China and India, “Rising Powers” and African development: Challenges and opportunities

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Abstract

In this report, the challenges and opportunities arising from the growing ties between two key “Rising Powers,” China and India, and Africa are more fully explored. This trend has given rise to speculative, exaggerated and ideological responses and a mixture of anxiety and hope. What is needed is an interdisciplinary political economy study to investigate the ways in which global, regional and national linkages in the relationship impact on the prospects of sustainable development in Africa. The necessity for this is underscored by the growing influence of the BRICS group (Brazil, Russia, India, China and South Africa) in reshaping the world.

In this frame, the focus is on the nature of the shift in China’s and India’s strategic vision of Africa in terms of politics, ideology and economic development. This shift impinges on trade and investment and, in turn, the scope for inducing structural economic change in the context of colonial and postcolonial tensions. Comparative observation of countries in Eastern and Southern Africa, particularly Ethiopia in the former, illustrates their capacity to cope with the new powers. This is a critical aspect of the continent’s complex interplay with states and institutions within and beyond its borders. Ultimately, African nations have to individually and collectively confront the challenges and opportunities stemming from their evolving relationships with these Rising Powers.
Globalisation and the “Rising Powers”

Globalisation is an historical process. It envisages compression of the world, blurring of national borders and mounting transnational relations, with a shift in emphasis from the state to the market as drivers of policy. It unfolds against a backdrop of debate on the virtues and limits of capitalism to stimulate growth and reduce poverty. This is the context within which China and India, dubbed the “Rising Powers” or the “emerging giants,” are reshaping national and global destinies. It is thus critical to investigate more fully their ties, intended to bolster their strategic interests, with diverse regions.

In this regard, there is a gradual shift in power away from “traditional” powers – the US, Europe and Japan – towards the BRICS. These countries account for about 45 per cent of the world population, 30 per cent of world trade and 25 per cent of world investment. They aim to reform global trade, finance and development, including the environment and peace. However, the shift in power is gradual as developed nations, especially the US, still control the major Bretton Woods institutions (IMF, World Bank, World Trade Organization) and exercise major influence or “hegemony” over world affairs. Moreover, within the BRICS there are significant differences in political and economic structure and policy. It should be stated that China has increased its voting rights in the World Bank from 2.77 per cent to 4.42 per cent and India from 2.77 per cent to 2.91 per cent. However, the US retains a 15.5 per cent share, giving it veto rights. Despite outward homogeneity among BRICS members, they do have different goals. China, for instance, is more interested in bolstering its political influence, and its foreign policy and influence are geared towards reshaping the world order. India, however, is more interested in using the BRICS format to enhance its “strategic economic position” in global affairs. Then Indian Prime Minister Manmohan Singh called for reform of political, security and governance issues in the UN and in the international financial, monetary and trade system as a stepping stone to “orderly transformation” of the world.1

However, within the BRICS, it is China and India who are the key players capable of exerting significant influence over future world issues. They can be seen as “re-emerging powers” aiming to recapture their historical glories. In the 18th and the 19th centuries, they controlled around 44 per cent of world GDP. However, their share slipped in the 20th century from 16.4 per cent of global GDP in 1913 to 8.7 per cent in 1950, rising to 12.59 per cent on average between 1985 and 1995 and 16.88 per cent between 1995 and 2003. Forecasts indicate that by 2025–30 there will be a resurgence and they will control over 40 per cent of world GDP.

In recent years, both nations have achieved high growth rates under their different systems. China has functioned under a centralised political structure and pursued state-led development, although it is increasingly accommodating the private sector, while India has adopted a mixed state and market economy within a multiparty democratic political system.2

Between 2006 and 2011, China’s compound annual growth rate was 10.6 per cent compared to India’s 8.2 per cent, while the two countries’ trade as a percentage of global GDP rose from 1.1 per cent in 1990 to 3.6 per cent in 2004. They have also been opening up fast, with trade as a percent of domestic GDP amounting to 40 per cent in China and 30 per cent in India, while foreign direct investment (FDI), although currently modest, is expected to rise in the future. Furthermore, it is forecast that China will be the second largest economy in the world by 2016 and India the third largest by 2035. Poverty, however, is likely to be a major challenge for both.

The fluctuating world economy has bedevilled policymakers, who have come to place their hopes for future growth on the Rising Powers. The World Bank’s Global Economic Prospects expected that China’s rate of growth would rise from 7.9 per cent in 2012 to 8.4 per cent in 2013 and India’s from 5.1 per cent in 2012 to 6.1 per cent in 2013. Brazil was expected to recover to 3.4 per cent in 2013. The chief economist of the World Bank, Kaushik Basu, has stated that China has been growing for 30 years. This growth has been at a phenomenal rate

1. See Pandey 2012.

2. India’s democratic credentials were demonstrated during the 2014 Indian parliamentary elections, for which 800 million people were eligible to vote. It also has diverse media, including press, radio and television and active civil society organisations, which champion the plight of the poor and other causes.
since 1978, but China could not grow at 10 per cent for more than a couple of decades. According to the World Bank, earlier rates of growth were unlikely in the future. Moreover, India was seen as catching up with Chinese growth rates.3

Inevitably, the future of many nations is closely tied to the rise of China and India. This necessitates a fuller grasp of the key forces that enhance and inhibit the capacity of both to develop. Included among these are (a) structural transformation to diversify and boost growth and employment while tackling domestic socioeconomic and political strife, and (b) strategic ties or alliances with nations/regions and institutions within and beyond Asia (including Africa) to boost economic and political influence.4

Structural change in both countries has been driven by domestic and external reforms based on “liberalisation.” This entails a shift from state to market to usher in economic change by curtailing state intervention, with the price mechanism guiding production, distribution and consumption, and the removal of barriers to trade and investment. The pre-liberalisation phase impinged on subsequent policies. In China, this phase created a firm basis for executing reforms: a high savings level with significant capital formation; investment in infrastructure, healthcare (including primary healthcare), literacy; and the virtual elimination of landlessness. In contrast, the Indian pre-reform era was marked by landlessness, high levels of poverty and inequality. These thwarted subsequent reforms. Liberalisation of the economy and emphasising the market took shape under different sociopolitical systems. In China, liberalisation emerged in 1978 in the post-Mao era, unleashing reliance on markets in agriculture, industry and services and state-owned sectors, and deregulation of prices. The emphasis was on export-led growth and FDI and on “strategic liberalisation” based on domestic priorities. However, curbs on the state and reliance on the market aroused controversy, in part due to the exclusion of the poor and the marginalised and worsening inter-regional inequality, in spite of the professed benefits of the new approach. The policies reveal a marked withdrawal of the state and from Maoist centralised planning, both of which were seen as shackling development.

At the same time, it is alleged that political liberalisation, exemplified by democracy and human rights, has yet to emerge in China. This situation calls for balancing economic and political rights.

In India, liberalisation surfaced much later than in China, in the early 1990s, with selective reliance on market forces. It has been more gradual, and set within a democratic frame, which allows diverse interests to challenge or support the measures. Industrialists and the urban middle classes welcomed the new policies, but there was stiff resistance from the rural and urban poor. The debate on the virtues of liberalisation resurfaced in the aftermath of the Great Recession of 2008 and the financial crisis of 2011. This led to fresh consideration of the relevance of neoliberalism and the Washington Consensus, of developing a Beijing or even Delhi Consensus, and a shift in the balance of world power from the developed to the rising powers. The virtues of the state versus the market and the relevance of fully opening up an economy are being reconsidered. Indeed, there has been an onslaught on the limits of the market and the relevance of the state in restructuring policies and stimulating domestic demand.

Measures to induce liberalisation in both countries coexist with various forms of historical and contemporary domestic sociopolitical strife. These inhibit sustainable growth and absorb valuable financial and human resources.

China, under a centralized, more authoritarian and state-directed system faces challenges from forces desiring greater autonomy. The issues include human rights; freedom of speech, movement, and religious beliefs; anxieties over internal terrorism; and demands from groups such as migrant workers for basic rights. Corruption, too, is a major threat at all levels. This could undermine socioeconomic and political stability. These factors impede economic change and affect the lives of the poor.

India, too, despite its multiparty democratic system, faces critical domestic obstacles. These include major threats from internal terrorism, sparked by demands for basic economic, social and political rights by Maoist or Naxalite movements in relatively poor regions such as Bihar, Orissa and West Bengal. There is also a call for greater autonomy from the federal government in regions in the northeast. In addition, there are pressure groups championing the plight of the deprived, exemplified by the tribal communities, landless agricultural workers, and the urban poor and other marginal groups. Moreover, more recently, workers in banking, insurance, and

4. This is based on the author’s Warwick University Discussion Paper. See Roy 2013(g).
the retail trade, have challenged aspects of liberalisation that may affect them adversely, for instance, job losses as a result of privatisation of state-run sectors. Corruption, too, at many levels has frustrated policies.

The socioeconomic challenges faced by both countries reflect on the nature of the state and its capacity to meet diverse and complex economic and sociopolitical demands. Their different political structures may have a major influence the way the two cope with such challenges and the potential for inclusive and sustainable development. No doubt India’s democratic framework may be an asset, as it enables diverse voices to be expressed. However, maladministration and corruption inhibit policy effectiveness. In China’s case, its top-down political system may result in delayed responses to discontent due to resistance within the party hierarchy to initiating change. At the same time, the party may become more open and react positively to changing needs. This could lead to decisive and timely action to redress socioeconomic imbalances. The capacity of both states to manage complex economic and political change is a major challenge.

China’s and India’s strategic ties are those alliances with countries and institutions within and beyond Asia, and intended to bolster their influence. First, there is an urge to curb “old” (pre-1990) and “new” (post 1990) tensions between China and India, an objective that is critical to peace and development. The chronological division is based on the advent of economic liberalisation in India from 1990 onwards. The “old” tensions stem from China-India rivalries and suspicions, rooted in military and territorial disputes, while the “new” tensions arise from rivalries and competition in world markets. However, competition between China and India in military and defence expenditure could worsen tensions and insecurity in Asia, with adverse effects on the rest of the world. At the same time, dialogue between the two states has underscored long-term objectives to reinforce ties through trade and investment. This could diminish historical anxieties over security. Such hopes have been aroused in several meetings. For instance, in April 2011, both parties agreed on a bilateral trade target of $100 billion by 2015, and China pledged to reduce the trade imbalance, which has been tilted against India. Such goals were reiterated in May 2013 at a meeting of the Chinese premier and Indian prime minister in India.

Secondly, both have been actively forging ties with nations and regions and institutions within and beyond Asia. Within Asia, both are building on past links through bilateral and institutional exchanges in Asia (South Asian Association for Regional Cooperation, Association of South East Asian Nations and Asia Pacific Economic Cooperation) and in Africa (African Union). China exerts more power in Southeast Asia, while India has more influence in South Asia. In addition, the triangular relationship between China, India and US has a major impact on security in Asia.

Interest has also been growing since the early 1990s in exchanges with Africa, motivated by the desire of the two Asian powers to gain access to raw materials (for example, energy) and new markets. This has been underpinned by a shift in their policies from Cold War politics and ideology to post Cold War economic development. It is these exchanges that form the core of this paper.

Third, both states have been trying to extend their influence in world affairs through international and South-South institutions. Their mounting economic clout is being matched by their greater political influence, mirroring the gradual shift in the balance of world power. Indeed, they could join forces to address the problems plaguing developing nations in world affairs. These include an inadequate voice in international financial, economic, climate change and peacekeeping institutions. Achieving drastic reform of key institutions – IMF, World Bank, WTO and UN – while actively supporting new ones such as the G20 (comprising developed and rising states) could have far-reaching effects in establishing genuine global governance. The financial crisis has no doubt increased the urgency of ensuring that the policies of international institutions reflect the wishes of new powers such as China and India. However, rebalancing the global economy may trigger political, military and security tensions between and within existing and new powers. Moreover, emerging South-South groups, exemplified by the BRICS, have the potential to reinforce the global prowess of their members.
China, India and Africa: Strategic Shifts

The growing ties between China, India and Africa emerge against the backdrop of a changing world economy and the forces driving the new powers. In this respect, there has been a shift in their strategic vision from ideology and politics to economic development, a shift with far-reaching implications for African development.

Essentially, African countries have to develop strong economic and political policies within and beyond the region in order to pursue their own visions. This has to be set in the frame of inter- and intracolonial and post Cold War political tensions and conflicts, which impinge on development. No doubt, good governance – a concept encapsulating democracy, basic needs and basic rights – has to be a major goal for African nations. African economies have been driven by trade. However, Africa’s share of world trade has declined to about 3 per cent (2006), while Asia’s had doubled to 27.6 per cent. Africa’s growth, too, was limited, averaging only 1.1 per cent annually between 1980 and 2000. However, recently it has been rising, but in a fluctuating manner: 5.2 per cent (2004), 5.3 per cent (2005), 5.7 per cent (2006), 6.6 per cent (2007), 5.4 per cent (2008), 3.1 per cent (2009), 5.0 per cent (2010), 3.5 per cent (2011), 6.6 per cent (2012), and 4.8 per cent (estimated 2013). These rates still fall far short of the Millennium Development Goals target (7 per cent) to curb poverty by 2015. Africa has to embrace globalisation, which can usher in economies of scale, access to wider markets and a shift from raw materials to processed and manufactured goods. In the long term, an international market, coupled with cheaper imported inputs and moving up the value scale, could make industry more competitive. This could create jobs through labour-intensive production. FDI, too, has to be mobilised to attract investment in core sectors, in addition to resource-based ones: infrastructure (physical and human), services and newer industries with export potential. Links through trade and FDI have to be promoted. Aid, though declining, has also been supportive, especially for those countries with heavy external debts. Overcoming economic obstacles must be accompa-

5. See Roy 2014, Roy 2013(b),(e) and (f), Roy 2012 and Roy 2010. See also works on China and India and Africa cited in the references.


China’s thinking on Africa has steadily moved from a combination of ideology, politics and economics to the more forceful pursuit of economic development. This is set against the backdrop of its liberalisation policies in the late 1970s. The epochs are aligned with African nations gaining independence in the 1960s and China’s winning a permanent UN Security Council seat in 1971.

Before 1990, China and Africa shared a common struggle against Western hegemony. China assisted Africa in diverse ways: first, supporting nationalist movements fighting colonisation; second, by initiating large construction projects (like the Tazara Railway); third, by dispatching medical teams to Africa; and, lastly, by offering scholarships to African students wishing to study in China. In the 1990s, the links between China and Africa became more pragmatic, with economic development the major goal. On one hand, Africa, with its apparently unlimited resources, was seen as an ideal partner and a potential market for China’s low-value manufactured commodities. On the other, oil became a key African export to China. Furthermore, Chinese companies began investing in African infrastructure, including factories. However, the relationship has been somewhat soured by vehement critiques of China’s stand on human rights, the environment and Africa’s governance challenges.

The ties between Africa and China climaxed in the major Beijing summit in November 2006. This focused on cooperation and mutual development, objectives captured in the Africa Policy Paper (2006). The six-day event was attended by 40 African heads of state. Chinese President Hu Jintao reassured them that “China will forever be a good friend, good partner, and good brother of Africa.” Moreover, China pledged to bolster its peacekeeping role in Africa. This should be seen against the backdrop of its recent gift of a new African Union building in Addis Ababa in Ethiopia, marking its desire to intensify its political influence in the continent.

China’s vision was to be implemented through aid, a development fund, preferential laws, market openings, debt cancellation, training and building hospitals.

India has moved at its own pace to enhance its ties with Africa, shifting from championing anti-colonial movements, along with the pursuit of commerce, to placing more emphasis on economic growth in line with its early 1990s liberalisation policies. Its exchanges with Africa are rooted in the precolonial period, with subsequent developments in the colonial and postcolonial era. In the 19th century, India and Africa were tied by migration and commerce. Indian traders had business links in East Africa and engaged in importing, exporting and shipping. India’s subsequent ideological support was associated with the challenge of racism (Beri 2003). This is exemplified by Gandhi’s Satyagraha movement in South Africa (1906-14) to fight for the rights of Indians. However, only time will tell whether Gandhi’s vision of the relationship will prevail and whether “commerce between India and Africa will be [in] ideas and services, not [in] manufactured goods against raw materials after the fashion of western exploiters” (Beri 2003).

After India’s independence (1947), its Africa policy was laid down by Prime Minister Jawaharlal Nehru. It was two pronged: first, the struggle against colonisation and racial discrimination in South Africa; second, support of People of Indian Origin (PIO) in confronting similar obstacles. Over the last four decades, India has given more than US$2 billion in technical assistance to countries in the South, with the bulk going to Africa. In the last decade a number of initiatives have also promoted trade with the African private sector. Most of the imports consisted of agricultural products, minerals such as copper, and oil, while exports comprised textiles, pharmaceuticals and engineering products (Beri 2003; Arbab 2008).

India-Africa links climaxed at the India-Africa Delhi summit in April 2008, attended by 14 African countries. The aim was to strengthen partnerships in the core areas of trade, energy and cooperation and on global issues such as UN reform, terrorism and climate change. India’s interests were made explicit by its petroleum minister, Murli Deora, who declared that “Africa is pivotal to our energy security and we have decided to have a sustained engagement with them.”

The Delhi Declaration and the Framework for Cooperation, both of which emerged from the summit, set out to enhance mutual development. First, they include a political document on shared bilateral, regional and international concerns (UN reform, climate change, WTO and international terrorism). Second, they focus on cooperation in major areas (education, science and technology; agricultural productivity and food security; industrial growth; infrastructure; health) to stimulate development. India’s pledges were reiterated at the second India-Africa summit in Addis Ababa in May 2011, with the goal of boosting trade from $45 billion in 2011 to $70 billion by 2015, providing an additional $500 million in aid on top of the $5.4 billion already promised, and building capacity. Despite these promised engagements, India still lags behind China, whose trade with Africa is over $130 billion.
Trade, investment and aid ties unfold against the backdrop of the economic, political and historical challenges faced by African states.

Essentially, trade and investment have driven Africa’s relationship with the Rising Powers, as recent trends in Asia-Africa economic exchanges reveal. It emerges that there are persistent historical biases, rooted in the colonial era, against Africa in terms of the nature of trade and investment. This has led to dependence on the export of commodities and minerals; importation of manufactured and capital goods; and overwhelming investment in extractive sectors with limited creation of employment. However, interaction between Asian countries and Africa is gradually ushering in new trade and investment, with diverse industries and services emerging. This arouses the hope of inducing structural change in African economies.

Despite recent rapid growth in trade between Asia and Africa, historically the US and Europe have been the major trading partners. Thus, while Africa’s exports to Asia tripled over the last five years, the latter is only Africa’s third largest trading partner (27 per cent), after the European Union (32 per cent) and the US (29 per cent). Africa’s exports, too, are still relatively insignificant, accounting for only 1.6 per cent of Asia’s global imports. However, Asia’s exports to Africa are growing fast (about 18 per cent per annum) and are currently higher than any other region’s (including the EU).

Africa’s trade structure reveals biases, with imports of capital and manufactured goods and exports of primary and resource-based goods, mainly oil, metals, minerals, and lubricants (accounting for 24.9 per cent of total exports in 1996 and rising to 67.3 per cent in 2004). Furthermore, the export of such products is likely to increase as major Asian players industrialise rapidly over the next decade (Roy 2010).

At the same time, African imports of Asian goods (especially from China) increased markedly from US$895 million in 1996 to US$7.3 billion in 2005 (a rise of 712 per cent). Imports often comprise intermediate inputs for products assembled in Africa and shifted to third markets in the EU and the US, or capital goods (machinery and equipment) for African manufacturing sectors. There are also sizeable African imports of consumer durables, such as textiles and leather based products, from Asia, which may compete with Africa’s domestically produced products.

Barriers, specifically tariff and non-tariff escalations, have thwarted trade between Asia and Africa. While Asian countries impose higher tariff rates on African imports than on those from the US and EU, African nations also have high tariffs on Asian imports. Along with inhibiting the export of higher value added processed products from Africa, tariffs affect some of the continent’s leading agricultural exports to Asia, especially coffee, cocoa beans, and cashews. Lifting such barriers would stimulate the growth of new industries in Africa and employment.

FDI is essential to promoting Asia-Africa exchanges. However, to date, FDI in Africa has been capital intensive, centred on extractive industries and with limited cross-sector linkages and employment creation. FDI has also displaced existing producers, with limited spin-offs due to poor linkages. Gradually, however, investment in other sectors is unfolding, including FDI in the key infrastructure, apparel, agro-processing, power generation, road construction, tourism and telecommunications sectors.

Against the backdrop of Asia-Africa economic exchanges, the specific ties between China and India and Africa are changing and need to be monitored. Trade between China and India and Africa has increased by 700 per cent during the 1990s. Although Africa makes up only 2.3 per cent of China’s world trade, trade between China and Africa surged from US$3 billion in 1995 to US$32 billion in 2005 and about US$55 billion in 2007. While China constitutes about 10 per cent of Africa’s world trade, for some African countries exports to China have become a major share of their exports. For example, in 2005, exports to China amounted to about 70 per cent for Sudan (from a mere 10 per cent in 1995); for Burkina Faso they rose to about 33 per cent from 0 per cent in 1995; and for Ethiopia they were about 13 per cent, again from a baseline of 0 per cent in 1995.

Meanwhile, the share of the EU, Africa’s traditional trading partner, declined from 44 per cent to

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7. Asia includes Bangladesh, Cambodia, China (including Hong Kong and Macao), India, Indonesia, Japan, Republic of Korea, Malaysia, Maldives, Mongolia, Nepal, Pakistan and the Philippines.
32 per cent between 1995 and 2005, while the US increased its share from about 11 per cent to 19 per cent over the same period. Africa’s trade with China was second to that with the US (whose trade with Africa amounted to $140 billion in 2008). But this has been changing, with China emerging as Africa’s largest trading partner during 2011.

A third of China’s oil supplies come from Africa, mainly Angola. Investment by Chinese companies in the energy sector has reached high levels in recent years. In some case, as in Nigeria and Angola, oil and gas exploration and production deals have reached more than $2 billion. Many of these investments have taken the form of mixed packages of aid and loans in exchange for infrastructure building and trade deals.

**China-Africa**

As mentioned earlier, by 2011 China had emerged as Africa’s largest trade partner, with trade between Africa and China increasing a staggering 33 per cent from the previous year to US$166 billion. Chinese imports from Africa consisted mainly of mineral ores, petroleum, agricultural products, and exports to Africa were primarily manufactured goods. Trade between the two regions increased further by over 22 per cent per year to US$80.5 billion during the first 5 months of 2012. Imports from Africa were up 25.5 per cent to $49.6 billion during this period, while exports of Chinese-made machinery, electrical and consumer goods, clothing and footwear increased by 17.5 per cent ($30.9 billion).

Historically, in the 1980s, total Sino-African trade was US$1 billion; by 1999 it was US$6.5 billion; by 2005 it had reached US 39.7 billion, before jumping to US$55 billion in 2007. By this time, China had overtaken traditional African economic partners and former colonial powers. For instance, in 2006 France had trade worth US$47 billion with Africa.

China has also been investing heavily in Africa’s natural resources. This is exemplified by its pledge to invest around $4 billion in Nigeria in return for oil rights, and its offer to Angola of $4 billion of concessional credit to be paid at a later date in oil (Geda 2008). FDI from China into Africa has been increasing in recent years. Indeed it increased by 77 per cent in the first nine months of 2009 in comparison with the same period in 2008. At the start of Africa’s postcolonial era, FDI was concentrated on infrastructure (e.g., railways), but the investment sectors gradually widened to include oil, gas and mining, along with agriculture, especially cotton production. In recent years, investments have also been made in telecom utilities in 20 African countries. Overall, however, investment in infrastructure remains most apparent, including showpiece projects such as government buildings and sport stadiums, while investment in manufacturing has concentrated on labour-intensive activities (for instance, garments).

There are an estimated 800 Chinese corporations doing business in Africa. Most of them are private companies, and invest in infrastructure, energy and banking.

China has also been investing in small-scale manufacturing enterprises (SMEs) in Africa. This marks a shift in emphasis to the private sector, and could stimulate structural change in “weak” African states with limited finances and logistics. For example, they could turn to SMEs to invest in critical manufacturing projects (including infant industries), as well as the service sector. In this context, debates have raged over the extent to which Chinese investment (and to some extent Indian) creates employment. This stems from the controversy over the use of expatriate labour, which may limit jobs for the local population and arouse hostility (as in Zambia). However, it is now argued that Chinese projects in Africa, such as in infrastructure construction, use only limited Chinese labour. In sum, the impact of Chinese and Indian investment on African employment remains inconclusive, and needs to be tested through empirical case studies.

Chinese aid based on grants, zero-interest loans and concessional or fixed-rate low-interest loans could also buttress African structural change. China offers Africa loans at 1.5 per cent interest over 15 years to 20 years. These have taken the place of the more restrictive and conditional Western loans. Since 2000, more than $10 billion owed by African countries to China has been cancelled. About 40 per cent of China’s aid has been financed through grants. It has been emphasised that zero interest loans are a major feature of China’s aid, along with government scholarships for Africans, the provision of Chinese medical teams, ‘turnkey’ projects (those ready for immediate use), telecommunications networks, infrastructure and technical assistance.

China has also been giving military aid to Africa. Indeed, this military cooperation goes back

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to the Cold War, when China helped African liberation movements and traditional allies such as Somalia and Uganda. China also had military ties with non-aligned countries such as Egypt. Military equipment worth $142 million was sold to African countries between 1955 and 1977. Two decades after the collapse of the Soviet Union, military relations are now based on business interests rather than ideology. An increasing number of African countries have shifted their source of supplies from traditional providers such as Russia to China, due in part to the competitive prices offered by Chinese suppliers. Arms sales by China to some African states have troubled Western critics, who point out that buyers such as Sudan stand accused of war crimes.

A former commander of US Africa Command spoke in favour of the benefits of potential military cooperation between China and the US in Africa: for instance, Chinese-supplied patrol boats to the DRC military and the building by Chinese contractors of a military institute in Tanzania. These could be combined with US training, thus constituting joint assistance to African militaries.

**India-Africa**

Driven by the search for resources, business opportunities, diplomatic initiatives and strategic partnerships, India has been making inroads into Africa. However, after losing a series of bids for oil rights and infrastructure projects to China, India has recently embarked on a laudable new approach in Africa. This has centred on blending trade and investment with development.

India-Africa trade has been growing exponentially over the past decade. The trade volume reached US$53.3 billion in 2010–11 and US$62 billion in 2011–12. It is expected to go up to US$90 billion by 2015.\(^9\) This marks a sharp rise from a meagre US$3 billion in 2001. In 2011, India emerged as Africa’s largest trading partner behind China, the EU, and the US, while Africa became India’s sixth largest trading partner behind the EU, China, UAE, US and ASEAN. In terms of FDI, India, with strong historical ties to Eastern and Southern Africa and a sizeable diaspora, has sought to attract new investment to Africa. This has been supported by access to foreign reserves and the decision to lift the regulations and controls on firms operating abroad. It has also been investing in new sectors, including the financial, food processing and light manufacturing. In addition, state-owned development banks have invested heavily in key sectors in countries such as Nigeria and Sudan, a policy India hopes will secure its strategic economic interests in Africa’s oil, gas and other natural resource-based industries.

Overall, Indian companies have been making major investments in copper mining, as in Zambia, and iron ore and steel milling, as in Liberia and Nigeria. Investment by Indian companies also extends to infrastructure. To illustrate, the state-owned infrastructure and engineering companies RITES and IRCON have supported Africa’s rail and road development and its engineering companies. Furthermore, recent investment patterns in Africa indicate future possibilities in chemicals and pharmaceutical production, iron mining and steel making, textiles, transport, banking and the retail sector. This has been led by major private (for example, Tata Group and Mittal Steel) and public companies. Moreover, the Indian state has supported public companies with credit (for example, through Exim Bank). The building of critical human capital (especially in health and education) has also been boosted through the creation of an Indian pan-African e-network linking 53 African countries to Indian universities and hospitals.

Recent data suggest that Indian companies had already invested more than US$34 billion in Africa in 2011, and a further US$59.7 billion was in the pipeline.\(^10\) In this respect, it is important to distinguish between commitments and actual investments to assess the real impact on the economy. Among the proposals the Confederation of Indian Industries received from African countries are 126 agricultural projects worth $4.74 billion; 177 infrastructure projects worth $34.19 billion; and 34 energy sector plans costing $20.74 billion. The Indian government has also promised to stimulate growth through loans worth $5.4 billion (during 2011–14) to several African nations.

China’s and India’s policies in Africa reveal similarities as well as differences. Although the two nations compete implicitly and explicitly, China is ahead on all fronts. Upon examination, it emerges that India has relied much more on its private sector, albeit with necessary state support, to drive its engagement with Africa. China, by contrast, with a history of using the state, is gradually turning to its

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private sector to steer its Africa policies. Moreover, it is increasingly apparent that China’s economic investments may be enhanced or inhibited by political factors, including its ambiguous stand on human rights and its silence on abuses (for instance, in Darfur). This contrasts with India’s lukewarm response to such issues, although it too avoided criticising the Sudanese government over Darfur against a backdrop of the completion of oil contracts and investments, including a $200 million pipeline linking Khartoum and Port Sudan. Both powers, however, have played a supportive role in peacekeeping in African countries beset by inter- and intra-state conflicts. These sadly thwart the continent’s development.
This section highlights facets of the experience of ties at the national level. It is based on observations in Eastern Africa (Ethiopia, Tanzania, Kenya) and Southern Africa (South Africa, Zambia, Angola). The emphasis is on Ethiopia, with brief comparisons with the other countries in the two regions and a focus on challenges to inducing transformation. The need for this is exemplified by dependence on agricultural exports, lack of basic infrastructure, poverty, governance anxieties, and tensions within and among states. The findings enable insights into the relationship between Africa, China and India.

The relationship between the two Rising Powers and Africa varies sharply between countries, depending on their political, economic and historical contexts, goals and strategies. This is underscored by the nature of the countries’ economic structures and their scope for shifting from a resource- or agriculture-based economy to one that is industrial or service based. Moreover, these issues should be seen against the backdrop of debates on the role of capitalism in ushering in development in Africa. The ties uncover the ways in which the state in Africa is pursuing economic change while coping with internal and external tensions. Key issues include:

- a. The historical exposure of the countries to colonialism and postcolonialism, and internal and external economic and political challenges;
- b. The developmental priorities of the state and the pursuits of specific state institutions (public) and the market sector (private);
- c. The scope for using trade, investment and aid from China and India to pave the way for structural change through:
  - increasing value added in the ‘traditional’ sector
  - enabling a shift to ‘modern’ and service sectors through domestic and international markets

12. China and India have had long historical ties with Eastern and Southern Africa with the diasporas of both, and especially that of India, playing an active role in trade and commercial activities in these sub-regions. The observations highlight some of the main outcomes of the growing ties with the two Rising Powers. These need to be investigated more fully through in-depth field studies in African countries.

the state setting the trade and investment policies. In this respect, China and India are seen as supporting the state’s drive to initiate economic change.

Ethiopia is one of the oldest civilisations in Africa and one of the oldest monarchies. Its last monarch, Haile Selassie, reigned from 1917 to 1975, when he was overthrown by a Marxist inspired regime, which held power until 1991. The following phase under the Ethiopian People’s Revolutionary Democratic Front (EPRDF) is claimed to be more democratic, a claim that has been challenged by critics of the regime. In addition, Ethiopia was at war with Eritrea, which gained independence in 1993 following a referendum. Tensions over border demarcations and military skirmishes led to full-scale war in the late 1990s. Thousands were killed. Since then, a fragile truce has held. Moreover, at the close of 2006, Ethiopia sent some 5–10,000 troops into Somalia to support the weak transitional government and help oust the Islamists who had seized control of the southern part of the country. However, Ethiopia was unable to break the power of the Islamists, who began to win back lost territory, and eventually withdrew its forces from Somalia in early 2009.

Domestically, too, it faces the Ogaden National Liberation Front, which aims to protect the rights of Ogaden people, who are ethnic Somalis, against “exploitation” by the state. It has conducted low-level guerrilla warfare since 1994 and in 2007 attacked an oilfield, killing 65 Ethiopians and 9 Chinese workers.

Though the present party has a majority in parliament, it faces allegations of “undemocratic behaviour.” On the economic front, however, Ethiopia has experienced solid growth in recent years, driven primarily by agriculture and heavy state spending. However, it may not be able to sustain the latter in the long run. Among the problems it faces is high inflation. This has elicited pressures from Bretton Woods institutions that it become more competitive globally and lay the foundations for sustainable long-term growth. Corruption, too, is an obstacle, although it is believed to be lower than in other African countries. However, according to Transparency International it has become rampant at some levels of government and may spread to the private sector. At the same time, Ethiopia’s role in fighting extreme Islamist movements and terrorism in the Horn of Africa is significant for US foreign policy. This may elicit favourable treatment for Ethiopia in its pursuit of its domestic policies. Western support for authoritarian regimes to secure their cooperation in fighting Islamic fundamentalism is controversial. Such a situation could enable Ethiopia to attract resources from the international community.

Basically, Ethiopia is still overwhelmingly agricultural, with agriculture accounting for 45–50 per cent of GDP, services 40–50 per cent, and industry only 10–15 per cent. Overall growth in 2012 was 8.5 per cent and in 2013 7.1 per cent. Growth has been mainly due to double digit growth in the services sector (averaging 13 per cent since 2004), while growth in agriculture has continually declined from a peak of 16 per cent (2003–4) to 7.5 per cent (2007–8). Industrial growth has been a steady 10 per cent over the years. Inflation, however, was 37.1 per cent in 2011, dropping to a still high 22.9 per cent a year later, but expected to be only 8.4 per cent in 2013. Ethiopia ranked 173 out of 187 countries on the Human Development Index (HDI). Nonetheless, the trend is encouraging, as HDI increased by no less than 44 per cent over 2000–12. Poverty has also declined from 38.7 per cent (2004–8) to 29.6 per cent (2010–11).

Exports of goods and services stood at 15.4 per cent in 2012 and are forecast to fluctuate but remain relatively high: 7.2 per cent (2013), 10.4 per cent (2014), and 15.2 per cent (2017). The agricultural sector grew at 8 per cent (2012) and 9 per cent (2013) and is forecast to fluctuate somewhat but return to a high trend.

Dependence on donors and private remittances is likely to persist: currently transfers are 70 per cent higher than export earnings. Ethiopia’s dependence on development aid started after EPRDF came to power in 1991. The World Bank approved a large Emergency Recovery and Reconstruction Programme in 1991 which lasted until 1993 and then the Structural Adjustment Programme, entailing $1.2 billion in development assistance. Moreover, the EPRDF finalised a Structural Adjustment Facility with the IMF and the World Bank in Sep-

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15. See, for instance, “The problems of authoritarian reform in Ethiopia, 1939 to 2012,” in Abbink and Hagmann 2013; Markakis 2011; and “Ethiopian Profile,” BBC website.
16. See chapter 3 on Ethiopia in studies by Centre for Chinese Studies, University of Stellenbosch; and also Economist Intelligence Unit (EIU), Ethiopia: Country Report, 3rd Quarter, 2013; and EIU, Annual Data and Forecast, 2013.
17. See, for instance, Feyissa in Abbink and Haymann 2013.
tber 1992, which enabled it to participate in the Special Programme of Assistance to Africa (World Bank and IMF). The aim was to move towards a market economy. In mid-1996, Ethiopia adopted a medium adjustment programme under an IMF Enhanced SAF from 1996 to 1999. Subsequently donor programmes focused on the Poverty Reduction Strategy Programme (2001-5) and the Plan for Accelerated Development to End Poverty (2006–10). Basically, for political and economic reasons Ethiopia has been seen as a “donor darling.” Yet donors play a relatively minor role in Ethiopia’s Growth and Transformation Plan (GTP), 2010–15. This is related to the ideological skirmishes and occasional open confrontation between donors and the EPRDF, which refuses to let outsiders dictate what economic policies should be pursued. Indeed, its growth strategy in recent years has been strongly supported by economists such as Joseph Stiglitz, the former World Bank chief economist who later became a major critic of the bank’s policies.

Sustainable agricultural growth was pursued initially through Agricultural Development Led Industrialisation (ADLI) and subsequently through the government’s GTP, which aims to achieve GDP growth of 11–15 per cent between 2010–11 and 2015 by stimulating technology and manufacturing and value added in existing industries (leather, coffee). Improving infrastructure (roads, railways, power) has been critical to ensuring adequate investment in core sectors, as has a skilled workforce in boosting global competitiveness. Also essential are curbing the fiscal and trade deficit and dependence on aid. It should be emphasised that the state’s agricultural strategy to boost production has shifted from small-scale peasant farming to commercial farming. This has been led by domestic and, increasingly, foreign investment, giving rise to debates on a range of critical issues, including “land grabbing”; displacement of peasants, pastoralists and herders; food security; and cash crop versus food crop production for domestic and external markets.

On the external front the trade structure shows that exports are dominated by primary agricultural commodities, with coffee, pulses, hides, skins, khat and oilseeds accounting for 76 per cent of export earnings. Imports comprise finished capital and consumer goods, semi-finished goods, and fuels. The share of capital goods has been increasing and that of consumer goods has been declining. The direction of the trade according to a 2009 study suggests that on the basis of a seven year average the following have been the major export destinations: Germany (11.1 per cent), Japan (7.2 per cent), Saudi Arabia (6.1 per cent), Italy (6 per cent), and Djibouti (5.78 per cent). Ten countries in the developed world imported 56 per cent of the country’s exports. More recent data on Ethiopia suggest the increasing importance of China and gradually India in terms of exports and imports.

**Trends**

The overall trends in trade and investment suggest that China and India have had long historical ties with Africa, including Ethiopia, though they have emerged in different ways. China has been ahead of India. However, there are similarities and differences in their approaches and strategies. These can complement Ethiopia’s goals. There are positive and negative implications of the ties for the push towards economic diversification in Ethiopia’s economy as part of its developmental goals. The following major features emerge.

Trade relations suggest that Ethiopia is a resource-poor country with few industries and low levels of manufacturing and processing. This makes it a net importer from China. Imports of manufactured products from China are making them accessible to a large proportion of population. In the long run, however, this limits Ethiopia to agricultural products, with agricultural exports rising in tandem with increased demands from the Chinese and Indian middle classes.

Imports from China and India were mainly finished manufactured goods; imports of consumer non-durables (textiles, shoes, clothing) have been declining while consumer durables and capital goods have been increasing. The share of imports from China was 16.6 per cent in 2006–7 and 15.6 per cent in 2007–8. In both years, China stood as

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the number one trading partner in terms of origin of imports.

India is not yet among the top ten sources of imports. However, imports have grown dramatically, with their value rising on average by about 40 per cent between 2002 and 2008. It is notable that imports from India of base metals and metal and textile products declined in this period, while imports of manufacturing and mechanical appliances increased.

The basic trends suggest a lesser threat to Ethiopia’s development of manufacturing industries, as the latter concentrate on consumer non-durables. However, they may affect the speed with which domestic industries transition to the production of capital goods in the future.

Overall gainers may be consumers, commercial traders and entrepreneurs establishing small-scale industries. The losers may be small firms engaged in the clothing and footwear sectors, and their employees; trade suppliers; and contractors in the rural, electrical power and telecommunications sectors of the economy.

China may serve as an alternative to the West and also as a role model for Ethiopia. It may also support Ethiopia on international issues. In return, Ethiopia may provide market opportunities for Chinese companies and diplomatic support to China in its policy towards Taiwan.

Chinese and Indian exports to the world may compete significantly with Ethiopian exports.

China’s interest in Ethiopia may be prompted by Ethiopia’s being the source of the Blue Nile, the seat of the AU, and a meeting ground of Muslim North Africa. It should be stated that Ethiopia’s inadequate infrastructure is a key constraint on its development, making the country keen to attract investment in major projects – roads, power, telecommunications, and water resources.

Chinese and Indian investments need to be understood in terms of their flow (value) and their breakdown by sectors and projects, and of signed agreements and actual implementation of projects. They have critical implications for inducing the growth of relevant sectors in line with plans to transform the economy in a changing world.

The sectoral focus of Chinese and Indian investment (1992–2008) reveals a bias towards construction and related activities, though manufacturing has been increasing more recently. Thus, of the total Chinese projects, 58 (29.8 per cent) were in construction and construction related sectors; of the total capital invested in Ethiopia by China, the share of this sector was 55.5 per cent. The sector generated about 55 per cent of total employment and 73 per cent of temporary employment between 1998 and 2008, followed by the textile and garments subsector.

Despite Ethiopia’s potential to produce and export agricultural commodities, Chinese investors, far from engaging in the sector, have focused on producing commodities that would otherwise have been imported from abroad, i.e., import substitution. In contrast, Indian firms have been leasing land to support the drive of the Ethiopian state to boost production of cash and food crops, and especially the former, for the domestic and external markets. This has fuelled controversy about the extent to which foreign investment in agriculture, including by the Rising Powers, enhances or worsens food security, and stimulates agriculture-led industrialisation. This investment also impacts the livelihoods of peasants, pastoralists and foresters (Lavers 2012; Roy 2014).

In terms of operational projects, of 311 licences granted to Indian investors between 1992 and December 2008, some 87 (28 per cent) were operational, with an investment of $1.3 billion (3.8 per cent of total registered value), generating 5,495 permanent jobs (22.9 per cent of registered jobs) and 7,210 temporary jobs (5.4 per cent). One can assume that the bulk of the jobs among the Ethiopians required less skill.

As regards the number of registered Chinese and Indian private investors in Ethiopia, the former far exceed the latter. However, in terms of amount of capital registered and anticipated employment, China’s figures fell far short of those of the Indian investors. Basically, in terms of operational projects, India fares better than China, with 28 per cent of licensed Indian projects operational, versus 10.7 per cent for China between 1997 and 2008.

With respect to the nature of the Chinese and Indian workforce, public construction is mainly undertaken by Chinese immigrant workers who may compete directly with local contractors, some of whom are into the maintenance of small electronic equipment and shops (not open to foreigners). It is estimated that there were 1 million Chinese living in Africa in 2006. In Ethiopia, there were 300 in 2001, 2–3000 in 2006, and 12,000 in 2008. They are likely to stay and engage in business activities or be employed on Chinese-run projects. There are about 2,000 members of the Indian community.
in Ethiopia. Most are businesspeople with Indian companies, traders and professionals in international bodies.

Development cooperation has been limited. This may be linked to the long-term term strategies of both China and India. However, the Chinese have provided grants and interest-free loans, as well as support for education, scholarships and medical services.

According to the Ministry of Finance and Economic Development (MOFED), among bilateral creditors, China and India accounted for 37.5 per cent of credit in 2007–8. Essentially, China has provided large concessional loans (75 per cent loan, 25 per cent grant) to Ethiopia. These have often been tied to construction projects undertaken by Chinese state-owned companies or state-controlled companies.20

India made US$65 million in credit available in 2006 to support rural electrification programmes in Ethiopia. In 2007, $640 million was allocated to support the Ethiopian sugar industry, the largest Indian credit allocation overseas. Also, MOFED signed an agreement with India’s Exim bank in October 2007 for the release of $122 million, this being the first tranche of the $640 million line of credit.

**China-Ethiopia**21

A detailed study shows that in 2000/1 China took less than 0.5 per cent of the country’s exports, and ranked as the 12th most important export destination. In 2004/5, these figures were 5 per cent and sixth place respectively, mainly due to a jump in sesame exports, which increased from Birr 17.3 million in 2004 to Birr 531.3 million. However, by 2007–8, China’s share of Ethiopian exports had dropped to 4.3 per cent and it was in seventh position as export destination. Basically, China increases its imports of commodities when there is a shortfall in domestic production due to drought in China.

The value of imports from China has been growing faster than receipts from Ethiopia’s exports to that country. In 1997–8, there was a negligible trade deficit, but this started to widen after 2005 with increased capacity-building imports.

Formal diplomatic relations between China and Ethiopia were established in 1970 with the signing of the Sino-Ethiopian Agreement for Economic and Technological Cooperation and a Sino-Ethiopian Trade Agreement. There was some friction between Beijing and Ethiopia over the former’s stance during the 1977–78 Ethiopia-Somalia conflict. However, relations between the two grew. After Mengistu was deposed by the EPRDF in 1991, there were regular diplomatic visits between the two countries. Ethiopia’s MOFED and China’s Ministry of Foreign Affairs and Commerce focused on trade and economic and technical strategic ties.

The pattern of China’s investment in Ethiopia has a number of distinctive features. Chinese investment in Ethiopia has been increasing sharply, amounting to Birr 8.8 billion in 2008 and creating of 82,478 jobs, 32,800 of them permanent. In terms of roads, in 2008 all road projects – new, rehabilitation, upgrading, and maintenance – were undertaken by Chinese companies, due to their low bidding prices. Indian companies are being offered rural reconstruction contracts. In telecom, until recently Chinese companies dominated, with Indian companies having insignificant shares. Most electric power generation and transmission projects have been in Chinese hands, although Indian companies have also been securing power transmission contracts.

It is important to ascertain the projects actually implemented. Between 1992 and January 2009, of the 1,829 licensed Chinese projects only 195 (10.7 per cent) had gone operational with capital of Birr 2.1 billion (23.8 per cent of registered capital) and generating permanent employment for 13,394 persons (40.8 per cent of projected employment) and 16,514 (33.2 per cent) temporary jobs.

The initial investment profile of Chinese capital in Ethiopia mirrored the profile in other parts of Africa: construction paved the way for Chinese companies to enter the country. Increasingly, Chinese companies have become engaged in manufacturing a range of products – steel, chemicals, pharmaceuticals, textiles, machinery, blankets, and bicycles. The breakdown is as follows: construction (20 per cent), manufacturing (66 per cent, and involving some 60 companies in 2007), real estate (6 per cent), and others (8 per cent). The two largest Chinese investments in Ethiopia were each valued at US$30 million, one in rolled steel and the other in engineering and construction.

It should be stated that Ethiopia has strong laws preventing foreign companies from engaging in retail. This has been strictly enforced and no Chinese companies were found in this sector.

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21. See studies cited earlier on China-Ethiopia ties.
Joint Chinese-Ethiopian ventures have also been emerging. In 2006, for instance, there were seven joint ventures, involving public and private actors, valued at $38 million and creating 2,500 jobs. The joint manufacturing sector covered steel, shoes, furniture, pharmaceuticals and chemicals, and the services sector related to the renting of construction equipment. Most of these ventures were 50 per cent Chinese owned, although two ventures had 75 per cent and 85 per cent Chinese ownership. At the time there were plans for 35 joint ventures, valued at $187 million, in chemicals, mechanical metal and plastics, footwear and furniture, with the potential of employing 16,000 people.

India-Ethiopia

A detailed study of the ties reveals that bilateral trade between India and Ethiopia has been rising sharply in the last 15 years from less than US$ 50 million in 1995 to over US$ 600 million in 2010. Trade relations increased sharply after 2007 when Ethiopia and India signed five agreements, including the Bilateral Investment Protection Agreement. However, by 2009 India was still not among Ethiopia's top 12 export destinations.

The composition of exports to China and India was as follows. Ninety-eight per cent of all exports to China (2002–8) were vegetable products, raw hides, skins and leather products, and mineral products. Of the vegetables, 90 per cent was sesame; 5.5 per cent of hides and skins were tanned sheep and goatskins (2006–8); and 92 per cent of the mineral products were titanium ores and concentrates.

Ethiopia's exports to India were vegetable products (90 per cent sesame); hides, skins and leather products; textiles and textile products (90 per cent was cotton); metal and base metals (59 per cent was copper aluminium and zinc). Major imports from India (2002–8) were machinery and mechanical appliances; textiles and textile articles; base metals and base metal articles; plastics, footwear, headgear and umbrellas; and vehicles, aircraft and transport equipment.

Indian private investment has been increasing, and in December 2008 registered capital stood at Birr 33.4 billion, with an employment generation capacity of 58,149 (24,008 permanent). In 2005, the Ethiopian government offered better incentives for foreign investors. Between 2005 and 2009 the number of Indian investors increased dramatically. Indian projects at the licence and operational level were much more capital intensive than the Chinese ones.

According to the Indian embassy, in 2001 Indian companies secured investment licences totalling US$4.7 billion in capital. Ethiopian Prime Minister Zenawi stated that he wanted to increase this to US$10 billion by 2015. These figures may be misleading: as has already been noted, it is critical to monitor actual implementation of projects.

India's investment pattern differs from China's, and focused between 1998 and 2008 on manufacturing plastics and plastic related products; water drilling services; and cut flowers.

The Indian state has been financing Indian companies operating in Ethiopia since 2006. For instance, the first line of credit issued by the government-run Indian Exim Bank was a 20 year loan of US$65 million for rural electrification projects. This was by followed by a US$640 million facility to support the revitalisation of Ethiopia's state-run sugar industry. In addition, the Indian government has launched other initiatives. The ministry of external affairs chose Ethiopia as the pilot site for the pan African e-network project, a joint venture with the AU. It also offered US$2 billion to upgrade the CT scanners at Black Lion Hospital in Addis Ababa. Finally, it announced a US$310 million line of credit for a new railway network linking Addis Ababa to Djibouti, landlocked Ethiopia's outlet to the Indian Ocean. Indian companies, exemplified by Karuturi, have also been leasing land for agricultural production. This poses questions about the gains and losses stemming from foreign investment in agriculture for the state vis-à-vis peasants, pastoralists and foresters.

Summary

Ethiopian experience could offer useful insights into the ways in which African nations interact with the Rising Powers in the context of their own economic priorities and their relationships with developed nations and international donors. The country has been developing strategic ties with China and India in conformity with its own priorities in coping with diverse internal and external tensions. Costs and benefits, short and long term, have to be carefully assessed in judging the effects on the overall economy and on specific sectors. The focus has been on infrastructure, basic industries, moving up the value chain, and more recently agriculture in order to become more competitive globally. In the short run, Ethiopia has sought to ensure sustained growth and

22. See studies cited earlier on India and Ethiopia ties.
rein in inflation while meeting its poverty reduction goals. Ties with China and India, if carefully managed, could support such aims, though tensions and conflicts, including pressures from external donor agencies, including Bretton Woods institutions, to conform with their “models” of development, are likely to persist.

To conclude, Ethiopia’s ties with China and India, if carefully managed, could support its goal of structural change. However, to pursue this goal effectively it has to resolve domestic and external economic and sociopolitical tensions stemming from conflicts with neighbours, the demands of ethnic groups, calls for more democracy and pressures from external donor agencies (e.g., Bretton Woods institutions) to pursue market driven “models” of development.

Tanzania

Context

Tanzania is one of the poorest countries in Africa, even though it has had some success in wooing donors and investors. It emerged out of Tanganyika and the island of Zanzibar in 1964. Unlike many African countries, Tanzania has few exportable minerals and had a relatively ‘primitive’ agricultural system. To remedy this, the first president, Julius Nyerere, issued the 1967 Arusha Declaration, which aimed at self-reliance through cooperative farms and the nationalisation of factories, plantations, banks and private companies. It also hosted thousands of refugees from conflicts in the neighbouring Great Lake regions. Its woes were worsened in 1979 and 1981 by the costly military intervention to overthrow President Idi Amin of Uganda.

It is argued that Nyerere’s Ujamaa socialism tried to construct a “proto-socialist African past.” He positioned the programme in opposition to both Western capitalism/individualism and doctrinaire Marxist/Leninist socialism. Among the “socialist” policies enacted were nationalisation of major industries; single party rule; expansion of social services (accompanied by expansion of civil service); enforcement of a leadership code that required socialist morality of the country’s leaders; communal villagisation; and female representation on government bodies and gender equity.

The 1970s were successful years for Tanzanian socialism, though economic growth was slow but steady. Tanzania boasted the highest primary school enrolment in Africa (93 per cent in 1980) and free healthcare. The Arusha Declaration did not have negative effects on Western aid, since Nyerere’s vision of socialism was palatable enough to attract Western donors.

However, there was a retreat from these policies during the 1970s and 1980s after a number of disasters struck Tanzania: drought, the oil crisis, war on Idi Amin, dissolution of East African Community and falling world prices for its agricultural products. These, and crises in agricultural production resulting from artificially low domestic producer prices and the forced villagisation project, led to a decade of economic decline. Production fell by 50 per cent, causing Tanzania to become dependent on food aid and setting the stage for recurrent famine, a pattern that seems to persist.

Nyerere’s “self reliance” programme led to the rejection throughout the early 1980s of IMF offers of assistance, despite the worsening situation, because the offers came with conditionalities. However, Nyerere stepped down voluntarily in 1985 and Ali Hassan Mwinyi, a supporter of reform, took over. A year later, he signed an agreement with the IMF that provided some financial relief to the country and paved the way for the dismantling of Tanzania’s socialist policies via trade liberalisation, privatisation and political pluralism. Even though socialism remains enshrined in the Tanzanian constitution, in practice most socialist practices have been abandoned. Structural adjustment programmes meant downsizing the bureaucracy, although neoliberal reforms were also accompanied by increased corruption. Indeed, structural adjustment is equated with the advent of “wild capitalism” in Tanzania. Basically, the impact on ordinary Tanzanians has been a cutting back of social services, including schools and healthcare.

China-Tanzania

In Tanzania, China is engaged in mining, agriculture, manufacturing, tourism, energy, health, and education. However, a survey by Tanzanian regional authorities reveals that Chinese entrepreneurs have been engaged in businesses other than those documented by the Tanzanian Investment Centre TIC). Such businesses include rubber shoulders in Kilakoo, as well as shoes, sandals and cheap clothes. China is one of Tanzania’s top five investors. TIC records show that Chinese investment in 2007 was $3 billion in 10 African countries, of which $111 million was in Tanzania.

23. Based on “Tanzania Profile,” BBC website; Askew 2006; Kamndaya website; Wikipedia. On the ties between India and East Africa, see Narlikar 2010.
In 2007, the total value of trade between Tanzania and China was $291 million, of which China’s exports were $180 million and imports were $110 million. China’s main exports to Tanzania were foodstuffs, motor vehicles, textiles, light industrial products, canned fruits, medical equipment, electric appliances and steel. Tanzania’s main exports to China were dry seafood, raw leather, logs, loose coffee and handicrafts.

There have also been instances of collusion between Tanzanian businesspeople and China, for example a scheme to defraud the country of resources by smuggling forestry products worth $58 million annually between 2004 and 2005. Moreover, cheap, fake products manufactured in China have been smuggled in, creating unfair competition with locally manufactured goods.

India-Tanzania

Ties between the two countries were close from the 1960s to the 1980s, and were based on a shared ideological commitment to anti-colonialism, anti-racism, socialism, and various forms of South-South cooperation. India and Tanzania, moreover, worked closely on international issues. In the postcolonial era, both India and Tanzania wanted to initiate economic reform.

There have also been vibrant business and commercial relations between the two, underscored by the presence of a community of Tanzanians of Indian origin, numbering about 40,000 people. Many are the descendants of those who came to Tanzania as sailors and labourers engaged in building railways. At one time there were six MPs of Indian origin in Tanzania’s parliament. Indeed, India has been a leading trade and investment partner, and many top businesses in Tanzania have been established by people of Indian origin.

In terms of trade relations, Tanzania’s main imports from India are mineral fuels, oils, pharmaceuticals, motor vehicles, electrical machinery, apparel and clothing, plastics and cotton fabrics. Tanzania’s major exports to India are cashew nuts, gold, pulses, wood, ores, metal scraps, cloves and essential oils.

On the investment front, India invested heavily over 1991–2012, supporting employment for 50,224 people in 341 projects. It is believed that 18 Indian companies invested $497.1 million in the export processing zone, generating employment for 3,644 persons.

India and Tanzania: development cooperation

In terms of development cooperation, India has made gifts such as processing plants (September 2002) and 5,000 tons of wheat and rice in May 2004 to meet food security needs. Additionally, with the help of the National Small Industry Corporation, a small industry organisation was established in Tanzania in November 2007. An ICT centre of excellence was established by India’s Centre for Development of Advanced Computing (C-DAC) and the pan-Africa e-network project. The Indian government has extended credit, which has been tied to supplies by Indian companies. Examples are the $40 million line of credit for the procurement of tractors and agricultural equipment signed in June 2009, a second line of credit of $36.56 million for the supply of Ashok Leyland tractors to the Tanzanian government (March 2011), and a third for the development of water supplies and the social and educational sectors.

Summary

Tanzania has been in a weaker position than other African countries. It is not a major oil or mineral producer and faces the challenges of building its agriculture, basic small-scale industries and infrastructure, and tackling poverty. While it is interacts strongly with developed nations, it can use Chinese and Indian trade and investment to complement such goals. It can draw on its past good relations with two states that have faced and continue to face many similar problems in improving the living standards of the poor.

Kenya

Context

Kenya gained its independence from Britain in 1963, when its politics were dominated by Jomo Kenyatta, who was succeeded in 1978 by Daniel Arap Moi, who remained in power for 24 years. The ruling Kenyan African National Union (KANU) was the only legal political party for most of the 1980s. Violent unrest and international pressure led to the restoration of multiparty politics in the early 1990s. However, another decade passed before opposition candidate Mwai Kibaki ended nearly 40 years of KANU rule following a landslide victory in the 2002 general election. Presidential elections in

24. Based primarily on “Kenya Profile,” BBC website; and on Patroba 2012; India Kenya Relations, 2013 website.
2007 led to widespread unrest, resulting in the formation of a power-sharing government. The polls in 2013 were largely peaceful.

The economy has been recovering in recent years. Kenya has also been fighting terrorism: its military entered Somalia at the end of 2011 to fight the Al-Shabab Islamist militants, accused of kidnappings and killings, including of aid workers. Kenyan troops have been integrated into the overall AU mission in Somalia, and there have been reprisal attacks in Kenya.

Despite President Kibaki’s pledge to tackle corruption, donors estimate that up to $1 billion was lost to graft between 2002 and 2005. Other pressing problems include high unemployment, crime, poverty, poor sanitation, and inadequate medical and educational facilities. Moreover, droughts put millions of people at risk.

Kenya has also been shaken by ethnic violence after the disputed elections of 2007. Several prominent Kenyans stand accused of crimes against humanity for allegedly inciting the violence and the authorities are increasingly sensitive about any attempts to stir up communal tensions. The subsequent elections in 2013 saw limited violence and resulted in victory for Uhuru Kenyatta, son of Jomo.

The EU is Kenya’s largest trading partner. In past decades exports to the EU, China and India have been steadily increasing.

**China-Kenya**

China has been a key player in trade, investment and development cooperation in Kenya, mainly in construction and manufacturing. These ties have attracted both praise and condemnation. Trade has been heavily in China’s favour. Kenya’s exports to China comprise unfinished products and its imports from China are value added products, including a significant volume of counterfeit products. Moreover, while the Chinese have completed projects, Chinese firms have sometimes adopted unfair market practices.

China established diplomatic ties with Kenya in 1963. Since then, trade between them has grown. By 2010, China had become the leading source of Kenya’s FDI, with investments of KES 2.5 billion. Loans and grants have been made for large projects, but also for small businesses (such as Chinese restaurants). Large projects include construction of the Nairobi-Thika superhighway; the upcoming construction of a second port; South Sudan-Ethiopia Transport Corridor (LAPSSET); construction of vehicle assembly plants; and oil exploration. China has also invested in pharmaceuticals, medicines, technology and telematics. Potential areas of cooperation between China and Kenya are manufacturing and tourism (targeting Chinese travellers). China has also invested in pharmaceuticals, technology, medicines and telematics.

Development aid from China has been provided through package deal projects and humanitarian aid. Aid has focused on infrastructure development, education, modernisation of power distribution, rural electrification and water. The impact has been mixed.

It should be stated that Kenya has enacted construction legislation and is implementing policies on counterfeiting, anti piracy and intellectual property rights. These have to be aggressively implemented.

**India-Kenya**

The ties between the two countries go back several centuries. In the 19th and early 20th centuries large numbers of immigrants from India arrived to work on railways and as merchants and artisans. Others followed, and a vibrant Indian community emerged.

Trade between India and Kenya increased from $1.444 billion (2008–9) to $3.87 billion (2012–13). Indian exports increased from $1.362 billion in 2008–9 to $3.77 billion in 2012–13 and Indian imports from Kenya increased from $0.082 billion (2008–9) to $0.105 billion (2011–13). The main Indian exports to Kenya were pharmaceuticals, steel products, machinery and power transmission equipment. Kenya’s exports to India include soda ash, vegetables, tea, leather, and metal scrap.

India has also been investing in telecommunications, petrochemicals and chemicals, and floriculture, and executing contracts in the power and other sectors. Companies such as Tata Chemicals acquired Magadi Soda Company in 2006, while Indian insurance companies and corporations, including Essar Energy, Bharti Airtel, Reliance Industries, Bank of India, HDFC and Central Bank of India, have been investing in Kenya.

Many businesses in Kenya – manufacturing, agro and food processing, textiles, transportation and infrastructure, banking and finance, hotels and tourism – are owned by persons of Indian origin.

**Summary**

Kenya’s ties with China and India need to be seen in the context of its coping with internal political ten-
ions, corruption, poverty, and the effects of natural calamities. It has to use the ties with the two countries to move up the value chain for its key products, develop local manufacturing capacity, and improve its infrastructure, banking, and tourism.

Southern Africa

South Africa

Context

South Africa is a major Southern African country. Possessing many language groups, it was ruled until 1994 by a white minority, which came to power in 1948 and imposed apartheid, a harsh form of racial segregation. The African National Congress (ANC) came to power with the ending of apartheid, and scored its fourth victory in April 2009.

It has one of the biggest economies in Africa, but also widespread poverty, a high crime rate and high unemployment, and a third of its citizens are HIV positive. Indeed, the number of HIV/AIDS patients in the country is among the highest in the world. It moved into recession in May 2009.

After emerging from international isolation in 1994 with the ending of apartheid, it has assumed a leading role in diplomatic and anti-poverty institutions in Africa.

Its economic structure (2006 data) can be broken down as follows: mining, manufacturing and utilities, 24 per cent; manufacturing, 16 per cent; retail, restaurants, 12 per cent; transport, etc., 8 per cent; agriculture, forestry and fishing, 3 per cent; construction, 2 per cent; other, 35 per cent.

A major challenge facing South Africa is land redistribution. Many farms are still white-owned and a willing buyer/willing seller policy has been pursued. However, the government has indicated that large-scale expropriation is part of its programme, with the aim of transferring 30 per cent of farmland to black Africans by 2014.

China-India-South Africa

According to a senior Chinese diplomatic representative, South Africa is one of the most important states in Africa, along with Kenya, Nigeria and Egypt.

The Chinese arrived as indentured labourers in South Africa in the early 1900s. By the late 1950s, the South African government was nervous about China’s solidarity with the colonially oppressed in the developing world, especially in Africa. In subsequent years, Chinese Vice President Hu Jintao visited South Africa and President Nelson Mandela visited China. At the invitation of President Mbeki, Chinese President Jiang Zemin paid a state visit to South Africa in 2000. This led to increased visits by foreign ministers, trade ministers and heads of state. In 2001, for instance, a large delegation led by President Mbeki visited China at the invitation of President Jiang Zemin.

South Africa is China’s second largest trading partner in Africa after Angola, and trade between the two countries accounts for 20 per cent of the total trade between China and Africa. South Africa can be seen as China’s launching base into the rest of Africa and possibly the rest of the world.

Direct bilateral trade started in early 1990 and today China is South Africa’s fifth largest trading partner (depending on the source used, MOFCOM or DTI). Trade between the two countries has been growing, from $1.3 billion in 1995 to around $9.9 billion in 2006. South Africa’s government suggests that trade has increased from approximately $770 million to $8.7 billion in that period. South Africa runs a large trade deficit with China (as do most African countries), due to its resource dependence and development trajectory. Its exports (1996–2006) to China were mainly raw materials and semi-processed goods, particularly steel products, platinum, diamonds and iron ore. The value added component of exports is limited, resulting in less-than-optimal trade terms. Essentially, the opportunity to export South African products beyond natural resources has yet to be exploited. Key South African imports from China are shirts, footwear, sweaters and data process machines.

Till recently, Chinese investment was limited: about $600 million in mining and the assembly of electronic goods. China has not been involved in any major way in the agricultural sector. South Africa is the only African country with investments in China, between $500 billion to $1 billion. One estimate suggests $1.5 billion.

In terms of India-South Africa ties, bilateral trade increased from US$2.5 billion in 2003–4 to US$14.7 billion in 2011–12.

Summary

South Africa is unique in Africa given its historical background and as a major leader on the continent. It is also a member of the BRICS and could use this
as a way of championing African peace and development issues on the global front. However, it has to overcome historical economic and sociopolitical issues in order to strengthen its economy. Interactions with China, and increasingly India, alongside traditional partners are crucial and Chinese investments can be used in sectors critical to growth and employment creation.

Zambia

Context

Zambia, formerly the British protectorate of Northern Rhodesia, gained independence in 1964 (October). Bordered by eight countries – Tanzania, Malawi, Mozambique, Zimbabwe, Botswana, Namibia, Angola and Democratic Republic of Congo (DRC) – it is sparsely populated and has 70 ethnic groups.

It is one of the more democratic states in Africa, with a well functioning government. The return of multiparty democratic elections in 1991 after a lengthy period of one party rule saw the defeat of Kenneth Kaunda, who had been president since independence. MMD, Movement for Multiparty Democracy, led by Fredrick Chiluba, won the elections and embarked on a programme of extensive reform to revive the economy. In the 2002 elections, MMD presidential candidate Levy Mwananasa emerged as successful. He campaigned to eliminate corruption.

The presidency is very powerful and the judiciary is relatively independent, but the legislature remains relatively weak and heavily influenced by the presidency. Since the introduction of multiparty politics, civil society has grown significantly and is emerging as a powerful force, though the trade unions remain weak, mainly due to corruption and poor organisation. It is also alleged that the government makes regular use of libel and security laws to intimidate jurists, particularly those criticising the government or reporting corruption.

Despite a high degree of political stability, the country is one of the poorest in the world: number 165 of 177 on the UNDP HDI. It has high unemployment and 76 per cent of the population live on less than $1 a day.

Zambia has played a vital role in Southern Africa’s liberation struggles and has kept close ties with Britain and good relations with China and Russia. There is, however, a lack of coherent foreign policy, which is managed on a pragmatic basis.

It is claimed that economic liberalisation programmes, including the lifting of exchange controls and privatisation, have resulted in significant investment growth, though there is no national framework for economic development. Zambia is a member of COMESA, FTA and SADC, which aim to promote inter-regional trade by reducing tariffs.

Zambia has to diversify its exports and add value to existing exports of copper, cobalt, electricity, tobacco, cut flowers and cotton. Principal imports include machinery, transport equipment, petroleum, electricity, fertiliser, foodstuffs and clothes.

The country’s main trading partners are South Africa, Switzerland, China, Tanzania, Zimbabwe, DRC and Thailand.

Western donors have praised Zambia’s economic growth of more than 5 per cent and note that this has attracted investment. It is, moreover, said that the IMF, World Bank and Western donors cut Zambia’s foreign debt to $512 million from an estimated $7.2 billion in June 2005.

China-Zambia

Against the backdrop of economic liberalisation, Chinese private sector involvement in Zambia has risen sharply. In fact, the Zambian government is trying to withdraw from the economy and not inhibit private sector development.

Overall, Zambia has welcomed Chinese investment, credit and loans, despite political opposition and Western concerns. In the words of President Levy Mwanawasa (2007): “Those who oppose Chinese investment, all they need to do is to equal the help we are getting from the Chinese. We only turned to the East when your people in the West let us down.” He went on to say that there were no strings attached to Chinese investment.

Zambia is one of only 15 countries to have a trade surplus with China (2006). Major Chinese exports to Zambia are machinery, chemicals, textiles and fabrics, while Zambia’s major exports to China, including cotton, copper, iron ore and other minerals have been rising ($269 million in 2006).


Investment
China has been the third largest investor in Zambia after South Africa and Britain. Manufacturing in Zambia could ease access to the regional market, specifically DRC, Angola, Zimbabwe and South Africa. One hundred and fifty-one Chinese companies operate in a range of areas and employ over 10,000 Zambians. But it should be stated that 60 per cent of listed investment commitments are actually realised at any one time. Seventy-eight Chinese companies were listed in 2006/7 in the manufacturing sector, representing 81 per cent of the Chinese market in Zambia. They were engaged in textiles and clothing production, chemicals, wood, leather, food and agricultural processing. The primary focus, however, has been on mining-machinery and metal products.

China has also been focusing on investments in copper and it is also expected to give preference to unexploited uranium deposits in Zambia. In this context it is argued that China has one of the worst mining health and safety records in the world. In Zambia, it is alleged that Chinese investors flout labour laws, especially in mining. This is underscored by the overgenerous incentives to foreign investors. Moreover, the mining industry has been paying low wages and poor working conditions persist. For instance, NFC Africa Mining allegedly paid the lowest wages of all mining companies in Zambia, and most workers were on casual and fixed-term contracts. In July 2006, protesters at NFC Africa Mining were shot after workers turned violent when management failed to pay the wage increases agreed to in negotiations with worker representatives. There were also issues over health and safety standards.28 It should be recognised that Chinese companies are not the only ones engaged in Zambia’s mining sector, which is dominated by British and American transnational corporations.

Some Chinese investments, however, have important intersectoral linkages. For instance, Chinese involvement in Chambeshi Copper Mines led to a large number of associated investments across a broad range of sectors, spurring a marked increase in the number of Chinese construction companies, tractors, restaurants and medical clinics. Chinese investment is shaped by push and pull factors, the former related to fierce competition and low profit margins in China and the latter arising from large untapped markets, limited investment codes and limited domestic competition.

Zambia’s opposition Patriotic Front, however, has alleged that China has been bringing business cartels into Zambia to ensure that they source only from fellow Chinese suppliers.

Development Aid
Chinese aid to Zambia has to be seen in the context of China’s aid to Africa as a whole. It amounted to $372 million (excluding concessory loans) between 1967 and 1996, including traditional grants and zero interest loans, medical teams and scholarships. In 2006–7, China was involved in some 35 agricultural, infrastructure (roads, public buildings, textile mills, water supply) and educational and cultural aid projects. In agriculture, there are over 25 Chinese companies, worth over $10 million and employing about 1,000 people, in market gardening and poultry rearing for the local market.

Since 1978, China has accepted many Zambian students and also provided teachers and medical personnel to assist in Zambia’s educational and health sectors.

Summary
The following are the main concerns that should be critically discussed by the Zambian state and its people, given that Zambia is relatively more democratic than other African states.

China’s flouting of laws, such as labour laws, should be firmly tackled by the Zambian state, taking into account the views of trade unions and the opposition. At the same time, it is argued that there is a need to modify the general perception of the Chinese only as solely interested in resource seeking activities, as Chinese companies come in all shapes and sizes and are aided in this by Zambia’s liberal investment policies.

Small-scale investment that displaces local entrepreneurs should be discouraged, not least because profits are repatriated and only limited numbers of local staff are hired.

China has a heavy footprint in natural resources, but, unlike in the colonial era, there is also investment by traders and manufacturers. Manufacturing offers the potential for economic diversification and the insertion of Zambia into global production networks for exports over the longer term. This calls for investigating the extent to which China can propel African countries into cutting edge transnational networks.

28. See Fredrick in Cheru and Obi 2009.
Zambia should move away from investment at any cost and target specific – sectors for investment and tighten tax mechanisms. This may already be emerging.

**Angola**

**Context**

Angola is one of Africa’s major oil producers and joined OPEC in December 2006. But it is still one of the poorest countries on the continent. It has been striving to tackle the physical, social and political legacy of the 27-year civil war that ravaged the country after independence.

For its recent history has been characterised by bitter rivalry between the ruling MPLA and the rebel UNITA group, even before the country gained independence from Portugal in 1975. The Soviet Union and Cuba supported the Marxist MPLA while the US and white-ruled South Africa backed UNITA as a bulwark against Soviet influence in Africa.

After 16 years of fighting that killed 300,000 people, a peace deal led to elections. But UNITA and soon resumed the war, in which many thousands more were killed. A further peace accord signed in 1994 led to the advent of UN peacekeepers. The fighting worsened again in 1999 and the peacekeepers withdrew, leaving a country rich in resources but with a largely destroyed infrastructure and littered with landmines. There was also a link between the civil war and the unregulated diamond, trade, and “blood diamonds” became a source of international concern. The UN froze bank accounts used in the gem trade.

The death of UNITA leader Jonas Savimbi in a gunfight with government forces in February 2002 raised hopes of peace, and the army and rebels signed a ceasefire in April to end the conflict. The ensuing government was seen as a transition to democracy, though UNITA continued to complain of intimidation and lack of transparency in elections.

In terms of economic policy, in 1987 the MPLA resolved to abandon the “socialist” experiment and move towards a market oriented economy. There were some attempts to do so in the 1990s, but several contradictions arose. By 2000, Angola’s economy confronted many distortions: excessive reliance on oil and diamonds, few linkages to the domestic sector, a weak service sector, a large army with non-transparent expenditure, and an overstaffed public sector.

Angola has, however, been gradually rebuilding its infrastructure, disarming its heavily armed civilian population, and resettling tens of thousands of refugees. Many Angolans rely on food aid.

However, oil exports and foreign loans have spurred economic growth and have fuelled a reconstruction boom. However, there have been allegations that oil revenues are being squandered through corruption and mismanagement.

**China-Angola**

Angola considers its new relationship with China and India to be key in bolstering its ties to international financial institutions. Its links with both countries, but particularly China, have been growing. With China there have been strong trade and investment relationships, including critical investments in rebuilding and expanding infrastructure.

Over six decades, China’s links with Angola have traversed the politics of anticolonial struggle and the Cold War to reach their current phase of economic diplomacy. These links have not always been steady. China shifted its preferences among Angola’s three main liberation movements (MPLA, UNITA, FNLA) in the heat of both the Cultural Revolution and the Cold War. Its provision of arms, military training, and ideological support were also coloured by its competition for influence with the Soviet Union.

Formal relations between China and Angola were established in 1983, but continued to be marked by distrust in the early 1990s as Angola descended into a harsh civil war. Even so, China’s relations with Angola matured throughout the civil war until 2002, when the shooting stopped. The post-conflict phase of Sino-Angola relations has been marked by a major shift from ideological and security politics to economic pragmatism fuelled by the dialectics of oil and loans. This needs to be assessed against the backdrop of the so-called new “Scramble for Africa.”

The ties are marked by the unequal exchange of natural resources (to China) versus the import of manufactured goods into Angola. But while Angola may be seen as weak, it cannot be said to have surrendered as a result of the economic interventions of China.

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In the 1980s and 1990s, most African states turned to the IMF and World Bank for debt financing. These loans came with conditionalities, which were often later seen as counterproductive to development. Against this backdrop and in the aftermath of the hugely destructive civil war, Angola had severe infrastructural problems to tackle. It thus entered into an oil for loans deal with China, instead of agreeing to structural adjustment loans from Western institutions and governments. This enabled Angolan leaders to gain from the loans from China – though the majority of people may have been left out – thereby recasting the previous bilateral relationship based on ideology into one based on economics. China’s loans to Angola (2004–7) were on an oil for infrastructure basis, specifically the rebuilding war-torn infrastructure, such as the road from Urge to Maquela do Zonbo, under construction by the China Road and Bridge Corporation.

China has been Angola’s third largest trading partner, with Angola enjoying a sizeable trade surplus. China’s goal of diversifying its portfolio of assets and the investment of its huge international reserves is matched only by Angola’s search for alternatives to normal and concessional sources of international financing.

In terms of development support, a main pillar of China-Angola ties has been a $2 billion line of credit agreed with Exim Bank in 2004 on generous terms (17 year repayment period, five year grace period, 1.5 per cent interest).

India-Angola

India has been developing ties with Angola, although it is still a long way behind China.

Angola has been running a small trade deficit with India, which has been active in providing agricultural equipment and inputs. This is critical, since agriculture development is essential to economic development and curbing poverty. More generally, access to imports of cheap consumer goods and agricultural equipment can make a positive contribution to poverty reduction.

India has also provided a $40 million line of credit for the Angolan railway rehabilitation project. This was the first government to government cooperation between the two countries. India’s Exim Bank has also extended $5 million in credit for the supply of agricultural equipment. In addition, India has signed an MOU with the ministry of telecommunications and invested in a new diamond cutting plant in Luanda.

Summary

Angola’s ties with China and India may weaken the bargaining power of Western oil companies and governments, as well as the Bretton Woods institutions.

Chinese (and increasingly Indian) oil companies have become important overseas investors. Thus, it is necessary to investigate i) the virtues of Chinese investment in the Angolan oil sector ii) the state ownership of Chinese oil companies and their strategic interest to supply oil, and iii) the configuration of Chinese refineries for domestic crude, which is low in sulphur, thus making Angola crude more attractive than the sour Middle Eastern crude.

However, this does not mean that Chinese companies are likely to dominate the Angolan oil sector. China and India are still minor partners compared to OECD countries and Brazil. France, Portugal, Russia and the US have built up their influence in Angola over the past few decades. In the long run, China and India are trying to increase their market share, with the active support of their export-import banks.

In the process of postwar recovery, China and India, and mainly the former, are financing and executing major infrastructure recovery projects that are essential to stimulating the Angolan economy, and which are unfolding more quickly than would otherwise be possible. The same is true of agricultural development. Nonetheless, the Angolan government is keen to avoid dependence on Chinese credit. Thus the development of economic ties with India, Brazil and Russia may be an important strategic move.

The Chinese and Indian provision of significant amounts of concessional credit was important to Angola. However, the absence of conditionalities may have its downside. Angola’s ties with China and India and traditional powers need to be investigated in relation to the design of policies, good governance, transparency and reducing poverty.
African Visions and the Rising Powers

African nations have to shape their own visions of development in the context of their historical experiences. These should encompass the challenges and opportunities stemming from their growing ties with China and India against a backdrop of controversies over capitalism and development.

Overall findings on Africa and observations at country level reveal that a more balanced analysis of the ties with the Rising Powers is essential. This requires investigating the ways in which African nations can collectively and individually ensure that their goals are bolstered through these exchanges, while still pursuing ties with "traditional" developed countries (US, EU and Japan). Such objectives have to be vigorously pursued at several levels through state and non-state actors and reflect the aspirations of the majority of Africans at all levels. This encompasses the role of civil society, including artists (writers, poets, and singers). Account must also be taken of inter- and intrastate tensions and conflicts in African countries that impinge on their capacity to usher in democracy, good governance and development. Overall, the ways in which African nations engage with the Rising Powers at the international, regional and national levels has major implications for inducing development and economic structural change.

At the global level, African states need to monitor the gradual shift in power towards the Rising Powers and the ways in which this impacts their own future development. This calls for African states to use their regional institutions (e.g., AU, NEPAD and sub-regional bodies) to join forces with the Rising Powers to champion shared interests in reforming global trade, environmental issues and peace through existing international institutions, including South-South forums. Moreover, it calls for a fundamental critique of neoliberal market-led globalisation strategies based on the Washington Consensus pursued by Breton Woods institutions, while weaving in lessons and contrasting insights from the experiences of the Beijing and the Delhi consensus.

At the regional and the national level, the priorities of African countries at different stages of development should shape the nature of dialogues, agreements, and project plans in "traditional" and "new" sectors in relation to the domestic and the global market. Firstly, effective regional and sub-regional agreements, cooperation and legislation are needed for interactions with the Rising Powers through existing institutions (AU, NEPAD, SADC, COMESA, etc.). Secondly, at the national level, strategies reflecting the specific needs of the country need to be devised to tackle trade, investment and development cooperation with the Rising Powers. This has to be linked to "moving up the value chain" in traditional sectors (oil, energy, minerals, agriculture), as well as integrating new sectors (small and medium manufacturing, pharmaceuticals, technology, steel, ICT), and supported by infrastructure (roads, railways, power, water).

These initiatives should be reinforced through development cooperation based on scrutiny of the positive and negative aspects of tied and untied Chinese and Indian aid. Moreover, China and India and their private sectors should be bound by strict rules, regulations and procedures on trade and investment to minimize adverse effects on African economies. This includes considering (a) the extent to which imports displace domestic industries, (b) monitoring the migrants from investing countries to ensure they do not do tasks which may be done by local people, and critically, c) the stimulation of local employment, including training, wages, working conditions and worker rights.

In the short term, Africa should use increased income from booms in traditional exports sectors to invest in basic needs and infrastructure and enhance industrial and technological capacity. This will safeguard Africa against price and demand fluctuations on the world market for traditional exports, while helping the continent to build economic capacity and to take advantage of shifts in future world demand for manufactured goods and new services. Moreover, there is an urgent need to dismantle trade barriers in Asia in order to boost exports of Africa’s processed goods and by its infant industries. This could stimulate the growth of such industries and those supplying inputs to them, thereby enhancing the prospects for structural change.

30. For instance novelists such as Wole Soyinka and singers like Fela Kuti from Nigeria have used their artistic skills to voice their strong protests against the injustices of the political and the social systems of Nigeria and Africa.

31. New Partnership for Africa's Development
In the medium and long term, much rests on the complementary or competitive nature of trade and investment in sectors that are increasingly attractive to China and India. In this respect, the impact, including shifts in their comparative advantage, of China and India on African manufacturing, including on the latter’s exports to third markets, requires monitoring. Indeed, there may be opportunities for African countries to increase and diversify their exports by emphasising measures that enhance their participation in global networks; developing a range of value-added local industries through forward and backward linkages to resource-based products; enhancing sub-regional economic integration; and deepening the trade in Chinese and Indian services and using Africa as a production base (e.g., natural resources for overseas markets and construction services for local markets, as well as trade facilitation).

African states, moreover, could enhance structural change by drawing on insights from the diverse and contrasting experiences of China’s and India’s development. Indeed, the two Asian nations have in different ways tackled many of the economic and political obstacles that confront African countries. China, with a state-led economy, offers an impressive history of industrialisation, high savings, building infrastructure, attracting foreign investment and providing basic needs. India, with a ‘mixed’ economy, has an impressive service sector, a highly skilled workforce, strong information technology, an agricultural “green revolution,” an active private sector, and extensive experience of democracy. Africa could harness its growing relationship with these two countries to bolster its own strategies.

In sum, African nations, collectively and individually, should bolster their bargaining prowess vis-à-vis the Rising Powers. This could offer the hope of reshaping their economies and paving the way for development. The findings call for in-depth investigation of the following key questions:

1. How much do China and India’s historical ties with Africa – commercial and political – contribute to the latter’s development?

2. To what extent can Chinese and Indian multinationals, on their own and/or supported by the local diaspora and the state, collaborate with local African traders, entrepreneurs and industrialists, to accelerate overall structural change?

3. What are the prospects of the Rising Powers stimulating investment in “traditional” sectors (oil, energy and agriculture) as well as “modern” sectors (small and large industries, technology, services and related social and economic infrastructure) through forward and backward inter-sectoral linkages? To what extent can this create tensions between the state and specific groups (peasants, pastoralists, foresters) through, for example, foreign investment in land to boost agricultural production? Are there lessons which can be adapted from the Chinese and Indian experience of inducing structural change?

4. How far can the Chinese and especially the Indian diaspora in Africa be supportive in acquiring local knowledge, norms and practices in commerce and business, so that the exchange between their multinational companies and domestic traders and industrialists is bolstered?

5. To what extent can Chinese and Indian interventions advance, or hinder, the evolution of national systems of innovation, including technological learning?

6. How can African countries develop collective and individual strategies to bolster their bargaining power with the Rising Powers and usher in development?


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