

# ICBC



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News Agency

## The China Monitor

Issue 24

Standard Bank and ICBC: The  
start of bigger things to come

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CENTRE FOR  
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## Editorial



China been receiving some political flak of late for not being a significant investor in the South African economy. Whether justified or not, Beijing was stung by the criticism and has been trying over the course of the past year to motivate substantive commercial ties beyond just trade between China and South Africa.

The announcement this past month by the Industrial and Commercial Bank of China (ICBC) to acquire a strategic 20 percent stake in one of South Africa's leading banks, Standard Bank, has changed everything. ICBC, the world's largest bank by market capitalization, has chosen Standard Bank to lead its investment foray into Africa. Brokered by Goldman Sachs, itself an important shareholder in ICBC, the deal destroys the stereotype of China Inc. being only interested in African commodities and nothing more. ICBC's US\$5.6 billion investment into Standard Bank – the largest single foreign investment by a Chinese firm to date – reflects the confidence that Chinese business has in Africa as an emerging market.

China has encountered political opposition from traditional powers in its international commercial expansion. Oddly, outbound Indian investment - the other big emerging market – has not received the criticism that China has. Double standards are at play here. Suspicions over the globalization of China Inc. are largely unfounded. African economies have until now been welcoming of Chinese capital investment. Still requiring shareholder approval, Standard Bank's shareholders would do well to show foresight by giving their approval to the ICBC deal and acknowledging the opportunity it gives Standard Bank to take the lead in Africa-Asia commerce.

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

## Policy Watch

## ICBC-Standard Bank deal is only the beginning

By Thomas Orr

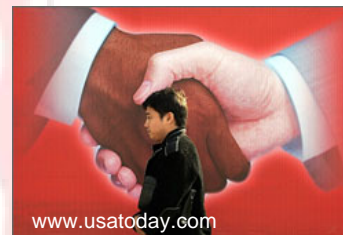
The sale of 20 percent of Standard Bank to the Industrial and Commercial Bank of China (ICBC) for R36.7 billion may be China's largest overseas investment to date, but the deal in itself is not going to make ordinary South Africans rich.

What will be great news to ordinary South Africans is the prospect of more foreign investment or strategic partnership deals, as well as more success stories like those that have driven this deal. Three stories in particular stand out.

**“China's net overseas investment hit \$21.16 billion last year, an average annual growth of 60 percent over the past five years.”**

### The China-Africa Story

We all know this story. Trade between China and Africa has grown rapidly over the past few years, driven by the need for resources. Resource-focused investment has pulled along investment in infrastructure, manufacturing, agriculture and services. The resulting non-resources trade underpins the sustainability of the economic relationship in case commodity prices fall.



Chinese firms have done the numbers: if Beijing's domestic industrialisation drive goes to plan, China will need more resources and become a global economic power across all industries and regions.

As the largest bank in Africa, Standard Bank would like to be the banker to a large chunk of this trade and the investment driving it. ICBC, China's largest bank, has many clients among the companies investing in this continent and Standard Bank will now have better access to these companies in their African business. The two companies will form a \$1 billion (R6.5 billion) fund to invest in resources in Africa.

### China's Go Out Story

China's net overseas investment hit \$21.16 billion last year, an average annual growth of 60 percent over the past five years. This outflow still pales in comparison with foreign investment flows into China, but the trend is clear.



Until recently, moves by Chinese companies to invest abroad were looked on cautiously by Beijing's policy makers. At home, these companies faced uncertainties from economic reforms and the threat of

foreign competition under China's World Trade Organisation Accession in 2001.

However, Beijing's policy makers are now encouraging firms and individuals to invest abroad with a new "go out" strategy:

- Chinese firms have not been displaced by foreign competition in their own market;
- Recent reforms have rationalised the shareholding structures of, and listing regulations facing, state-owned companies (leading, ironically, to a bout of irrational exuberance on domestic stock markets);
- Policy makers are looking for ways to slow the build-up of foreign reserves by relaxing controls on companies and individuals investing abroad; and
- Strong economic growth in China has driven corporate profits, leaving balance sheets in good shape for overseas buys.

Wei Jianguo, the Chinese vice-minister of commerce, recently said that Chinese companies would actively explore international acquisition and other investment patterns to acquire brands, technologies, advanced management experiences and marketing networks. It is no secret that Beijing would like to have more Chinese firms in the Fortune 500 list of the world's largest companies.

**“Strong economic growth in China has driven corporate profits, leaving balance sheets in good shape for overseas buys.”**



ICBC epitomises this new trend. Jiang Jianqing, the chairman of ICBC, recently said he wanted overseas business to account for 10 percent of the bank's total revenues, up from the 3 percent to 4 percent currently. ICBC had about \$123 billion in cash and near-cash securities as of June 30 this year and posted a 76 percent jump in third quarter earnings to \$3.1 billion. Its market capitalisation currently stands at about \$340 billion. The bank recently bought banks in Indonesia and Macau and will soon open branches in Doha, Dubai, Moscow and Sydney.

### The Standard Bank Story

With an excellent management team, a solid domestic business, a good foothold in Africa, and an eye for expansion into other emerging markets, Standard Bank looks well positioned to profit from increased global trade between emerging economies. Many are surprised that a foreign firm has found Standard Bank an attractive target. MTN, Sasol and MIH group are some of the other South African firms with similarly attractive stories.

**“The Barclays-Absa deal showed that the South African government would not block foreigners buying stakes in key domestic companies”**

This is also the story of South Africa as an attractive investment destination. It is still early days, but we have not seen the protectionist backlash that has plagued so many other large, cross-border deals

around the world.

The Barclays-Absa deal showed that the South African government would not block foreigners buying stakes in key domestic companies. Of course, ICBC will not control Standard Bank, but one wonders about the reaction should ICBC have bought 20 percent of Bank of America, Bank of Tokyo-Mitsubishi UFJ or Deutsche Bank.

But ICBC is a Chinese company, 70 percent owned by the government; hard realities that have thwarted Chinese overseas acquisitions before. Despite huge state bailouts, shifting of non-performing loans off the banks' balance sheets and banking reforms since 1999, China's four large banks (of which ICBC is one) are still key institutions in the government's direction of the domestic economy.



China is still undergoing the slow and painful process of moving from command economy to a mixed economy, and the large banks are still used to carry out state policy. In this context one should consider ICBC's domestic operations and overseas aspirations separately. Although China's outward investment drive

is also encouraged by Beijing, it is the companies that are setting the strategic direction. Apart from a few Chinese resources firms, state-owned does not necessarily imply state-controlled. Most companies are not pushed abroad by policy makers; instead, they have been held back up to now.

ICBC's purchase of a share in Standard Bank would have been a commercially based, strategic decision made by bankers, not government cadres. In fact, Goldman Sachs, the (very non-state owned) investment bank, has been playing a key role in ICBC's global strategy and was integral in putting together the Standard Bank deal. In this case, ICBC's state-owned nature is a non-issue, and it is encouraging to see the South African authorities agree.

The Standard Bank investment is a strong show of faith in South African companies' ability to profit from growth prospects in this country and elsewhere on the continent. The above three stories will certainly churn out more deals like this one.

Market watchers should also look beyond Chinese resources firms and banks: technology companies Huawei and TCL, telecoms giant China Mobile and financial conglomerate Citic Group are all successful global firms looking to expand in emerging markets.

They may soon find attractive acquisitions and partners in South Africa.

**“China is still undergoing the slow and painful process of moving from a command economy to a mixed economy, and the large banks are still used to carry out state policy.”**

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

## Commentary

### On the march

*By Rob Rose*

The rumours may be exaggerated - but the Chinese mean business.

Once you've been hit by a bus, you can perhaps be forgiven for believing there's a bus around every next corner. So it was no surprise that market commentators, so wrong-footed by Standard Bank's deal with Industrial & Commercial Bank of China (ICBC), began whispering "China" the very next day when MTN's share price gained 7,5%. A day later, the acquisition jitters had spread. The story was that the State Bank of India had hired KPMG to advise it on how to buy Capitec. Fevered market talk also had Old Mutual selling its 51% of Nedbank to either the Bank of China or Standard Chartered. And separate rumours had the Bank of China preparing a £20/share bid for Standard Chartered.

Clearly, Standard Bank's US\$5,5bn deal with ICBC has changed the game - and the rules, it seems, are being made in the East. This year Chinese companies (and specifically government-owned ones) have been on the march, swallowing 2,9 % of Barclays, 3% of private equity heavyweight Blackstone and in recent days, 6% of besieged US investment bank Bear Stearns.

**“Once you've been hit by a bus, you can perhaps be forgiven for believing there's a bus around every next corner.”**

According to Martyn Davies, expert on China and Asia matters and Executive Director of the Centre for Chinese Studies at Stellenbosch University, there are more than 800 Chinese businesses of significant size operating in Africa. This excludes thousands of small entrepreneurial firms. "It's difficult for us to comprehend perhaps, but Africa is a core market for China and not a peripheral one," says Davies. "It's about energy security, control over the supply lines of commodities and the emerging African consumer market. The Standard Bank deal is a watershed in this regard."

Last year, trade between Africa and China ballooned to \$55bn. About \$8,8bn has involved SA, and this relationship has been expanding at 30%/ year - and this year could top the \$11bn mark. Davies says there will be a surge of interest by Chinese firms in JSE-listed assets, with extractive industries and the engineering, construction, chemicals and financial sectors all fair game. "The likes of a construction firm like Murray & Roberts" could get attention, he says.

#### Chinese interest in the Oppenheimers' old company

A company heavily tipped for attention from China is Anglo American. Last year, E Oppenheimer & Sons sold a third of its 3,3% of the diversified mining giant to Chinese billionaire Larry Yung for US\$ 800 million. The talk, however,



is that the Chinese want a lot more than that.

Anglo spokesman Nick von Schirnding says Chinese investors hold less than 3% of his company; "We don't know what their intentions are, but we have good relations with the Chinese". Recently, Anglo led a delegation of executives to China, where it met with various companies and banks. But Von Schirnding points out that, unlike many of its peers, Anglo actually has operations on the ground in China, which helps keep the relationship alive.

Oppenheimer family spokesman Thomas Claiborne says the Oppenheims don't plan to sell any of their remaining shares any time soon: "We were looking to diversify our portfolio, and were put in touch with Mr Yung. We still keep in touch and he likes the company a lot, but we have no plans to sell

**"[Anglo] has a wide footprint across the continent, and the Chinese will be eyeing that closely."**

any more." Davies says the Chinese would like a larger stake in Anglo, which "has a wide footprint across the continent, and the Chinese will be eyeing that closely." Insiders close to Yung say the sale of Anglo shares wasn't just a private deal between Yung and the Oppenheims. They believe it was "definitely testing the market for bigger investments and was funded by a consortium of Chinese banks". Yung is the chairman of Citic Pacific, but apparently he was acting on behalf of political interests in

Beijing. When it came to Anglo, they say, Yung was simply doing his masters' bidding.

But though whispers are gaining currency in the marketplace of Chinese buyers kicking down the doors of boardrooms across SA, this is unlikely to happen on a large scale. Davies says there could be five or six big deals in the next two to three years in SA - but "decisions will be made very quickly by Chinese firms".

Rob Wessels, head of corporate finance at Nedbank, says the market shouldn't expect an assault. "There's a lot of hype right now.

The Indian run on SA has been slow and steady for some time, especially with Tata building up a presence by taking a stake in

[second national telecom operator] Neotel, manufacturing vehicles here, as well as making strides into SA's power sector," he says. Besides that, Indian pharmaceutical company Cipla has a joint venture with SA generic producer Medpro Pharmaceutica, and Lakshmi Mittal's Arcelor Mittal is doing well from his takeover of Iscor several years ago. Wessels means that rather than take stakes in larger mining firms, such as BHP Billiton or Anglo American, many Chinese companies have bought into junior companies or exploration plays.

**"The market shouldn't expect an assault."**

### Banking on Africa

Wessels thinks telecommunications is also interesting, "but that is hell of a complicated from a regulatory point of view ". Sanlam Investment Management global fund manager Kokkie Kooyman says he doesn't expect to see 20 deals in the next year - "but having said that, the other Chinese banks have been caught off guard, and are probably thinking the ICBC deal was the right way to go".

Partly, it's because the SA banks are relatively cheap, whereas the Chinese ones are expensive. ICBC, for example, is on a price:earnings ratio (p:e.) of 39, compared with Standard Bank's 9. Kooyman says that in this context, the cost of money is almost irrelevant. "This could drive them to do other deals simply because they've got the cash." On the other hand, with UK banks like Barclays on a p:e of 7.5, there are other opportunities.

One of the more interesting rumours in the last week of October was about the Bank of India hiring KPMG to advise it on a takeover of listed microlender-turned-bank Capitec. This seems completely unfounded. Not only has Capitec not held any talks with the Bank of India, but Jannie Mouton's PSG Group holds 35% of Capitec's stock. "We think it's a great strategic investment, so it's not for sale," Mouton told the FM.

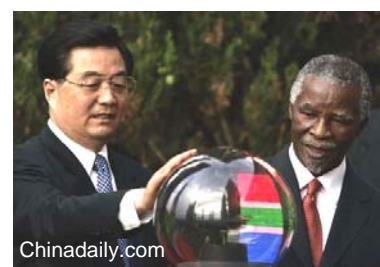
**"in this context, the cost of money is almost irrelevant."**

The Chinese are wedged firmly into Africa's corporate environment, not displaying the same fear of risk seen in companies in developed markets. For example, China lent \$4,4bn interest-free to Angola for upgrading infrastructure. In return, 50% of Angola's oil is now shipped to China. Sudan, too, has been a focus, where the Chinese funded a 1600 km oil pipeline. Earlier this year, Chinese President Hu Jintao visited Sudan (along with a raft of other African countries) and gave Darfur a \$13m interest-free loan to build a presidential palace. Some might think this a tad insensitive in a country where 200 000 people have died in a four-year war between the government and rebels, but China is now taking 65% of Sudan's oil exports of 500 000 barrels/day. It is surely significant that China has used its veto powers at the UN Security Council to prevent the UN imposing economic sanctions on Sudan.

There has also been talk of Chinese "neocolonialism," suggesting fears that Chinese companies will snap up whatever assets they want off the African resources map. Davies says this is rubbish. "I don't know why we have this xenophobic fear of foreign, particularly Chinese, capital," he says, pointing to the fact that, of the 7 000 multinational companies in Singapore, about 2 000 are Chinese - yet no-one talks of neo-colonialism.

"After global aid summits, you always hear countries grumbling about not getting enough aid," says Davies, "yet when it comes to foreign capital in the form of investment flowing in, there's this bizarre reluctance to embrace it."

*This article appeared in the Financial Mail of 2<sup>nd</sup> November 2007*



## Business Briefs

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



### Beijing and Moscow sign nuke energy pacts

China and Russia signed four agreements on nuclear energy collaboration, looking ahead to a post-hydrocarbon world. A joint communiqué signed by visiting Premier Wen Jiabao and his Russian counterpart Viktor Zubkov made cooperation on nuclear energy a priority in economic ties. This went along with deals in the finance, science and technology, and trade sectors.

### BP could expand petrochemicals joint venture with China's Sinopec

According to a senior company official, the booming demand for petrochemicals and transport fuels is urging BP Plc. to look for possible investments in petrochemical refining and coal-to-liquids technology. The company is considering adding additional production capacity to a joint ethylene cracker venture with Sinopec in Shanghai, said John Morgan, BP Group Technology senior vice president.

### China regulates development of new energy automobiles

In a substantial move to advance the development of hybrid-automobiles, China adopted a new regulation regarding qualifications of car manufacturers using new energies. The National Development and Reform Commission (NDRC) defines hybrid cars as battery electric vehicles (BEV), fuel cell electric vehicles

(FCEV), hydrogen-fueled vehicles and vehicles powered by other new types of fuel.

### Oil companies force Chinese government to retreat

Under increased pressure from a worsening fuel shortage and growing frustration among citizens, the Chinese government has allowed oil refiners to raise retail prices for petrol and diesel by almost 10%. Only one month ago, the regime insisted that despite the rise in world oil prices there would be no price increase this year as this would "hit the poor".

### China urged to take the lead in wind power

China has the chance to become a global



leader in wind power technology, utilizing the

strong winds that blow through the northern plains. The country is quietly emerging as a global force in renewable energy technology, and nowhere is this more evident than in the nation's burgeoning wind market.

### China Plans to Launch Space Station by 2020; Lunar Probe Change Enters Final Orbit

China said its lunar probe had entered its final orbit around the moon, but an official backed away from reports of the launching of a space station by 2020. China attaches great prestige to its ambitious space program, seeing it as a way to validate its claims to being one of the world's leading scientific

nations. The country has sent astronauts into space twice in the past four years.

#### China and U.S. to set up Military Hotline

China Defense Minister Cao Gangchuan and U.S. Defense Secretary Robert Gates announced at a joint press briefing that the two nations are setting up a military hotline. The hotline is expected to enhance mutual trust between their armed forces and promote the development of military-to-military relations. Other planned cooperations included exchanges between military academies and joint humanitarian aid and disaster relief exercises.

#### Chinese Bank to Open in New York



China Merchants Bank, the sixth-largest Chinese bank, has been approved to open its first

branch in New York. This is the first Chinese bank allowed to open a branch in the USA for two decades, and will be focused on Chinese and American trade and investment. China Merchants will engage in lending, trade finance, wholesale deposit-taking, and other services.

#### China's monthly trade surplus may top \$30

**Billion** China's monthly trade surplus recently topped US\$ 30 billion for the first time. This comes amidst international complaints that the yuan is undervalued. "China is increasingly seen as out of step with international norms and expectations, as evidenced by the growing number of national leaders and multilateral institutions calling for currency appreciation," said U.S. Treasury Secretary Henry Paulson.

#### China Export: High-Tech Outsourcing

Dalian, China, is fast becoming one of the biggest outsourcing hubs in the world. Companies such as SAP, Hewlett-Packard Co., IBM Corp., Britain's BT Group PLC, Japan's Yokogawa Electric Corp., and some 230 other foreign companies have recently moved operations to this city. Dalian is seen as a model for the transformation that Chinese leaders want to see in the rest of their country. Beijing is reportedly eager to raise China's status from low-skilled factory labour to higher-paid technology jobs.

#### China pulls out of talks aimed at tightening sanctions against Iran

Representatives from Britain, France, Russia, China, Germany and the United States were due to meet on November 19<sup>th</sup> to assess reports from the UN and EU on Iran's nuclear programme. China has pulled out of the talks, along with Russia, who also opposes further UN sanctions against Iran. "I think it's partly related to genuine travel difficulties, but also linked to resistance on the broader question of sanctions from that quarter," a diplomatic source said.

#### China regulator tells banks to cool loan growth

China's banking regulator instructed banks to cool loan growth that is threatening to overheat this fast-growing economy. Lai Xiaomin, the commission's Beijing-based spokesperson said the regulator gave "informal guidance" to lenders who have already topped the 15% ceiling this year, but denied that lending had been "frozen" at October 31<sup>st</sup> levels. According to central bank data, Chinese banks extended US\$ 471 billion of new loans in the first 10 months of 2007, a

15.6 percent increase from loans outstanding at the end of last year.

### **Top UN peacekeeping official heads to China to push for greater contribution**

The United Nations peacekeeping chief is heading to China for a seminar and meetings with government officials to encourage the increase in contributions to uniformed personnel. Jean-Marie Guéhenno, the UN Under-Secretary-General for Peacekeeping Operations, told



reporters that the Asian nation is now the thirteenth largest contributor, after a dramatic

increase in the last five years.

### **Areva wins US\$ 11.9 billion China nuclear reactor accord**

The French firm Areva SA won an US\$ 11.9 billion contract to build two nuclear reactors for Chinese company, China Guangdong Nuclear Power Group Co. Areva and U.S.-based Westinghouse Electric Co., a subsidiary of Toshiba Corp., are competing to build as many as 26 reactors by 2020 as China turns to atomic energy to cut emissions and their reliance on oil. Guangdong province, China's biggest manufacturing hub, plans to spend approximately US\$ 10 billion by 2010 on nuclear power plants.

### **China to hold local govt officials accountable on energy consumption, emissions**

The Chinese State Council recently announced that it will hold local government officials accountable for emission reduction and energy conservation efforts. Xinhua News Agency reported that local authorities will have to follow guidelines set forth to meet national energy and pollution targets by 2010. Progress in energy conservation will become a

standard for measuring performance of government officials and chiefs of state-owned enterprises.

### **Chinese food companies pledge to improve quality control**

Representatives from nearly 130 Chinese food enterprises, which are here for an international food security forum scheduled for Nov. 26-27, signed a pledge to improve quality control throughout the production process. Another estimated 300 domestic food companies joined the pledge by fax or e-mail. In recent months, Chinese industries have been criticised about substandard products such as toys and food.

### **China to join bidding for Rio Tinto with offer of US\$ 200 bln**

China will make an initial offer of about US\$ 200 billion for a stake in Rio Tinto. China's newly formed sovereign wealth fund, China Investment Company, will join Baosteel, Shougang group, Angang group, and smaller SOEs to make the bid. An unnamed source was quoted, saying "China will start its move very soon".

### **China wins major Afghan project**

China Metallurgical Group, a state owned enterprise, said it will invest nearly US\$ 3 billion in a copper mine in Afghanistan's Aynak region in the province of Logar. Official reports say it will be the largest foreign capital investment in Afghan history and will employ 10 000 people. Officials say the area contains an estimated 13 million tonnes of copper, making it a world-class site.

### **China Rail sets Shanghai IPO price at top of range**

China Railway Group set its Shanghai IPO issue price at 4.8 yuan to raise about US\$ 3 billion through the sale of up to 4675 billion shares. The company is the world's third-

largest construction contractor and is also selling over 3300 billion shares in Hong Kong. This SOE is looking to Africa and South America to boost its overseas revenue to 20% in five years, from the less than current 5%.

**Leaders of China, Japan and ROK meet to strengthen co-operation** Chinese Premier Wen Jiabao, Japanese Prime Minister Fukuda Yasuo and South Korean President Roh Moo-hyun attended the 8th meeting of leaders of the three countries. Concrete proposals on strengthening cooperation in science, technology, environmental protection, and culture were expected. A Chinese Foreign Ministry official said the three leaders might also touch upon the nuclear issue on the Korean Peninsula when they discuss regional and international issues.

### Sponsors fuel booming Chinese arts scene

The Chinese art scene is experiencing a boom, thanks to government and private sector sponsors, said Chen Shenglai, president of the Centre of China Shanghai International Art Festival. Chen also said there were many symphony orchestras, dances, musicals and ballets from home and abroad,



and more than 6,000 arts festivals, held in China each year. Sponsors such as Vacheron Constantin, the Swiss watch manufacturer, chose Oscar-winning musician Tan Dun to represent its "exquisite" brand image.

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## China & Africa

The latest updates on Chinese activity on the African continent.

**Angola opens consulate in Macau** Angola is due to open a consulate in Macau headed up by ambassador Rodrigo Pedro Domingos.



According to Domingos, the purpose of the new consulate is to attract local businesspeople to invest in a country undergoing a reconstruction process. Angola is the second-largest of China's partners in the Portuguese-speaking world and trade between the two countries totalled US\$8 billion between January and August of this year.

**Chinese-Chadian cooperation boosts Chad's development** After resuming diplomatic relations in August last year, the cooperation between China and Chad has developed steadily, says Chad's Communication Minister Hourmadji Moussa Doumgor. He expressed appreciation for China's fulfilment of the promises made at the Beijing Summit of the Forum on China-Africa Cooperation in November 2006, and continued to say that the cooperation is dynamic and plays a great role in boosting Chad's economic development.

**China lands majority stake in Gecamines joint venture** In return for a US\$ 5 billion loan, the government of the Democratic Republic of the Congo (DRC) will give China a majority stake in a mining joint venture. The loan is to be used to pursue mining and infrastructure

projects. Four Chinese state enterprises will own a 68% stake in a joint venture with Gecamines, the state-owned mining company. China Overseas Engineering said in March it would invest US\$ 300 million in two copper and cobalt mining projects in the DRC.

**Ethiopia Gets First Auto Plant, With Help From China** Hollard Car, who has the first and only car assembly plant in Ethiopia, has just launched local production of the 'Abay' at the production facility located in Modjo, 40 miles from Addis Ababa. The car retails for the equivalent of \$16,000 in Ethiopia. Another Chinese company, Great Wall, reached Africa ahead of Lifan, operating an assembly plant in Nigeria.

**Chinese SEZ likely in Egypt** Another Chinese economic zone is likely to be established in Egypt, contributing to the growth of Chinese investment in that country, according to Assem Ragab, Chairman of the General Authority of Investment and Free Zones (GAFI) of Egypt. He said trade between the two countries is expected to triple to US\$ 10 billion by 2010. The Chinese segment of the special economic zone in the Northwest Gulf of Seuz will cover 20 sq km, and is the first SEZ in the country.



**China introduces new four wheel drive into Ghana** The second international motor show opened in

Accra, Ghana, with a new 4 x 4 double cabin truck by Great Wall Motor Company of China. The Wicle Pick Up have been manufactured with a focus on the African market and designed to withstand tough weather conditions, resist corrosion, and an engine able to cope with harsh driving situations.

**Ghana: Gyimah-Boadi Advises African Gov'ts to Invest in Chinese Studies** The Executive Director of the Ghana Centre for Democratic Development (CDD) Prof. Gyimah-Boadi said, "we need to learn the Chinese language, understand Chinese culture and politics." He said Africans know the British and the Americans to some extent and this makes it easier in dealing with them. "When it comes to China, we don't know them, they have studied us and know us and that is why they are coming to us".

**Kenyan Government to Get Chinese Military Aid** The Chinese Defence Minister, Gen. Cao Gangcuan offered to help Kenya modernize its armed forces. He commended the role Kenya has played in searching for peace in Somalia and Sudan, speaking at a meeting with President Kibaki at the State House in Nairobi. President Kibaki thanked China for its continued support especially in roads construction, saying China was a true friend and development partner.

**China and Madagascar celebrate 35th anniversary of diplomatic ties** A reception was held in Beijing to celebrate the 35th anniversary of establishment of the China-Madagascar diplomatic relations. The two countries forged diplomatic ties on November 6<sup>th</sup>, 1972. Since the Beijing Summit of the Forum on China-Africa Cooperation in 2006,

there has been a strengthening of cooperation between the two countries in the fields of education, agriculture, telecommunications, and manufacturing.



**Mozambique: Minister for Tourism invites Macau gaming magnates to invest in his country** Mozambique is

interested in attracting businesspeople from Macau to invest in gaming and gambling venues in the country. The Mozambican Tourism Minister, Fernando Sumbana Júnior said this in Macau while taking part in a seminar entitled, "Investment Opportunities in the Area of Tourism in Mozambique". He noted the "excellent capacities and natural resources," of Mozambique and invited all operators in Macau to find out more about Mozambique's potential.

**Chinese delegation in Maputo to discuss agricultural center** A Chinese delegation is due to visit Maputo soon in order to negotiate the final details for construction of a Center for Agricultural Technology and Development. The centre is meant to attract agricultural technicians to Mozambique in order to develop hybrid varieties of rice, soy and other plants. As well as a national stadium, China is also supporting other projects in Mozambique, namely the expansion of Maputo airport and the creation of a technology center.

**Nigeria: oil prices near US\$ 100 a barrel**

Ahead of this weekend's scheduled summit of the Organization of Petroleum Exporting Countries (OPEC), international oil prices yesterday reached an all-time record, breaking

the \$98 a barrel mark and rapidly approaching the \$100 mark. Nigerian President Umaru Musa Yar'Adua presented a budget to the National Assembly calculated on a \$53.83 per barrel oil price. The new crude oil prices will translate into greater income for Nigeria with an excess of \$46 per barrel.

### **China Donates \$5.5m Medicinal Drugs to Nigeria**



Chinese Ambassador to Nigeria, Mr. Xu Jianguo, revealed that over the last five years, the PRC has donated over US\$ 5.5

million of medical equipment and drugs to the country. Assistance has also been provided in the implementation of water supply projects and training of Nigerian technicians over the same period. The Minister of Health, Prof. Adenike Grange, received a fresh consignment of anti-malaria drugs at the ceremony.

**Nigeria China to partner on livestock development** The governments of Nigeria and China are to work out modalities for commercial livestock development to improve the socio-economic conditions of the Nigerians under its redesigned National Programme on Food Security. Nigeria's Minister of Agriculture and Water Resources, Abba Sayyadi Ruma, disclosed this while receiving Avian Influenza support materials from the Chinese government through the Chinese Ambassador to Nigeria, Mr. Xu Jianguo.

**Chinese win important road contract in Namibia** A Chinese firm, China Henan International Cooperation Group Co. Ltd., landed a substantial contract for phase one of

the Rundu-Elundu Road project. The road connects the town of Rundu to the recently proclaimed town of Nkurenkuru in the Kavango region. The Chief executive officer of the Roads Authority, Erastus Ikela, said the



Government of Namibia and the Japan Bank of International Cooperation will co-finance

the project costing approximately US\$ 45 million. "The project will employ more that 250 people from the unskilled market while the contractor will bring in its highly skilled personnel," he said.

**China welcomes Sudan to reaffirm peace agreement** China welcomed the recent reaffirmation by the north and south of Sudan to implement the Comprehensive Peace Agreement (CPA). "China appreciates the north and south for their consideration of the national unity and reconciliation to resolve the difference through dialogue and consultation so as to safeguard the hard-earned peaceful result and promote the peace process," said Chinese Foreign Ministry spokesman, Liu Jianchao.

### **Chinese Ambassador to Sudan Affirms China's Contribution to Darfur Peace**

China's Ambassador to Sudan, Li Chnegwen, has affirmed the need for more cooperation between the parties concerned with Darfur case as well as adherence to the role of the main channels for the three main mechanisms, namely the UN, AU and the Sudanese government. Chengwen said China has sent an engineering team, as part of the heavy support package, to participate in Darfur

peacekeeping process, and will moreover contribute to the construction of roads, airports and camps for the hybrid operation.



### **Chinese engineers head for Darfur**

Chinese engineers are headed for Darfur as part of a joint United Nations and African Union peacekeeping mission. UN spokesman Ali Hamati said the "around 135 engineers [are] coming as an advance team and part of three platoons that will be responsible for digging wells, building roads, and bridges".

### **New Dfid And World Bank Partnership to Promote China-Africa Cooperation**

The UK Department for International Development (DFID) and the World Bank signed a Memorandum of Understanding on a partnership to promote China-Africa cooperation. Nemat Shafik, Director General Country Programs of DFID, on a visit to China said "DFID has been a keen supporter of China-Africa exchange, among others through the China-Africa business council, and this partnership with the World Bank is a further means to promote this cooperation".

### **China Eximbank plans financial co-operation with Portuguese-speaking countries**

The Export Import Bank of China (Eximbank) plans to help create a financial cooperation mechanism with banks in Portuguese-speaking countries. The assistant-director-general of the Department of Economic Studies of Eximbank, Yan Qifa, offered several proposals to the representatives of Portuguese-speaking countries attending a colloquium, which aim to

create a financial platform. The proposals aim at setting up loans for large-scale projects and establishing joint financing for projects, particularly those that have significant influence on bilateral relations.



### **SAB Miller earnings up**

SABMiller reported a 22% rise in adjusted earnings per share to US 69.1 cents for the six months ended September from 56.6 cents a year ago, SABMiller CEO Graham Mackay said it had been a good start to the year, stating "we have delivered another excellent performance in Europe, a pleasing return to growth in North America, and our Asian businesses have continued their momentum and made market share gains. The group's joint-venture in China, CR Snow, continued its very strong performance, with organic volume growth of 22%, well ahead of the wider Chinese beer market.

### **South Africa rejects US criticism on China investment**

Mandisi Mphahla, South Africa's trade minister, has said the US should review the investments of its own companies before criticizing African countries for ties with China. Mphahla was responding to concerns raised by U.S. officials and delegates about the sharp rise in Chinese investment into the continent, and an apparent lack of scrutiny of China's human rights record. "In which instances do these issues of human rights apply? Do they only apply when Chinese investors invest in Africa?", Mphahla said.

### **Standard Bank is Investec's Top Stock**

Standard Bank is the top stock pick of Investec Asset Management, South Africa's best performing equity fund over three, five and 10 years. With an almost 9% stake in the bank that is also being snapped up by Chinese investors, Investec's punt on this stock is a big one. Other stocks performing well is telecommunications firm MTN, beverage giant SAB Miller, and energy developer Sasol.

**Standard Bank, China deal's details out** The recent ICBC and Standard Bank deal raised an estimated US\$ 2.4 billion. Standard Bank announced the allocation of funds to stakeholders, earmarking US\$ 450 million for Africa, US\$ 400 million for South Africa, and US\$ 300 million for international activities. US\$ 900 million were set aside for strategic capital reserves. ICBC had agreed to support Standard Bank's growth strategy in China as well as its international growth strategy in emerging markets.

**China Disappointed By South Africa's Lack of Interest in Expo** Authorities in China have expressed disappointment over SA's prolonged silence on their request for the government and business to participate in the Shanghai Universal Expo 2010. The event will focus on how infrastructural development and efficient urban planning can play a key role in sustainable urban development. Huang Yeochang, the deputy director-general of the Shanghai Expo Co-ordination Office, said it seemed logical that South African authorities would express interest in the expo, as they face similar challenges in hosting the 2010 Soccer World Cup. So far, the South African authorities have remained silent; a response Huang termed "incomprehensible".

## Chinese Firm Takes US\$105 Million

### Lafarge-Hima Expansion Works in Uganda



International cement giant Lafarge has awarded a US\$105 million turn-key contract to China's CBMI Construction to expand its cement producing capacity in Uganda from 350,000 tonnes to 830,000 tonnes a year. Lafarge officials said that that the contract was awarded to the Chinese firm because of the experience needed for the size of the project, success with similar projects undertaken for the Lafarge group in other countries, and the fastest speed of delivery.

### Ugandan president hits out at West as US-Africa

**business summit ends**  
A U.S.-Africa business summit has



ended with a rebuke from Uganda's president, who said the West was more interested in exploiting than nurturing the resources of the world's poorest continent. President Yoweri Museveni said industrialized countries were wrong to place a higher value on Africa's raw materials than on its 900 million people, who should no longer be considered aid recipients but potential consumers.

### China-Africa Development Fund to make first investment in Africa within year

According to China Business News, the China-Africa Development Fund is likely to make its first investment in Africa within 2007. Informed sources reported to the newspaper that the piloting investment may be related to energy,

telecommunications, infrastructure, and construction material. The size of the initial investment was not revealed.

**Chinese firm, ZESCO seal US\$243M pact** The Zambia



Electricity Supply Limited and Sinohydro of China have signed a contract for the engineering and construction of the Kariba North extension hydro project at the cost of US\$ 243 million. This project is an extension to the already existing Kariba North bank PowerStation that is under completion. The extension will have a capacity of 360 MW and will increase the capacity of the entire project to around 1080 MW from the current 600 MW.

### **African states headed for faster growth**

According to the World Bank's Africa Development Indicators 2007, many African countries appear to be on the road to development and steady economic growth. The decade of economic upturn between 1995 and 2005 is in contrast to the collapse and stagnation of the preceding years. The report pointed out that sustained and equitable economic growth can be achieved by accelerated productivity and increased private investment.

### **China Defends Its Presence on African Continent**

The Chinese Acting Ambassador to Rwanda, Wang Xinm.Li has defended his country's increasing presence in Africa. The Chinese Diplomat said China is not motivated by the continent's resources but sincere

support. "Our friends will continue making noise but this will not stop us from supporting African states and improving people's standards of living," he said. Wang added that the campaign against China is a "political motive", and that China enjoys a normal relation with Sudan as it has with other African countries.

### **China outdoing India in new scramble for African energy**

China has beaten India by more than US\$ 10 billion in overseas energy assets during the past two years. Indian Oil Minister, Murli Deora, said India plans to emulate the Chinese method of building infrastructure in Africa to secure oil and gas reserves. This was said at a two-day India-Africa Hydrocarbon Conference in New Dehli. According to MS Srinivasan, secretary in the oil ministry, "[they] are making offers to almost all the countries present at the conference to develop infrastructure".

### **Sino-African trade likely to hit \$100 bln before 2010**



Trade between China and Africa reached US\$ 52.3 billion in the first nine months of 2007 and would surpass 70 billion U.S. dollars by year end. Wei Jianguo, Deputy Minister of Commerce, told a press conference on the follow-up programs of the Beijing Summit of the Forum on China-Africa Cooperation held last November. "Since the summit, cooperation between China and Africa has expanded rapidly, with more and more fields involved," Wei said.

Sourced from: *AllAfrica.com, Aljazeera, Business Report, Business Day, smc.sd, China.com, China Daily, Edmunds.com, International Herald Tribune, IOL, Lusaka Times, Macauhub, Nationmedia.com, Reliefweb.int, The Guardian, The Times, ThinkGhana.com, Worldbank.org, Xinhua News Agency*

## The China Forum

### Recent Events and News

#### The Centre for Chinese Studies arrives in Gauteng

After many months of battles with wallpaper choices and phone lines, the CCS is happy to announce the establishment of its permanent offices in Gauteng.

The rapid growth of the Centre, both in terms of staff, projects and research undertakings, has necessitated the creation of an additional office in Johannesburg, which will also provide a CCS presence for the region.



The new red-walled offices are located on Central Street in Houghton, next to the M1, providing easy access to Pretoria and the rest of Johannesburg.

Friends of the CCS gathered to celebrate the widening reach of the CCS over glasses of pinotage and duck pancakes on November 26<sup>th</sup>, at the official office launch. In the new year, the Johannesburg office will also be coordinating a series of events, including China Forum panel discussions and speaker roundtables. We hope you will join us, as our events schedule is extended to the Gauteng area.



The Jo'burg CCS team includes Nastasya Tay, Projects Manager, Hannah Edinger, Economist, and Jacobie Muller, Operations Manager. If you find yourself nearby, do stop in for a cup of jasmine tea. They look forward to welcoming you to their new offices.

#### Centre for Chinese Studies (Johannesburg)

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Killarney, 2041



### Sanusha Naidu interviewed by Aljazeera TV News

The interview with Aljazeera TV News in Doha, centred on China's development practices in Africa. The interview was conducted early November 2007 and assessed whether China posed an opportunity or a threat to African development.

### Visit by Ambassador Zhong Jianhua

On the 7th of November, Ambassador Zhong Jianhua visited the Centre for Chinese Studies at Stellenbosch University for the first time. After a brief presentation on the Centre for Chinese Studies and some discussions around common interests and current events, the Ambassador was taken to the Sasol Art Museum to look at the photo exhibit named "My China". This was followed by lunch on a local wine-farm.



### CCS meets with Zhejiang Normal University

On 14 November, Lucy Corkin, Projects Director of the Centre for Chinese Studies, and representatives from the International Office of Stellenbosch University met with a delegation from Zhejiang Normal University to discuss possible institutional co-operation between the two universities. As Zhejiang Normal University has recently established a Centre for African Studies, it was agreed that academic exchanges between the two institutions would be particularly fruitful.



### CCS Staff interviewed by CNBC Africa

On 14 November, Projects Director Lucy Corkin and, Research Manager, Hannah Edinger participated in a television panel discussion on the programme "We the People" on CNBC Africa, to debate the impact of Chinese trade in Africa. The panel, which included representation from South African Department of Trade and Industry (DTI) and the Chinese Embassy explored the benefits and challenges of increased Chinese imports on the African continent.

### Dr Martyn Davies at the "Hard Assets" Conference

Dr Martyn Davies was a keynote speaker at the "Hard Assets" Mining Conference held in San Francisco from the 18–20<sup>th</sup> November. He spoke on "The Scramble for Resources in Africa by the BRICs: Impact on the Global Commodity Market".

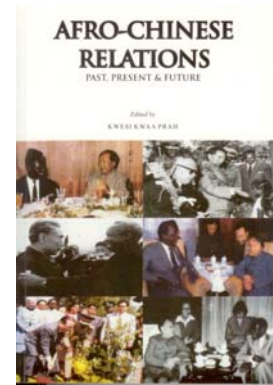


**🇨🇳 Nastasya Tay writes for the Mail & Guardian Newspaper**

Nastasya Tay, the CCS Projects Manager, is one of the Mail & Guardian's newest Thoughtleader contributors. Her online column, titled 'On the Wall', is available at: <http://www.thoughtleader.co.za/nastasyatay>

**🇨🇳 Sanusha Naidu published a chapter entitled 'Mutual Opportunities or Hidden Threats? South Africa's Relations with the PRC'**

In the recently published book 'Afro-Chinese Relations. Past, Present and Future' edited by Kwesi Kwaa Prah from the Centre for Advance Studies of African Society based in Cape Town, Sanusha Naidu wrote a chapter on the relations between South Africa and China. The article explores whether the relationship between Pretoria and Beijing is one of mutual benefits or hidden threats.

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