



The China Monitor

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Editorial

The World Economic Forum came to Cape Town, South Africa this past month. The key theme of this year's WEF Africa Business Summit was China's commercial engagement in the continent. A report generated by the organisation outlined a number of scenarios for China's growth and the resultant impact of each on the African economy. China's assertive and rapid move into African states' economies is undoubtedly transforming the continent's economic profile.



Discussion on China–Africa ties was not confined to the formal sessions. It dominated a large part of the fringe discussions at the Forum. But Africa's take on its expanding commercial ties with China is still hesitant. Unlike Southeast Asia, Australia and New Zealand, African business has yet to embrace and align itself with China's economic growth phenomenon.

continent's policy makers.

In the late 1990's former Singaporean Prime Minister Goh Chok Tong contended that China was both the greatest challenge as well as opportunity to the region. As China's international commercial footprint has extended to Africa, the same sentiment is now in the minds of the

The WEF provided an excellent platform to discuss Africa's alignment to China. But the greater voice of Chinese commentators needs to be included in the debate and they were lacking at this year's event. Hopefully the theme will be continued at the China Business Summit in Beijing later this year.

A handwritten signature in black ink, appearing to read 'Martyn J. Davies', written in a cursive style.

Dr Martyn J. Davies
Director, Centre for Chinese Studies

Policy Watch

World Economic Forum on Africa

“Going for Growth” and China’s role in the African economy

By Hannah Edinger



From 31 May to 2 June Cape Town, South Africa, was host to the 16th World Economic Forum on Africa, attended by approximately 700 political, business and civil leaders from around the world, who engaged in discussions regarding Africa’s future opportunities and challenges on the trail of its sustainable growth path.

The three days gave rise to numerous discussion sessions on topics regarding energy, health, hunger, finance and business relationships, to review the past year’s progress and develop strategies on how to facilitate this year’s theme of “going for growth”. A prominent subject matter of the WEF’s Africa Business Summit was the commercial role of China in Africa. It occupied both formal and informal discussion throughout the event.

Even though the number one Millennium Development Goal, to halve poverty by 2015, seems somewhat remote, the African continent has made vast leaps forward over recent years. Peace and macroeconomic stability, coupled with Asian demand for natural resources, and the resulting commodity price boom, have lifted growth across Africa to 30-year record rates of 5.5% for 2005.



Aid versus Trade

To sustain present growth levels, the forum’s focus shifted towards a development strategy for “growth” through trade and investment relations, to enhance living standards and lift the continent out of dismal poverty and infamous unemployment levels.

As noted by William Easterly of New York University, banking on prior strategies such as aid payments and handouts will not solve Africa’s poverty quandary. Rather, a stable political, monetary and fiscal environment, and nurturing investment in physical, human and social capital, will bear fruit for the continent. It is “home-grown growth” driven by the private sector in key areas such as agriculture, manufacturing, infrastructure, skills development, mobile and ICT sectors that should become a focus of African economies.

“...the Asian powerhouses’ ‘African safari’ has been proving there is business to be done on the continent.”

The “Asian Drivers”

Two countries in the spotlight throughout the summit were China and India, the “Asian Drivers”, who, through increased urbanisation and industrialisation of their own economies, have made Africa a prominent

participant in the global economy. In search of meeting their energy and raw material needs, the Asian powerhouses' "African safari" has been proving there is business to be done on the continent. However, whether these relationships are a possible threat or a continuing boon for Africa in the long term was a key topic of discussion.

Many resource abundant African countries have reaped benefits from the increasing Asian demand and, as a result, experienced a reversal of the previously deteriorating terms of trade due to complementary lower US interest rates and world growth in excess of 4%. African trade volumes with China and India have tripled in the past few years, and Chinese and Indian trade with Africa has climbed from US\$ 10 to 40 billion since 2001 says Syamal Gupta, Chairman of Tata Industries, India. Moreover, aid and investment growth have also augmented.



Yet the top dog in the ascending duo is China, Africa's third largest trading partner, which has most prominently linked African states to global economic markets as suppliers of oil and non-oil resources and other exportable raw commodities. As the underdeveloped and emerging African economies have been less competent to meet the stricter standards of their western counterparts they have established stronger ties with more accessible Asian markets.

What does the future hold?

But what exactly are the future roles of China and India on the resource-abundant yet socio-economically fragile continent? Besides spurring economic growth by their own energy and resource needs as the powerhouses develop, both economies, through new partnerships and increased interaction with Africa, offer valuable developmental lessons for poorer African economies.

“African trade volumes with China and India have tripled in the past few years...”

Possible scenarios engulfing the next two decades, anticipated during a discussion session, still found the recurring tune of “commodities, commodities, commodities” playing for Africa – a tune on which its future could capitalise, however with limited effects on poverty alleviation. In this light forum participants emphasised that a vital strategy for African states, for purposes of sustainable development and “leapfrogging out of poverty”, is to diversify economic activities to industries exempt from direct eastern competition, to avoid possible exploitation of exhaustible resources, and to bypass stagnation, given the resource boom is only transitory.

Ultimately it is up to Africa to start “rowing its own boat”. Instead of Sino-African relations transforming the continent the China-India twosome could lend assistance to the transformation and development process said Tanzanian President, Jakaya M. Kikwete. Assistance of the eastern countries will be rewarded with essential resources – cultivating a mutually beneficial relationship.



“...new partnerships between Africa and the eastern powerhouses will strengthen the foundation for Africa’s development.”

Leaders at the summit agreed that new partnerships between Africa and the eastern powerhouses will strengthen the foundation for Africa’s development. NEPAD’s involvement in assessing trade and investment deals was viewed as crucial by Chairman of Anglo American, Sir Mark Moddy-Stuart and participants in general, to oversee new partnerships and facilitate transparency between the eastern and African nations’ doings.

The focus placed on China at the WEF reflects the growing presence of its companies on the continent. It cannot be doubted that China’s Africa engagement will fundamentally change the economic landscape of the African economy – in particular energy-rich economies.

How this plays out and how African private and public sectors react to this emerging trend will have a significant impact upon the future developmental trajectory of the continent.

Hannah Edinger is a Research Assistant at the Centre for Chinese Studies.

Photographs courtesy of the World Economic Forum at www.pbase.com/forumweb/africa2006.

Commentary

Moneyweb Interview with Dr. Martyn Davies, Director, Centre for Chinese Studies, and CEO, Emerging Market Focus

With Alec Hogg

MONEYWEB: Martyn Davies from Emerging Markets is a regular contributor to this programme. Martyn, here at the World Economic Forum there has been a lot of talk about China – in fact the China-India relationship has probably been the most talked about issue at the summit?

MARTYN DAVIES: Undoubtedly. Alec, it's certainly a key theme – how China and India are increasingly engaging Africa commercially and what impact this is having on developmental models, on business strategies and then, from a South African perspective, how our companies should be reacting to it.

MONEYWEB: But there does seem to be a little – maybe it was described by the Nigerian Minister of Mines in one of the sessions I was in today, as a double-edged sword. On the one hand the Chinese investment is welcomed, on the other sometimes the way they go about it is not that exciting.

“...China is a very increasingly aggressive commercial player on the continent and that's to be welcomed”

MARTYN DAVIES: China is a very increasingly aggressive commercial player on the continent and that's to be welcomed. It's investing significantly on the continent, accumulative investments probably approaching US\$ 5 billion. It's not a large figure, but in terms of Chinese investment, what you find, you tend to get more investment bang for your buck because of lower engineering input costs, labour costs and whatever else from a Chinese investor than

your typical traditional investor – i.e. a European or a US Western investor. Of course, corporate governance issues need to be adhered to. But to single out China, when I think many other corporate players, Indian, Malaysian and French particularly, behave in exactly the same standard in effect.

MONEYWEB: But the Chinese do it differently in certain respects, and particularly when you have a look at mines. You go to Zambia and you'll find a copper mine in Zambia which is Chinese owned, it's completely fenced off, only Chinese people are working there, nobody else can get into it – it's almost like a little colony in the middle of the country, and that is something that is starting to raise a concern amongst some Africans. Is it justified?



MARTYN DAVIES: I think to an extent, yes. You see these commercial enclaves, as you say. One needs to better understand the Chinese motivation is very much a mercantilist approach, where there

is a convergence between state and corporate interest in terms of engaging the continent in a number of key sectors. In your more traditional markets, what we've seen in Anglo Saxon capitalism at least, is a divergence of state and business interests, and maybe there are some exceptions – maybe Italy or France, for example. But we're starting to see Chinese companies pursuing what is the national commercial interest as determined by our politicians. However, there is one factor which has hardly been considered at all. And what makes Chinese companies so competitive, is that Chinese firms are competing with other Chinese firms in African recipient economies. To assume that all of them are on the same strategy page, which is set politically in Beijing, is a flawed perspective. The often cut-throat competition between Chinese state-owned enterprises with other Chinese state-owned enterprises is driving down those costs, thus contributing to the extreme competitiveness on our continent. And this is why we find many of our construction players, for example Murray & Roberts, Group Five, have been quite critical recently of the possible artificial economies of these corporate business models. I think these issues need to be better understood.



MONEYWEB: Martyn, just on a different take entirely, again getting back to the commodity story – and that is critically important for Africa and South Africa, as we well know – is the economic growth that we're seeing from China, sustainable? If you are to believe the commodity story, you've got to believe that that's going to happen.

MARTYN DAVIES: I think long term, the trend will continue upwards. There's no reason why it should not, barring some sort of dramatic political fallout in the PLC or some regional conflict of the likes of Japan over resources or historical territorial issues. And I think what is a danger, is that an environment of business is emerging in China today not too dissimilar to

“...undoubtedly the long-term trend is significantly upwards...”

that of South East Asia in the mid- to late 90s, where there was a total ignorance of risk. When one attends the World Economic Forum sessions in China, everyone is very, very optimistic. It is quite a stark contrast to what we say in the African context, where it is more challenges, obstacles and



potential, potential, potential. In the China context it's real. But unfortunately I think a lot of businesses and corporates making decisions in the context of China which do not properly fully evaluate the potential risks involved. There will be hiccups, undoubtedly, along the way. I don't think they will be as severe as what happened in Japan in 1989 and still yet to recover from. More like maybe some following similar development trajectories would happen in South East Asia, but with rapid recoveries. But the long-term trend is significantly upwards and there's a massive, massive potential for

growth, considering the sheer numbers and size and volume of that Chinese economy.

MONEYWEB: Insights into the most rapidly developing economy in the world, from Martyn Davies, he is with Emerging Markets, as I say, a regular contributor to this programme, also involved with the University of Stellenbosch's Centre for Chinese Study.

Alec Hogg is the CEO of Moneyweb and presents the Moneyweb Power Hour weeknights from 6pm to 7pm on Radio 2000 and nationwide on FM (99.2 to 100.2). The programme is streamed live worldwide through www.moneyweb.co.za.

Business Briefs

Significant business developments in China over the past month

Chinese government to buy 70 billion Yuan



worth of vehicles

According to Zhu Jinping, Deputy Secretary General of the China Machinery Enterprise Management Association, 70 billion Yuan (US\$ 8.75 billion) will be expended by Chinese government on motorcars this year, about 23% of the 300 billion Yuan allocated by the Ministry of Finance for this year's state procurement.

Business opportunities At the World Economic Forum on Africa held this month it was noted that the South African business sector has generally "missed out" on the economic explosion of China. But this is not the case for South African Inveritas Global Holdings (IGH), a risk management company, with plans to form a joint-venture with the Centre for Applied Safety, Service and Technology and the State Administration for Safe Work in China to supply safety systems to over 300 metal and non-metal mines on the Asian giant. IGH is eager to enlarge their business to more of the 100 000 mines in the country.

CITIC close to buying Kazakh oil firm

Nations Energy for \$2.2b China is contemplating once again to expand its energy security. CITIC Group (China International Trust and Investment Corporation) could be

sealing China's third-largest oil takeover deal at US\$ 2.2 billion to acquire a private oil firm in Kazakhstan. At present Sinopec, one of China's top oil producers is bidding for a Russian oil production company, TNK-BP.



China's Miners struggle to keep up with market demand

China's fast paced growth could be straining its workforce as key drivers of the sector find it challenging to deliver strong and sustainable growth projects. As labour becomes restive, contractors price their services exponentially and government looks to new royalty and tax regimes, managers have to deal with the pressure of performance-based service delivery. PricewaterhouseCoopers partner, Hein Boegman stressed that new projects were difficult to deliver on time and that initiatives such as the commodity-cycle upturn would do more bad than good. He added that Africa

could grab the gap in satisfying China's commodity deficiency and prosper if "it got its act together".

China Big Four state bank loan growth slows
Agricultural Bank of



China, Bank of China, China Construction Bank Corp., and Industrial and Commercial Bank of China, China's leading state banks, have experienced slower growth in new bank loans since April this year. Whilst awaiting new data on the Big Four's fixed investment figures for May Beijing's state efforts to limit excess investment, mainly in the real estate industry, through tax changes and other administrative adjustments could be paying off. Nevertheless, experts advise that tighter monetary policy and a revision of the reserves ratio are due.

Airbus factory in China gets go-ahead from government The Chinese government has given the world's largest manufacturer of commercial planes, Airbus, a go-ahead to start producing the A320 commercial plane model in the port city of Tianjin soon. It is the French-based company's first assembly plant outside Europe with a capacity of 50 new planes annually, to match the increasing demand.

Bank of China International Investment Managers Launches First SRI Fund in China In May, China instigated its first SRI (Socially Responsible Investing) Fund, the Sustainable Growth Equity Fund. The Vice President and Deputy CIO of the Bank of China International Investment Managers, Wu Jun, in charge of the fund's management, is

confident that investment will not only promote capital returns for investors but also create positive and socially beneficial business conduct to profit society as a whole. The establishment of corporate social responsibility in China is essential to ensure sustainable development, both environmentally and socially, for the future, says Robert Rubinstein, CEO of Brooklyn Bridge and TBLI Group.

China soaks up Iran crude as Japan, Korea cut back Amongst ongoing turmoil between Iran and the West are Teheran's nuclear program. Both Japan and South Korea have decreased crude oil imports from Iran by 14 and 7% (97,000 bpd and 16,000 bpd) respectively in the first four months of 2006. On the contrary, China has increased Iranian oil imports by 25% or 74,000 bpd during the same period and a permanent shift of oil sales to China could create many interests to Teheran. One of them being increased economic ties with an important U.N Security Council member.



NPC delegate urges halt of cross-bank inquiries fee A China National People's Congress representative, Huang Xihua, has handed in a proposal which requests that cross-bank inquiry charges are to be abolished. From the beginning of June, China's top 5 commercial banks are charging 0.30 Yuan (3.7 US cents) for every inquisition by card-holders. Huang feels that this fee influences many people negatively. Her proposal will be answered by the China Banking Regulatory Commission within 6 months of obtainment.



Chinese WAPI delegation calls for diplomatic support after "unfair treatment"

An international meeting on the fate of a model wireless technology was held in Prague. The Chinese and American wireless technologies, WAPI and the 11i have been at loggerheads in a bid to become the international standard for the world's wireless local area connection (WLAN). China announced its withdrawal from the meeting citing unfair treatment, after it was alleged that the American Institute of Electrical and Electronics Engineers Inc. (IEEE) had violated ISO rules and misled other nations to vote against WAPI. It is envisaged that the Chinese government will continue to lobby for WAPI's breakthrough in the international market.

China steel mills agree to 19% ore price rise

The long sought-after 19% iron ore price increase has been reached between Chinese steel industry, headed by Baosteel Group, and the world's major mining companies, BHP Billiton, CVRD and Rio Tinto. The 19% price increase will be effective for the 2006/2007 year commenced on April 1.

China firms dominate list of top 100 emerging market companies

Emerging market competitors from China, India and Latin America have forced multinationals to re-invent business strategies says Boston Consulting Group. Out of 3000 possible emerging market companies BCG has sampled the top 100 of which 44 are Chinese, 21 Indian and 12 Brazilian. These challengers have excelled at expanding business outside their home markets to increase scale, raw materials and profits. Even though emerging market competitors are increasingly expanding in similar economies it is predicted that the spill-

over to developed economies will soon follow.

The top 100 companies have a joint turnover of US\$ 175 billion with 28% of the turnover from international business, grossing a US\$ 145 billion operating profit in 2005.



From supplying rapidly emerging economies, much like their own, companies are fairly familiar with circumstances, giving them an advantage when exploring these markets away from home. The top 100 feature Chinese companies such as Chunlan, Baosteel, Lenovo, Huawei Technology, Pearl River Piano, China International Marine Containers Group, PetroChina and Hisense.

China's CITIC unit confirms pulling out of JV with UK's WPP over alleged snub

China's Beijing Guoan Advertising Corp, the advertising division of CITIC, withdrew from the commitment to form a joint venture with WPP's Grey Advertising and will instead be merging with Omnicom, a WPP rival. According to Yan Gang, head of Guoan Advertising Corp., the pull out was due to an uncouth and brisk reception by WPP chief executive, Sir Sorrell, who also accused CITIC Guoan of threatening WPP. Omnicom's experience in international and developing markets is welcomed by Guoan, especially for the upcoming Olympics.

China's first strategic petroleum reserve base to be completed August

Construction of China's first strategic petroleum reserve, based in Zhenhai of Zhejiang Province is to be concluded in August. Operation will commence once government inspection and approval has been performed. Construction of the other

three bases, as scheduled in the social and economic development plan for 2006/2010, located in Daishan (Zhejiang Province), Huangdao (Shandong Province) and Dalian (Liaoning Province), is progressing as planned.

RP presents China with US\$32 billion funding 'wish list' The Philippines presented China with a US\$ 32 billion "wish list" of potential projects to be financed such as the interconnection between North and South Luzon Expressways estimated at US\$10 billion, also a second phase of the South Railway system and US\$1 billion for tourism enhancement. After talks China agreed to provide up to US\$ 5 billion for the various projects. Chinese Trade Minister Bo Xilai confirmed China's commitment in the funding of the overdue North Rail project of US\$ 900 million at the China-Philippines Economic Partnership Forum but said he cannot guarantee support for other projects requested.

Sustainable energy vital for YRD China's

Yangtze River Delta has failed to sustain successfully the country's energy demand as it was the hardest hit



during the 2004 electricity shortages. It since became apparent that issues of economic development and energy sustainability were a priority. Alternative energy sources such as wind, solar and biomass were proposed to generate electricity as opposed to coal and the pricey oil. China's largest hydro-project, CTGPC signed some agreements with local governments that will use wind to generate

electricity. About 600 million Yuan will be invested in biomass resources by Beijing-based China Energy Conservation Corp.

Air China domestic IPO to seek 8 billion Yuan

In line with financing 20 Airbus A330-200 aircrafts, 15 Boeing 787s and 10 Boeing 737-800s, Air China announced that it will have to raise nearly 8 billion Yuan from the sale of shares, on the Yuan-denominated market. The state will maintain a 51% stake in the company. The issue price of 2.96 Yuan per share will apply if the company succeeds in raising its target. The aircrafts have a catalogue price of is US\$ 5.68 billion.

China's Huawei Technologies 2005 profit hits US\$ 681 million

Private-owned Huawei Technologies Co. Ltd., China's top manufacturer of telecommunications equipment, netted a profit of US\$ 681 million in 2005 versus US\$ 624 million in 2004 profits, increasing 2005 sales to US\$



5.98 billion, up 56.3% according to a local Chinese newspaper, China Business Report. In 2005 overseas sales made up 58% of total sales revenue at US\$ 4.8 billion.

'Honeymoon' tax period for foreign companies may soon be over

With smaller fiscal deficits, China's corporate income tax system could be reformed as early as 2008. The union of the two different company tax rates, the one, substantially lower, for foreign-funded businesses and the other, for domestic firms at 33%, seems to be just ahead as new company tax law drafts of the Ministry of Finance are reviewed by the Standing

Committee of the National People's Congress in August this year. The single tax rate, applicable to both local and foreign firms, is predicted between 25 and 27% says Shanghai's Ernst & Young deputy chairman, Alfred Shum, with a grace period of 3-5 years for the transition. While international firms might be less privileged compared to the past 15 years the tax reform will decrease the excess burden on local firms. The preferential tax treatment of foreign companies attracted US\$ 72.4 billion into China last year.

China offers tariff cuts Along with arrangements of the free trade zone agreement between China and the Association of Southeast Asian Nations, Beijing is to cut tariffs on 2,800 categories of Philippine products and produce originating from Africa, Asia and the South Pacific's five least developed economies, identified as Angola, Maldives, Samoa, Vanuatu and Yemen from next month. Other tariff cuts will be applied to merchandise from Macao and Hong Kong to strengthen economic ties.

Samsung Group aims for sales of US\$ 31 billion in China Samsung Group, the biggest industrial multinational of the Rep. of Korea, is aiming to reach sales worth US\$ 31 billion, up 18.4% from 2005. China Samsung, the Chinese subsidiary of Samsung Group, anticipated investment in China to augment 8% over the last 12 months and the company's accrued investment increased to US\$ 5.1 billion with US\$ 25.3 billion in sales. China's



global sales share has surged to 22% and as Samsung Group's market is expanding in China it will increase its operations in the country, applying local procurement to alleviate costs and win a market advantage. China Samsung launched ten international procurement offices in the country last year.

Husky, CNOOC find giant China oil/gas field State-owned CNOOC Ltd., China's number one offshore oil producer, together with Canadian Husky Energy Inc., discovered China's first deep-water oil/gas well, south of Hong Kong, estimated to hold between 110 and 170 billion cubic metres of recoverable resources. Husky's 51% stake in the development of the offshore field corresponds to 500 million barrels of oil. CNOOC shares traded at a 9% increase subsequent to the discovery.

CITIC Bank plans bond sale to raise capital With intentions of raising capital to fund a planned expansion of its banking services, China CITIC Bank has declared it will sell 6 billion Yuan of 10-year and 15-year bonds. Preparations for expansion are in line with WTO agreements which are to open up the country's banking industry to foreign competitors by the end of 2006.

Sourced from: [Reuters](#), [Moneyweb](#), [People's Daily Online](#), [Gulfnews.com](#), [Daily Post](#), [Socialfunds.com](#), [VOA News](#), [FinanceAsia.com](#), [Shanghai Daily](#), [Mining Weekly](#), [AFX News Limited](#), [Philippine Headline News Online](#), [The Standard](#), [Xinhua News](#), [China Knowledge](#)

China & Africa

The latest updates on Chinese activity on the African continent.

China CNOOC in US\$1.6 billion loan for Nigeria project Export-Import Bank of China has agreed to loan CNOOC Ltd., subsidiary of CNOOC (China National Offshore Oil Corporation) 12.8 billion Yuan (US\$ 1.6 billion) over 10 years at a fixed interest rate of 4.05%. The funds will be assisting China's leading offshore oil producer with a Nigerian offshore oil field investment. CNOOC obtained a 45% stake in a leading Nigerian oil field earlier in 2006 to the value of US\$ 2.7 billion.



Nigeria to Revitalise Railway Network

China has announced a loan concession to restore and upgrade

Nigeria's railway network to the value of US\$ 1 billion to the Nigerian government. At the Seventh Annual National Council on Transportation held at the beginning of June this year, Dr. Aliyu of the Federal Ministry of Transportation, indicated that the Nigerian government will contribute US\$ 1 billion itself to the project after previously abandoning the transport sector due to deteriorating resources and other concerns. The railway system will be grouped into three lines to ensure effective employment of the funds provided.

Pahad Keen for Chinese Investment After his one week visit to China Deputy Foreign Minister Aziz Pahad highly encourages Chinese investment in South Africa and Africa, and will support further expansions of ties between South Africa and China as countries like SA could learn valuable lessons from China's 30 year growth success. Sino-Africa

relations have augmented and in November this year, a China-Africa summit, to be held in Beijing, is planned. Chinese Foreign Ministry officials have dubbed this year "China's year of Africa". Pahad's China stay also included preparations for the upcoming visit of Chinese Premier Wen Jiabao to SA and 6 other African countries this month.

21 Chinese firms to invest in industrial park

Nigeria's Ogun State government has wrapped up bilateral talks with 21 Chinese corporations to fund an industrial park in the province. Construction of the project is to commence this year with 2008 set as the completion date. Businesses included in the 500 acre establishment will vary from the production of tiles, pipes and rubber products for tyres and footwear to transport assembly and storage facilities. Nigeria's tax break to new companies as well as the Olokola Free Trade Zone has left Chinese partners confident.

China keen on expanding trade with Botswana

Standard Chartered Bank Head of Trade, Sales and



Supply Chain in East China, James Jiang, highlighted the trading opportunities available to local businesses through its subsidiary branch in Botswana. This followed from the Botswana-China Trade Business Forum held in Gaborone where China's role in Southern Africa was viewed important. Contrary to the general perception, Chinese exports to Africa have grown five times faster than the EU and it was hoped that a financial institution such as

Standard Chartered Bank would continue to facilitate trade between the two countries.

Chinese Prime Minister to visit Angola

China's Prime Minister, Wen Jiabao met with Angolan authorities during his visit regarding Chinese investments in the country. It was speculated that loans granted by China had amounted to nearly US\$ 6 billion and that China's involvement in the capital projects was increasing. Agora, a local newspaper reported that Luanda's new international airport would be built at an estimated cost of US\$ 8 billion and that Chinese companies were already contracted to refurbish railroads in some parts of the country.

Nigeria wants to boost non-oil sector

President Obasanjo has tasked Nigeria's Export-Import bank with the duty of boosting the country's non-oil earnings from the current 3% to 20% by 2007. The bank's progress over the past 15 years was highly commended and it was hoped that it would continue to contribute to the country's economy, stability, predictability and sustainable development. Tunde Lemo, the bank's chairperson was grateful for the President's insight but added that it was in need of assistance to effectively carry out its duties. The bank had joined forces with its partner banks in India, Romania and Senegal in an effort to compliment its credit lines.

China, Sudan sign a US\$79 million contract to deepen Port Sudan harbour The shipping channels of Port Sudan are to be rehabilitated at a cost of US\$ 79 million following the signed agreement by Akual Nyang, Minister of Transport, Roads and Bridges in Sudan and Director General of Chinese Engineering

Works Company earlier this month. The deepening of the port serves to accommodate ships over 5 tonnes and will bear platforms for containers to the length and depth of 70x70m. China's Ambassador present at the signing ceremony is confident regarding further economic and other relations with Sudan.

Zim trades chrome for energy with China

To moderate severe electrical power shortages in Zimbabwe, harming its already frail business and economic situation, Harare has signed an energy deal with China National Machinery and Equipment Import and Export Corporation valued at US\$ 1.3 billion. The agreement comprises the construction of coal mines and three thermal power plants incorporating Chinese technology to produce 600 megawatts of power in return for chrome. At present Zimbabwe imports almost a third of its electricity consumption from neighbouring SA, Mozambique and DRC.



China asserts its African interests not driven by oil

Earlier this month China's Foreign Ministry countered reports on China's purely oil-driven economic relationship with Africa. According to Chinese Assistant Foreign Minister, He Yafei, China has not only strengthened bilateral ties with the continent by promoting trade and higher living standards, it has also assisted politically with regards to import subsidies. Premier Wen Jiabao visited Angola, Egypt, Ghana, the Republic of Congo, South Africa, Tanzania and Uganda this month to fortify bilateral ties and establish further agreements in fields such as politics, economy and education.

SA-Chinese consortium clinches R2 billion shipyard contract

The Port of Richards Bay will be home to one of the largest dry-dock facilities in the world following a



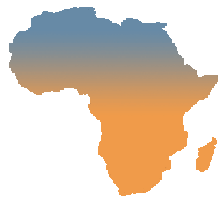
deal clinched by Imbani consortium, a group of SA and Chinese companies. China's reputation as a global leader in shipbuilding and repairs will be of great benefit to the South African counterparts who plan to have an established base in future. Local investor interests range from the Industrial Development Corporation (IDC), the Development Bank of Southern Africa (DBSA), Old Mutual Properties and African Infrastructure Investment Managers. The venture will create an estimated 10, 000 jobs and more for the community's 400,000 unemployed.

China's 7 African nation's tour

Premier Wen Jiabao's tour to Africa was one aimed at strengthening Sino-Africa cooperation and development. Chinese Foreign Ministry spokesman, Lui Jianchao interpreted the courtesy call made by

the Premier as one that signified China's diplomacy towards Africa. The publication of the African policy

nri.org



documents and President Hu Jintao's visit last month was a symbolic gesture of future commitment and cooperation. South Africa, Angola, Egypt, Ghana, the Republic of Congo Uganda and Tanzania were the countries visited.

Sinopec deepens oil interests in Angola

China's largest oil refiner has successfully secured three oil exploration blocks in Angola. They will have a collective reserve capacity of nearly 3.2 billion barrels of oil, boosting Sinopec's oil production by 100, 000 barrels per day. The company has invested over 80% in the Angolan oil exploration venture and Shanghai securities reported that Sinopec had made an offer of US\$ 2, 4 billion towards the deal. Angola is China's top oil exporter and aims to increase production to 2 million barrels per day by 2008 according to a British consultancy.

Nigeria nets US\$ 500 million from oil bloc's sale

The Nigerian government was pleased with the lucrative windfall acquired from licensing fees for the exploration of its oil blocs. A mini bid round was conducted by the Department of Petroleum Resources after which 16 oil exploration blocs were awarded to domestic and foreign companies. Although the revenue earned falls short of the Nigerian governments' US\$ 539 million target, it is still a significant achievement. China National Petroleum Corporation (CNPC) is among the winning bidders and has invested US\$ 16 million for the acquisition of four blocs.

Chinese to sign a US\$10 billion Sasol deal

China and Sasol will bind investment deals in China's Coal-To-Liquid (CTL) plants in addition to the development of a new technical training infrastructure in South Africa. The CTL initiative will aid the diversification of China's petroleum resources. This development would materialise after the Chinese delegation comprising of Premier Wen Jiabao among others meet in SA during the 7-nations African tour. China and SA will look at ways of

sustaining their strategic partnership and among the agreements to be ratified is China's intention to limit textile exports to SA. Data showed that textile, garment and footwear exports to SA were only 10% of China's overall exports to SA.



Mbeki Hosts Chinese Premier Wen Jiabao

Chinese Premier Wen Jiabao stopped over in South Africa on 21 and 22 June and was hosted in Cape Town by President Thabo Mbeki. The official visit included talks with President Mbeki on strengthening bilateral political and economic ties between South Africa and China. On the agenda were discussions on trade and investment promotion, the One-China policy, the Forum on China-Africa Co-operation, the New Africa-Asia Strategic Partnership and the signing of the Programme of Co-operation on Deepening the Strategic Partnership. During Premier Jiabao's SA stay, meetings with other members of parliament and Chinese business representatives were scheduled, as well as talks with Sasol on its coal-to-liquid projects in China. At present SA is China's largest trading partner making up one fifth of Sino-Africa trade volumes.

Beijing wants to widen cooperation during PM's visit to Angola The African nation tour of Chinese Premier Wen Jiabao incorporated a visit to Luanda, Angola, this month where he met with President José Eduardo dos Santos and Prime Minister Fernando Dias dos Santos to engage in talks on greater economic cooperation between the two countries and a possible extension of the more than US\$ 3

billion credit line awarded by China's Eximbank for infrastructure development. Angola, currently down to the second largest oil supplier of China, is also China's second largest trading partner on the African continent after SA.

China and SA Join Forces on Nuclear Technology

The two countries have signed an agreement on the peaceful use of nuclear technology. This development will prove insightful to SA as it stands to benefit from Chinese operating techniques on nuclear reactors. Further, the agreement is expected to complement cooperation on SA's pebble bed modular reactor programme. SA currently has nuclear programme agreements with France, Russia and the US and is on its way to negotiating partnerships with Argentina, South Korea and Turkey.

China's Eximbank grants US\$2 billion loan to Angola

Angola's reconstruction and development programme has received an additional US\$ 2 billion loan from China's Eximbank for construction and repair of civil engineering projects including roads, railways, bridges and hospitals. This was one of many bilateral cooperation agreements signed between Chinese and Angolan delegates during Premier Wen Jiabao's Luanda stopover. Other bilateral agreements include the telecoms and fisheries sectors.

Chinese Loan for Bui Dam

The Ghanaian government will enter into a loan agreement with China to finance the country's Bui Dam project worth US\$ 600 million. The dam will help complement to a large extent, the country's increasing electricity demands according to hints from the Minister for Energy,

Kofi Adda during the parliamentary meeting. The house had just heard a statement from Dr. Kwame Ampofo, MP of the South, on the energy challenges and implications faced by Ghana.

Egypt and China discuss trade ties 10 trade agreements have been signed by Egyptian President, Ahmed Nazif and Premier Wen Jiabao in the fields of oil and natural gas, telecommunications and Egyptian citrus exports. The agreements were part of the countries initiative to strengthen trade relations. Trade statistics showed an overall increase of 36% from the years leading up to 2005 and with over 180 projects in the country and investments worth US\$ 220 million, this figure is likely to improve in future.

Power network rehabilitation worth US\$ 25 million China will assist Angola with rehabilitating the country's electrical network in the Namibe and Tombwa districts. It is estimated to cost US\$ 25 million, funds that are part of Angola's loan from China. 60 Chinese labourers will be among the local workforce on the project.

Africa seeks to exploit resources niche as manufacturing heads to the East As the main beneficiary of Africa's energy and

commodity-based resources, China is also home to about 50% of the world's manufacturing duties. Africa can now try and establish its niche as the most sought after resource base as the world takes recognition. In so far, it has been reluctant to offer competitive prices for its commodities; a scenario which if sustained, may not grant Africa its breakthrough.

Liberia's Mount Coffee Dam to be rehabilitated China will rehabilitate Liberia's hydro dam, vandalized during the decade-long civil war. The dam had in its days supplied electricity to the capital as well as neighbouring communities. The Chinese government subsequently extended its cooperation to revamping the country's broadcasting system and construction of a coastal highway. Chinese Deputy Foreign Minister, Mr. Ma Wenpu indicated that trade cooperation was among other development initiatives worthy of promoting.

Sourced from: [Business Day](#), [Reuters](#), [African News Dimension](#), [OhmyNews](#), [Macauhub](#), [Sudan Tribune](#), [InTheNews.co.uk](#), [Mail & Guardian](#), [Engineering News](#), [Shanghai Daily](#), [Xinhua News](#), [Mining Weekly](#), [Aljazeera](#), [Angola Press Agency](#), [GhanaHomePage](#)

The China Forum

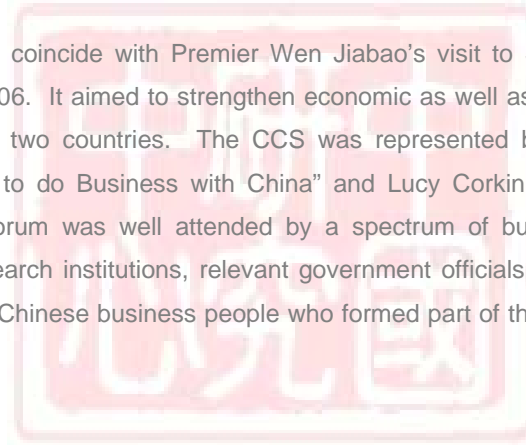
Recent Events

CCS at the WEF

The Centre for Chinese Studies, represented by Director Dr Martyn Davies, attended the World Economic Forum on Africa held at the CTICC in Cape Town from Wednesday 31 May to Friday 2 June. Dr Davies presented at a session entitled "China and Africa in 2025: Making Strategic Choices" and formed part of several panel discussions.

CCS at the China-South Africa Business Cooperation Forum

The forum, planned to coincide with Premier Wen Jiabao's visit to South Africa, took place on Thursday, 22 June, 2006. It aimed to strengthen economic as well as trade-based cooperation in the field, between the two countries. The CCS was represented by Dr. Davies, who gave a presentation on "How to do Business with China" and Lucy Corkin, Research Manager at the Centre. Overall, the forum was well attended by a spectrum of business leaders, academics, representatives of research institutions, relevant government officials and interested members of parliament. Prominent Chinese business people who formed part of the Premier's delegation were also present.



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