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The African Safari
Understanding the Sino-Indian Competition in Africa

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Prime Minister Manmohan Singh's visit to Addis Ababa, Ethiopia, to attend the second India-Africa forum summit and the initiatives he announced, is an attempt to secure an economic, cultural and strategic space in Africa to counter the ever-growing Chinese influence in the continent. China and India are now seriously competing with each other to engage resource-rich Africa, thus giving a new dimension to South-South relations.

While India's trade with Africa's eastern and southern regions dates back to the days of the Silk Road, China's thrust into the area is rather recent, and is focussed mostly in infrastructure. Africa's exports to China increased at an annual rate of 48 per cent between 2000 and 2005, which is two and a half times as fast as the rate of the region's export to the US and four times as fast as the rate of its export to the European Union (EU) over the same period. India and China have burgeoning middle classes with rising incomes and purchasing power, whose members are increasingly buying Africa's light manufactured products, household consumer goods and processed foods and using its back-office services, tourism facilities and telecommunications.

It is significant to analyze where is this competition headed.

I
THE NATURE OF INDIAN AND CHINESE FOOTPRINT IN AFRICA

While the annual two-way trade between India and Africa has gone up nine fold from US$5 billion to US$46 billion over the last couple of years and is expected to reach US$ 70 billion by 2015, this volume is only a third compared to Africa's export-import trade with China, exceeding $126.9 billion. Between 2003 and 2008, Chinese direct investment in Africa soared from about US$500 million to nearly US$10 billion. This is despite India's longstanding cultural and commercial ties with the Africa continent. In fact, even a decade ago, India had an edge over China in trade with Africa. In a well-planned and executed strategy, China has been making its presence felt in all spheres of economic activity in the continent. State-run Chinese firms are building bridges, roads, telecom networks, airports, and generally boosting infrastructure all around in Africa in return for getting access to natural resources. China is now Africa's biggest trading partner, surpassing the US. More than a million Chinese workers are based there at present, engaged in all sorts of projects all over the continent. As a result, the Chinese have earned the reputation of being "neo-colonists."

By contrast, the Indian presence in Africa is more subdued but substantial. Unlike China's aggressive economic strategy aimed at gaining access to Africa's oil, copper and other minerals to fire its engine of growth, New Delhi is more interested in long-term economic partnerships that are mutually beneficial and do not replicate colonial systems of exploitation of African wealth. Indian projects in Africa include more utilitarian and social development-oriented ones like rural electrification in Mozambique and Ethiopia, railways in Senegal and Mali, cement in Congo and computer training in Lesotho. Indian companies are involved in building the National Assembly in Ghana and military barracks in Sierra Leone.

Even private corporate groups of India have had long-standing ties with African countries. Indian private investment in Africa is already at US$5 billion, led by the Tatas, who command both respect and recognition with a presence in 14 countries in areas such as hotels, telecommunications, hydropower and transportation. Tata launched its African operations in 1977 from Zambia, where Tata trucks and buses begun to be seen everywhere, so much so that 'Tata' has today become synonymous with 'bus' in that country. Other players include Vijay Mallya's UB Group, Mahindra and Mahindra, Kirloskar, Cipla, Dr Reddy's and Apollo Hospital, which has a facility in Dar-es-Salaam. India has been approached by the Botswana government to helped in adding value to its diamonds by cutting and polishing them in Botswana itself rather than sending them to Surat or Antwerp. Indian pharmaceutical manufacturer Cipla has done a revolutionary service in supplying inexpensive generic anti-AIDS drugs to African countries in the teeth of opposition from Western multinational corporations.

Other Indian business groups have made major investments in Africa in the areas of information technology, hospitality, electrical equipment, and hospitals. Last year, the Essar group bought a refinery in Mombassa, Kenya. The company's earlier investment of US$450 million in mobile telephony in that country has brought good returns; its brand 'Yu' has 400,000 subscribers now. After failing in its bid twice to clinch a merger with South Africa's MTN, India's Sunil Mittal-owned Bharti acquired Zain Telecom's 15-country Africa operations for a total enterprise value of US$10.7 billion, making it the sixth-largest telecom service provider in the world by number of subscribers. The combined entity will have 163.5 million subscribers of which 41.9 million are Zain Africa subscribers and 121. 6 million are Airtel subscribers. Africa has become the new frontier for Indian companies to make their presence felt.

The Indian government is also financing an "e-network" project to enhance internet connectivity in Africa, linking five regional universities, five specialty hospitals, 53 regular hospitals and 53 educational institutions across Africa to Indian universities and hospitals via a satellite and fibre-optic network. The brainchild of former president A.P.J. Abdul Kalam, India has offered US$100 million for the project for which 29 countries have already signed up. The first Centre for Indian Studies has already started operating from 2007 at the University of Witwatersrand or Wits in Johannesburg, Africa's premier educational institution, increasing academic engagement. India's NIIT has grown to be one of the continent's biggest firms in information technology training, having taught 150,000 students across 55 centres. The Indian government has supported, in addition, technical exchange and training programmes in most African countries. For more than four decades now, 1,000 individuals from sub-Saharan countries have been provided technical training in India on an yearly basis. Besides, there are an estimated 15,000 students of African origin currently studying in Indian universities and educational institutions, many of them on government scholarships.

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However, in setting up centres for intellectual engagement and extending influence through such ventures, the Chinese got ahead of India by establishing a Centre for Chinese Studies had opened in South Africa's Stellenbosch University as far back as 2005. By 2010, Beijing has already set up a two other Confucius Institutes in Rhodes and Cape Town Universities

Indian mining giant Vedanta Resources PLC runs Zambia's biggest copper mine. To attract Indian companies, Zambia offered in 2008 to set up a special, incentive-laden investment zone. The Chinese got their own investment zone in Zambia a year before India was offered one, when Chinese President Hu Jintao visited that country with great fanfare, announcing plans to build a new soccer stadium and pledging a whopping US$800 million in copper mining investment.

China aggressively targeted resource-rich countries like Sudan (investment US$15 billion), Angola (US$4 billion) and Congo (US$12 billion) with aid and easy loans in exchange for access to oil, copper and manganese. While China and other foreign mining companies generally export raw minerals from Africa, Zambia wants India to start processing raw materials there itself. This is despite the fact that China has had historically strong ties with Zambia dating back to the construction of the Tanzam railroad linking Tanzania and Zambia. Beijing's closeness to the Zambian government has not stopped it from accusing the Chinese business people of being insular and sometimes exploitative. The major strength of Chinese companies, mostly government-owned, doing business in Africa or elsewhere, is the support of the government and the full might of the Chinese economy behind them. In comparison, the Indian companies are privately owned and do not have the government behind them to underwrite their operations. The Chinese have deep pockets and have the ability to undercut and win every contract – and not just against India, but against the US and Europe too.

The strength of Indian companies lies in its diversified operations and its tradition of private sector creativity. An instance is the case of Sai Ramakrishna Karaturi, head of the Bangalore-based Karaturi Global Ltd., who has been able to get 3,00,000 hectares (about 741,000 acres) of land in Ethiopia on a no-rent basis for the first six years for farming purposes. The land is expected to yield US$100 million annual profit from export of food crops like corn, rice and palm oil. The company hopes to provide jobs to 20,000 people and intends to build a hospital, a cinema, a school and a day-care centre for its employees. If this experiment proves successful, it could be replicated in other places and could emerge as a good model for cultivating friends and influence in African nations.

While the Chinese operate in enclaves, India has a deeper infiltration into the macroeconomic fabric of the African continent. Africa wants India to be "a shareholder, not just a stakeholder" in Africa's development, to quote Ethiopia's deputy trade minister Tadessse Haile. Although African leaders find it difficult to resist the price China offers for their resources, these deals turn out to be costly from a long-term perspective.

For example, they are often handed down infrastructure like the railways which they cannot operate on their own because locals have not been trained. Cheaper Chinese products often pushed Africa's own products out of the market. China's method of bribing leaders with millions for getting resources and projects is undermining Africa's painstaking efforts in recent years to evolve a more accountable leadership. China is also accused of propping up dictatorships and other repressive regimes with direct military aid and favours. At times, the Chinese do not keep their commitments. For instance, in the Congo valley, Chinese state-run enterprises reneged on significant deals to source copper from the mines in Kantago district after their prices fell, generating considerable ill-will and wariness towards China across Africa. Already, China's growing presence in Zambia has met with internal resistance. Trade unions have protested against China's policy of 'dumping' cheap goods. Congo reportedly recently expelled 600 Chinese nationals and shut down three firms.

However, according to a recent article in Yale Global online by Professors Sautman and Yan, China's role in Africa has been much maligned. Though China mainly imports oil and other resources from the continent, the country has helped to finance infrastructure projects based on loans with lower interest rates than most Europeans countries offer. Such projects are less likely to fuel corruption too, as they are built by Chinese firms backed by Beijing. Moreover, low cost Chinese goods that many argue are displacing locally manufactured products are actually shutting out developed country goods. "The facts on the ground show China's engagement in Africa has been more positive than this discourse claims," asserts Sautman and Yan. "The Chinese are getting bad press in the West because they are from a country that is neither liberal democratic nor white, yet are effectively competing with those who are – to the point that some Africans see Chinese development activities as providing a model." They do admit that China also had its fair share of

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black spots: Chinese-controlled mines have conditions no better than European ones, for instance. But they feel that most analyses on China's involvement in Africa miss an important point – that of improving the lot of the poorest continent in the world.

However, Africans seem to prefer the Indian model of cooperation, which brings more appropriate technologies and managerial skills for African conditions. India's low cost adaptable technologies, which produce things like cheaper water filters or chlorine tablets or affordable HIV drugs, are thus attractive to the Africans. One of the disadvantages that Indian companies face is that, unlike Chinese companies who can afford to take risks in their ventures because of government backing, they are often haunted by the mass expulsion from Uganda in 1972 and worry about the potential for another such backlash.

The most problematic area of competition with China is oil. India imports 70 per cent of its oil, and is heavily dependent on Nigeria. The government-owned Oil and Natural Gas Commission (Videsh) Limited has invested US$720 million in Sudan to secure a share in their oil fields, and plans to spend US$200 million on a 741 kilometre pipeline. India has offered US$500 million in credit to countries around the Gulf of Guinea – the source of 70 per cent of India's African oil production. China takes over 60 per cent of Sudan's oil exports that is over500,000 barrels per day – now 10 per cent of China's oil imports – and some 35 per cent of the flow from Angola. It owns 40 per cent of the Sudanese oil sector and one of its State Owned Enterprises (SOEs) built a 1,600 km oil pipeline to the coast in less than 12 months. India already imports 11 per cent of its oil from Nigeria and wants access to alternative reserves in Angola, sub-Saharan Africa's largest producer. However, it faces fierce competition from Chinese interests, which have already poured in investments worth US$15 billion into Angola.

II
NEW DELHI'S EFFORTS IN AFRICA: A CRITIQUE

To boost trade ties, India convened in an Indo-African summit in Delhi in April 2008 with representatives from 14 African nations to act as facilitators for Indian businesses expansion in

Africa. During the past seven years, India has extended credit worth more than US$2 billion to African countries. At the summit, India promised to grant preferential market access for exports from all least developed countries, 34 of which are in Africa. Besides a promise to increase its lines of credit to Africa to the amount of US$5.4 billion and its aid to US$500 million over the next five years, India also announced duty-free imports from the poorest African countries and an action plan covering defence training, mining, energy and cultural links. It was alos agreed to scrap the tariffs on a host of African imports, from diamonds and copper ore to sugar cane and clothes. The abolition of duties will cover 94 per cent of the in-bound goods from 34 African nations.

The summit was India's riposte to the China-Africa Cooperation Forum of 2006, at which China unveiled US$9 billion in preferential loans, export credits and other incentives to reinforce its grip on Africa's mineral-rich regions. A further boost to India's African initiative has been given in the second Africa-India Forum summit in Addis Ababa, the first to be held overseas, in May this year. Prime Minister Manmohan Singh has pledged US$ 5bn for the continent's development over the next three years. This credit would be apart from US$700 million pledged for new institutions in Africa. "Spreading out the Indian presence from agriculture to infotech to diamond-cutting, tele-medicine to a virtual university, India now rivals China for top honours in the new Great Game in Africa," reported Times of India on 25 May. At the summit Singh declared: "There is a new economic growth story emerging from Africa. Africa possesses all the prerequisites to become a major growth pole of the world. . . The India-Africa partnership is unique and owes its origins to history and our common struggle against colonialism, apartheid, poverty, disease, illiteracy and hunger. . . . India will work with Africa to realize its vast potential."

India also announced an Ethiopia-Djibouti railway line at a cost of US$300 million. The initial plan by the African Union was for a line running across the breadth of Africa, but the task of coordinating land acquisition through so many sovereign states was a challenge that it was not willing to take just yet. India's interests in Africa are not very different from those of China, with the added lure of 53 votes (Africa) pushing for a reform of the UN Security Council, where India aspires to be a permanent member.

The Indian Government is also trying to eliminate Western middlemen wherever possible and proposes reshaping the global trade in diamonds by importing unpolished stones directly from Africa, the source of 70 per cent of the world's gems, bypassing historical markets such as London, Tel Aviv and Antwerp. At present, 95 per cent of the world's diamonds are cut and polished in India, but most pass through Europe on the way to the subcontinent.

III
CONCLUSIONS

Most of these initiatives from India should have come much earlier. Indian efforts are far too little compared to its capabilities, and far too late in reaping the dividends that it could have given its historical links and the goodwill it had earned from its shared fight against colonialism and apartheid. India had ignored its natural allies in Africa for a long time.

At times, India has also demonstrated a condescending attitude towards Africa, which was seen as a backward continent. While that attitude is changing somewhat now and the Indian government is re-focusing on Africa, possibly as a reaction to the Chinese advance in the region and arising from an urgent need for energy resources to fuel its economic growth, India-Africa relations fall far short of its true potential.

India's thrust towards Africa is essentially private sector driven. There is an urgent need for the Indian government, like the Chinese, to act as a bridge between Indian businesses and the governments in Africa. Africa is not only rich in both resources and votes in the UN General Assembly; it is also displaying robust economic dynamism. Many African countries are growing at more than 5 per cent. The oil rich ones are registering double digit growths. Africa is, therefore, immensely important for India for economic, diplomatic, and strategic reasons. The big foreign policy test for New Delhi is to evolve a policy that can reconcile the interests of the Indian companies who are eyeing Africa for profits and its own strategic goal of Africa as an ally that is supportive of its global objectives of reform in the existing international order. India must think out-of-the box as Sai Ramakrishna Karaturi did, to compete with China.

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