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Scope of India's and China's Investment in African Continent

Saif Mohd. Khan^{a,*}, Karan Arora^b^aManagement Scholar, Jaypee Business School, Jaypee Institute of Information Technology, INDIA^bManagement Scholar, Jaypee Business School, Jaypee Institute of Information Technology, INDIA

Abstract

As Asia is been considered as the continent of the world's two biggest Economies, it is known that no country can prosper in today's scenario without trading globally. Our research work is mainly focused on the countries as well as the sectors of the African continent in which India as well as China are investing. This comparison will be depicted on the basis of the recent data available from different sources as well as graphical representation of the same. 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 that who may benefit in this situation with Africa as the most favored destination for investment in the future.

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1. Introduction

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 [1]. 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). The paper in this context tries to identify the investment scenario of Africa in the light of India and China, thereby analyzing the same it tries to compare whether India or China is able to create successful investments in Africa. The objectives of the study include:

* Corresponding author. Tel.: +91 7042341135.

E-mail address: saifmohdkhan4@gmail.com

- The framework for India's and China's investment in African continent.
- Comparative analysis between India and China's investment in Africa.

The paper is organized as follows. Section 1 is the introduction, Section 2 discusses the present Chinese investment in Africa, and Section 3 discusses the Indian investment in Africa followed by Section 4 that discusses the comparative framework of Indian and Chinese investment in Africa. Finally Section 5 discusses the conclusion.

As for India and China in the field of trade statistics there is less competition, in 2014 China's trade with Africa was 200 Billion whereas India's trade with that of African Countries was merely 70 billion .As of investment apart from Mauritius tax heaven, Chinese investment in Africa outweigh India's. However India-Africa relationship is growing and it can be seen through the October Summit in New Delhi. Business is increasingly multinational, and companies tend to be multinational, and companies tend to collaborate and partner in the same business sector. [1]

2. China's Investment in Africa:

The present condition of China is that its robust Economic growth as well as its rapid increasing global presence has motivated the nation to intensify its relationship with that of African Continent. The reason is clear that the 10% growth of china at that time when most of the big Economies were struggling to even maintain the stable growth has fueled the demand of oil and other important natural minerals which are in abundant quantity in Africa. At present China has become the major development partner in majority of the country of African Sub continent as well as it is also strengthening its diplomatic and political relationships in that area. According to an estimate FDI in Africa has reached around \$67 billion dollar for a sum of 708 projects till the year 2016, Egypt been the number one destination for investment. Business services, sales, support and manufacturing are the major sector for FDI in Africa. Infrastructure related projects like: construction, ICT & internet made up 13% of the project share.

Analyzing the investment by Asian countries, India and China are the major stakeholders with China having a 3% of market share and 4% of all FDI projects. It has been found that much of China's Overseas Direct Investment (ODI) in Sub Saharan Africa is related to Trade. Official figures suggests that China's ODI investment was \$ 2.5 billion in the year 2013 and \$3.4 billion 2015. In the year 2012 the total ODI investment by China was \$20 billion, yet this only accounts for only 5% of FDI in Africa. In a nutshell Africa has benefited a lot from China's ODI in the past few years [1]. It is clearly visible that China's investment has been increased to a vast level firstly in Asia and then in Africa, this trend has been fueled by the **"ONE BELT ONE ROAD INITIATIVE"** by China which will connect China with far Europe, Gulf region through rail and road medium and the African as well as the far south Asian countries by sea routes. China in Africa is heavily investing in sectors like Energy and extractive industries. Strange thing is that in West Africa the investment is only limited to that of Transportation sector. From 2006-2013 the western part of Africa has received 36% of FDI which is 14% higher than average worldwide. The reason behind this huge investment in transportation sector is that the transport is not related to the public transportation rather it includes the transport vehicles used in the mining activities. Also energy attracts the China's 29% ODI which is much lesser than the 46% average worldwide. China uses a quite interesting credit policy to invest in different regions i.e. export credits, natural resource – backed credit lines, subsidies for private investments so called **"Mixed credits"** which are combined with concessional as well as market –rate loans. African Politicians consider China's investment as a positive indicator as it contributes to the infrastructure thus boosting the economy.

One of the most critical Question raised among the African policy makers is that how to utilize more and more from the Chinese investment despite being tight trade and financial integration with China. It's true that Africa has benefited a lot from the FDI from China but it has not achieved that much from other countries.

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