# Meeting of Three Worlds

## Pamela Whitby wonders if China and India can be expected to stick by Africa in these rough economic times – and what Africa should do in return

Chinese railway workers lay tracks about 200km outside Luanda, Angola

PER-ANDERS PETTERSSON/GETTY IMAGES

So the global economy is in an unprecedented crisis and finance ministers in capitals across the developed world hold their heads in their hands in despair. But are similar scenes being played out in Beijing and Delhi?

Do not be fooled into thinking the global recession has stopped these emerging economies in their tracks. India and China are still growing, if more slowly – and Africa remains at the heart of this growth. International Monetary Fund figures show India's growth rate down from eight per cent last July to 5.6 per cent in January. China's growth is still impressive, despite declining from 9.3 per cent to 7.4 per cent in the same period.

We also need to remember that their interest in Africa is strongly linked to demand for natural resources. China ran out of commodities in the late 1990s and India will soon follow. Furthermore, with consumer demand falling in the United States and Europe, Africa is still a promising market for Chinese and Indian manufactured goods.

There are some signs that both Asian giants still view Africa as part of a long-term economic strategy. That said, many commentators will argue that Western intervention – aid, trade and foreign direct investment – still accounts for the majority of financial flows into Africa. Yet, things are not as clear as they may seem, mainly because of the way China bundles its investments. "If you try to ask how much aid goes to Africa from China it is all smoke and mirrors. In the West we can break it down into clear numbers," says Raphael Kaplinsky, head of the Asian Drivers programme at the United Kingdom's Open University. In the light of the most recent moves by China, Kaplinsky questions whether this approach [of separating out financial flows into different categories] is still appropriate because the West is starting to lag behind China in Africa in terms of new investment.

Consider the China-Africa relationship first. Judging by recent trade figures, no one can dispute that China is a force to be reckoned with. At the end of 2008 bilateral trade reached $107 billion, exceeding much earlier than expected the target of $100 billion set in 2006. That is a 1,000 per cent increase since 2000. But as Daniel Large, research director for the Africa-Asia centre at the UK-based School of Oriental and African Studies points out, a detail that is often skated over is that trade between Africa and China is concentrated in just a handful of countries. In 2008 about 80 per cent of all exports to China came from just five countries, and just ten African countries accounted for 75 per cent of imports from China.

Still, the big numbers are hard to ignore. Take the recent $2.6 billion iron ore investment in Liberia by the China Mining Consortium and China Export Import Bank. "You've got this very fragile commodities market where even the mining majors are haemorrhaging cash. Then the Chinese government makes one of the biggest investments in iron ore ever in Africa, at the height of the financial crisis. I think that is proof enough [of China's commitment]," says Dr Martyn Davies, executive director at the Centre for Chinese Studies in South Africa.

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In addition, by the end of January, 20 state-funded investments of up to $50 million each had been made by the $5-billion China Africa Development fund, capitalised by the China Development Bank. At the end of January, China had $1.7 trillion in foreign exchange reserves.

Interestingly, according to Jing Gu, research fellow in China and Development Policy at the Institute of Development Studies in the UK, there are also increasing numbers of Chinese private-sector investors. They act independently, are market-driven and refer to Africa as "the last golden lands."

So China is, unofficially at least, giving the West a run for its money in Africa. But how does it square up to its near neighbours?

India is a little different. It has interests in Africa across a greater number of industries, but its projects tend to be smaller and more commercial. Many Indian deals are privately financed by entrepreneurs and big corporates like the Tata Group. So, Indian investment is more constrained by the market. However, that is not to say that the Indian government does not play a role and in many instances private deals are state-backed. "Where the Chinese tend to operate in enclaves, the Indians have large expatriate communities and are more integrated. Indians tend to have a better corporate social responsibility (CSR) record by virtue of India's democratic values. But the reality is that it engages with a lot of the same pariah regimes as China does, like Sudan and Zimbabwe," says Chietigj Bajpaee, South East Asia analyst for the Control Risk Group, a global specialist risk consultancy.

India, increasingly aware of the threat China poses to its economic interests in Africa, has upped the ante. Last April it doubled African credit lines to $5.4 billion and promised a further $500 million for critical projects by 2010. Furthermore, India – which has traditionally been dominant in southern and East Africa – is now extending aid packages to oil-rich West Africa.

Comparing China and India may be like comparing apples and oranges but both, perhaps China more so, have a strategy for Africa. This brings us on to the question: does Africa have one for China and India?

There are various initiatives being worked on by a range of bodies including the African Union, the UN's Economic Commission for Africa, the African Economic Research Consortium and the New Partnership for Africa's Development. The goal, says Kaplinsky, is to work with African governments to develop a framework that will avoid fragmentation of individual policies so that China, or India for that matter, cannot play countries off against one another.

But one has to wonder just how wide the gap is between the rhetoric of the master plan and the reality. "African governments are increasingly aware of the opportunities – and the threats – posed by China, which can be both direct and indirect – the latter often more significant," says Kaplinsky. So, for example, China's competence in manufacturing means it has little interest in helping Africa to industrialise. And without industry there is no knock-on effect on wealth or jobs or long-term skills acquisition. Jing Gu admits there is a pressing need to get Chinese enterprise more engaged in social development. But China, as a new player in international development, has been on a steep learning curve and to avoid embarrassment "has taken its time to work out its approach to issues of CSR".

Besides, the relationship is complex and the choices governments make are rarely clear cut. Take Angola's decision to use Chinese workers for infrastructure projects ahead of its elections. Some would argue this was at the expense of training local people. But as Davies points out, Angola has an acute shortage of skills. "What becomes more important – building hospitals, schools and roads as quickly as possible or training local people to be crane operators which can take time?"

Angola has wanted to slow down Chinese dominance in certain areas, especially in construction. In fact President José Eduardo Dos Santos has said diversification of investment is his priority. But with the international economic downturn, and less liquidity in Western markets, that could prove to be more difficult. His return to Beijing to do more business after the Olympics proves that he may have to depend more on the Chinese than he had perhaps originally hoped.

Ultimately, what will determine the success of regional or continent-wide policy is how individual governments respond. Regardless of where the money is coming from, the burden falls on African host governments to enact and enforce labour, health and safety standards for all investors. "The biggest problem in mediating this 'choice' is the disconnect between what the ruling elite wants and civil society needs," says Harry Broadman, former economic adviser to the World Bank and author of *Africa's Silk Road*.

But until civil society demands to be heard – and it should and must if Africa is to move into the next phase of its development – it is not obvious that governments will put these structures in place. A golden opportunity to make the most of continued interest from powers of the East would be wasted and Africa may well emerge worse off than is necessary from a global economic crisis.

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