

COVER PAGE

Topic - **INDIA vs CHINA: Trade explorations and exploitations in Africa**

Research report participants ~

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ABSTRACT

[A brief glimpse of what this research report would be walking you through]

The entirety of this research paper attempts to address the problem statement of whether China-Africa relations have further, strategic objectives, and in particular, if China views its economic relations with Africa as a means for pursuing wider political purposes. The paper outlines the political and normative differences between the West's and China's relations with Africa, and gives an account of China's military and strategic initiatives on the continent. In addition, it also touches upon the level and degree of competition; one of China's quintessential Asiatic rivals which is INDIA, brings in. Finally, it asks: How should African states and the wider international community respond to China's increased presence in Africa?

Moreover, as Asia is considered as the bridging continent of the world's two biggest economies, it is known that no country can prosper in today's scenario without trading globally. The Indo-China comparison will be depicted on the basis of the data and facts available from various sources along with their graphical representation. Our main focus will be on the major sectors of investment such as oil, natural Gas and other primary products. This will be related with the current OBOR policy of China through which it is increasing its horizons not only in the European and Asian nations but in the African Continent and how India is countering it in the African Sub continent. Finally, it concludes by judging who may benefit in this situation with Africa being the most favoured potential destination for future investments.

Lastly an important notable is that China's Loans to Africa are in itself a separate and elaborate topic to ponder over as it pretty much reflects the reasons for the questions raised over China's trade intentions and also majorly touches upon the difference between China's trade strategies with Africa as opposed to its strategies in other countries.

The methodology we have used for this research report is **Deductive** in nature wherein we have based our observations on empirical facts with accordingly reporting the same.

INTRODUCTION

International trade is nothing but an exchange involving a good or service with being conducted between at least two different countries. The exchanges can be either imports or exports. These trades occur because one country enjoys a comparative advantage in the production of a certain good or service, **specifically** if the opportunity cost of producing that good or service is lower for that country than any other country. If a country opts not to trade with other countries, it is considered to be an **autarky** [i.e., self-sufficient].

So, if we consider a two-country model, both countries can gain from specialisation and trade. Specialisation and trade will allow each country to produce the product they possess and have a comparative advantage in and then trade & ultimately consume more of both goods. Therefore, there are gains from trade.

HOWEVER, things turn topsy turvy when either of the trade partners looks beyond the purview of a friendly trade to exploit the opposing economy under the shadow of a so called “friendly trade partnership agreement. ”

So is the situation in recent years where China has significantly expanded its engagement in Africa. Since the early 1990s, China has broadened its relationship with Africa in numerous areas like: finance, investment, natural resource extraction, tech transfer etc. In several domains, China and Africa are well-suited partners with the latter being cash-hungry, infra-deficit and resource-rich whereas the former being flush with cash, seeking greater investment opportunities [a mask it uses for flushing in non-repayable levels of loan] and a poor economy which would play crucial role in its one belt-one road initiative. Moreover, African nations welcome China with open arms since the latter seems to be less threatening to them as compared to Europe and the US who have had a significant history of exploiting developing economies via their money

power. However, little did they know and could speculate that China too was progressing on the same lines and horizon!

Furthermore, when we take a look at the level of bondage Indian economy shares with the African Sub-continent, we realise that trade and investment relations between India and Africa were largely limited during the 1960s and '70s. However, investments in that era were typically led by a handful of large Indian firms and were smaller in magnitude compared to contemporary flows. The main reason for this was that the domestic policies were highly restrictive in releasing the foreign exchange necessary for domestic companies to invest abroad in that era.

Indian investments in Africa have increased remarkably in the last two decades. The reasons are:

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- 1) As a capital-scarce country with limited foreign-exchange resources, India was highly restrictive in releasing the foreign exchange necessary for Indian firms to invest abroad. In economic reforms of the 1990s, these restrictions were gradually liberalised and by 2003, the overall investment ceiling on outward Indian investment had been abolished and Indian companies were practically free to invest abroad.
- 2) With higher growth rates, India's energy requirements also increased dramatically, putting energy security concerns at the centre stage of India's foreign-policy discourse. Diversification of energy suppliers and investment in oil and gas ventures overseas became inevitable.

LITERATURE REVIEW

There have been many research studies conducted examining African relations with the two Asian countries, especially China, who have caught the eye of many geopolitical literature writers with their investment strategies in the continent. The emergence of China as Africa's biggest bilateral trading and lending partner, as well as one of the biggest foreign investors in the continent in just a few decades have raised a lot of questions concerning China's intentions in the trade relations with Africa. Their aggressive investing patterns in African companies and unique lending strategies have only added fuel to the concerns.

In more recent studies, many authors have presented this relationship having both positive and negative impacts, where on one side of the spectrum, China has helped Africa to reach significant growth in their infrastructure, but on the other side, local economies have been hurt in certain African countries.

Some authors are critical and use the term “neo-colonialism” to describe the relationship. Dan Blumenthal, a US-based expert on China had written that CPC wants to displace the US and create a new world order favourable to China's political strategies and economy. There are also arguments that loans and aid from China have an underlying agenda: to make African states dependent on China and make them more docile in international contexts.

Other groups see China's operations in Africa as rather favourable, with infrastructure being expanded and modernised. They state that not only China helps Africa with their infrastructural development, they also come out of economic slump by providing relatively cheaper loans.

On the other hand, the issue of India's investment in Africa has not been well studied scientifically. Only a few studies are present on this subject, and these, at best, give its respective. Many of these studies focus on investments made in the energy sector.

- **CII/WTO (2013)** was one of the first studies on India-Africa trade and investment relations but is outdated as it relies heavily on Indian overseas investment data from the

Ministry of Finance until 2008-09 although it lists “big ticket” Indian investments until 2012.

- **Prahalathan et al (2014)**, for their part, provides a comprehensive analysis of Indian FDI in all regions and sectors.
- **Sinate et al (2013)** provides a detailed account of Indian investment in West African countries.
- **Alden and Verma (2015)** focus on Indian investment in the African resources and infrastructure sector
- **Lucey et al (2015)**, using only the investment numbers up to 2008-09, emphasizes the importance of private sector trade in India and Africa.

There is a great deal of contradiction in the investment statistics reported in many of these studies. Therefore, a validated individual survey of Indian investment across all sectors is not available.

In this paper, our objective is to analyse the trade history of both countries with Africa and draw out inferences based on the same and answer the following questions:

- ‘**What** are the goals and intentions of India and China?’,
- ‘**How** are both countries placed with respect to trade and economic relations with Africa?’,
- ‘**What** are the trade strategies applied by them?’,
- ‘**What** are the benefits and drawbacks for Africa in these trade relations?’ And finally,
- ‘**What** are the opportunities for them going ahead in Africa?’

METHODOLOGY

Objective: -

Gain proper insights and holistic view of the *trade relations and underpinned motives* of the Two Asian superpowers in connection to Africa.

1) How is data for our research collected?

Secondary data:

We have predominantly used a secondary data collection method wherein we referred to existing articles and previously assimilated research reports for getting better insights.

We boiled down to this method usage over primary collection since the latter is undertaken in scenarios where the target audience is pretty negligible. In contrast, our target audience spans across national boundaries rendering the latter as practically illogical.

We collect non-numerical data i.e., we collect various texts (articles on the topic, previous research reports, reviews in this case) to understand concepts and opinions on the subject. To support our inferences, we use graphs and trade numbers.

2) Research methods?

We mainly look at various literatures regarding the topic because for a topic like this, it is important to look at every aspect and opinions authors have expressed and evaluate them based on inferences drawn.

3) Data analysis?

Our main analysis style is to bring into play Deductive analysis because it uses a bottom to top (test theory using data) approach, wherein we first have a conclusion in mind and test the same with the aid of data scoured. In our case, we had certain notions pertaining to Indo-China trade with Africa which we verified with the help of our research.

Assumptions/ Flaws of the Research Report: -

- Not much of Statistical Inferences included due to lack of accurate and reliable data sources.
- Couldn't elaborate on economically heavy policies due to lack of clear and empirical facts.
- As the secondary data is collected by someone else, they pretty much portray their ideology through the reports which at times is biased to a significant extent.
- Many of the articles we used, especially for India, were published within the years 2014-18 due to lack of recent study available on the same. This makes our report exposed to obsolete data meaning our inferences were also derived from past situations.

BODY

Firstly, even before being able to make any commentary on the State of Indo - Chinese presence in the African subcontinent; we are sure there are a couple of questions each one of you would be having.

Our attempt perhaps is to answer all of those questions further in the report. Some are answered as follows: -

Why is Africa even allowing China and India to be involved in trading activities at such a large scale in the first place?

Africa's population since 2010 has officially surpassed one billion. It is projected to be more than two billion by 2050, and possibly more than four billion by the end of the century, almost as much as in Asia. Indeed, in 2015 alone, African migrants sent home around US\$64.6bn. In the face of this challenge, it is important to understand that the private sector must play a forward-looking role. To facilitate that, African governments are making efforts to create a suitable environment for private sector-led activities and hence, encourage foreign direct investments (FDI).

Why are Indo-China particularly interested in putting in more money in Africa?

Africa saw an economic boom in 2000-2010. The African continent emerged as an attractive investment destination on account of the high rate of growth experienced by many countries, the growth of a middle-class, as well as resource abundance, particularly in energy. Also, its importance in the world energy market grew as instability in the Gulf region prompted many countries to turn to Africa. Moreover, **technological advances** made it easier to extract Africa's offshore oil reserves, and since African crude is lighter, sweeter, and lower in sulphur content; it was cheaper to refine than crude from the middle-east.

Many more such reasons explicitly portrayed Africa as the cash cow to the entire world which resulted into first-movers like China and India to cash out the benefit out of the same

China - Africa Trade relationship:

Introduction ~

Until the late 1970s the PRC's economic relations with Africa were driven by ideological imperatives which have now transitioned into political leadership views on economic relations with the continent as a means to achieve the country's development goals. Within a few decades, China has emerged as Africa's biggest bilateral trading and lending partner, as well as one of the biggest overseas investors in the continent.

Many of these Chinese companies in Africa are privately owned, while others are wholly or partly state-owned. Within this framework, Chinese companies have great degrees of freedom to operate in Africa on market terms, in addition to being backed by Chinese investment capital on favourable terms.

Perhaps, The People's Republic of China digressed onto this shrewd path initially so that it could secure its place in the UNGC as the legitimate China mainland controller in contrast to the Republic of China [present day ~ TAIWAN] who claim themselves to be the indigenous Chinese mainland residents.

Underlying Goals and Overview ~

- ❖ China trades with almost all countries in Africa by providing them capital goods and cheap consumer goods and not discriminating between regions.
- ❖ Their political decision-makers consider economic relations with Africa as means to satisfy goals for its own economy, along with facilitating the country's wider geopolitical aims.
- ❖ Also, commercial relations with some big countries that are rich in raw materials or have other assets that China considers vital—such as Angola and its oil or DRC and cobalt—are buttressed by close political relations that China has ambitiously pursued.

What does “*AFRICA*” gain out of China-Africa Dealings: -

- ❖ The emergence of China as an additional trade partner was a key driver behind the high economic growth rates in Africa from the late 1990s to 2014. Exponential growth in the terms of trade due to higher Chinese demand provided the countries with additional financial revenues.
- ❖ Firstly, Africa desperately needs infrastructural development—of all types, and in massive quantities. Finding the USD 20 billion per annum that Africa requires in infrastructure investment is no easy task making China’s desire to invest in African infrastructure a welcome windfall altogether.
- ❖ Africa gains from the more favourable loan terms often offered by Chinese banks which is typically bundled as a mixture of grants as well as concessional and commercial rate loans. Since most African countries lack good credit ratings, these concessional loans are subsidised through its aid budget, permitting lower interest rates from commercial lending houses.

What does “*CHINA*” gain out of China-Africa Dealings: -

- ❖ China is served on a platter the access to the plethora of the continent’s natural resources along with export markets for their indigenously manufactured products.
- ❖ By expanding its presence in Africa, China attains economic and political stability to safeguard its citizens and pursue its economic & commercial interests along with establishing its image as a global superpower.
- ❖ Chinese engagement in Africa aids its One China Policy along with adding great significance to its BRI [Belt and Road Initiative] project. The Genesis of One China policy dates back to 1949 wherein Taiwan had similarly courted African countries for diplomatic recognition. However, after years of competition, China has largely prevailed.

**Other *DYNAMIC VIEWS* over the trade:
[which indirectly influence both the economies]**

- ❖ Research findings indicate that Chinese exports to Africa are crowding out exports from the more industrialised economies of Africa like South Africa, which are only increasing with the ticking of time.
- ❖ Chinese investments provide African nations with modern know-how and technology—such as airports, railways, ports, roads, and sewage—which increase the overall productive capacity of African economies. This however creates dependencies with strategic implications.
- ❖ Foreign direct investments allocated to large-scale extractive ventures are capital-intensive but seldom create a lot of jobs for less skilled domestic labour. As a result of such dynamics, African elites have generally welcomed Chinese trade and investment, while ordinary Africans sometimes perceive Chinese investments to be less beneficial to them.
- ❖ Chinese finance, even on concessionary terms, could trigger another African debt crisis. Finally freed from the drag of this heavy anchor, African countries have a real opportunity to grow their economies, in part through new financing arrangements that support more responsible spending.
- ❖ Also, China has wasted no time in staking its claims within this new fiscal space by providing them loan capital on sustained global market prices for these collateralized commodities, African countries are vulnerable to price shocks, natural disasters, poor harvests etc., making them still more susceptible to default.
- ❖ There is also the danger that large infusions of Chinese finance will forestall meaningful African political and economic reform. Majority of its aid and investments goes to a select few countries—those with sufficient natural resources to collateralize large loans. As many of these countries (e.g., Angola, Congo, Nigeria, and Sudan) are either staunchly authoritarian or weakly democratic, there is a legitimate fear that the windfall

produced by Chinese engagement will create complacency and arrest progress toward needed reform.

Loan disbursements by China:

Firstly, loans comprise an increasingly significant component of China's economic relations with Africa. The situation however is such that African countries often cannot afford to build the infrastructure they need to support their growing populations. Also, many of them lack access to international capital markets and banks.

Chinese loans to Africa have helped finance large-scale investments with potentially significant positive effects for growth. Yet at the same time, large lending flows have resulted in the build-up of debt-service burdens. China's external lending is undertaken by the Chinese government, state-owned companies, or state-owned banks.

Two banks have dominated Chinese overseas lending: the ***Chinese Export-Import Bank*** and the ***China Development Bank***.

China does not fully disclose its official international lending terms and conditions as they heavily shape them according to the state of the economy, they wish to invest in. However, from close and meticulous observation we realise that they are strategically using the DUMPING POLICY to dump their excess reserves in the name of "investment" in economies who carry very low chances and probability of repaying it.

This paves the golden route for the Chinese to annex those poor nation's abundant natural resources while bearing the **nominal** cost of losing the principal amount lent. It is therefore difficult to obtain precise information about not only the magnitude of Chinese lending to Africa, but also the **rates of interest, terms of maturity, and the kind of collaterals involved.**

Chinese contracts contain more elaborate repayment safeguards than their peers in the official credit market, alongside elements that give Chinese lenders an advantage over other creditors. Their contracts contain confidentiality clauses that bar borrowers from revealing the terms or even the existence of the debt, preventing foreign nations and international institutions from getting involved to protect them. The former seek advantage over other creditors by using collateral arrangements such as lender-controlled revenue accounts, and committing to keep the debt out of collective restructuring cancellation and acceleration.

Since Chinese loans are backed by collateral, they often enjoy a high degree of seniority which keeps them at bay from facing likely credit risk. If an African country wants to apply for debt relief, its Chinese creditors can claim the rights to assets held in escrow. This is another possible way for China to claim assets in African countries, often mentioned by critics that claim that the country has “neo-colonial” ambitions and methods.

Chinese banks often tend to renegotiate sovereign loans bilaterally and without transparency. This is among the reasons why Chinese lending to Africa has been the subject of debate and controversy. Some have even suggested that Beijing is *deliberately pursuing “debt trap diplomacy” via its BRI project* {i.e., the Belt-and-Road Initiative} imposing harsh terms on its government counterparts and writing contracts that allow it to seize strategic assets when debtor countries run into financial problems.

A glimpse of the BRI masterplan:

Over the years, China has embarked on a *massive lending spree* to developing and under-developed economies, mainly as a way of promoting its flagship Belt and Road Initiative (BRI) which implicitly is nothing but a means of smartly monetising its excess cash reserves. The BRI, however, has faced growing criticism for flaws such as lending to low-income countries with unstable finances, lack of transparency and not considering social and environmental impact on the projects they are financing. Putting its reputation on the line for the BRI, China will likely put more emphasis on commercial gains. It is reasonable to assume that, in the future, China will no longer be as big of a lender to Africa.

Indo - Africa Trade relationship:**Introduction ~**

Trade and investment relations between India and Africa were limited during the 1960s and '70s. However, investments in that era were typically led by a handful of large Indian firms and were smaller in magnitude compared to contemporary flows. The main reason for this was that the domestic policies were highly restrictive in releasing the foreign exchange necessary for domestic companies to invest abroad in that era. It was however in 1991, when with the advent of the LPG [Liberalisation, Privatisation and Globalisation] model that investments were allowed to be made and received from the foreign markets. This perhaps marks the beginning of the Indo-African Trade and Investments.

Indian initiatives to promote businesses and welfare in Africa:

- ❖ **'Focus Africa':** One of the most successful projects launched back in 2002 initially with seven African countries, but later extended to 24. Under this programme, India extends assistance to exporters under Export Promotion Councils to undertake visits to African countries in order to organise trade fairs, exhibitions, hold B-2-B meetings and facilitate visits of African trade delegations in India. The main objective being to deepen India's trade relations with Africa and to promote closer cooperation between the duo.
- ❖ **India's EXIM [Export-import] Bank:** In addition to operating concessional lines of credit on behalf of the government of India, the EXIM Bank also supports Indian companies in the execution of projects. The Bank also facilitates Indian companies in their efforts to globalise their operations by extending loans and guarantees, equity participation, and in some cases even through direct participation in equity along with Indian promoters to set up ventures overseas. One of the most outstanding initiatives of the EXIM Bank is the SITA (Supporting India's Trade Preferences for Africa) initiative. to partner with the International Trade Centre to invest between India and five East African countries (Kenya, Ethiopia, Rwanda, Tanzania and Uganda).

- ❖ Moreover in 2021, the *EU and India launched in unison a global infrastructure partnership project*. The India Africa Trade Council, inaugurated in January 2021, is yet another example: it aims to open 13 trade offices in each of India's major cities, assisting businesses that could be interested in conducting trade with African countries.

Historical overview of Indian investments in Africa [Numericals]:

- ❖ In 2014, **OVL [Ongc Vikas Limited]** purchased a 10-percent participating interest in Area 1 of Rovuma gas field, which is estimated to hold about 70 trillion cubic feet of gas, for a price of US\$ 2.6 billion. Area 1 is strategically located to **supply LNG** to the Indian market. Also, **ONGC Videsh accounts for 99 percent of Indian investments in SUDAN**. Many other Indian companies present in Sudan are RAMCO Systems, Titanic Steel Trading, and Vintage Steel, etc.
- ❖ Gujarat State Petroleum Corporation (GSPC) and OVL are the two largest Indian companies in Egypt. The Gujarat government-supported company, GSPC, has invested about US\$ 319.7 million in Egypt's **oil and gas sector**. However, most of its investments in Egypt failed because the blocks were found to be commercially unviable.
- ❖ Indian private sector company Shapoorji Pallonji Capital Company Ltd. invested US\$ 6.8 million in a **50MW solar power plant** in Egypt.
- ❖ Dhunseri Petrochem and Tea Ltd. and Glenmark Pharma have invested US\$ 33.2 million & US\$ 7.6 million in Egypt respectively in a **downstream petrochemicals facility**.
- ❖ Unlike Mozambique and Egypt, Indian investments in South Africa are neither led by state-owned enterprises nor concentrated in the energy sector. **TATA International and TATA Steel** have invested US\$ 63 million and US\$ 65.3 million, respectively. The TATA Group's hospitality arm and Indian Hotels have invested a total of US\$ 93.8 million in South Africa.
- ❖ **Larsen and Toubro Infotech**, the sixth largest Indian IT services player globally, invested US\$ 36.5 million between 2008 and 2011.

- ❖ **Marico Industries**, a fast-moving consumer goods (FMCG) company entered the South African market by acquiring South African brands such as Caivil and Black Chic. Its total investments in South Africa between 2008 and 2011 were to the tune of US\$ 34.3 million.
- ❖ Coromandel International and GSFC, have invested US\$ 190.4 million in a **phosphoric acid plant** in order to secure an **uninterrupted supply of phosphoric acid** which is critical for their India operations. TIFERT's plant which started its operations in 2013 will use around 1.4 million tonnes of **Tunisian rock phosphate** per year, 17 producing 360,000 tonnes of phosphoric acid annually.
- ❖ Indian private sector company **Interlabels Industries**, which manufactures **self adhesive labels and labelling solutions**, is the **largest investor in Kenya** with a **share of 79 percent in total Indian investments in Kenya**. Most of these investments were directed to the manufacturing sector. This can be explained largely by the fact that Kenyans of Indian origin are an important segment in the country and act as a strong pull factor for Indian investments there.
- ❖ **TATA Power owns 50 percent shares in the joint venture Itezhi Tezhi Power Corporation**, with Zambian utility ZESCO. The 120 MW Itezhi Tezhi power plant, which is being built under the build-Own-OperateTransfer model, is expected to play a **key role in addressing Zambia's massive power shortage**.
- ❖ Varun Beverages, the **second largest bottler of PepsiCo. Beverages**, invested US\$ 27.2 million through its wholly owned subsidiary, Varun Beverages Zambia Limited.
- ❖ Indian public-sector banks have played an important role in Zambia's banking sector. In 2015, **three Indian public-sector banks invested in Zambia: Bank of Baroda, Bank of India, and Central Bank of India**.

Updates on Recent Influx of Indian investments in Africa.

The reasons for the same are: -

- ❖ In economic reforms of the 1990s, restrictions like limited foreign-exchange flows and transactions were gradually liberalised and by 2003, the overall investment ceiling on outward Indian investment had been abolished and Indian companies were practically free to invest abroad.
- ❖ With higher growth rates, India's energy requirements also increased dramatically. This puts energy security concerns at the centre stage of India's foreign-policy discourse. Diversification of energy suppliers and investment in oil and gas ventures overseas became important objectives of India's foreign policy. Africa thus served as the primal energy epicentre to satisfy this rising demand.

Insights on the role MAURITIUS plays in Indo-Africa trade:

[Throwing light on the scam Indian firms undertake in the name of Foreign Investments]

{MOST IMPORTANT SECTION OF THE RESEARCH REPORT}

India's FDI flows to Africa are **concentrated in Mauritius**, which accounts for a whopping **19 percent of Indian FDI flows to the world.**

From 2008 to 2016, **Indian FDI outflows to Mauritius totalled US\$ 47.6 billion. Only US\$ 5 billion went to the rest of Africa which represents only two percent of global Indian FDI and 9.6 percent of Indian FDI flows to Africa! Mauritius is also the largest source of INWARD FDI for India.** Between 2000 and 2015, **Mauritius accounted for about one-third of all inflows of investment to India.**

A large share of Indian FDI to Mauritius is '**round-tripped**' back to India due to its **tax haven status facilitated by the double taxation avoidance agreement with India signed in 1983**.

Although 597 Indian companies invested in Africa over 2008-2016, totalling US\$ 5 billion, the top 11 companies account for about 80 percent of the total Indian investment flows to Africa. **Indian outward investment to Africa is thus heavily concentrated within a few large firms.**

OVL occupies the top spot with investments worth US\$ 3,019.1 million (59.8 percent) **followed by Gujarat State Petroleum Corporation** (6.3 percent), Interlabels Industries (2.4 percent), Oil India Limited (2.1 percent) , and **Coromandel** (1.9 percent)—at US\$ 319.7 million, US\$ 121.4 million, US\$ 105.4 million, and US\$ 97.5 million, respectively.

Further, **most of these large Indian firms have not expanded across the continent and their investments are concentrated in a few countries** —all the major Indian companies have established their presence in only one or two African countries. **This confirms** Prahalathan's assertion that overseas investment activities of **Indian companies are motivated essentially by a set of firm-specific objectives.**

Furthermore, this means that the **actual volume of Indian investment in Africa is much less than reported** by both existing academic studies and the media.

A majority of the inflow of investments from Africa to India originate from one country—i.e., MAURITIUS!

It is the **single-largest investor** in India with a **share of 28 percent in India's total cumulative FDI inflows during April 2000-March 2021**. Within Africa, as of May 2021, almost 99 percent of the total FDI originated from Mauritius.

This can be explained by the fact that the country is a tax haven, and a majority of the investments are **round-tripped to India**. The **Double Taxation Avoidance Agreement**

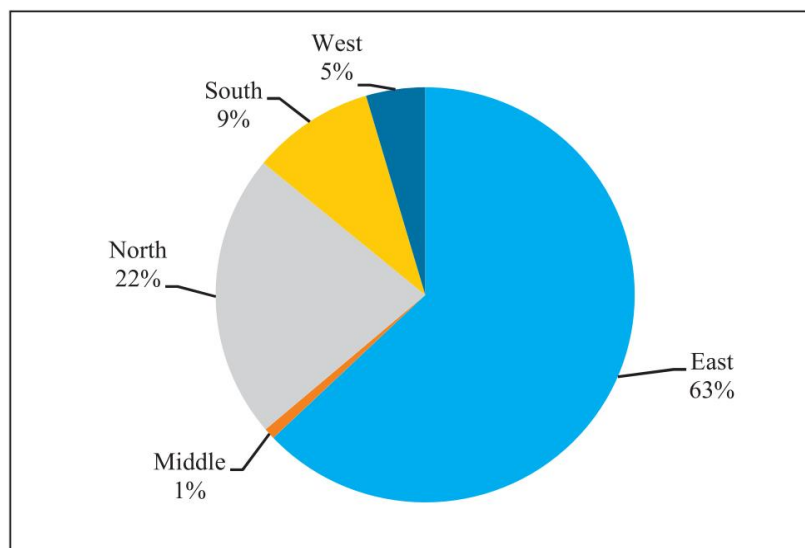
(DTAA) between India and Mauritius allows Indian companies to avail the lower tax rates in Mauritius.

India 2020-2021 ODI [outward direct investment] Africa highlights:

- ❖ **Tata Power** invested US\$ 131.25 million in a wholly owned unit in Mauritius.
- ❖ **ONGC Videsh Ltd.** invested US\$ 48.31 million in a joint venture in Mozambique.
- ❖ The Indian industry is projected to increase its revenue from Africa.
- ❖ IT services, infrastructure, agriculture, pharmaceuticals and consumer goods are vital to India boosting Africa revenue to US\$ 160 billion by 2025 as per McKinsey & Co.

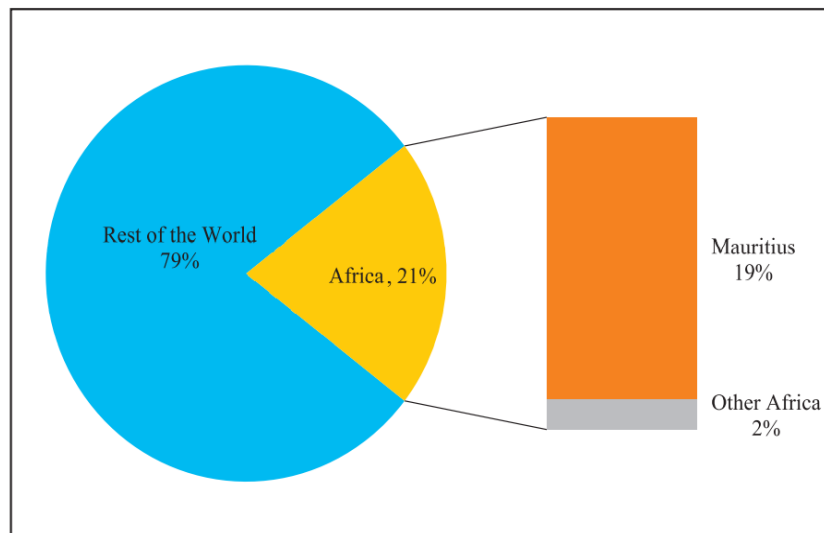
Visual and numerical depiction of the Indo-Africa trade [includes significant Mauritius data points as well]:

Figure 6: Geographical composition of Indian investments in Africa (2008-16)



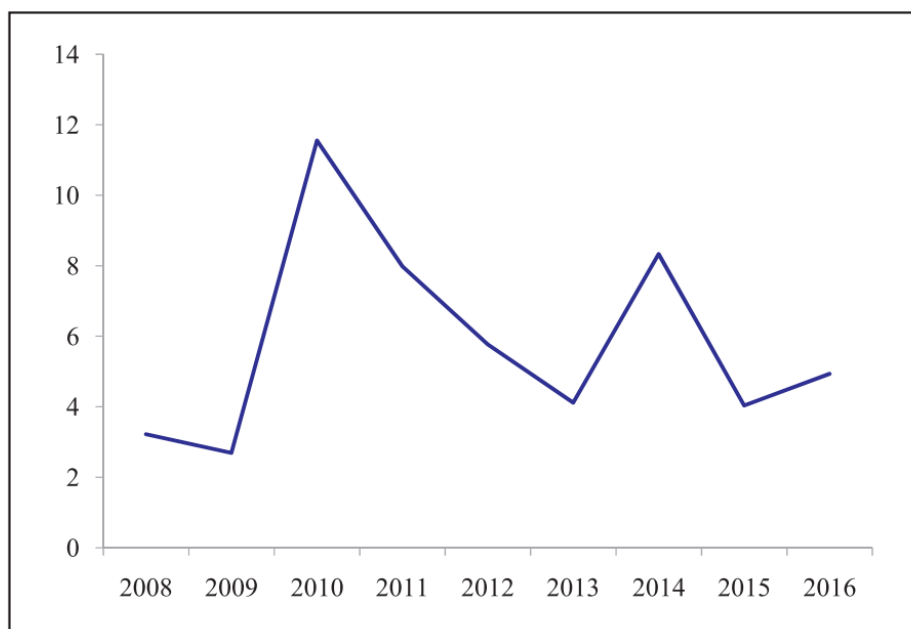
Source: Author's estimates from RBI Data
 Note: The above figure does not include Mauritius

Figure 3: Share of Africa in total Indian ODI flows (2008-2016)



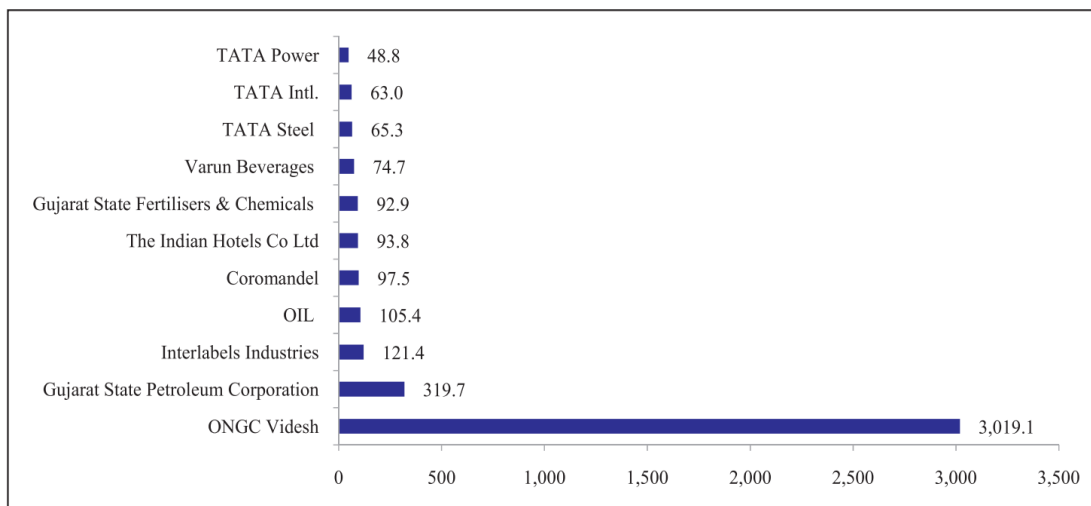
Source: Author's estimates based on RBI data on Indian ODI

Figure 4: Indian FDI outflows to Africa, 2008 to 2016 (in US\$ billion)



Source: Author's estimates from Reserve Bank of India Database

Figure 5: Major Indian investors in Africa from 2008 to 2016

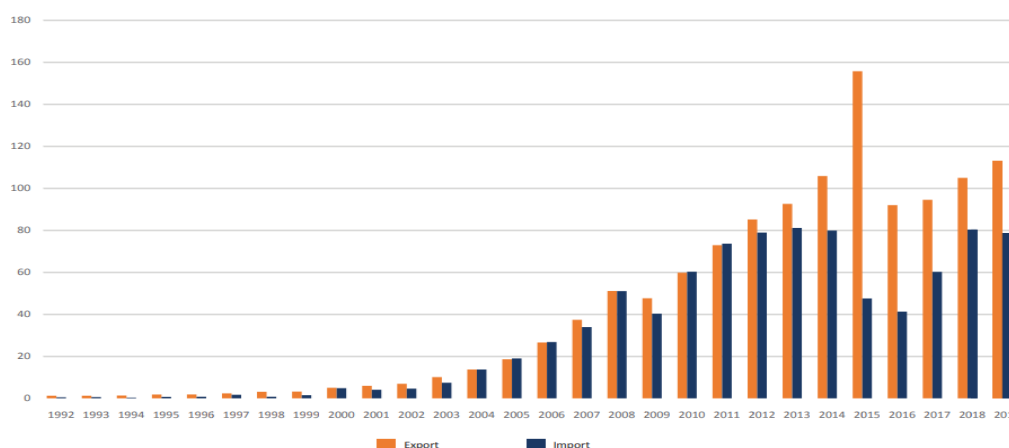


INDIAN INVESTMENTS IN AFRICA: SCALE, TRENDS, AND POLICY RECOMMENDATIONS

Author's estimates from Reserve Bank of India Data

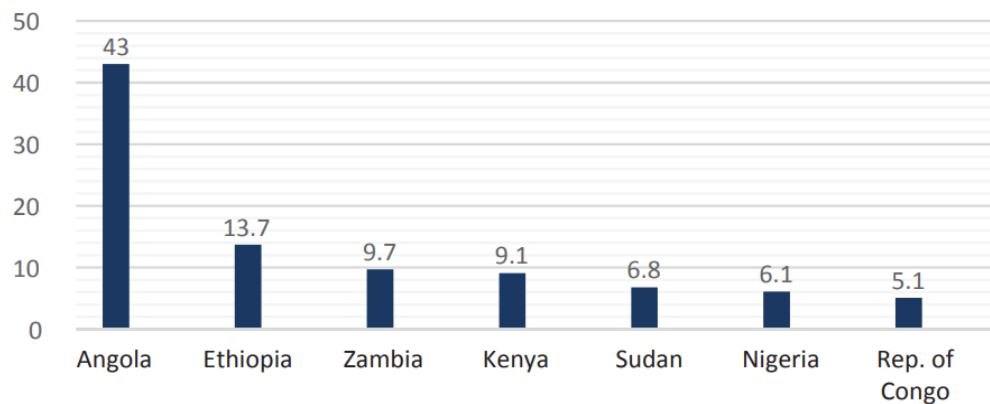
Note: Figures for Indian investment in Mauritius excluded

Figure 1:
China's trade in goods and services
with Africa (1992-2019, in USD
billion, current prices)

Source: UN Comtrade and the SAIS China Africa Research Initiative (SAIS-CARI)⁵

Visual and numerical depiction of the Sino-Africa trade:

Figure 6:
Biggest African debtors to China
(in USD billion, total stock as per 2019)



Source: SAIS-CARI and IMF.

Figure 2:
Chinese trade with Africa as
percent of China's foreign trade
(2000-2018)



Source: UN Comtrade⁸

Chinese exports to Africa

Country	Exports, in USD billion	% of Chinese exports to Africa
South Africa	16.6	14.6 %
Nigeria	16.6	14.6 %
Egypt	12.2	10.7 %
Algeria	6.9	6.1 %
Kenya	4.9	4.3 %
Ghana	4.9	4.3 %
Total six countries		54.6 %

CONCLUSION

One of the main results of the study is that China has a much more established trade relations with Africa as compared to India. As government backed Chinese companies mainly invest in the country, they are able to stay in trade for longer time horizons as compared to other countries.

It is explicitly visible that China has more stable trade relations with Africa as opposed to India as government-backed Chinese companies mainly invest in the country allowing them to stay in the trade for longer time horizons. India and China are growing as trade partners in Africa. However, both countries have different trade strategies in Africa. India has invested heavily in the mining sector, Solar power, etc., and tries to save taxes by directing a majority of investments to Mauritius and round-trip back to India. China has invested in all sectors and mainly channels its investments to improve its manufacturing sector for the OBOR policy. With such differences, it is difficult to say that either country's investment ideas are of the colonial era but it is clear that they plan to benefit the local demands of Africa. To sum it up, it's too early to conclude the intentions of both countries and we will have to wait till a situation where we will have a much clearer idea.

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APPENDIX A

[this portion covers China's presence in the continent in domains other than traditional trade]

China's Political interests in Africa

Apart from Trade interests, China has also exhibited active political involvement in Africa and has been subject to a lot of questions relating to China's Agenda. FOCAC (Forum of China-Africa Cooperation) held its first meeting in Beijing in October 2000. The official objectives of the forum are to facilitate trade and maintain political cooperation between the two countries. However, many writings hint that China wants to diplomatically isolate Taiwan by establishing diplomatic relations with Africa, facilitating their geopolitical ambitions.

The question raised is whether China aims to export a specific Chinese development model, replicable in other countries in Africa, to fulfil its objectives, thereby achieving compliance in China's further geopolitical aspirations. However, Chinese political scientist Zhang Weiwei argues that the developments taken place in China for the past four decades cannot be replicated or transferred elsewhere. He specifically talks about China being a unique civilization, being the main reason for the same.

China has shown clear will to influence African political leaders even if it does not replicate its developing model in Africa. This has met with quite a lot of criticism as it is said to weaken the R2P principle of the UN. There have been arguments that the Chinese have had some doubts about interfering if judged to be in their own interest and foreign policy should not be enslaved by abstract principles but rather guided by empirical considerations.

African elites have supported this policy. The western countries argue that China gets an upper hand in trade and business relations with Africa, as the political elites there prefer loans, aid, and business agreements from a great power that does not demand certain liberal rights, corruption-free governance, sustainability, transparency, or democracy. Others argue that there is no single development model that China follows. Still, others claim that engagement with China tends to steer countries in a less democratic direction.

China's Diplomatic Offensive

An analysis on Beijing's investment in training of cadres in Africa is said to have these synergic goals:

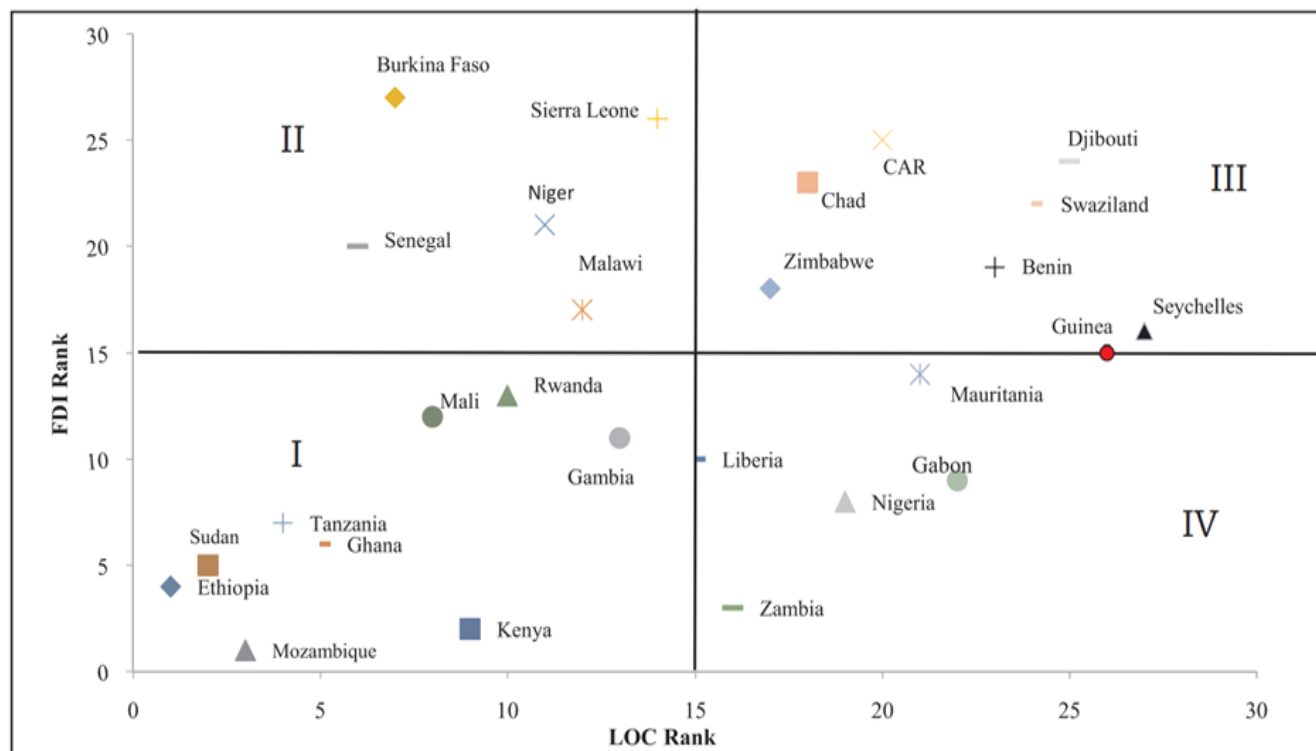
- A. The propagation of the Chinese development model and governance.
- B. The development of a network of professional Chinese senior officials, leaders, and politicians in Africa.
- C. Socialisation of African senior officials and politicians into China's views on Chinese culture, Chinese diplomacy, and interpretations of history.
- D. Covid vaccine diplomacy is also an example of China's "charm offensive" wherein the growing media presence of China in Africa also helps establish diplomacy between the countries.

APPENDIX B

[this section highlights in detail the conflict of commercial interest and development promises established in the trade]

India's development cooperation and commercial interests in Africa

Figure 7: Ranking of African countries based on total concessional credit and FDI received



The above graph ranks the African countries based on the total lines of credit and total FDI outflows from the year 2008 to 2016. From the graph, we can see there is a weak correlation (spearman rank correlation of 0.44) between credit received by the country and the FDI in that country.

Quadrant-wise Interpretations:

- 1) **First Quadrant** - Countries that are favoured destinations for both FDI and credit lines. Five countries in this quadrant are from East Africa where India has enjoyed closed economic and cultural relations. Large populations of these countries, their location in the Indian Ocean, and the fact that English is widely spoken here make these countries help Indian businesses.
- 2) **Second Quadrant** - these countries have benefited with high amounts of lines of credit but have received minimal FDI. This highlights the failure of Indian credit lines in driving investments of Indian companies in this region.

3) **Third Quadrant** - These countries have neither received many lines of credit nor FDI.

4) **Fourth Quadrant** – These countries have received high volumes of FDI but have received scant lines of credit. Here, India's credit lines are not aligned with the priorities of companies. Here the investments have not followed development cooperation.

Zambia is an interesting case here as it is the fifth-largest recipient of Indian investments in Africa and the investments are done into various sectors of the economy, which is mainly due to the efforts of the *Zambian* government to attract Indian investments.

At the moment, the role of Indian businesses in development cooperation in Africa is limited to the contractor. Indian companies use lines of credit to implement development cooperation in Africa. Indian firms participate in the bidding and procurement process of the line of credit organised by the borrowing govt. or agency after signing the line of the credit agreement. India's development cooperation has not yet helped the growth of African private limited companies.

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