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Evaluating Chinese President Hu Jintao's tour of Africa

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Contents

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Editorial

This past month Chinese President Hu Jintao travelled once again to Africa. He has visited 17 African states over the last ten months – more than any other head of state – including South Africa's frequent flyer president, Thabo Mbeki. China's political focus on Africa is unprecedented in Beijing's relations with any state or region. Considering the very regular visits of China's top leadership to Africa, the Chinese obviously see us as important.

Due to the frequency of senior visits from China to Africa, Chinese diplomats clamour for a posting to African capitals, as nowhere else in the world do they have such access to the Chinese leadership. The question is, why do the Chinese regard us Africans as being so important?

Almost every senior Chinese politician, provincial governor and municipal mayor has travelled to South Africa since the establishment of diplomatic relations nine years ago. South Africa has become the preferred "political-tourism" destination of the Chinese leadership. South African government delegations are also frequent visitors to China.

It's best we quickly begin to understand the drivers of this process. I do not believe that we as Africans have even begun to comprehend the long term strategic implications of this new force.

China has become the most confident and assertive commercial player in Africa. It appears that China will over time displace Western commercial interests and political influence on the continent. But China is not the new coloniser. It is an expanding global power toward which Africa must pragmatically align itself.

Dr Martyn J. Davies
Director, Centre for Chinese Studies

Policy Watch

In Hu's Agenda

By Hannah Edinger

In less than a year Chinese President Hu Jintao has concluded two visits to the African continent - his third as China's Head of State - amid increasing controversy surrounding China's emerging role as a development partner for Africa. According to the President his Africa trip was "*to consolidate the traditional friendship between China and Africa, implement the results achieved at the Beijing summit of FOCAC, expand pragmatic cooperation and seek common development*".

Aside from the President's multiple visits to the continent, many Chinese leaders and members of the Politburo have engaged in state visits to almost every African country over the past several years. On the heels of Premier Wen Jiabao's African tour in July last year President Hu deepened China's economic, political and cultural engagement from 30 January to 10 February this year with eight African states: Cameroon, Liberia, Sudan, Zambia, South Africa, Namibia, Mozambique and Seychelles.

As a follow-up to trade, investment, debt relief and development assistance commitments made at the Forum on China-Africa Cooperation (FOCAC) three months prior to Hu's eight-country trip, numerous agreements between the visiting delegation and predominantly least developed country (LDC) host states were inked.

"…increasing co-operation in the areas of infrastructure development, investment projects and humanitarian assistance"

On the cards was a re-emphasis on pursuing mutual benefits of increasing co-operation in the areas of infrastructure development, investment projects and humanitarian assistance. In fact, this has become the trademark of China's economic engagements in Africa entailing a mix of logistical assistance to boost emergent industries. These range from agricultural sector enterprises, to joint ventures in the natural resources sector to generous aid and investment packages geared towards upgrading the scale of operations.

Cameroon

The first stop on his 12-day trip was Yaounde where President Hu met his counterpart Paul Biya. Since forging diplomatic ties in 1971 China and Cameroon have signed a series of co-operation agreements in the areas of public health, education and cultural exchanges. More recently, China has shown a keen interest in the country's agricultural sector and mineral resources and has granted Cameroon approved tourist destination status.

Over the last year bilateral trade between the two nations has almost doubled to US$ 390 million in 2006 up from US$ 196 million the previous year. In December 2006 China promised to strengthen Cameroon's efforts at modernizing its military and signed a material assistance agreement estimated at CFA 532.3 billion (US$ 1.1 billion) to boost Cameroon's military performance.

This year a series of economic, health and educational agreements was signed on 31 January. These incorporated loans to Cameroon worth US$ 45 million for telecommunication projects and US$ 9 million for economic and technical projects. President Biya also called for increased investment in the country's energy, mineral and timber industries by Chinese companies.

An undisclosed amount of Cameroon's debt with China was cancelled during the meeting in line with China's pledge made at FOCAC 2006 to cancel all interest-free government debt that matured by 2005 owed to China by highly indebted poor countries (HIPC) .

Liberia

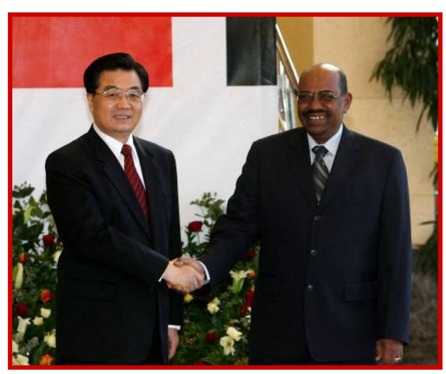
On Thursday 1 February relations between Liberia and China were strengthened on the second leg of President Hu's African tour. His visit to this least developed country resulted in seven agreements between the two nations including commitments made by China to waive 10% of Liberia's US$ 50 million debt with China, to increase exports of Liberian goods to China, and to provide technical and economic assistance.

Beijing also promised the renovation of the University of Liberia's Monrovia and Fendell campuses and assistance to the Liberian Broadcasting system. Construction of three no-fee schools, general aid to Liberian projects as well as paving of Liberia's main transport roads formed part of the accords.

During his stay President Hu also launched the anti-malaria prevention centre at John F Kennedy National Hospital against malaria.

Sudan

One of the most controversial stops on the Chinese leader's itinerary was Sudan, one of Africa's fastest-growing oil-rich economies, in whose oil fields China National Petroleum Corporation (CNPC) has a major stake. Around 60% of Sudan's oil output is supplied to China.



At the 2006 Beijing summit Sudan was one of the countries that benefited from a US$ 60 million textile business agreement while in October both sides concluded an agreement that will see Sudan as the beneficiary of a US$ 27 million loan to finance the Al Sawamih Construction Project aimed at increasing Khartoum's cereal storage capabilities. Furthermore the country is benefiting from the continent's largest hydropower project, currently being constructed in Merowe - mainly by Chinese companies - scheduled for completion in 2008/2009.

Yet with oil overshadowing all other interests, President Hu's stopover in Khartoum raised significant concerns about whether the Chinese President would use this opportunity to pursue talks with Omar Hassan Ahmed Al-Bashir's government over the Darfur crisis.

Even though it was widely anticipated that President Hu would use China's political leverage in Sudan to urge Khartoum towards a peaceful resolution to the Darfur crisis, the meeting of the two Presidents primarily focused on economic and trade relations. However, mutual agreement regarding the Addis Ababa agreement which calls for a joint UN-AU force in Sudan's conflict-stricken regions was voiced.

Altogether seven agreements between the two sides were inked to cement economic relations in order to surpass US$ 3.36 billion in bilateral trade flows recorded in 2006. Khartoum was also granted a 100 million yuan (US$ 12.8 million) interest-free loan and a 40 million yuan (US$ 5.1 million) grant for an array of projects.

"…the special economic zone is to form a production chain with the Chambishi Copper Smelter as the core enterprise"

Zambia

The fourth stop on the President's journey through Africa was Lusaka. Here the Chinese Head of State met with Zambian President Levy Patrick Mwanawasa to establish the first of 3-5 scheduled economic and trade zones on the African continent, announced as one of the eight measures to strengthen the Sino-African partnership at FOCAC 2006.

The Zambia-China Economic and Trade Cooperation Zone enables China further access to the continent's abundant resources and strengthens its trading relationship with the continent. It also aims to expose Chinese companies to greater opportunity, seeks to facilitate light industry development and thus create job opportunities and enhance living standards for Zambian citizenry. Located in Zambia's Copper Belt Province the special economic zone is to form a production chain with the Chambishi Copper Smelter as the core enterprise.

During his visit President Hu opened the Chambishi Copper Smelter which is forecast to produce 150 000 tonnes of copper annually. President Mwanawasa also urged the Sino-Zambian partnership to be taken to a higher level and that emphasis should be placed on foreign investors engaging with local suppliers to avoid adverse growth effects of local industries through the outsourcing of contracts to foreign suppliers.

Based on the five principles of peaceful coexistence a Joint Communiqué was issued by the two countries to further boost political cooperation and international dialogue, friendship and cooperation, mutually beneficial cooperation and cultural exchanges.

Altogether China and Zambia signed eight cooperation agreements on aid and investment. As Zambia's third largest investor China has invested in sectors such as agriculture, telecommunications, infrastructure, mining and finance, and the official state visit is to bring US$ 800 million worth of new investments to the African state, of which US$ 396 million is earmarked for the rehabilitation of a major power station and for upgrading the rural telecommunications infrastructure.

Besides the cancellation of more than US$ 3 million in Zambian debt and the enlargement of the number of zero-tariff Zambian exports from 190 products to over 440, accords included the construction of a sports stadium in the city of Ndola, an agricultural technical demonstration centre, two rural schools, one hospital, and an anti-malaria centre.

"…the official state visit is to bring US$800 million worth of new investments…"

Further undertakings included 117 Chinese government scholarships between 2007 and 2008, increasing the number of Zambian professionals being trained, and enlarging the number of experts in agricultural as well as youth volunteers to the country.

Namibia

In 2006 Namibian President Hifikepunye Pohamba indicated that he would like to witness more Chinese investment in agriculture, mining and tourism. With high potential gas reserves and uranium deposits Namibia is potentially hoping to attract Chinese investment. One of 15 uranium exploration licenses was recently granted to Chinese company Namibia-China Minerals and Development.

On the fifth leg of the African safari Beijing signed five agreements on economic and technological cooperation, human resources training, education and tourism with the lower middle income country. A concessional loan worth N$ 1 billion (US$ 138.4 million) was offered over the period up to 2010, as well as a N$ 720 million (US$ 100 million) credit line for the Namibian government to obtain Chinese goods, services and equipment. Yet only N$ 60 million (US$ 8.3 million) were signed for as a new grant and interest-free loan.

Agreements that are currently in place between the two countries are a reciprocal treaty for trade and investment protection, and an agreement to endorse and facilitate investment between the two nations through the Namibia Investment Centre and the Chinese equivalent, China Investment Promotion Agency. Chinese President Hu Jintao also pledged to establish a youth training centre.

Subsequent to the President's departure a Joint Communiqué between the two nations was established.

Mozambique

After his stop-over in South Africa from 6 to 8 February President Hu arrived in Mozambique to cancel all debt accumulated over the period 1980-2005 between Beijing and the least developed country, estimated at around US$ 20 million.

Agreements between the two nations included expanding the number of duty free goods from 190 to 442 and granting a US$ 155 million soft loan to the Mozambican government. Agricultural and infrastructure agreements inked included China Eximbank's commitment to provide US$ 40 million for public infrastructure projects and China's support to construct a pilot centre on agricultural techniques in Nampula province.

Beijing also offered an interest-free loan of around US$ 15 million for the construction of a national stadium to be ready by 2010, for possible spin-offs of the Soccer World Cup hosted in South Africa.

The two sides also issued a Joint Communiqué on bilateral cooperative relations and regional as well as international affairs of mutual concern.

Seychelles

Victoria, the capital of Seychelles, hosted President Hu Jintao on 10 February on the concluding leg of his 8-nation African safari. The Chinese leader and his Seychellois counterpart, James Michel, witnessed the signing of five bilateral agreements fostering economic and technological cooperation, education and investment, and to promote cooperation in tourism, fishery and human resources to list but a few.

During his visit President Hu encouraged greater Seychellois exports and Chinese investment in the island economy's infrastructure, telecommunication, hotels and entrepôt trade.

After 30 years of diplomatic ties China pledged to further support the small island developing state with economic assistance, to train additional technical and managerial experts and to provide youth volunteers to assist with public services such as health, music and Chinese language training.

Overall, as indicated at FOCAC 2006 additional high-level bilateral visits between China and African states to uphold positive relations can be anticipated in the future to foster the Sino-African strategic partnership.

Describing his trip as "a journey of friendship and cooperation" to foster political equality, economic win-win cooperation and cultural exchanges President Hu's visit was to strengthen bilateral cooperation and to promote common development, besides securing more natural resources to sustain China's booming economy, and markets for Chinese products.

Of concern is the anti-Chinese sentiment currently emerging in countries such as Zambia, where Chinese companies have been accused of exploiting local workers. A planned visit to the Chambishi Copperbelt, during the President's visit was cancelled due to domestic resentments and possible protests at the Chinese-owned mine, where more than 50 Zambian workers were killed in a mine explosion in 2005.

"…China is beginning to experience the backlash from traditional market players in African economies…"

With its competitiveness heralding rapid penetration of Africa's markets, China is beginning to experience the backlash from traditional market players in African economies. Concerns have been raised regarding good governance and environmental practices. China's Exim Bank, which finances the majority of large African infrastructural projects that Chinese companies are engaged in, has recently initiated reforms in its investments to address these issues. This illustrates not only the importance China places on its strategic relationship with Africa, but also leverage African countries have with China to ensure that such investment is sustainable and beneficial.

Compiled from: *Xinhua News Agency, CCTV.com, The Analyst, China Confidential, China.org.cn, AFP, The Namibian, Agencia de Informacao de Mocambique, The Times of Zambia and Seychelles Nation*

Images courtesy of Xinhua News Agency

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Commentary

South Africa and China: Strategic Partners

By Hayley Herman

The strategic partnership between South Africa and China was further strengthened by President Hu Jintao's state visit to Pretoria this month. Marking a decade of formal bilateral relations next year, the two countries have continued to emphasize the importance of diplomatic ties by extending areas of cooperation that could add to a mutually beneficial relationship in the long term. The visit this month dealt specifically with trade, political, development, investment and economic cooperation, as well as cultural exchanges between South Africans and the Chinese.

Seven agreements signed during the visit:

- Protocol on Phyto-Sanitary requirements for the export of pear fruits from China to South Africa
- Protocol on Phyto-Sanitary requirements for the export of table grapes from South Africa to China
- Protocol on Phyto-Sanitary requirements for the export of apple fruit from China to South Africa
- Protocol on Phyto-Sanitary requirements for the export of tobacco-leaf from China to South Africa
- Agreement between South Africa and the Peoples' Republic of China on Co-operation in the Minerals and Energy Sector
- Agreement between South Africa and the PRC on Co-operation in the Minerals and Energy Sectoral Co-operation Committee
- Agreement on Economic and Technical Co-operation between South Africa and the Peoples' Republic of China

The discussions between President Mbeki and President Hu followed the agreements made during the Forum on China-Africa Cooperation (FOCAC) in Beijing last year, expressing that relations between Africa and China be directed by four principles namely; broadening of political mutual trust and strategic consultation, enhancing economic cooperation and trade, enhancing coordination, cooperation and diplomatic consultations, as well as strengthening cultural and personal interaction between Africans and Chinese.

"strengthening economic cooperation and trade is a significant area of interest for both South Africa and China …"

Indeed, the visit served as a follow-up meeting to this outcome with both countries having the potential to deepen their strategic partnership in these spheres. Furthermore, both President Mbeki and

President Hu expressed that the bi-national commission between the two countries would be key to their diplomatic relations in the future.

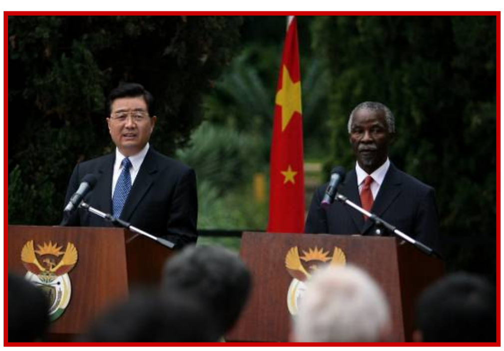
Strengthening economic cooperation and trade is a significant area of interest for both South Africa and China. Trade and investment between both countries has increased significantly since the countries' entered into bilateral relations in 1998, however an imbalance has remained in both these areas. According to South Africa's Department of Trade and Industry, South African exports to China totalled just under US$2 billion in the first eleven months of 2006, while Chinese imports to South Africa reached more than US$6 billion during the same period.

This trade deficit is a major area of concern as illustrated by South Africa's introduction of textile quotas from January this year due to the pressure Chinese clothing imports have had on the local textile industry's competitiveness. South Africa is China's largest trading partner in Africa while China has become South Africa's sixth largest export partner and remains South Africa's second largest import partner.

Agriculture was the focus of discussions on trade expansion with various agreements being signed concerning the trade of fruit. These phyto-sanitary agreements refer to the protocol to be followed in order to allow the trade of these fruits between the two countries, including a 22- hour sterilization period, new shipping and inspection arrangements as well as the designation of Guangzhou and Shenzhen as ports of entry for the fruit into China. However, only one of these protocols, namely that of table grapes, applies to South Africa's export market with both of the other agreements, as well as the trade of tobacco-leaves relating to Chinese imports into South Africa.

"Agriculture was the focus of discussion on trade expansion with various agreements being signed…"

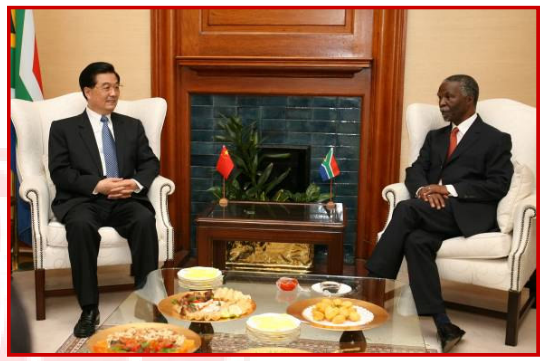
While this new agreement opens the door for South Africa to potentially increase its agricultural market to China, specifically fruit in this case, it is China that has received a boost in this area with more protocols referring to its export market. The table grape industry can however view this new agreement as an opportunity to diversify its market currently dominated by trade to Europe and the United Kingdom. This is the second fruit after citrus to be exported to China and hopefully this will lead to further agricultural exports from South Africa.



President Mbeki and President Hu also emphasized the need to increase the level of Chinese investment in South Africa. The China-Africa Development Fund was highlighted as a major initiative to spur investment by Chinese companies as South Africa's investment levels in China continue to rise, reaching US$400 million through companies such as Naspers and SABMiller. Sasol would become one the largest foreign investors in China if its two coal-to-liquid plants are built with figures reaching an estimated US$10 billion.

Future economic cooperation focused particularly on skills development and poverty with a US$2.6 million provision towards the Accelerated and Shared Growth Initiative for South African (ASGISA) for training and agricultural development, while two agreements referred to continued enhancement and friendly cooperation in the energy and minerals sector.

Minerals remain South Africa's largest export to China and this agreement can only strengthen this market into the future. China will also build an agricultural technology cooperation centre and a vocational training centre as part of the ASGISA initiative, although South Africa's Deputy President Phumzile Mlambo-Ngcuka will visit China later in the year to discuss this area of collaboration further.



South Africa's acceptance of a non-permanent seat in the United Nations Security Council signifies another opportunity for further diplomatic consultation with China according to President Mbeki and President Hu. This multilateral sphere could allow for collaboration in areas of mutual interest, particularly the enhancement of south-south and north-south cooperation. The reform of the United Nations and other multilateral organisations such as the World Trade Organisation (WTO), as well as the achievement of the Millennium Development Goals (MDGs) are both common areas of interest that could see further discussion between both countries.

President Hu stated that 500 youths would be given the opportunity to visit China in the next three years as a way of increasing cultural interaction with Africa, while the 2008 Olympics in Beijing, as well as the 2010 Soccer World Cup in South Africa were also noted as opportunities to share experiences in hosting major sporting events. With South Africa and China celebrating a decade of formal ties next year, 2008 will undoubtedly allow further cultural exchange and celebration to represent a continued deepening of this strategic partnership.

Compiled from: *Financial Mail, China Institute, The Washington Post, South Africa's Department of Foreign Affairs, South Africa's Department of Trade and Industry, focacsummit.org, iol.com, Business Report and Xinhua News Agency.*

Images courtesy of Xinhua News Agency

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Business Briefs

The Business Briefs section summarises key events regarding China's economy during the month of January.

China eyes 8% economic growth In 2006, China's annual growth rate reached 10.7%, the fourth largest economy worldwide. According to the Chinese central bank's quarterly monetary policy report China's economy will grow approximately 8% this year. In addition, the People's Bank of China released a statement this month saying that the central bank will curb credit growth and limit the increase of M2 money supply at 16% to slow down China's economic growth and reduce its immense trade surplus.

China trade surplus widens in January China's monthly trade surplus in January reached US$15.9 billion, an increase of 65% from the US$9.5 billion posted a year earlier. It shrunk nevertheless compared with its largest-ever monthly surplus of US$23.83 billion recorded last October. In addition, its overall trade surplus in 2006 hit a new record of US$177.47billion, up 74% on 2005 and the national foreign-currency reserves totalled more than US$1 trillion. The immense Chinese trade surplus exerts pressure on China's economy regarding investment bubbles, inflation and the exchange rate.

G-7 Urges Flexibility in China's Yuan G-7 officials from Britain, Canada, France, Germany, Italy, Japan, and the United States met with counterparts from the fastest-growing economies including China in Essen, Germany this month. The G-7 reinforced calls on China to allow flexibility in the country's currency, the yuan. In contrast, the Chinese central bank Governor Zhou Xiaochuan stated that the yuan's current "pace of appreciation is appropriate" and that flexibility was being allowed "according to our own plan and the extent to which the economy can afford."

China R&D spending on rise, fueled by foreign investment China's spending on research and development (R&D) increased by 22% last year compared to 2005. According to the Chinese Ministry of Science and Technology (MoST) US$37.5 billion has been spent on science and technology research, apparently the highest to date. The development has resulted from the growth of R&D centres set up by foreign companies in China and supported by Chinese government subsidies. The government budget for R&D amounted to US$9 billion in 2006 as the percentage of China's GDP spent on R&D doubled from 0.6% in 1995 to more than 1.4% last year.

ABC set to get bailout and moves to share sale The Beijing-based Agricultural Bank of China (ABC) is facing a government bailout by the end of the year. It is expected that Central Huijin Investment Co, the investment arm of China's Central Bank, and the Ministry of Finance will become the bank's main shareholders after the bailout. No official numbers have been provided by the Chinese

Government, but it is widely assumed that US$50 billion is required to prepare ABC for an Initial Public Offering (IPO) in the future. ABC is the last of the big four state-owned banks including the Bank of China, Industrial and Commercial Bank of China and China Construction Bank, restructuring its business as part of China's reform of its banking system. Besides the bailout, other measurements to be implemented this year include setting up divisions for legal service, bad loan disposal, and strategic investor introduction.

China Construction Bank, China Life signs business cooperation agreement A 'full business cooperation agreement' has been signed between China Construction Bank and China Life. The deal is expected to diversify services in funds management, asset custody, capital settlement, financing and bank cards.

Asahi Kasei expands China operations Asahi Kasei Business Management (Shanghai) Co. Ltd (BMS) has been established by Asahi Kasei Corp. to further their activities in China. BMS will strive to further the growth of business in the country and serves as a spring board for further global expansion.

Oil-Refining project approved by Chinese government The Chinese National Development and Reform Commission has agreed to an oil-refining project worth a reported 15.2 billion yuan. China National Petroleum Corporation will build the refinery in Guangxi Zhuang province and should be completed by 2008.

Coordination committee for cooperation between Rosneft and Sinopec meets for the first time The coordination committee for cooperation between Rosneft Oil Company and China Petroleum & Chemical Corporation (Sinopec) conducted its first meeting. It focused on the progress and future plans of several joint ventures, as well as continued efforts to sign an agreement allowing crude oil to be delivered by rail to China through Mongolia.

Russia develops electricity, oil partnership with China The board of Russia's power grid operator, Unified Energy System, has approved a plan to increase electricity supplies to northeast China. The plan includes an electricity supply increase to between 3.6 and 4.5 billion kWh from 2008 and possible building of coal-powered plants in east Russia. The board also agreed to create Eastern Energy, a fully owned subsidiary to be an export contract holder.

China Moves into Uzbek Energy A consortium involving China National Petroleum Corporation (CNPC) has approved an agreement to develop oil and gas deposits in northern Uzbekistan. Russia's Lukoil, Petronas of Malaysia, South Korea's KNOC, and the Uzbekistan oil and gas firm Uzbekneftegaz are joint partners holding equal shares. The project on the shores of the Aral Sea is accredited for the next 35 years.

China Direct Acquires Alternative Energy Company Stake China Direct has purchased a 60% stake in CDI Magnesium Company Ltd and a 51% stake in Jinan Wanda New Energy Company, expanding into magnesium alloy and 'green energy' technology. The inclusion of these companies in China Direct's portfolio is a result of both industries' rapid growth in China.

Team Simoco Unveils Flagship International Offices in Beijing Team Simoco, one of the world's leading radio communications specialists, has opened its flagship offices in Beijing. This follows a continual growth in demand within public and private sectors in the Chinese market, particularly in rail, oil and gas sectors.

China Boosts Carbon Finance, Addressing Poverty and Climate Change A three-year joint carbon finance project worth US$1.7 million has been launched between the Chinese government and the United Nations Development Programme (UNDP). The project would involve the development of Clean Development Mechanism (CDM) technical services centres in 12 Chinese provinces to help foster international investments into local sustainable development. This process will allow industrialized countries to reduce their greenhouse gas emissions by investing in clean energy projects in developing countries such as China.

Clean coal deal with China Australian company, Economically Environmentally Sustainable Technology (EESTech) has signed a 20 year contract worth over US$100 million with Chinese company Liaoning Fuxin Coal Group. It will build a 30-megawatt 'green' power plant using hybrid coal and gas turbine technology in the city of Fuxin, in northern China. Construction of the plant is set to start in June 2007, and should be completed by early 2009.

PACE Mitchell Drilling Corp. Signs AU $10 Million Degasification Contract in China

PACE Mitchell Drilling Corp., a joint venture drilling subsidiary of Pacific Asia China Energy Inc, together with Australian Mining Services International Pty Ltd has signed a multi-company degasification contract with Shenhua Ningxia Coal Group, a unit of Shenhua Group Corp., the largest coal producer in China. The contract is worth over AU$ 10 million.

Covanta Announces Partnership with Chongqing Iron & Steel, Entry into Chinese Energy-from-Waste Market Covanta Holding Corporation, a world-leading waste-disposal and energy services company, has purchased a 40% interest in Chongqing Sanfeng Environmental Industry Co. Ltd., a subsidiary of Chongqing Iron & Steel Ltd. The deal should be approved in the second quarter of 2007, allowing the companies to enter China's energy-from-waste market.

Vice Premier orders food, drug system reforms Chinese vice premier Wu Yi has urged Chinese food and drug authorities to improve their anti-corruption measures. He also asked the authorities to streamline the mechanisms in place for the endorsement of equipment and drugs, in order to improve the safety of Chinese products.

Nuclear group gets renewable energy nod Guangdong Nuclear Power Group Co., China's second largest nuclear reactor builder, has been approved to develop two renewable energy projects. A hydro-station will be built in Sichuan province, and a wind farm in Gansu province in this 399 million yuan investment.

EU to boost funding on China energy, environment work According to the EU ambassador to China, Serge Abou, the European Union (EU) plans to mobilize another US$52 million to enhance cooperation and research with China in matters of energy and the environment. The projects "will touch on the three elements of technology transfer, people awareness and good regulations,'' according to Abou. In addition, the EU is also considering the development of a European energy technology centre in China to promote exchange of research and technology.

France's Areva wins $5 billion nuke deal Following China's extension for tenders to six nuclear plants, Areva, the world's largest nuclear-energy firm, has signed a US$5 billion deal to build two nuclear power plants in southern Guangdong province to be completed by 2013. American company Westinghouse will build the other four reactors in Shangdong and Zhejiang provinces.

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UK failing to exploit booming China A UK poll found that while eight out of ten UK company directors see China as their greatest potential business opportunity, 40% of these businesses have no strategy for engaging China. This has lead to a rise in the acquisition of knowledgeable managers which specialize in Chinese business culture.

China, Russia head 60 countries lacking IP protection China and Russia are the leading countries lacking the necessary protection of intellectual property rights. Intellectual property rights infringements cost the software industry US$28 billion last year alone.

DaimlerChrysler approves deal with China's Chery DaimlerChrysler, the world's fifth-largest car manufacturer, has approved a deal with China's Chery Motor Co. that will allow vehicles manufactured by Chery in China to be sold under the Chrysler Group's brands in North America and Western Europe. The Chinese government is yet to approve the deal which is likely to be finalized in late March.

www.motorauthority.com

Wal-Mart to buy stake in China retailer Wal-Mart has bought a 35% interest in Bounteous Co., the owner of Chinese discount chain-store Trust-Mart. The stores will continue to operate under the Trust-Mart name in the short-term and Wal-Mart would take control of the company in the future, fuelling the company's expansion into China's growing retail market.

Sourced from: Xinhua, China Daily, China CSR, Forbes.com, PR Newswire, Rustocks, Clickpress, Eurasia Daily Monitor, China Watch, The Courier Mail, Reuters, Management Issues, Shanghai Daily, Bloomberg.

China & Africa

The latest updates on Chinese activity on the African continent.

China to send youth volunteers to Africa this year The Central Committee of the Communist Youth League of China (CYLC) have indicated their intention to reach out to African nations. Chinese volunteers will be sent to Africa to exchange computer skills, agricultural technologies, sports and music training and traditional Chinese medicine.

Gabon pins hopes on resource-hungry China The Chinese consortium headed by China National Machinery & Equipment Import & Export Corp (CEMEC) hope to commence with the development of an iron ore mine in Gabon this year, under the agreement of the Belinga Deal signed last year. The US$3 billion investment includes building of railways, a port and two hydro-electric power stations to be completed in 3 years.

China Selling Off Oil Rights It Got for Free The state-owned National Oil Corporation of China (CNOOC) has shown interest to sell off oil blocks it received for free from the Kenyan government. This has sparked controversy as European corporations were not given the option to buy these rights directly from the Kenyan government. Instead Kenya has urged interested parties to form joint ventures with CNOOC. CNOOC controls 28% of Kenya's oil fields.

Chinese Firm Awarded Sh3b Oil Pipeline Deal Kenya Pipeline Company (KPC) and the Chinese Petroleum Pipeline Engineering Corporation (CPPEC) have signed a Sh2.9 billion deal to upgrade the Mombasa- Nairobi oil pipeline in Kenya. This upgrade will increase capacity and could expand into Uganda in the future.

Wits to build pilot coal-to-fuel plant in China Construction of a new generation Fischer- Tropsch pilot plant will begin in April 2007 in Shaanxi province. The project is led by researchers from The Centre of Material and Process Synthesis, based at the University of The Witwatersrand in Johannesburg. They will design and oversee the development of the plant funded by the Chinese company- Golden Nest Technology Group.

OLD MUTUAL
www.hgimports.com

Old Mutual looking to grow Asian operations Old Mutual CEO, Jim Sutcliffe has stated in an interview that the company would soon open for business in two cities in China, and promised further operations in India in the future. This is due to 'robust progress' in its joint ventures both in China and India.

EIB seeks talks on China's Africa lending spree European Investment Bank (EIB) president Philippe Maystadt has said that the bank has been subject to increased competition from Chinese banks in Africa. Although he appreciated China's engagement in fulfilling Africa's banking needs, he called on Chinese banks to apply tougher lending conditions to African countries. Moreover, Maystadt suggested a dialogue between EIB and Chinese Banks, in particular the Chinese Development Bank, to discuss conditions of loans given to Africa.

Sinopec-Sonangol partnership is example to follow South African company Beijing Axis has hailed the Sinopec-Sonangol relationship in Angola as a model for investment in Africa. The consulting company commented that prospective investors in Africa should have a flexible strategy and include local knowledge in order to successfully conduct business.

www.ideaengineers.co.

Super Group earnings up 6.7% Transport and logistics company Super Group's income rose 20% to R5.8bn in the last 6 months, with further growth expected to continue until the end of the year. This growth has resulted from investment in automotive and industrial sectors, primarily in China.

4th Africa-Asia Business Forum held in Tanzania The fourth Africa-Asia Business Forum was held in Dar es Salaam in February. Over 300 companies involved in agriculture and food processing, textiles, pharmaceutical and health products, furniture, machinery, construction, transportation, tourism, environment, energy and mining attended the three-day forum to promote closer inter-continental business cooperation.

African exports to China up 37% in 2006
China's vice commerce minister Wei Jianguo has stated that African imports into China increased by up to 37% in 2006 to US$28.8 billion. He also emphasised that South African diamonds, Egyptian marble, Ethiopian sesame, Ugandan coffee, as well as lumber and tobacco topped the list as Chinese consumers' favourite products from Africa.

Sourced from: AllAfrica, Mail and Guardian, Reuters, Mining Weekly, Macauhub, Fin24, Xinhua, Resource Investor, Sudanese Media Centre.

The China Forum

Recent Events

CCS at Third Workshop of the Asian Drivers Project - 12 to 14 February

Dr Martyn Davies, Director, CCS and Ms Sanusha Naidu, Research Fellow, CCS, attended the Third Workshop of the Asian Drivers Project, hosted by the African Economic Research Consortium (AERC) in Mombassa, Kenya. The purpose of the workshop was to consolidate the background papers into a published volume, and develop a knowledge base for sharing information on the impact of China and India on Sub-Saharan Africa.

Mr Simon Abanda, Chief Executive Officer of International Business Group Cameroon in discussion with Dr Martyn Davies

Ms Jacqueline Macakiage, Manager of Research at the AERC, and Dr Martyn Davies

Ms He Wenping, Research Associate at CCS, Ms Elizabeth Sidiropoulos, National Director of SAIIA, and Ms Sanusha Naidu

CCS at the Mining Indaba - 7 February

Dr. Martyn Davies gave a presentation entitled “Strategic Implications of China and India’s Engagement of Africa” at the Mining Indaba in Cape Town.

CCS at the Development Bank of Southern Africa - 6 February

Lucy Corkin and Hannah Edinger attended the launch of the World Bank study entitled “Challenges of African Growth: Opportunities, Constraints and Strategic Directions” hosted by the Development Bank of Southern Africa in Midrand. The study places emphasis on reducing poverty levels across Africa and generally meeting the MDGs through greater focus on the four big “I”s: infrastructure, investment, innovation and institutions. China was identified as one of the key players with regards to infrastructure investment and construction.

Media Interviews

The CCS conducted interviews with SABC Africa, SABC Morning Live, IPS, ARD, The Washington Post, Financial Mail and Voice of America (Bejing).

CCS Articles

Dr. Martyn Davies, "Yin and Yang" in *Financial Mail*, 2 February.

Thomas Orr, "Is this the Honeymoon Period for the SA-China Partnership?" in *Business Report*, 7 February.

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