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Review

"India and China's growing economic involvement in sub-Saharan Africa"

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India and China have dramatically increased their economic and commercial ties with sub-Saharan Africa during the past decade and a half, centered on mineral exploitation, although this is slowly changing. Many of the natural resource-rich states in sub-Saharan Africa suffer from the resource curse the failure of resource-abundant countries to benefit from their natural endowments. China and India's increasing involvement will likely exacerbate, where it exists, the resource curse in sub-Saharan Africa. In addition, such involvement could help the curse spread wider and deeper into heretofore less-affected countries.

Key words: Economic development, resources, governance, trade, investment, economic growth, energy, international economics.

INTRODUCTION

We are in part to blame, but this is the curse of being born with a copper spoon in our mouths. (Kenneth Kaunda, former President of Zambia)

During the past decade, China and India have ramped up their trade and investment linkages with sub-Saharan Africa due in large part to their increased appetite for natural resources, especially in the energy sector. In ten to fifteen years China will likely overtake the US as the world's largest energy user, with India a close third.

By 2011 India and China buy about one third of the continent's exports, in contrast to less than 15% in 2000. China's trade with Africa doubled from $5.6 billion in 1996 to $10 billion in 2000. Since then it has soared to $114 billion, with $52 billion in African exports to China, and $62 billion in African imports from China. African exports to China have doubled from 5% of the region's total exports in 2000 to 10% in 2007 (African Development Bank, 2010; Perry, 2010; Broadman, 2007; Wallis, 2010; World Bank, 2011). India's imports are much less, at about $7 billion, but are also growing rapidly.

Sub-Saharan Africa is a diverse region of 47 states. Notwithstanding the Great Recession, the region has enjoyed better economic performance during the past five years than just about any time during the past 30 years. However, despite this rapid growth, Africa accounts for less than 2% of global foreign direct investment (FDI) flows and less than 3% of total world trade. In addition, Africa is the only region not likely to meet the Millennium Development Goals (World Bank, 2011).

For the past decade or so the region's metals and non-oil minerals have experienced rapid increases in price, driven in large by demand from China and India. On the one hand, Africa has a growing demand for manufactured goods originating from China and India. On the other hand, Asia's demand for African natural resources has been unprecedented. It should be noted, however, that Africa's exports to Asia account for less than 2% of Asian global imports. The vast majority--- perhaps 85%-- of Africa's most important and valuable exports consists of petroleum, metals and agricultural raw materials (Table 1).

There is no universally-accepted listing of African countries that suffer from the resource curse. As a start, one way of creating such a candidate list would be to select a country that exports a valuable commodity as a large percentage of its total exports and compare that to its "freedom ranking" and "fragility" (Table 1). The think tank, Freedom House, uses criteria that include low political rights and civil liberties. According to these criteria, of the designated 19 countries, only South Africa and Botswana (and perhaps, statistically, Zambia) do not suffer from the resource curse. In addition, the Development Assistance Committee (DAC) considers 12 of these states "fragile" (although not an official DAC definition, the list is a compilation of: the World Bank's

Table 1. Curse candidates: Top export as a total exports (%), freedom ranking, and fragility

	Export	Percentage	Freedom+
Angola ^	Petroleum oils	96	5.5
Botswana	Diamonds	79	2.0
Cameroon^	Petroleum oils	57	6.0
Chad^	Petroleum oils	91	6.5
Congo, DR^	Diamonds	88	5.5
Congo, Republic^	Petroleum oils	32	5.5
Equatorial Guinea^	Petroleum oils	92	6.5
Gabon	Petroleum oils	73	5.0
Guinea^	Aluminum ores	40	5.5
Mauritania	Petroleum oils	36	4.0
Mozambique	Aluminum	66	3.0
Namibia	Diamonds	40	2.0
Niger^	Natural uranium	59	3.5
Nigeria^	Petroleum oils	90	4.0
Sierra Leona^	Diamonds	43	3.0
Sudan^	Petroleum oils	90	7.0
Zambia	Copper cathodes	66	3.5
Zimbabwe^	Nickel unwrought	17	6.5

* = shares ranged from 96% in the case of Angola to 35% in Mauritania. + = 1.0-2.5 (free); 3.0-5.0 (partly free); 5.5-7.0 (not free), data for 2008. ^ = considered "fragile states" by the OECD listing. Source: World Bank. African Development Indicators 2009; Freedom House 2010, OECD 2010.

Country Policy and Institutional Assessment 2008, the Brookings Index of State Weakness in the Developing World 2009, and the Carleton University Country Indicators for Foreign Policy 2008 index).

This paper suggests that if a country meets at least two of the three above criteria, then that country suffers from the resource curse (Figure 1).

As much of China and India's combined involvement is in extractive mineral resources, questions arise as to how such increasing involvement may lead to furthering the "resource curse" facing several states in the region. Before looking at those issues, it would be helpful to re-visit the resource curse.

THE RESOURCE CURSE REVISITED

The "resource curse" (or the "paradox of plenty") has become engrained in the popular media and to a large degree in the academic literature (Rosser, 2006; Basedau, 2005; Karl, 1997). However, the issue is much more nuanced and complicated than often thought and is more subtle than merely equating more resources with more misery.

In the 1950s and 1960s, most economists viewed abundant natural resources as the necessary key to economic development (Rostow, 1961). Indeed, such resources were viewed as a blessing for the developing world. However, since the 1980s, the view from development economists and international financial institutions has dramatically changed, and abundant resources are now often viewed as a hindrance for both development and good governance (Collier, 2005; Gelb, 1998; Davis, 1995).

There are many difficulties in harnessing natural resources for sustained economic growth and development. Such resources are inherently unstable, with world price fluctuations and generally declining terms of trade and their dependency increases risks for foreign investors. The result is often the enclave nature resulting in profit repatriation to MNCs rather than toward bettering the local economy.

Furthermore, they promote the Dutch Disease, where a resource boom (in that case North Sea oil) makes the real exchange rate appreciate and in turn hurts the export sector.

In sub-Saharan Africa, research has shown that in the 1970s mineral-rich countries grew more slowly than those that had limited resources (Wheeler, 1984). More recent research has tended to reinforce this view (Sachs and Warner, 1995; Auty, 2001; Humphreys et al., 2007). In addition, the literature argues that abundant natural resources can be an important variable in how civil wars start, how they are waged, how long they last and their outcomes. Indeed, the general consensus is that abundant resources increase the likelihood for both secessionist and non-secessionist civil wars to start in the first place (holding other factors equal) and lengthen the

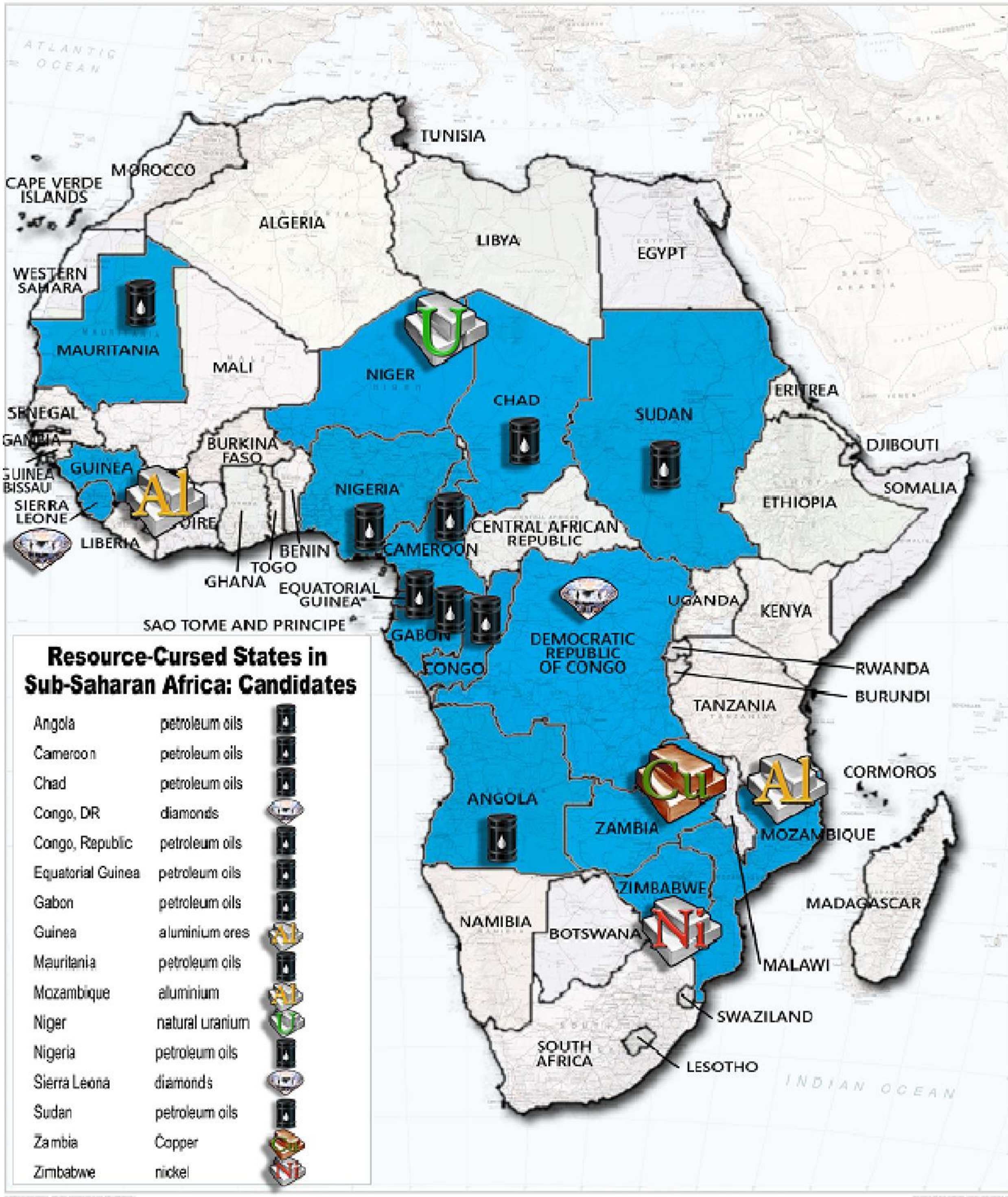

Figure 1. Resource cursed states in sub-Saharan Africa candidates. Source: Sparks, Donald; graphics by Kevin Metzger: The citadel.

intensity and duration of the conflicts (Ross, 2004; Fearon, 2004; Collier and Hoefffler, 2005; Doyle and Sambanis, 2000, Humphreys, 2005).

Although this paper measured natural resources as a ratio of mineral exports to total exports (Table 1), there are other measurements. For example, some research suggests that when measuring natural resources according to stock per capita or in terms of reserves, they do not have as direct an impact on growth (Stijns, 2001; De Soysa, 2000). In any event, as Andrew Rosser suggests, "…it is not natural resource abundance *per se*… but an abundance of particular types of natural resources" that can cause the problems (Rosser, 2006). Those different types of resources are generally referred to as either point source vs. diffuse. Diffuse natural resources include agricultural commodities such as wheat or rice and have not been as problematical as point source resources. However, as will be discussed later, buying "unlootable" resources such as land can also exacerbate the resources curse.

Point source resources include oil, some minerals (diamonds) and drugs (opium and coca) and can be considered "lootable". In addition, rebel movements can offer future resource exploitation rights ("booty futures") to potential supporters and thus can increase the probability of civil wars. Ross found that unlootable resources are more likely to produce separatist conflicts as these resources trend to rely on skilled labor and capital investment that takes time, and the proceeds go to government via multinational corporations (MNCs). Lootable resources, on the other hand, can tend to benefit locals (Ross, 2003). Point source and lootable resources are more likely to increase the chances for civil war because they can be more easily taken and held by rebel groups. However, again, it can depend on the type of lootable goods. For example, it is much easier to "loot" alluvial diamonds in say, DRC or Sierra Leone, than from the deep shaft mining of Botswana (Basedau, 2005).

The availability of point source or lootable resources is not the only aspects that lead to the curse; rather the strength of the economic, social and political infrastructure of a country plays a key role as well. Some countries, Botswana, and to a large degree, Namibia and South Africa, have escaped the curse. Also, moving from mere GDP growth criteria to broader Human Development Index criteria suggests that some resource rich countries have actually improved their scores. As Rosser (2006) suggests while, "evidence that natural resource abundance… and various development outcomes are correlated with one another, they do not prove that the former causes the latter." Perhaps, as Schrank (2004) proposes, such dependency, rather than a cause, may well be merely a symptom of underdevelopment.

Resource-cursed states can also be known as *rentier states*, deriving unearned incomes from royalties and or taxes from domestic natural resources. A more specific example would be the "petro state" such as Angola (Karl 1997). These states are more interested in distributing the gains from economic rent than in investment in the productive sector or in economic diversification. They in large part depend on rents rather than on taxes. Since these states are authoritarian, they have little to fear from their citizens, and since citizens are not taxed, they will demand less accountability from their rulers (Basedau, 2005). Further, many important members of the international community often support such regimes because of the important role they play in MNC profit and geopolitics (e.g., witness US support for Mobutu in Zaire and other African dictators during the Cold War).

There is a strong link between oil endowments and lack of good governance. This has in fact been called a curse of leadership (Duruigbo, 2005). Leite and Weidmann (1999) suggested that ores and oil had more negative effects on growth than countries endowed with abundant agricultural resources. Several observers have linked oil exporters with propensity for civil wars (DeSoysa, 2002; Fearon and Laitin, 2003).

Table 2, illustrates the linkages with the major oil producers (or holders of reserves) and low rankings on Freedom House's most recent "freedom" rankings. Of the 10 sub-Saharan African countries with major oil production and/or reserves, only one, South Africa, is ranked in the "free" category. Nigeria is rated as "partly free" while the remaining eight are in the "not free" listing. Clearly, oil resources and misery go hand-in-hand for most of the region's oil producers.

The case is not nearly as strong with diamonds. The region's major producers (who are responsible for 35% of global output) are all in the free category in Freedom House's index (Table 3). However, there are a number of countries, e.g., Sierra Leone and Liberia and others where so-called "conflict diamonds" have played an important role in civil strife. International community efforts such as the Kimberly Process (by restricting the trade of conflict diamonds) have produced varying degrees of success (Basedau, 2005).

Given that the curse exists, the central question is: to what extend do China and India help promote the resource curse in countries already affected, such as Nigeria, Angola and Sudan, and to what extent will they bring the curse to until-now less affected countries such as Mozambique or Cameroon?

CHINA AND INDIA'S SCRAMBLE FOR RESOURCES IN SUB-SAHARAN AFRICA

As earlier discussed, India and China's increased involvement in Africa has come quickly. However, their approaches have been quite different. The majority of Chinese involvement is from the central government (although an increasing number is from the private sector and from regional governments). India's involvement has been largely borne by the private sector. China has a longer term view, and its state capital doesn't require producing short term gains to shareholders. It also has] massive low-cost capital reserves to weather poor economic returns. The volumes of trade also differ: India's is perhaps one tenth that of China's.

Table 2. Africa's major oil producers, reserves and "freedom" ranking.

Producers house ranking+	BBL/Day	Reserves*	Freedom
Nigeria	2,211,000	36,220	4.5
Angola	1,948,000	9.035	5.5
Sudan	486,700	6.615	7.0
Equatorial Guinea	346,000	1.755	7.0
Republic of Congo	274,400	1.940	5.5
Gabon	24,170	1.995	5.5
South Africa	191,000	na	2.0
Cote d'Ivoire	55,950	na	5.5
Cameron	77,310	na	6.0
D Republic of Congo	16,360	na	6.0

* Proved reserves, latest estimates, billion of barrels. + = 1.0-2.5 (free); 3.0-5.0 (partly free); 5.5-7.0 (not free), data for 2008. Source: World Bank (2009), CIA World Factbook 2010, Oil. Gas J., Volume 106: 48, December 2008, Freedom House, 2010.

Table 3. Diamond production and "freedom"

	Annual production*	Freedom house ranking+
Major Producers		
Botswana	24,000	2.0
Namibia	2,200	2.0
South Africa	6,240	2.0
Other Producers		
Sierra Leone	360	3.0
D R Congo	5,600	5.5

* = thousand carats of gemstone quality. + = 1.0-2.5 (free); 3.0-5.0 (partly free); 5.5-7.0 (not free), data for 2010. Source: US geological survey mineral resources program, reported by Index Omundi, Freedom House, 2 010.

China's Involvement

In May 1996 China's re-engagement became official with President Jiang Zemin's first visit to the region. However, China's links, suggested by ancient artifacts such as pottery found on the coast of Somalia, Kenya and Tanzania, date from the seventh century. In 1414 Zheng He, the Grand Eunuch of the Three Treasures, made the first of three voyages up the East Coast of Africa. The fleet came in peace, with the objective of furthering trade and obtaining respect for the Ming dynasty (Menzies, 2002; Broadman, 2008; Dowden, 2009). The last voyage was in 1431 and China did not return to the continent in any significant way until the 1960s when Mao supported independence movements across the continent. During the 1960s, for political purposes, the Peoples Republic of China assisted a number of infrastructure projects (e.g., the Tazara Railway between Zambia and Tanzania) that the West and multilateral financial institutions would not support.

Since 2000, four Forum of China-Africa Cooperation (FOCAC) meetings have occurred (Table 4). Generally these meetings have resulted in good public relations for China and have granted African states significant concessions, ranging from subsidized investment incentives to debt forgiveness.

In addition to the FOCAC, the April 2005 African-Asian summit in Jakarta celebrated the 50th anniversary of the Bandung Declaration. The 1955 conference stressed the principle of "mutual noninterference in domestic affairs". This theme was repeated by the January 2006 "China's African Policy". This policy stresses several items: (1) sincerity, friendship and equality; (2) mutual benefit, reciprocity and common prosperity; (3) mutual support and coordination; and (4) learning from each other and seeking common development (People's Republic of China's Ministry of Foreign Affairs 2006).

The majority of imports, 70% of which is highly

Table 4. Forum of China-Africa cooperation: Highlights.

	Highlights
2000 (Beijing):	Participants from 44 countries passed the *Programme for China-Africa Cooperation in Economic and Social Development*.
2003 (Addis Ababa):	Under the Addis Ababa Action Plan China wrote off $1.3 billion debt for thirty two African countries.
2006 (Beijing):	Heads of state or government from 35 African countries. China pledged $5 billion in concessionary loans.
2009 (Sharm el-Sheik):	Heads of state from 49 African governments. A new $10 billion concessionary loan and a $1 billion loan for small and medium-scale African businesses. China pledged construction of 100 new clean-energy projects and increased support for medical and education projects.
2012 (planned for Beijing).	

Source: Ministry of foreign affairs, People's Republic of China, 2010.

Table 5. Concentration of Chinese Imports from Africa (2007).

	Percentage of total
Angola	34
South Africa	20
Sudan	11
Congo, Rep	8
Equatorial Guinea	4

Source: African development bank, 2010.

concentrated, originate from four countries (Table 5).

RECENT CHINESE STATE-TO-STATE DEALS:

West Africa: China's largest oil investment in June 2009 of $7.2 billion by Addax (an independent company listed in Toronto and London) sold to Sinopec, one of China's largest energy companies. Addax has holdings in Nigeria, Cameron and Gabon (as well as Kurdistan).

Nigeria in 2010: The state-owned CNOOC's $50 billion bid to buy 6 billion barrels of Nigeria's 36 billion barrels of reserves and another bid of $23 billion oil refineries.

Guinea: In October 2010 a $7 billion combined mining, oil exploration and infrastructure joint venture. China insisted that this deal is independent of the government although this was not confirmed by independent sources. In March 2010 a Chinese mining firm agreed to invest $1.4 billion in developing part of the Simandou iron ore concession.

Niger: In 2006 the state-owned China National Nuclear Corp secured the permit for perhaps the largest uranium mine in Africa, although with a change in leadership this deal is uncertain. There was also a $5 billion venture to pump oil to the country's first refinery.

South Africa: In 2009 the China Development Bank established a quasi-sovereign fund, the China-Africa Development Fund, whose first project has been a $227 million cement plant and an $877 million investment in the platinum sector (China's second largest investment in Africa outside the energy sector).

DRC: In 2008 China's state owned China Railway Engineering Corp (CREC) made a $9 billion deal where the CREC would build $6 billion worth of much-needed infrastructure (thousands of kilometers of railways), plus two universities, 32 hospitals and 145 health centers. In return, China will receive $3 billion in copper and cobalt concessions. The IMF was not pleased with this arrangement as it considered the $3 billion concession a form of new debt, violating the provisions of a debt write off arrangements that stipulated no new loans (China subsequently has dropped part of the infrastructure portion of the agreement).

Angola: In 2007 the Angolan government agreed to a $5 billion deal with China in return for oil concessions and infrastructure contracts, with virtually no strings attached. The IMF had been trying for several years to reach a new loan with the Luanda that included conditions that would attempt to reduce corruption and help reduce poverty. China had extended a $2 billion loan in 2004.

Kenya: Likely partnership to develop the $22 billion port

Table 6. Chinese imports from Africa (2009, $billions).

Chinese imports	Percentage of total
Mineral fuels	27.85
Ores	6.05
Pearls	1.80
Copper	1.60
Iron & steel	1.05
Wood	0.80
Cotton	0.34
Oil seed & fruit	0.33
Cobalt	0.26
Electrical equipment	0.21

Source: Financial times, June 14, 2010.

Table 7. Chinese FDI in Africa 2003-07

FDI in Africa	Percentage of total
Nigeria	20.2
South Africa	19.8
Sudan	12.3
Zambia	5.0

Source: African development bank, 2010.

in Lamu and a railway linking the port to South Sudan and Ethiopia.

As noted in the Recent Chinese state-to-state deals, much of China's involvement in the region has been at the state-to-state level. While this is evolving, these deals remain the most important (Source: Financial Times, June 14, 2010, Rocha, 2008).

In 2009 some 70% of Chinese imports from Africa were crude oil, amounting to nearly $28 billion (African Development Bank, 2010; Kornegay, 2008; Table 6).

Deutsche Bank projects China's commodity import demand to increase between now and 2020: for oil and coal it sees an annual increase of 20 and a 10% increase for iron ore, copper, manganese and wood (Rocha, 2008).

China is not only importing increasingly more oil but it is also investing in oil production and other extractive mineral operations and also in textiles, farming, fisheries, transportation, construction, and retail trade. Chinese farms reportedly produce about a fourth of all the eggs sold in Lusaka, Zambia's capital (Groenwald, 2009). Investments range from a $5.5 billion investment in South Africa's Standard Bank. A $14 million stake in a Somali mobile phone company to a $23 billion deal to rebuild Nigeria's oil refining capacity (Perry, 2010).

China's investment has increased by an average of 46% annually for the past decade (African Development Bank, 2010). By 2008, China's investment in Africa was $7.8 billion, with an additional $1.36 billion in 2009 (African Development Bank 2010; PRC Ministry of Foreign Affairs 2010). China's investment continues to grow: for the first nine months of 2010 Chinese investment grew by 77% (Bloomberg News, 2010). China's investment in manufacturing is increasing through special economic zones (SEZs). Since 2006 China has established SEZs in Ethiopia, Mauritius, Nigeria, Tanzania, Zambia, Botswana and Sierra Leone (African Development Bank, 2010).

Some investment in manufacturing, especially textiles, has been done to allow for re-exports, allowing Chinese firms to take advantage of privileged trade agreements such as the AGOA and the EU's Everything but Arms Agreement. Most of the investment goes to only four countries (Table 7). There are estimates of some one million Chinese farmers having recently settled in Africa (Smith 2009, Groenewald, 2009). Media reports a number of countries raising concerns, ranging from Mozambique, Madagascar and Malawi. In Mozambique, local workers have protested the settlement of thousands of Chinese workers on leased land and protesters in Malawi were against Chinese building a cotton-processing plant (Groenewald, 2009). Anti-Chinese sentiment has turned negative in a number of countries. In 2005 a mining explosion in Zambia took the lives of 45 workers, souring local attitudes toward China's involvement. There is festering anti-Chinese sentiment across the region (LePere, 2008). Indeed, the opposition leader, Michael Sata used this anti-Chinese sentiment as a campaign target and came within two points of winning the election (Perry, 2010). Former South African president Thabo Mbeki complained about the "new colonial relationship" China brings to the continent (New York Times, 2007). In 2007 President Hu Jintao cancelled a visit to Zambia's copperbelt because of the resentment of Zambian mine workers and in 2007 Ethiopian gunmen claiming rights to an oil area being exploited by a Chinese firm killed sixty five locals and nine Chinese oil workers (Holder and Jackson, 2008).

Further, Chinese enclaves appear to be insensitive to local social norms (Corkin and Burke, 2008; LePere, 2008). There are charges that African employees are not paid the market rate, and are subject to harsh working conditions such as long working hours. There are also allegations of using Chinese prison labor (Corkin and Burje 2008). Since the Chinese EXIM Bank requires that 50 percent of inputs be Chinese, and that 70% of contracts be awarded to Chinese firms results in low local employment generation. Reports of corruption abound: Transparency International's Bribe Payers Index ranked China 29th of 30 countries. China's EXIM bank does not have a stated policy on corruption. American firms of course are constrained by the Foreign Corrupt Practices Act, as the EU has similar laws their nationals have to follow.

Table 8. India's Trade with Africa 2006-07 ($ millions).

India exports to Africa	
2006	$4,812,25
2007	$7,334.63
African exports as percentage of total exports: 6.5%	
India imports from Africa	
2006	$3,562.16
2007	$10,437.94
African imports as percentage of total exports: 6.4%	

Source: Ministry of commerce, Government of India, 2010.

India's involvement

While India's involvement in Africa is not as large presently, it too is expanding at amazing rates (Broadman, 2008). Imports from Africa surged from $3.5 billion in 2006 to over $10 billion in 2007 (Table 8).

India's resources needs are also likely to increase. For example, India's domestic oil reserves are not large, (about 0.5% of global reserves), and with over a billion people and a growing economy, demand will almost certainly increase over the next decade and beyond. India is increasingly looking at Africa as a source. Nigeria, supplying about a quarter of its imports, is India's second largest source of imported oil (after Saudi Arabia). Oil from the Gulf of Guinea is low in sulfur and high quality, making the region even more attractive.

India is involved in Sudan (as is China). In 1996, the China National Petroleum Corporation and three other firms created the Greater Nile Petroleum Company. One of those three, Araxis, was owned by Talisman, a Canadian firm. In 2003 India's Oil and Natural Gas Coporation Videsh Limited, (OVL) bought Talisman's share. Since then China and India have been in a bidding war in Sudan, with China generally on top of securing new rights (Beri, 2005). India's bids for oil, gas and mining concerns have lost out to China several times, e.g., in 2006 Angola. In 2004, Videsh Limited (OVL) tried to buy out Shell Oil's portion of a large exploration block, and initially the Angolan government had agreed to the deal. However, when China included more infrastructure incentives, the bid went to Beijing (Beri, 2005). More recently, Indian firms lost out in an Ethiopian rail project (Xavier, 2010). India has made oil deals in Ivory Coast and Ghana. However, there are examples of cooperation. For example, China's National Petroleum Corporation and India's Oil and Natural Gas Corporation are partners in the Greater Nile Oil Project in Sudan. This is no doubt partly as a result of sanctions keeping out US firms. While the Chinese government has been a major player in investment, India's involvement has been more a result of private sector focus on small and medium scale enterprises, particularly information and telecommunications technologies. It could be argued that this model stimulates local jobs and investment and is thus more sustainable, and in that way it is possible that it is less likely in furthering the resource curse. For India there was no state-supported involvement. Rather, India's ties have grown more organically from the large number of Indians who came to East Africa in the 19th century and who, in many cases, have deep commercial roots. Most of the 100,000 or so Indian nationals are located in East and Southern Africa, although people of Indian origin have lived in the region for generations, creating a strong Diaspora with important commercial linkages.

Indian interests range from automobiles, telecommunications, pharmaceuticals, IT training to textiles. This is not to say that the Indian government is not involved. The 2008 Delhi-based India-Africa summit was attended by only 14 African heads of state or senior government officials compared to 48 who attended the FOCCA in 2006 (and 49 who attended in 2009). At the summit, India's prime minister promised reducing and eliminating tariffs from a host of African imports, covering 94% of goods coming from 34 African states. He also promised to extend $5.4 billion in credit lines, most in mining and IT projects (Blakely, 2008).

Indian involvement is growing in South Africa where the Tata Africa Holdings are trying to obtain a controlling interest in South Africa's second largest telephone network worth over $500 million. Bharti Airtel recently bought Zain Africa for $10.7 billion, establishing a major foothold in 19 countries. In 2008 India's Essar telecom also bought a mobile telephone license in Kenya, andentered the Uganda and DRC last year.

India's Export Import Bank targeted Nigeria, South Africa, Tanzania, Ghana, Mauritius, Kenya and Ethiopia for its "Focus Africa Programme" in 2003 (these countries comprised nearly 70% of India-Africa trade at the time). The EXIM Bank has extended lines of credit worth $200 million to boost trade with east and southern Africa, targeting NEPAD projects in particular (Beri, 2005). India's Minister of Commerce and Industry told the India-

West African Business Forum in 2010 that India plans on investing $1.5 trillion on infrastructure within the next decade (Okojie, 2010). In July 2009 India's Essar Oil bought 50% share of East Africa's only oil refinery in Mombasa, Kenya.

Indian farming companies, often helped by government subsidies, have bought hundreds of thousands of hectares of land in Mozambique, Senegal, Madagascar, Kenya and Ethiopia. In Ethiopia, India has invested $4 billion in flowers and sugar estates, according to India's ambassador to Ethiopia (Hazra, 2009; Smith, 2009).

Regardless of this rapid increase in economic ties with Africa, India, China and Africa remain distant. Neither side knows that much about each other's markets and inter-regional transportation options are limited. Ethnic networks, especially in the Indian communities, compensate to some degree. Chinese investors, being somewhat newer in the region, generally have not integrated into the local business communities. Indeed, this is often a complaint heard around the continent, as noted earlier. However, there may be as many as one million ethnic Chinese in Africa, which will create new opportunities for tighter networks. Although India, China and most African countries are members of the WTO, there are no bilateral free trade agreements currently in effect, although several are under negotiation (Broadman, 2008).

IMPLICATIONS AND CONCLUSIONS

India and China's rapidly-increased economic involvement can potentially present considerable opportunity for Africa's economic development, including much needed foreign investment and attendant technology transfer, economic diversification, increased forward and backward linkages, and the chance to add value to commodity exports (e.g., cutting diamonds which is rarely done in Africa). The Chinese are generally less risk adverse than their European or American counterparts. These firms offer an important advantage: while international financial institutions and most bilateral donors insist in time-consuming environmental impact statements and the like, the Chinese just do it. Chinese and Indian firms have several advantages over their local counterparts. They generally are larger, and they can capture scale economies. They are much more export oriented, diverse and produce products of higher value than those made by domestic firms. Perhaps most importantly, Chinese and Indian firms can access cheap financing through their respective export-import banks.

China has become a major donor. As China is not a member of the Development Assistance Committee, reliable statistics are meager. However, Holder and Jackson estimated that in 2004 China was the second highest donor to the region, supplying 26% of total assistance, behind the UK with 28% (Holder and Jackson, 2008). Indeed, there is some evidence that a new positive trend may be emerging. Brautigam (2009) makes a compelling (but not fully convincing) argument that China's involvement will actually lead toward growth. She maintains that the Chinese have been greatly misunderstood in China's recent involvement.

China's vice-Commerce Minister recently stated, "China's presence in Africa is becoming more and more market driven, the actors operating there are more diverse…" (Mail and Guardian, 2010). This year China overtook the major European countries in a shift of voting power at the World Bank. The new dispensation puts China behind the US and Japan but ahead of Germany, France and the UK. While somewhat symbolic, it could be a signal move toward China's embracing of international norms. For example, China has signed the 2004 Paris declaration on aid effectiveness. Further, in April 2010 the World Bank's IFC completed its first deal to help finance a Chinese-built office tower in Dar es Salaam. While providing only a minority of the total financing, the IFC does have conditions and standards that --until now-- China has not been keen to embrace (Abrams, 2010). In 2008 India was the largest contributor to UN peace-keeping and humanitarian efforts (including election monitoring and health services) in Africa with some 30,000 troops and personnel (Xavier, 2010; Beri, 2005). China is the fourth largest contributor of troops for peace-keeping operations in Africa, with troops in UN operations in Liberia, Sudan and Congo.

There have been a number of relatively new international programs that are trying to help increase transparency. For example, the Kimberly Process Certification Scheme could help with conflict diamonds. The Revenue Watch Institute operates in 12 African states, ten of which are resource cursed. Its goal is to publish data on sources of state revenues, spending and contracts in order to promote transparency. Also, the Extractive Industries Transparency Initiative, which works in 16 African countries, nine of which are resource cursed has similar goals of strengthening governance by improving transparency and accountability in the extractives sector. These initiatives may well work, especially for a limited number of lootable resources, but they many not be apply to the others, such as some fuel minerals and other point source resources.

Nonetheless, most African states lack the capacity to regulate this massive influx of investment and trade. Because of the lack of transparency of the state-to-state deals there is often little indigenous pressure for reform. Therefore, there is a tendency for keeping the spoils of the resources in the hands of the ruling elite. As Soros suggests, "Resource revenues provide a non-democratic government both with the financial means and the incentive to maintain itself in power" (Humphreys, 2007; Basedau, 2005).

This paper argues that not only fuel and non-fuel minerals can exacerbate the resources curse, but that buying “unlootable” resources, especially land can as well (as this rent goes to entrenched leaders). Chinese and Indian farmland purchases have been driven by food insecurity. For example, India’s Planning Commission estimates that the demand for wheat in India will soon result in a shortfall of some 10 million tons (Hazra, 2009). Other drivers include rapid urbanism and resulting changes in tastes and diets, more bio-fuel production, the general trend in rising prices and rates of return and a perceived improved investment climate in the region. However, according to the FAO, of the 2.5 million hectares being bought, China apparently is not the major player (indeed, most of the Chinese “friendship farms” are medium scaled, below 1,000 ha). South Korea and some Gulf-based countries are more expansive (Cotulg, 2009). Nonetheless, China and India are big investors. China, for example, recently purchased 2.8 million hectares for a bio-fuel palm oil plant in the DRC, which would be the world’s largest. A recent FAO report cautioned, “Unequal power relations in the land acquisition deals can put the livelihoods of the poor at risk. Since the state often formally owns the land, the poor run the risk of being pushed off the plot in favour of the investor, without consultation or compensation”. The FAO report continues, “Lack of transparency and of checks and balances in contract negotiations creates a breeding ground for corruption and deals that do not maximize the public interest” (Cotulg, 2009).

The complexities associated with India and China’s relationship with the resource curse raise a number of related questions. For example, will the Washington Consensus be replaced by a Beijing Consensus? And, will this new relationship offer a new, alternative model for growth? Since the late 1980s, the international financial institutions and major donors have stressed that recipient governments undertake varying degrees of structural reforms, including reduced budget deficits, re-aligned exchange rates, creating a more enabling environment for foreign investment, and a host of other reforms generally termed as neo-liberal. China, and to a lesser degree, India, do not insist on such conditions for their bilateral relationships. This raises the fear that China’s noninterference could erode Africa’s recent trend toward better governance. In addition, there is concern that Chinese loans could further corrupt leaders. Furthermore, these new massive loans could well burden those countries that are just now emerging from HIPC cancellations, perhaps starting a new cycle of debt. Will China and eventually India lose the support of Africans? There are widespread accusations of lax environmental standards, poor worker rights and low wages, and subsidized state-owned enterprises (SOE’s) who can sustain losses to the disadvantage of local firms (Perry, 2010). The African Labour Research Network completed a comprehensive investigation into Chinese treatment of workers in ten African countries and found consistent massive violations of labor standards (Atarah, 2009). In addition, by using Chinese workers, little is done in the way of increasing local employment (Rocha, 2008). Should these practices continue, African workers, and perhaps eventually their leaders, may well reject closer economic relationships.

Perhaps the final and most important question remains: is there a way for these states to avoid the resource curse? Humphreys suggests the best way would simply be to just leave the resources in the ground (Humphreys, 2007). Other than that, the simple, yet highly unrealistic answer is political reform: better, more open governance with less corruption and quality institutions, transparent laws, a better enabling environment for foreign investment, a more diverse economy, and more equitable sharing of the resource revenue.

While sub-Saharan Africa will likely continue its growth trend, this does not insulate it from the resource curse. It is unlikely that fragile states will be able to withstand the onslaught of the resources curse. This paper makes the conclusion that in the absence of any or most of the reforms mentioned above, and despite the commendable international transparency initiatives, China and India’s increasing involvement will likely exacerbate, where it exists, the resource curse in sub-Saharan Africa. In addition, such involvement could help the curse spread wider and deeper into heretofore less-affected countries.

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