Author Response: India and China in Africa: A comparative perspective of the oil industry by Raj Verma

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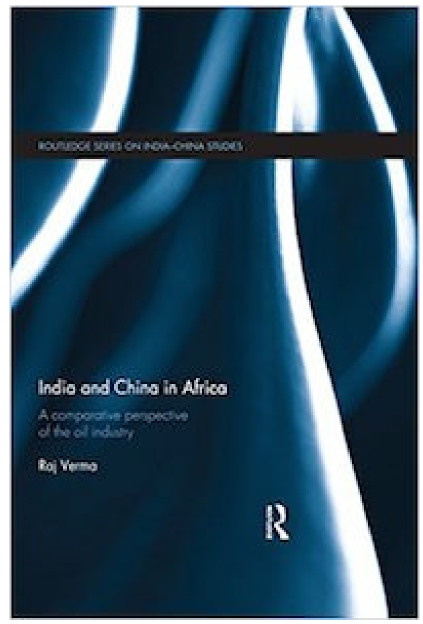
Earlier this month Ian Taylor reviewed India and China in Africa*, a new book about Asian engagement in the West African oil industry. Here, the book's author **Raj Verma** responds to Taylor's comments, outlining the rationale and evidence for the framework used in the study.*

India and China in Africa: A comparative perspective of the oil industry. Raj Verma. London: Routledge. 2017.



I would like to begin by thanking LSE South Asia for reviewing my book. LSE South Asia sheds light on important issues and developments which not only affect the component countries and the region itself, but also have global ramifications. I would also like to thank Ian Taylor, one of the leading lights on India and China in Africa, for reviewing the book. In my reply to the reviewer, I have taken verbatim excerpts from the book. I have put the text in double quotations long with the page number(s).

The book is based on my doctoral thesis and seeks to provide an answer to the research question 'Can neoclassical realism (NCR) explain the differences and relative success and failure of China and India in their respective efforts to mobilise oil in the oil industry in West Africa?' In the process, it aims to make a theoretical contribution to the existing literature on NCR and an empirical contribution to the existing literature on India and China in the oil industry in West Africa. The book aims to expand NCR's scope and research design.

The study uses the difference in the relative power of India and China in an anarchical international system as the independent or exogenous variable and the difference in the political economy of the two countries as the intervening variable in NCR to explain the differences and the relative success and failure of India and China respectively in mobilisingoil in the oil industry in West Africa. In the process, the study extends NCR's research design because, in the past, political economy has been used as an intervening variable in NCR to explicate either a contradiction in neorealism such as under-balancing [1] or to explain a structural phenomenon such as polarity [2].

This variant of NCR explains a systemic rather than a structural outcome. It is not explaining deviation from neorealism or polarity. With respect to India and China's respective interactions in the oil industry in West Africa, the driving force is economic relations to mobilise oil, a key resource. The rationale is regime survival as well as augmenting both absolute and relative power. Thus the study provides a theoretical contribution to the existing literature on NCR in general and NCR and political economy in particular. This is discussed in detail in Chapter 1. Moreover, it provides further avenues for research in the Conclusion (pp.233-237).

The study postulates that the differences and relative success and failure in how India and China mobilise oil in the oil industry in West Africa is explained by two factors: first, the difference in their material power, or economic and political power. Since China has greater economic power and political clout than India, its behaviour and role is different vis-à-vis India in the oil industry in West Africa. This elucidates the ability of Chinese oil companies to outbid their Indian competitors and/or be preferred as partners by international oil companies and/or have better quality oil blocks. This also explains China's widespread outreach in Africa compared with India's discreetly selective approach.

The study argues that the differences between India and China's political economies translates into divergence in the composition of the economy, especially the non-agricultural sector. This explains the diversity in reforms introduced in the two countries and why the Chinese economy is dominated by large scale and mostly subsidised SOEs, and why the private sector has been stifled. India, on the other hand, is characterised by a mixed economy constituting SOEs as well as a vibrant private sector with 'global brand names' which act as the torchbearer. This difference in the political economy also explains why the oil industry in China is almost totally dominated by the SOEs whereas in India it is represented by both SOEs and the private sector with the latter playing an important role.

It also makes an empirical contribution to the existing literature on India and China in the oil industry in West Africa by examining various factors such as the rate of return on capital/investment, rate of interest on loans and the ease of availability of loans or finance, the difference in the level of technology and ability to acquire technology, project management skills, risk aversion and the difference in the economic, political and diplomatic support received by the Chinese and Indian oil companies from their respective governments.

Taylor acknowledges the empirical contribution of the book in his review, however he has taken exception to the realist framework adopted to explicate the research question. Taylor argues that there is "no evidence at all and I very much doubt that China's status at the UN informs any contracts entered into with Chinese corporations." This is contrary to the response given in interviews conducted by the author where the interviewees have stated that the decision by African countries to give oil blocs to Chinese oil companies are not only based on economic but also political and diplomatic considerations, so China's permanent membership of the UNSC with veto power allows it to establish better political and diplomatic ties with the Africa countries. This is discussed in detail in Chapter 4 and this assertion is based on approximately 50 interviews conducted by the author with former diplomats, academics, industry experts and scholars form think-tanks. It seems that the reviewer has failed to take into account or does not understand the geopolitics of oil and or how the oil industry works.

Taylor writes that "The author forcefully argues throughout the book that the Indian government needs to step up and support Indian companies. This is perhaps also a fair point, but I doubt that anything radical will change, given the extremely poor level of Indian diplomatic cover in Africa and the levels of expertise and interest in the continent." This statement overlooks the Epilogue (pp. 239-240), where I have explicitly stated that "ceteris paribus, it is difficult to foresee a change in the oil equation between India and China in Africa and other parts of the world before 2025 or even 2030."

Taylor also asserts that "… the intense competition between Chinese companies and different actors is brushed over. Verma's approach seems to suggest some grand master plan by the Chinese to coordinate efforts in accessing African oil, but the situation is far more complex than this." In Chapter 5 and Chapter 6 which discuss the bidding and acquisition of oil blocs by India and China in Angola and Nigeria respectively, I have mentioned instances where Chinese oil companies have competed against each other in the bidding process.

Taylor also states in the review "… and in any case, much of the oil extracted by these companies is sold on the global market." I have acknowledged on page 54, End Note 2, "Both India and China are following a strategy of acquiring equity oil blocks globally and in West Africa to enhance their energy security. Indian and Chinese oil companies sell 90 per cent of their equity oil (from their global assets) in the international market." In the end note I have also explained why they sell oil in the international market.

It seems Taylor has missed some key nuances of the book, or has not understood the argument. Additionally, the review is much shorter than the average LSE book reviews, leaving out any discussion of the methodological aspects of the qualitative research and the interviews conducted by the author. These augment the empirical richness of the book and provide the evidence and rationale for the framework.

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[1] Balancing can have three outcomes: appropriate balancing, over balancing and underbalancing. A state under balances when it fails to balance against a state or states which leads to an imbalance. This might be due to inefficiency or the inability of the state to correctly perceive threat from a state or states. For more details see Randall L. Schweller (Fall 2004), Unanswered Threats: A Neoclassical Realist Theory of Underbalancing, International Security 29 (2), pp. 159-201.

[2] Polarity is defined as numerous ways in which hard power (political, economic and military) is distribute in the international system at a particular pint in time. This gives rise to different systems such as unipolar, bipolar, tripolar and multipolar. For more details see Kenneth Waltz (Summer 1964), The Stability of a Bipolar World, Daedalus. 93 (3), pp. 881–909.

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