

MARKETS IN MOTION

developments that matter in financial markets

China, India Invest in African Markets

"We should not attach the label of neocolonialism to resources exploitation as long as it complies with the principle of equality and mutual benefit."

Chen Deming, Minister of Commerce, China

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Introduction

Africa is poised to emerge as a major player in global markets. Globally, Africa is the third most attractive investment destination after China and India. Africa is emerging as a major investment destination for China and India. Introduction of new technologies and increasing revenue from oil and other commodities have boosted the economic growth rates of the Africa region. The West African region is one of the fastest growing mining investment destinations.

China and Africa

China is building up better economic relations with Africa based on the emerging global scenario. The continent's rich natural resources could provide the necessary fuel to boost China's economy. Africa's need for better infrastructure and technology—roads, computer networks, telecom systems, power generation—has opened up plethora of opportunities for Chinese companies. In the race for the market share, competitive Chinese bids are outdoing their Western counterparts. And China offers all help to build a new Africa without any strings attached, unlike the Western companies that impose conditions like human rights and reform.

China-Africa trade has surged by an average of 30 percent in the last decade. The value of trade between China and Africa has increased by 45 percent between 2007 and 2008. The total trade for 2008 was approximately \$106 billion. China's long-term investment interest in Africa remains intact despite the global slowdown. At a time when some developed Western countries hit by the financial crisis are reducing their investments in Africa, China sees it as an opportunity to expand its market share in Africa. China's main export destinations in Africa are South Africa, Egypt, Nigeria, and Algeria, while major exporters to China are Angola, Sudan, South Africa, Congo, and Equatorial Guinea.

Top Five African Exporters to China and India (2008 figures)

Exporter's Rank	China	India
1	Angola (45)	Nigeria (47)
2	Sudan (15)	South Africa (14)
3	South Africa (9)	Egypt (10)
4	Congo (7)	Angola (8)
5	Equatorial Guinea (5)	Morocco (5)

Source: UNCTAD

Note: Figures in brackets are percentage of total share of exports from Africa

India and Africa

Private Indian investments in Africa are on the rise. Unlike China, the Indian investment in Africa is mainly led by the private sector. India's leading telecom company has acquired a major telecom player in Africa and is pumping in money into various African countries. Indian automobile and pharmaceutical companies have already marked their presence in Africa. The Financial Technologies Group has come up with an exchange venture in Botswana, named Bourse Africa. This is in addition to the FT Group venture in Mauritius, Global Board of Trade.

Whether it is Indian teachers playing a major role in spreading education in Ethiopia or the Indian film industry shooting its highly popular films in African landscapes, India is making rapid strides into Africa. Although India's bilateral trade is small compared to China-Africa trade, India is keen on increasing its presence in Africa. While China concentrates on resources-based investments in Africa, India focuses on capacity building in various sectors such as telecommunications, automobiles, Information Technology, etc.

India's Trade with Africa (in Rs billion)

Region	Apr'09 to Feb'10 (provisional)	Percentage of Share
Southern Africa	144.13	1.94
West Africa	130.66	1.76
Central Africa	14.88	0.20
East Africa	149.75	2.01
Africa (total)	439.42	5.91

Source: Ministry of Commerce, India

China and India may compete with each other for the larger share in the African markets. But their growing presence will pave the way for the rapid industrialization of Africa. Future patterns are expected to unfold with significant inflows of Chinese and Indian investments in apparel, food processing, retail ventures, fisheries and seafood farming, commercial real estate, transport construction, tourism, power plants, and telecommunications. Some of these investments will stimulate African trade into cutting edge multinational corporate networks.

Contributed by George Oommen

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