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The role of the tiger and the elephant in the ascent of Africa: Partners or Neocolonialists?

by
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Departmental Honors Thesis
University of Tennessee at Chattanooga
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Introduction

Africa has been the continent to pity for many years, but recently the economies of Africa have been growing at an incredible rate, and Africa is seemingly on the rise. China and India have increased their investments, and aid to the continent dramatically over the past ten years. The goal of this paper is to analyze this growth and to see if the Chinese-African relationship or the Indian-African relationship is exploiting Africa. Western media has accused China of exploiting Africa, because their loans to African countries are backed by natural resources and because Chinese loans do not have requirements of transparency. This is not just an exploitation of natural resources, and the lack of requirements for transparency isn't condoning corruption. This is a new type of Eastern trade engagement. There are two theories that I use that deal with exploitation: Dependency theory and neocolonialism. Dependency theory states that a developed country will attempt to keep control of an underdeveloped country by keeping it from developing so that it can exploit its natural resources. Neocolonialism is a way by which the dependency theory is achieved. A developed country that is attempting to gain neocolonial control over a country will gain control over the natural resources, give loans with high interest rates, and have conditions upon giving aid. These theories are not perfect in examining the South-South relationship between China, India, and Africa. They ignore a shared history between the countries and assume that a developed country is the one performing the exploitation. Both India and China are still developing so a new theory is needed to analyze relationships between countries to ascertain if the countries are working together for mutual benefit, or if one merely using the other for resources or

aid. This theory would see if Chinese and Indian investment is good for Africa by seeing if the investment has a positive effect and if that effect is present not only for the government but for the people of the country. An analysis of Chinese and Indian investment is accomplished by looking at where the countries are investing, how they are investing, and what effect this investment has. It is hard to analyze if a relationship between two countries is good. Analyzing what is good for Africa is analyzing the effect of the Chinese and Indian relationships to see if they are helping African countries grow and mature or if they are stunting growth. Chinese and Indian investment in general is good for African countries because they are increasing the trade volume, building infrastructure, telecommunications, and diversifying the economy. China and India are investing and giving aid in new areas on the continent and this is helping Africa to grow and to not remain reliant upon natural resources or aid from the West. I have chosen the case study countries of Angola and Ethiopia to show that Chinese investment and Indian investment are both similar in regards to where they are investing and different due to the mechanisms by which they invest. These case studies are a moment in time for Africa and the influence of China, India, and all countries investing in Africa must be constantly evaluated.

Through this paper I first describe in-depth the dependency theory and theory of neocolonialism. These theories will later be used in the analysis of the relationship between China and Angola, China and Ethiopia, India and Angola, and India and Ethiopia. The next section of the paper deals with mechanisms of Chinese and Indian investment and how they are different. China's investment in Africa is mainly led by a few departments of the government whereas Indian investment is mainly led by the

private sector. The paper is then divided into the case study countries, and through these countries I argue that neither China nor India has the sole goal of exploiting Africa. The first country, Angola, is not just being exploited by China or India. China and India invest heavily in areas that are not based on natural resources, and they do not have conditions upon aid. The second country, Ethiopia, is also not merely being exploited based upon the dependency theory. China and India are both interested in the natural resources but they are not keeping Ethiopia from developing. China is building factories in Ethiopia and India is sharing technology with Ethiopia in order to advance their medical centers. India is investing heavily in the agriculture sector and while this could be resource grabbing it is up to the government of Ethiopia to control the situation, as it is the one that is leasing the land to Indian companies. In analyzing the relationships between these countries I have found that while the situation is not just about exploitation there can be varying degrees of how beneficial the relationships can be, and the Chinese and Indian involvement in Africa has to be watched.

Dependency Theory

Dependency theory and the theory of neocolonialism are vital for the understanding of India and China's impact on Africa because these are the theories that analyze exploitation. Dependency theory states that developed capitalist countries will create an economic dependency in less developed countries. This economic dependency will promote growth in these less developed countries, but at the cost of independent growth. This makes the relationship uneven, with the more developed country abusing the less developed one by keeping it from maturing its economy. According to Robert Gilpin there is a division of wealth and poverty in the world and the dividing line has

been drawn between East v. West and North v. South (Gilpin, p. 2). This version ignores the rise of the Asian tigers. The dependency theory itself requires the leading actor involved to be a developed country. Using this theory to critique India and China's presence in Africa is problematic because of the way that both the World Bank and International Monetary Fund (IMF) view both to be developing countries, but they do exhibit some behavior that this theory assigns to the promotion of dependency. The rise of Asia has been unconventional and does not fit typical patterns of growth. The dependency theory can still be applied here, because both China and India are participants in the capitalist system that this theory partially relies on. There are many definitions of dependency theory, but I will be focusing on the version summarized succinctly by Theotonio Dos Santos, a Brazilian scholar who applied this theory to Latin American countries.

“By dependence we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of interdependence between two or more economies, and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development” (Dos Santos p. 231).

The dominant country can continue to grow and expand by itself without the underdeveloped country but the underdeveloped country can only grow because of the involvement of the other country. This behavior by the developed country is seen as negative because the developed country exploits the underdeveloped country. There is a difference between an undeveloped country and an underdeveloped country. This control that the developed country has over the underdeveloped country is economic and not

political. Dependency theorists believe that “under-development was and still is generated by the very same historical process which also generated economic development: the development of capitalism itself” (Frank, 1966, p. 31). What is helping the African economy grow is also keeping it from developing further. Some of the consequences of dependency theory are an overdependence on natural resources, foreign intrusion and control of key sectors of the economy, and a reliance on foreign capital. Robert Gilpin describes the three mechanisms by which a country can cause another country to be dependent.

The first way that a country can bring about dependence is through exploitation. Through investment and trade the capitalist developed countries transfer wealth from the underdeveloped countries. The dominant countries want to keep the underdeveloped countries in a position where they cannot develop and have to export raw materials. This exploitation requires underdevelopment and therefore the country that is doing the exploitation would not aid the underdeveloped country in developing and diversifying its economy. The supposed goal of the dominant developed countries is to gather raw materials from the Less Developed Countries (LDCs) and to keep the LDCs reliant upon aid so that control is established. This is the accusation that faces China and India’s involvement in Africa. Conversely, China and India could see an economic partnership to be had that has been neglected by western countries. China and India’s economies are growing and their need for raw materials and new markets for their finished goods is leading them to invest in Africa to the detriment of African countries. In this paper, I will show that this mechanism does not apply to China or India, as they are involved in more than just exporting the raw materials of Africa.

The second mechanism in the dependency theory is the mechanism of “imperial neglect” (Gilpin, p.15). The basis of this mechanism is that countries intentionally ignore a country and choose to trade with countries where they have an imperialist background. An example of this would be France’s willingness to trade with Senegal. This leaves some countries in Africa orphaned because of a lack of imperialist investment. China and India do not have a role in this mechanism of dependency theory but they do have a solution to this mechanism. They invest everywhere regardless of a past history of imperialism because of their shared history of colonialism.

The final mechanism of dependency theory is “dependent or associated development” (Gilpin, p. 15). This means that with certain conditions underdeveloped countries can experience high rates of economic growth due to investment of developed countries. This growth does not mean that a country is truly developing because its growth is not leading to independence from the investing country. This is another way in which China and India’s involvement on the continent has been critiqued. The countries in Africa are not becoming independent due to their growth but still relying on investing countries. The levels of independence is harder to analyze but the nature of the aid relationship I will explore indicates that neither China nor India is interested in causing dependence long-term, but rather they are looking for a long-term partnership with Africa.

Dependency theory does not apply exactly here because all countries involved with economic trade and investment are not yet the developed capitalist economies that the theory requires them to be. However, India and China do exhibit behavior that is similar to what dependency theorists say developed countries will show when attempting

to control underdeveloped ones. Both India and China have invested heavily in raw materials from oil to gold, which is an indication of the dependency theory model. China has also built manufacturing plants and crowded out local businesses, particularly in the textile industry. Another theory that is applied when analyzing India and China's investment is neocolonialism because it focuses on resource grabbing and keeping the resource country underdeveloped in other areas.

Neocolonialism

Neocolonialism is a term that has been brought up repeatedly to describe the relationship between China and India and is typically used alongside the dependency theory model. In the 1960s, the President of Ghana, Kwame Nkumrah, is thought to have created the term neocolonialism. While the term has had various meanings the one I will be using argues that a state is neocolonial when it gains indirect political control of another country through its economy. Neocolonialism differs from colonialism because it does not require direct political control of a country or inhabitants of the controlling country to settle in the colony. Neocolonialism is a term that has been used frequently when referring to Chinese involvement in Africa, but the term is still vague. The term has been used to mainly apply to countries that are regaining control of a former colony. China and India were both colonies themselves this term does not fit them precisely. The terms used to analyze relationships between nations have a problem with analyzing Eastern involvement around the world when viewed only through a Western framework. The country that is gaining neocolonial control of the less developed country will try and gain control of natural resources, loans with high rates of interest, and conditions on aid. These mechanisms are all used in an attempt to gain economic control of a country.

The countries that have a relationship with the resource rich countries are only resource grabbing and not investing in the long-term development and growth of the area. While India and China might be interested in Africa because of its natural resources, this relationship, if used effectively, could aid Africa in its own growth. China has frequently traded investment in infrastructure or loans for access to oil or other resources. The extent to which China and India will exert political influence is yet to be seen, but African leaders have been downplaying the charge of neocolonialism. The extortion of resources from Africa is one of the easiest things to analyze. Through the case studies of both Angola and Ethiopia, I will show that Chinese and Indian behavior on the continent is not merely exploitative.

Both of these theories are westernized and are limited by their interpretation of who the leading actors are on the world stage and how they are developed nations. This fails to look at the differing development strategies and rates of Asia, and assumes a developed country is the one taking advantage of the developing country. It also assumes that there is one pattern of economic growth that is universal. Dependency theory requires a belief that the countries of Africa are under economic bondage, and cannot act for themselves because they value growth over autonomy. China and India have invested in infrastructure, which has done some to alleviate the fears of a relationship primarily built on resource grabbing, but in order to further alleviate fears they also have to foster competitiveness and not crowd out local firms. The investment has caused African economies, like Angola and Nigeria, to be more stable and have increased rates of growth. Both India and China have selfish reasons for investment, but this does not mean that the investment cannot be mutually beneficial. These theories do not take into account

a shared history of colonialism being part of the reason why India and China are investing. A new model is needed for investment in developing countries by developing countries, as the westernized framework does not fit here exactly, because of its limiting assumptions about which countries can have an effect on other states.

The terminology frequently used by both the heads of state of India and China is the idea that their relationship with Africa is a “win-win” situation for both countries (Brautigam, 2010, p. 21). This idea is further promoted by the “south-south” propaganda, which promotes a relationship between the growing economies of the South over a Western partnership due to the West’s history of colonialism. This might be the new way to analyze the relationship between the Angola and Ethiopia and India and China. They are developing nations with a shared history of colonialism helping each other to reach new heights. In analyzing the relationships that China and India have with Angola and Ethiopia the other possibility has to be entertained that the situation is not a win-win but a win-lose. Besides the possibility of it being a mutually beneficial situation, the relationship could also be a zero-sum engagement (Mhandara, 2013, p. 85). Through this framework for example, China is not an equal partner trying to help develop Angola. Instead, based on this framework, China would be merely looking for raw materials and abusing the lopsided relationship by enticing African countries into accepting deals because they have no political conditions attached. The best model to analyze Chinese and Indian involvement is determining if the situation is beneficial to Africa and what that looks like. This investment and aid would be helping the economies Africa grow and mature.

Chinese Actors in Africa

China and Africa's relationship has been growing closer over recent years. Their goals in Africa are varied and extend beyond the common accusation of resource plundering. China seeks to find new markets for its products, invest in the extraction of natural resources, and gain political support on the continent for the One China policy. The media portrayal of China in Africa has been negative and suspicious about the jump in investment and what it means for the countries of Africa. India's trade with Africa has also increased dramatically over the past ten years, but India has not received nearly the same amount of criticism. This is because India's democracy is perceived as being more trustworthy than China's communism. The real goals of China in Africa do not include spreading communism but they do include benefiting from capitalism and growing political partnerships with African countries.

The three main institutions that the Chinese government uses to give aid, loans, and investment are the Chinese EXIM bank, the Ministry of Foreign Affairs and the Ministry of Commerce. The department of foreign aid within the Ministry of Commerce plays one of the most important roles within the Chinese Foreign aid structure. The role of the department is that it "programs all the zero-interest loans and grants, drafts the aid budget and aid regulations" (Brautigam, 2009, p. 108). The Ministry of Commerce then works together with the Ministry of Foreign Affairs to come up with a plan and budget for foreign aid. The State Council then approves the budget and also has to approve grants that are over \$1.5 million. The Chinese aid and loan structure system is different from other global institutions in that the money rarely leaves China. A country like Ethiopia applies for a loan for infrastructure, and then China approves it, and then pays

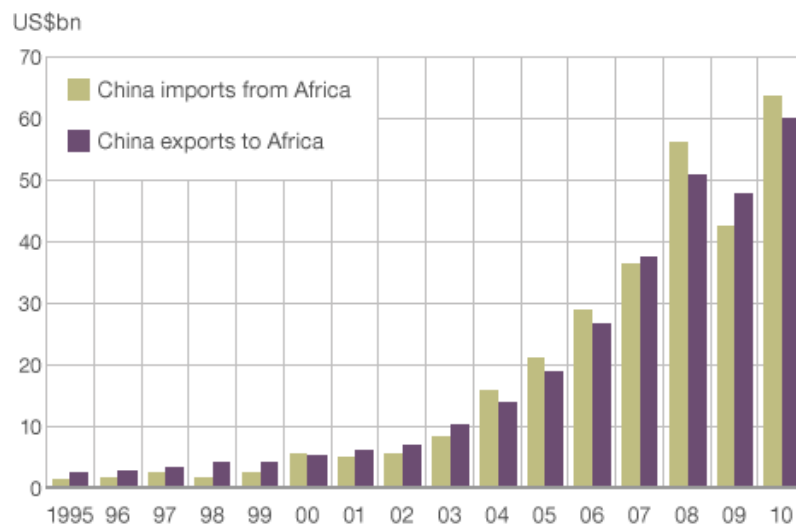
Chinese companies to perform the construction. The benefit of this system is that the money is being used for aid and makes it difficult for a corrupt government official to siphon off the funds. The possible downside to this is the stipulation that Chinese companies do the building. This is good for the Chinese company because it now has an entry point into an African country. This removes the choice away from African countries about who is building their infrastructure, but seemingly this is not a problem. Chinese construction companies are efficient and do their job well. They have built bridges, railroads, roads, and hospitals in Angola. One of the benefits of the Chinese system is that China has a policy of political non-interference and allows African countries to choose what they would like to have built. The downside of this system is when a government official decides to have a something built that is not as necessary as another project. For example, Chinese companies built a second stadium in Sierra Leone when the country was in dire need of general infrastructure. It has also been found that Chinese aid for development has been more likely to be used by leaders to help develop their hometown (Anderson, 2014). The Chinese system does allow African countries to have agency with the infrastructure projects they pick but possibly at a cost to their citizens. The Chinese system reduces the chances for corruption because of how the money flows directly from Chinese banks to Chinese companies, but bribery and corruption is still a problem on the ground.

The Chinese EXIM bank is the other main actor in foreign aid and has only recently developed a system for foreign aid. The state owned bank mainly works with preferential loans for Chinese companies that work in a foreign country. These loans are called Export Sellers credits. These are the credits that incentivize Chinese companies to

work in Africa, and this is a way that the Chinese government is encouraging greater trade. When the Chinese companies go to Africa to work they have to import their equipment from China, and this increases the imports from China.

Because of China's renewed engagement with Africa, trade has been expanding at an incredible rate. "Between 2001 and 2006, Africa's exports to and imports from China rose on average by more than 40 percent and 35 percent, respectively, significantly higher than the growth rate of world trade (14 percent) or commodities prices (18 percent)" (Wang, 2008). China has risen to become Africa's largest trading partner with the European Union and the United States close behind. A study by the World Bank refers to China, India, and Africa as "economic complementarities" (Broadman, 2007, p. 296), which means that the needs of one country are met by the supply of the other country. China and India, due to their economic advancement, have a growing demand for natural resources and goods that require a lot of labor as well as new markets to export to.

China and Africa's growing trade relationship



Source: China Customs data; Frontier Advisory analysis, 2011

While most of the exports that are coming from Africa are natural resources, this graph shows that Sino-African trade is not extremely lopsided (BBC, 2012). This shows a trade relationship that is beneficial for both sides. This matches Africa's complementary growing demand for Asia's manufactured products, and capital goods. In a paper written for the IMF, Jian-Ye Wang and Abdoulaye Bio-Tchané found that Africa's trade composition with China was similar to that of its other main trading partners, the EU and the United States. This similarity makes China just another trading partner in the resources it is importing and "reflects the comparative advantages of each partner, given their stage of economic development, rather than any unilateral interest by China in exploiting natural resources" (Wang, 2008). This is important because it shows that China is not acting any differently from other trading partners, because it wants the same things it can't be exploiting one particular resource, unless all of Africa's leading trading partners are exploitative.

China and Africa's relationship is influenced by a history of political support. In the 1950s and 1960s China supported African countries liberation movements. China had ideological unity with African states, and showed their support by supplying aid. In a Research paper done by the Centre for Chinese studies, a representative of an NGO said that, "If you get into bed with [the] IMF, they will force a globalisation agenda on you. China's principle of mutual respect for sovereignty is appealing – it is like borrowing from a commercial bank, as long as you repay the loan, they respect your privacy" (Centre for Chinese Studies, 2007, p. 21). This mutual respect for sovereignty is appealing for African states after having to deal with global institutions that had prerequisites for aid. The driving force behind Chinese engagement in Africa in the past

was to show support for countries that were liberating themselves, but now the engagement is more focused on capitalism than politics.

Chinese engagement in Africa is not an attempt to gain political control over the countries of Africa, but rather to gain political support. China has invested in every one of the countries in Africa that has supported the One China Policy, regardless of whether the country was a democracy. China is not centering political involvement in countries to keep them from becoming democracies. One of the charges against China is how willing it is to engage and support corrupt regimes like Sudan or Zimbabwe. China has tried to mitigate these charges by increasing troops to be used in UN peacekeeping missions in Sudan.

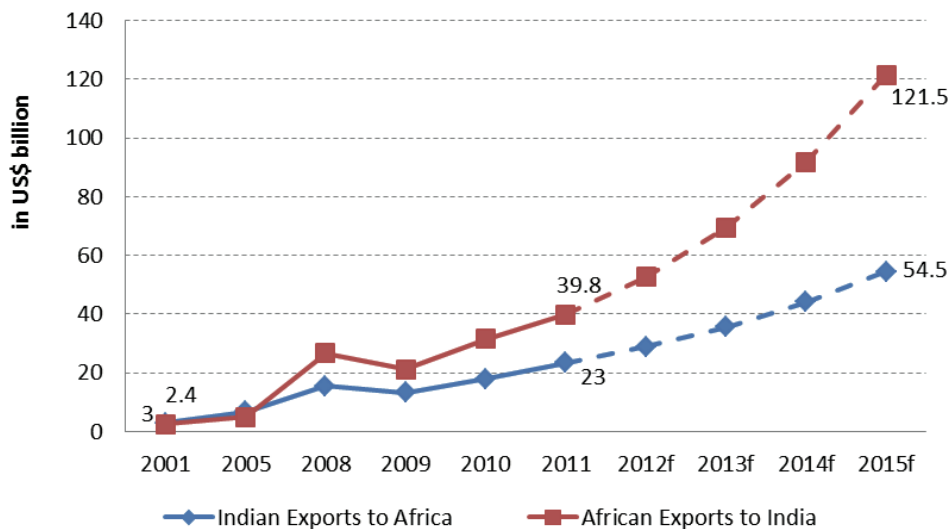
A lack of transparency is one of the reasons why rumors exist about the goals of China in Africa. China is perceived to be acting duplicitously because they do not report the amount of money passing between the two countries in the form of investment, loans, and aid. One of the first steps to alleviating fears of Chinese ambitions for Africa would be to outline where the money is going. The fear here is that African leaders are lining their pockets with aid money that should be going to the people of Africa. There is a reason to critique China for a lack of transparency because on the Bribe Payers Index Report of 2011, China ranked 27 out of 28 countries (Bribe Payers Index Report, 2011, p. 5). This index means that companies from China are very willing to pay bribes. Because of this China has taken steps to try and curtail bribery by creating harsher punishments for doing it. On May 1st 2011, a China's National People's Congress passed an amendment to the Criminal Law code of the People's Republic of China. This amendment made it a crime for Chinese companies or nationals to bribe foreign officials.

This shows a commitment to reducing instances of bribery, but in order for the amendment to have an effect there must also be a system for enforcement.

Chinese involvement in Africa is not black and white. Their involvement has started at the state level but it has evolved. “At the end of 2004, 30 Chinese companies accounted for 80.4% of China’s total FDI stock; of these more than 20 were administered by the central government” (CSIS, 2008, p. 3). Now Chinese involvement is made up of State-Owned Enterprises, private companies and joint ventures. The Sino-African relationship is expanding and diversifying to the benefit of both countries.

The Indian Actors in Africa

The increased overall Asian presence in Africa has garnered attention recently, but the focus on the Chinese presence has eclipsed India’s growing influence. India’s amount of trade with Africa is much less than China’s but the percentage of growth between India and Africa has been extraordinary. “Bilateral India-Africa trade has grown by nearly 32% annually between 2005 and 2011, including through the economic crisis. India-Africa trade is projected to reach US\$ 90 billion by 2015” (WTO, 2013). The sustained growth of the trade relationship between India and Africa is important to watch as they establish new patterns of south-south partnership.



As is shown in this graph, the trade imbalance is expected to continue and grow in future as India and Africa's trade total grows (WTO, 2013, p. 15). This differs from Chinese trade totals that have maintained a relatively low trade imbalance. An interesting thing about Indian involvement in Africa is how it is both similar and different from Chinese involvement. Indian involvement in Africa is led more by private investment than by the Indian government.

The private investment is mainly focused in the automobile industry, telecommunications, the energy sector, and technical assistance. Lumping India and China into the same category would be a mistake. The Chinese government has been the driving force behind Chinese involvement in Africa, and because of this China is able to give bigger loans for African projects. Private Indian companies don't have the ability to give out similar sized loans. This means that China and India typically fund different projects. China has a large hand in infrastructure building while India gives out smaller loans, mainly in technical assistance, information and communication technology. One of the projects being backed by the government is the Indian Technical and Economic Cooperation Programme (ITEC) (Carmody, 2011, p. 104). The purpose of this project is to aid in technological needs and increase cooperation between India and the nation they are working with. "India and China are not rivals in Africa," Sujit Dutta, professor of political science at the Jamia Milia Islamia University of New Delhi, told Deutsche Welle. "They are active in different areas, have different strengths and in that sense complement each other" (Esselborn, 2012). India also differs from the Chinese strategy in Africa because it does not have a formal strategy for working with Africa. However, it does have a government that is supportive of private development in Africa.

India's involvement in Africa has taken a longer time to develop and is not as strong as the Chinese investment because the Indian government has not been the one leading the investment. This means that the distinction between state interests and corporate interests is more defined. The India-Africa summit, which has now been held twice, was first held on April 4th 2008. This was the first meeting between the heads of state of India and 14 African nations, and points towards an interest in establishing more of a formal relationship. This is a major difference between China and India. China has focused on establishing relations between Chinese government officials and African heads of state as a political tool. The investment in Africa by Indian partners has been more driven by private investment. There have been other projects that the Indian government has helped to develop: the Pan-African e-Network, Focus Africa Program, and the India-African Partnership Project. The Indian minister of commerce says that the Indian strategy in Africa is different from that of China's because, "China says go out and exploit the natural resources, our strategy is to go out there and add value" (Carmody, 2011, p. 104). India does add value to Africa through its training programs and telecommunications projects but Indian companies are also similarly interested in natural resources. China and India are actually very similar in what they are importing from Africa, but one of the larger differences is that India has a greater interest in Africa's gold.

From 2002-3 to 2006-7 Africa's share of India's global trade has increased from 5.8% to 8% (Vines, 2010, p. 3). This is due in large part because of India's import of petroleum products and other primary products. Africa is going to be important for India in the future, and India will be important for Africa because India does need natural

resources and it needs a place to expand its growing economy. India is important for Africa because it is another partner in trade that shares a history of colonialism and is treating Africa as an equal and not a child.

China in Angola

The effect that China has on Africa can be traced in the way that China lends money to African countries, and how those countries spend the money. China has surpassed the United States as Africa's greatest trading partner and its financial influence is shaping African growth. Angola is an indicative example of how China is shaping growing African economies. According to the International Monetary Fund (IMF), Angola is the leading sub-Saharan country for resource exports, and Angola relies on this, as about 80% of government revenue comes from resource taxes. China is finding a solution for its growing reliance upon oil in Angola, but what this relationship means for the future of Angola is unclear because Angola could use this as an opportunity to use oil revenue to diversify or it could encourage Angola to remain resource dependent. Remaining reliant on a finite resource with a volatile price would be harmful in the long run.

A drastic shift in the Sino-Angolan relationship occurred in 2004, when China extended an oil-backed loan to Angola through China's Export-Import Bank (EXIM). The Chinese government is the sole owner of the bank and State Council runs the bank. When China offered its loan to Angola the country had just emerged out of a protracted civil war in 2002 that had lasted 27 years and had begun to reconstruct the government and the economy. The IMF offered to give Angola a loan based on conditions of increased transparency and increased government regulation but the Angolan government

felt that this was an unfair political stipulation and rejected the IMF offer in favor of the Chinese loan. The loan came at 1.5 percent interest plus LIBOR (London Interbank Offered Rate), with a grace period of 5 years, and then 12 years over which Angola could pay the loan. Under this arrangement, the Chinese Exim Bank would pay directly to Chinese companies working in Angola for the purpose of building infrastructure. A stipulation of the loan was that 30% of the companies funded by the loan had to be Angolan. This aspect of the loan has been difficult to monitor because there is little data on it. The final aspect of the loan was that 10,000 barrels of oil per day were to be given to China as part of the repayment of the loan (CCS, 2007, p. 42). The Chinese loan was objectively a better deal, because it had no strings attached to it. The biggest issue with this payment plan was if oil prices dropped then the 10,000 barrels would not carry as much weight against the repayment of the loan and as a result the loan would take longer to repay. Since the Chinese loan was given, the Angolan economy has grown to be one of Africa's fastest growing economies, and imports and exports have grown steadily nearly every year. In September 2007, an additional loan of \$2 billion dollars was extended from China to Angola for the purpose of funding an additional 100 infrastructure projects. These loans have allowed for easy entry into the Angolan market by Chinese companies, and their presence will continue past the repayment of the loan. This loan does not show neocolonial behavior because it does not have high rates of interest in order to keep Angola indebted. Nor does the loan have political conditions. China is not exhibiting neocolonial behavior here.

In looking to see if China is actually aiding with Angola's growth one area to look at is the building of infrastructure:

“As of December 2007, 51 Chinese firms were registered with ANIP (Angolan National Agency for Private Investment). Over 50 percent of these firms were engaged in construction; others are involved retail trade of foodstuff products, manufacturing of rubber products, mineral water bottling, and other light industries” (Campos, 2008, p. 9).

These firms include private companies and State owned construction companies. The majority of Chinese investment in Angola is located in three categories of infrastructure, the extractive industry sector, and telecommunications. A senior official at ANIP has said that 99% of Chinese companies involvement is state-owned and directed by the Chinese credit line (Corkin, 2008, p. 115). Angola has to bring in Chinese workers because the local ability to build infrastructure is not there due to a lack of skilled labor. The civil war is responsible for the shortage of skilled labor. The issue with this is making sure the skills are being transferred to Angolan construction companies. Research by Xiaoyang Tang in Angola has shown that Chinese companies that had been in Angola for five years had halved their Chinese employees and hired local workers (Tang, 2010 p. 364). “Interestingly, according to ANIP, it appears that even Angolan companies are keen to import and utilise Chinese labour, because it is considered to be more productive” (CCS, 2007, p. 34). In this case the introduction of Chinese construction firms has had a positive effect in Angola. Previously the construction contracts went to Angolan firms that had a reputation for being expensive and inferior. The introduction of Chinese competition could spur Angolan firms to improve their standards. Besides being involved in construction, China is also involved in the energy sector.

Angola is the fifth largest economy in Africa, and the second largest oil producing country with 95% of its exports coming from oil. Its fate is tied to oil and unless it

restructures its economy to be more diverse, the coming years could be very difficult for Angola because of the fluctuations of prices of oil. The loan from China took place during a time when no one would lend to Angola without certain political conditions. That loan allowed for huge growth in the country, but at a cost. Angola was able to rely upon its oil exports without creating measures for transparency or diversification of its economy. President of Angola, José Eduardo dos Santos said in 2014 during his State of the Union speech that due to dropping oil prices, “We need to create measures to mitigate the impact of falling oil revenue on public spending” (Soque, 2014). This was during a time when crude oil prices had dropped to \$82 per barrel, and now they have dropped even further to \$52 dollars a barrel in March 2015. The government’s budget relies heavily on oil revenue, and this drastic drop in prices could really harm Angolan growth. There are other issues that could endanger the Angolan economy besides falling global prices of oil.

Angola’s chief export location is China, and it relies on China’s sustained growth and seemingly insatiable hunger for oil to fuel the Angolan economy. However, China’s growth is slowing, and in future will not need as much oil as China is importing now. China is currently taking advantage of the drop in oil prices by building up its reserves of oil. For the first time in December 2014, China surpassed a new milestone by importing 7 billion barrels of oil (Bloomberg News, 2015). According to the BBC, China’s growth has slowed to the weakest it has been in 24 years (BBC News, 2015). This is not to say that China does not still have one of the world’s fastest growing economies, but that China seems to be slowing down. Another reason why China will be importing less fuel

in future is the environmental deal made with America in November 2014. In this deal, China hopes to have 20% of its fuel consumption to be emission free.

In analyzing the positive effect of Chinese investment in Angola, the growth of the economy has to be taken into account as well as the Human Development Index. The economy of Angola is growing but its HDI consistently ranks very poorly. The three parts that make up the HDI are rates of education, life expectancy, and standard of living. There is improvement in these areas but it is slow. Education rates and life expectancy has gone up but much of the country still lives in poverty. According to UNICEF (United Nations International Children's Emergency Fund) in 2011 about 43% of the population was living under the international poverty line (UNICEF, 2013). In 2014, the President of Angola, dos Santos said, "the number of the Angolans living on less than two dollars/day has dropped from 92 percent in 2000 to 54 percent in 2014" (AllAfrica, 2014). So while Angolan economic growth has been strong over the past thirteen years since the Chinese loan, the country still has a long way to go in order to have better living conditions for its people. This growth has to come internally and from the government of Angola.

China has a lot of impact in the Angolan economy and could use its influence to push changes. When Angola chose the Chinese loan over the loan from the IMF, Angola no longer had the incentive to be transparent and did not have an international authority to answer to. The money from the loan flows from a Chinese bank into Chinese companies, but the projects are chosen without involvement from China. The Chinese loan was less patronizing in the short run but the political stipulations that the IMF loan had might have been exactly what Angola needed and still needs now, which is forced transparency. The forced transparency would be to ensure that the government of Angola

is spending the loan to help the country develop and not to line the pockets of corrupt politicians. However this precondition to the loan would create a neocolonial relationship, with China inserting itself into the affairs of Angola. After over ten years of working with the Chinese through this loan, much remains to be done. Angola is rated 161 out of 175 countries on a corruption scale according to Transparency International. Angola's score of 47.9 on the Heritage scale of economic freedom is below both the world average and the regional average (Transparency International, 2014). This cartoon by Sérgio Piçarra, an African political cartoonist sums up the main problems that Angola is facing (Marques de Morais, 2015). The man in the cartoon is flying an Angolan plane, with "Virtual Economy" written on the side, into clouds that say "price of oil", "economic crises", "social crises", "poor governance", and "corruption". The control tower trying to contact the plane says, "'Hello... Hello, virtual economy? Here real economy calling... do you hear me? Over...". The real economy in this cartoon is agriculture and industry. The cartoon shows exactly the problem with the Angolan economy is that these crises threaten to take Angola down unless it turns its attention to an economy that is more than just oil.



Angola needs to diversify its economy and focus on governmental reform and social issues if it wants to move into its next stage of development. China is not responsible for Angola in this political sense but it seems to have a vested economic interest there that would be better protected if Angola were more stable. China could create incentive for change and in doing so it would be an answer to accusations of just resource grabbing by showing the Chinese are invested in the future of Angola and Africa. The Chinese loan has been a good thing for Angola, but it might have stunted necessary governmental reform. China's partnership with Angola could be incredibly beneficial to both parties in future, but reforms have to be made. In analyzing to see if the relationship between China and Angola has been mutually beneficial the rate of the growing economy must be compared to the HDI. While Angola's economy is one of the fastest growing in Africa, its HDI is improving at a much lower rate. This slow rate of the HDI improving is not atypical for Africa. Africa might also just have different patterns of growth. Angola's growth has been aided by this Chinese loan and greatly helped by the Chinese investment in construction. This has been a mutually beneficial relationship but it could be improved. This is not a dependent relationship because China is not keeping Angola underdeveloped as shown by the heavy investment in the infrastructure of Angola. Nor is China gaining control of key sectors of the economy. China exists in Angola as a partner and as competition against western companies. Competition is great for Angola because the more actors involved the greater leverage Angola has. Their relationship is neither dependent nor neocolonial.

India in Angola

While India's trade with Angola is not near the amount of trade occurring between Angola and China, the relationship between the India and Angola is still very important. India fluctuates between being Angola's second or third greatest importer of goods, through mainly extractive resources. According to the Observatory of Economic Complexity, the exports from Angola to India went from 3 million in 2005 to 6 billion in 2011 and make up 15% of Angola's total exports (OEC).

India's interest in securing sources of energy is even greater than that of China's because India has to import 75% of its oil needs, while China imports a third (Carmody, 2011, p. 99). This need for oil has placed India in direct competition with China in the past for oil when China outbid an Indian company for an oil field. In 2006, India and China signed an agreement that stated they would not bid against one another in Angola for energy resources (Carmody, 2011, p. 100). The implications behind this deal are interesting because two outside countries made a deal about how they would act in another country. This deal feels vaguely paternalistic. China and India made a deal between each other and decided how they would act in regards to Angola without the participation of Angola. India is looking to invest in Angola because of its rising oil needs. India's economy continues to grow and its need to diversify its sources of oil also grows. Besides oil, Angola is also important for India because of another resource: diamonds.

In India, 90% of the world's diamonds are imported, cut, and polished. Africa's diamonds account for about 80% of India's total diamonds, and Angola is the fourth largest producer of uncut diamonds in the world (Carmody, 2011, p. 97). This makes

Angola a prime investment location for India's diamond demands. India has been most interested in making a deal with the national mining company of Angola, which is called Endiama. India does not have access to a direct line of diamonds to sell, and because of this the profit that is made from cutting and polishing the diamonds for other countries is less than it could be. Angola does not have the means to process and cut the diamonds it mines and so it is forced to sell uncut diamonds at a lower price to Russia and China. This means that because Angola does not have the means to build a diamond-refining factory, they are losing profits to more industrialized countries. India is working on a mutually beneficial deal with Angola by which India will build a diamond processing plant for Angola. This deal would be extremely beneficial for both countries. However it would benefit Angola more because it would be a change from exporting raw materials to a finished good. This would be a step in the direction of having control over its own resources rather than having to sell the resource to another country at a lower price. Increased demand for diamonds by both India and China could help shore up falling oil prices.

India has recently become more of a competitive force in Africa and this is shown in the relationship with Angola. India is interested in the natural resources of Angola but but is not exploiting the relationship. India does not have the money to compete against China or Western countries involved in Angola. The relationship between India and Angola is more equal, and not dependent or neocolonial. This situation between India and Angola is an example of a win-win scenario because both party benefits from this interaction.

China in Ethiopia

China's relationship with Ethiopia is similar to its relationship with other African countries, because exports to China mainly consist of agricultural goods. Exports from China to Africa are made up of machinery, appliances, and telecommunications equipment. One issue here is the significant trade imbalance between the two countries. Even though this trade imbalance exists, China's involvement in Ethiopia is welcomed. China invests in a variety of areas in Ethiopia, but the largest investment is in energy generation and supply, transport and storage, and infrastructure. China is more interested in building a relationship with Ethiopia, and inserting Chinese companies into the market than extracting natural resources.

Chinese involvement in Ethiopia initially followed a similar pattern to that of Angola. The first investment in Ethiopia by Chinese companies was in the construction sector, and these companies were the first foreign companies to enter Ethiopia. Indian companies have begun to follow a similar pattern of infrastructure investment.

“All in all the Chinese and Indian companies are playing a pivotal role in the infrastructure development of Ethiopia. Hence, the role of Chinese and Indian development assistance is indispensable for Ethiopia, as they are bridging the local capacity gap with relatively better financial capacity, experience, good quality, better technology, and efficiency” (Jalata, 2014, p. 32).

Western countries have typically invested in poverty reduction, education, and health care. Eastern investment is complementary to western investment and China and India are filling a much-needed gap by investing in areas that have gone unnoticed. Chinese investment has grown outside of construction and now 66% of investment in

Ethiopia is in the manufacturing sector. "Agriculture is the mainstay of Ethiopia's economy and accounts for half of the countries GDP, 60 percent of its exports, and 85 percent of total employment" (Cheri, 2010, p. 125). Most of Chinese investment does not exist in agriculture, and is expanding and creating jobs in other sectors of the economy. This shows that China is not creating a dependent relationship with Ethiopia. China is helping Ethiopia grow and develop its economy. This is a mutually beneficial arrangement. Hailemariam Desalegn, a former Ethiopian Foreign Minister said, "In the development effort of Ethiopia, China is the first strategic partner to Ethiopia" (Jalata, 2014, p. 26). China is filling a crucial gap in the development of infrastructure in Ethiopia. Ethiopia has the lowest density of roads in Africa and the underdeveloped infrastructure has stood as an obstacle to the development of Ethiopia.

Chinese involvement in Ethiopia is not entirely based on making a profit. China has given Ethiopia over \$500 million dollars in concessional loans since 2007 (CCS, 2007, xi). China has also given the country aid to build a training and vocational education center that opened in 2009. China has also sent medical teams and teachers to Ethiopia, and has offered scholarships for Ethiopians to study in China. Also in 2007 China signed a debt relief deal with Ethiopia that amounted to US\$18.5 million. Chinese involvement is self-serving because of the commercial and political benefits, but Ethiopia is also benefiting from this situation by receiving aid, grants, and loans.

India in Ethiopia

Agriculture is incredibly important to Ethiopia and so are the companies that have come to invest in it. Ethiopia is a good case study to show the differences in investment between China and India in Africa. While Chinese companies are mainly investing in

energy, and infrastructure, Indian companies have focused on agriculture, the sugar industry, transport and storage, and energy generation and supply. India gives aid in the same way that China gives aid in Ethiopia. India sends technical assistance, gives scholarships and aids in the transfer of technology. In Ethiopia half of all Indian investment was in agriculture and floriculture in 2008 (Cheri, 2010, p. 125). This is the area that has to be monitored for possible extortive behavior.

In 2008, the Indian Embassy in Ethiopia listed 414 Indian companies investing in Ethiopia and of those, 80 companies were in the agriculture sector (Cheri, 2010, p.125). In exchange for leasing land from the Ethiopian government, companies invest in hospitals, schools, and in importing farm equipment. One of the companies that follows this pattern is Karaturi Global Ltd. It is the largest Indian company in Ethiopian agriculture and the largest global grower of roses. Indian investment in agriculture has been critiqued and India has been accused of land grabbing. According to an article in the Guardian, thousands of Ethiopians have been relocated or have fled as their land has been sold to foreign investors without their consent. In 2011, the Prime Minister of Ethiopia, Meles Zenawi, refuted the calls of exploitation. “Critics who accuse foreign companies of land grabbing are “ill-informed and ill-intentioned,” Meles said. “We have 3 million hectares of unutilized land. We want to use all 3 million. We do not want to admire the virgin beauty of our land while we starve” (Bloomberg News, 2011). This rhetoric is interesting because Meles calls the land “unutilized”, which does not address the issue of indigenous people being forced off their land, just that their land wasn’t people used properly. Indian companies and the Ethiopian government might benefit from this relationship but at the cost of Ethiopian citizens. The issue with this scenario is how

much of the blame falls upon Indian companies when it is the Ethiopian government who is leasing them the land. Locals should have a voice in the investors in their land, and a stakeholding in the companies that invest in their land. It is up to African governments to decide how foreign investors interact with locals. India's behavior in the agriculture sector has to be watched because it does seem like resource exploitation. People are being removed from their lands so Indian companies can cultivate them.

The Indian government has begun to link with African countries through sharing technology. In 2009, India launched the Pan-African e-Network. The e-Network shares medical technology with African hospitals. Two Ethiopian hospitals were part of the pilot project and due to their success the project has been increased to fifty-three member states of the African Union (Cheru, 2010, p. 129). This shows that India is interested in helping Ethiopia grow and develop its economy. It is not just trying to gain access to the agriculture sector.

There are areas that I have left out of this paper. I will not be going into the historical relationship between China, India, and Ethiopia. Ethiopia was never colonized and so they do not share a history of colonization with China and India. However, India has had a long history of trade with Ethiopia dating back 2,000 years. Chinese involvement with Ethiopia has been strong since China refused to recognize the Italian invasion of Ethiopia from 1936-1941. So while China does not share a colonial past with Ethiopia, they do share a past of warding off Western forces. I also will not be talking about how the other BRIC countries investment in Africa is also increasing and pushing out Western investment, because I wanted to focus particularly on Chinese and Indian investment in this paper.

Conclusion

Relationships between countries don't typically exist on the basis of altruism. China and India are benefitting from this relationship, but so is Africa. China and India are not making African countries dependent upon them. Instead they are offering an alternative to western nation's conditional aid. The Western media has portrayed China, and India to a lesser degree, as a negative force on the continent, but they aren't acting with bad intentions. China and India merely engage African countries differently from the West. China and India use a sense of shared history to engage with African countries as partners. Africa is often couched in terms of needing to be protected from countries that want to exploit it. This type of propaganda takes away Africa's agency to decide for itself. China and India have stepped up investment in Africa, not in a paternalistic sense, but seeming to strive for real long-term partnerships. They are also investing in areas where Western countries were not, and creating growth in neglected areas. African countries badly needed infrastructure to be built and China, in particular, is filling that need. China can be doing more to alleviate fears of corruption by showing more transparency by releasing investment figures, and showing how Chinese money is being spent in Africa. Much smaller firms have led Indian involvement in Africa and they need to be watched more closely by the Indian government because the oversight is not as great as it should be. Chinese and Indian involvement in Africa is giving the countries of Africa someone else to turn to for investment and aid. China and India are interested in investing in Africa for the foreseeable future, now it is up to individual African countries to make the most of their investments.

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