



互信互利

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## The China Monitor

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The 10<sup>th</sup> Anniversary Celebration  
of Diplomatic Relations  
between China and South Africa

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CENTRE FOR  
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## Editorial

This past month, the Governments of South Africa and China began the commemorations of the 10<sup>th</sup> anniversary of diplomatic ties that were formally established in January 1998. After South Africa became a democracy in 1994, there was an expectation that the ANC-led government would quickly switch South Africa's ties away from Taiwan in favour of the People's Republic. But the assumed ideological affinity that existed between the ANC and its liberation partners and Beijing was not there. It took a further four years before South Africa cut its ties with Taiwan and recognized the PRC as the official representative government of China.

South Africa was always important to China as a diplomatic and commercial ally. With China's recent foray into the continent, the strategic relevance of South Africa has grown further. As China's footprint and influence grows in Africa, so its interests will increasingly intersect with South Africa's. Chinese and South African firms are competing in the same markets. But it is not just competitive but collaborative too with Sino-South African joint ventures being forged.

This year there will be numerous 10<sup>th</sup> anniversary commemorative events. It is important that these not just be the domain of government but also the business sector, academia and civil society as well. A broad based relationship will contribute to the building of substantive and mutually beneficial linkages between our countries.



Dr Martyn J. Davies  
Executive Director, Centre for Chinese Studies



The bilateral relationship is at a crossroads as both governments are unsure of how upcoming events, both at home and abroad, will affect the relationship.

## Policy Watch

### Mandela, Diamonds and Crime The South Africa-China Relationship at a Crossroads

*By Thomas Orr*

Ten years ago, on 1 January 1998, South Africa re-established diplomatic relations with the People's Republic of China (PRC). This was a belated move and belies the strong historical ties between South Africa and the PRC.

The PRC was a strong supporter of the anti-Apartheid movement and, in spite of no formal diplomatic relations between Beijing and the Apartheid government, significant bilateral trade flowed between the two countries, through Hong Kong, since the early 1980s.

Despite continued political rhetoric from both governments praising the strong historical solidarity between our two peoples, the bilateral relationship should now serve a new set of forward-looking objectives. However, the bilateral relationship is at a crossroads as both governments are unsure of how upcoming events, both at home and abroad, will affect the relationship.

China's foreign policy is now dominated by the need to secure resources and overseas markets to support its domestic socio-economic development, and the desire to reverse international perceptions of China as a backward nation.

South Africa has now emerged from the post-Apartheid honeymoon. We are facing the painful realities of meeting domestic development needs in a global game in which currently we lack many of the elements necessary to compete successfully.

China has arguably been more successful than South Africa in leveraging the bilateral relationship to support these objectives.

#### 'South Africa Week' in China

The South African government held a 'South Africa Week' in China in April, to better leverage the occasion of the 10th anniversary of RSA-PRC diplomatic relations. These events aim to address one of the key elements lacking in the bilateral relationship – mutual understanding and trust between South Africans and Chinese.

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The series of academic seminars and exhibitions showcasing South African fashion, jewellery, music, food and wine aimed to promote a broader understanding of South Africa amongst a wide range of Chinese.

Throughout these recent events, leaders from both countries highlighted the 'strategic' and 'equal' nature of the RSA-PRC relationship. However, the reality is that this bilateral relationship is not equal. China is a more important strategic partner for South Africa than South Africa is for China.

We should not overestimate our strategic importance to China, both globally and on the African continent. After a successful decade of diplomatic ties, the RSA-PRC relationship is at a crossroads. If we do not play our cards well, we will slip down China's list of foreign policy priorities, and lose our ability to leverage the China relationship to meet our domestic development needs.

We can evaluate the RSA-PRC bilateral relationship by looking at economic, political and people-to-people linkages and highlight key opportunities for South Africa's benefit going forward.

### **Economic relationship**

We should recognise that South Africa's successful economic relationship with China goes hand-in-hand with the emergence of both countries into the mainstream global economy over the past decade. This is reflected in the rapidly expanding two-way trade from around US\$ 1.6 billion in 1998 to US\$ 14 billion in 2007, as well as growing two-way investment flows.

However, China's competitiveness in manufacturing has resulted in a bilateral trade imbalance which, apart from aggravating our current account deficit, pushes our domestic industrial reforms in the wrong direction - we are shedding jobs in the manufacturing sector and increasing relative dependence on the mining sector.

In reality, these problems are the side-effects of the successes of the bilateral economic relationship. Both gains and losses emanate from the same unstoppable forces of globalisation. Rather than trying to solve these issues by political horse-trading between the two governments, we should focus on facilitating two-way investment and use the gains to support the inevitable restructuring of our domestic manufacturing sector.



The failure of textile quotas on Chinese imports to lift the South African textile sector out of its current quagmire (despite favourable currency movements), is a reflection of this reality. We should be careful of destroying mutual trust by pointing fingers at Chinese policy-makers when part of the problem lies with South Africa's poor manufacturing competitiveness vis-à-vis the global economy as a whole.

### **Political relationship**

The RSA-PRC political relationship is undergoing a period of uncertainty, despite regular high-level exchanges and rhetoric to the contrary.

President Mbeki has not been prepared to kow-tow unconditionally to Beijing as other African leaders have. This has irked the Chinese leadership who believe China is lending a benign helping-hand in solving Africa's development challenges. In 2006, President Mbeki reminded China's leaders that they should be cautious in their engagement of Africa so as to avoid the mistakes made by the European colonialists.

Some Chinese policy-makers view the Mbeki-led New Economic Partnership for Africa's Development (NEPAD) initiative as a plan that, although intending to promote regional integration and improve the foreign investment climate in African countries, will actually erode the efficiency of China's current bilateral relationships with key African countries.

In addition, Chinese leaders are worried about the current turmoil within the ANC, and are closely following current developments for implications for China's engagement in South Africa and the Southern African region as a whole. Ironically, China's current leadership would probably be sceptical of the Zuma-led ANC's populist leanings.

China's socio-economic successes of the past 30 years have been based on the government bureaucracy taking decisive action in advancing the domestic market-orientated development agenda, through an emphasis on providing a solid infrastructure platform for private enterprise to use the opportunities presented by opening up to the global economy.

We should be careful of destroying mutual trust by pointing fingers at Chinese policy-makers.

China's current leadership would be disappointed by a friendly government which is not able to meet the basic electricity needs of its domestic economy.

These reforms have been carried out with the understanding that China was a very poor country in 1978. Forward-looking leaders therefore had no choice but to create the best conditions for foreign investment and domestic capital accumulation (including suppressing labour wages and ignoring the environmental costs of industrialisation) so as to grow themselves out of poverty and backwardness, even while wearing a socialist hat in public.

China's current leadership would be disappointed by a friendly government which is not able to meet the basic electricity needs of its domestic economy; which allows labour market rigidities when the country is facing falling labour productivity and high unemployment; which prioritizes its foreign policy objectives over its domestic development needs; and which allows crime to seriously undermine the stability of society.

Although China says it does not impose its values and beliefs on other governments, it would probably prefer South Africa to be a partner in the same mould as a Chile, Malaysia or Egypt, rather than a Zimbabwe, Venezuela or Nigeria.

On the international scene, South Africa and China have both enjoyed substantial benefits from mutual political support. Both countries aim to change the international power structure in multilateral organisations through South-South cooperation. South Africa has enjoyed China's veto support on a number of key UN Security Council motions and in promoting the African voice on the global stage.

At the same time, we should not overestimate South Africa's political leadership position on the African continent. President Mbeki's Africa strategy, despite its many concrete successes, has drawn the ire of some African leaders who are uncomfortable with South Africa's growing commercial influence on the continent.

During the recent academic seminar in Beijing, a number of South African officials and academics highlighted South Africa's dominant economic leadership on the continent and encouraged China to use South Africa as a hub for its engagement with other African countries. It is unlikely that the Zambian, Angolan, Nigerian or Chinese governments feel that they really need South Africa's assistance in what they see as already successful bilateral relationships.



The reality is that we need our leaders to leverage the bilateral political relationship with China firstly for tangible economic benefits for ordinary South Africans.

During the recent events in Beijing, Minister Dlamini-Zuma spoke at length about China and South Africa working together to address Africa's development challenges. The South African officials actually placed more emphasis on China's relationship with other African countries than with our own country.

Perhaps its time for South Africa's leaders to accept that we can only support the rest of the continent from a position of socio-economic strength at home. The reality is that we need our leaders to leverage the bilateral political relationship with China firstly for tangible economic benefits for ordinary South Africans. Thereafter we can prioritize helping develop the rest of the continent and reshaping global power structures.

### **People-to-people relations**

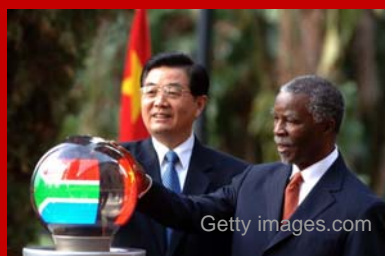
The weakest link in the RSA-PRC relationship is shallow people-to-people relations. One could even argue that there is a lack of trust between ordinary South Africans and ordinary Chinese that is born out of a lack of mutual understanding. China's strong ties with the anti-Apartheid movement during the 1970s have largely fallen away as has China re-emerged an entirely different animal on the global stage over the past 30 years.

South Africa has been home to an important ethnic Chinese population since the 19<sup>th</sup> century. These early Chinese immigrants have been joined by a second wave, largely Taiwanese, during the 1980s and a third wave, largely Mainland Chinese, over the past decade. Today there are over 150 000 people of Chinese descent living in South Africa.

In other countries, most notably the US, Australia and SE Asian counties, the Chinese diaspora plays an integral role in broadening the bilateral relationship with China.

The South African government should work more closely with domestic ethnic-Chinese interest groups to support their existing strong business ties with China, and to help build a better understanding of China amongst other South Africans.

Language and cultural understanding are key to deepening our relationship with China. There are only a handful of South Africans (non-ethnic Chinese) who can speak Mandarin, and very few South Africans busy studying the language in China.



The South African government should work more closely with domestic ethnic-Chinese interest groups to support their existing strong business ties with China.

To put this in perspective, over 70 new Tanzanians students went to study in China in 2008 and the Mauritian Ambassador in China speaks fluent Mandarin and is of Chinese decent.

The reasons for the lack of trust towards China amongst ordinary South Africans reflect ignorance, historical prejudices, and current experiences associated with the impact of China's rapid rise in South Africa, the rest of Africa and globally. Examples include the laid-off textile worker who blames Chinese imports, the consumer who is disappointed by the poor quality of Chinese goods, the unemployed South African who blames China for the demise of Zimbabwe's economy and thus the Zimbabwean immigrant who has taken his job.

While China should take note of these legitimate grass-roots perceptions, it is often misguided to blame all Chinese people for these problems. In addition, elements of the South African media seem to have joined the western news agencies in pressuring China to improve its domestic human rights record, and take more responsibility for the impact of its overseas engagements. While China should understand that these media reports reflect the legitimate concerns of many foreigners, including many South Africans, it is disappointing how often our own media lacks an appreciation of the complexities of these issues. Misinformed reporting has contributed to the lack of trust between South Africans and Chinese.

It is probably fair to state that perceptions of South Africa amongst ordinary Chinese is not always positive either. Only a few educated Chinese are aware of South Africa's tumultuous history and can appreciate the complexities of South Africa's own development challenges. In order to deepen the bilateral relationship for the benefit of South Africans, it is important that we take active steps to keep improving Brand South Africa in China.

### **Mandela, Diamonds and Crime**

In the eyes of ordinary Chinese, South Africa is represented by Mandela, diamonds and beautiful nature. These attributes are all overwhelmingly positive and should be leveraged to promote economic growth and jobs inside South Africa. Unfortunately however, when pressed, the Chinese respondents also mention crime and the political shenanigans of our politicians. Some Chinese government officials and businessmen lament the lack of electricity, appropriate skills, and difficulties in securing a visa to travel to South Africa in the first place.





China's leaders probably hope that a revitalised ANC will be able to address some of the domestic challenges holding back China's strategic objectives in South Africa and in the region.

China is a potentially huge source of outbound tourists and if we can adequately address these complaints, we will be inundated by Chinese tourists at the 2010 World Cup and beyond.

South Africa needs to take the initiative in persuading China to view this bilateral relationship as a truly strategic one. China has been tentatively waiting for South Africa to get its own house in order first. China's leaders probably hope that a revitalised ANC will be able to address some of the domestic challenges holding back China's strategic objectives in South Africa and in the region.

In the meantime, China's strategic relationships with Japan and the US, its drive to secure resources and markets across the globe, and its attempts to manage what it perceives as unfair China-bashing abroad, will continue to dominate its foreign policy objectives.

*Thomas Orr is the China Representative of the Centre for Chinese Studies in Beijing*

The panels covered a wide range of topics including NEPAD and China and practical implementation of cooperation to secure African development.

## Commentary

### Strengthening Understanding:

#### Seminars commemorate the 10<sup>th</sup> anniversary of diplomatic relations between China and South Africa

*By Christopher Burke*

In celebration of the tenth anniversary of diplomatic relations between China and South Africa a series of high profile events including academic seminars, gala dinners, fashion shows, food and wine festivals and cultural events in Beijing, Shanghai, Guangzhou, Hong Kong, Pretoria, Johannesburg, and Cape Town are being held in the two countries throughout 2008.

Two academic seminars that brought people together to examine China's engagement with South Africa and the rest of the continent were recently organized in Beijing. On 23 April the African Embassy in Beijing and the Chinese Academy of Social Sciences (CASS) held a seminar titled "South Africa in Africa: Partnerships for Revival and Development." The panels covered a wide range of topics including NEPAD and China and practical implementation of cooperation to secure African development.

The seminar was modelled on the World Economic Forum format. There were two panels of four people and each member was given 7 minutes to present their topic after which the audience was encouraged to ask questions. In her opening remarks, the President of CASS Ms Wu Yin gave a broad outline of China's relations with Africa and the current academic initiatives underway between China and South Africa. South Africa's Minister of Foreign Affairs Dr. Dlamini Zuma spoke on South Africa's recent history and challenges associated with poverty and oppression and the problems associated with the increasing inequalities facing the world and the efforts underway to overcome these and restore human dignity to the poor and vulnerable through the Millennium Development Goals (MDGs). She also touched on the prospects of China's engagement with Africa to address these issues.

Minister of Trade and Industry M. Mphahlele spoke of the economic ties between China and his country and provided a brief description of South Africa's economy in the context of the southern African region and the continent. He stressed the need for a new generation of reform to accelerate and maintain balanced and sustainable growth and development.



The participants generally agreed that while China's history of engagement stretches back a long time, a detailed understanding of one another's social, political and economic situation is lacking.

The CEO of the NEPAD Business Foundation Lynette Chen presented a brief overview of the work her institution is doing and explained that their goal is to facilitate private sector investment and coordinate across sectors. The Director of the Institute for West Asian and African Studies (IWAAS) Professor Yang Guang explored the role of social sciences in understanding and informing relations between China and Africa and suggested that both governments prioritize collaborative projects focusing on common issues and challenges.

Dr. Martyn Davies of the Centre for Chinese Studies (CCS) at Stellenbosch University suggested that China and Africa are moving toward a "strategic partnership" and detailed reasons why South Africa will be important to this relationship. Moeletsi Mbeki of the South African Institute of International Affairs (SAIIA) explained that China presents a very good model for economic management and urged for the promotion of both private and public sectors. He suggested that larger countries such as South Africa have more to gain from regional integration and should commit more resources to make this happen, but submitted that South Africa's role as a regional hub is overstated. Prof. Yang Lihua of IWAAS contextualized China's relations with South Africa and made a number of practical suggestions on ways to maintain growth.

The following day on 24 April IWAAS, which operates under the Chinese Academy of Social Sciences (CASS) together with CCS held an academic seminar. The opening speech was presented by Special Envoy of the Chinese Government on African Affairs and the Darfur Issue Ambassador Liu Guijin who provided a broad overview of China's relations with Africa. Rwandan Ambassador to China Dr. Ben Rugangazi also addressed the group and outlined an assessment of the Africa Peer Review Mechanism.

The themes of the seminar focused on Africa's current political development and the social and economic impact of China-Africa development cooperation in the context of globalization. Representatives of relevant Chinese academic and research institutions included Beijing University, the Chinese Academy of International Trade and Economic Cooperation, the Chinese Association for African Studies.



The events provided a platform for individuals from China and South Africa to meet and take stock of relations between the two countries over the past decade.

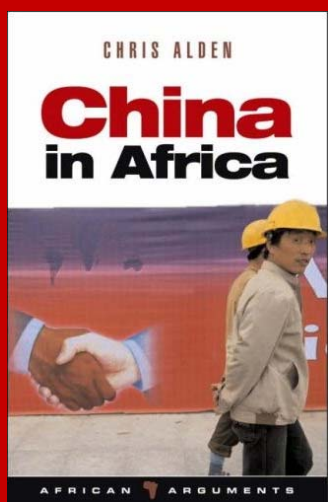


*Christopher Burke is a Research Fellow at the Centre for Chinese Studies*

All the major South African research institutions comprising the Africa Institute of South Africa, the Institute for Security Studies, the Institute of Global Dialogue of South Africa, the Human Sciences Research Council and the South African Institute of International Affairs in addition to the former deputy chairman of Sinosteel that has provided significant investment in South Africa, actively participated in the event.

The seminar examined the governance challenges Africa faces. The participants generally agreed that while China's history of engagement stretches back a long time, a detailed understanding of one another's social, political and economic situation is lacking. Concerns were voiced on the challenges associated with social issues in deepening exchanges between the two countries. Everyone agreed the potential for growth in relations is enormous while there was some debate on China's use as a model for social, political and economic development in Africa. The seminar highlighted the urgent need for greater cooperation and exchange of ideas and information.

The events provided a platform for individuals from China and South Africa to meet and take stock of relations between the two countries over the past decade. It was apparent that many participants with experience and expertise on China's relations with Africa do not have regular opportunities to share ideas on these issues with their own compatriots. The formalized discussions and less formal conversations on the sidelines made a sound contribution toward addressing these problems and may be considered an excellent example of second track diplomacy shedding light on fears and concerns, understanding the history of relations between China and Africa and searching for ways to strengthen relations for mutual benefit as we move forward.



The author tackles through conventional perspectives in order to define the tenor in which China has recently directed its policies towards Africa.

## Book Review

### China in Africa by Chris Alden

*By Fernando Atristain*

The progress of China-Africa relations has been widely addressed through distinctive perspectives of political, economical and academic backgrounds. Yet this current year shows how the scope of this debate has expanded and is mostly reflected in the unprecedented social reaction of inconformity towards China's presence in Africa. Such reactions have continuously found an energized and massive resonance throughout the international media. These include opinions on China's relations with countries like Sudan or Zimbabwe as the main fuel to critically hamper the current relations between the regions; oppositely some opinions highlight the Chinese presence as a contribution to Africa's development based on South-South cooperation. However the relation is depicted, it is clear that the engagements between the regions is constantly evolving, and with this, the need to identify and explain the diverse shades of it appears to be greater in order to avoid the usual component fallacies from mainstream opinions.

Chris Alden, senior lecturer in the Department of International Relations at the London School of Economics and whose experience on Asian-African relations goes back over fifteen years of research and publications, provides a general and introductory outlook to the dynamics of China and Africa with a substantial analytical approach. He tackles through conventional perspectives in order to define the tenor in which China has recently directed its policies towards Africa. All of this by focusing on a multidimensional vision of the role of China as a partner, competitor and colonizer.

The author's approach based on up to date cases is the most valuable piece of information in this book. Through specific cases such as the joint venture that the South African Sasol Synfuels International consolidated with China's Shenhua Coal Liquefaction in one of various energetic deeds, the author details the negotiation process and evaluates the role of China as a country that can engage in responsible ventures and serves the role of a strategic partner. Conversely, this is contrasted to other Chinese engagements by which to the eyes of many little account is taken of labour and environmental standards, almost no consideration of human rights, and a lack of adherence to local regulations, all for the sake of pursuing profits and securing resources. The particular cases of Angola, Nigeria and Sudan where there have been billionaire Chinese investments in general oil-refinery, infrastructure, are scrutinized in order to prove the serious social implications that these seem to

The engagements between the regions are constantly evolving, and with this, the need to identify and explain the diverse shades of it appears to be greater in order to avoid the usual component fallacies from mainstream opinions.

accentuate. The relationship with these pariah regimes and weak democracies with commodity based economies shows how China follows a strategy to engage with internationally condemned African countries, liberating them from aid conditionalities imposed by western financial institutions, and hence rising China's role as a fierce competitor in a Western dominated resource market.

The author then identifies the Chinese approach to elites such as the group of investors in mining fields in Zambia, along with the predominant political party, the Movement for Multiparty Democracy led by president Levy Mwanawasa, as an example of means to achieve political control over African territories. This is achieved by Chinese associating with African elites and thus being provided with concession rates to state assets. This consequently would develop a type of control over the party in government to then influence the region's regulations in order to sustain China's position and investments.

The varieties of cases show that the Chinese engagement in Africa is neither a unique nor a static one, but it adapts to the domestic political and economical circumstances in the diverse African countries. As these issues overlap and cover a complexity of interests and interactions within the involved parts, this relation cannot be oversimplified as the current media coverage has been doing. As the author reveals, this is chiefly reflected on the attention given to a particular event which is mistakenly taken for the whole of the relation, and even sometimes reflecting an outrageous level of hypocrisy from western media when referring to China in Africa.

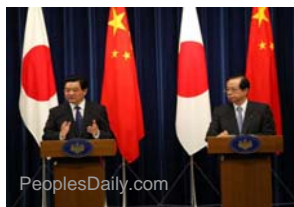
China is learning from these oversimplifications and is increasingly trying to take stands against internal situations in African countries with which China has relations and that could tarnish its international image. As the author noted, China's initiatives to promote social goods such as financially assisting peacekeeping operations and providing general medical and health reassurance may be a symbolic international gesture similar to the ones aimed to dazzle and win over the African elites; but one has to question the sustainability of these actions and the reaction of the African governments to them. It is clear that the recent international attention could be an incentive to put aside the almost lethargic reactions from African governments to China and embrace the opportunity in order to change the terms of negotiations, and consequently achieve a sustainable development for the continent.

This reading, though sometimes broad, is an important contribution to the critical volumes that address the study of Sino-African relations. This can also become an appealing and attractive first piece read to newcomers and an appealing recount of cases for scholars and academics interested in China-Africa relations.

*Fernando Atristain is an Analyst  
at the Centre for Chinese  
Studies*

## Business Briefs

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



**China's Hu urges close Japan ties** During President Hu Jintao's State visit in Japan, the main manifestation between the

heads of state was to bring closer cooperation between the Asian powers. Much consideration was given to the coordination and cooperation in order to enhance regional economic integration to respond to financial, energy, and environmental challenges. Agreements were signed to provide joint support to developing countries, mainly in Asia and Africa. These will provide assistance in health and education fields in Africa.

**China issues catalogue of prohibited products in processing trade 2008** The Chinese Ministry of Commerce and General Administration of Customs has issued a revised *Catalogue of Products under the Prohibited Category in Processing Trade*. This catalogue covers a total of 1,816 customs tariff codes, including 39 newly added products to the prohibited category. On this list are 606 forest products adding a total of 183 forest products since the last list in 2007, making up 33% of the total prohibited products.



**China to become world's leading gold producer** As the China Gold Association (CGA) has recently reported, China will become the world's leading gold producer in 2008, with an output of 300 tonnes. Chinese production has surpassed South Africa and the USA outputs. As exploration and technological

processes improve, projection of gold outputs will continue to increase for China in coming years.



**China interest in Kiwi companies growing**

The recent purchase of Vector's Wellington lines business by Chinese company Cheung Kong Infrastructure Holdings shows an increasing interest in New Zealand due to its stable environment for investments. Bank groups such as HSBC have started to show interest, taking delegations of New Zealand business people to China to meet prospective investors. The approach could increase with commercial exchanges eased by the Free Trade Agreement that was recently signed between New Zealand and China. Analysts have remarked that this approach responds to the increasing need of having to look offshore for food sources.



**ADB urges China to channel more aid through multinational bodies**

The Asian Development Bank (ADB) has provided several considerations regarding the possibility of China channelling more of its growing foreign aid through multinational organizations. The director general of the Bank, Rajat Nag, referred to China as one of the key emerging donors of the region. By channelling its aid through multilateral bodies, it would achieve principles of various safeguards, on social or even environment aspects. China is one of the 67 members that make up the ADB. Only last year the Bank approved US\$ 10.1 billion in loans.

**China to further develop its recycling industry**

The Ministry of Commerce in China held a symposium in order to formulate policies that would benefit the waste recycling industry. The China Association of Resources Recovery and Recycling along with several state councils have urged various government departments to implement tax benefits to businesses in the waste recycling and resources recovery industry. The reunion adopted a Five-year Plan, that seeks to give incentives to industries that develop plans for energy saving, and water saving. This plan will reach 1.4 trillion RMB for environmental protection.



in the field of disaster preparedness and disaster management.

**Paraguay's President-elect Lugo vows to establish relations with China for first time**



Paraguay's new President leftist leader Fernando Lugo has said that Paraguay would establish diplomatic relations with China for the first time in order to perceive foreign investment and further develop trade ties. Even though Paraguay has recognized Taiwan since 1958 and remains the only South American country to do so, further diplomatic efforts to formalize ties will have to be approved by congress.

**China's April inflation likely at 8.1%**

April 2008 marks the rise of China's consumer prices to 8.1%. This has been slowing compared to figures of 8.3% in March and 8.7% in February. The inflation in China reacts to food prices, making this a depending factor for initiatives from the government to suppress economic growth. Many sources report that China is unlikely to increase interest rates in the second quarter due to the fact that it would cause economic volatility. Financial experts suggest that the government's strategy will likely focus on using the bank's reserve ratio and open market operations to tighten liquidity.



**China cracks down on illegal grain exports**

As the international price of general grains hikes, China's customs have become scrupulous in the entry points that may be subject to handling illegal grain exports. The smuggling of rice and wheat has been said by many customs officials to be on the rise. A specific case in the coastal ports, the Hangzhou Customs stopped various attempts and has blocked 7 tonnes of rice and 33 tonnes of wheat in half a month. The Ningbo Customs have also blocked more than 130 tonnes of wheat in recent cases of smuggling attempts. As the prices of rice and wheat have grown to record peaks, the Chinese domestic grain prices have reported only a mild hike between 5.7% and 6% since the beginning of the year.



**China and Suriname agree to strengthen military cooperation**

China agreed to strengthen its military cooperation with Surinam after the defence ministers gathered in Beijing. This cooperation will encompass fields of technical and medical assistance and military personnel training to the Surinamese National Army (SNL). A delegation of the Chinese army was deployed to Paramaribo to provide technical assistance to the Military Hospital and provide support

**ACS finalising acquisition of over 10% of China's Citic Construction**

Actividades de Construcción y Contratas SA in Spain has finalized an agreement to acquire a 10% stake in China's Citic Construction. This company is responsible of engaging in the 2008 Olympic Stadium in Beijing and has 75% of its contract

projects based in foreign markets such as Latin America and Africa.



**China looks at Malaysia to develop halal industry** China is expanding its food industry by considering the development of halal food and consumer goods with the help of particular

Malaysian companies. This was one of the outcomes of a meeting of various business delegations from Malaysia and Saudi Arabia at the annual halal food and goods exhibition in Xining, the capital city of the Qinghai Province. This is set to explore new business opportunities in China, which would address the demand of more than 18 million Muslims residing in the autonomous region of Ningxia as well as Qinghai and Gansu. Malaysia's total exports to China jumped from 25.8 billion RMB in 2003 to more than 53 billion RMB in 2007.

**Air Berlin takes off for China**

The new routes to China started on 1st May 2008, and travellers will have the opportunity to



travel on one of five flights a week from Düsseldorf to the Chinese cities of Beijing and Shanghai. The airline also announced feeder flights from Germany (including Berlin, Hamburg, Munich, Nuremberg and Stuttgart), Switzerland (Zurich) and Austria (Vienna) to both destinations. Air Berlin has also partnered with Hainan Airlines in order to book connecting flights to all major Chinese airports. This will give further options to connect to 50 cities in China.

**China to send \$1 million in aid to Myanmar: Govt**

China is said to send US\$ 1 million in emergency aid to Myanmar after the nation was devastated by a cyclone that killed more than 15,000 people. The

Chinese government has decided to send the mentioned amount in emergency assistance, as well as cash and materials. President Hu Jintao, Premier Wen Jiabao, and Foreign Minister Yang Jiechi have sent telegraphs of sympathy and pledged to continue to follow the rescue work in Myanmar.

**Yuan's rise to boost outbound tourism**

The appreciation of the Yuan against the US dollar is set to act as an incentive for



Chinese tourists to travel to overseas destinations. The central parity rate of the Yuan breached the mark of 7 against the US dollar at the beginning of May, and stood at 6.98. For Chinese travelers, it means stronger purchasing power in the United States and other countries and regions that use US dollars. The Yuan's appreciation has had a rather limited impact on the whole outbound market, and as several marketing tourism experts have pointed out, it only serves as an auxiliary factor to the booming Chinese outbound tourism marketers.

**China to blacklist corrupt government suppliers**



The Chinese government is set to establish a credit record system and blacklist individuals and organizations that are found to be committing illegal practices in government procurement. This is an effort from the National Audit Office and the National Bureau of Corruption Prevention to ban trading with illegal practitioners. This is also meant to be implemented nationally in order to seek to punish governmental leaders who have interfered procurement to seek personal gains.

**Brazil: Macau may facilitate trade of leather between Brazil and China**

It has been recently

acknowledged that due to Macau's location and language, its strategic value has proven to be higher in its potential to make available the trade of Brazilian leather with China. This has proven to be efficient and all in all a convenient way to easily direct the increasing number of leather exports from Brazil to China, which represents a third of the total foreign leather sales.

## Earthquake in Sichuan Province

A massive earthquake measuring 7.8 on the Richter scale jolted Wenchuan County in southwest China's Sichuan Province at 2:28 p.m. Beijing Time on Monday, 12th of May. General Secretary Hu Jintao ordered prompt actions for the rescue of the injured in the disaster-stricken areas. According to the Ministry of Civil Affairs, the quake has taken 9,219 lives in 8 affected provinces, the municipality of Sichuan, Gansu, Shaanxi, Yunnan, Shanxi, Guizhou, and Hubei, and Chongqing, and leveled over 500,000 houses.



*Sourced from: Macauhub, Xinhua, Investors Business Daily, The Oakland Tribune, AFX, USA Today, Bloomberg, Asia Times, AP, AFP, Sinocast LLC, Times of India, Reuters, Market Watch, CNN Money, Investor's Business Daily, The Peninsula, Chemistry World, Seattlepi.com*

**China and Africa**

The latest updates on China’s involvement on the African continent.

**DRC unveils minerals-for-jobs deal with China**

The Government of the Democratic Republic of Congo (DRC) has made public the details of its mining agreement with China. This agreement is set to generate a significant amount of jobs with 10,000 persons being employed in the first phase. The agreement is valued at US\$ 9.25 billion, of which US\$ 3.25 billion will be invested in mining and the remaining US\$ 6 billion earmarked for infrastructure development. The agreement with China creates a mining joint-venture between Gecamines, the DRC's own mining entity, and the Chinese in the form of a company in which the Chinese hold 68% of the shares and Gecamines 32%.



provide first class medical treatment to people living in the region. Construction on the hospital will commence this year, and will be completed at the end of next year, all through the auspices of the China - Africa Cooperation Fund. This has encouraged Liberia to tackle the shortage of medical doctors, and has forced the government to embark on the training of health workers.

**Sudan signs \$396 m deal to raise dam**

Sudan has signed a deal with two Chinese companies in order to elevate a dam in its southeast region, to increase its electricity production by 50%. This will complement the electricity output already provided by the Merowe Dam. The joint venture will consist of two state-owned Chinese companies, the China International Water and Electric Corporation (CWE) and Sino-Hydro Corporation in charge of raising this infrastructure project.



**China: Macau hosts Forum for Cooperation between Private Companies from China and African Countries**

The Forum for Cooperation between Private Companies from China and African Countries in Macau will be organized by IPIM (Macau Trade and Investment Promotion Institute) and by the China-Africa Business Council in order to debate the current state of trade between China and Africa. This forum will also give the opportunity to evaluate the role of Macau in the economic and trade cooperation between private companies from China and Portuguese-speaking African countries.

**Three Chinese workers freed in Nigeria**

The three Chinese workers who were abducted by unidentified kidnapers in Calabar have been released after they were abducted at the beginning of May. The workers were employees of China Civil Engineering Construction Corporation. They were abducted near the company's compound in Calabar, the state capital of Cross River state. They were released after significant efforts from the Chinese side.

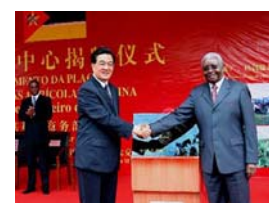


**Liberia: China Targets U.S.\$10 Million Hospital**

Current Ambassador Zhou Xioua of the Republic of China in Liberia stated that the Chinese government has authorized US\$ 10 million for the construction of a hospital project in the country. This medical complex will be built in the south-eastern part of the country, and will

**Mozambique: China has created over 11,000 jobs since 1990**

According to the



Mozambican Centre for Investment Promotion (CPI) overall Chinese investments in Mozambique has reportedly created 11,214 jobs between 1990 and 2007. In the 17 years since Chinese companies entered Mozambique, Chinese investors have applied over US\$ 148 million in the country. China currently has 41 companies in Mozambique focused mainly on the agro-industry, aquaculture, industry and the construction sectors.

**Chinese fund may pledge US\$1 billion in African investment in 2008**

The president of the China-Africa Development Fund announced the Chinese fund set up to encourage investment in Africa will direct US\$ 1 billion by the end of this year. The fund encompasses substantial means for Chinese companies to engage in projects to improve energy infrastructure in South Africa, Mozambique, Zimbabwe and eastern Africa. Four Chinese companies Sino-Steel Group, the China Building Material Co., Shenzhen Energy Group Co., and the CGC Overseas Construction Ltd. have been involved in electricity, construction, and mining development in Africa.



**Mozambique; China to fund construction of new Attorney General's Office building**

The China National Complete Plant Import & Export Corporation is setting to start the construction of the Mozambican Attorney General's Office. This is estimated to cost US\$ 40 million and will be funded via a Chinese credit line. Construction is set to begin in the second half of the year and will be completed in 24 months time.

**Chinese firm mulls US\$500m investment**

China is set to start assisting Zimbabwe in infrastructure restoration, as Chinese companies start exploring the possibility of investing US\$ 500 million for



electricity generation. Chinese Ambassador Nasheng Yuan in Zimbabwe said that China will inject new funds for the ongoing renovation of the National Sports Stadium. China will also provide a new Chinese medical team which will arrive in Zimbabwe shortly along with the setting up of an Agricultural Technology Demonstration Centre, a hospital and two schools.

**China Mobile 'Interested' in investments in Africa**

The Phone Company China Mobile Communications Corp. is said to be interested in making investments in Africa. Wang Jianzhou, president of the company said that it has invested US\$ 2 billion in a high-speed mobile-phone network, and explicitly denied that the carrier has made a bid for South Africa's MTN Group Ltd., Africa's largest wireless company. The telecommunications sector in Africa has also been subject to bids from Indian company Bharti Airtel Ltd.



**Angola: Chinese company rebuilds road in Uíge province**

Chinese state company China Road and Bridge Corporation (CRBC), has leveled 50 of the 120 kms of roads that are being rebuilt between the towns of Uíge and Nsosso, in Uíge province of Angola. The local director of the Angola National Roads Institute (INEA), José Ribeiro said that the other 172 kms of road between Kifangondo, Caxito and Uíge, are currently in the final stages of construction, with 95% of asphaltting work completed.



**China, Guinea Bissau vow to boost parliamentary co-op**

Different top legislators of China and Guinea Bissau met to start an inter-parliamentary cooperation in an effort to boost bilateral relations. Wu Bangguo, Chairman of the



Standing Committee of the National People's Congress (NPC), met with visiting Speaker of the Parliament of Guinea Bissau Francisco Benante in order to confirm this country's adherence to the one-China policy. This will result in the two parliaments working closer through exchanges and cooperation between special committees, friendship groups, and other executive departments.

## **China condemns rebel attack on Sudanese capital**

The Chinese Foreign Ministry spokesman Qin Gang expressed condemnation from China of the attacks by a Darfur rebel group on the Sudanese capital Khartoum. China condemned effusively the attacks which led to casualties of civilians, and China hoped the Darfur armed rebel group could join in the political process as soon as possible and resume negotiations with the Sudanese government, for the early signing of a comprehensive peace agreement, to realize peace, stability and development in Darfur.

*Sourced from: Macauhub, China Trade Information, China View, Reuters, Xinhua, Engineering News, People's Daily Online, Africa News, Financial Times, Daily Trust Abuja, Focus Media, Business Day Johannesburg, Mining MX, Daily Guide*

## The China Forum - Recent Events



**United Nations Conference on Trade and Development (UNCTAD) round-table discussion hosted by the Development Bank of Southern Africa (DBSA) in Johannesburg, South Africa 22-23rd April.**

Hayley Herman, Research Manager at CCS, participated in a round-table discussion hosted by the DBSA on the UNCTAD World Investment Report 2008 in Johannesburg, South Africa from 22-23rd April. Discussions focused on investment trends in Africa, investment from emerging economies into Africa as well as policy and financing implications.



**'Current Developments and Trends in China's Relations with African Countries', Washington DC - April 28<sup>th</sup>, 2008.**

Sanusha Naidu, Research Fellow at CCS, delivered a presentation on the economic and energy relations between China and Africa in a conference co-hosted by the Heinrich Böll Foundation and the American Foreign Policy Council (AFPC) in Washington DC. This conference was held in order to bring together experts from the US, the EU, Africa and China to share their knowledge on important aspects of China's relations with Africa including political, military, economic, resource, human rights and social relations.



**Africa Roads 2008 Conference in Johannesburg, South Africa from 12 - 15th May 2008.**

Lucy Corkin, Projects Director at CCS, delivered a presentation at the Africa Roads Conference in Johannesburg, South Africa from 12 -15th May 2008. The set of presentations on the forum allowed experts to give insights on key issues affecting road development and maintenance in Africa.



**The Politics & Economics of China's growing relationship with Africa, Cape Town - 29<sup>th</sup> May 2008.**

In conjunction with The Harold Wolpe Memorial Trust, Dr Martyn Davies, Executive Director of the CCS gave a presentation on the growing relations between China and Africa and their implications for the African continent.

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