










The China Monitor

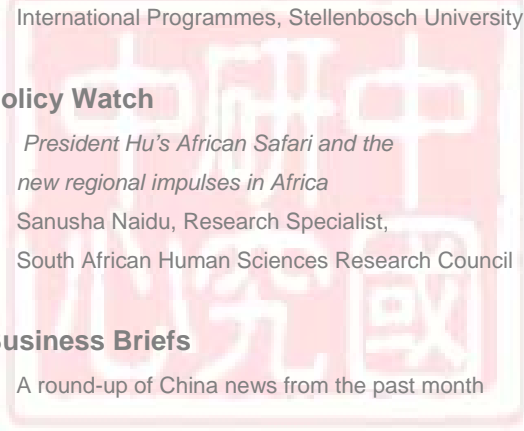
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Editorial

President Hu Jintao's recent visit to Africa is yet another senior level visit to Africa by the Chinese leadership to the continent. Since 1998 – the year South Africa and China established formal diplomatic relations – all of the top Chinese leaders have paid visits to South Africa – unprecedented in terms of both seniority and frequency. The significant political emphasis that Beijing has placed in Africa has paid rapid dividends considering the speed at which China's emerging multinational firms have established footholds in Africa's economies. The political focus is inextricably tied to commercial relations between China and Africa.



But it is not just the Chinese central government that is prioritising Africa above all other regions in terms of its foreign policy. China's provincial governments too are engaging African countries through frequent high level visits. These visits are multidimensional in nature and are resulting in a network of new Chinese-African relations emerging.

President Hu Jintao's visit to Morocco, Nigeria and Kenya focused on key countries in respective regions. In June, Southern Africa will be in the Chinese spotlight with the pending visit of Premier Wen Jiabao. European powers regard Africa as a developmental priority. China's priority is less aid focused but inclined toward business dealings. Aid has not enabled growth in Africa. China's more pragmatic business model may be the more promising.



Dr Martyn J. Davies
Director, Centre for Chinese Studies

Letter from China

Engaging Higher Education in China

By Robert Kotzé

I recently had the wonderful experience to visit Beijing and Hong Kong – both for the first time and to the great joy of my Chinese friends at the Mandarin Section of the Modern Foreign Languages Department, Stellenbosch University and those at the Chinese diplomatic missions in Pretoria and Cape Town, South Africa. Although only 10 days and limited to two cities, the visit confirmed the high level of interest to interact with academic institutions in South Africa on a bilateral level creating opportunities for staff and student exchange programmes based on sound and long-term academic cooperation.

“For too long China has only been regarded as a market for student recruitment.”

For too long China has only been regarded as a market for student recruitment. In 2002 the Chinese Ministry of Education started with the *21st Century China Higher Education Exhibition (CCHEE)* to shift the emphasis to higher learning partnerships and establishing Chinese universities as destinations for study and research. Since 2002 the CCHEE travelled to Russia, France, Canada, USA (Seattle 2005) and recently in Berlin. This vigorous move towards establishing partnerships also explains the interest in South African institutions of higher learning.

Within the framework of the bilateral agreement of cooperation between the Ministries of Education of the South African and Chinese governments the Centre for Chinese Studies was established at



Stellenbosch University (SU) in June 2005, creating a space for the International Office at SU to engage with Peking University and Tsinghua University. As a result a group of 5 Mandarin students will attend a summer programme at the International College for Chinese Language Studies at Peking University in June/July 2006. First discussions about a formal exchange programme took place at both institutions and will be followed up in July 2006 with concrete proposals and

identifying fields of cooperation. At Peking University our collaboration will be in the broader field of African Studies and Physics, while Engineering and Business Studies will be the focus at Tsinghua University.

Stellenbosch University is also hosting a Confucius Institute sponsored by the National Office for Teaching Chinese as a Foreign Language (*Hanban*). I therefore also met with ZHAO Guocheng, Deputy Director-General, to discuss recognizing SU as a testing centre for Chinese language proficiency. The Hanban is currently sponsoring two lecturers at SU and has appointed Peking University as the Chinese academic sponsor for the local Confucius Institute. Besides the role of the Institute to provide language teaching and testing facilities to the public, we would like to develop the

Institute as the resource centre for Chinese Language and Cultural Studies for Southern Africa through exploiting the interactive telematic education facilities at SU, the multi-media laboratory established by the Ministry of Education PRC, the active support from Peking University and the existing credit-bearing programme at Stellenbosch University's Modern Foreign Language Department (about 70 students).

Another significant academic role player, relevant for Sino African relations, is the Institute of West-Asian and African Studies (IWAAS) at the Chinese Academy of Social Sciences (CASS). During a conversation with the Director General, Professor Yang Guang, it was agreed that SU and IWAAS will host researchers from both institutions and that the CCS and IWAAS will work towards closer academic ties. Our proposals were met with enthusiasm and the first visitor will be coming to SU later in 2006 for research at the CCS. This could pave the way for significant collaboration in developing policy documents preparing the different levels of interaction between China and South Africa and Southern Africa.



In Beijing I constantly felt being trapped between the old and the new, fascinated by numbers (constant queues to get into lifts), the traffic and contrasts, like the student carrying a laptop in the one hand and a water flask in the other on his way to collect boiling water. Don't even mention the constant bargaining.... Hong Kong was different, but also the same: numbers, the traffic and

“...institutions are keen to receive South African students...”

contrasts... I have encountered the same enthusiasm to explore academic collaboration. With the Chinese University of Hong Kong (CUHK) a student exchange programme was established with the first participants arriving in Stellenbosch in January 2007. The University of Hong Kong will be sending four students to our “Summer” School this June to join students from the USA, Palestine and Gabon for a programme on

Democracy in South Africa. Both institutions are keen to receive South African students and provide excellent opportunities as a point of entry to East Asia, and specifically China. The same is true from a South African perspective: we could serve as a point of entry to the rest of Africa.

My visit started off as a journey to attend the first annual conference of the Asia-Pacific Association for International Education (APAIE) in Seoul with a stopover in Beijing and Hong Kong *en route* to Dubai for an education fair. However, the visit ended as a journey to Beijing and Hong Kong with an accidental start and end in Seoul and Dubai respectively. I am sure this journey will grow in intensity to evolve into an active passage for students and academics to engage in significant academic work contributing to stronger relations between South Africa and China.

Robert Kotzé is the Interim Dean of Students & Advisor of International Programmes at Stellenbosch University

Policy Watch

President Hu's African Safari and the new regional impulses in Africa

By Sanusha Naidu

President Hu's recent three nation visit to the Continent in April 2006 produced a mixture of commentaries by international and domestic media that ranged from benign analysis to judicious contempt. Despite the conjecture and cynicism that made the headlines as President Hu toured Morocco, Nigeria and Kenya, the context of his visit must be put into perspective. This is the second time that the Chinese leader had visited the continent as President. It follows closely on the visit made by his foreign minister in January (which coincided with the release of China's Africa policy paper) and precedes the visit that his Premier will be making to South Africa for the first time at the end of June. The fact



that in the first six months of 2006 the continent would have seen three high profile visits from China's Executive signifies the importance that Beijing accords Africa in its outward foreign policy trajectory and the emphasis it places on Sino-African relations. This is not something that Africa's leaders or the African Union should treat lightly, especially considering that the Continent needs to diversify its diplomatic portfolio of development partners as much as the Chinese need to do so.

During his tour President Hu stressed Beijing's 'strategic partnership' with Africa and emphasized a five point proposal for developing ties in the areas of politics, the economy, culture, security and international affairs as part of a new political dimension to the already blooming bilateral economic relations with the Continent. Even as President Hu reiterated Beijing's stance of 'peace coexistence' in its engagements with Africa, the critics were less impressed with China's consolidation of its relations with Africa and more interested in packaging it as something with sinister intent. While it is not difficult to see the critics' point of view when Beijing's commercial interests in Africa reflect a sense of 'realpolitik', the irony is that the same can be said of Africa's ex-colonial powers or, as they are contemporary called, Africa's development partners in their renewed interest in the continent's political and economic affairs. What was intriguing about the reports concerning President Hu's visit was the portend image it portrayed of China embarking upon an imperialist drive into the continent, an illustration that definitely warrants a deeper analysis.

“Indeed, China's relationship with Africa is not without controversy.”

Indeed, China's relationship with Africa is not without controversy. The fact that China advocates a foreign policy premised on the principles of 'independence and sovereignty' and requires that their partners in return adhere to the 'one China policy' does raise questions about the political implications that may impinge upon Sino-Africa relations and whether the Continent's voice will not be suppressed to that of a subordinate partner.

Picking up on this mainstream media commentators, diplomats, and analysts accuse China of conniving with rogue states and undermining the consensus built around the principles of good governance and development policy practice as endorsed by member states under the NEPAD programme. Moreover these antagonists are quick to rebuke China for tying its economic interests with its strategic political outreach and blames Beijing for colluding with so-called illegitimate regimes (e.g. Sudan) for the sake of its national interest. Their assessment of China's ever expanding relations with the continent is one of extreme pessimism. In this regard they caution Africa of what it is inside China's diplomatic bag of goodies because, in their opinion, it disguises the real intention of Beijing, namely to exploit Africa's rich pickings of oil and raw materials to power its market economy demand and broaden its sphere of political influence for its narrow selfish interests as a rising superpower. Unfortunately such analysis appears duplicitous since any scholar of international politics knows that this is the true nature of how foreign relations are conducted.

Beneath the veneer of these commentaries lies a deeper concern that bedevils China's burgeoning relationship with Africa. This is simply because China's growing geo-political and economic influence in Africa encroaches upon what Western powers have seen as its traditional cauldron of interest and influence. From the 19th Century Scramble for Africa's resources through to the Cold War and even after the latter's demise, Africa remained the last frontier in which Western powers could exert and assert its muscle. In many ways Africa offers its former colonial powers a way of saving their integrity in the face of adversity at home and abroad. But the signposts are beginning to change. Where once Africa's traditional development partners

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could remain comforted by the thought that by mainstreaming the continent's humanitarian crisis through global initiatives like the Commission for Africa and the Millennium Challenge Account (which make them seem more selfless, but inadvertently keeps Africa within its ambit of strategic influence), this appears no longer possible. This is because there are new regional impulses emerging within the continent that are bringing into sharp focus a realignment of how Africa is being courted by a set of emerging powers from the South, notably the

new Asian drivers, with China leading the pack. And it is from this perspective that President Hu's recent visit to the continent should be viewed. Let's consider the following:

Trade between China and Africa has quadrupled since the beginning of this decade. China is currently Africa's third largest commercial partner after the US and France and the second largest exporter to Africa after France. It is ahead of Britain in both categories. According to official Chinese statistics bilateral trade surged to almost \$40 billion in 2005 from \$10 billion at the turn of the century. In addition, calculations by the Centre for Chinese studies suggests that the cumulative value of Chinese investment in Africa is \$4.5 billion out of a total FDI stock of \$37 billion which constitutes about 10-

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15% in Africa. Contributing to the latter has been the increased presence of Chinese enterprises, which at the end of last year stood at about 700 funded ventures that had invested a total of \$1.25 billion in the continent mostly in the field of energy and natural resources which ranged from oil and gas development, copper cobalt, coal and gold mining. Alongside this the Chinese government has also begun to complement its economic interests in the continent with commitments to addressing Africa's development plight:

- Forgiving more than \$1 billion in debt from African countries
- Training more than 100 000 Africans in Chinese universities and military institutes
- Sending more than 900 doctors to work across Africa
- Making major investments in infrastructure and agriculture
- Becoming an alternate source of credit to the IFIs; and
- Offering the prospect of zero-tariff trade



Considering the above, the Chinese are seen as competing with Africa's traditional development partners for more strategic space within the Continent but have also become an alternate pole to the West. While this may reflect the dynamics of the Cold War being revisited, for Africa it means less

“That new regional impulses are beginning to develop within the Continent has become worrisome for Washington, London, and Paris...”

reliance on its former colonial powers in achieving its development goals. And this is what makes the G8 countries nervous. That new regional impulses are beginning to develop within the Continent has become worrisome for Washington, London, and Paris, especially as regards their geo-political and economic interests. With the forthcoming G8 summit approaching, all eyes would be on whether Russia's Presidency would continue to uphold the African agenda. Whether it does or not, China will continue to

raise its diplomatic profile with Africa because of its soft engagement with the continent. Something that Africa can ill afford to ignore because it does give it some leverage within the changing contours of the contemporary international system. Although it may appear that there is a second scramble for Africa's resources, maybe this time African leaders can turn it to their advantage because competition does have its merits. And, indeed with China in its horizon, this can be deemed as a good starting point.

Sanusha Naidu is a research specialist in the Democracy and Governance program at the Human Sciences Research Council

Business Briefs

Significant business developments in China over the past month

Oil prices threaten Asian boom



Rising crude oil prices are likely to have a negative impact across Asia. Economic growth could subside by as much as 0.6% according to Asian Development Bank (ADB) economist, Ifzal Ali. If the prices remained as high over the next year or so, China, India and Thailand's GDP would fall by 1%, 1.1% and 1.8% respectively. Ali also noted that government subsidies aimed at keeping prices low would not be sustainable in the long run. It is imperative for Asia to maintain credible policies to help cushion the continent against the volatility and unpredictability of oil prices. India has been the hardest hit with oil imports close to 70%. It has not been able to increase petrol prices due to pressure from China and the country's upcoming elections in five of its states.

13 Coal Bases approved for construction in China

China's National Development and Reform Commission has approved a plan to construct 13 coal bases with production expected to reach 1.3 billion tons. The projects' construction and management will also be opened to non-state-owned investments. In a related development, Ministry of Land and Resources (MLR) officials have stated that 78% and 93% of China's petroleum and natural gas reserves still stand to be verified. China has good mineralization conditions but needs to improve its exploration of mineral resources. 80% of over 200,000 discovered mineralization points in China have

not been assessed. Proven reserves of coal, oil and gold are a fifth or a quarter of its possible reserves.

China's 2005 balance of payments surplus hit US\$ 223.8 billion

China's balance of payments surplus reached US\$ 223.8 billion last year according to the State Administration of Foreign Exchange of China (SAFE). The current account surplus rose to US\$ 160.8 billion while the financial account surplus fell to US\$ 63 billion. The balance of payments report was released for the first time earlier this month.

China Mobile looks to acquire Millicom

Reports have indicated that Millicom, an emerging markets telecoms operator controlled by Swedish media group Kinnevik, is in advanced talks with a buyer. Sources close to the company have identified China Mobile, a Chinese state-owned telecoms company, as the most likely buyer. This move is seen as part of Beijing's "go abroad" campaign, and if successful will be the one of the largest overseas purchases by a Chinese state-owned enterprise.



The joint venture to build a new plant between the world's second largest brewer, SABMiller Plc., and China Resources Snow Breweries Ltd. is estimated to be worth US\$ 35 million. The new

SABMiller invests in new China plant

The joint venture to build a new plant between the world's second largest brewer, SABMiller Plc., and China Resources Snow Breweries Ltd. is estimated to be worth US\$ 35 million. The new

plant will be established in the Chinese city of Harbin. It is due to operate in 18 months with a preliminary production capacity of 2.3 million hectoliters. The sales volume of Snow beer increased in 2005 by 47% to 15.8 million hectoliters.

Chinese firms' overseas M&A target natural resources and technology

Chinese companies have targeted natural resources and technological sectors for their overseas mergers and acquisitions (M&A) strategy, according to a report from Boston Consulting Group (BCG). From 2001 to 2005, 28 M&As were launched in the mining and energy industries with an average deal value of US\$ 280 million and 17 M&As in the technology and communications industry with an average deal value of US\$ 225 million. 62% of China's outbound M&As targeted Asia, with Kazakhstan, Hong Kong, Indonesia and the Republic of Korea receiving most of the Chinese investment. The report acknowledged China's national interest in securing access to natural resources, diversifying investment of growing foreign reserves and developing global players. Triggered by China's entry to the World Trade Organization in late 2001, the latest wave of overseas M&As is predicted to be stronger due to fierce domestic competition and greater opportunities in the world market.

China overshoots growth target China's economy is set to grow by 9.5% this year, ahead of the official 8%, according to China's Vice-Finance Minister, Li Yong. Speaking at the annual meeting of the Asian Development Bank, Li said interest rates could increase for the second time this year, to bring growth under control, although no abrupt adjustments would be made. He said that while an

investment and exports boom was driving the economy, there could be a tightening of policies and a growth of 8 to 9 %.

Interest rates were raised last month for the first time



since October 2004, after the announcement of a 10.2% economic growth rate in the first quarter of the year. Analysts now believe further rate increases are pending due to social and environmental difficulties being caused by excessive growth. Mr Li also said that the government was concerned about its trade surplus, a growing worry for the European Union and the US.

RIM takes BlackBerry into China

Research In Motion (RIM) is to offer BlackBerry services in China through China Mobile communications. They will focus initially on supporting multinational corporations with operations in China. China Mobile will soon offer BlackBerry service nationwide and provide SIM cards to support BlackBerry services.

Possible gains for China's IT industry

Conclusions drawn from a study by International Data Corp. reveal that China's IT industry could triple its revenue if a 10%



decline in the software piracy rate

can be met. Jeffrey Hardee, Vice-president of US-based Business Software Alliance (BSA) cited the study at the intellectual property summit in Beijing. He however did commend the Chinese government for diligently aiming to ensure compliance to IPR regulations by domestic businesses and hinted that such a

crackdown could translate into about 2.6 million jobs by 2009.

Bank of India branch opens in China Bank of India has indicated that its Shenzhen office in China will house the first Bank of India branch in the country. This is part of an overseas marketing scheme which involves the upgrade of the banks representative offices as well as opening up some branches. A minimum of 12 branches in a selected number of countries worldwide will be embarked upon. South Africa, Indonesia, Tanzania and Belgium are among those identified.

China saloon car sales exceed 1.2 million in first quarter of 2006

According to the China Association of Automobile Manufacturers (CAAM), over 1.2 million saloon cars were sold in China from January to April this year, a 61.27% rise over



the same period last year. Auto sales in general have risen 33.48%. With the government policies encouraging the use of energy-saving vehicles, demand for low-emission cars rose in April. Sales and production in the Chinese auto industry experienced double-figure growth last year. China has 24 cars for every 1,000 people, compared with the international average of 120. China plans to increase its oil refining capacity by 5 percent to 170 million tons by the year 2010.

East China Sea talks resume A fifth round of talks between China and Japan was restarted this month. Vice foreign Ministers, Dai Bingguo

and Shotaro Yachi headed the delegates who attended the meeting. During the talks, Bingguo urged the two countries to work together and eliminate any political obstacles that would hamper bilateral relations in the future. The Yasukuni Shrine in China, which honours Japan's war victims, as well as 14 A-class criminals of the World War II, were identified as the main obstacle of these ties.

Fossil energy pollution in Shanghai An environmental report indicated that fossil energy, such as coal, could be adding to sulphur pollution in Shanghai causing air pollution and acid rain. China's growing energy demand and lack of sufficient desulphurisation plants at some of its factories are to blame. Sulphur dioxide traces averaged 11% from 2004 while the acid rain rate was an estimated 40% last year. Coal has been used to meet Shanghai's increasing electricity demand. Desulphurisation facilities will be set up at several power plants with the objective of reducing the sulphur pollution by two thirds in 2010. About 90% of Shanghai's total generating capacity comes from the city's 16 coal-fired plants.

China lifts ban on Initial Public Offerings

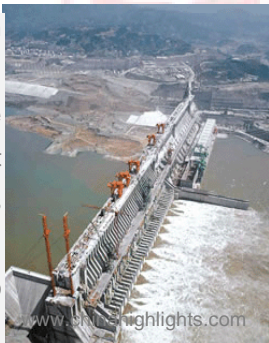
China has lifted a yearlong freeze on IPOs inline with its stock reform programme. China CAMC Engineering Co. Ltd. will be the first company to resume the offerings in June with 60 million floating shares according to the official Shanghai Securities news website. The news watchdog stated last month that firms would be allowed to resume raising capital on domestic bourses and that the sales of shares were subject to a set of rules. IPOs were suspended a year ago this month, in an

attempt to remove an overhang which had stagnated the market for years.

China's Baidu.com Q1 net profit surges on brisk traffic growth The Chinese language Internet search engine provider, Baidu.com, has realised net profits of 35.2 million Yuan in the first quarter of 2006, compared to 35.2 million Yuan in previous year's first quarter. The increase in profits as well as revenues and online marketing revenues reaching 135.6 million Yuan and 132 million Yuan respectively, is attributed to sturdy traffic growth as the company expands its customer base, while continuously improving its search engine function, launching a variety of new products and services, and overall enhancing user experience.

Three Gorges Dam 'built by May'

Construction of the world's largest hydropower plant was completed in May, nine months prior to its expected deadline.



The 2,300m long dam situated along the Yangtze River in China will however only be fully operational from 2009 and is to generate 84.7 billion kW of electricity per year. The dam has been controversial due to its US\$ 22 billion cost and the relocation of citizens during the construction process. The dam will supply benefits for shipping, flood control and electricity consumption.

Multinationals to invest in China's high-speed railways One of the largest high speed railway network will be built in China between 2006-2010. China will need to construct 800

kilometres of high speed lines every year for the next 15 years to meet the 100,000 kilometre operating railway line benchmark. International rail communication giant such as Siemens Transport Systems (China) is already looking at the bigger investment opportunity when they enter into public and private partnerships in the country.

E&Y denies that it pulled debt data to mollify China

The British accounting group, Ernst & Young, the auditor of China's largest lending institution, the Industrial and Commercial Bank of China, acknowledged and apologised for its miscalculation of bad debt (calculated at US\$ 385 billion) and confirmed Chinese figures of the four main state banks' non-performing loans valued at US\$ 133 billion at the end of March. Other miscalculations included Chinese liabilities estimated at US\$ 900 billion. An internal investigation is to be carried out, said Kevin Russell of E&Y, but the firm's head of relations with regards to China, Annesa Leung commented that no pressure from Chinese officials was experienced in order to withdraw the miscalculation.

Palladium trade body sees boost in jewellery demand

It is predicted that China could absorb an additional 50% of palladium jewellery in the next few years. In the last three years palladium jewellery production has grown and sales of palladium jewellery in China are estimated to reach 1,5 million ounces in the next few years from 1,0 million in 2005. Global demand for the platinum-like jewellery has grown from 930 000 ounces in 2004 to 1, 43 million ounces in 2005 due to China's increasing demand. 20% of palladium production ends up as jewellery.



Palladium Alliance International has announced that it will bring out new jewellery designs to match the increasing demand from China. Palladium, one of the white precious metals, is lighter than platinum, perfect for jewellery manufacturing, and only costs a third of the price of platinum.

Bank of China starts share offer Bank of China has opened the world's largest initial share offering since 2000 at US\$ 9.8 billion. This initiative will encourage foreign competition in the banking sector. Further increases in competition in the retail banking sector are expected by the end of the year when government will allow foreign banks to branch out in China. China's second largest lending institution, Bank of China, sold a 10% stake (US\$3 billion) to a conglomerate of global banks headed by Royal Bank of Scotland last year. Industrial & Commercial Bank of China, the largest lender of the country, is expected to follow suit with a US\$ 10 billion share offering later in 2006.

China trade agreement 'frustrated' The Australian Deputy Prime Minister and Minister of Trade, Mark Vaile has said that China is slowing progress on free-trade negotiations between the two countries by refusing to include all products and sectors in discussions. Vaile said he had complained to Chinese ministers about Beijing's refusal to keep its promise to commit to a comprehensive free trade agreement. He said Chinese ministers had vowed to fix the problem.

State Dept to limit use of Chinese computers The US State Department will not use the computers purchased from China's Lenovo Group Ltd, in a \$13 million contract, for classified information. Government security experts have recommended that the nearly 16,000 computers only be used on unclassified systems. Concerns were raised by Virginia Republican Frank Wolf and the US-China Economic Security Review Commission. Lenovo's vice president of government relations, Jeff Carlisle, has said the computers do not pose a security threat. They were assembled in the US and Mexico with integrated circuits made in Taiwan.

US attacks China over Yuan reform China began its currency reforms in July last year but has been criticised by the US Treasury for making too little progress. The Treasury's latest bi-annual report, however, did not accuse Beijing of manipulating its currency. China revalued its currency last year, allowing it to float against a basket of currencies, rather than linking it at a fixed rate to the dollar. Some US politicians maintain that the yuan is artificially undervalued, allowing low-priced Chinese exports that domestic rivals cannot compete with. The Treasury report did welcome technical steps taken to restructure the yuan to lessen the country's reliance on exports although there is still the feeling that progress is too slow. The currency report, which is presented to Congress twice a year, was delayed for six weeks until after China's President Hu Jintao's visit to the US.

Sourced from: Reuters, Xinhua, BBC News, TMC Net News, People's Daily Online, The Independent, China Daily, PTI News, Forbes, The Daily Telegraph, Washingtonpost, The Standard

China & Africa

The latest updates on Chinese activity on the African continent.



Kenya asks China not to block Africa-US AGOA deal

Kenya has requested China not to oppose the preferential trade agreement between African textile and clothing manufacturers and the United States. Under AGOA (African Growth and Opportunity Act), African textiles destined for the US are duty-free. This has implications for the Chinese textiles industry, also supplying the US clothing market. China appealed the possible extension of AGOA after 2008. However, Kenyan Trade Minister Mukhisa Kituyi says that textile exports to America from 38 African countries amount to less than 2% of the corresponding Chinese exports to the US.

China, Kenya Oil Deal As part of his African tour, President Hu Jintao visited Kenya, where an oil deal was signed with the East African economy. Responding to the visit, Kenya's President, Mwai Kibaki welcomed this venture and urged China to use its economic power to the benefit of developing countries. China has already proposed zero-tariff on some exports, more aid, debt-reduction and exemptions from HIPC's exports. Chinese oil firms have been investing overseas since 1990 after domestic supplies proved insufficient for the country's high economic growth. CNOOC Africa Ltd, a subsidiary of China National Offshore Oil Corporation (CNOOC) Ltd has already declared an oil exploration agreement in Kenya.



China rationalises US\$ 15bn Investment in Nigeria

China has proposed a US\$ 15billion investment package for Nigeria's mineral sector that would cover investments in oil and gas, solid minerals, agriculture and transportation. The leader of the Chinese trade delegation to Nigeria, Mr Jonathan Pang, said their main areas of interest include mining coal, copper, zinc, lead and clay. Experts from China would be brought in to support the operations of Nigeria's mining industry. In agriculture, the cassava project will use two million tons of cassava produced in the country at a cost of about US\$ 250million. It will produce cassava by-products such as ethanol. The Minister of Solid Mineral Development said Nigeria plans to improve the country's Airborne Geophysical Survey Unit which will be tasked with the provision of data on mineral sites throughout the country and available to interested investors. The Ministry has committed 80% of its budgetary allocation for 2006 (N3.5billion) to fund the units' activities.

Chinese drug firm opens in Nairobi

One of China's largest pharmaceutical companies, Beijing Holley-Cotec Pharmaceuticals, has opened a drug distribution centre and an East Africa Logistics Centre, in Nairobi to serve the East and Central African region. The company's top managers committed themselves to distribute anti-malarial drugs in the African continent. The company has been in the African market since 1993 with offices in Kenya, Tanzania, Nigeria and Uganda. The centre will distribute



anti-malarial medicine to the private and public sectors at less than current market prices.

ADB urges African producers to sell oil to China The African Development Bank has asked oil-producing countries on the African continent to increase Sino-African relations by supplying China with the sought-after resource. As suppliers of oil to an economic giant, African countries can benefit by allocating the revenues to development and improved living standards within their countries. Africa is also urged to consider trade relations with China in other economic sectors.

Cotton bales ready to be shipped from Mozambique The world's manufacturing powerhouse, China, has been blamed for the losses of African textile producers since the

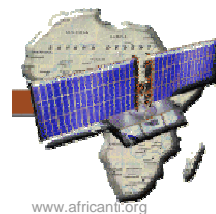


elimination of global quotas at the beginning of 2005. However, Mozambique, a poor African country, is benefiting from China's dominance, supplying cotton fibre to the Asian giant. Plexus Mozambique, a subsidiary of U.K.'s Plexus Cotton Ltd, purchased 30,000 tons of seed cotton from Mozambican farmers, of which 8,000 tons were destined to China. Even though cotton is grown locally, China still needs to import cotton fibres from suppliers. Plexus does not own farmland in Mozambique but over 65,000 rural farmers are registered with it and the company assists these farmers in the production of cotton and purchases the product once harvested. Critics object to the arrangement and view it as a violation to initiatives such as AGOA which set to support industrialisation in Southern African countries.

Mozambique is only a supplier of raw materials in this instance.

Zimbabwe receives construction equipment Construction equipment to the value of US\$ 1.5 million was donated by China in an effort to help improve the housing construction project of the country's defence force. Secretary of Defence, Trust Maposa, stressed that the provision of adequate accommodation and hence the welfare of the forces remained a top priority of government. Zimbabwean armed forces have been facing severe accommodation shortages. Maposa anticipated that the bilateral relations currently enjoyed by the countries will continue to be strengthened in the years to come.

Smelter Deal Gives Bateman Foothold in China Bateman Engineering, a previously South African listed company, recently listed in London, and a supplier of engineering services and mining equipment, has established entry into China's Yunnan province. The US\$ 4 million contract was granted by Yunnan Xinli, a subsidiary of China Yunnan Metallurgical Group (CYMH). Bateman has further plans to expand in China and the global market and confirmed in March this year that it had doubled its pre-tax profit to US\$ 6 million and increased its revenues to US\$ 155 million in the second half of last year, compared to the same period in the previous year.



China's alignment in the African telecoms sector China is interested in the African telecommunications sector, where it will compete with established firms such as Vodacom, France Telecom and

MTN. This follows a market gap which could see Portugal Telecom (PT) exit and sell its assets. PT has set up subsidiaries in countries such as Guinea Bissau, Mozambique and Sao Tome with more developed establishments in Angola (Unitel), Cape Verde and Morocco (Meditel). Balancing Act, a consultancy firm which conducted the study, describes the African market as one characterised by a "succession of deals and acquisitions". China Mobile is expected to face tough competition from Egyptian operator; Orascom and Kuwait's MTC who are among the world players interested in the assets. Chinese telecommunications equipment manufacturers, ZTE and Huawei, are already looking at buying some of the African operators up for sale.

China assists Liberia China is proving its ongoing commitment to the development and reconstruction of the Liberian government by writing off the US\$ 10 million debt of the country and proposing zero duty for Liberian products into China. Farming tools to the value of more than US\$ 1 million have also been donated. China's assistance and good example in debt relief will hopefully rub off on other nations, helping Liberia back on its feet in terms of economic growth and development.

China to establish FTZ in Nigeria China is to build its first free trade zone in Lagos, Nigeria.

Plans are to invest US\$ 267 million in the launch of the first phase of the Lekki Free Trade Zone (FTZ) due for completion within the next two years. Power plants, roads, and infrastructure, as well as training facilities for manufacturing goods will be established. The



first phase will create 3,000 employment opportunities and boost local exports to European and American markets.

Mbeki backs China's investments President



Mbeki expressed confidence that the China-Africa ties will impact positively on the continent's development. He however stressed the necessity for government-to-government talks to ensure that benefits accrued optimally to both continents and in the case of South Africa. He spoke with reference to the cheap Chinese goods such as textiles and shoes that could undermine Africa's weak industrial base. His expectations in the case of SA were that Chinese companies would buy more of the South African products and noted the necessity of talks to eliminate any negative consequences. He further mentioned that any concerns arising from possible acquisitions in the mining or manufacturing sectors by Chinese companies were subject to government discussions to ensure matched interests.

SA Chromite miners selling to China

Ferrochrome producers in South Africa are concerned about the increase in exports of chromite. It could mean miners are supplying Chinese ferrochrome producers instead of the local industry. SA is an important producer of Ferrochrome, a component of stainless steel. It has 70% of the world's chromite ore reserves. SA's exports of chromite ore rose 2% last year, even though local ferrochrome producers have been using increasing amounts of chromite ore. China has built more ferrochrome smelters, but it cannot fulfil demand with its own reserves. In 2003-04, Chinese imports of

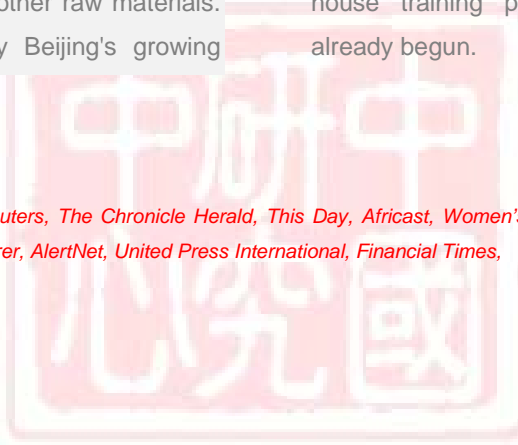
chromite ore rose 20% to 2,1million tons, increasing the output of Chinese ferroalloy producers and their market share. Reduced local supplies of chromite ore could affect future investment in ferrochrome smelters in SA. SA's dominance in ferrochrome markets could be undermined.

African Development Bank to meet in China in 2007 The African Development Bank has agreed to hold its 2007 annual meeting in Shanghai. Annual meetings have periodically been held outside the continent in the past. China and Africa are developing stronger economic ties as China buys a growing share of Africa's oil, metals and other raw materials. Some Western critics say Beijing's growing

influence through trade and aid is undermining efforts to promote human rights, democracy and good governance in Africa.

Nigeria confirms China plane buy Nigeria's defence minister has confirmed the purchase of a dozen FT-7NI combat aircrafts from China. The deal, apparently arranged last September, is worth about US\$ 251 million and includes 12 combat planes and three trainer aircraft. According to The Guardian newspaper, Minister of Defense Musa Rabiu Kwankwaso said construction at the air force's Makurdi base in Benue State for facilities to handle the multi-role combat aircraft and house training personnel from China has already begun.

Sourced from: *Business Day, Reuters, The Chronicle Herald, This Day, Africast, Women's Wear Daily, Xinhua, China Daily, BBC News, Macauhub, The Inquirer, AlertNet, United Press International, Financial Times,*



The China Forum

Recent Events

China Bridge Mandarin Language Proficiency Competition – 17th May 2006

The Centre for Chinese Studies, in collaboration with the Stellenbosch University's International Office and Stellenbosch University's Department of Modern Foreign Languages, hosted the 5th Annual South African leg of the China Bridge Mandarin Language Proficiency Competition.

Among the judges were the Chinese Consul-General, Mr Shi Weiqiang, Deputy Consul-General, Ms Guizhi Tang and Chinese Embassy First Secretary, Yanggen Wei.

Mieke van der Vyfer was selected as the winner to represent South Africa in the finals, to be held in Beijing, during July.



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