Section 2

Globalisation, & The 'Emerging Giants'— China and India— and African development

Abstract

Section 2 focuses on the political economy of growing ties between the EG and Africa and its impact on stimulating development against a backdrop of the mounting power of the EG in a globalising world. Intensification of the relationship through flows of trade and investment has been underscored by a shift in EG's strategy towards Africa from politics to economics. Relevant policy responses have to be devised to tackle the challenges.

Globalisation, the EG and Structural Transformation

Globalisation is a historical process[1] of unifying the world encapsulating compression, blurring of borders, removal of barriers (trade, finance and movements), and interlocking of nations. This is driven by a shift from the state to the market with the creation of a 'new space' which coexists with the nation state. A major challenge facing developed and developing nations is how to embrace globalisation while pursuing national sovereignty.

More recently, the financial crisis (2008) which emerged initially in developed economies and was then transmitted to developing economies in Asia and Africa led to a contraction of the world economy.[2] Essentially, the rate of growth of GDP and exports and imports capture the crux of the problem stemming from the financial crisis with the world economy starting to revive from the close of 2009 and forecasts of a gradual return to a positive rate of growth in 2010 and beyond. Thus, the % growth rate of GDP started falling from the third quarter of 2008 to the close of 2009: 2.9% (2nd quarter 2008), 1.7% (3rd quarter 2008), -1.0% (4th quarter 2008), -3.4% (1st quarter 2009)-3.2% (2nd quarter 2009) and -2.0% (3rd quarter 2009). The % rate of growth of exports and imports in the world economy reveals sharp falls: exports fell by 2.9% (3rd quarter 2008), -5.8% (4th quarter 2008),-15.4% (1st quarter 2009), -15.5 % (2nd quarter 2009), and -11.5% (3rd quarter 2009) while imports fell by 2.3 % (3rd quarter 2008), -4.5% (4th quarter 2008),-15.6 % (1st quarter 2009),-17.3 % (2nd quarter 2009), and-14.0% (3rd quarter 2009).This has been

1. On globalisation see Roy, 2009 (b), 2007 and 2005.

2. See Banerjee, 2010. and Economic and Political Weekly, 8 November, 2008 on the financial crisis and developing countries.

underscored by the WTO Secretariat estimates which show that the rate of growth of world trade fell by over 12% in 2009-indeed the worst since the 1929-33 depression-though it is forecast to increase by over 9% in 2010 (WTO, 2010).Unemployment, too, shows a sharp rise over the same periods for developed countries. Developing countries were adversely affected through the 'contagion' effect of the crisis aggravating their poverty-including a decline in migrants' remittances in the second half of 2008 and in 2009 (by an estimated 5-8%).[3]

The financial crisis has to be seen in the frame of globalisation which requires removal of barriers to flows of trade and finance through liberalisation exposing nations to booms and slumps in the world economy. In the aftermath of the crisis there is major concern over the extent to which economies should be opened up and the ensuing risks and gains from exchange relationships between countries. However, the impact on different countries is dependent on the nature of their integration into the world economy-interaction between the domestic-external economy. Basically, the more open an economy the more it is exposed to the vagaries of the world economy exemplified by the financial crisis. The policy response to revive the world economy and boost GDP, trade and employment requires coordinated action on the global and the national front.

In this context the process of integration of the EG into a globalizing world and their mounting political and economic influence in shaping regional and international relations in the post cold war era unfolds.[4]

China and India account for about 40% of the world's population. China is likely to emerge as the second largest economy in the world by 2016 and India the third largest by 2035. Hence, the EG can re-shape global and regional (including African) political economy. Though the financial crisis has impacted on the EG they have been able to cope with it more effectively than other nations,

3. See Rakshit, 2010. Statistics on migrants' remittances based on UNCTAD 2009.

4. See Hurrell, 2006 on the rise of India, China, Brazil and Russia in the global order. Roy, 2006, explored the relationship between globalization, the 'emerging giants'-India and China-challenges.'

developed and developing. Their rate of growth fell initially (in 2008 and early 2009), but it was positive, and has started increasing more recently (last quarter of 2009) and is expected to accelerate in 2010.[5]

The increasing influence of China over the international economy is critical. This has been positive and negative-the latter on the assumption that China may have a destabilizing effect on the world economy. Its increasing consumption of raw materials and its growing assertive position as competition for scarce resources may be threatening. A key concern is its capacity to keep diverse political development processes under control. This encompasses its responsibility as a permanent member of the UN Security Council for maintaining and reforming the international order. The European view is that China is in the process of becoming a world power while evolving multilateral approaches to confront global risks.[6]

Chinese foreign policy has been a driving force in its quest for global power. This has been based on safeguarding its key goals of national sovereignty and territorial integrity and advancing its economic and socio-political ambitions accompanied by a defensive military stance. A key facet of this thrust is energy acquisition. This partly explains its interest in Africa, Central America and Middle East. China's search for unhindered access to market resources has been accompanied by its participation in international institutions to pursue its interests while reinforcing regional stability and cooperation and opposing intervention in its domestic policies. Hence, China's growing interest in Africa should be seen against its drive to boost growth while fiercely protecting its national autonomy.

India has been forging in the post cold war era a new set of relationships with different regions of the world. This unfolds its vision of the ways in which it can fulfil its interests.[7] Immediately after independence India was active with its 'soft power' approach in international organizations and the Non Aligned Movement

5. The focus on China and India to stimulate the world economy has been intensified by the global financial crisis (September 2008) which lead to recession in developed regions. The crisis was discussed by the researcher on BBC World Service's 'Newshour' on 24th October 2008 and in Roy (2008 (a).

6. See Giessmann, 2006. Also see Breslin, 2005.

7. Biva, S, 2007.

(NAM) informed by a mixture of realist and idealist visions of Jawaharlal Nehru, India's first prime minister. It had a major role in the decolonization process and its foreign policy choices were circumscribed by Cold War politics defining its political, economic and security relations with other states. India is no longer confined to South Asia by the Cold War rubric in the context of global politics witnessing changes in power relations between and among states.

Historically, the EG have been increasing their hold over the world economy.[8] Though they were hit by the 2008 financial crisis recovery is underway. Their contributions to global output has been rising and hence making more demands for energy, raw materials and commodities. This can boost the exports of developing countries, improve their terms of trade and access to finance for development. Their % share of GDP of both China and India was high, declining subsequently, and rising again: 16.4 % (1913) declining to 8.7 % (1950) and rising to 19.2 % (1998). But their share of income was below that of population, with a falling per capita income, and a rising population during the first half of the 20th century.[9]

China and India, and especially the former, have been opening up in recent years. Trade as a % of GDP has been 32% in China compared to 25% for India. This should be seen against a backdrop of East and South Asian economies which have been more open: Malaysia (206%), Korea (Republic) (72%), Thailand (82%), Pakistan (36%), and Bangladesh (35%). Import duties as a % of imports, another relevant measure of opening up, have also been declining in China and India-lower in China (3%) compared to India (24%).[10]

The rising contribution of the EG to the world economy is evidenced by their % share of GDP, trade and investment:

(a) in terms of share of GDP of world economies (%) there was an increase from 12.59% (1989-95) to 16.88% (1995-03) while their

8. Findings are drawn from various studies. See in particular Srinivasan, 2006, Subacchi, 2007, Eslake, 2005. On major studies on China and India and the global economy see World Bank (a) 2007 and on China, India and Africa see World Bank (b) 2007. See Rownthorn, 2006 and Goldman Sachs, 2003 on forecasts of EG growth till 2050, UNCTAD, 2005 survey on the impact of the EG on the global economy and IMF, 2004 on China's integration into the world economy.

9. See Desai, 2003.

10. See Nayar, 2003. See Tables 4-5 on integration of China and India into the world economy.

share in GDP growth of world (%) was 40.25% (1989-95) and 33.24% (1995-03) (Table 1-2)

(b) the increasing importance of FDI private investment though less marked than the contribution of trade to GDP; thus, China and India's share of net FDI inflow as % of GDP increased from 1.1.0% (1990) to 3.6% (2004); again China's share was more marked increasing from 1% (1990) to 2.8% (2004) in contrast to India's from 0.1% (1990) to 0.8% (2004) (Table 3). The rise was less marked in the case of portfolio equity.

Though the EG faced a sharp fall in their rate of growth of GDP it was positive and started increasing from the close of 2009: China's was 6..8% (4th quarter 2008), 6.1% (1st quarter 2009) and then a rising trend emerged with 7.1% (2nd quarter 2009) and 8.9% (3rd quarter 2009) while the WTO Secretariat estimates show that China overtook Germany as the world's largest exporter in 2009 accounting for 10% of world exports and second to US on the import side;India's fell from 8.2% (2nd quarter 2008) to 4.8% (4th quarter 2008), and subsequently 4.1% (1st quarter 2009) and then it started rising to 6% (2nd quarter 2009) and 6.7% (3rd quarter 2009) with Indian finance estimates indicating over 7.5% towards the close of 2009 (Rakshit, 2010, WTO, 2010).

Forecasts suggest that taking US=100, per capita GDP in China and India will be equal to 63 and 45 respectively by 2050.[11] Both countries have, and are forecast to have, much larger populations than the USA. As a result, despite their lower per capita incomes, both countries will rival or surpass the USA in terms of total production by 2050. Thus, it is estimated that total production in China will be 60 per cent larger than in the USA by 2050, whilst India and the USA will be about equal. Growth of China and India, moreover, will impact in the long run on structural change in developed countries. The latter may face worsening terms of trade, and a fall in employment, but gain from the enhanced growth and purchasing power of the two 'giants.'[12] This may enable developing regions such as Africa to export cheaply produced labour intensive goods to developed countries.

Integration of the EG into the world economy has been underscored by structural transformation-the shift from a 'closed' agricultural to an 'open' industrial and technology based society

11. See Rowthorn, 2006.
12. See Rowthorn, 2006.

has been galvanized by liberalization. The capacity of the two reveals marked variations.[13] Though both were adversely hit by the financial crisis (2008) they started resuming their growth from the last quarter of 2009 through fiscal and monetary stimulus packages. This has enabled them to pursue their goal of structural transformation.

China and India have been growing fast over the last 25 years: China by 21 fold and India's by 8 fold. The growth rate in China has been over 9% per annum making it possibly the fastest growing world economy while India's, too, has been impressive with over 8% per annum. But it has not led to high levels of employment. The public and the private sector have been unable to increase employment with the majority (85%) relying for survival on the informal sector.[14] The poverty line (1 $ a day) reveals that this has been significantly reduced in both though it is more impressive in China compared to India : 12% in China and 26% in India in 2005. However, the per capita levels of income in both countries are still well below the US-15% of US per capita income in China and 7% of US per capita income in India-measured at ppp (2001).[15] Both still have a significant agricultural sector. This is more marked in India.[16]

Liberalisation has been the driving force of structural transformation in China and India-under a 'planned' and a 'mixed' economy respectively being initiated in the former in 1978 and in the latter in 1991. However, China in contrast to India created in the pre-liberalisation phase the basis for subsequent reforms-agricultural development, literacy and health care, macroeconomic stability, and measures to support markets and regional dynamism.[17] Both liberalized on the external front-trade and FDI -though this was more marked in China.[18] Despite the initial

13. See Bardhan, University of California for a comparative study of China and India. Also see Desai, 2003 on same theme. External crisis impacts on structural transformation. This is evidenced by the rising global food and commodity prices and the US credit crunch in the first half of 2008. These have fuelled inflation and recessionary tendencies. India and China, for instance, confront higher rates of inflation and have lowered their growth targets.
14. See Bhaduri, 2008.
15. See Sally, No Date.
16. Subbachi, 2007.
17. On liberalization see Patnaik, 1985.
18. See Roy, 2005-6

fall in the rate of growth after the financial crisis (2008) they have used stimulus packages to revive their economies. Mutual economic cooperation can bolster their development.[19]

Globalisation and EG–Africa ties

Globalising Africa

Integrating Africa into globalisation[20] is a major challenge. This could be galvanized through EG-Africa ties which have been underscored by a strategic shift from politics to economics.[21] Historically, African economies have been open with unequal bargaining power vis a vis developed countries. Commodity exports dominate with imports of manufactured goods, dependence on developed nations, declining terms of trade, and limited inter regional exchange with low levels of FDI and declining aid. Agriculture has been the major sector with limited industrialization, extensive rural and urban poverty and unemployment aggravated by poor governance and inter and intra regional conflicts.

African annual growth rate over 1980-2000 was 1.1%.[22] However, it has been rising, with fluctuations, in recent years: 5.7% (2006), 5.3 % (2005), and 5.2 % (2004) with marked regional variations. The rate (2006) was below developing Asia (8.7%) and the MDG target (7%) to curb poverty. Dependence on primary commodities was prominent-production, exports and growth.[23] High levels of poverty (46%), unemployment (10.9 %) and 'working poor' (56%)-those whose income is below the 'poverty line'-prevail.[24] Economic diversification is essential.[25]

Africa's growth has been undermined by the financial crisis (2008), firstly, due to a decline in credit availability and the cost of international credit increasing,and, secondly, a fall in demand for and price of exports.[26] Recent findings based on the IMF suggest that the actual

19. See Lynn, 2006, Ghosh, 2004.
20. On African globalization see Gibb et al (editors), 2002.
21. This section draws on lectures by the author in Kolkata, Manchester and Sweden. See Roy, 2010, 2009 (a) and 2008.Also see Norberg, 2008 who cites and emphasizes Roy's core theme of the rising power of China and India and Africa's response to it to curb poverty
22. UNECA, 2005.
23. UNECA, 2007.
24. UNECA, 2005. Data refers to 2003.
25. UNECA,2007.
26. See Wider 2009 and also Mbiriri.

% growth rate in Africa in 2009 was about 2% and that it was expected that this would be about 4.5% in 2010. This was helped by IMF's commitment of $ 3.6 billion to Africa at zero interest rates-three times more than in 2008. Moreover, Africa's pre-crisis policies-strengthened budget positions, reduced debt burdens, control of inflation, and reserves helped it to withstand the crisis.[27]

EG–Africa exchange

The EG-Africa exchange through flows of trade and investment could bolster African globalization. This unfolds against a backdrop of the virtues of the comparative experience of the EG in overcoming obstacles to development. China reveals major historical epochs including collectivization, the cultural revolution and 'market socialism.' The Chinese communist party dominates and it is alleged that the state is 'authoritarian.' In contrast, India offers a 'mixed' economy model with a 'thriving democracy' with political diversity. Hence, both nations can furnish lessons for African development as they confront similar struggles. This is exemplified by the performance of India and Africa-the low levels of 'human development'-poverty, income inequality, low literacy, poor health and status of women (Table 6) and tensions which accompany the drive to globalise.[28] In the case of China it has to manage rising domestic political and economic strife, including rising regional and inter-sectoral inequality, while India has to cope with complex strife due to inter and intra state conflicts-border clashes with Pakistan, demands for autonomy by states, threats of internal terrorism, and frictions due to intense poverty and rural-urban and inter group inequalities. At the same time India's exposure to developmental challenges is relevant to African strategies-the 'green revolution'(1960's)[29] to boost food security,

27. See allafrica.com report 'Africa Needs to rebuild economic defences-IMF' 8 March 2010.
28. Malghan and Swaminathan, 2008.
29. The 'green revolution' based on high yielding varieties of seeds, plus irrigation and fertilizers, enabled India to become self sufficient in food. On comparative Indian-African agriculture see Roy, 1990 and on India-Africa development in a historical global context see Singer and Roy, 1993. India and Africa could become granaries of the world. See Times of India, 9 April, 2008. This was the basis of a BBC World Service 'Network Africa' interview with the researcher on the global food crisis meeting in Rome on 3 June, 2008. Also see Roy, 2008 (b).

IT to usher in technological and structural change,[30] and democratic politics to cope with domestic tensions. Both the state and the market are critical in overcoming obstacles in China and India in their zeal to liberalise. The public and the private sector has been prominent in their foreign policy including joint ventures, trade, project and investment with the state often backing firms in their external operations.[31]

The EG-Africa exchange through trade and investment offers much promise in inducing African development.[32] China and India's new found interest in trade and investment with Africa presents a significant opportunity for growth and integration of Africa into the global economy. Both nations have long histories of international commerce going back to the Silk Road. China's trade and investment go back several decades with most of the early investments in infrastructure (railways) at the start of Africa's post colonial era. India, too, has strong national links with Africa through trade and investment, particularly in East Africa with significant Indian communities.[33]

Since 2000 there has been a massive increase in trade and investment flows between Africa and Asia. Today, Asia receives about 27% of Africa's exports in contrast to only about 14% in 2000. This volume is approximately at par with Africa's exports to US and EU over 2000-2005: 32 % and 29%, respectively. Despite this growth, Africa's growth of exports still remains relatively small from the Asian angle. Africa's exports to Asia account for only 1.6% of Asian global imports. However, Asia's exports to Africa are growing very rapidly-about 18% per annum –which is higher than to any other region including EU. Their exports are largely manufactured goods which have risen sharply in African markets. Some of them are intermediate inputs for products assembled in Africa and shifted out to third markets-EU and US-or capital goods (machinery) and equipment for African manufacturing sectors themselves. There is also a sizable amount of African imports

30. IT can stimulate structural change through the digital and the non digital sectors. See comparative study of India and Africa by Roy, 2005.
31. See Bonnett, Whitehouse and Associates, No date and also Gupta, S, 2008.
32. This draws on major World Bank report Africa's Silk Road, 2007, World Bank (b), 2007.
33. See Tables 7-9 on structure of trade (exports and imports) between Africa and Asia.

of consumer durables from Asia which compete with Africa's domestically produced products.

China had bilateral trade and investment agreements with 75% of African countries by 2005. It had expressed interest in negotiating the establishment of free trade zones with the continent and has overtaken the UK as Africa's third most important trading partner (after US and France). However, Africa accounts for only 2% of China's external trade while China–Africa trade is only 40% of US-Africa trade.

The structure of African exports to Asia, however, emphasizes the continuing dominance of primary and resource based goods. This is due to the growing needs of China and India to meet their growth targets though more marked in the former's case. Africa's exports to Asia comprised oil and natural gas accounting for 12% of Africa's total exports to China. Leading non-oil mineral and products were gold, silver, platinum, iron, aluminum, iron ore, copper and pearls. (Table 7-9).

The World Bank suggests that the prospects of trade between the EG and Africa are promising. This stems from high demand for natural resources by China and India and their industrial advantage in manufactured products against African countries. 'Complementarities' emerge between Africa and China and India based on factor endowments in Africa versus skilled labour in China and India. But Africa's exports to China and India have not directly contributed to Africa's export diversification in terms of products and trading patterns. Despite this the boom of natural resources to China and India provides short term benefits. African countries need long term measures to maximize the gains of such an export boom to diversify their exports.

In a dynamic (medium-long term) context Africa's growing exports to China and India may not be confined to fuels and other minerals and metal products. Labour intensive commodities which are used for further processing, either for industrial use (timber, cotton) or for consumer use (food products), are also being increasingly imported by China and India. These are potential areas of African export growth though currently petroleum, metals and agricultural raw materials account for 85% of African exports to China and India. The pattern of geographical distribution, too, reveals that five oil and mineral exporting African countries account for over 80% of African exports to China while South Africa accounts for 68% of Sub Saharan African exports to India.

The bias in Africa's exports reveals (a) primary products (oil and metal products) (b) minerals, fuels and lubricants accounting for 24.9% of total exports in 1996 rising to 67.3% in 2004 (c) primary and minerals and crude materials share increasing from 75.2% in 1996 to 86.1% in 2004 and expectation of China's oil consumption accelerating over the next decade.

Imports into Africa from China, in particular, show a marked increase from US $ 895 million in 1996 to US $ 7.3 billion in 2005-an increase of 712%. China's share of African imports increased from 2.5% (1996) to 7.4% (2005) with final manufactured goods comprising 92.1% of imports in 1996 and 94.6% of imports in 2005.

Flows of Foreign Direct Investment (FDI) between Asia-Africa have also been increasing rapidly. But the volume is more modest than trade. Investment is dominated by the flows of Chinese and Indian FDI in Africa though there is some African FDI in China and India. The stock of Chinese FDI to Africa in mid 2006 was estimated to be $ 1.18 billion.

The vast majority of Chinese and Indian FDI inflows to Africa over the past decade has been capital intensive and concentrated in extractive industries. This has not made a major impact on employment creation, though in the last few years the EG have begun to diversify into many other sectors-apparel, agro processing, power generation, road construction, tourism and telecommunications. Chinese and Indian FDI in Africa is also diversifying geographically. Chinese FDI could furnish finance for African infrastructure and industry specially in fragile states. This could stimulate employment. FDI could enable access to appropriate capital goods and technology transfer and ease integration of African nations into the global value chain. However, FDI could displace existing producers and have limited 'spin off' effects if the linkages are poor. This is the case with investments in the extractive sectors. There may also be competition for FDI with African countries being unable to offer significant incentives. Hence Africa could be excluded from such flows.

Overall investment and project activity across Africa has drawn trade flows from the host nations. The reasons are simple. The new investor or company undertaking a project has no knowledge of the capacity of local contractors or the quality of locally produced inputs. Thus, it relies on suppliers that served them in their home markets. Local companies do not have the human, technical or

financial capacity for many large, capital projects to execute turnkey projects. Hence, this function, and the consequent sourcing of goods and services take place outside of the host market. Mining, oil and gas, telecommunications, retail development, and large infrastructure projects, fall into this group.

India's investment in Africa has been growing in a range of manufactures-chemicals and pharmaceuticals, iron and steel, textiles, mining, infrastructure, transport, banking and retail. Trade usually follows such flows. This impacts in different ways on African countries. India's role as an investor and as a source of civil and other engineering countries has been intensifying in Africa. It reveals the role of major private (the Tata Group, Mittal Steel) and public (Rites, Ircon) companies in investment in several African countries. This has been supported by provision of credit by the Indian state (eg. Exim) to boost India's export drive in key sectors- agriculture, power, transport, manufacturing, and IT. For instance, lines of credit amounting to about $ 1.5 billion to fund projects in agriculture, transport, power, and also manufacturing and capacity building[34] have been established. India has also set up a pan African e-network (IT) to link 53 African countries to Indian universities and hospitals.[35]

Such measures fall within India's overall economic and political drive to forge a new relationship with the global economy and Africa. The Indian government recognizes that these should not thwart African development and that with the support of Indian companies it should implement a major policy. This centres on helping Africa to build a manufacturing base that can supply intermediate as well as raw materials

34. This included investment of US 70 million in Zimbabwe (1996-2000), investment by the Tata Group in Zambia,Tanzania, Malawi and Ghana in sectors such as automotive, and as an assembler in South Africa and Zambia in the near future (steel, hotels, engineering works, food and beverages, services, telematics), plants by Mittal Steel, the world's largest producer in Algeria and South Africa. The Indian State oil company ONGC also invested in Libya,Sudan,Cote d'Ivorie and Egypt, while State owned companies (RITES and IRCON) supported infrastructure and engineering. Credit has also been supplied by EXIM (Export and Import Bank of India) to enable Indian companies to export into many African markets and fund projects in agriculture, transport, power and manufacturing. See Gupta, 2008.

35. On IT's role in the economy see Roy, 2005, chapter 3.

to India's export oriented factories and the domestic economy.[36] This could accelerate Africa's goal to diversify its production and trade.

After the financial crisis the China-Africa relationship reveals a downturn in terms of trade and cutbacks in investments in some countries. But the underlying drive to boost China's ties with Africa has been emphasized.[37]

Trade between China and Africa surpassed the US $ 100 billion mark reaching a high US $ 107 billion with trade between the two growing from 2000 by 3.5% per annum. However, the financial crisis started to adversely affect trade volumes between the two with the first half of 2009 showing a decline in trade by 30.5% though it is estimated that FDI has increased by up to 81%.. This has been caused by a combination of factors. Africa mainly exports raw materials such as copper, platinum, iron ore, timber, nickel, diamonds, gold and oil to China and in turn China invests in crucial industries such as science and technology and infrastructure, and provides soft loans and grants. Due to the economic crisis prices of raw materials have been adversely impacted resulting in a sharp decline. Prices of minerals such as copper and nickel have dropped by up to 80%. The sudden drop in resource prices has been a contributing factor to the 30% decline in trade.[38]

In the China-Africa context the financial crisis has also adversely affected asset prices, demand and production. Due to a lack of availability of funds and difficulties in securing loans to finance production, China's extractive industries have significantly slowed down production and a decline in her demand for natural resources for her extractive industries. The global slowdown has led some Chinese businesses to close down operations in Africa and aroused a rethinking of some of the multi business dollar deals.-exemplified by Congo and Guinea. Thus, Congo boomed in commodities and attracted a wave of foreign investment in copper, cobalt, gold and mineral resources in 2006 but this seems to be facing a downhill path. The Chinese have closed several workshops in Congo. In

36. See Gupta, 2008. The writer is chairman, CII India-Africa Committee.
37. On the financial crisis and China-Africa ties see mbiriri at http://www.consultancyafrica.com, UNECA, 2009, The New York Times at http://nytimes.com; Haifang, 2009 and allafrica.com.
38. See Mbiriri at http://www.consultancyafrica.com

Guinea the world's top exporter of bauxite it was the hope that its own multi billion dollar deal with China to build hydroelectric dams, roads and bridges in return for mines would materialize but talks have dragged as the crisis has worsened hampered by Guinea's instability.[39]

In the long term the pre-crisis China-Africa relationship is expected to re-surface. According to Xing Houyuan, Director of multinational business at China's Academy of International Trade and Economic Cooperation, in terms of investments in the long term there is little likelihood of a pullback by China. This is because companies will not give investment plans because of the short term but the major impact is likely to be on projects that are still in the planning stage where finance had not been committed. At the same time the Foreign Minister Yang Jiechi asserted that China will continue to have a vigorous aid programme and Chinese companies will continue to invest as much as possible in Africa because it is 'win win solution.'[40] He stated that a slowdown in China-Africa trade does not imply that interest in Africa has dampened. Indeed, China has pledged tens of billions of dollars in the form of investments and loans to Africa in order to secure raw materials.[41] It could fill the gap left by western corporations due to the impact of the crisis.

In terms of long term plans China announced in September 2009 that it had finalized plans to double trade with African states targeting a trade volume level of US $ 100 billion by 2010. It has also signed bilateral agreements with over 40 African states to encourage and protect investments. The China-Africa Development Fund (CADF) formed in 2007 aims to encourage investments in Africa and China hopes to establish between three to five economic cooperation zones. It was expected that by the end of 2009 the CADF will have committed itself to investing up to US$ 700 million in Africa and the Vice President of CADF Li Jipeng also stated that the Fund aims to raise about US $ 2 billion to improve trade links between China and Africa. This is underpinned by the goal of ensuring that trade

39. See The New York Times at http://www.nytimes.com on financial crisis and China-Africa .
40. See The New York Times at http://www.nytimes.com on the financial crisis and China-Africa
41. See The New York Times at http://www.nytimes.com on the financial crisis and China-Africa

returns to 3.5% per annum and continues to increase with the hope that as the effects of the financial crisis begin to diminish China and Africa's strategic partnership is likely to be enhanced.[42]

India, too, has not been deterred by the financial crisis and has tried to pursue its vigorous pre-crisis trade and investment in Africa. This was based on partnership but there were firm measures to ensure that India could tap Africa's markets for energy intensive products and exploration of relevant sources and expansion of exports including agricultural and non agricultural goods. The long term goal was to boost India-Africa trade against a backdrop of China's move to pursue an equally forceful policy in Africa. In spite of rhetorics analysts suggest that African countries were in a relatively weaker bargaining position vis a vis the Indian state and companies exploring trade and investment opportunities in Africa.

India has called for a doubling of India-Africa bilateral trade to the level of $ 70 billion over the next five years continuing the growth trajectory that began in 2001-01 when trade was a mere $ 3 billion and shot up to $ 36 billion in 2007-8. In spite of the economic slowdown India planned a range of projects in agriculture, small industry, mining, information and communication technology, oil pipelines, chemical industry, power generation and transmission. India's External Affairs Minister, Pranab Mukerjee, stated in March 2009 at the 5th CII-Exim Bank Conclave on India-Africa project Partnership 2009 firmly stated that despite the global economic downturn India would continue to fulfil its commitments towards Africa made at the India-Africa Summit in April 2008.[43] There is also increasing interest in Africa's agricultural land and increasing its food security. But this has led to controversy over the costs which African farmers may face. Overall, in spite of the positive rhetorics there is anxiety over the nature of India's inroads into Africa including investment by Indian companies in African oilfields.[44]

Barriers, however, have to be overcome to ensure growth

42. See The New York Times at http://www.nytimes.com on the financial crisis and China-Africa. Also see Haifang, 2009 on the future of China-Africa programmes discussed at meeting of FOCAC, Forum on China-Africa Cooperation, held in Egypt in November 2009.

43. See Sharma, 2009 on the financial crisis and India-Africa ties. Also see Mazumdar at http://www.mg.co.za

44. See Economic and Political Weekly, 2009.

of trade and investment- tariff and non tariff and tariff escalation. This impinges on access to markets and identifying and reducing both tariff and Non Tariff Barriers (NTB) which are major obstacles in both Asia and African nations (Table 10-12).

Asian countries impose higher import tariff rates on imports from Africa compared to those from US and EU. Among Asian countries, the tariff rates of China and India on African products is high. Tariff rates on agricultural products are high in both countries. The prevalence of high tariff rates in India is broadly based while China has a relatively liberalized market with zero tariffs for its most highly demanded raw materials (eg. crude petroleum and ores). It has moderate to high tariffs on other imports (especially non edible materials from the South) but has promised to lower them in the future (Table 10-11).

African countries, too, impose many high tariffs on Asian imports. Among Africa's largest imports from Asia are textiles, yarn, apparel, footwear, and light manufactured goods. These have some of the highest tariffs in Africa but other significant imports from China and India, including electronics, machinery, and transportation equipment generally have relatively low tariffs. Though African tariff barriers have been significantly reduced, some high tariffs on intermediate imports into Africa inhibit its manufacturing exports.

Tariff escalation in Asian markets is also a major obstacle. This discourages the export of higher value added processed products from Africa specially some of its leading exports to China and India, including coffee, cocoa beans, and cashews. Most African countries lack the institutional capacity and resources to enforce the necessary standards. This adversely affects the ability of domestic producers to penetrate export markets in Asia (Table 12).

In the medium-long term the flows of EG-Africa trade and investment can stimulate African development-interaction between complimentarity, competitiveness and diversification.

The interlocking of trade and FDI is critical. Firms in Africa, both domestic and foreign owned, have combined trade and international investments for decades. In a globalizing marketplace there has been fragmentation of the production process and the formation of new global production and distribution networks. These are tightly integrated. The rise of trade in intermediate goods and parts and components is a major shift in the structure of the world trading system. African policies have to fit into today's " international division of labour" and re-shape notions of specialization in the production and trade of goods and services based on 'comparative advantage.' The key aspects show:

First, trade and investment flows from the EG can boost in the short-medium term exports of commodities and enhance the terms of trade, providing funds for investment in basic needs and infant industries, specially in fragile states, enabling access to cheap intermediate inputs for industry. This can bolster competitiveness, and offer consumers a choice of a range of imported goods and services. On the negative front, exports from the EG (ie African imports) can reduce the demand for domestically produced goods and services, undermine industrial growth and displace labour (Table 13).

Second, it is necessary to identify key facets of the link between complimentarity and competitiveness in a 'static' (short term) frame:

- Growing demand for raw materials in expanding Chinese and Indian industries and for food by Chinese and Indian consumers with increasing purchasing power
- Internal pressures for resource allocation within the domestic economies of China and India
- China and India exporting manufactured products to Africa-

-Chinese and Indian firms supplying technical and lower cost products compared to those from industrialized countries; this intensifies competition for and efficiency of African producers and consumers benefit.

-China and India also providing capital goods and intermediate inputs, enabling African business to manufacture products potentially exportable to third regions and countries (eg. EU, US, and engage in network trade).

Third, in the medium-long term the nature of complimentarity and competitiveness may change. Though African exports to China and India have not directly contributed to its export diversification in terms of product and trading patterns complementarities are emerging :

- vertical complimentarities along the cotton-textile apparel value
- exports based on endowed national resources with greater intra industry trade with emerging African industrial hubs such as South Africa and Nigeria. These complimentarities create opportunities for African countries to increase and diversify their exports by emphasizing measures to: (a) increase participation in global network trade (b) develop diversified value added local industries through forward and backward linkages in resource based products (c) enhance sub-regional economic integration and to maximize its benefits (d) deepening Chinese and Indian service trade as FDI targets various trading opportunities using Africa as the production base. Examples include natural resources for overseas markets and construction services for local markets as trade facilitation service producers. This implies the existence of a strong synergy among trade in goods, trade in services, and FDI, which in turn enhances economic relations between Africa and China and India.

Fourth, apart from trading in goods, the intensification of Africa-China-India service trade and FDI offers hope. Asian FDI in Africa targets various trading opportunities in using Africa as a base. Examples include natural resources for overseas markets and construction services for local markets, as well as trade facilitation service providers. This mirrors the presence of a strong synergy among trade in goods, trade in services, and FDI.

Chinese investors in Africa, like other foreign investors, seek natural resources and local markets, as well as a platform for exporting to Europe, US, and throughout the region. In Africa, China has been investing in oil production facilities as well as in light manufacturing. India, too, has invested in many sectors including financial, food processing, and light manufacturing.

Historically, Chinese FDI went primarily to other Asian countries and mainly to Hong Kong. Recently, however, Chinese FDI has been targeting Africa, among other countries where natural resources are abundant. Chinese FDI to Africa represents a small % of China's total FDI portfolio. However, recent firm level survey suggests that in terms of China's outward FDI, Africa is second next to Asia as the major destination of Chinese FDI. India, with strong historical ties with Eastern and Southern Africa, and a sizable Indian diaspora, has provided a leverage for attracting new investment to Africa. This has been intensified by India's access to foreign reserves, and decision to lift regulations and controls allowing firms to go abroad.

Asian foreign aid, too, and specially China's, over the last two decades, has been channeled towards Asia itself. But some

44% of Chinese overall assistance to developing countries of US $ 1.8 billion went to Africa. This, however, is not significant as a share of overall development assistance to Africa. But the aid could increase in the future to support Chinese trade and investment policies. India is likely to pursue a similar route.

Strategy

The EG-Africa relationship has been driven by a shift in the EG strategy from politics to economic development-encapsulated in visions of 'mutual support,' 'reciprocity' and 'interdependence.'

China's policy towards Africa has shifted emphasis from ideology and politics, through nationalist movements to challenge colonization, to development. Relations evolved over the last 5 decades and three separate periods. This unfolded as African nations became independent and China gained a permanent seat on the UN Security Council. The context was Post Maoist liberalization and pursuit of growth.[45] Before 1990 the relationship was symbolized by a shared struggle against western hegemony with China assisting Africa in three ways: first, supporting nationalist movements with the aim of fighting colonization; second, by initiating large construction projects (eg. Tazura Railway), and third through dispatching medical teams to Africa and giving African students scholarships to study in China.

In the 1990's the China-Africa links started becoming more pragmatic with economic development as the major priority. Accessing natural resources was a major goal. Africa with its apparently unlimited resources was an ideal partner and a potential market for China's low valued manufactured commodities. Though oil has been the key export from China to Africa Chinese companies have been investing in Africa-infrastructure, buildings and factories. Overall, Africa is China's third largest trading partner, after the US and France though Africa is less important for China. But China has been criticized for its stand on human rights, the environment, and governance.

The culmination of China-Africa diplomatic ties was the China-Africa Beijing Summit (November 2006) focused on co-operation and mutual development with its vision

45. See Looy, 2006.

encapsulated in the Africa Policy Paper (2006).[46] The six day Beijing summit was attended by 40 African Heads of State and governments with the Chinese President Hu Jintao reassuring African leaders that 'China will forever be a good friend, good partner, good brother of Africa.' Measures centred on (a) aid (b) a Development Fund (c) preferential laws (d) trade market opening (e) debt cancellation and (f) training and (g) building hospitals. China pledged to double its aid to Africa and provide $ 5 billion in loans and credit over the next 3 years, promise of $1.9 billion of immediate trade and investment deals, doubling the number of tax free goods imported from Africa, training of 15,000 African professionals, and a Development Fund to build schools and hospitals. China also pledged to enhance its peacekeeping role in Africa.

Despite the initial weakening of China-Africa ties after the financial crisis it is envisaged that in the long run the pre-crisis trends will re-emerge. The Chinese Foreign Minister Yang Jiechi stated that a slowdown in China-Africa trade does not imply that interest in Africa has slided.

In contrast to China, India embarked on liberalization in 1991 at the end of the Cold War. It reshaped its foreign policy and moved away from ideology to pragmatism. This guided its post cold war relationship with Africa centred on five 'Mantras'-economic co-operation, engaging the PIO's (Persons of Indian Origin), preventing and combating terrorism, preserving peace, and assisting the African defence forces.[47]

India's ties with Africa can be traced to the pre-colonial period with subsequent developments in the colonial and the post colonial era. This was firmly rooted in migration and commerce in the 18th century.[48] Trade and other economic relations between India and Africa 'existed long before colonialism.' The Indian connection of business contacts with East Africa was utilized by these traders-imports, exports and shipping. Mahatma Gandhi's 'Satyagraha' movement in South Africa (1906-1914), fought for the rights of Indians.

After independence (1947) Nehru laid the basis of its Africa

46. See Ministry of Foreign Affairs of the People's Republic of China, Beijing,2006. China has been bolstering its ties with Africa through various forums including China-Africa Cooperation Forum and China-Africa Business Summit.

47. Beri, 2003.

48. Arbab, 2008.

policy. The struggle against colonization and racial discrimination in South Africa and the second related to People of Indian Origin (PIO). Few African nations supported India on the diplomatic front in multilateral fora such as the Non Aligned Movement. However, by the end of the mid 1960's India reassessed its Africa ties and pursued fresh initiatives. Economic diplomacy with Africa improved in the 1970's in the context of more emphasis on South-South cooperation evidenced in the Lagos Plan of Action (1980).

Over the past four decades India has provided 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 promoted trade with the African private sector which coexisted with the public sector.[49] Most of the imports comprised resource based products while exports consisted of textiles, pharmaceuticals and engineering products. The future will tell if Gandhi's[50] proclamation will prevail-

" the commerce between India and Africa will be of ideas and services, not of manufactured goods against raw materials after the fashion of western exploiters." The African expert Adebayo Adedji has also emphasized that India-Africa trade should not replicate the unequal Africa-developed country relationship.[51]

India has also played an important role in peacekeeping in Africa. Inter and intra state conflicts have taken place in eighteen African countries while it could emerge in twelve others. Terrorism has been a new impetus since 9/11 with terrorist groups establishing a strong presence in Africa especially in Somalia and Sudan. India could support peacekeeping in Africa. Since 1960 it has supplied about 100,000 troops and participated in more than 40 missions.[52] It has vested interest in backing such measures-to enlist the support of African nations to gain a seat on the UN Security Council.

India-Africa ties climaxed in the India-Africa Delhi April (2008) Summit. Its prominence was highlighted by the participation of 14 African countries with the aim to reinforce

49. See Beri, 2003 and Arbab, 2008. Also see Campbell and Chaulia, 2008.
50. See Beri, 2003, p 272.
51. See Beri, 2003, page 222-3.
52. See Beri, 2003.

firm partnership in core areas-trade,[53] energy and cooperation on global issues such as the UN reforms, terrorism and climate change.[54] It was based on intense preparations while enlisting the support of African nations in core areas-international peace and security, poverty reduction, and cooperation and partnership on human resources development, health, capacity building, and ICT. Optimism for the summit was bolstered by the sixfold increase in India-Africa trade from 5 years ago. This, however, is still far below China's staggering $ 55 billion trade with Africa. China's investment, too, in Africa stood at $ 8 billion–four times India's investments in the region. China's future aid, moreover, is expected to match that of developed countries. Despite this the Minister of State for India' s external affairs asserted India's 'time tested' relationship with Africa[55] while the Indian prime minister emphasized that the vision of the summit was based on "the fundamental principles of equality, market respect and mutual benefit."[56] Such laudable goals need to be seen in relation to India's Post Cold War strategy to enhance its regional and global power and establish links with regions, including Africa, to meet its future energy needs-made explicit by the Indian Petroleum Minister, Murli Deora:

" Africa is pivotal to our energy security and we have decided to have a sustained engagement with them."[57]

The summit produced the Delhi Declaration and the Framework for Cooperation; the first was a political document[58] covering bilateral, regional and international issues of Indian and African interest-wider international concerns exemplified

53. On the history of trade and WTO Agreements and India's efforts to usher in 'fair' trade for developing nations through trade negotiations see Roy, forthcoming; on Africa and WTO and the crucial agricultural negotiations see Roy, 2003. At the July 2008 WTO Geneva meeting India and China refused to accept the terms of the US and developed countries to open up the developing country agricultural sector. This was due to lack of adequate safeguards to protect their farmers from any surge in food imports. The talks broke down.
54. See Srinivasan, 2008.
55. See Times of India, April 2, 2008. The relevance of the summit was discussed by the researcher in a BBC World Service 'Network Africa' programme in April, 2008.
56. See Xinhua (a), 2008.
57. See India Today, 3 December 2007
58. See Xinhua (a) website (Xinhua, 'First India-Africa Forum Summit opens,' reported by Xinhua (a), April 2008, www.chinaview.cn.

by UN reforms, climatic change, WTO and international terrorism; the second centred on agreed areas of cooperation in many sectors-education, science and technology, agricultural productivity, food security, industrial growth, infrastructure and the health sector.

On the political front while China's stand on human rights, exemplified by its silence on such concerns in Darfur in Sudan, has been scrutinized, India's lukewarm response to such debates has been shelved. For instance, India has avoided criticizing the Sudanese government on Darfur. This emerged against a backdrop of recent completion of a $ 200 million pipeline linking Khartoum and Port Sudan. India has also been engaged in trade agreements with Zimbabwe in 2006 valued at $ 40 million while emphasizing the "good cordial relations" between the two nations.[59]

Essentially, African leaders[60] wanted firm measures to strengthen India-Africa ties. In this respect, pledges were made at the summit on trade, investment and aid:

First, doubling India-Africa trade to $ 50 billion by 2012 emerged as a major goal against a backdrop of bilateral trade between India and Africa increasing from US $ 967 million in 1991 to over $ 30 billion in 2007-8. Africa's share, too, in India's trade rose from 5.8% in 2002-03 to 8% in 2006-7. India and Africa also agreed to expand two way trade, enhance market access and investment facilities alongside reinforcing support of the WTO to execute duty free and quota free market access for all products originating from the LDC's. India also pledged to provide preferential access to exports from all 50 least developed countries (including 34 from Africa) via unilaterally opening its market for goods from Africa based on a duty free preferential scheme for the least developed countries for key products-cotton, cocoa, aluminum ovens, copper ores, cashew nuts, can sugar, ready made garments, fish products, etc.

Second, India's official investment in Africa stood at $ 2 billion in addition to $ 5 billion from the private sector. An extension of credit (LOC) was envisaged from $ 2.15 billion over the last 5 years to double this amount and an additional LOC amounting to $ 5.4 billion.

Third, on aid, India had previously (February 2008) promised a 60% increase to Africa over the next financial year to Rupees 800 million ($ 20 million).

59. See Vines, A and Sidiropolous, 2008.

60. See Xinhua (b), 9 April report; Newstrack India, 9 April 2008 ; Chand, 2008.

African countries need to encompass India's pledges within their own development priorities. Despite the financial crisis India has been vigorously pursuing its economic partnership with Africa.

The shift in the EG strategy towards Africa from politics to economic development has to ensure that rhetorics are matched by practice to induce structural change.

Responses

Devising appropriate policy responses to the EG-Africa ties is critical to cope with the major challenges set in the context of their vision of globalization. The possible shift in the balance of power towards Asia could create an opportunity for Africa to bolster its bargaining power with developed nations.[61]

Responses capture measures to harness the professed gains and minimize the possible costs of the EG-Africa relationship to meet the goals of stimulating development. African countries, including its citizens and its leaders, have to devise and execute strategies through key institutions at the national, regional and the international level while drawing lessons from the EG development experience. This could coexist with dialogue between the EG and African nations to pursue 'shared' interests.

Against this backdrop, short-medium and long terms action to stimulate African development has to be assessed. This encompasses 'static' and 'dynamic' outcomes encompassing shifts in the nature of trade and investment linkages (ie exports and imports, FDI), and complimentarity, competitiveness and diversification. It is also critical to assess the ways in which commodity exports (value and prices) and the ensuring finance can be invested in core sectors (infrastructure (physical and social), and used to curb poverty and stimulate labour intensive infant industries. A number of measures - necessary to translate the ideas into policies:

- Ensuring that imports of intermediate goods can be used for producing cheaper goods for the international market with the goal of making them cheaper and of high quality.

61. A 'triangular relationship' is emerging between China and India and Africa with each pursuing structural transformation through strategies which may be complementary and conflicting. On Africa joining forces with the EG to confront developed nations see Keet (2008) and on assessing the EG-Africa relationship in the frame of changing global forces see Amin (2008).

● Persuading the EG to use strong bi-lateral, regional and international institutions to lower their tariff and non tariff barriers on African goods and services. This requires resolving the critical problem of tariff escalation on processed African goods, to enable African goods and services to enter the EG markets and diversify production and trade. However, African countries should (a) make non reciprocal arrangements to continue to impose tariff and non trade barriers on imports from China and India for a specified time period to enable Africa to adjust and (b) develop more competitive infant industries and minimize the costs of adjustment (eg. such as making labour redundant due to lifting of barriers and cheaper imports from China and India). In this respect, African countries should ensure that international trade negotiations (ie. the WTO) bolster such measures and also furnish aid for trade related industries and infrastructure (physical and human) to enable response to new market opportunities.

● Forging closer links between trade and investment in the frame of the changing international division of labour under globalization to enable African countries to gain a foothold in international (including Asian) markets.

● Joining forces with the EG to champion the cause of African countries at Asian, regional and international summits and through regular institutional liaison. (eg. trade negotiations and market access for African goods (WTO), special development funding from the World Bank, and technical support (UNCTAD).

● Bolstering ties between the EG and African regional bodies and specially NEPAD and the AU as well as regional bodies such as COMESA to forge an integrated 'Africa Plan.' This could be the Road Map for the future. This should encompass insights from the overall development strategies (ie Indian and Chinese 'models') and specific trade and investment measures under the relationship. This should encompass the specific needs of different African countries.

● Building conditions in Africa to ensure incentives for trade and investment by developed countries (aid, technical and financial provision) through (a) good governance by ensuring peace and democratic rights (b) supporting legal system and (c) building infrastructure (physical and social).

Developing regions such as Africa have to harness their growing links with the EG to boost development and induce globalization. This calls for concrete action through institutions at the national, regional and international level and harnessing social forces to confront the new challenges and opportunities.

Table 1

Share of China and India in GDP of World (%) (110 Economies)

	1985-95	1995-03
China	7.64	10.91
India	4.95	5.97
China and India	12.59	16.88

Source: T.N.Srinivasan, 'China, India and the World Economy,' Working Paper No.286, Stanford Centre for International Development, July 2006. Reprinted in the Economic and Political Weekly, 26 August, 2006.

Table 2

Share in GDP Growth of World (%)

	1989-95	1995-03
China	30.30	22.58
India	9.95	10.66
China and India	40.25	33.24

Source: T.N. Srinivasan, July 2006.

Table 3

Foreign Capital Flows –FDI-China and India

	1990		2004	
	China	India	China	India
Private Capital Flows ($ millions)	8107	1843	73,829	17,852
of which :FDI	3487	237	54,936	5,335
Portfolio, Bonds	-48	147	3,690	3,722
Portfolio, Equity	0	0	10,923	8,835
Banking & Trade related	4668	1459	4,280	-40
Gross Private Capital Flows as % of GDP	2.5	0.8	10.0	5.9
Net FDI Inflows as% of GDP	1.0	0.1	2.8	0.8
Net FDI Outflows	0.2	0.0	0.1	0.2

Source: Based on World Bank cited by T.N. Srinivasan, July 2006.

Table 4

Share of China and India in World Trade (%)

WORLD EXPORTS	1980		1990		2004	
	China	India	China	India	China	India
1. Manufacturing	0.8	0.5	1.9	0.5	8.3	0.9
1. Iron & Steel	0.3	0.1	1.2	0.2	5.2	1.6
2. ChemiCals	0.8	0.3	1.3	0.4	2.7	0.7
2.1 Pharmaceuticals			1.6	1.2	1.3	1.0
3 Office machines &	0.1		1.0	0.8	15.2	0.6
Telecom equip.		n.a.				
4. Auto parts	0.0	0.0	0.1	0.1	0.7	0.1
5. Textiles	4.6	2.4	6.9	2.1	17.2	4.0
6. Clothing	4.0	1.7	8.9	2.3	24.0	2.9
II. Commercial Services				2.9	1.9	
1. Transports					n.a	n.a
2. Travel					4.1	n.a
3. Other					2.4	3.1

WORLD IMPORTS	1980		1990		2004	
	China	India	China	India	China	India
I. Manufacturing	1.1	0.5	1.7	0.5	6.3	0.8
1. Iron & Steel	2.7	1.0	2.5	1.0	8.2	1.0
2. Chemicals	2.0	n.a	2.2	n.a	6.5	n.a
2.1 Pharmaceuticals			0.9	n.a	0.8	n.a
3 Office machines & Telecom equip.	0.6	0.2	1.3	0.3	11.2	0.5
4. Auto parts	0.6	0.0	0.6	0.1	1.7	
5. Textiles	1.9	n.a	4.9	0.2	7.4	0.6
6. Clothing	0.1	0.0	0.0	0.0	0.6	0.0
II. Commercial Services			2.5	2.1	3.4	2.0
1. Transports					4.2	2.2
2. Travel					3.3	2.4
3. Other					3.5	2.1

Notes: n.a. = not available

Source: Based on WTO cited by Srinivasan, July 2006.

Table 5

Measures of Integration with the World Economy

(% of total)		1983	1994	2004
Share in GDP of Exports of Goods	China	n.a.	18[1]	34[3]
and Services	India	n.a.	7	19[2]
Share in GDP of Imports of Goods	China	n.a.	16[1]	31[3]
and Services	India	n.a.	9	23[2]
Share in World Merchandise Exports	China	1.2	2.8	6.7
	India	0.5	0.6	0.8
Share in World Merchandise Imports	China	1.1	2.6	6.1
	India	0.7	0.6	1.1
Country Share in World Exports of	China	n.a.	1.6	2.9
Commercial Services	India	n.a.	0.6	1.9
Country Share in World Imports of	China	n.a.	1.5	3.4
Commercial Services	India	n.a.	0.8	2.0

1 Shares are for 1990

2 National data for fiscal year 2005-06 suggest the shares of exports and imports in GDP at current market prices (factor cost) were respectively 13% (14%) and 18% (19%).

3 The shares of exports and imports were respectively 34% and 31 % in 2006 and 38% and 32% in 2006 (Nicholas lardy, private communication, July 14, 2006).

Source: Based on World Bank and WTO cited by T.N.Srinivasan, July 2006.

Table 6

India and Sub Saharan Africa:Select Social and Human Development Indicators

	Botswana	Ghana	Nigeria	South Africa	Uganda	India
Population below Income Poverty line (%)						
$ 1 day (1990-2005)	28	44.8	70.8	10.7	/	34.1
$ 2 day (1990-2005)	55.5	78.5	92.4	34.1	/	80.5
National Poverty Line (1990-2004)	/	39.5	34.1	/	37.7	28.6
Inequality measures						
Richest 10% to Poorest 10%	43	14.1	17.8	33.1	16.6	8.6
Gini Index	60.5	40.8	43.7	57.8	45.7	36.8
Children under Wt < Age 5 (%) (1996-2005)	13	22	29	12	23	47
Infant Mortality Rate/ 1000 Live Births						
Poorest 20%	/	75	133	62	106	97
Richest 20%	/	64	52	17	60	38
Maternal Deaths (1,00,000 Live Births 2000)	100	540	800	230	880	540
Adult Literacy Rate (% aged 15 and over (1995-2005)						
Female	81.8	49.8	60.1	80.9	57.7	47.8
Male	80.4	66.4	78.2	84.1	76.8	73.4
Parliament Seats Held by Women (% of total)	11.1	10.9	/	32.8	29.8	9.0

Source: Data draws on Malghan, D and Swaminathan, H, 'Material and moral foundations of India's Africa policy,' Economic and Political Weekly, May 10, 2008, table on page 23. The row and columns have been rearranged in this table.

Table 7

Share of African Exports to Asia by Commodity Group and by Country of Destination (Excluding Petroleum Exports) (%)

	China		Hong Kong		Japan		India	
	African Countries							
	Ldc's	Non Ldc	Ldc	Non Ldc	Ldc	Non Ldc	Ldc	Non Ldc
Product								
Food & live Animals	2	1	39	24	52	8	33	6
Beverages & tobacco	0	3	0	2	3	0	0	0
Crude Materials, Inedible (except Fuels)	83	50	46	9	22	18	32	13
Animal & Vegetable oils, fats & waxes	0	0	0	0	0	0	0	0
Chemicals & Related products, n.e.s	0	5	0	3	0	2	23	8
Manufactured goods classified chiefly by material	15	38	13	43	21	53	6	6
Machinery & transport equipment	0	3	1	17	0	18	6	3
Miscellaneous manufactured articles	0	0	1	1	1	0	0	0
Gold	0	0	1	1	0	0	0	63
Total	100	100	100	100	100	100	100	100

Source: Africa's Silk Road: China and India's New Economic Frontier,'2007, page 136. based on UNCTAD Trains. 'Asia' includes Bangladesh, Cambodia, China (including Hong Kong and Macoa), India, Indonesia, Japan, Republic of Korea, Malaysia, Maldives, Mongolia, Nepal, Pakistan, Phillipines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam.

Table 8

Composition of Africa's Exports to Asia (1999 and 2004)

	Exports in 1999 ($ million)	Share (%)	Exports (2004) ($ million)	Share (%)	Annual growth %
Product					
Machinery & transportation equipment	435	2.3	1,383	3.7	26
Ores	804	4.2	2,377	6.4	24
Petroleum Products	158	0.8	401	1.1	20
Electronics	19	0.1	47	0.1	20
Crude petroleum	7,136	37.2	17,113	46.1	19
Manufacturing of Non-oil minerals	2	0.0	3	0.0	8
Pharmaceuticals	5	0.0	12	0.0	19
Electric machineries	36	0.2	71	0.2	15
Other manufactured goods, paper, pulp, furniture,etc	490	2.6	904	2.4	13

	Exports in 1999 ($ million)	Share (%)	Exports (2004) ($ million)	Share (%)	Annual growth %
Non pharmaceutical chemicals	520	2.7	955	2.6	13
Basic manufactured metals	4,880	25.5	8,201	22.1	11
Cotton, textile fibers & yarn	848	4.4	1,423	3.8	11
Agricultural raw materials, Non edibles	1525	8.0	1,970	5.3	5
Processed food & beverages	271	1.4	342	0.9	5
Agricultural raw food edibles	1,437	7.5	1,777	4.8	4
Apparel & footwear	30	0.2	25	0.1	-4
Manufacturing of nonminerals	11	0.1	4	0.0	-18
Coal	554	2.9	132	0.4	-25
Total	19,159	100.0	37,141	100.0	14

Source: ' Africa's Silk Road: China and India's New Economic Frontier,'2007, page 118 based on UN COMTRADE SITC

Table 9

Africa's Imports from Asia-Growth Rate by Commodity Group

	Imports in 1999 ($ million)	Share (%)	Imports (2004) ($ million)	Share (%)	Annual growth %
Products					
Machinery & transportation equipment	5,241	28.2	12,336	32.3	19
Agricultural Raw food edibles	2,075	11.2	3,947	10.3	14
Processed food & beverages	1,426	7.7	2,997	7.8	16
Pharmaceuticals	1,851	10.0	3,529	9.2	14
Electronics	1,457	7.8	2,607	6.8	12
Coal	1,220	6.6	2,586	6.8	16
Cotton, textile Fibers & yarns	1,228	6.6	2,283	6.0	13
Apparel & footwear	1,165	6.3	2,087	5.5	12
Agricultural raw materials, Nonedibles	1,110	6.0	2,204	.8	15
Manufacturing of Non minerals	917	4.9	1,525	4.0	11

	Imports in 1999 ($ million)	Share (%)	Imports (2004) ($ million)	Share (%)	Annual growth %
Basic manufacturing metals	286	1.5	559	1.5	14
Petroleum products	269	1.4	825	2.2	25
Other Manufactured Goods, paper, pulp, furniture,etc	181	1.0	324	0.8	12
Nonpharmaceutical Chemicals	102	0.5	210	0.5	16
Ores	35	0.2	78	0.2	17
Manufacturing of Non minerals	27	0.1	71	0,2	21
Electric machineries	13	0.1	19	0	8
Total $ m	18,602	100	38,184	100	15

Source: 'Africa's Silk Road: China and India's New Economic Frontier,'2007, page 119 based on UN COMTRAD SITC

Table 10

Tariff Patterns of Asian Countries, Weighted Tariff (2005) (%)

	China		Hong Kong		Japan		India	
	African Countries							
	Ldc's	Non Ldc	Ldc	Non Ldc	Ldc	Non Ldc	Ldc	Non Ldc
Product								
Food & live Animals	13	10	0	0	1	6	32	39
Beverages & tobacco		10	0	0	0	6	30	33
Crude Materials, Inedible (except Fuels)	15	3	0	0	0	0	11	10
Mineral Fuels,lubricants & Related materials	0		0	0	0	0	14	15
Animal & Vegetable oils, fats & waxes		12		0	3	2		45
Chemicals & related products, n.e.s	8	7	0	0	0	0	15	15
Manufactured goods classified chiefly by material	3	4	0	0	0	1	15	17
Machinery & transport equipment	2	8	0	0	0	0	15	14
Miscellaneous manufactured articles	11	15	0	0	0	5	15	13
Gold						0	15	15

Source: Africa's Silk Road: China and India's New Economic Frontier,'2007, page 134, Based on UNCTAD Trains.

Table 11

Average Tariff Rates of African Countries on Imports from China and India (%)

China (a)

	Angola	Cote d' Ivoire	Ethiopia	Ghana
Food & live Animals	5.9	10.2	34.2	14.3
Beverages & tobacco	30.0	n.a	20.0	20.0
Crude Materials, Inedible (except Fuels)	2.8	8.1	7.9	14.5
Mineral fuels, Lubricants, & Related materials	n.a	5.2	9.9	46.7
Animal & Vegetable oils, fats & waxes	n.a	n.a	n.a	20.0
Chemicals & related products, n.e.s	5.2	5.7	11.7	11.5
Manufactured goods classified chiefly by material	10.4	19.0	23.2	13.5
Machinery & transport equipment	3.9	15.2	14.5	9.8
Miscellaneous manufactured articles	12.0	18.9	37.9	16.7

India (b)

	Angola	Cote d' Ivoire	Ethiopia	Ghana
Food & live Animals	10.1	10.4	7.6	15.0
Beverages & tobacco	30.0	n.a	30.0	20.0
Crude Materials, Inedible (except Fuels)	22.8	5.0	5.5	10.8
Mineral fuels, Lubricants, & Related materials	20.0	5.0	1.7	87.2
Animal & Vegetable oils, fats & waxes	2.0	7.5	21.5	17.9
Chemicals & Related products, n.e.s	4.0	3.5	12.1	7.7
Manufactured goods classified chiefly by material	6.1	17.5	10.3	12.8
Machinery & transport equipment	3.1	9.0	11.8	4.1
Miscellaneous Manufactured articles	12.6	15.3	20.2	12.2

Source: 'Africa's Silk Road: China and India's New Economic Frontier,' 2007, page 146 based on UNCTAD TRAINS

Table 12

Tariff Escalation in Asian Countries (%)-on African Imports

	China	India	Japan	Asia average
Product				
Raw hides	6.5	0.1	0	0.8
Leather	8.8	14.7	0.7	4.6
Manufactures Leather	4.6	15.0	1.9	7.9
Oil seeds	5.0	30.0	0.4	2.0
Vegetable oils	10.0	45.0	/	27.7
Coffee,not roasted	8.0	100.0	0	2.3
Coffee,roasted	15.0	30.0	9.1	9.1
Cocoa beans,raw	8.0	30.0	0	2.8
Cocoa powder	15.0	/	/	0.2
Petroleumoils, crude	0	/	/	0.2
Petroleum products refined	7.4	15.0	2.1	0.3
Diamonds, sorted	3.0	/	0	2.2
Diamonds,cut	8.0	15.0	0	6.0
Other	7.3	15.0	0	9.0
Precious/non precious stones				
Jewellery	26.8	15.0	0.9	15.7
Cotton	27.0	10.0	0	14.8
Cotton yarn	5.0	15.0	/	5.0
Cotton fabrics woven	10.0	15.0	1.0	5.6
Jerseys, etc of cotton	14.0	/	5.7	6.8
Under garments, knitted	14.1	15.0	6.9	5.2

Source: 'Africa's Silk Road: China and India's New Economic Frontier,'2007, page 140. Based on UNCTAD Trains.

Table 13

Trade and Investment-Complementarity and Competitiveness- China and India

Complimentarity		Competitiveness	
Direct	Indirect	Direct	Indirect
Input for industry	Higher global prices for Africa	Displacement of existing and potential industrial producers by cheap consumer goods market shares	Competition in existing markets-falling prices and falling
Cheaper consumer Goods			
Chinese FDI in Africa especially in fragile States	Displacement of existing and potential local producers	Competition for global FDI & production platforms	
Cheap and appropriate capital goods & technology transfer	Less spin off to local economy	Disinvestment & relocation by other foreign investors (for example clothing & furniture)	
Integration in global value chain (especially clothing)	Use of local resources		
Aid- Concessional finance		Chinese aid to Africa which competes with African producers & lowers export prices	
Technical Assistance and training			

Source: Compiled on basis of key selected factors

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