Chapter 2

Economic Integration of African Economies With China and India

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ABSTRACT

In recent decades, the global economy has been witnessing the emergence of the Global South, which accounted for about 40% of global trade in 2017, up from 24% in 2001. The traditional pattern of trade, generally skewed towards developed economies, has shifted to a growing South-South trade relationship. The rapidly expanding trade and investment relationship within the China-India-Africa triangle attests to this dynamic change. This study reviews China-Africa and India-Africa relations along the lines of trade flows (dynamics, structure, and destinations of exports and imports) and foreign direct investment (stocks accumulated in African countries). The authors emphasize existing problems and challenges in China-Africa and India-Africa trade and investment integration and reveal opportunities for the three sides to collaborate with an aim to spur economic growth.

INTRODUCTION

Africa is surrounded by the Mediterranean Sea, Suez Canal, the Red Sea, Indian Ocean, Atlantic Ocean, and Sinai Peninsula. The African continent is the world’s second-largest. It covers an area of 30.2 million km² which is equivalent to almost 20.4% of the total world’s land area. In terms of population, Africa
has more than 900 million people which is 14% of the world’s total population. In Africa, there are 55 countries, out of which 48 countries are considered as Sub-Saharan Africa and seven countries relate to North Africa. Africa is rich in natural resources; however, the majority of African economies are dominated by agricultural production with around 80-90% population living in rural areas.

In economic terms, the continent is divided into four parts. The southern parts of Africa are the most prosperous (based on agricultural, industrial, and trade performances) and people enjoy freedom and democracy along-with socio-political stability, whereas the other parts striving for democracy, freedom, and social and political stability. South Africa, Nigeria, Mauritius, Kenya, and Egypt are the richest nations in Africa, while the poorest economies are Somalia, Burundi, Eritrea, and Ethiopia.

The collective GDP of the African countries is estimated to reach $2.6 trillion by 2020. Consumer spending is on the rise with Sub-Saharan Africa’s consumers projected to generate up to $1.4 trillion by 2020. Urban food markets are set to increase fourfold to exceed $400 billion by 2030, requiring major agribusiness investments in processing, logistics, market infrastructure, and retail networks (Chakrabarti & Ghosh, 2014). Africa is estimated to be home to 30% of the world’s mineral reserves, and an even higher proportion of deposits of gold, platinum, diamonds, and manganese. However, despite rich natural resources and hard-working workforce, Africa is the most backward continent in the world. Despite rich natural resources, Africans are still poor and backward community, because of its poor economy, lack of education, lack of access to health care, uneducated people, few businesses, poverty, and civil wars which erupt every now and then. Coupled with corruption by whoever is running the government. Be aware though that it is beautiful and rich in natural resources, (gold and diamonds) but this is the irony for other countries enjoy their wealth but still they remain poor and undeveloped despite all that.

In the most of Sub-Saharan African countries, people’s source of income the lowest as around less than $765 of GNI per-capita annually. Ethiopia, Eritrea, Somalia, and Burundi are the worst-off whereas only $90 per capita of GNI. Gabon and Botswana have considered middle-income countries but the two-thirds of population live below the poverty line. North Africa has found generally rich because of oil resource. Western Africa has also oil and diamonds but diamonds bought and sold in the USA. Africa is the world’s largest producer of cocoa beans and peanuts (as 75% of cacao and over 30% of peanuts), but rural people are very poor, while agricultural productivity is at the lowest standard.

Other natural resources like precious minerals and diamonds are abundant in the south and east of a line from the Gulf of Guinea to the Sinai Peninsula; extensive oil, gas, and phosphate deposits occur in sedimentary rocks to the north and west of this general line.

Major fishing grounds are found over the wider sections in the continent’s North West, South West, South Africa, and North West Madagascar. Despite Africa’s enormous potential for hydroelectric power production, only a small percentage of it has been developed due to the lack of internal capability including skilled manpower and capital and technology.

BACKGROUND

Exploitative Nature of the Western Countries in Africa

Africa’s huge reserves of mineral wealth are divided up between the giant multinationals based in Europe and the USA – local people are unlikely to receive a share of the huge profits being made. Petroleum oil, gold and diamond, and other natural resources of Africa are directly controlled by 4,000 US and