1980s and early 1990s. These reforms made Africa more open for foreign investment and was ideal for countries like China and India to participate in the development process of African countries. It is in this context that China and India ventured in Africa.

India and China both have distinct historical relations with Africa. Civilizational contacts, friendship and cooperation frame the historical context between these countries. The famous explorer Ibn Battuta travelled through China during the period of Yuan dynasty. Reciprocal relations between China and Africa developed late in the Ming dynasty, during which time Zheng He led seven maritime expeditions to east Africa and visited Mogadishu, Brava, Juba and Malindi. Mogadishu, Brava, Malin and Misr also sent ambassadors to China during this time. The famous Zheng He voyages (1405-1433) are frequently brought up to highlight the unique approach of China of seeking trade and recognition, compared to European 'exploration and conquest' strategy in Africa (Alden & Large, 2008).

China, India and Africa share similarities with regard to their historical background, as all have experienced a common colonial past and have struggled to achieve independence. What can be clearly delineated from the historical relationship of China and India with Africa is the importance of ideology as the driving factor in the early years. This was quite evident in the Bandung Conference in 1955 which brought together 29 countries from Asia and Africa, thus becoming a major watershed in the international relations of China, India and Africa. These Asian and African countries adopted the Five Principles of 'Peaceful Co-existence' - mutual respect for sovereignty and territorial integrity; mutual non-aggression; non-interference in each other's internal affairs; equality and mutual benefit; and peaceful coexistence which were mainly formulated by India and China. China and India were also at the fore-front of other non-aligned formations such as the Non-Aligned Movement (1961) and the Group of 77 in 1964 (McCarthy, 2011).

The use of history is another distinguishing feature of Sino-Africa relations (Alden & Large, 2006). The historical context of the relationship is emphasized in official documents, speeches and at different forums in the international arena. For instance at FOCAC meetings, historical principles are brought up quite often to emphasize the commonalities between the two regions.

In case of India too, the historical principles have been referred to at different forums, for example at the India-Africa forum, Dr. Manmohan Singh made a speech in Nigeria that highlighted those principles:

"The seas and oceans had never been a barrier to India's old age exchanges with Africa... ; Africa has always been a part of the Indian consciousness. It was on African soil that Mahatma Gandhi developed his unique philosophy of non violent struggle." (Manmohan Singh, 2007)

The historical context is thus used to consolidate the contemporary relations with Africa, and the present relationship is about trying to rejuvenate and reinvent the old relationship (Naidu, 2010).

From ideology being the main driving factor for the foreign policies of China and India vis-à-vis Africa in the early years, the interactions later shifted to being pragmatic and economic in nature. As Li Anshan (2006) argues for China, "the interaction between diplomacy and economy was reversed, e.g., the notion that economy should serve diplomacy was changed to that of diplomacy serving economy." The same holds true for India with the liberalization programme in the 1990s.

Chinese and Indian Interests in Africa

Chris Alden (2007) points out four factors drive China's contemporary interests towards Africa: resource security, need for new markets and investment opportunities, symbolic diplomacy and forging strategic partnerships. In addition, he points out that there has been one element in China's foreign policy which has continued to be the driving factor irrespective of the shift in foreign policy after 1990s. This factor is 'One China Policy' that aims to isolate Taiwan diplomatically.

China has only a small percentage of the world's known oil reserves and it is one of the fastest growing economies of the world. To fuel its ever growing economy and to meet the demand of its surging domestic energy needs, China has to look abroad for a steady supply of energy resources, minerals and other natural resources. China was a net exporter of oil until the early 1990s, and in 2005, China imported 3,348 thousand barrels of oil per day. Most of these imports come from African nations including Sudan, Chad, Libya, Nigeria, Algeria, Gabon and Angola. Estimates suggest that 28 percent of China's total oil imports come from Sub Saharan Africa (Beri, 2007). As per the US Energy Information Administration, China accounted for 40 percent of total growth in global demand for oil in the recent years, and surpassed Japan as the world's second largest consumer of oil after the United States. China's energy consumption is predicted to rise by 153% between 2002 and 2025 (Klare and Volman, 2006) and there are further predictions that it will surpass United States as the world's largest consumer of oil within the next 10 years (Pehnelt and Abel, 2007).

Beyond energy, China is also looking at Africa as a source of other minerals like copper, steel, timber and cotton. China is the world's largest copper consumer, and in 2005, China consumed roughly one-third of the total global output of steel, 40 percent of cement, 26 percent of copper in a decade. China also imports timber, a resource highly important for economic growth from countries such as Cameroon, Equatorial Guinea, Gabon and Liberia. For resources such as cotton, China has turned to African countries like Benin, Togo, Mali, Cameroon and Burkina Faso.

Food security is another important concern considering the increasing population in China. The rapid pace of industrialization has also resulted in the loss of agricultural land which has forced China to import foodstuffs. To solve the issue, China has invested in agriculture and fisheries in Africa. For instance, Chinese investors have set up joint ventures in fish processing with Sierra Leone, Gabon and Namibia and have also leased agricultural land in Zambia, Tanzania and Zimbabwe (Beri, 2007:302).

Secondly, China's interests in Africa are also driven by the desire to find new markets and investment opportunities. Africa is extremely important to the hunt for new markets as it provides the market for Chinese manufactured products at low prices. The low value consumer products like apparel, household appliances and other domestic products are compatible with the demands of the African markets. China using the preferential trade agreements like the United States African Growth and Opportunity Act of 2000 and European Union's Cotonou agreement (2000), has established joint ventures in Africa, in the textiles and agro-based industries.

Thirdly, the one China policy also plays an important role in China-Africa relations. In the present times it may not hold much importance as only four countries recognize Taiwan. It is a "core interest" for Chinese leadership and the main aim of China has been to counter Taiwan's diplomatic activities in the African region. This was evident when the eight African countries that recognize Taiwan were invited for the second ministerial conference of the China-Africa Cooperation forum. Critically important for Beijing's multilateral diplomacy, these votes can block resolutions at UN Human rights council and also help secure China's interests at WTO and other multilateral venues (Alden, 2006).

China's diplomatic support to African states in international organisations like United Nations is much contested. China has supported resolutions protecting Africa's domestic interests, be it securing aid for Liberia or softening resolutions related to the crisis in Sudan (Eisenmann, 2007). Conversely, the political support of African states, which comprise of over one-quarter of UN's members, is extremely important for China. The vote of African countries proved to be significant for China in securing a seat in United Nations in 1971. Though these countries do not vote as a block in forums, 'there tends to be considerable cohesion' among their voting patterns (Shinn, 2011). The African countries also support China when it comes under criticism for issues related to human rights.

While there has been a common argument by the Western media attributing the renewal of Sino-African relations to China's quest for resources and energy supplies to feed its growing economy, He Wenping (2007), a Chinese scholar debunks this argument pointing that the expansion of Sino-African relations in the recent years is not mainly driven by the demand for resources. For Wenping, in addition to the aim of diplomatic isolation of Taiwan and sustaining its economic development, China's policies towards Africa are motivated by "its long-term strategic interests and the rise of international status."

Similar to that of China, India also looks at Africa to secure its energy sources. Since the 1970s India has not made any significant oil discoveries on its shores. It is currently the fifth largest consumer of energy and future projections are that India's economy will grow at an average rate of 5 percent over the next 25 years. Predictions indicate that by 2030, India will become the world's third largest consumer of energy (Madan, 2006). With rapid development, energy consumption levels rising and petroleum reserves being stagnant at less than 0.5 of the world's total, India needs to secure access to reliable supplies. Energy Security thus remains at the top of India foreign policy agenda and Africa seemingly the 'last oil frontier', the competition between India, China and other emerging economies has heightened (Cheru and Obi, 2011).

Apart from oil, private Indian companies have made investments in iron, copper and steel refineries. Thus, Africa is important to India in her quest for natural resources, strategic minerals imperative to fuel its growing domestic economy. Second, Africa is crucial to India as a market for Indian goods and services which can be seen in the burgeoning trade levels between Indian and Africa. India needs Africa support for an enhanced role in the reformed UN Security Council. The African Union supports India's candidacy for the permanent seat in Security Council. Africa is extremely important in this context, as without the African support, it is inconceivable that any proposal or reform could succeed in the General Assembly. Therefore, Africa holds the key to further progress on the UNSC reforms debate.

Mapping Political Ties

China has established diplomatic ties with fifty African countries and has embassies in forty-nine of them (Shinn, 2011). Comparatively, India has diplomatic missions in 25 out of 47 Sub-Saharan countries and plans to add others in Niger and Gabon (Vines, 2010). Of all the fifty African countries that have diplomatic ties with China, all have an embassy in Beijing except for the Comoro islands and South Sudan (Shinn, 2011).

One of the most important aspects of China's Africa policy is the maintenance of the high-level visits. Since 1990s, the increased numbers of high-level visits indicate the importance of the African continent in China's foreign policy. In the 1990s, Chinese visitors to Africa included former presidents Yang Shangkun in 1992 and Jiang Zemin in 1995, 1996 and 2000 (Muekalia, 2004).

China has continued to attach special importance to the role of high level visits in its relation with Africa. Hu Jintao visited Africa nearly six times, two as Vice president and four as President, visiting different countries in Africa (Shinn, 2011). Former Premier Wen Jiabao also had been a regular visitor to the continent. The first overseas visit of every Chinese foreign minister since 1990 has always been to an African country which in itself shows the importance attached to the relationship (Wenran Jiang, 2007). The senior Communist Party of China (CPC) officials also make frequent trips to Africa. Between 2002 and 2005, CPC officials made around sixty-four visits to Africa. There exists a strong relationship between the CPC and the African ruling parties (Li Anshan, 2007). In the same time span, fifteen African presidents, three vice Presidents, six Prime Ministers, ten Parliamentary Speakers and fourteen Foreign Ministers visited China (Raine, 2009:31).

The year 2006 has been called as the ‘Year of Africa’ and 48 delegations of political and business leaders visited Africa. Chinese officials’ visits have covered almost every geographic region of Africa. Former Foreign Minister Li Zhaoxing started the year 2006 visiting Cape Verde, Liberia, Mali, Senegal, Nigeria and Libya. In 2006 and 2007, Hu Jintao visited 17 African states, which is very rare and more than any other state head (Raine, 2009:31). Former Premier Wen Jiabao in 2006 toured different states in Africa: Egypt, Ghana, the Democratic Republic of Congo, Angola, South Africa, Tanzania and Uganda. He signed 11 bilateral trade and cooperation deals in Egypt, six deals in Ghana related to telecommunications, seven in the Republic of Congo relating to natural resource extraction and further accords were signed with Tanzania and Uganda (Raine, 2009:32). The high level visits thus served not only a political purpose but also commercial purposes.

In 2010, during his tour to Africa, President Hu Jintao visited Seychelles which alarmed the Indian officials over China’s ambitions to increase its influence in the Indian Ocean (Mawdsley, 2011). The Indian Ocean carries great significance for India through which most of India’s trade and oil is shipped. The next visit by Hu Jinato in 2009 also ended with his visit to another island in the Indian Ocean, Mauritius. Both the islands maintain close ties with India, therefore, Chinese influence is clearly not in India's interest (Singh, 2011). With the increased activity of China in the region, the then External Affairs Minister Pranab Mukherjee indicated concern and warned the Chinese by saying that "we have a strong stake in the security and stability of these waters, which is linked to energy security, since a large percentage of Asian oil and gas are shipped to the Indian Ocean" (Cited in Mawdsley and McCann, 2011:191). India also has defence cooperation mechanisms in place with the islands through a memorandum of understanding signed when the then Vice President Bhairon Singh Shekhawat visited Seychelles in 2003 (Mawdsley, 2011:191). In 1981, Prime Minister Indira Gandhi visited Seychelles and in 2010, Seychelles President James Alix Michel visited India where India pledged financial assistance and provided one Dornier and two Chetak helicopters for maritime surveillance to the islands.

In contrast to this, about India-Africa, Peter Pham (2007) writes: "Unlike their Chinese counterparts who have made travels through Africa an almost seasonal ritual, however, Indian leaders have been strangely reluctant to visit the continent despite its growing importance." Emphasizing his argument, he gives the example of Nigeria, India's second largest source of oil. Before Prime Minister Manmohan Singh's visit to Nigeria in 2007, an Indian head of government visited was in 1962. But the trend, he believes, seems to be changing.

There have been frequent high level visits between India and Africa. In 2007, former external affairs minister Pranab Mukherjee visited Ethiopia to meet the then African Union Commission Chairperson Alpha Oumar Konaré and also signed bilateral economic and political agreements in Ethiopia. Apart from countries like Nigeria, Ethiopia, Zimbabwe which are strategically important for India, Angola has also become a significant country for India. A visit to Angola was made by the then Prime Minister Rajiv Gandhi in 1986, but Vines points out that that energy relations were highlighted during the G8 meeting in 2009 when the Indian Prime Minister Manmohan Singh met Angolan President José Eduardo Dos Santos.

Both China and India are trying to expand relations with Africa through various bilateral and multilateral forums such as the Asia-Africa Summit, the Forum on China-Africa Cooperation (FOCAC), the China-Africa Business Council (CABC), the India-Africa Forum Summit (IAFS), the India-Africa Project Partnership and the India-Brazil-South Africa (IBSA) Dialogue Forum (Cheru and Obi, 2011).

In 2000, China established FOCAC as the mechanism to facilitate cooperation between China and African countries on various aspects of politics, society, economy and culture (Anshan et al, 2012). The forum has, on one hand, served as a platform for collective consultation and dialogue and on the other, promotes political dialogue and economic cooperation among the African countries. From the time of its establishment, FOCAC has held five ministerial meetings and one summit in 2006 at the level of heads of state and government and "has arguably provided the political umbrella for the boom in bilateral relations"[1]. The third FOCAC summit, celebrating 60 years of diplomatic relations between China and Africa, was a landmark event as it was attended by more than forty-five African heads of states and since then, the trade between the two has grown multifold. In 2006, China released its first White Paper on Africa, proclaiming its commitment to a "new strategic partnership" with Africa on the basis of five principles: peaceful coexistence, respect for African countries' independent choice of development path, mutual benefit and reciprocity, interaction based on equality and consultation and cooperation in global affairs.

The 3rd and 4th Ministerial Conference announced eight measures for promoting Sino-Africa relations, several of which provide support for 'hard' infrastructure activities in Africa, like roads, studios and conference centres. However, the 5th Ministerial Conference witnessed a shift in terms of attaching more importance to 'soft' assistance like education, people-to-people exchange and joint research[2]. As Chun points out, this shift is to further enhance the 'Sino-African emotional intimacy' to address some of the criticisms levied against China as a 'resource-grabber' in Africa.

Eight years after the establishment of FOCAC, in 2008, India established India Africa Forum Summit (IAFS) on similar lines. The IAFS, as Alex Vines puts it, is a modest effort to demonstrate India's commitment to Africa. Similar to FOCAC, IAFS also emphasized a new

[1] Chun, Zhang. "The Sino-Africa Relationship: Towards a New Strategic Partnership" LSE. http://www.lse.ac.uk/ideas/publications/reports/pdf/sr016/sr-016-chun.pdf
[2] Chun, Zhang. "The Sino-Africa Relationship: Towards a New Strategic Partnership" LSE. http://www.lse.ac.uk/ideas/publications/reports/pdf/sr016/sr-016-chun.pdf

partnership based on equality, mutual respect and understanding between both sides. The first meeting was attended by 14 African heads of state and the heads of all eight regional groupings, compared to the third FOCAC meeting which was attended by 48 heads of state. The meeting was attended by the presidents of South Africa, Uganda, Tanzania, Ghana, Senegal and the DRC; the vice-presidents of Nigeria and Zambia; the prime ministers of Burkina Faso and Ethiopia; ministers and special representatives from Algeria, Egypt, Kenya and Libya; and the chairperson of the African Union (AU) Commission.

During the first summit, the deliberations led to the adoption of the Delhi Declaration and the Africa-India Framework for Cooperation. It seeks greater collaboration in areas of human resources, science and technology, industrial growth, including in small and medium-sized enterprises (SMEs) and minerals; the health sector; information and communication technology; and security.

The second summit, themed as “Enhanced Partnership-Shared Vision” was held at Addis Adaba, Ethiopia in 2011, with the aim of further reinvigorating the India-Africa relationship. Accompanied by a series of other business, academic and cultural activities, the summit emphasized upon the cooperation between India and Africa in these fields (Matthews, 2011). With the participation of the fifteen African countries and the AU Commission, the summit culminated in the adoption of two documents- the Addis Adaba Declaration and the Framework of Enhanced Cooperation between India and Africa. The then Prime Minister Manmohan Singh, while summarizing the New Delhi’s initiative to set up over 80 capacity-building institutions and additional scholarships for Africa students, delineated four main areas of Indian support: infrastructure development, regional integration, capacity building and human resource development (Chand, 2011; Matthews, 2011). Broadening the areas of engagement, the institutions would encompass a huge range of fields such as agriculture and food processing, rural development, information technology, English language centres, vocational training and entrepreneurial development institutes (Chand, 2011). Additional to this, an important initiative taken by India is the announcement of $300 million for the development of a new Ethiopia-Djibouti railway line. On the economic front, deeper economic engagement was sought through initiatives such as the Duty Free Tariff Preference Scheme of India, formation an India-Africa Business Council, cluster development, and the identification of priority sectors of partnership.

The annual India-Africa conclaves also serve as a suitable platform for "businesses and government enterprises to find a credible access point for appropriate technologies and partners" (CII/WTO, 2013). Till date, ten such conclaves have been organized, the tenth conclave was held in 2014. These conclaves have enhanced the economic engagements between the two and as Mr Anand Sharma, the then Minister of Commerce, Industry and Textiles stated "the annual conclave has opened up innumerable cross-border business opportunities. The presence of high level delegations was proof enough, of the importance that Africa has attached to the Conclave." (CII, 2014)

While mapping political and diplomatic relations of China and India with Africa, China has pursued a more proactive and dynamic foreign policy towards African counterparts. With India's rising economic clout, there is a lot of scope for deepening the substance of political relations between India and Africa. The existing mechanisms like the IAFS have not yielded expected outcomes with concrete relevance for both India and Africa. For instance, with the ambitious plan of establishing over 100 institutes in Africa, only a few of these institutes have been operational such as the Kofi Annan Centre for Excellence at Ghana in the field of ITC. India faces enormous challenges in this area, as AU and RECs have failed to nominate hosts and hosts have further been unable to decide the location or nominate an implementation agency.

On the other hand, China's diplomatic engagements with Africa do not go uncontested. There were widespread concerns in the international community about China supplying arms and weapons to the regime in Sudan at the time of civil war that led to genocide. Sudan has been a notorious example for human rights abuses and bad governance while maintaining close ties with China. There has not been any evidence supporting China's arms transfer to Sudan. China, upholding the principle of non-interference, continued to offer humanitarian assistance to Sudan while underlining the need for a political solution. In UN, it abstained in the vote to impose sanctions on Sudan and later threatened to use veto power if an attempt was made to impose an oil embargo on Sudan (Shichor, 2005). Reports by international civil society groups showed that the oil revenues were used by the Sudanese government for buying arms and ammunition which led to gross human rights violations in the country.

Sanusha Naidu points out in that article "…China has to battle with criticism leveled against its policy of non-interference and respect for sovereignty when it comes to its commercial interests vis-à-vis human rights issues and relations with less than democratic governments in the continent (i.e. Sudan), such denigration is less muted in the Indian context." Being a democratic country, India is seen in a "less confrontational" manner (Naidu, 2010:48). India, compared to China, can take the moral high ground in supporting issues related to governance and pushing forward the democratic agenda in Africa (Naidu, 2010).

Economic Dynamism

China has been the largest trading partner of Africa since 2009. As per the *White Paper* (2013) released by the Chinese government, the total volume of China-Africa trade reached US$198.49 billion in 2012. China and Africa share long economic ties over the years. In 1950, China-Africa trade was a mere $12.1million and exceeded $1 billion only in the 1980s[3]. With the establishment of the Forum on China-Africa Cooperation, a new era started in the China-Africa economic relationship. Since then, there has been a huge boom in the China-Africa trade. The bilateral trade figures reached $7.3billion in 2000, further increasing to $55.5billion in 2006 when the third FOCAC meeting was held. Overall, trade between the two increased by 681% during 2001-2007, in a span of only six years (Rich and Recker, 2013:66). In the background of the recent financial crisis, the trade volumes slipped to $91.1billion in 2009 whereas in 2010, the trade levels reached a new high of $126.9billion. China's trade with Africa in 1995 was only 1% of China's total trade, while in 2003 it rose to 3% and has ranged between 3-5% over the last seven years (TRALAC, 2013).

On the other hand, India is the fourth largest trading partner after China, European Union and United States. The bilateral trade reached $63billion in 2011 and is targeted to reach $90billion

[3] Special report, "China-Africa trade: Setting the scene for the future" Standard Chartered Research, April 2011.

by 2015. Presently, India accounts for 5.8% of Africa's trade[4]. Though the trade levels are still modest compared to the Africa's traditional partners, but the pace of growth over the past decade is rivaled only by China-Africa trade.

As per the WTO figures, African imports from India grew at a rate of 23.1% annually between 2005 and 2011 compared to 25.6% from China. The overall trade between India and Africa grew at 32.4% during the same timeframe, higher than China-Africa trade growth at 27%. However, looking at the total value of trade, the India-Africa trade ($63 billion in 2011) is only 38% of the China-Africa trade ($166 billion in 2011) (CII/WTO, 2013:64).

Chinese and Indian foreign direct investment has also been accelerating on the African continent in the past decade, though modest compared to the increase in trade levels. China's FDI (Foreign Direct Investment) to Africa comprised of only 0.2% and 5.9% of China's total outward flows in 1991 and 2007 respectively (Kaplinsky and Morris, 2009). The FDI levels increased by almost 46% over the last decade but since 2009, as per the official figures, the levels have gone down. According to the *White Paper* (2013) released by the government, China's direct investment in Africa in 2009 was $1.44 billion and increased to $2.52billion in 2012, registering an annual growth of 20.5%. China's total outward foreign direct investment increased from US$55.9 billion in 2008 to US$56.5 billion in 2009 (Edigner et al, 2011:503).

In case of China, the FDI is interlinked with the trade and development assistance programmes in Africa (Kaplinsky et al, 2009:13). Similar to the trade, the FDI from China is also concentrated in the mineral and oil rich countries such as Nigeria, Sudan and Zambia. Apart from oil, many other sectors have seen an upsurge in the FDI flows in the recent years, which include apparel, agro processing, power generation, tourism and telecommunications.

Over 2000 Chinese enterprises are investing in the African regions (*White Paper*, 2012) compared to around 800 companies conducting business in Africa in 2007. While the dominant view prevails that China invests primarily in the natural resources, the business interests are

[4] Special Report, "China-Africa Trade: Setting the Scene for the Future" Standard Chartered Research, April 2011.

diverse. The companies are gradually diversifying into other areas like real estate, finance, constructing roads, industrial manufacturing and commercial logistics.

On the other hand, Indian investments in Africa have witnessed an upward trend in the recent years and have grown across countries and sectors. The Indian multinationals are present in various sectors such as energy, mining, telecommunications and IT services whereas in countries like South Africa, it extends to sectors like infrastructure development, breweries, financial and insurance services (CII/WTO, 2013). India's FDI flow to Africa has increased from $37.8million to $2.56billion during 1996-2008, reflecting a 19.9% growth per annum (Paul, 2012). Like China, the Indian investments are also concentrated in oil, gas and mining sectors.

The main difference between the Indian and Chinese model of engagement in the investment sector lies in the role played by the state sector. The Chinese investment in Africa is driven mainly by the state-owned enterprises which reduces red-tape and makes procedures easier. In the Indian scenario, the investments are mainly driven by the private sector with lesser financial and political backing from the state (Cheru and Obi, 2010:3). This is not to say that the Indian state owned firms are not active in Africa. Some prominent state owned enterprises include Telecommunications Consultants India Ltd (TCIL), Indian Telecom Industries (ITI) Ltd, Rail India Technical and Economic Services (RITES), Konkan Railways, IRCON International Ltd, Oil and Natural Gas Corporation (ONGC) Videsh Ltd (OVL), Bharat Heavy Electrical Ltd (BHEL) and others.

The Indian private sector has been active on the African continent since 2004 and the investments have been mainly through Greenfield investments (GIs) and joint ventures (JVs). Companies like Kirloskar Brothers Ltd (KBL), the TATA group, Mahindra and Mahindra (M&M), Larsen and Tourbo (L&T), National Information Informatics Technology (NIIT), Angelique International, Overseas Infrastructure Alliance (India) Pvt. Ltd. (OIA), Kalpataru Power, Mohan Exports, Jaguar industries, Shapoorji Pallonji and others have a long presence on the African continent. While some of the recent ones like Fortis, Escorts and Apollo have made entries in the health sector (Modi, 2010:121).

The investments strategies employed by China and India are divergent in nature. Compared to India, Chinese firms are much larger in size and are mainly medium to large state-owned or state-operated businesses. Accordingly:

> *"The average Chinese firm in Africa tends to enter new markets by building de novo facilities, is highly vertically integrated (buying large portions of inputs or selling large portions of outputs internally through corporate affiliates), sources a significant fraction of inputs from China (rather than in local markets), rarely encourages the integration of its management and workers into the African socio-economic fabric, conducts the vast majority of its sales in Africa with government entities and, as it knows that it can avail itself of its home government's deep pockets, is influenced by its ability to out-compete other bidders for African government procurement contracts."*[5]

On the other hand, Indian firms present in Africa are either private firms or are public-private partnerships and most of them acquire established businesses, or are 'brownfield investments' (CII/WTO, 2013). In contrast to the nature of the Chinese firm, an Indian firm can be described as follows:

> *"The average Indian firm in Africa, on the other hand, enters new markets most often through acquiring established businesses, is much less vertically integrated (sometimes preferring to procure inputs directly on the African market), sources much fewer inputs from Indian suppliers in the home market (and increasingly purchases them in international third markets), facilitates (indeed sometimes encourages) the integration of management and workers into the African socio-economic network (either through informal ethnic networks or more formally by participating in local political activities) and engages in far greater local sales with private entities than with government agencies."*[6]

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5 'What are Chinese and Indian Firms doing in Africa?', International Trade Forum Magazine Issue 02, 2010, http://www.intracen.org.
6 'What are Chinese and Indian Firms doing in Africa?', International Trade Forum Magazine Issue 02, 2010, http://www.intracen.org.

India's strategic advantage lies in its historical strengths and the presence of large Indian diaspora on the African continent. Both China and India have Diasporas in Africa. The Indian diaspora is significantly present in Eastern and Southern Africa and have been able to successfully integrate themselves into the African business community (Broadman, 2008:81). The linguistic compatibility also puts India on a favourable stand. Compared to this, China is seen as a relative newcomer (Broadman, 2008:82) and has not been able to integrate into the African business community. Such integration and local hiring helps, in the case of India, of possible spillovers such as the transfer of skills to the African population. This facilitates human resource building in Africa, fosters local productivity and paves the way for a sustainable India-Africa partnership.

In case of China, resentment also arises due to the presence of the Chinese labour that has often led to frictions and protests in Africa (Xavier, 2010). An estimated 80,000 workers have moved to Africa creating a new diaspora on the continent (Broadman, 2007:251). As pointed out by Broadman:

"Chinese businesses in Africa pursue business strategies that yield them greater control up and down the production line, resulting in enclave types of corporate profiles, with somewhat limited spillover effects. Indian firms, conversely, pursue African investment strategies that result in greater integration into domestic markets and operate extensively through informal channels, indeed even into facets of the local political economy, surely a result of the fact that there is a longer tradition of Indian ethnic ties to Africa." (2007:351)

Thus, Indian and Chinese firms have differing strategies. They perceive risks in a different manner, enter African markets through different channels, and their firms are also organized and operated in different styles. While the Chinese firm is vertically integrated, procuring inputs from China; Indian firm on the other hand is well integrated into the domestic economy, procuring inputs from Africa and as Karen J. Morghan points out in his article in CFR, India can offer 'lessons of entrepreneurship' to Africa. The active private sector participation by Indian firms on African continent and their integration into African society and economy can teach a lesson about the "importance of entrepreneurship" to Africans for "driving and generating jobs, and generating income and generating growth" (Morghan, 2007).

Resource Diplomacy

It is not astonishing that China and India are moving towards Africa for securing oil resources at a time when Africa has made sizeable new discoveries of oil (Biswas, 2009). Africa has almost 9% of world's oil reserves, 7.9% of the world's natural gas reserves, 5% of coal reserves and 38% of uranium reserves (Dadwal, 2011:9). With new oilfields being discovered, Africa's oil reserves have grown by 120% in the past 30 years, from 57 billion barrels in 1980 to 124 billion barrels in 2012[7].

China and India are both booming economies and need oil and gas to drive their domestic economies. Mainly importing oil and gas from African countries, mineral fuels account for 70% of African exports to China and 80% exports to India (CII/WTO, 2013:19). On the other hand, Africa exports mineral fuels to the United States that account for over 83% of the total export basket. China and India are relative newcomers to the African oil scene; the Western powers have been dependent upon African resources for stable supplies for quite some time.

Thus, oil has been a central commodity driving the economic relationship between India, China and Africa. What is important to note, in the case of China's energy calculations, China was an exporter of oil and only by 1993, it became a net importer of oil (Obi, 2010:182). Energy security is considered strategically important by the Chinese leadership; therefore, a state-centred approach is adopted where the state, the state-owned enterprises and their overseas subsidiaries play the main role. The main companies like China National Petroleum Corporation (CNPC), China Petroleum and Chemical Corporation (SINOPEC), and China National Offshore Oil Corporation (CNOOC) seek oil investments all across the world. As per US Energy Information Administration (2012), China was importing 24% of its oil from Africa in 2011. According to Hanson (2008), China follows a 'two-pronged strategy' towards energy related investment:

"First, it has pursued exploration and production deals in smaller, low-visibility countries such as Gabon, Equatorial Guinea, and the Republic of Congo. Second, it has gone after the largest oil producers by offering integrated packages of aid."

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[7] "Oil and Gas in Africa: Africa's Reserves, Potential and Prospects," KPMG Report https://www.kpmg.com/Africa/en/IssuesAndInsights/Articles-Publications/Documents/Oil%20and%20Gas%20in%20Africa.pdf

Angola is the largest supplier of oil to China and accounts for about 13% of China's oil imports (Obi, 2010:183). In 2004, Sinopec secured its first stake in oil production by acquiring a 50% stake in BP-operated Block 18. This has been controversial, as the former owner, Shell had already signed a purchase agreement with India's state owned oil company ONGC Videsh. The deal, however, went to Sinopec who acquired the stake "with a $2 billion package of loans and aid that includes funds for Chinese companies to build railroads, schools, roads, hospitals, bridges, and offices; and lay a fibre-optic network, and train Angolan telecommunication workers" (Hanson, 2008). Apart from Angola, Nigeria and Sudan also hold great importance for China's energy resources.

India also undertakes oil exploration projects on the African continent. Cairn India, an exploration and production firm purchased a 60% interest in a gas discovery block on the South African coast, making its first overseas acquisition. Other projects have also been bought in Nigeria and Libya. Nigeria is particularly important for India as it accounts for almost 15% of India's total oil imports (Obi, 2010:185). India's one of the largest private companies Reliance Industries, is also important headways in energy sector in countries like Angola and Nigeria[8].

Mining and hydrocarbons is another area which motivates Indian engagement in Africa. The first India-Africa hydrocarbon meeting took place in New Delhi in 2007 which was primarily an initiative to boost its engagement level with African countries. A total of 26 African countries with ministerial delegations from 10 countries participated in the conference and a road map was drawn out to augment the cooperation levels in the hydrocarbon sector between India and Africa.[9] The second and third hydrocarbon conference held in 2009 and 2011 respectively were also aimed at enhancing the trade and investment in the oil sector and understanding the opportunities and challenges faced by the two regions in the exploration and utilization of the hydrocarbon reserves[10].

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[8] Hate, Vibhuti. "India in Africa: Moving beyond Oil," Centre for Strategic and International Studies. http://csis.org/story/india-africa-moving-beyond-oil
[9] Press Information Bureau, 2007. http://www.pib.nic.in/newsite/erelease.aspx?relid=32482
[10] Press Information Bureau, 2011. http://pib.nic.in/newsite/PrintRelease.aspx?relid=78162

Like China, India also offers aid and assistance in exchange for access to energy resources[11]. Though Indian government states that India is not in competition with China in Africa, but the main driver for both is energy which has pitted them in a race to acquire more of the resources in Africa. Undoubtedly, China has a larger presence in Africa in acquiring energy deals. The Chinese NOCs are able to outbid Indian SOEs and private sector companies, for example, in Nigeria, Angola and Sudan, where Chinese companies offered higher amounts for oil bids (Obi, 2010:189).

India, on the other hand, is learning from the Chinese experiences and refrains to present itself as having 'exploitative designs' in Africa (Obi, 2010:189). India seems to be pursuing a different strategy in terms of a more inclusive, people-centric approach by focusing on capacity-building, technical assistance and training programmes for human resource development. Manmohan Singh, at the second India-Africa summit, pointed out: "the similarity of our development experiences and circumstances has made India-Africa cooperation a genuine two-way street. this is its true strength and its distinctive feature," This "genuine two-way street" relationship is what sets apart India's engagement with Africa from China's resource-focused diplomacy (Chand, 2011)

What is also interesting is that in some cases, India and China have chosen not to compete, and instead have cooperated with each other. Sudan is the first country where the oil companies of China and India have entered into a joint venture (Kumaraswamy, 2007). In the Greater Nile Oil Project, CNPC holds 40% and OVL retains 25% of the share. India and China also signed a declaration in 2006 to actively cooperate in the energy sector through 'joint exploration and development of hydrocarbon resources in third countries' (Kumaraswamy, 2007). Thus, India and China have cooperated where necessary and competed when it doesn't suit their interests.

India is also more risk-averse compared to China. For example, in Nigeria, India deliberately stepped out of an oil investment that it considered too risky which consequently went to China. India is thus a cautious player. This partly stems from the fact that India has a democratic set-up and is accountable to its electorate for large spending in the extractive sector abroad (Vines, 2009).

[11] Haite, Vibhuti. "India in Africa: Moving beyond oil," Centre for Strategic and International Studies.

China and India are increasingly making greater strides into Africa's non-oil resources. China has made investments in key sectors like telecommunications, transport, power, apparel and agro processing. For instance, China has invested in Zambia in a wide range of sectors like mining, textiles, construction, banking, agriculture and health. Similarly in Congo, there is a significant presence of the Chinese telecommunication sector where two companies namely, ZTE and Huawei are making important headways.

The Indian investments in the non-extractive sectors comprise mainly of agriculture, agro-processing and health whereas the target sectors identified by the business communities of India and Africa include a wide array of fields such as construction, railway and transport infrastructure, power and non-conventional energy resources, institution capacity building, education, water and sanitation, turnkey manufacturing projects, biotechnology and consumer goods (Modi, 2010:122).

The Tata group has a wide presence in African countries like Ghana, Mozambique, Malawi, Namibia, South Africa, Tanzania and Uganda. The group claims to employ around 700 people in Africa (Naidu, 2010). The group has invested in sectors ranging from infrastructure development, energy and hospitality services to financial, communication and automotive outputs. Indian firms like Mahindra and Mahindra (M&M), KBL and Angelique International supply affordable customized agricultural equipment like small tractors, drilling and irrigation equipments and machines for small and medium-sized agro-processing units.

Companies like Vedanta Resources have also made investments in copper mining in Zambia whereas Arcelor Mittal has invested in Liberia and Nigeria for management of iron ore reserves and steel refining respectively. Apart from these, infrastructure is yet another important area of Indian investments. Rites and Ircon, are two main enterprises, involved in the construction of roads, giving technical assistance to the rail authorities and also executing railway rehabilitation projects. Another sector that has attracted Indian investment is power transmission projects, where companies like Kalapataru Power Transmission Ltd and KEC International Ltd have a marked presence in different African regions (Naidu, 2010).

In Ethiopia, India has witnessed a nine-fold increase in investments from just $500 million five years ago to $4.5 billion today (India Africa Connect, 2014). One of the success stories of investments in Ethiopia is the Karuturi Limited, the Bangalore-based company who does export-oriented rose farming and has recently been given over 1,000 hectares for maize cultivation (ibid). Similar projects have helped the country in tackling the problem of food production. Another sector where Indian investments have seen an upsurge is the healthcare and medicine sector. This has increased mainly through medical tourism of Africans to India, setting up of partnerships with hospitals in Africa and the export of Indian pharmaceuticals to African countries (Modi, 2010:129). Increasingly more Africans travel to India in search of better yet low-cost healthcare facilities as the cost of medical treatment in India is cheaper than in countries like the UK or the USA (ibid). The Apollo based group of hospitals is the first private hospital group to enter the African market and has signed an agreement with Afro-India Medical Services to set up 30 tele medicine centres in Africa (Economic Times, 2014). This has helped people in the neighbouring countries 'to get medical facilities without having to travel farther abroad' (Modi, 2010:130).

Related to the healthcare sector, India is also playing a useful role is through the export of vaccines, antibiotics, vitamins, anaesthetics, first-aid kits and other related pharmaceuticals to various African countries (ibid). India has been the leading country for the export of the pharmaceutical products to Africa and no other Asian country rivals the same (ibid). Ranbaxy Laboratories Ltd. was the first to enter Africa when it signed a joint venture with Nigeria in 1977. Today, several countries including Kenya, Sudan, South Africa, and Nigeria are important importers of Indian pharmaceutical products. India is thus playing to its strengths by investing in sectors where it has a comparative advantage over other players.

Conclusion

There has been much discussion and analysis in the scholarly world on the strategic competition that exists between China and India in Africa. To view this solely from the lens of competition will be inadequate in understanding the nuances of this relationship. The competition between the two can be witnessed through the fact that both have competing interests in the region particularly in the energy sector. The evidence for this competition can be discerned when the dominance of China in energy and resources sector was challenged by the private and state-owned Indian enterprises. But in recent years there have been signs of cooperation in Sino-Indian engagements with the initiation of a joint venture in South Sudan's oil sector and the two also signed a joint declaration for cooperation in the energy sector. This has sought to reduce the intense competition between the two over resources. Moreover, Africa as a continent can accommodate the interests of both the rising powers. It is unlikely that there will be a zero-sum competition between them, as it existed between US and USSR during Cold War.

While India lags behind China in their search for African resources, India is investing in the niche sectors where it has a comparative advantage over China; for instance; investments in the pharmaceuticals and health sector and providing educational programmes and training opportunities in the IT sector. India stands to gain a long-term comparative advantage over China considering its democratic credentials, geographical proximity, historical goodwill and language commonalities.

However, a lot also depends upon how India can channelize these important factors in pushing forward an economic agenda. This entails a greater political will and a proactive diplomatic thrust. India requires a robust and comprehensive policy vis-a-vis Africa, capitalizing on its strengths and opportunities. India has enormous goodwill in the continent but needs to be harnessed systematically as a strategic asset.

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