CHINA'S AND INDIA'S INVESTMENT STRATEGIES IN AFRICA

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Executive Summary

1. China and India have over the last decade made impressive progress in their outward foreign direct investment (OFDI), rising from a respective US$6.9 billion and US$1.4 billion in 2001 to US$68 billion and US$14.6 billion in 2010. Their shares in the world's total OFDI flows by developing countries reached 20.8% and 4.5% in 2010, respectively.

2. OFDI in Africa from the two also rose rapidly in recent years. China's OFDI stock in Africa had hit US$13 billion by 2010, accounting for 4% of China's total OFDI. OFDI from India to Africa accumulated to almost US$9 billion between 2000 and 2009, or 12% of India's total OFDI.

3. Although government initiations and state-owned enterprises (SOEs) are significant for both countries' OFDI in Africa, drivers of China's OFDI are generally top-down and policy-led, while those for India tend to be bottom-up and market-driven.

4. Non-state enterprises, driven by business interests, are indispensable players in India's investment in Africa, but not for the case of China. As a result, China's OFDI projects are more closely related to resources and infrastructures, while those of India are more diverse.

5. Although rising demand for energy has promoted both China's and India's resource-seeking OFDI in Africa, the rest of their OFDI tend to complement each other. China's part mainly flows to the construction industry and the low value-added manufacturing sector, while that from India is to the service industries and the high tech-led manufacturing sector.

6. Compared with China's wide OFDI distribution in Africa, 70% of India's OFDI flows to Mauritius due to the large numbers of Indian immigrants there, taking advantage of the same language and similar cultural background.

7. China and India’s earlier foreign policy toward Africa was guided by the principle of non-alignment, and their engagement with Africa in recent decades has been characterized by economic aid and South-to-South cooperation.

8. China tends to focus more on improving hardware facilities in Africa such as infrastructures via economic aid, while India helps to strengthen Africa’s expertise through technical transfer, education and training.

9. Compared with India’s relatively more people-oriented policy in Africa, China’s interaction with Africa at present is more limited to government levels. With increasing participation of Chinese small and medium enterprises, such interaction is expected to be extended to the individual levels.