




The China Monitor

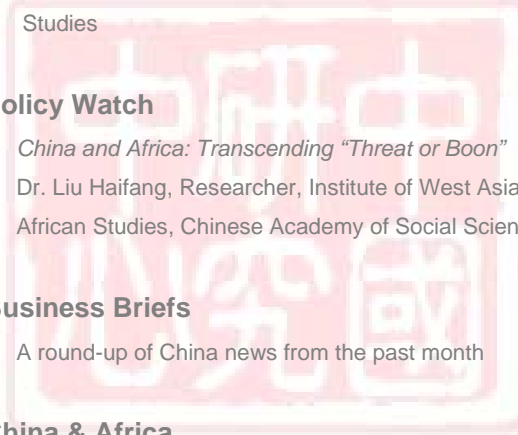
March 2006



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Editorial

2006 is a significant year in South Africa-China relations. In January, the Government of the People's Republic of China mapped its strategic relationship with the continent by releasing its White Paper on Africa. Mid-year, Premier Wen Jiabao is expected to pay his first official visit to South Africa further expanding upon the bilateral relationship and giving impetus to a stalled free trade agreement between the two countries. In the last quarter, the Forum on China Africa Co-operation (FOCAC) will be held in Beijing to coincide with the Pretoria and Beijing's Bi-national Commission.



These are the macro enablers of government-to-government interaction. The challenge now is for business and society to face the challenge of engaging Chinese business on the continent whilst also seizing market opening opportunities in China.

China's economic entry into Africa has been rapid and has taken many observers, both African and foreign, by surprise. China's engagement of Africa has undoubtedly raised the profile of Africa's resource-endowed economies, in particular those possessing energy assets. How African states will respond to aligning themselves to the new Chinese economic reality is still uncertain.

But during 2006 both South African public and private sectors will hear and learn a great deal more of China's activities on the continent. The Centre for Chinese Studies will be active in evaluating all these events and providing commentary and analytical coverage of the burgeoning China-Africa relationship.

A handwritten signature in black ink, appearing to read 'Martyn J. Davies'.

Dr Martyn J. Davies

Director, Centre for Chinese Studies

Letter from China

“Made in China”: Higher Education in the PRC

By Tom Orr

Every year, the Chinese Government invites around 10,000 foreign students to study on full scholarship at its prestigious universities. These students, largely from developing countries, spend a year studying Chinese and then go on to complete their degrees in Chinese. While this foreign policy strategy is perhaps less widely known than China's 'concrete diplomacy', the expansion of educational ties is arguably more effective in creating sustainable relationships.



In November last year, South Africa's Minister of Education, Naledi Pandor, was in Beijing to speak at the Sino-African Education Ministers' Forum. She also attended UNESCO's Fifth High Level Group Meeting on Education for All.

While Red China was successful in spreading primary education to the millions, Modern China has been making impressive strides in developing its higher education system into a world-class research and development factory. Minister Pandor was in Beijing to find out the story behind these achievements and to develop working relationships between South African and Chinese universities.

The Minister was accompanied by Dr. Martyn Davies of CCS, and Professor Walter Claassen, (Vice-rector) and Ms. Walbrugh-Parsadh (International Office) both of the University of Stellenbosch. Mr. Elijah Ntuli and I, both recipients of the Chinese Government Scholarship, had the honour of joining the delegation on visits to some of Beijing's prestigious universities.

“...in 2006 there will be 110,000 foreign students in Chinese universities. Only a handful are South African.”



Alongside the Minister's Forum, the Minister held a bilateral meeting with her counter-part, Minister Zhou Ji of the PRC. Among other issues, the Ministers discussed the expansion of the student scholarship programme for South Africans to China; the promotion of the post-graduate studies for Chinese students to South Africa; and the expansion of the Centre of Chinese Studies (CCS) Project to SADC member countries.

These issues need urgent, high-level promoting: in 2006 there will be 110,000 foreign students in Chinese universities. Only a handful are South African.

At first glance, South Africa and China are incomparable. China has 15 million students in around 2500 universities. There are more than 70 universities in Beijing alone. In contrast, South Africa only has 22 universities and polytechnics countrywide. However, South Africa and China are both developing countries struggling with similar educational issues: providing primary education for all; ensuring greater access to education for all income groups; overcoming the rural/urban divide; and maintaining standards with limited resources. With around 600,000 engineers graduating last year, China's higher education system must be doing something right!



Competition and elitism are inherent to maintaining excellence in China's higher education system. Peking University and Tsinghua University, both regarded among the top universities in the world, allow entrance only to the very pinnacle of high-achievers in the national high-school leaver's examinations. Last year Tsinghua admitted 70% of China's brightest matriculants, with Peking University taking 20%.

“China's top universities are flush with research-based funding.”

Interestingly, over 70% of the 25,000 students at Tsinghua University study for science-related degrees. This reflects the importance China has placed in training the engineers that are building the cities, ports and pipelines on which China's phenomenal growth is based.

China's top universities are flush with research-based funding. 25% of Tsinghua's funding comes from State grants, 40% from research, 30% from its publishing press and a mere 5% from student fees. South African universities are more reliant on state funding: state grants contributed around 50%, while students contribute 20%.

With this funding stream, Chinese universities offer extensive financial assistance to students. Most funding is awarded on basis of the school-leaving National Examinations results, with 30% of all students receiving full scholarships.



The prestige linked to China's top institutions has played a large role in combating the 'Brain Drain' of students and professors. China's rapid rise has presented new opportunities to the academic diaspora to return home from the Harvards and Princetons of the world.

In a country of 1.3 billion people, a university degree can elevate one from peasantry to gentry. Or more pertinently, having a daughter at Beijing University can do more for your social status than winning the national lottery. This has led to unimaginable

pressure on school children and it's not uncommon for parents to start their only-child on rigorous academic preparations at the age of 6.



Chinese universities are moving along two distinct trends. Firstly, universities are under pressure to expand capacity as degree-giving institutions, to cope with China's phenomenal increase in demand for skilled labour. Secondly, highly focused departments within these universities are being targeted as specialized research institutes. For example, Beijing Normal University's Psychology Department is ranked first in the country. It receives generous state grants, retains the best professors, and hence attracts the top achievers in the National Examinations.

Despite obvious differences, Minister Zhou Ji and Minister Pandor face many of the same tough decisions. Minister Zhou Ji has chosen to leave the primary and secondary school system to meet the largely political demands for broad-based education. The higher education system in China is very specifically targeted as the national R&D engine that will drive China's future economic growth. It is well-funded, elitist, competitive, merit-based and while in theory it is available to all, in reality most students at China's top universities are from wealthy families in the cities.

“South Africans have not yet fully grasped the extent to which the rise of China will make an impact on their daily lives.”

Minister Pandor faces strong pressure to make South African universities more accessible to all South Africans. Some argue that policies to affect this aim will make universities less competitive and lead to an erosion of their research capabilities. While the ranking of universities, the almost suicidal pressure on high school students, and the concentration of resources on the top ranked universities is what many would like to see implemented in South Africa, the Minister will have been made aware of those policies which are effectively building human capital in a fellow developing country.



While institutional interactions currently remain limited between South Africa and China, the potential of China's universities has not been lost on some of the more enterprising South African universities. The visit was a rewarding opportunity for the University of Stellenbosch to identify and unlock strategic relationships in China. The university has established relationships with important institutions, including Beijing University, Tsinghua University and the Chinese Academy for Social Science.

In a week accompanying the Minister, we were able to meet Chinese Education Minister Zhou Ji in the Great Hall of the People, were wined and dined at prestigious universities, and listened to numerous

Party cadres rattle off the figures of China's thousands of universities, hundreds of thousands of schools, millions of graduates, billions of books and trillions spent on education.



As the delegation wandered across Tiananmen Square, under the proud Chinese flags, past the tomb of Chairman Mao and up to the gates of the ancient Forbidden City, these figures of the millions and billions must have seemed both fascinating and disturbing. Yes, today China produces 35% of the world's steel, 70% of the world's clothes, and most Christmas trinkets you've recently thrown out after your January Spring Clean say Made in China on them. But as this national education obsession

gains momentum, China will soon also produce a significant portion of the world's increasingly liquid human capital.

South Africans have not yet fully grasped the extent to which the rise of China will make an impact on their daily lives. This is not an exaggerated cliché. It's just that universities are not yet accessible to all South Africans, and as a result, graduates are living in a bubble of their own self-importance. How long will it be before your company's electrical engineer, accountant, computer programmer and salesperson are also all 'Made in China'?

Tom Orr is the Beijing Representative of the Centre for Chinese Studies. He is currently studying on a Chinese Government scholarship in Beijing.

Policy Watch

China and Africa: Transcending “Threat or boon”

By Dr Liu Haifang

On the 12th of January 2006 the Chinese government issued an official white paper outlining "China's African Policy." Alongside "China's Rise", the question whether China presents Africa with "threats or boons" has become another highlight attracting many discussions globally, especially on the African continent. Among these discussions, one of the recurring questions is "who benefits



“...who benefits from the relationship between Africa and China?”

from the relationship between Africa and China?” One focus is on China's growing need to meet domestic energy demands as a result of its rapid emergence as a world power, and logically China's underlying intentions seem doubtful. Some have called this white paper “China's Africa Policy for Energy”, and others have suggested that by embracing China, Africa is bound to be impoverished.

Actually, this is not a new topic, but has been on many Africans' lips since Chinese factories and interest in commodities became more and more visible on the continent over recent years. As researchers in the largest dedicated institution of African Studies in China (the Institute of West Asian and African Studies at the Chinese Academy of Social Sciences), my colleagues and I have often been asked (both publicly and privately): if China's presence in Africa is a kind of neo-colonialism, will this leave Africa with as few benefits as in the past? However, after China released its first-ever formal African Policy, the question that seemed to be the most vocal and significant was whether China's presence (or lack thereof) would decide Africa's rejuvenation and development.

Rival Relations with Africa

I happened to overhear some American diplomats discussing China's potential to expand externally. This is not an unusual way of thinking globally, but it is not reasonable to judge China according to the actions of other countries. Besides official adjustments of African policies now and then, there are many strong voices in the United States arguing that Americans should pay more attention to Africa, from more angles than just humanitarianism. This is especially now because Africa is steadily becoming more central to the United States and the rest of the world given that Africa now plays an increasingly significant role in supplying energy, preventing the spread of terrorism and halting the devastation of HIV/AIDS. Some Americans even frankly urge their government to upgrade its diplomatic presence in the energy-producing African countries and questions need to be raised as to why there are not as many criticisms and doubts about America's ambitions. If it is just because the relationship between Africa and America is too long-standing reality to be questioned, then we need to look back on the history of diplomatic links between China and Africa to see what kind of the relationship this will become.



Historical Links

“...teaching somebody the way of fishing is better than giving him many fish”.

Recalling the long history of Sino-African relationship, we can almost draw a conclusion immediately that the white paper on "China's African Policy" is a natural and consequent fruit of the process. During the 1960s and 1970s, the Chinese generously assisted Africa by constructing stadiums, laying down roads, and building hospitals, despite its own domestic concerns. After single-mindedly building socialism with Chinese characteristics back home since the early 1980s, China has greater power and means to express goodwill towards Africa. From the 1990s on, China's historical diplomatic and economic links with Africa crystallised into a more coherent "South-South cooperation" policy, with the focus on developing countries such as India and many South American and African states helping one another in terms of trade and aid for development. The China-Africa Cooperation Forum formed in

2000 continues to foster Chinese-African ties and Africa is useful both for its oil and as a market for Chinese exports. At this stage, confronting a still unequal international environment, China's assistance to Africa represents a new trend that suits the international trend of peace and development. Just as the old Chinese proverb says, "teaching somebody the way of fishing is better than giving him many fish".



China's Example

As it states in the white paper, China is the largest developing country in the world, a country that just begun to shake off the problems and troubles of its past. Considering the factors that inhibit for example African development, such as low levels of productivity, a largely unqualified and unskilled labour force, costly access to markets, poor infrastructure and lack of investment, China has to a large extent addressed these issues in its domestic environment. Just like Brazil, India and South Africa in the global South, China is developing rapidly and even in some ways bypassing rich Northern states. It may even be appropriate to say that China is potentially showing Africans a new approach to development (some refer to it as a kind of "Chinese Development Evangelism").

Externally, China is actively demonstrating the strength of "South-South cooperation", as many Brazilian, Indian and South African businesses have done among their own regional blocs as well as internationally since the late 1990s. Sadly, this tendency is often explained away as a kind of ambition to expand their horizons, and even as a form of "neocolonialism". Confronting the vested international system which was established by Western powers and often serves their own interests, these developing nations are finding an alternative way of development beyond that of the rich North, which has so far proven to be far more appropriate, efficient, low-cost and sustainable solutions to these developing countries' problems. On the other side, China, just like other forward-thinking developing nations, is incorporating a kind of altruistic principle within its foreign policies. Such efforts can be found in "China's African Policy", such as zero tariff treatment. Its long-range influence is quite clear, for it shows Africans, as well as other peoples, a new kind of relationship that emphasizes the goal of "developing together", and might bring our world to a more reasonable future.

"It may even be appropriate to say that China is potentially showing Africans a new approach to development."

Threats or Boons?

It is self-evident that ultimately the path of African development does not depend on what happens in China and Africa's relationship with China; instead, it depends on Africans' own response to their plight. It is the same case where Africa's relations with America and Europe are concerned. Indulging in the question as to whether China presents Africa with "threats or boons" one can only plunge into

the icy water of grudge and suspicion, and at the same time delay timely opportunities to develop oneself. China's presence in Africa is not a new thing. Despite some Westerners' surprising

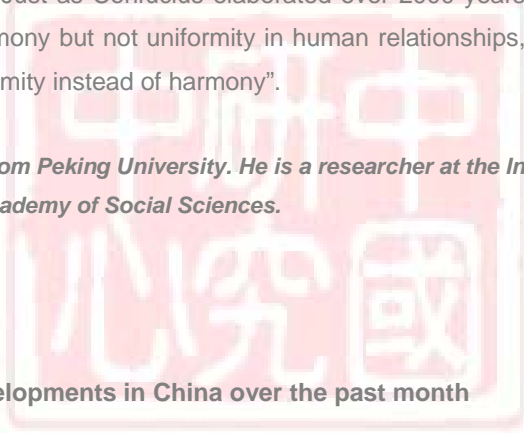
“China's presence in Africa is not a new thing.”

exclamations about “China's thrust into Africa”, Chinese influence has always been in Africa. As such, Africa has developed some very close ties with China. Arguments can be made that this relationship has transcended the stereotypical thinking of China as a “threat or boon”. Instead, there is the potential for a win-win situation, one that requires

adaptation to a new reality and to utilise new opportunities, both for Africa and China. The Chinese cultural tradition emphasizes the value of harmony, and of a “harmonious society”, and this is taken as an ideal and destination for all Chinese people. China's diplomatic principles are always reflections of the Chinese philosophy of harmony, or in other words “the principle harmony in difference”. This is evident in China's African policy with three specific characteristics – political friendship, equality, and economic cooperation. In this kind of relationship, mutual acknowledgement and mutual respect are the first and foremost. Just as Confucius elaborated over 2000 years ago, “noble men seek harmony but not uniformity in human relationships, while others insist on uniformity instead of harmony”.



Dr. Liu Haifang graduated from Peking University. He is a researcher at the Institute of West Asian and African Studies, Chinese Academy of Social Sciences.



Business Briefs

Significant business developments in China over the past month



Airbus Prospects in China Aircraft giant, Airbus is looking at the prospects of manufacturing

commercial airplanes in China. The airplanes which have a capacity of 185 seats will be locally produced and domestically destined according to Tom Enders, chief executive officer of European Aeronautic Defense and Space Co. Although the proposal is only tentative with a final decision being made by September, China's labor market is likely to

benefit if the deal comes through production begins. The company is looking at producing four airplanes a month by 2009. EADS owns 80% of Airbus and is based in Toulouse, France.

Bank of China confirms social security fund to buy 3.9 pct stake China's national social security fund has invested 10 billion Yuan to buy a 3.9 percent stake in the Bank of China. The social security fund was set up in 2000 to take over pension funds for state-run companies. A Royal Bank of Scotland led consortium including Merrill Lynch and Hong

Kong business tycoon Li Ka-Shing, last year agreed to buy a 10 pct stake in Bank of China for US\$3.1billion. Singapore's Temasek Holdings bought a 5 percent stake for just over US\$1.5 billion and Swiss banking group UBS invested US\$500 million in the Bank of China.

China becomes world's largest platinum jewellery consumer

China has overtaken Japan to become the world's largest platinum jewellery consumer. Increasing world prices of noble metals has not affected sales which rose by 10 percent in China in the 30-day period before and after the Lunar New Year, which fell on Jan. 29 this year. Platinum is mainly used to make auto-catalysts and jewellery, items which have experienced a boom in demand in new Chinese and Indian markets.



China central bank says it might widen yuan trading band

After broadening the daily trading band of the yuan against the euro, yen and Hong Kong dollar in September last year, Zhou Xiaochuan, president of the Chinese central bank, announced a widening of the daily trading band between the yuan and the dollar this month. The proposed increase in the band beyond the 0.3 percent limit has been advocated by China's trading partners and the greater flexibility of the yuan will be in line with domestic and international requirements. A date for this proposal has not been declared.



China carves out its own Net domains

China is moving away from ICANN (Internet Corporation for Assigned Names and

Numbers) Internet domains, such as dotcom and other well-known internet addresses, to Chinese language alternatives. Internet experts point out that this daring move could imply restricted access to US domains for Chinese citizens in the long term, whereas access to both systems can be achieved at present. China has defended its departure from the US-controlled system by stating that ICANN fails to supply Internet domains in Chinese and other Asian characters.

China launches new IPR plan

Chinese companies have welcomed the initiative by Beijing to develop an intellectual property rights (IPR) protection strategy. The action plan (China's Action Plan on IPR Protection) envelops areas such as trademark, copyright, patent and customs protection. Even though increased attention by authorities has been directed to IPR protection law enforcement, policing resources and capacity still are of concern.

China parliament fosters debate

This month hosted China's annual 10-day session of parliament. The National People's Congress (NPC) questioned rapid economic success in line with growing concern for China's rural poor, and environmental issues. At the heart of combating the increasing wealth gap were proposals for increased government spending in rural areas, on health and infrastructure, as well as re-introducing free education.

Sino-Indian Petrochemical Cooperation

A preliminary agreement was signed with China's Sinopec Corp. and Hindustan Petroleum Corp. Ltd. for projects in India and China. The companies will cooperate in international trade, exploration and production,

refinery and petrochemicals and consultancy services. Indian and Chinese firms have only been partners where Western competitors are limited such as Sudan and Syria. In January Oil and Natural Gas Corp. Ltd. and China National Petroleum Corp. signed an initial deal covering exploration and production. Gas transporter GAIL (India) Ltd. signed a pact with Sinopec, CNOOC Ltd. and Beijing Gas.

China property shift for Morgan Stanley

After spending US\$ 8 billion on Japanese real estate last year Morgan Stanley, the world's 3rd biggest securities firm, declared to move funds to the Chinese property market. Over the last 5 years Morgan Stanley invested US\$ 1.5 billion in China it will increase its real estate holdings by US\$ 3 billion this year, bargaining on the expectations of an asset price bubble. China's growth has averaged 9.2 percent over the last 10 years and in, for example, Shanghai property values have tripled in the last 6 years.

China to accelerate defence spending in 2006

China is to increase its official military budget for 2006 to 283.8 billion yuan (US\$ 35.3 billion). This increases the defense budget by 12.6 per cent from last year's US\$ 30.2 billion. Beijing also announced a 14.7 per cent rise in military spending for 2006. The rise in defense spending is in line with increased economic growth and the greater pool of funds will enhance, inter alia, the earnings and wellbeing of the military workforce and the country's defense capacity.

China to open 1st oil reserve by end of 2006

China will open its first oil reserve by the end of the year and speed the construction of three others in order to ensure sufficient oil supply.

Supplies would come mostly from developing countries such as Sudan, Chad and Nigeria.

China will gradually reform its energy and utility pricing

The National Development and Reform Commission presented a draft plan at the opening of the annual parliament session. Different rates will still be charged during peak and off-peak hours. Public bidding for the right to supply electricity will be promoted and pricing mechanism to encourage the use of renewable energy resources will be implemented. The Commission said there will be improvements in the mechanism for setting oil prices and will adjust producer prices for natural gas. Collection fees for water resources and feeds for urban sewage treatment will encourage conservation.

Chinese government announces new car taxes based on engine capacity

China's Minister of Finance has declared new tariffs based on the engine capacity of cars and motorcycles. As per capita income increased over the last years few so have the number of vehicles on Chinese roads. From 2000 to 2004 automobile numbers have doubled and the new tax rates are aimed at reducing energy consumption of vehicles. In line with this, vehicles with engine capacities of above 2 litres will be taxed up to 20%, whereas tax rates on smaller engines have decreased, encouraging greater use of such vehicles.



China's growth 'to slow slightly'

The Chinese central bank has said that China's massive growth rate is expected to slow

gradually this year with a 9.2% growth rate in the first quarter and 8.7% in the fourth quarter. This remains a rapid rate of growth, driven by a surge in exports. The government is attempting to increase domestic demand and expand the growing wealth from the cities in the east of China across the rest of the country. The central bank said consumer prices would be up about 2% in 2006 but with no major price fluctuations.

China plans to spend \$22.5 billion in oil refining sector in next five years China's largest oil producer, PetroChina, stated that China is planning to spend \$22.5 billion in the oil refining and petrochemical sector over the next five years, with plans to build five oil refining bases and six ethylene production bases. China plans to increase its oil refining capacity by 5 percent to 170 million tons by the year 2010.

Warner Bros. aims to open 200 stores in China Warner Bros. plans to open about 200 stores in China as demand for branded



merchandise increases. The first Chinese store was opened in Shanghai recently. It is operated by a subsidiary of ports-to-telecoms conglomerate Hutchison

Whampoa Ltd.'s toy production unit Hutchison Harbour Ring. China has a growing population with disposable income and companies such as Warner Bros. and Disney are utilizing this opportunity. Disney has about 2,600 retail spaces in stores like Carrefour aiming to increase this to 6,000 by 2009. Consumers are expected to spend about \$12.5 billion on toys by 2010 in China. Sellers may encounter problems with the large amount of fake

products available featuring the famous characters. Warner Bros. however, anticipate that consumers will buy the authentic merchandise now that it is licensed, having become familiar with the characters through the fakes.

China raises oil product prices to help refiners, subsidise farmers China has

increased fuel prices for the first time in eight months but will provide subsidies for the poorest sections of the population. It gave no details of how it would distribute these subsidies. The rise in prices will help refiners cover costs after a surge in crude oil prices. The National Development and Reform Commission (NDRC) said ex-refinery gasoline

prices would rise by 300 yuan per tonne and diesel by 200 yuan per tonne. Retail gasoline prices would



rise by 250 yuan per tonne and diesel by 150 yuan per tonne. Retail prices in Beijing would increase even more, to 460 yuan per tonne of gasoline and 340 yuan per tonne of diesel. Prices of aviation fuel and fuel costs for military use will also rise. Changes were below market expectations. China has been protected from the impact of soaring global energy costs causing unchecked growth and huge losses at state-owned refineries.

Collapsed Rover purchase by Chinese carmaker given go-ahead Nanjing

Automobile Group has been given permission from China's State Development and Reform Commission to go ahead with plans to buy British MG Rover, bankrupt in April 2005, and PTL. Nanjing Automobile Group will be able to produce 200,000 motor vehicles, 250,000

engines and 100,000 gearboxes a year. It will produce top-grade MG-75 sedans with the first cars to be rolled off in the first half of 2007.

China hits back at US criticism China has released its own document of US abuses after criticism from the US. The report urged the US to review its own problems including its high murder rate and jail population and described alleged abuses such as secret surveillance, police abuse, racial discrimination and wrongful convictions. It criticised the US State Department for its finger pointing, while never looking at US violations. A US report on human rights accused the Chinese government of abuses, noting increased "harassment, detention and imprisonment, by government and security authorities, of those perceived as threatening", increases in protests and public disturbances, some of which have been violently suppressed. The State Department did mention improvements in personal and religious freedoms.

Rolling Stone publishes China edition This month saw the inaugural launch of the American Rolling Stone magazine in mainland China. Articles on film, music and pop culture can now be enjoyed by a globalised Chinese readership, with original content for Chinese readers and translations from the American edition. The first issue featured a local rocker, Cui Jian, on the cover and was sold out promptly, reported newsstands in Beijing.

China set to invest \$12B in Pakistan China is to invest US\$ 12 billion in various projects in

Pakistan, including the country's largest oil refinery, Gwadar refinery, estimated to produce 60,000 barrels of oil per day once operational. Investment plans were more concrete after Pakistani President Pervez Musharraf visited Beijing last month.

China to double copper export taxes to ease pollution As of April 10 China will raise export taxes to 10% on copper and copper alloy products, as well as rolled-copper products. China's copper exports decreased 40.9 percent last year.

Australia urges US to embrace China Australian Foreign Minister Alexander Downer has said Australia does not support a policy of containment of China. US Secretary of State, Condoleezza Rice has expressed concern over China's military spending, saying she wanted Australia and Japan to reach a joint position with the US on how to engage with China on the issue. US and Australian policies have been at odds over Canberra's push to sell uranium to China and its failure to condemn the EU's push to lift its arms embargo on China. Mr Downer discussed engagement with China in order to endure its growth is positive for the region. He commended China in its responsible actions regarding North Korea. Dr Rice later toned down her previous comments saying the US wanted to play a constructive role.



Google Moving Search Records Out of China

To protect users of its censored Chinese search site, Google is moving search records out of China and into the United States. This has been done to prevent the Chinese government from accessing Google's records

without its consent. Google keeps records of searches performed by its users and the Internet Protocol addresses linked to these queries. Critics worry about the protection of user privacy. Google has fought a subpoena in court from the Department of Justice, who has asked for information to defend itself against a legal challenge to the Child Online Protection Act, saying handing over information would undermine user trust. Google has been criticized for censoring its Chinese site in cooperation with the Chinese government, but this is different from user protection. The company has not launched Gmail or Blogger in China to avoid the possibility of having to disclose user information to the Chinese government.

Holcim taking control of China's Huaxin A unit of Swiss firm Holcim, the world's second largest cement maker, will buy a controlling stake in Huaxin Cement Co Ltd of China. The deal could be worth more than US\$121mil. It would make Holchin B.V. the first in Beijing's pilot scheme allowing foreigners buy major stakes in listed firms. The deal, awaiting Chinese approval, would boost Holchin's stake in Huaxin from 26.1% to more than 50%.



India and China end border talks with no breakthrough

India and China ended three days of talks with no breakthrough regarding their long-standing border dispute. The Indian foreign ministry said the two countries would meet again for additional dialogue. The latest round of talks were held in New Delhi and in Kerala and were led by National Security Adviser M.K. Narayanan from the Indian side and by Deputy Foreign

Minister Dai Bingguo from the Chinese side. The last round was held in Beijing in September.

Harley-Davidson opens in China Together with the Beijing dealer Feng Hou Lun Harley-Davidson will open its first Chinese outlet in April this year. The retail outlet will not only sell bikes, parts and accessories but also create true understanding and appreciation of the Harley-Davidson experience. Even though motorcycles are banned in certain parts of the city, Harley-Davidson sees great potential in the Chinese market as disposable income escalates.

CNOOC's 2005 profits up as revenue surges on high oil price

With higher oil prices and robust sales of processed oil products CNOOC (China National Offshore Oil Corporation) Ltd increased its sales revenue by 25.8% to 69.46 billion yuan, managing a soaring 57% increase in net profits to



25.32 billion yuan, and earnings per share increase from 0.39 to 0.62 yuan last year. Fu Chengyu, Chairman and CEO of CNOOC Ltd said that net output in 2005 amounted to 130 million barrels of oil in 2005 and is planning to produce up to 170 million barrels of oil this year. CNOOC Ltd has shown signs of positive development over the last few years, expanding its production capacity, reserves and net profits. Foreign acquisitions of oil projects in countries such as Canada and Nigeria, as well as Kenya and Equatorial Guinea in the near future, will continue, said CNOOC president Zhou Shouwei.

China Raises Taxes to Protect Trees, Cut Fuel Use

China will impose increased taxes on disposable chopsticks and high-fuel consuming cars in line with its increased environmental concern and focus on cutting energy consumption. 25 million trees are cut down for the annual production of 45 billion



non-reusable wooden chopsticks, endangering China's forests. On 1 April a 5% tax on throwaway chopsticks will be levied to discourage the use of these eating utensils.

Increased taxes on high-fuel consuming vehicles will target China's insatiable hunger for energy as its population increases. The majority of Chinese cars display engine capacities of over 1.6L and thus the highest tax rate will jump from 8 to 20 per cent and consumers of engines smaller than 1.5L will only pay duties of 3 per cent, creating incentive in the market for smaller cars. Taxes on luxury products in Hong Kong are destined to be raised to target the growing urban-rural gap.

China, Europe to co-develop advanced heavy-lifter

Eurocopter, a leading global helicopter manufacturer, has announced a plan to co-develop an advanced heavy-lifting helicopter with China. China Aviation Industry Corporation II and Eurocopter will each invest 200 million euros to design, develop and construct the EC 175 helicopter, used for transportation, policing and search and rescue. China and Eurocopter's co-operation date back to the 1960s where aircrafts such as the Alouette III, the Dauphin SA 365 and the EC 120 Colibri were developed. Based on the success of the EC 120 and high Chinese

demand for heavy-lifter aircrafts the collaboration is expected to be highly profitable.

China says tariff on shoe imports violates EU rules

The European Union has proposed a single tariff on leather shoes imported from China. From April 7 this tariff will be effective at 4% on imports from both China and Vietnam, who were found to be dumping shoes on European markets. 5 billion euros of shoes were imported from the two countries in 2005 hurting European manufacturers. However, director of the ministry's Bureau of Fair Trade for Imports and Exports, Wang Shichun, said that the decision to impose a single tariff on the whole industry breaches EU rules. Across Europe the effects of dumping vary as differences in for example price and quality of products exist.

Is China World Wine's Newest Member?

The world's leading wine producing countries, such as



Australia, France, Italy, South Africa, Spain and the United States, are expanding their activities in China and exploring growth opportunities in a society with increasing affluence.

Favouring international wine producers, China has recently entered the World Trade Organisation and reduced import tariffs from 43% to 14% per bottle of wine. This has spurred domestic producers to become more competitive, supplying cheaper wines, however not up to international standard. Nevertheless, Chinese winemakers are picking up techniques on planting, distribution and marketing from the international competition.

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International suppliers are not too concerned with this development as they view China as the gate of their future expansion path into Asian markets.

Shell plans to siphon US\$500m into China

Shell plans its biggest investment of US\$500 million this year in China, expanding its capacity and increasing its competitiveness in the energy market of the Asian giant. Koch

Materials China (Hong Kong) Ltd, a US-based company involved in refining and chemicals, also struck a deal with Shell to more than double Shell's bitumen production in China as well as erect plants in areas with weak coverage. Shell has comparable plans to those of BP and Total, who have set up joint ventures with Sinotech and PetroChina, expanding the number of petrol stations in China.

Sourced from: China View, New York Times, Reuters, Bloomberg, Xinhua, The Age

China & Africa

The latest updates on Chinese activity on the African continent.

Chinese firms set up office in Angola to boost ties Sinosteel Corporation, China National Overseas Engineering Corporation and Sinopec, in collaboration with about 20 Chinese companies have established a chamber of commerce in Angola to strengthen



Sino-Angolan ties. As Angola is sub-Saharan Africa's second-largest producer of oil, China, driven by its own energy needs, has contributed in reconstructing Luanda's economy since the end of the civil war.

Chinese refiners snap up newest oil producer Mauritania's new crude

Mauritania, Africa's youngest oil producer, has its first, as well as later cargo loads in April, destined for China. Mauritania's Chinguetti crude, trading at a discount compared to the North Sea benchmark, has received a warm reception in the energy market due to high

Chinese demand and great buying interest. The largest holders of Chinguetti equity are Woodside Petroleum Ltd and Harman Resources with 47 and 19 per cent respectively.

Oil reserves in Gambella attract China

The Gambella basin of Western Ethiopia has attracted Zhonguan Petroleum Exploration Bureau (ZPEB), a Chinese petroleum company which began its first exploration late February. Petronas, a Malaysian Petroleum Company was allocated the tender for the town in 2003 and has since subcontracted ZPEB to carry out drilling works in the oil basin. The basin, about 19,600 sq. km wide and is an extension of



the Melut basin found in the South of Sudan. The latter basin houses huge amounts of oil reserves and Petronas has been noted to have similar interests in Sudan's Southern region.

US\$16 million has been reserved by Petronas to accommodate expenses from the first well while a drilling rig and other machinery will be imported from China. China has a significant share of the resource in Sudan, 40% while Malaysia and India have a 30% and 25% share respectively in the industry assuming the rest is domestically allocated.

Chinese construction of residence buildings underway in Angola

A China International Fund based company is to start the construction of some 44, 15-floored buildings each, in the city of Cabinda. The company will additionally build 5000 apartments in the Yabi village, 18km from the city. Angolan Minister of Urbanisation and Environment, Diakupuna Sita Jose also revealed during the launching of the project, his country's intention to build 200, 000 residences that will be spread across the country until 2008. He stated that the cooperation between the countries would yield such a realisation. Jose said that the National Reconstruction Department within government would be coordinating the operation of the project.

The planning and projection of the city's project is expected to match Asian and European urban concepts while utmost care will be taken to ensure that it falls within the lifestyle and architectonic characteristics of the country, Ju Lizao, a representative of the Chinese firm said. This urbanisation project will create 4, 000 local and 1,000 Chinese jobs at minimum cost while ensuring quality. The project is expected to span over 30 months.

Chinese firm to study coal reserve in Ethiopia China National Complete Plant Import

& Export Corporation (COMPLANT) has been contracted to study the potential reserve of urea fertilizer in a coal mine in Yayu Oromia, South Ethiopia. Ethiopia imports close to 200,000 tons of urea fertilizer a year. If the surveys are successful, COMPLANT will construct a manufacturing plant.

Chinese Firms Jostle for Nigerian Cassava

Chinese companies have been placing orders for cassava from Nigeria above the amount the sector could supply. Nigeria is the largest producer of Cassava but has the potential to grow further. A Chinese businessmen deemed Nigerian cassava to be the best in the world after laboratory tests in China. Firms from China were ready to import cassava, while some have moved to Nigeria to process and export it themselves.

Mozambican shipping company to distribute Chinese products

Krew Marine, the new Mozambican based company will be distributing Chinese products to neighbouring



African countries. The company which is a joint venture between Mozambican and South African

investors will act as a service provider to ships that stop at the harbour as well as be a door to door distributor of these services.

Nigeria's NAFDAC signs MOU with China

The National Agency for Food and Drug Administration and Control (NAFDAC) of Nigeria in collaboration with the Chinese government, Sweden as well as other countries have entered into an agreement which will inhibit the importation of fake or sub-

standard pharmaceuticals through the country's ports. Prospective importers will now require sufficient pre-shipment information following this development.

India-China trade talks favoured by SADC



The Southern African Development Community is to commence talks with India and China during the Council of Ministers Consultative Conference in Windhoek next month. The motive is to enhance SADC's trade prospects with Asian economies in areas related to ICT, agriculture, industrial products, development and industrial issues to say the least. Botswana is likely to benefit from these negotiations due to the interest shown in the country's mining industry. While diamonds are the most favoured, copper is exported to China with reciprocal gains in textiles from China and India. Botswana produces about 26% of the world's diamonds and its mining sector constitutes 36% of its GDP.

ZESA signs deal with China's Catic ZESA Holdings Limited has signed a US\$10 million deal with China National Technology Import and Export Corporation (CNTIC) to supply of working capital for the refurbishment of power equipment. ZESA executive chairman, Dr Sydney Gata, said the aim was to replace obsolete equipment to increase efficiency in energy supplies. ZESA was facing foreign currency shortages that had impacted on the supply of electricity. This is the second part of an agreement between ZESA and China. The

agreement stipulates that ZESA would contract farmers to produce tobacco and cotton that would be exported to China in exchange for the working capital. CATIC has invested more than US\$3 billion in ZESA projects in the past five years. Talks with China are through the guidelines of the Government's Look East Policy aimed at increasing co-operation with Asian nations.

US\$3 billion oil refinery in Angola China and Angola plan to build a US\$3 billion oil refinery in the port of Lobito this year and are hopeful that this will attract potential investors. It is anticipated that the refinery will have a target output of 200, 000 barrels per day.

Nigeria, China sign over \$2billion MoU on rail project

The Nigerian government signed a Memorandum of Understanding with Guandong Xinguang International Group, a Chinese government



corporation. The deal includes construction of a fast rail system from Lagos to Abuja, a light rail from the Murtala Mohammed International Airport to the city of Lagos and Nnamdi Azikiwe International Airport to Abuja City centre. The company would also invest in the Abuja Metro Line, a power station plant, and housing and infrastructure. Other areas of investment and cooperation are in agriculture and health, and the provision of computers for tertiary institutions and training.

Sourced from: China View, New York Times, Reuters, Bloomberg, Xinhua, AllAfrica, Sudan Tribune, Business Day

The China Forum

Recent Events

CCS at the Woordefees – 4 March 2006

On Saturday the 4th March, CCS Director Dr Martyn Davies made a presentation entitled “China in Africa”, discussing China’s investment activities and interest in the Africa continent at the Woordefees festival held at Stellenbosch University. The event was well-attended by students and academics.

Dynamic Beijing Exhibition – March/April 2006

CCS and The Department of Modern Foreign Languages at Stellenbosch University have arranged a photographic exhibition entitled “Dynamic Beijing”, celebrating the cultural and international aspect of China’s capital. The photographs are on exhibition at the JS Gericke library on Stellenbosch University Campus until 14 April.

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