# 5. CHINA AND INDIA IN AFRICA. AN ANALYSIS OF UNFOLDING RELATIONS

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## *Introduction*

China and India are often described as the next engines of world economic growth. The amplified presence of the two countries on the African continent is now widely noticed, and although India's presence might have been less popularly exposed than China's, it is nonetheless of substantial and increasing importance. Popular and academic accounts of this phenomenon range from viewing it as a new scramble for Africa (see for example Lee 2006) to seeing it as a relationship that is beneficial to all parties. This paper seeks to outline and put into context the origins and salient features of the engagements, as well as interpreting what the implications might be for Africa and for the international political economy.

It is important to mention at the start that the effects of China and India's trade and investment in Africa are context-specific. Although this piece explores issues of trade between developing countries at the macro-level, it is important to remember that any generalization is no substitute for a detailed analysis of the complex and multi-layered impact of China and India's engagement in countries' trade regimes and development.

The article favours the argument that the Chinese and Indian presence on the African continent constitutes a response to the current general fluidity in the international political landscape, and offers less support for the view of a new scramble for Africa. In conclusion, we will argue that, in the context of the current features of the global economy, what Africa needs is African agency. The Chinese and Indian stakeholders are, in contrast to the notion of "scrambling", playing according to the rules of the global economy. We will therefore argue that African stakeholders at all levels need to embrace the situation and advance Africa's governance and international relations' interests. If only to bear in mind that in global politics and economics there are no permanent friends, only permanent interests.

The paper starts out by providing an outline of China and India's economic and political exchanges with the African continent at the turn of the century. Thereafter, these developments, the challenges and opportunities for Africa, China and India, are discussed and interpreted.

China and India are also two countries with important differences. The characteristics of their engagement with Africa certainly differ, as do the different strands of interaction. This article is therefore structured so that both opportunities and threats are discussed. Since the aim of the article is to provide an overview of the engagement, it will not seek to provide a detailed discussion around plausible impacts and possible solutions. Instead, it will present a brief argument suggesting possible ways ahead.

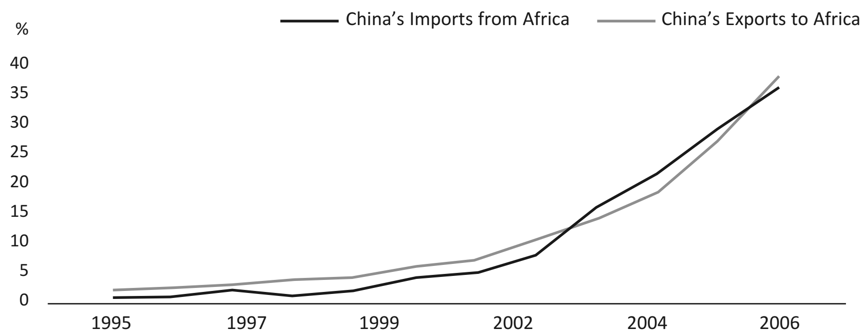
## *What are the main features of the current engagement?*

The relationship between China and India is complex. Throughout history it has encompassed collaboration and extensive trade as well as hostility and border disputes (Price 2007). Their economic growth and current strength were built on different industrial strands: the state-engineered Chinese development process focused on manufacturing and on foreign trade while India's economic reform was driven largely by the private sector (Zhao 2007).

The two emerging powers have recently turned to engage with Africa, and the volume of trade between the two countries and Africa has witnessed an exponential increase over the last decade, with the value of trade between China and Africa increasing by an average 24 per cent between 1995 and 2007. Total trade now stands at approximately US$ 74 billion in 2007 (TRALAC 2008).

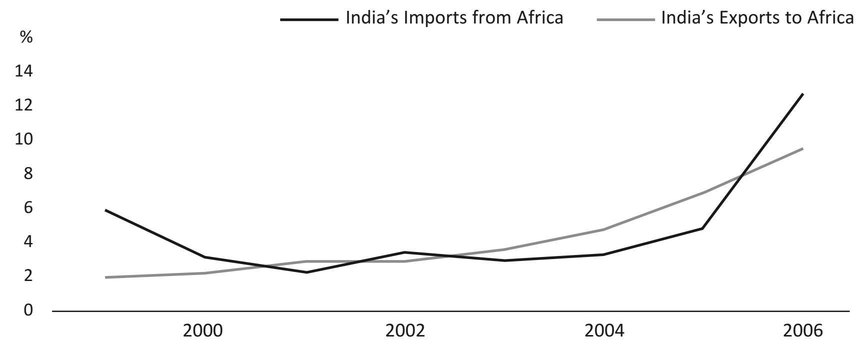
Bilateral trade between India and Africa rose from $967 million to $9.14 billion between 1991 and 2005 and over the period 1997-2005, exports from Africa to India doubled. (Biswas 2007: 10). Before running the risk of overplaying its significance, it should be noted that part of the explanation as to why the numbers illustrating the growth of India and China's trade with Africa are so dramatic is because the development started from a low base. Nevertheless, looking at the historical records of the actors, the volume and pace are unquestionably unprecedented.

**FIGURE 1: CHINA TRADE WITH AFRICA**




Source: World Trade Atlas

**FIGURE 2: INDIA TRADE WITH AFRICA**




Indian and Chinese activities on the continent have three primary channels; trade, aid and FDI. These are interrelated; trade is closely linked to the integration of African, Chinese and Indian investments into global value chains, and often Chinese and Indian aid offers are underpinned by market-seeking purposes (Kaplinsky et al 2006:23).

Both China and India remain developing countries but are currently modernising and growing at a fast pace. The Indian economic reform started in

1991 and encompassed a gradual liberalisation of markets and removal of industrial regulations. Private enterprises were encouraged to take on a more important role, and software and biotechnology industries recorded important growth (Biswas 2007).

The reform and opening up of the Chinese economy started in 1978. Hussain et al identify three salient institutional features of Chinese development; decentralisation, reforms of the rural economy and moving from old to new enterprises (2006:56). When the economic reform of China started, around 80 percent of Chinese labourers were active in rural areas. When privatisation of Chinese agriculture was introduced, its output was raised dramatically. As rural income increased, the market for rural enterprises expanded and rural industrialisation came about to an extent unseen in any other developing country – village and township enterprises were important elements of growth in the 1980s and in the early 1990s (Hussain et al 2006:65 and Chow 2000). Chow notes that "[t]he secret of success of China's economic reform is to allow the non-state actors to develop in the setting of a market economy" (2000:427). In 2001, the Chinese government initiated its 'Going Out' strategy whereby the corporate sector was encouraged to invest abroad (Kaplinsky et al 2006: 15).

The success in the accumulation of capital by China in the last couple of years has been tremendous. As Callinicos (2005:362) puts it: "where would the world economy be today without the prodigious accumulation process under way in China, a process that is made possible by a very tight set of linkages between the state, the banking system, and both publicly and privately owned firms?". Heterogeneity in the modes of accumulating capital is important amongst the current players in the global political economy; particularly regarding how equally productive and functional capitalist societies can have highly diverging socio-political setups. There is no greater example than the current ascendancy of China and India in the architecture of international political economy. Although their growth rates and competitiveness are telling, they could not be more apart in terms of political systems and the current social sources of power. India is a federal, decentralized system characterized by the prominence of centripetal forces, while China presents a much more centralized and state-controlled economic model. Both seem to be doing reasonably well in adapting to the international capitalist mode of production on an unprecedented scale.

It has been argued that one of the conditions that stimulates growth generally is the "experience of linking new ideas of science and technology to a home-grown path of reconstruction" (Chidaushe 2007: 122). The argument holds that this constitutes a model of development that bears a seemingly important lesson for Africa, and that China and India's engagement provides an opportunity for Africa to learn how to organize trade policy, move from low to middle-income status and educate for quick pay off (Chan-Fishell 2007:139). Such a lesson can however be markedly double-sided; China's growth in recent decades has at times been at the expense of high labour flexibility, regional inequalities, initial low labour standards and lenient environmental norms. In the case of China's development of businesses and companies, the Chinese State has begun to address and overcome these issues only when they develop into a higher-end productive apparatus (Moran 2002). Africa needs to be aware of such problems as the flows of investment keep growing.

Several aspects in the architecture of the global political economy have acted as "incubators" for China and India's engagement with Africa. Most importantly, the economic boom both countries are currently experiencing has raised strong demand both to source resources and to find new markets for their products. Improvement of transport and financial systems, and supply chains as well as in information and communication technology (ICT) are other important vectors allowing for the scale of current engagement and for an increase in FDI from both countries with India investing around US$1.8 billion by 2004 and China US$1.3 billion by 2005 (Broadman 2008). This is however still negligible when compared to FDI flows from the industrialised economies of the North which still account for a greater share. Africa only accounts for about 3% of China's global outward FDI flows while for India the figure is higher, at around 18%; these are calculated with 2004 and 2005 figures respectively (UNCTAD 2007).

Perhaps a significant factor for the increasing footprint of Indian and Chinese investments in Africa is that most states had adopted Structural Adjustment Programmes (SAPs) under World Bank and IMF austerity measures, which have created the correct market conditions for their entry and market traction. It is also worth mentioning that both recognize that Africa is undergoing increased political stability and widespread growth, an ideal trend for motivating their expansion.

## *The nature of the relationship*

India and China have distinct historical relations with the African continent. In the period following decolonisation, linguistic issues made entrepreneurs from India establish themselves mostly in Commonwealth countries such as Nigeria and Ghana. In many cases China's ties with African countries date back to its support for African anti-colonial struggles in the 1960s. Following the establishment of the People's Republic of China in 1949, relations were founded with post-colonial Africa through "moral and material support for different generations of national liberation and independence movements" (Le Pere & Shelton 2007:18).

Both countries have Diasporas in Africa. The historical presence of the Indian Diaspora, especially in Eastern and Southern Africa, has become an important platform which Indian traders from the sub-continent can engage with to help develop on-the-ground knowledge and expand their market share. It is argued that the Indian government mostly chooses to engage with African countries that have a considerable Indian Diaspora (Council of Foreign Relations (CFR) 2007). The Indian Diaspora in general is important for Indian economic growth. Biswas notes that the overseas Indian community has repatriated more than $24 billion in remittances annually in recent years, more than any other Global Diaspora Community. (Biswas 2007)

Chinese migrants have been entering Africa in waves for decades. Corkin notes that "[m]any Chinese communities were established in African countries before the latter's independence. Having settled for several generations, some have naturalised and are a recognised minority group in many countries" (2008:5). However, the Chinese Diaspora in Africa is generally not as deeply rooted as the Indian, although there are a few exceptions, such as in Gabon, where Chinese migrants have been rooted since the early 20th century (Corkin 2008).

In the period immediately after independence, India's Africa policy was rooted in the Non-Aligned Movement and the anti-apartheid struggle, the polemics of the Cold War and New Delhi's own position vis-à-vis the Superpowers and China, resulting in the focus on Africa being pushed to the periphery of its foreign policy and diplomatic engagements. Although this did not entail a complete withdrawal from Africa, India remained committed to supporting the liberation struggles of anti-colonial movements. The changing political and economic global geography after the fall of the Berlin Wall in 1989, saw India's relationship with Africa gain importance. Over the last 10 years, India has become one of the major players in Africa – together with China and other Asian powers (Biswas 2007:1). Biswas notes that "Africa is considered an important neighbour by India, with oil rich African countries being regarded as a high-priority area in India's foreign policy" (2007:4). Furthermore, India has written off debt owed by African countries, restructured commercial debt and also established an India-Africa Fund of US$ 200 million offering credit to projects that promote Indo-African integration.

One difference between the two countries' activities in Africa is that, like their patterns of economic growth, the Indian investments are largely driven by the private sector whilst many of the Chinese business initiatives are state-owned or state-supported with low-interest loans and massive infrastructure projects (CFR 2007). Furthermore, China's engagement is different to that of India in that it is more capital intensive, while India's is labour intensive. Another important distinction, acknowledged by Broadman (2008), is the way Chinese and Indian firms integrate themselves in the African market. Indian firms tend to be less vertically integrated, procure supplies from local or international markets and conduct more sales with private African entities than their Chinese counterparts. Chinese corporates tend to privilege their economic interactions with African states.

Furthermore, China and India have also become major players in the field of infrastructure in Africa through projects such as roads, railways, stadiums and power plants (Kaplinsky et al 2006:18 and Biswas 2007).

With the objective of situating Sino-Indian relations with Africa in a wider perspective, Pham (2007) notes that "India's advances in Africa are driven by many of the same motivations as China's, including quests for resources, business opportunities, diplomatic openings and strategic alliances. What is different, however, is that, given the dynamics of the emerging US-Indian strategic partnership, New Delhi's increased African engagement, unlike Beijing's, ought to be welcomed in Washington". Like China, India also stresses that it is a developing country but with a functioning democracy. Although the latter is a moot point given the complexities of India's social fabric, which sometimes makes it seem a chaotic democracy.

Accounts of Chinese engagement with the African continent are rife and contradictory. Notions of benign engagement with mutual benefits often put forward by African leaders are contrasted with fears of a new era of colonialism and scramble for resources by the "Yellow Peril of the East". India's engagement with Africa has not faced the same international interest and critique. Millward (2008) notes that "India has serious separatist problems, likewise stemming from an imperial legacy. But despite some heavy-handed tactics, India does not suffer the kind of international criticism over its approaches to Assam or even Kashmir that China does over Tibet or Xinjiang. One reason for that difference is Indian openness and the wide-ranging discussion of these issues in its own lively press". Millward further suggests that China could win important recognition in the international community by being more open: "Be confident and honest, not defensive and secretive". In this view, a country's image and reputation is determined to a greater extent by the management of its public relations than by the contents of the country's policies.

As this article is written, Beijing is facing serious criticisms over the Tibet issue and its engagement with the Khartoum regime over Darfur. These tensions are being played out in the global public space by international civil society groups calling for a boycott of the Olympics, which China hosts in August 2008. Such global domestic opinion has seen China face a serious public relations backlash that impacted on the Olympic torch relay which had a highly bumpy ride across the globe (Taylor 2008). It has also brought into focus some of the issues that China has to deal with regarding its investments in domestically unstable environments in Africa where there are intra-state conflicts. Conversely, China is, for example, not the only country that is economically active in Sudan. In 2003, India's Oil and Natural Gas Corporation, Videsh Limited, acquired a 25 percent stake in Greater Nile Petroleum Company, a conglomerate also including the China National Petroleum Corporation (CNPC) (Beri 2005:13). Biswas notes that "the Government of India went for the deal and helped the Government of Sudan develop its oil industry in spite of threats from Sudanese rebel groups, on the one hand, and US sanctions against Khartoum over the crisis in Darfur, on the other" (2007: 8). In effect, not much is reported on India's investments in Sudan nor is there any criticism levelled at Delhi for doing business with Khartoum. Perhaps it is China's permanent Security Council status that puts it in the firing line, because it has to be responsible. But this is not a good indicator of global responsibility, as the US invasion of Iraq demonstrates or Washington's own strategic interests in Sudan.

Furthermore, Sudan is an important producer of gum Arabic, supplying more than half the world output of this commodity used to make foodstuffs, pharmaceuticals and sodas, of which the most well-known is the soft drink Coca-Cola (Cecil 2005). The US currently imports gum Arabic from Sudan worth several billion dollars each year. Moreover, more than half of the oil that China extracts in Sudan is sold on the international market (Downs 2007). Hence, the Sudanese oil is sold to many of the countries that criticise China's presence in Sudan. The above examples seek to put the critique against China in context. The aim is not to excuse the behaviour of any superpower, but to contextualise the current debate so as to 'call a spade a spade'.

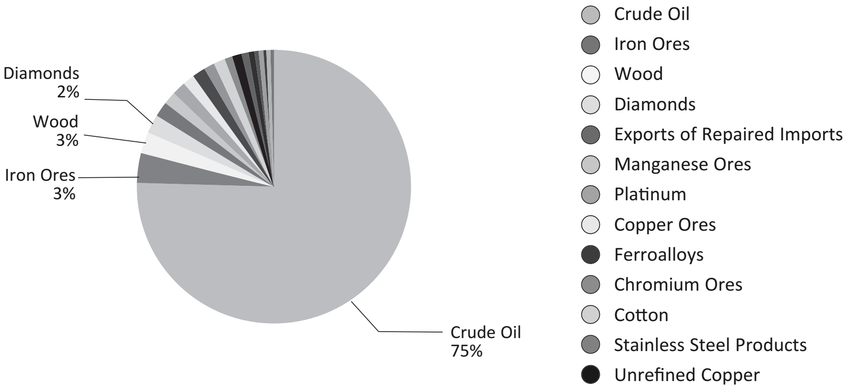
## *Trade between China, India and Africa*

China and India's growth trajectory has affected the world economy in two major ways. First, it has boosted prices of primary commodities, and second, the two countries have become the 'factories of the world' by making and exporting cheap consumer goods as well as services. This development replicates itself in the engagement by China and India with Africa. On the one hand, Africa exports raw materials such as oil, metals, diamonds and agricultural products to China and India, and on the other it imports consumer goods from the two countries.

### China and India importing commodities from Africa

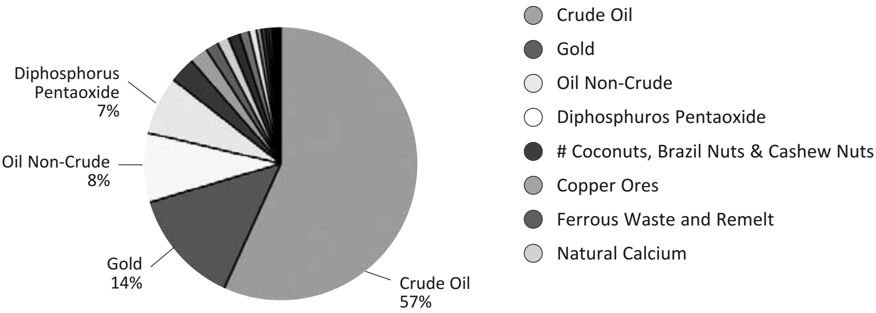
"Booming" is a word often heard in relation to the current developments in China and India. The two economies are growing at a rapid pace with India at 9.6% in 2006/7 and China 11.4% in 2007 (CIA 2008), fuelling their need for raw materials. Singh notes that since India has "more than 1 billion people, or one-fifth of the world's population, India ranks sixth in the world in terms of energy demand" (2007:7). In 2020, 91.6 percent of India's oil is projected to be sourced via imports (Singh 2007:7). In 2006, India's global trade deficit stood at US$ 5.5 billion (Biswas 2007:5). In light of this, countries such as Nigeria have become strategic trading partners for India, and important deals have been struck between the two. In addition, the EXIM Bank of India has extended a line of credit of US$ 50 million to Sudan to contribute to the development of the country (Biswas 2007:7). This engagement fits with the Indian EXIM Bank's historical leaning towards engaging preferably with eastern and southern Africa (Broadman 2008).

FIGURE 3: CHINESE IMPORTS FROM AFRICA 2007




Source: World Trade Atlas

FIGURE 4: INDIA IMPORTS FROM AFRICA 2006




Source: World Trade Atlas

While there seems to be no visible end to China's growth, its demand for energy is also going off the charts. China is now the world's second largest energy consumer with its consumption almost trebling since 1978 (RICS 2008). China's strategy now consists of diversifying its energy interests in different baskets. In the internal market, it recognizes the problems of dominant energy production through coal and will seek to have its Research and Development departments to, in the medium-term, find "greener" and more efficient options for coal production and alternative renewable energies. According to the "China Sustainable Energy Program" (2008), China has "established the world's most aggressive energy efficiency target, calling for a 20 percent reduction in energy intensity (which is a nation's energy consumption per unit of GDP) between 2005 and 2010". Externally it has no choice but to try and keep up with demand by securing deals in the Middle East, Central Asia, South America and Africa as its limited domestic reserves deplete.

China and India's demand for raw materials has been rising over the last decade. At the same time, demand for primary commodities is likely to remain volatile, as has been observed by the OECD (Goldstein et al 2006). This might engender strategies that over-rely on mono-commodity export and cash crops as an enduring threat for the future of African economies.

This means that synergetic ties between economic stakeholders and the diplomatic corps are essential and that well-coordinated economic diplomacy from the African side needs to be up and running as soon as possible. For instance, South Africa needs to care, know and enter into dialogue with Mozambique about the strategic implications of a dam being built on the Zambezi with Chinese involvement. Similarly, more at a micro-level, Ugandan small business owners and trade unions should be conversing with Ethiopian small businesses and trade unions as well as with the Chinese in order to come up with methods, arenas, ideas and projects forming a platform towards growth. The next frontier is for Africa and China to put together projects providing incentives for Small and Medium Enterprises (SMEs) from China to partner with African SMEs. These are the sort of synergies and initiatives that need to be stimulated. China is pragmatic and very practical in its engagement with Africa and Africa needs to be pragmatic as well. The continent should be one step ahead of China's actions, pushing China to become more reactive to Africa's needs, wishes and actions than the other way around. Assertiveness and organized pro-activeness from a wide range of African economic agents will go a long way. And the same should apply to Africa's Indian engagements.

Uranium is another important commodity that raises the interest of China and India in Africa since it is used as an alternate source of energy, in the shape of nuclear power. The danger is that because African countries do not form part of the Nuclear Suppliers Group they are not bound by the Nuclear Non-proliferation Treaty (NPT) to refuse to sell uranium to India or China. Besides, the uranium extracted from African soil is in its raw form and technically does not constitute a threat. Indian and Chinese companies have been active in this sector in Niger which has some significant uranium deposits. With China being a member of the NPT this does not contravene the rules of the international nuclear regime. Of course the issue is that China could use this uranium to strengthen its nuclear capabilities, which some policy mandarins in Washington are concerned about. But India represents an interesting case in this regard. Since it has not ratified the Nuclear Nonproliferation Treaty (AAC 2008), it does indeed pose a threat to the global nuclear architecture and the rules of the NPT. At the same time, some argue it could lead to a nuclear arms race with China. Yet the real issue of India's procurement of uranium must be seen in the context of its civilian nuclear deal with the US, which gives Delhi a backstage pass to the NPT and, in effect, makes China very nervous.

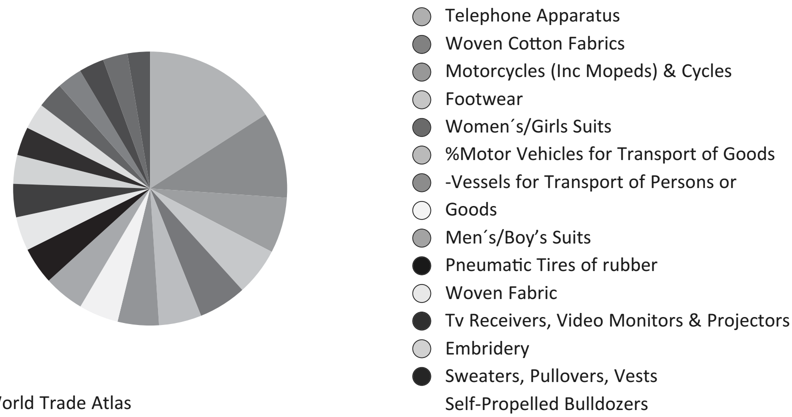
This demand for African resources will naturally have important implications for the continent's growth. According to an April 2007 IMF report (2007), developing countries in general and Africa in particular are expected to keep growing strongly thanks to benign global financial conditions and high commodity prices. Africa's purchasing power, except perhaps for South Africa, still remains minimal although the situation is slowly changing as is evident from recent economic reports about the continent (UNDP 2007). Nevertheless, given the current global recession, Africa's growth rate is predicted to slow down over the coming years, albeit not significantly.

## Exporting consumer goods to Africa

The patterns of African import of Chinese and Indian products fit squarely within the logic of the global political economy. In the 1990s, as tariff protection was being reduced in Africa and the lucrative location for business from the 'North', Europe and North America, rapidly became unsustainable, FDI to the continent started to change shape. Henley et al notes that at this point in time "supplying many of these African markets through exports was becoming more attractive as liberalisation began to drive down trade barriers" (2008:1).

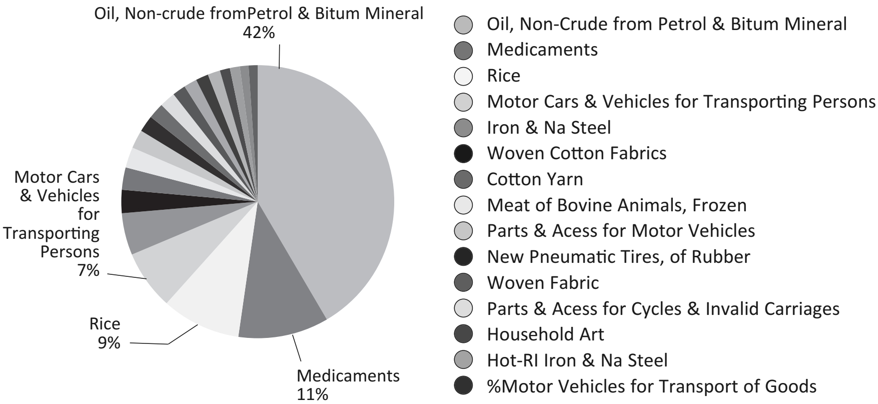
Currently, India's exports include manufactured goods, technology-based services and pharmaceuticals (Africa-Asia Confidential, AAC 2008). The low cost imports from Asia of pharmaceuticals have seen off much of existing local pharmaceutical manufacturing since these have no possibility of competing on price.

**FIGURE 5: CHINESE EXPORTS TO AFRICA 2007**




Source: World Trade Atlas

**FIGURE 6: INDIA EXPORTS TO AFRICA 2006**




Source: World Trade Atlas

However, there are exceptions to the pattern. Singh notes that "West Africa's exports to India are much more diversified and labour-intensive than those to China" (2007:5). Also, the exit of TNCs of the "North" from the African arena opened up a window of opportunity "for smaller, more nimble investors able to serve local markets from a lower cost base" (Henley et al 2008:1) Interestingly, investments by entrepreneurial family or kinship based companies such as small Indian and Chinese firms are rarely recorded as foreign direct investment. The reason for this is that most of the time these will not be registered as subsidiaries of companies in their home countries. Hence, their activities do not form a part of the trade balance so often argued to be to Africa's disadvantage because of exports of non-processed goods and import of manufactured goods. But they constitute a significant component of the trade relationship because of the impacts that they have on the micro economy of most African countries whether in displacing local producers or causing disruptions to supply value chains.

Another argument predicts a shift towards a higher share of value-added products on export from Africa. Basic economics tells us that "market-seeking FDI seeks large populations with rising incomes" (Meyer & Estrin 2004). As such, many African countries now fit this bill, even if there are still conditions in the local economies which do not offer the most inviting absorptive and institutional contexts. Geda (2008:13) notes that:

> *"… the long-term might hold a very different picture: the pace at which the drivers are changing the technological structure of their production and exports, rising costs of locating export oriented production in China, Africa's proximity to European and Middle Eastern consumer markets and a host of other factors might help Africa to become the next 'goose' in the long run. There are signs that such combination of factors have already began to appear."*

Although potential returns through investment in Africa also introduces risks, Chinese and Indian investors are willing to underwrite such risks since their presence in Africa's manufacturing sector is notable, especially in the case of the Chinese (Henley et al. 2008:5). Hence, in the near future we will plausibly see more economic integration arriving through localized hubs such as the Copper Belt in Zambia, southern DRC, Ethiopia and Nigeria's Niger delta as these are able to connect to the international value chain (Broadman 2008). Already the Special Economic Zones (SEZs) identified by the Chinese in Zambia (metals hub), Tanzania (shipping hub), and Mauritius (trading hub) are going to facilitate this process.

## Implications of trade

From 1999 to 2004, Africa's terms of trade rose by approximately 30 per cent, an increase far greater than for any other developing region (Biswas 2007). Kaplinsky et al (2006) discuss how trade can affect Africa. It can either be complementary or competitive. Competitive in cases where African products compete with the export products of China and India, a situation which often affects African export-oriented industries. In the complementary trade situation, Africa's exports fit China and India's profile of import demand, or the Chinese and/or Indian goods function as part of a global value chain as intermediary goods needed in African manufacture.

Both complementary and competitive trade patterns can have either direct or indirect consequences. Direct consequences such as trade data and immediate job losses are easily quantified. Indirect effects are more difficult to measure, but have nonetheless important implications. Kaplinsky et al note that "there is a great danger of focusing on the present, the known and the measurable impacts" (2006:23), while the unknown remains more potent and can have much more embedded consequences. Exports from India or China can crowd out similar African products in third markets such as in Europe and the US while their dominance in regional markets of Asia would pose challenges for African suppliers to penetrate. A complementary indirect effect on the condition for African trade might be, for example, when global prices for commodities rise as a result of increased Chinese and Indian demand. This demand in turn generates greater revenues for resource rich African countries, but again this is short-term and based on a highly volatile international commodities market, as African countries experienced in the 1970s on the back of the oil shocks.

Not only can industries in Africa be affected directly by the import of cheap consumer goods from India and China, but a further indirect effect is on potential industries where competition against their establishment might have serious implications for African development (Kaplinsky et al 2006:26). However, it must be remembered that direct effects such as job losses due to competition from cheap Chinese consumer goods can also come as a result of other intervening factors, such as for South Africa in 2005 when AGOA quotas where removed (Kaplinsky et al 2006:19).

In macro economic terms, Africa has thus benefited from the rising demand for exports to China and India. However, we know that revenues from extractive industries do not always translate into development for the masses of the population. Kaplinsky et al note that "the benefits of this resource boom will not follow automatically – they need effective management" (2006:28). Riches in natural resources might otherwise strengthen authoritarian tendencies and lead to instability or even civil war – the so called 'resource curse' (Beri 2005:373).

Solutions to the potential trade-related problems can be suggested from various points of view. China and India can be encouraged to take responsibility for the impact that their exports might have for Africa. However, as this article focuses on Africa and possibilities to develop an African agency, the solutions that we will analyse will focus rather on that. Kaplinsky et al note that "there is scope for improving the productivity of existing industries, often by working with value chains (…) rather than individual firms or subsectors" (2006:26). Kaplinsky et al suggest that competitiveness could be improved via industrial policies (2006:27).

Also, the impacts on the environment and on labour regulation from trade and resource extraction have to be dealt with. Furthering policies for environmentally friendly resource extraction and labour regulation could possibly take place through the formulation and ratification of continent-wide conventions regulating the behaviour of foreign investors. This raises a set of significant questions from the African side: Is this being considered by African governments? How will this be managed? Should it be ratified within the African Union (AU) as a continental charter to regulate the behaviour of foreign investors active in fragile states lacking ability to enforce such regulations themselves? Would national governments allow their sovereignty to be limited in favour of the AU jurisdiction? Some African governments are signatories to programmes such as the Extractive Industries Transparency Initiative (EITI), which seek to promote transparency in revenues originating from the export of commodities. However, it is seen by some as contentious and 'Western-biased' as it was initiated in 2003 by the then British Prime Minister Tony Blair, while for African states it is more an exercise to attain legitimacy without executing its terms in a serious manner.

## *Sino-Indian rivalry on the African continent?*

Both China and India seek to present themselves as equal partners promoting mutual interests in their interaction with African leaders. However, there is a perception that China has been more proactive in its relationship with Africa, and that this is difficult for India to match since it does not have "the command economy where state-owned companies can be ordered to pursue the government's directive regard-less of their own bottom-line" (Sirohi 2008). Similarly, Singh argues that the Chinese aid-for-oil strategy is difficult for India to compete with: "Indian officials admit India does not have the resources to compete barrel for barrel with China in West Africa" (2007:10). Singh goes further to state that India has to develop other strategies in the relationship: "to work the politics better, keep people on the ground on a long term basis, […] [and] courting local politicians etc" (2007:10). Thus while it certainly seems that competition is unfolding between China and India in the African continent, the question is whether it actually reflects a 'rivalry'? Some point to India feeling the pinch of China's economic largesse across the continent. In this regard the Angolan example may have some relevance.

In 2004, India made a bid to buy an Angolan oil concession for US$ 620 million. Concurrent with the Indian bid, the Chinese were also negotiating with the Angolan government for the same concession and offered more than double (US$2 billion). The Chinese offer had however very important sweeteners to it, namely it promised development assistance to the Angolan authorities. This resulted in Angola's state-owned firm Sonangol exercising its anticipatory rights and blocking the Indian bid (Singh 2007:10, Biswas 2007: 9, Kaplinsky et al. 2006:30). As Sirohi (2008) notes, "India may boast of historical links but China wields more influence". He also suggests that it is not just in influence that China has an advantage, but also in service delivery. "China delivers before it announces a project while India announces and often doesn't deliver for years". This, is exemplified by the 2002 promise made by the former Prime Minister Vajpayee of US$ 500 million in lines of credit for Africa that to date has not been completely delivered.

It has previously been argued that India is probably not one of the major players in Africa because of close ties nurtured by African countries with former colonial powers. But while the US and China are major actors in the continent's extractive industries, India can play an important role in the areas of services and small-scale industries, and India is already de facto one of the top investors in countries such as Ghana and Tanzania. (Rediff News 2006).

The FOCAC (Forum for China-Africa Cooperation) meeting in November 2006 in Beijing was a grand milestone in China's strategy towards Africa. The inaugural ministerial conference that took place in Beijing in October 2000 was attended by Chinese and African ministers and representatives from international and regional organisations. During the meeting the Beijing Declaration of the Forum on China-

Africa Cooperation was established, and since then, two Ministerial Conferences have been held – in December 2003 and in November 2006. During the 2006 FOCAC meeting, substantial amounts of cooperation agreements were signed. China promised, among other things, to double its assistance to Africa by 2009, provide preferential loans to a value of US$ 3 billion, establish a China-Africa Development Fund of US$ 5 billion for the support of Chinese companies operating in Africa and cancel extensive amounts of debt owed by HIPCs (highly indebted poor countries) maturing at the end of 2005 (Marks 2007:2). FOCAC represents an important platform for China in its interactions with African leaders.

Indian attempts to rectify this apparent imbalance in influence soon followed. Vines and Oruitemeka note that "[i]n recent years India has strengthened its involvement in the African Indian Ocean Rim considerably. This shift in policy comes in part because of India's desire to compete with China's growing influence in the region" (2008:2). In 2004, India launched the Techno-Economic Approach for Africa-India Movement (Team-9) with eight energy- and resource-rich collaborative partners, including Senegal, Mali, Cote d'Ivoire and Ghana to whom it extended lines of credit totalling US$500 million (Singh 2007:6). This engagement, is indeed strategically aligned to India's resource security and to develop closer ties with energy rich countries in West Africa where its presence has been negligible. Its biggest trading partner in the region is the Ivory Coast. In a similar fashion, Delhi has recently also being making overtures to Angola.

In April 2008, India hosted an India-Africa Partnership summit where "a model of friendship of equals" was presented, aimed to be markedly different than "the Chinese template of 'money for minerals'" (Sirohi 2008). The Indian Prime Minister Manmohan Singh stated at the conclusion of the meeting that "India is not aiming to compete with China vis-à-vis its influence on Africa", and that "India is not in any race with China" (Rediff News 2008).

Yet, whatever importance Indian and Chinese leaders attribute to the belief that they are not competing with each other on the African continent, Africa's resources remain limited and there is clearly a competition to access these. As for the claim that China is pursuing more aggressive strategies in Africa, expressed by Arun Sahgal, Senior Fellow of the United Service Institute in New Delhi (quoted in Africa-Asia Confidential 2007), it will only be determined once we have seen how both countries are behaving in their interactions with African countries and peoples. In order to discuss this, we have to ask ourselves what Africa needs in its collaboration with external partners. We hold that the success or failure of Chinese and Indian relations with Africa can only be decided by whether or not African countries benefit from their interactions and how well African stakeholders are empowered in the process. The responsibility for this lies partly in the hands of the Chinese and Indian actors, which can choose to enforce or ignore local environmental and labour regulations as well as integrate more transparent methods in their transactions with African governments. A great part of the outcomesof the relationship will however be determined by the success or failure of measures to strengthen African agency and the responses to the process from the African side.

## *China and India in the African political context*

This section seeks to analyse and position the engagement of China and India in Africa within the context of the complex interdependence in international relations. We find that the patterns are diverging. In its engagement with Africa, China is at times challenging the sovereignty and the traditional moulds of inter-state relations, and at times cementing it. The challenge to sovereignty occurs for example when China focuses its engagement with private companies or particular stakeholders within particular regions within sovereign states. This is the case for example with the Niger Delta areas and the private oil companies operating in Nigeria as well as the example of the oil-rich area of Southern Sudan. In such cases, although China is on the side of the sovereign governments as it deals directly with the capitals (Abuja and Khartoum), its concrete interests actually reside in areas which have been in conflict with their central governments (such as Southern Sudan). China's expressed interests, involvement and investments make these areas ever more appetizing for central governments to hold on to, but at the same time strengthen the will of those groups that have been economically and socially oppressed by central governments and engage in conflict to retake what they perceive to be rightfully theirs. The case of the Niger Delta region in Nigeria illustrates this point. The Movement for the Emancipation of the Niger Delta (MEND) sees no socio-economic dividends from the oil revenue that is paid by MNCs to the central government, and protests that nothing is reinvested in improving social and economic conditions in the area.

In some of Africa's most politically fragile states neopatrimonialism, whereby leaders use the realist state template of the international order as a platform for sustenance by corrupt behaviour, is rife (Herbst 2004). In such cases, China and India have to design their strategies by taking into account the workings of neo-patrimonialism.

In a handful of African countries there are successive stories of political instability or of chronic autocracy that show how regime-seeking factions tap into a template of sovereignty that is discursive but also institutional. In patrimonial networks, resources flow from a top-down patriarchal-pyramid of hierarchy, on whom the rest of the networks are dependent. If these persons lose their resource bases or positions of power, large numbers of people are negatively and dramatically affected at once. The result is a situation of perpetuated structural insecurity and unpredictability (Vigh and Whyte 2003:148) that China and India now have to deal with. So far China has shown better skill at navigating these political waters, doing so with pragmatism but also an obvious willingness to take risks and that has given her an edge over India. This is something that India is also bound to discover over time.

It is not clear to what extent the added importance that China's engagement brings to these actors and sub-state geographical units is subversive. It does however give "food for thought" on how to understand the unit of the state, international relations and most importantly the meaning of today's acceleration in economic exchanges for Africa.

On the other hand, China generally prefers high level diplomacy to set up their aid, trade and investment. As a rule of thumb, the public and the "corporate" private sector tend to be one and the same in the African state given the tendency for the appropriation of the state by patrimonial networks of patronage (Chabal & Daloz 1999). Indeed, because the use of the state as an instrument for the accumulation of wealth is particularly prominent in some African states, top private sector companies of those countries sometimes lack the efficiency and the will to seek markets and expand. The Chinese and Indian engagement therefore tends in some cases to reify the sovereignty and the political leverage of patrons in the state apparatus. This connection between African elites and external actors via the international global economy puts the spotlight on what is a drastically different interaction of regions and states with the current accelerated processes of economic exchanges.

## *China and India as global actors – implications for Africa*

In the current conditions of the global political economy, interdependence is the central phenomenon that brings about a diffusion of power in international relations (Simmons & Elkins 2004). In this view, the global political economy might create a more suitable environment for multilateralism, the emergence of international institutions and cooperation by means of a socialization process of states through evolving norms, rules and communication. Relating this to China and India's engagement with Africa, and given the recent nature and pace of this wave of engagement, both countries are just now starting to define what these norms, rules and forms of communication are.

The globalisation concept sheds limited light on the power exchanges and on how relations of causality have been changing at the international level today. As Rosenberg (2005) articulates, the concept is rather rhetorically 'abused' and offers insufficient help in explaining these events. It provides less in terms of understanding the 'political' in the political economy of international relations. It struggles with the origins, distribution and the forms of maintenance of the current modes of economic organization and it has difficulties in shedding any light on the concrete sources of social power. However, what 'globalisation' does hold is the ability to describe colourfully the pace, scope and visibility of the accelerated products of these power exchanges, offering a useful term for describing the marvels of time and space compression.

Instead, we opt for the idea of complex interdependence as a preferable explanatory concept in this context. It addresses what the current conditions bring about: multiple channels of access between the societies we are analyzing.

Except perhaps for the issues of arms trade and peacekeeping, there has been a low salience of security issues in influencing relations between China, India and Africa. At least when it comes to conventional military power-play, force has played a small role in defining the current relations. Complex interdependence is therefore better at theorizing why there has been a clear fluidity and variance when it comes to the matters of a hierarchy of issues in the relationship we are analysing. Although the one-China policy has usually been an overarching conditionality in the diplomatic agenda, this issue starts to lose importance as interest rises in other economic issues. Trade, resource security or other international diplomatic issues have become more salient and any 'issue-area' can now be at the top of the international agenda at any given time (Keohane & Nye 1989:24)

However, if one looks closer at the recent tangible behaviour of both China and India one can acknowledge some important trends. China's accession to the World Trade Organization (WTO) in 2001 is proof of how international institutions and the will to join such international institutions can affect and alter the behaviour of states. These international institutions have brought about reputation costs, allowed for issue decomposition and issue linkages, reduced transaction and information costs as well as brought some forms of enforcement measures. China is growing while making active use of international institutions to promote the country's development of global power status. Michael Komesaroff (2008) argues that China is now relying on the International Chamber of Commerce in Paris to safeguard its massive investments in the Democratic Republic of Congo. China also wants the protections that the systems' rules and institutions provide (Ikenberry 2008). There are many cases in which institutions do matter. They can: provide information; reduce transaction costs; make commitments credible; establish focal points for coordination, and in general facilitate the operation of reciprocity (Keohane & Martin 1994). Something which must also be viewed in the context of India's role in the WTO and the Doha Development Round.

Regarding the latest developments in the international trade regime, particularly the strength that Brazil, China and India now wield at the negotiation table, it is notably evident that there is a latent tendency for the bigger emerging economies to become more pro-active in diplomacy and concerted political economy engagement with Africa. Evidence of this can be found in China's cooperation with India in the Doha Round negotiations (Narlikar 2004) and the recent Standard Bank deal which has been seen as a "strong show of faith in South African companies' ability to profit from growth prospects in this country and elsewhere on the continent" (Orr 2008). This comes about within the current wave of South-South cooperation and exchanges and is evident at several levels. Most obviously, there have been substantial increases in aid, trade and FDI. There are an increasing number of activities that reflect reorganization and strengthening of the emerging South with greater discursive support, dissent within multilateral organizations such as the WTO and also preparation of a wider diplomatic engagement. The latter will be a result of a broader engagement of both powers with civil society and opposition parties in Africa, something that is more and more an essential pre-requisite for the state stability and protection of vested investments in the medium to long term. Many developing countries in Africa are on the cusp of a significant economic upturn such as Mauritania, Angola and Mozambique. This is positive news, but one should bear in mind the old and truthful cliché that, although a 'precondition for it', growth does not automatically translate into development. Another frequently mentioned problem with the current outlook is that a considerable part of growth is based on primary commodities, which can be problematic in the longer term (Farfan 2005).

Conversely, the inevitability of what we call "constituency-economics", originally reflected in Putnam's two-level game theory (Putnam 1988), also plays a role when traders, investors and policy-makers allude to their home constituencies as having insurmountable interests they need to uphold and defend on the international stage. The term "constituency-economics" alludes to the persistence of a "zero-sum" game in the politics of international trade, whereby home constituencies press governments to sign off to trade deals that provide them with relative gains in relation to the other signatory. Such phenomena have been illustrated, for example, in the work of Krugman (1997). This is important for understanding China and India's engagement of Africa, as it explains why some developed countries have been "shying away" from multilateralism and pushing on their bilateral and Preferential Trade Agreement Agenda. The problem of "constituency-economics" can be used to explain why South Africa imposed import quotas on cheap Chinese clothing and textiles products.

Are China and India actually set to challenge ideology and consensus and create an alternative engagement to the current status-quo? It seems to be the case that China's diplomatic behaviour is actually not as free-floating as is portrayed. At the same time, its pragmatism is evident as China is able to carry out the most difficult of achievements for a superpower: simultaneously keeping overall positive ties with crucial pairs of regional rivals around the world – Venezuela and Brazil, Saudi Arabia and Iran, Kazakhstan and Uzbekistan, India and Pakistan (Khanna 2008). After 1945, the United States arguably dictated the codes of power relations. Now, as its influence waxes and wanes, the international trading system it helped set up endures. The integration of markets and economic actors has locked international agents into a system and set of rules now deemed good and natural by, not only the US and its western partners, but also by emerging powers such as China and India. Coerced, as was the case during the opium wars, or seduced, China is now part of this economic global polity (Ougaard & Higgot 2002). It has entered the development game by agreeing to rules that had been previously defined by others but is now taking these rules and is actively seeking to reinvent them. Similarly India is doing much the same.

## *Implications for, and response from, Africa*

The unprecedented rise of China and India as emerging market forces presents a large set of simultaneously delicate, complex and comprehensive challenges and opportunities for the African continent. An effective divide in the developing world becomes obvious when the characteristics of these two massive economies are viewed in relation to some African countries. China and India first and foremost advance their particular interests and play the game of constituency-economics at the international negotiation table. This means that because some African economies are particularly sensitive to tremendous competition from these "giants" they will now tend to try and find a more concerted bargaining position in trade negotiations vis-à-vis the developed world. Africa is not as dependant on IMF agreements as before, as has also been the case for example in South America. The shift in the global political architecture of power, in great part pushed by India and China, has allowed for this situation and provided developing countries with greater autonomy when designing their particular economic policies. Simultaneously it has brought about challenges demanding greater agency from African economic stakeholders and concerted clarity in the strategies that will design Africa's response.

If Africa seeks to use China and India's engagement to "move beyond traditional reliance on single-commodity exports" (Broadman 2008), it will have to design strategies that will allow it to do so. This means that lethargic and passive governance can still result in a repeat of previous structural mistakes. A mishandling of this engagement can still have other malign ramifications in terms of a negative reaction from labour markets, commerce and industries. African economic stakeholders ranging from small to big businesses and to regional organizations need to rethink their approaches by taking into account China and India's engagement. African businesses need to have the capacity to effectively lobby China and India to open up their protectionist trade policies (Broadman 2008) and, at the same time, have the autonomy and space to experiment with innovative and value-added projects.

As India and African countries gathered in New Delhi for the first India-Africa summit in April 2008, African leaders were keen to welcome India's tariff cuts and doubling of financial credit to the continent but they also quickly warned India to drop mere "words and speeches" and advance with "immediate visible projects" (Roche 2008). African countries are thus being increasingly demanding and have every reason, as they hedge their bets and rely on different actors that seek to deepen economic relations with Africa. This can form part of a strategy to promote African interests in the interaction with powerful external actors.

## *Conclusion*

This paper has provided an overview of China and India's engagements with Africa and outlined the possible opportunities and risks that shape this engagement. We have analysed this, not so much within the current discourse of the Scramble Debate, but have rather tried to frame it within what we interpret as the nature of the contemporary global political economy and how this is influencing the China-India-Africa relationship.

But this does not mean we discard all insights from the Scramble argument. Rather we opt for a discourse that is more reactive to Africa's interaction with China and India. While there may be certain inherent characteristics similar to the previous Scrambles, the discourse remains limited in that it is contextualised within a Western-centric framework which is in itself flawed since it takes as its main reference point the behavior of Western powers vis-à-vis Africa. What is missing in the discourse is trying to find an intellectual framework that assesses the rise of China and India within the context of the East's dominance in the period before Christ and whether what we are now witnessing is China and India re-emerging as powerful economies in the global system and a return of history. Consider the following quote by David Smith: "… 2000 years ago China and India between them held a 59 per cent of the world economy (of which India had 33 per cent, China 26 per cent… Their current rise is mainly just a return of the status quo" (2007:9).

Yet, having said this, it is our view that Africa must not overplay this return of history nor what most African government's are engendering as a new 'Look East' policy. It would be easy for African political and economic elites to fall into the same trap of becoming overly dependent on China and India as alternative partners to the

West. Instead we caution that China and India play by the logic of constituency-economics like all other sovereign states, which are seeking permanent interests and not permanent friends.

To this end the promises being made to Africa through the FOCAC Commitments and now with the India-Africa Summit provide Africa with a significant opportunity to break through the bottlenecks in infrastructure development and other structural weaknesses. But these are short-term solutions. African governments must understand that China and India are not going to be the panacea of their development challenges. Instead they need to shape the engagement as well. In his magnus opus, The Wealth of Nations, Adam Smith talked of an 'enlightened selfishness' that states need to entrench to become globally competitive. China and India have understood this and are moving towards this 'enlightened selfishness' with great speed. But what is Africa's 'enlightened selfishness'?

The threats of China and India's engagement are not only felt at the macroeconomic level but also behind the market at the micro-level in the informal sector where most petty African traders earn a livelihood. Understanding how China and India impact on the livelihoods of these traders is critical because in Africa the informal sector is a survival sector. Thus, as China and India integrate further into the global value chain, this will pose significant considerations for those living in the informal sector, not least because China and India are also dealing with massive socio-economic inequalities. How African governments respond in protecting the interests of their own marginalised constituencies is important. Already we are witnessing such tensions becoming apparent whether in the Niger Delta region, on the Zambian Copper Belt or in remote parts of the continent.

Therefore, for Africa's engagement with China and India to be a sustainable strategic partnership, it has to be a pragmatic engagement that pushes beyond the current bilateral relations to include a multilateral framework that endorses the AU and NEPAD as primary actors in this regard. At present, it seems that the permanent interests of African states is to keep these institutions weak, which does not bode well for the favorable conditions that African leaders point to when assessing their engagements with China and India i.e. that it facilitates the continent's greater integration into the global economy. Nor should African leaders see China's increasing presence in multilateral institutions or that of India as a means to this end. While it should be acknowledged that at the recent India-Africa Summit

African delegates urged that India should be a stakeholder in the continent's development, this does entail that Africa must be the CEO that shapes this process. Hopefully such signs are indications that Africa is awakening and will not remain a passive agent in the China-India rise.

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