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South Africa and China: The Making of a Partnership

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ABSTRACT

South Africa–China relations are developing at a steady pace, from the onset of formal diplomatic ties in 1998 to the multi-faceted partnership we see today. Its various elements include historical links, diplomatic relations, multilateral co-operation, trade and investment, and public media engagement. At the same time, there are differences between the two countries that continue to shape ties and distinguish them from China’s relations with other African countries. South Africa is a diversified economy with relatively strong institutional structures and is home to a vibrant civil society; China is seen as a key competitor in sectors South Africa views as strategic, as well as being an investor in resources that enjoy a favourable trade balance. Sharing a similar global vision, the two emerging countries are working towards closer strategic co-operation that takes account of the structure of bilateral economic ties, domestic diversity and overlapping interests.

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ABBREVIATIONS AND ACRONYMS

ANC	African National Congress
AU	African Union
BEE	black economic empowerment
BRICS	Brazil, Russia, India, China, South Africa
CADFund	China Africa Development Fund
CCP	Chinese Communist Party
COSATU	Congress of South African Trade Unions
DIRCO	Department of International Relations and Co-operation
diti	Department of Trade and Industry
EU	European Union
FDI	foreign direct investment
FOCAC	Forum on China–Africa Co-operation
FTA	free trade agreement
ICBC	Industrial and Commercial Bank of China
PLA	People’s Liberation Army
ROC	Republic of China
PRC	People’s Republic of China
SACP	South African Communist Party
SACU	Southern African Customs Union
SACPFA	South Africa–China People’s Friendship Association
SOE	state-owned enterprise
UNSC	UN Security Council
WTO	World Trade Organization

INTRODUCTION

South Africa, a leading economy on the African continent, and China, the largest developing country in the world, have forged a unique partnership. Operating at bilateral, continental and multilateral levels, their governments are actively striving to realise the comprehensive strategic partnership envisaged in 2010. Enhancing these developments is South Africa's status as home to the continent's largest and oldest Chinese community, a concentration of Confucian Institutes and a growing Chinese media presence. With the pace of trade and investment picking up, coupled with closer international co-operation with Beijing through the G-20 and the Brazil, Russia, India, China, South Africa (BRICS) grouping, South Africa–China ties are assuming a significant position in continental and even global affairs.

At the same time, it is a relationship of paradoxes, breaking with many of the assumptions that underpin contemporary analyses of 'China–Africa' ties. For instance, although two-way trade is accelerating, until fairly recently South African investment in China exceeded in depth that of China in South Africa. Moreover, while economic ties between the two countries have long extended beyond the conventions of resource extraction and infrastructure financing seen in other African countries, this appears to be changing. Finally, the vocal criticism of Chinese policies levelled by some local trade unions, businesses and civil society representatives contrasts with the positive attitude of other businesses and increasingly warm party-to-party relations.

This paper examines the South Africa–China relationship through a survey of its diplomatic partnership, economic ties and broader community relations.

HISTORICAL OVERVIEW

Contemporary relations between South Africa and China have roots that stretch back to the late 19th century. A small number of Chinese migrants from Mauritius and the southern coastal regions of China reportedly settled in the British colonies and Boer Republics as part of an international wave of fortune seekers drawn to the discovery of gold and diamonds.¹ This trickle was soon supplemented by a formal labour recruitment scheme organised by mining companies in what was to become the Union of South Africa, which brought several thousand Chinese workers to the country. Consular representation with Imperial China accompanied these arrangements and, in the wake of the decision by the Smuts government to repatriate all Chinese labour in 1905, assisted in their return to China. The remaining individuals formed the basis of the first settled Chinese community in South Africa, setting up a Chinatown in central Johannesburg.

In the subsequent decades, South Africa's official relationship with China became a function of British imperial ties with the enfeebled government of the Republic of China (ROC), the chaotic slide into civil war between the ruling Guomindang and the emergent Chinese Communist Party (CCP), and eventually the onset of the Second World War. In step with London, South African officials established links with the ROC in 1931 at the same time that the nascent South African Communist Party (SACP), founded in 1921 and closely aligned with the Soviet Union, issued periodic declarations of support for the communists' liberation of China.² However, the establishment of the UN in 1945, with

the ROC occupying a permanent seat on the UN Security Council (UNSC), did not inspire much more than limited interaction between the South African government and Taipei at that stage.

After the election of the National Party in 1948, the Afrikaner-led National Party government instituted a more systemised and comprehensive racial policy towards 'non-whites'. The small Chinese community in South Africa found itself subject to the racist legislation implemented gradually under apartheid, including the Group Areas Act and separate education.³ Despite this, formal ties continued to be mediated almost exclusively through the British Foreign Office until 1955, when civil servants' discomfort with interacting with the ROC (London having recognised Beijing five years previously) obliged Pretoria to use Washington to communicate with Taipei.⁴ After dramatic regional changes in 1975, Prime Minister John Vorster sought to elevate ties with the ROC to ambassadorial level, reflecting his concern that Western governments were bent on isolating 'white' South Africa and a concomitant need to reach out to like-minded anti-communist states. His successor, PW Botha, took these measures further, embarking on an official visit in 1980, creating regular military-to-military links with Taipei and encouraging stronger economic ties with the ROC.⁵ The military co-operation on research into nuclear power saw a series of high-level exchanges and agreements but was curtailed after 1987.⁶ The strengthened economic engagement between South Africa and the ROC included providing incentives for entrepreneurs to set up businesses in the 'Bantustans', efforts that attracted a growing tide of Taiwanese investment.⁷ Two-way trade grew enormously over the next few decades, from \$30 million in 1979 to \$5.8 billion in 1995.⁸

During this period, the divisive politics of the Sino-Soviet split in the early 1960s manifested as support for the African National Congress (ANC) by Moscow and Beijing's support for a rival liberation movement, the Pan Africanist Congress. SACP and ANC officials such as Vella Pillay (who worked for the London office of the Bank of China), Yusuf Dadoo and Walter Sisulu visited the People's Republic of China (PRC) in the early 1950s and 1960s, but these events were overshadowed by the substantive ties between the SACP, the ANC and the Soviet Union.⁹ Meetings with Mao Zedong included discussions, led by Sisulu, on the conditions within South Africa for armed struggle and a request for Chinese support.¹⁰ In 1961 China invited several Umkhonto we Sizwe members for military training, but this programme was later abandoned as divisions within the international socialist movement began to appear.¹¹ The Sino-Soviet dispute brought about the severance of ties between the SACP and the CCP, and the relationship became 'very bad'.¹² However, following a meeting in Lusaka between Premier Zhao Ziyang and Oliver Tambo in 1982, the climate changed sufficiently to allow for the restoration of party-to-party relations with regularised contact and even limited Chinese financial assistance to the SACP.¹³ The announcement of Nelson Mandela's release in February 1990, coupled with the unbanning of the liberation movements, was followed a year later by discussions with South African diplomats in Beijing aimed at setting the stage for formalised ties.¹⁴

With the end of white minority rule and the democratic elections in April 1994, the expectation was that the ANC-dominated government of national unity would switch diplomatic relations from Taiwan to the PRC as a matter of course.¹⁵ However, this did not occur, and in 1995 the Mandela government even gave an assurance that formal ties with Taipei would continue indefinitely. At the same time, the ANC government embarked on a quixotic campaign to convince Beijing of the merits of 'dual recognition'.¹⁶

Competing promises of trade, aid and investment by Taipei, countered by Beijing, ensued. It was subsequently revealed that during his July 1993 visit to the island, Mandela had made a personal appeal to Taiwan's leader, Lee Teng-hui, for financial support for the cash-strapped ANC to fight the upcoming elections, resulting in a \$10 million donation (followed by an additional request for \$5 million).¹⁷

Spurred on by divisions within the South African Department of Foreign Affairs, elements in the ANC governing alliance and business and academic interests lined up on different sides to argue the case for or against recognition. A pro-recognition South African diplomat advised the Chinese government to make contact with the SACP as a way of breaking the diplomatic logjam and in early 1994, an SACP delegation led by Joe Slovo visited Beijing to hold discussions with counterparts in the CCP.¹⁸ Foreign Affairs Minister Alfred Nzo's trip to Beijing, which the Chinese government expected would signal the switch in diplomatic ties but which was rather intended to promote the notion of 'dual recognition', produced a swift reaction. At the delegation's final meeting with China's Foreign Minister Qian Qichen, his terse declaration that 'the apartheid government made more effort to recognise China than you have' signalled the beginning of a harder line.¹⁹ From 1996 onwards, South African diplomats were reporting back to Pretoria that South Africa's consulate status might be negatively affected by the return of Hong Kong to China in 1997, while at home questions were being raised over Taiwan's commitment to its much-publicised investment plans in the Eastern Cape.²⁰ In the end, Mandela's surprise decision to grant official recognition to Beijing, made in November 1996, gave Taiwan 13 months' transition before the switch and allowed incoming President Thabo Mbeki to forge a new relationship with China unencumbered by the legacies of the recent past.

DIPLOMACY AND PARTNERSHIP

The opening of formal diplomatic ties in January 1998 began a period of gradually intensifying bilateral political engagement, mirrored by initially limited economic involvement that was to lay the foundation for the current relationship.²¹ Although the first official Chinese visit to South Africa was accompanied by one of the largest business delegations fielded by Beijing at the time, private interests drove the economic momentum.²² Mandela made the first official trip by a South African head of state to Beijing in May 1999. A series of bilateral declarations and agreements followed, reflecting a deepening of the formal political relationship. At the same time, there was clearly a gap between the formal political aspirations expressed in these public declarations and the actual economic consequences that characterised ties for much of the first decade.

This initial period of formal diplomatic engagement between South Africa and China was one marked by co-operation and cautious optimism. President Jiang Zemin signed the Pretoria Declaration during an official visit in April 2000.²³ The focus of the declaration was on the establishment of a bi-national commission with a more generalised commitment to improve conditions conducive to mutual economic benefit in the form of expanding trade and investment, especially in the areas of natural resources, mining and manufacturing.²⁴ Regarding Africa, both countries agreed to collaborate on improving continental security and development while promoting a more equitable international order based on non-intervention and mutual interests. According to Landsberg, the

shared perspective on international affairs came as a pleasant surprise to the South African government.²⁵

Relations evolved quickly from the Pretoria Declaration, with the first bi-national commission meeting in December 2001 and the elevation of ties at the second bi-national commission in June 2004 to that of a 'strategic partnership'.²⁶ As part of the strategic partnership, South Africa decided to grant China 'market status' – an important step that narrowed the parameters to pursue certain kinds of trade disputes in terms of World Trade Organization (WTO) criteria. This coincided with the opening of negotiations for a free trade agreement with the Southern African Customs Union (SACU). The two sides committed themselves to 'intensifying' interaction and consultation between their foreign ministries, as well as to taking steps to promote agricultural exports and education.

More generally, as Mbeki's diplomatic focus during this time was directed at a grand strategy of continental initiatives, starting with the articulation of the African renaissance in 1998 and the New Partnership for Africa's Development, whose central aim was to strengthen aid and investment ties with the G-8 countries, China was relatively neglected by Pretoria. This was despite the launching of China's Forum on China–Africa Co-operation (FOCAC) in November 2000 and a growing Chinese economic presence on the rest of the continent. The 2005 G-8–Africa Summit in Edinburgh, where China's invitation to participate came at the last minute, underscored the degree to which the global focus on China–Africa relations remained obscured.

As a result, the Mbeki presidency maintained a largely cordial if not especially close relationship with China. This in part reflected divisions within the Office of the Presidency and within the South African government more generally between those who lauded the relationship and those suspicious of Chinese intentions on the continent.²⁷ Mbeki, while supportive of the FOCAC process,²⁸ nonetheless articulated his own concerns about China in a widely publicised speech in the aftermath of the successful FOCAC III (also known as the Beijing Summit of 2006).²⁹ In his address to the South African Students Congress (Cape Town) in December 2006, Mbeki cautioned that 'in its relationship with China, Africa must guard against merely becoming a supplier of raw materials in exchange for manufactured goods'.³⁰ President Hu Jintao hastily organised a visit in February 2007, during which the Chinese leader gave what amounted to a pointed rebuttal of Mbeki's commentary. This rebuttal highlighted the anxieties and strengths of the relationship at the time.³¹

It is natural that new issues and new challenges may arise. Yet, compared with the larger interests of China–Africa co-operation, these issues, which occur in the course of advance, can surely be resolved through friendly consultation and deepened co-operation. China takes seriously the concerns about the imbalance in the structure of China–Africa trade and the scope of Chinese investment.

In regional terms, South African involvement in continental peace and security issues, and the growing commercial competition between South African and Chinese companies were complicating factors in bilateral ties.³² Moreover, key African states (Zimbabwe, Sudan and to a lesser degree Angola) that were developing closer ties with Beijing had problematic relationships with Mbeki's government, which introduced some tensions in Pretoria. This was most evident in the case of Darfur, where Beijing's obdurate defence of

Khartoum in the early 2000s differed from the South African approach.³³ This disquiet was exacerbated by the experiences of South African businesses both at home and on the continent, as they began to complain about losing contracts and market share to Chinese interests in Africa.³⁴ Warnings were even sounded by leading South African 'friends of China', such as ex-diplomat PJ Botha, on the negative impact that Chinese migration would eventually have on diplomatic ties.³⁵ With regard to Zimbabwe, South African officials were suspicious of China's growing involvement in an economy that was still dominated by South African interests.³⁶ The nadir in relations came with the disclosure of Chinese armament shipments to Zimbabwe in April 2008 at the height of sensitive elections in that country, bringing a hail of criticism from South African and Southern African Development Community leaders.

Within a few months, however, there was a shift towards closer co-operation on Zimbabwe between Beijing and Pretoria. According to a senior Chinese official, active co-ordination between top Chinese and South African officials over the Zimbabwe issue in the aftermath of the G-8 Summit held in Japan in June 2008 helped bring President Robert Mugabe to the negotiating table with political rival Morgan Tsvangirai. Specifically, Britain and the US publically repudiated Mbeki's 'quiet diplomacy' towards Zimbabwe at the G-8 Summit and introduced a resolution at the UNSC aimed at strengthening sanctions against the Zimbabwean government. Chinese and South African officials, working together (South Africa was a non-permanent member of the UNSC at the time), arrived at an approach that saw Beijing veto the resolution in New York but privately make it clear to Mugabe that it would not block future resolutions.³⁷ Hemmed in, the ZANU-PF leader went on to sign the Global Peace Agreement with the opposition Movement for Democratic Change under the auspices of the South African-led mediation.

By 2009, following the abrupt ousting of Mbeki from the ANC leadership in December 2007 and his subsequent replacement as South African president by Kgalema Motlanthe in 2008, Beijing was anxious to 'upgrade' the relationship.³⁸ On the South African side, the implications of the global financial crisis and China's ability to weather it began to sink in, with Jacob Zuma's presidential campaign touting the advantages for South Africa in adopting an Asian-style 'development state' approach.³⁹ Early insights into the incoming Zuma administration's aspirations for the relationship can be gleaned from a presentation on South Africa's future economic relations with China made in November 2009 by the then Minister of Economic Development, Ebrahim Patel. He framed ties with China in terms of a set of domestic economic priorities, including the call for Chinese policies towards South Africa (and the continent as a whole) that would meet its needs for large-scale infrastructure development and employment creation. Fundamentally, he called for efforts to ensure that the current trade structure, in which South Africa supplied raw materials and Europe and North America exported manufactured goods to the country, was not replicated with China.⁴⁰

During Zuma's first state visit to China in August 2010, China and South Africa announced a 'comprehensive strategic partnership', which elevated bilateral ties from the previous 'strategic partnership'. The Beijing Declaration, as it became known, signed by both presidents during the 'upgrade' in relations,⁴¹ expressed the desire to deepen and strengthen co-operation and exchanges between the two countries through concrete measures. With regard to political and regional affairs, the two countries committed themselves to enhancing joint efforts in the global arena, such as in the UN and FOCAC,

and the presidents agreed to maintain frequent contact in order to enhance mutual understanding of and support for each other's positions and interests. In economic ties, the governments agreed to improve the current structure of trade between the two countries, particularly by working towards more balanced trade profiles and encouraging trade in manufactured value-added products.⁴² Specifically, the declaration outlined 38 bilateral co-operation agreements – ranging from political dialogues and trade and investment to mineral exploration and agriculture – most of which were identical to or elaborations of the areas identified in the strategic co-operation agreement six years beforehand.⁴³

Behind the decision to push forward from a strategic partnership and later a comprehensive strategic partnership was the recognition of shared outlooks and interests and a concomitant desire by Beijing to strengthen co-ordination and planning between the two countries.⁴⁴ This echoes the scholarly understanding of the purpose of this form of diplomatic partnership, which China sees as encompassing⁴⁵

mutual acceptance of the partner states' importance to each other and to the world at large. The characterization thus signals the partner's political willingness to recognize China's legitimate rise, to manage areas of disagreement in order to steadily improve the overall bilateral relationship and to enhance co-ordination in promoting their common preferences in the international arena.

The establishment of a Joint Inter-Ministerial Working Group on China–South Africa Co-operation at the meeting in Beijing in 2010 was meant, according to the South African Foreign Affairs Minister, to 'identify and work through any obstacles to the implementation of our bilateral commitments'.⁴⁶ Zuma appointed five cabinet ministers to serve on the South African side of the Joint Inter-Ministerial Working Group. The new arrangement envisaged bi-annual meetings between the deputy president/prime minister and annual meetings at ministerial level, as well as more regularised contact between South African officials and Chinese diplomats, which would build trust and facilitate better co-operation. It was only formally ratified by the two countries in March 2013. The practical implementation of this initiative remained problematic, however, with South African officials sometimes unable to attend or fully participate in joint events. This led one senior Chinese diplomat to suggest that the excessive workload of civil servants was contributing to occasional breaches in protocol by the South Africans.⁴⁷ Despite this issue, officials from the Department of International Relations and Co-operation (DIRCO, the renamed Foreign Affairs Department) and their counterparts in China's Ministry of Foreign Affairs met annually between 2008 and 2014.⁴⁸

During the same visit by Zuma to China (accompanied by 370 representatives from the South African business community), South African and Chinese companies signed more than a dozen agreements covering investments in railways, power transmission construction, mining, insurance, telecoms and nuclear power. Most importantly, his trip was the last of a series of visits to the other BRIC countries that gave Zuma an opportunity to personally make the case for inclusion in the BRICs grouping, an initiative that was to pay dividends in late 2010.⁴⁹ Yet, at the 2012 FOCAC ministerial,⁵⁰ international media coverage of the event focused on Zuma's comment that China–Africa relations were 'unsustainable' as they stood, reflecting not a lack of confidence in the ties but rather a

shared view with Beijing that the contemporary economic foundation of the relationship needed to shift away from the pattern of unequal exchange if it was to thrive.⁵¹

Although only a minor feature of bilateral ties, military-to-military relations have also followed the pattern of gradual upgrade during the decade and a half of official diplomatic ties. The first meeting of the China–South Africa defence committee, a forum created in 2000 with the Pretoria Declaration, was held in April 2003.⁵² Only a year later a formal agreement was signed allowing for the training of South African soldiers and a donation of electronic equipment to the South African National Defence Force.⁵³ By 2010, the fourth China–South Africa defence committee meeting in November expanded security co-operation on the continent. Under Zuma, acknowledgement of China’s expanded role in peacekeeping and its supportive position on the UNSC and at the African Union (AU) has resulted in greater enthusiasm in military circles for co-operation. South African Major-General Ntakaleleni Sigudu declared his appreciation of the People’s Liberation Army’s (PLA) contribution to achieving ‘the AU’s objectives of building its own strong, effective and efficient peacekeeping capability’ and endorsed the desire for closer co-ordination between the two militaries in bringing stability to the continent.⁵⁴

In parallel, since the signing of the Beijing Declaration in 2000 commercial transactions between South Africa’s armaments manufacturer Denel and the Chinese military have increased. The PLA has taken delivery of South African technologies related to anti-aircraft gun ammunition, anti-tank guided missiles and air-to-air missiles. South Africa’s aerospace industry has also established strong links in China, such as in developing unmanned aerial vehicle programmes.⁵⁵ Chinese pilots also received flight training from ex-South African air force and navy personnel in Mafikeng, starting in 2010.⁵⁶

Nevertheless, research has shown that while there has been an increased exchange of military personnel there is little trade in military goods between the countries, as South Africa manufactures much of its own military equipment while sourcing the remainder from the European Union (EU).⁵⁷ Despite its opening an office in Cape Town, the Chinese industrial equivalent to Denel has been notably unsuccessful in penetrating this market in South Africa.⁵⁸ Chinese and South African police have also signed an agreement in August 2010 aimed at improving co-operation on international crime.⁵⁹

Party-to-party relations have thrived throughout this period. The SACP invited the CCP to the first party congress held in South Africa since its unbanning and return from exile and, along with the ANC, maintained close ties thereafter.⁶⁰ SACP Secretary General Blade Nzimande visited Jiang Zemin in Beijing in November 1998 and they launched a mutual consultative mechanism, the ‘first of its kind’ for the CCP, according to some sources.⁶¹ This relationship, manifested through annual exchanges and participation in party conferences, became a channel for the discussion of international issues. In 2010, the ANC leadership signed an agreement to send the members of its National Executive Committee to Beijing for three weeks’ training in management and organisational skills.⁶² This move seemed to reflect a broader interest on the part of the ANC in learning from the Chinese experience, which resulted in the sending of South African Ministry of Public Enterprises officials to China the same year to acquire an understanding of how state-owned enterprises (SOEs) operated.

Finally, it should be recognised that the depth of diplomatic ties between South Africa and China has gone beyond the state to include provincial links. South African provinces such as Gauteng, KwaZulu-Natal and the Western Cape have partnered with Chinese

provinces and cities. In the course of interaction, for instance, the Gauteng Economic Development Agency conducted eight missions to China between 1998 and 2002, and opened a 'China desk' to manage ties.⁶³ The incoming ANC premier of Gauteng, while addressing a gathering of leading businesspeople in May 2014, expressed his administration's desire to encourage more Chinese foreign direct investment (FDI) in the province.⁶⁴

Multilateral ties – the UNSC, FOCAC, BRICS and G-20

In 2009, at a briefing to the media, then Foreign Affairs Minister Nkosazana Dlamini-Zuma summed up the positive attitude in South African circles on their position in multilateral affairs:⁶⁵

We are strategic partners and we co-operate in a whole range of areas – the economic level in terms of promoting trade and investments between our two countries; people to people and cultural exchanges; science and technology; and a whole range of other areas. We ... co-operate in the multilateral arena – China has been very supportive of our engagement in Africa in peace and security areas besides Africa-China co-operation so we value and think our relations are very important ...

Echoing this sentiment in 2012, outgoing Chinese President Jintao stated that China and South Africa shared common interests in many international affairs, and that China hoped to co-operate with South Africa in the UN, G-20, BRICS and other international forums to increase the collective voice of developing countries and propel the international political and economic order into a more fair and reasonable direction.⁶⁶ The strengthening of South Africa–China co-operation on global affairs has been a hallmark of the relationship. These positive expressions of mutual support have been given concrete meaning through four multilateral forums in particular, namely the UNSC, FOCAC, BRICS and the G-20.

During South Africa's first tenure as a non-permanent member of the UNSC (2007–2009), the shared perspective on many global issues became more evident in its conduct and voting behaviour. South African and foreign critics characterised the positions it adopted on such emotive issues as Myanmar and sanctions as a sign of growing proximity of interests with China.⁶⁷ This was hotly denied by Pretoria, which claimed that it 'was not a vote against the people of Myanmar' and that it would not endorse isolating the military regime through sanctions (a stance that was arguably vindicated when the severest critics – the US and the EU – shifted their own policies a few years later to ones of 'constructive engagement').⁶⁸ The case of Zimbabwe and sanctions is another example of where South Africa worked co-operatively with China to block Western-inspired sanctions. Of particular significance from a South African perspective was the experience of working with China on African security, which for one diplomat involved with the South African mission underscored the willingness of the Chinese to genuinely seek out, consult and integrate South African (and African) views in formulating UNSC positions.⁶⁹ In its more recent tenure as a non-permanent member (2011–2013), the South African support for UNSC Resolution 1973 on Libya, which paved the way for the

NATO-led 'regime change', corresponded with a Chinese abstention that at least in part reflected consultations with African and Arab regional bodies, even if the action went against Beijing's preferred position.⁷⁰ Following a heated national exchange demonising the decision, Pretoria thereafter took a set of positions more consciously aligned to the other BRICS countries' positions in the UNSC.⁷¹

With regard to FOCAC, South African involvement in the FOCAC process has from the outset been marked by a desire to ensure that African – or at least South African – perspectives are incorporated in the ministerial meetings. South African officials are regularly lauded by Chinese officials as being the most active of delegates among the African ambassadors based in Beijing. Over the years, this activism has translated into the incorporation of measures calling for beneficiation as a feature of Chinese investments in the resource sector, improved terms of trade and greater adherence by Chinese companies to environmental and labour standards. South Africa's hosting of the sixth FOCAC ministerial (there is some discussion underway to make it a summit) in 2015 promises to provide a further opportunity for Pretoria to make its influence felt.

South Africa's ascension to the BRICS grouping in late December 2010 followed an intensive lobbying campaign with its members and, reportedly, came against the backdrop of China's unsuccessful attempts to join the IBSA (India, Brazil, South Africa) grouping.⁷² The Zuma presidency picked up the idea of a BRICS Development Bank, an Indian initiative endorsed by the BRICS Summit in New Delhi in 2012, and made it a centrepiece of its hosting of the Durban Summit in 2013.⁷³ While agreement was reached on some aspects of the BRICS Development Bank, notably the capital requirements of members, other issues such as the bank's location and a fuller rendering of its activities remained mired in negotiations by the time the Durban Summit occurred.⁷⁴ Moreover, from a South African perspective, Chinese support for key South African positions contrasted with the unwillingness of some of the other members to consider focusing the bank's lending activities on Africa, in line with Pretoria's African Agenda, which was disappointing.⁷⁵

Regarding BRICS and global issues, the various summit declarations highlighted the fact that the BRICS countries shared similar positions on the need, for example, for the 'democratisation' of international institutions and an approach to climate change that took into account developing countries' interests.⁷⁶ On controversial foreign policy issues such as Libya (and later Crimea), while no conformity of position was expected, disagreements were expressed behind closed doors and not for the world to see, to retain the image of BRICS unity.⁷⁷ Regular consultation, such as the meeting of BRICS foreign ministers at The Hague in the midst of the Ukraine crisis in early 2014, reinforced this approach.

Finally, as the only African member of the G-20, the South African government has a privileged position to work with other leading economies in shaping a co-ordinated response to the global financial crisis. Interestingly, at the height of the global financial crisis in November 2008, only Hu saw fit to remind the watching world that African development was endangered by the economic slowdown. Some analysts believed that South Africa's inclusion in BRICS was driven partially by the desire of its members to strengthen the hand of 'emerging powers' in forums such as the G-20, where G-7 countries for decades had an historical advantage of sustained co-operation.

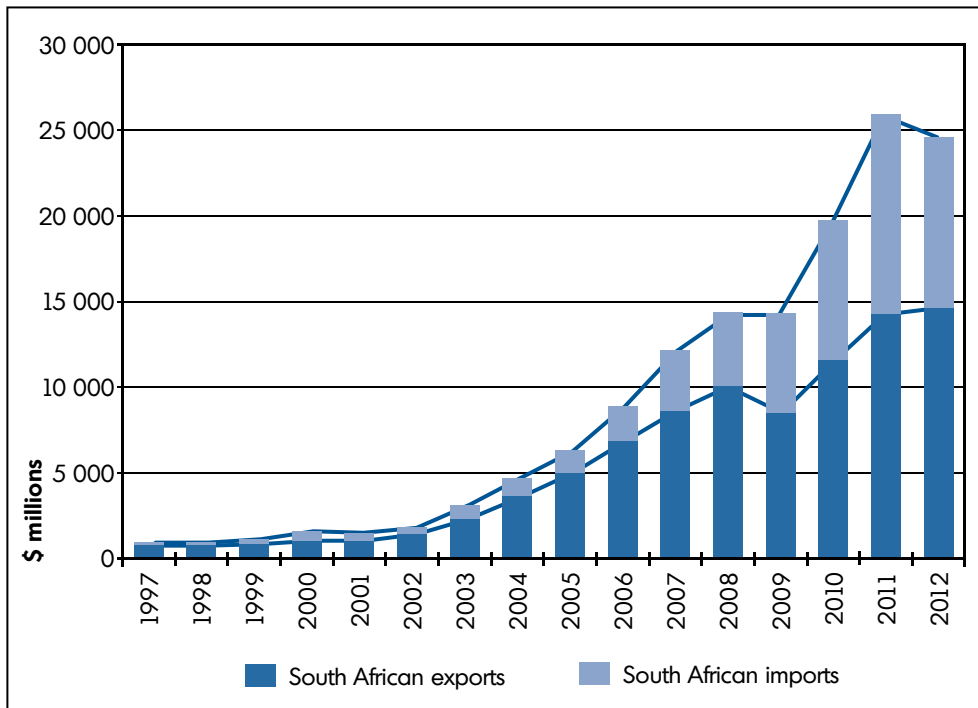
TRADE AND INVESTMENT

China–South Africa trade patterns

The rapid pace of China–South Africa economic relations is a testament to how far the relationship has progressed over a relatively short space of time. In 2008, only a decade after formal diplomatic links had been established, China was South Africa’s primary import and export trade partner.⁷⁸ Moreover, by 2011 China’s total foreign trade with South Africa had reportedly leapfrogged to an annual growth rate of 77% (\$45 billion).⁷⁹

Since 1998 bilateral trade has been on a steadily upward climb (see Figure 1), but inconsistencies in data produced by both countries remain a challenge for analysts. An African Economic Research Consortium study explains there are a range of factors causing statistic inconsistencies, eg, technical and political factors, smuggling, currency fluctuations, different timing, and the role of intermediaries such as Hong Kong.⁸⁰ In 2006 agreement over respective data had not yet been reached. One instance is South Africa’s gold and diamond trade: gold and diamond items are often sold via third markets and thus not accounted for as national exports to China, while China considers these items as South African imports.⁸¹ Nevertheless, the overall available trade data points to a consistently upward trajectory.

Figure 1: South Africa’s trade with China



Source: Quantec, ‘Easy data’, graph representing South Africa’s trade with China (excluding Hong Kong) 1997–2012, October 2013, <http://www.quantec.co.za/>

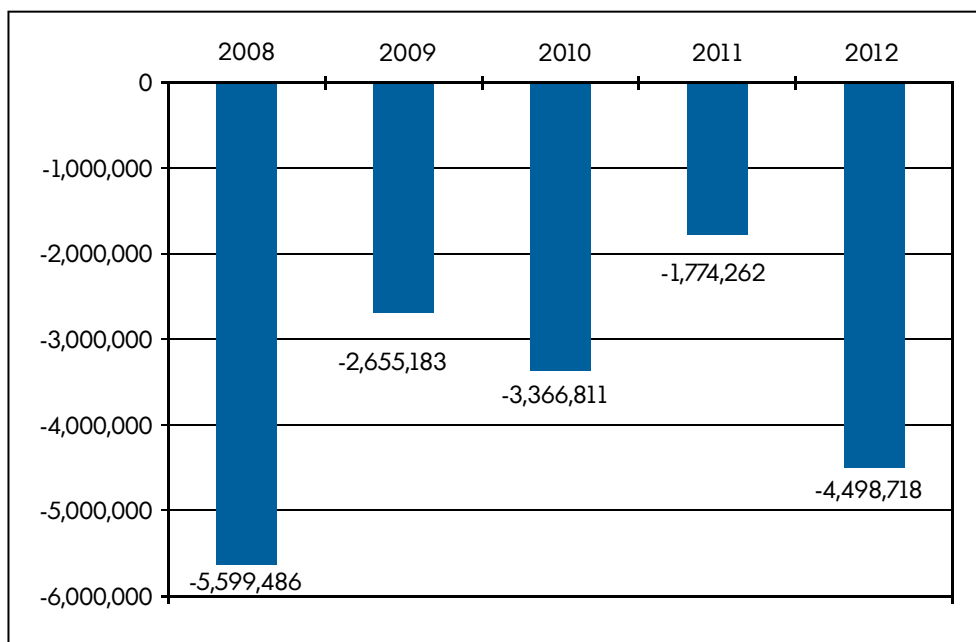
Moreover, this rapid growth in trade has been the result of a combination of the burgeoning bilateral friendship and of global factors. These include China's joining the WTO in 2001 and, with Pretoria's formal recognition of China's market economy status, its upgrading to a strategic partnership in 2004.⁸²

In 2005, negotiations to create a free trade agreement (FTA) – reportedly initiated by Beijing – began with South Africa's Department of Trade and Industry (dti).⁸³ Proponents of the FTA with China argued that it would help South Africa to correct the trade imbalance, improve employment and draw new sources of investment into the mining sector.⁸⁴ Others pointed out that it would offer more economic gains to South Africa and China while disadvantaging the other SACU countries, whose existing exports already enter China duty free, or nearly so.⁸⁵ It was the latter concerns, coupled with the anticipated outcry by the trade unions aligned with the ANC, that caused the issue to languish and drop off the agenda. More recently, however, the FTA has again become a talking point between Beijing and Pretoria.

Two-way trade has flourished under the Zuma administration, partially due to the contraction of global trade after the 2008 financial crisis. During the first half of 2009 it was calculated that there had been a 32.8% drop in imports from major import economies, such as Organisation for Economic Co-operation and Development members and EU states.⁸⁶ In this context China became the largest bilateral trading partner of both South Africa and the region, overtaking countries such as the US. China has come to be regarded as an important factor in South Africa's ability to weather the most recent global economic crisis.⁸⁷ There is clear proximity and interdependence between trade and political ties. In fact, it has been argued in a public forum that the Taiwan issue has become irrelevant to China–South Africa ties because of this strong trade relationship.⁸⁸

As the relationship continues to deepen, questions remain over the future direction of trade ties. South Africa generally experiences trading deficits with most regions of the world, due to the high imports of value-added products and fuel as well as the decline in commodity exports.⁸⁹ In 2012 South Africa's total imports came to ZAR⁹⁰ 833 billion (\$93.6 billion at 2012 rates) while it exported ZAR 700 billion (\$78.7 billion at 2012 rates).⁹¹ The increase in imports from China has been identified as a contributor to South Africa's growing trade deficit (accounting for 10% of South Africa's total imports in 2010).⁹² A negative trade balance remains, as illustrated in Figure 2.

Apart from the trade balance, there are concerns about the structure of trade. China imports minimal value-added products (such as minerals and agricultural products) from South Africa, while South Africa mainly imports Chinese manufactured products.⁹³ The top five South African exports to China (as of mid-2013) were mineral products (76% of exports); base metals; textiles; precious and semi-precious metals and stones; and wood products.⁹⁴ These exports are in line with the products that China has sourced from the region (in particular South Africa and Angola) in the recorded period of 1995–2013, during which minerals dominated.⁹⁵ Meanwhile, South Africa imports a variety of valued-added products from China, such as clothing, data processing machines, printing machinery, bulldozers and motor vehicles.⁹⁶

Figure 2: Trade balance between South African and China (\$'000)

Source: International Trade Centre, *Trade Map – Trade Statistics for International Business Development*, <http://www.trademap.org>, accessed 4 October 2013

Table 1: South Africa's top 10 imports from China in 2012

Top 10	Product	2012 value (in \$'000)
1	Automatic data processing machines, optical readers, etc.	1,183,539
2	Electric apparatus for line telephony	844,131
3	Printing machinery, machines for uses ancillary to printing	404,913
4	Footwear – outer soles and uppers of rubber or plastics	360,859
5	Electric instantaneous water heaters, space heating, hair dryers	227,646
6	Rice	222,557
7	Footwear – upper of textile mat	210,663
8	Self-propelled bulldozers, angledozers, graders, excavators, etc.	203,661
9	Trunks, suitcases, camera cases, handbags etc. (of leather, plastic, textile, etc.)	181,064
10	New pneumatic tires, of rubber	177,688

Source: International Trade Centre, *Trade Map – Trade Statistics for International Business Development*, <http://www.trademap.org/Bilateral.aspx>, accessed 4 October 2013

However, there have been concerted efforts (albeit government-driven) to improve the trade balance. The 2010 Beijing Declaration⁹⁷ stated that both countries would work

together to ensure the inclusion of more value-added products in South Africa's exports to China.⁹⁸ South Africa identified a '10 value-added product list' that could be exported to China.⁹⁹ South African Trade and Industry Minister Rob Davies said that the best way to celebrate the 15 years of diplomatic and trade ties with China would be to 'overhaul [the] system of relying on exporting raw resources and invest in the processing and beneficiation of the value chain'.¹⁰⁰

During President Xi Jinping's state visit to South Africa in March 2013, both sides signed the Terms of Reference for the Joint Inter-Ministerial Working Group (as noted above). The purpose was to supplement mechanisms and co-ordinate the implementation of major projects and bilateral agreements.¹⁰¹ According to the Deputy Minister of Public Works, Jeremy Cronin, the Joint Inter-Ministerial Working Group and the Technical Committee on Trade Statistics have very practical aims:¹⁰²

- to co-ordinate and promote implementation of major projects in trade, investment, infrastructure, energy, communication, agriculture, regional co-operation and human resources development;
- to exchange information on the above and explore opportunities; and
- to conduct in-depth analysis on the challenges to find solutions.

Meanwhile, interest in expanding commercial ties remains strong. For instance, 62 South African companies participated in the 17th annual China International Fair for Investment and Trade in September 2013 in Xiamen. These companies were drawn from the top 10 sectors for export and investment that showcased their projects and products.¹⁰³ Similarly, a South African Expo was held in Beijing in 2012 and was attended by 68 companies. During this Expo, Davies met his Chinese counterpart to discuss skills development in the textiles sector and the creation of special economic zones in South Africa.¹⁰⁴ Despite this, the concerns of South African companies in the manufacturing and construction sectors persist, especially as their market share is being eroded in traditional regional markets. For companies such as Grindrod, for example, China and India are characterised as 'competitor nations ... importing goods to our neighbours at a lower cost than South Africa can deliver, while these countries are right on our borders'.¹⁰⁵

At the same time, it is important to recognise that for both countries, their bilateral economic relationship is situated within a broader range of trade ties. In 2012, the EU trading bloc – led by Germany, the Netherlands and the United Kingdom (UK)¹⁰⁶ – remained South Africa's main trading partner at 21.3%, followed by China (12.3%), the US (6.5%), Japan (4.2%) and India and Saudi Arabia (both 3.8%).¹⁰⁷ According to the Trade and Industrial Policy Strategies, in regional terms Asia was South Africa's largest import and export destination in 2012, followed by the EU.¹⁰⁸ At the same time China has other crucial trading partners on the continent; in 2012 its main African trading partners were South Africa (30%), Angola (19%) and Nigeria, Egypt and Libya (all at 5%).¹⁰⁹

Investment

While bilateral trade has grown enormously, the investment picture differs considerably and highlights some of the unique characteristics of South Africa–China relations. Hopes of Chinese investment in South Africa were initially quite high: on the eve of formal

recognition in 1997, China planned to invest \$300 million in South Africa, far above its current FDI stock.¹¹⁰ Most significantly, until 2007 and unlike China's experience with the rest of Africa, South African companies had invested more in China than their Chinese counterparts had done in South Africa. At the same time, the overall figures on FDI show that actual investment forms a very modest portion of their economic relations.

Although specific figures for China–South Africa investment ties remain inconsistent (mostly due to differing data-reporting practises),¹¹¹ the numbers do provide a glimpse into the nature of the relationship. For instance, South African Reserve Bank data reveals that China was a modest source of FDI for South Africa from 1997–2010 when compared to countries such as the UK, US and Germany – with the exception of 2008, when it was the most important FDI source.¹¹² Moreover figures provided by UNCTAD reveal that Chinese FDI stocks in South Africa were at \$5,077 million in 2012, as compared to the EU's \$124 269 million or the US' \$11,711 million.¹¹³

While the trend of increasing Chinese FDI is apparent, with a strong jump in FDI in 2008, China's investment has a long way to go to match these figures or, for that matter, South African FDI in China. There is consensus that South African FDI in China was approximately ZAR 8.48 billion (\$800 million at 2010 rates) in the same period.¹¹⁴ Even the \$5.5 billion purchase of equity stakes in Standard Bank in 2008 could be construed as not being 'employment-generating' FDI and, if removed, resets the balance in favour of South African investors. Furthermore, according to Gelb's research, Chinese businesses represent just over 1% (78) of the estimated 4 100 officially registered foreign businesses operating in South Africa in 2009.¹¹⁵ Moreover, South Africa is considered the continent's biggest investor, and not China.¹¹⁶

Certain distinctive features of the South African environment are behind this anomaly from the experiences of much of the rest of Africa. Although South Africa is a resource-rich country, it is viewed in industry terms as maturing, so opportunities for outside investors are limited.¹¹⁷ Moreover, its regulatory environment is considerably more complex than that of other African countries, and is reasonably well enforced. Coupled to this are a rigid labour market and the strong position of trade unions, which make life difficult for the Chinese (as with their Taiwanese predecessors) operating textile factories.¹¹⁸ Mbeki's promotion of black economic empowerment (BEE), which requires businesses to provide company assets to black South Africans, also served to inhibit some investors. For novice Chinese entrepreneurs, these factors have presented obstacles that have taken some time to overcome.

These factors are evident in the cautious approach adopted by Chinese companies to investing in the South African mining sector. According to industry insiders, Chinese investment in the South African economy has consisted of joint ventures and 'brownfield' developments in the mining sector as a response to the aforementioned obstacles and concerns.¹¹⁹ These investments include Zinjin Mining Group's \$16 million purchase of a 29.9% share in the platinum producer Ridge Mining in 2006. The decision by Sinosteel, one of China's most forward-looking SOEs, to embark on a joint venture with South Africa's Samancor in chromium mining, built on their experience in an earlier, more modest investment in Limpopo in 1996.¹²⁰ This relationship, which involved Chinese financing and market access coupled with South African management of production, has been characterised as a 'good model for Chinese business partnerships with South African companies'.¹²¹ In 2007, China Minmetals took up a minority share in a chromium mine,

again with South African partners managing the production side. In another reflection of the Chinese response to changing mining regulations and BEE requirements, East Asian Metals, a subsidiary of Sinosteel, purchased a 60% share of ASA Metals in the Dilokong Mine in Limpopo (itself a joint venture with Limpopo province arranged in 1997).¹²²

From this tentative start and following the stabilisation of the severe market turbulence of 2009, Chinese investment has begun to pick up. Arguably the Industrial and Commercial Bank of China (ICBC) and Standard Bank investment, coupled with the opening of the China Africa Development Fund (CADFund) office in Johannesburg, played a role in raising Chinese awareness of investment opportunities in South Africa. One study of 16 representative Chinese companies and their decision to invest found that the majority of investors were state-owned and, depending on their sector, were resource and/or market seeking in their approach.¹²³ At the same time, the bulk of FDI continues to be focused on the mining sector (the ICBC-Standard Bank deal notwithstanding) while the modalities of Chinese investors remain much the same, namely seeking to enter into joint ventures or arrangements with suppliers in South Africa with the aim of obtaining long-term, stable sources.¹²⁴ Furthermore, in overall terms the primary form of economic engagement in the mining sector remains focused not on investment but trade, with China as a customer for South African minerals and South Africa as a customer for Chinese machinery.¹²⁵

The larger issues driving the ANC's interest in opening up the South African mining sector to foreign investors such as China and Russia were, according to an ex-dti official, predicated on their ability to break the dominance of long-established mining companies whose practices remained largely framed by the narrow extractive approaches of the past.¹²⁶ The feeling was that, unlike the traditional players in the mining sector, Chinese investors would be more inclined to invest in beneficiation at the source. However, despite the overhaul of the law on ownership of mineral rights, which transformed the position of mining companies by obliging them to sign licensing arrangements with the government, barriers to direct ownership by foreign investors remain significant.

Jidong Development Group, China's second-largest cement maker, acquired a majority stake in a new cement plant with the support of CADFund in 2010. Chen Ying, vice-president of Jidong, said his company was excited by South Africa's growth potential and believed the market for cement would grow quickly over the next few years.¹²⁷ Jidong and CADFund invested ZAR 382.5 million (\$52.9 million at 2010 rates) and Chinese banks were expected to provide about ZAR 450 million (\$62.3 million at 2010 rates), with the rest of the money in the form of equity stakes from two South African partners – Continental Cement and Wiphold, a black women's empowerment group – and loans from Nedbank. The investment was the first by Jidong in a production plant outside China and the biggest investment at that point for CADFund in South Africa. It also marked the China Development Bank's move to a more politically minded approach to financing, with the BEE components of the deal being a central feature, issues that subsequently raised public concerns.¹²⁸

In addition to these investments, CADFund also invested considerable funds through the Chinese company Suntech in South African solar and wind power projects, and in June 2010 FAW, a Chinese motor concern, announced a \$100 million South African investment, in part funded by CADFund. Within a week of the opening of the plant in Gauteng, however, FAW was forced to cancel a large order to replace minibus taxis due

to resistance from the taxi industry over concerns around quality.¹²⁹ Nevertheless, the use of South Africa as a site for auto assembly, a market for its vehicles and a platform or 'gateway' for exports into other regions in Africa seemed a fulfilment of many of South Africa's stated ambitions to harness Chinese economic power to serve local needs.

Certainly by 2010, encouraged by Zuma's foreign policy strategy aimed more consciously at leveraging Chinese financial resources in pursuit of South African development and its African Agenda for the continent, Chinese investor interest grew. The South African government's announcement of a multi-billion dollar investment in infrastructure in 2012 focused on boosting transportation networks, power outputs and rail capacity. There has been significant media speculation over the use of Chinese financing to support a high-speed rail project linking Johannesburg and Durban, including the purchase of rolling stock and negotiations over Chinese investment in the construction of power stations. The decision by Transnet to buy 95 locomotives from CSR Zhuzhou Electric at ZAR 2.6 billion (\$320 million at 2012 rates) in October 2012, linked to provisions for technology transfer to local operators, marked a step forward in this process.¹³⁰ Given the continued inability of the government-owned transportation sector to realise the promise of export-led growth in what has generally been a climate of rising resource prices, this would facilitate improvements in China–South Africa trade.

Most dramatically, there has been an announcement of discussions over setting up a reported ZAR 18 billion (\$1.6 billion) Chinese-funded investment in ITC at the Coega Industrial Development Zone in East London, which would create over 4 600 jobs.¹³¹ While all these prospective investments remain under consideration, the signing of the South African Mamba Cement project worth \$220 million in November 2013, and another Jidong joint venture with a South African cement firm funded by CADFund, Nedbank and the Bank of China, underscored the modest growth of Chinese confidence in operating in South Africa.¹³² Hisense Group, the manufacturer of 'white goods' for the local and regional market, started with a small \$800 000 investment that had grown to \$31 million by 2009, and by 2012 it was mooting the funding of another factory.¹³³ Although unverified, according to one researcher the company says it has created over 300 jobs.¹³⁴ Telecommunications giant Huawei, working with South Africa's MTN, is making inroads into the local market. Chinese property moguls, the latest being Shanghai Zendai Property wanting to build a multi-million dollar mixed-use residential, retail and light industry facility on the outskirts of Johannesburg, have also begun to carve out a niche in local markets.¹³⁵

Another sector that is experiencing small but potentially significant Chinese investment is agriculture. With food security an abiding concern in China, there has been much speculation over the possibilities inherent in South Africa's agricultural sector, some of it reflected in official positions encouraging greater collaboration.¹³⁶ While white South Africans' dominance in commercial agriculture has, as with other sectors of the economy, defined much of the debate in the country, there have been some intriguing examples of Chinese involvement. For instance, Chinese commercial interest in South African maize resulted in government-level discussions in 2010 aimed at assessing the possibilities of increasing imports of South African harvests in light of domestic shortages in China. South Africa's Deputy Minister of Agriculture, Forestry and Fisheries, Pieter Mulder, told the visiting delegation from Sinograin in September 2010: 'China and South Africa could find each other in terms of the export of grain and oil seed in

the interests of both countries.¹³⁷ While reports suggested that the high costs of local transportation scuppered any long-term deals, by 2014 new discussions seemed to bring them closer to an agreement.¹³⁸ Beyond trade, there are a number of Chinese technical projects in agriculture, for instance in the Free State and Limpopo provinces, that have been linked to very modest explorations into export-oriented aquaculture.¹³⁹ According to Anseeuw, this is in keeping with a general international trend away from investing in the politically sensitive area of African land itself and into 'invisible' forms of land-related acquisitions aimed at controlling the production process.¹⁴⁰

Finally, Chinese involvement in South Africa's financial sector bears closer examination, especially as it has generated much publicity. The announcement in October 2007 that ICBC, the leading Chinese bank by market capitalisation, would take a 20% equity stake in South Africa's Standard Bank for \$5.5 billion took the financial community by surprise. This was a significant outlay, even for ICBC, as the finance allocated to the deal equates to 8% of its capital. The reasoning seemed sound from a strategic point of view: ostensibly Standard Bank would help ICBC serve its corporate customers in Africa while Standard Bank would gain a foothold in China. Moreover, given its global expansion plans, Standard Bank hoped to use the capital for expansion into the rest of Africa and the rest of the developing world. Of the ICBC investment, \$450 million of capital was earmarked to support organic African growth, and key to this was Standard Bank's plans to substantially increase its Nigerian retail network of around 56 branches and add 200 ATMs.¹⁴¹ The largest portion of ICBC's investment, \$900 million, was earmarked as strategic capital reserves.¹⁴²

Standard Bank was an appealing partner for ICBC in large measure because it had operations in 18 African countries, a market capitalisation of \$14.6 billion in South Africa, highly advanced operating systems, management information, and credit risk policies in place. ICBC is the foremost bank among Chinese SOEs and retains a strong national presence. It also has set up a strategy department (initially with 20 staff members) to map the bank's expansion policy and oversee mergers and acquisitions.¹⁴³

Expectations of the deal generating high revenue, however, proved to be inflated: by May 2010, Standard Bank's then chair, Jaco Maree, expressed public disappointment at the slow pace of business. One reason for this was that many of the projects that they sought to secure were government tenders in Africa and as such were subject to complex and sometimes obscure procedures that delayed the process.¹⁴⁴ This may have contributed to ICBC's re-evaluation of the necessity of having a South African partner. There was also a belated realisation on the part of Standard Bank officials that, far from its serving as a crucial partner in Africa for ICBC, the Chinese bank could and did operate in Africa on its own. The joint funding of the Morupule Power Station in Botswana, announced in late 2009, although innovative in that the structural finance arrangements were made on a purely commercial basis, appeared to be the apex of deals of this kind. The movement of ICBC into other African markets without the direct involvement of Standard Bank suggests that the partnership is more one-sided: for example, although Standard Bank officials were informally consulted in the due diligence component of the Gibe III Dam, no deal emerged from the process. Moreover, the expectation that Standard Bank would gain access to the Chinese market also has not materialised. And while upwards of 40 personnel are now based in its China office, Standard Bank has yet to secure a major project in China despite having had a presence for several years. As one analyst notes, 'There is little pressure

that the South African bank can bring to bear on a partner with eleven times its market capitalisation.¹⁴⁵ Standard Bank and ICBC have been more successful in third-country non-Africa markets, most notably a project involving the Brazilian state grid worth \$1.8 million that relied on Standard Bank's established presence and local knowledge to secure the deal.¹⁴⁶

Regarding South African FDI aimed at China, as noted earlier, South Africa is the only African country with significant investment in China itself. The overall motivation behind South African investment in China is in line with the general trend towards internationalisation and resource and/or market-seeking conduct, but is distinctive in that it was initially led by private corporates. According to Shelton and Kabemba, South African firms have invested over \$800 million in China, mostly in the mining sector (iron ore, zinc, coal and precious metals), the food and beverage industry, and telecommunications and media.¹⁴⁷ Specifically, Kumba mining group, a major iron ore exporter to China, has a joint venture in a Chinese zinc mine, while Naspers media group holds an unprecedented position in the Chinese internet market through its subsidiary, Tencent. The South African parastatal Sasol, the coal-to-synthetic fuels company, entered into a joint venture with a Chinese counterpart only to withdraw after several years, reportedly experiencing conflicts over intellectual property and profit sharing.¹⁴⁸ Multinational corporations such as SAB-Miller and Anglo-American, whose capital base and management structures were originally South African but who now are listed internationally, are involved in the beverages and mining sectors respectively.

STATE AND PUBLIC INTERACTION

More than any other dimension of the bilateral economic relationship, the experience of South African manufacturing firms confronted with Chinese competition has become emblematic of some of the problems between the two countries. An industry that in 1995 employed 230 000 South Africans and was the country's sixth largest exporter, suffered between 75 000 and 85 000 job losses through direct competition with Chinese imports.¹⁴⁹ The continuing job losses to Chinese imports in the manufacturing industry has made the Congress of South African Trade Unions (COSATU) one of its most vocal critics. Zwelinzima Vavi, who until 2013 had been the general secretary of the trade union movement for nearly a decade, characterised China's role in blunt terms, calling its policies 'colonial' and in keeping with the exploitative relations with the traditional Western industrialised economies.¹⁵⁰ At the same time, possibly reflecting a change in leadership within COSATU, other unionists are more sanguine about the Chinese impact. For instance, COSATU's international secretary, Bongani Mosuku, sees more positive impacts emerging over the long term from deepening economic engagement with China, especially in terms of learning and technology transfer.¹⁵¹

The South African government's public concern over the adverse impact on manufacturing has been tempered by privately held beliefs that sectors such as textiles are not sustainable in a globalising trade environment.¹⁵² The focus in official South African-Chinese communiqués on introducing 'beneficiation', especially employment creation and technology transfer, as features of Chinese FDI in mining and manufacturing stems from a desire to offset the destructive effects of competitive imports. Evidence is sketchy

but one study suggests that at least until 2010 the impact remained heavily weighted against the scenario that greater Chinese investment would offset job losses in other sectors.¹⁵³ Moreover, according to this analysis, South Africans lost a 10% market share in neighbouring economies due to competition with China.

Outside the manufacturing sector, South African construction firms such as Murray and Roberts and Group 5 also complain that Chinese construction firms' practices are unfair.¹⁵⁴ Huawei Technologies competes in some African markets with South Africa's MTN while Didata, a successful technology company, found that its expansion plans into the rest of the continent were challenged by cheaper Chinese data products.

Public diplomacy: setting a foundation for understanding

The evolution of China–South Africa relations is taking place within the context of a growing mutual interest in public diplomacy.¹⁵⁵ The information age has rendered engaging with and informing the international community and the global public at large important components of foreign policy, in parallel with confidential government-to-government negotiations. As a result, both China and South Africa have taken a keen interest in public diplomacy. In 2009, the Information Department of China's Foreign Ministry upgraded its 'Public Diplomacy Division' to the 'Public Diplomacy Office'. China subsequently increased its global outreach, as reflected in its hosting of the Beijing Olympics (2008) and its global media drive, for example China Central Television's establishing broadcast centres in strategic regions of the world (ie, Nairobi and Washington DC).¹⁵⁶ In 2012 the 18th CPC National Congress announced for the first time that public diplomacy and cultural exchanges would be pushed ahead, indicating their formal incorporation into national strategy.¹⁵⁷

South Africa too has sought to expand its communication beyond formal foreign policy requirements. For example, in August 2012 DIRCO launched the first edition of its quarterly magazine, *Ubuntu*. In 2013¹⁵⁸ the editor of *Ubuntu* – Clayson Monyela, the department's Public Diplomacy head – pointed to Zuma's call for 'communication and marketing' following the tragedy in the Central African Republic. There was a realisation that 'the minute you are elevated to a higher stature in international relations the brighter the spotlight on you'.¹⁵⁹ DIRCO also launched the first 24-hour African government-run online talk radio station, Ubuntu Radio, in October 2013, recognising that internet-based radio has picked up momentum over the past 10 years.¹⁶⁰

Even though the initiatives described are not specific to the bilateral relationship and are instruments to serve respective national interests,¹⁶¹ each national image-building drive is in effect influencing the public's perception of the relationship. An example is the 2010 World Expo (May–October 2010) in Shanghai. As the second mega-event hosted by China (following the 2008 Beijing Olympics), it was an opportunity to develop China's public diplomacy through collaborations, reaching out to various actors (eg, governments, civil societies, businesses, countries and international organisations) and showcasing itself as an economic powerhouse and responsible nation.¹⁶² China's success in hosting the expo was reflected by the record 73 million¹⁶³ visitors it attracted over the six-month period. At the same time, South Africa participated in the expo to showcase the 'vibrancy' of its cities, change perceptions in China about South Africa and Africa, and gain international exposure.¹⁶⁴ It also served as a platform to promote South Africa's own hosting of the

2010 FIFA World Cup, with its pavilion featuring the mascot 'Zakumi' and an hourly countdown clock to the opening of the World Cup.¹⁶⁵

In this context, the expo became the backdrop to increased bilateral, public-centred engagements. It was described as 'the single biggest South African presence in Shanghai' to date¹⁶⁶ where about 500 activities were led by South Africa. With the intention of expanding relations, the South African Department of Tourism set up office in Beijing.¹⁶⁷ The Chinese Embassy in South Africa also sought for wider reach and supported a collaborative special issue on the 2010 Shanghai Expo (followed by another special report in 2013 titled 'South Africa and China') in the South African daily newspaper, *Business Day*.¹⁶⁸

Flowing from this came the establishment of the South Africa–China People's Friendship Association (SACPFA) – with offices in Johannesburg, Cape Town and Durban – in February 2013. Modelled on the China–US or China–Japan Friendship Associations, the SACPFA was created to promote economic and cultural engagements specific to China–South Africa.¹⁶⁹ While a new initiative, the significance of the SACPFA is reflected by the honorary membership of key DIRCO personnel.¹⁷⁰

Following the celebrations of 15 years of diplomatic relations in 2013, there have been plans to hold further cultural and academic exchange activities. For example, 2014 is the 'South Africa Year in China' – only the second country after Russia to have a dedicated year in China¹⁷¹ – where plans are underway for a Nelson Mandela exhibition and South African participation in China's international film and jazz festivals.¹⁷² Meanwhile, 2015 will feature as the 'China Year in South Africa' – the same year that FOCAC will be hosted in South Africa. These examples indicate that the foundations for China–South Africa public engagement are being laid.

Nevertheless, China's involvement in public diplomacy outweighs that undertaken by South Africa. This is due to the fact that China's global outreach ambitions are simply on a larger scale than those of South Africa, as is its capacity. For example, as of 2013 China had 440 Confucius Institutes – non-profit public institutions that collaborate with local institutions to promote Chinese culture and language – worldwide.¹⁷³ Moreover, South Africa (along with Kenya) is home to more Confucius Institutes than any other African country.¹⁷⁴ According to a South African official, China is also offering 200 scholarships over a five-year period to encourage South African students to study in China.¹⁷⁵ In contrast to China's well-financed outreach in Africa is the financial trouble that saw the closing of the South African Broadcasting Corporation's bureaus in strategic locations such as Beijing two years after they had opened.¹⁷⁶ Building the foundations for public engagement first and foremost requires financial security.

Another reason why China's public diplomacy is more pronounced in South Africa is the fact that China's presence is simply more visible in South Africa than South Africa's presence is in China.¹⁷⁷ More specifically, the South African government's response to China's growing presence and the resulting reactions at the public level can be tense at times. It is against the background of such global and national changes, as well as the gradual progression of two-way ties, that the South African and Chinese governments' efforts to manage the relationship's image have begun to evolve and diversify.

The implications of the 'public' in diplomacy

China–South Africa ties are not merely high-level engagements driven by elite interests. There are also informal and subtle spaces (described by Park and Alden as the 'downstairs' dimension) where un-orchestrated engagements potentially shape the agenda of the more formal relationship.¹⁷⁸ Just as China's public diplomacy is more pronounced towards the continent, so the public's reaction to Chinese engagement is more assertive. A recent opinion piece by author-journalist Howard French suggested that Africa's vibrant advocacy and civil society groups are the stakeholders that will increasingly challenge formal representations of the relationship as 'win-win'.¹⁷⁹ In the South Africa–China case there are interventions from 'downstairs', as explored in this paper, highlighted by public sentiment over and perceptions of these relations and the complex role of the Chinese community.

While there are deeper national interest concerns, commentary is a window to public understanding of the relationship. In particular, emotive commentary can enter popular spaces at the risk of becoming preferred narratives. There are other examples of public sentiment that have accompanied China's burgeoning ties with the continent and South Africa in particular. Following the 2012 public outrage over the 455 rhinos that had been killed illegally for their horns in South Africa, the journalist Julian Rademeyer commented 'there's this stereotype being sold in South Africa of these evil, Fu Manchu Asians trying to kill our wildlife'.¹⁸⁰ The popularised term 'Fong Kong' has also become part of the South African lexicon, denoting goods that are cheap imitations and cannot be trusted,¹⁸¹ and has been linked to goods originating from China. The phrase even became the title of a popular kwaito – a South African music genre – hit in 2010, speaking to the transforming relations between the continent and China.¹⁸² The long-standing perception of inferior quality could in turn further affect China's presence in South Africa. In a *China Daily* edition, Huawei (telecommunications) and FAW (vehicle manufacturer), two major Chinese companies that are competitive forces at home, noted that their biggest challenges in South Africa remained the public's reluctance to accept Chinese goods in a market dominated by Western products.¹⁸³ Linked to this is the notion that in a country where there is nearly 25% unemployment, 'Chinese workers are increasingly taking jobs away from unemployed South Africans'.¹⁸⁴

Third-party commentary about China has often perpetuated the idea of a homogenous and powerful (and ultimately damaging) force. In 2008 the *Daily Mail* stated in an opinion piece that China is¹⁸⁵

secretly working to turn the entire continent into a new colony ... the people of this bewitching, beautiful continent, where humankind first emerged from the Great Rift Valley, desperately need progress. The Chinese are not here for that.

The relationship is affected by both formal and informal spaces; when Chinese actors have acted unfavourably, there has been a strong reaction from local actors. In 2008 South African civil society played an important role in the campaign to prevent a Chinese vessel, the *An Yue Jiang*, from offloading weapons destined for Zimbabwe's defence force.¹⁸⁶ It is incidents such as these that have caused increased government response on both sides in order to – as in the words of a South African official – remove the 'venom ... between the two societies'.¹⁸⁷

Apart from mainstream attention, there are also studies that aim to provide a glimpse into South African public perceptions. They reveal particular interest in and focus on economic, high-political and sometimes emotive cases when it comes to the bilateral relationship.¹⁸⁸ A 2013 online questionnaire on China's business practices in Africa by the Ethics Institute of South Africa found that the majority of the 1 056 respondents (from South Africa, Nigeria and Kenya) were concerned about the business impact of China on the continent – with South African respondents being the most concerned.¹⁸⁹

At the same time, while there is apprehension over economic competition there is also an understanding of the economic benefits. A 2013 survey on public perceptions of South Africa's foreign policy revealed that respondents viewed China (53%) as the most important trading partner, followed by the US and Europe.¹⁹⁰ The majority of South Africans want to learn about alleviating poverty and unemployment from China (26%), followed by Brazil (20%).¹⁹¹

These studies point to practical interest in the economic implications of the developing relationship. More deeply-held perceptions should be disaggregated. In terms of the South African business reaction to China's economic engagements, there are generally more positive views of China in the primary materials sector (agriculture and mining) than in manufacturing, where competition is most acute; the service sector sees mixed feelings (due to partnering with local financial services and Chinese firms competing directly with South Africa on the continent).¹⁹² Similarly, a 2010 Afrobarometer perceptions study¹⁹³ made the observation that amid contrary views of China as a welcomed partner to or an exploiter of the continent, are the lesser-known motivations *behind* these perceptions (ie, China's engagement in Africa has produced both economic winners and losers), which can affect relations.

While there is a strong government motivation to communicate with the sometimes restive 'downstairs', public perceptions are informed through a range of engagements rather than a single engagement. Part of the South African perception of China is also in effect a reflection of South Africa's own 'above and below' dynamics – such as the public perception of government transactions as being non-transparent and driven by elite interests. One such example was the purchase of Independent News and Media, formerly owned by the Irish Independent group, by the Sekunjalo Independent Media consortium. Described as a 'private and commercial transaction', there is 25% ownership by the ruling ANC and 20% by 'Chinese state instruments', causing concern over this change in ownership's possible implications for the media environment.¹⁹⁴ In particular, it led to suspicion over the governments' interests in acquiring shares in a private media company and the nature of the deal.¹⁹⁵ The concern over the Sekunjalo Consortium's buying into one of the four largest media companies in South Africa is rooted in deeper socio-historical fears.¹⁹⁶ South Africans' experience of censorship under apartheid makes any suggestion of the violation of the right to freedom of expression a highly emotive issue.¹⁹⁷

Another example was Zuma's state visit – along with a delegation of government ministers and 300 business representatives – to China in 2010.¹⁹⁸ There was criticism over the president's absence from the country amid wage strikes by thousands of public servants (ranging from teachers to medical workers).¹⁹⁹

Apart from government and local public relationship dynamics, there is also the complexity of the Chinese diaspora, which could have an impact on the relationship.

Chinese migrants in South Africa stand at more than 350 000 (as of 2012) and the number is projected to increase in the coming decades.²⁰⁰ As this Chinese community grows, so will local interaction and opportunities to draw on the diaspora as important societal links in the relationship. Already noted are the local South African Chinese associations that have become interlocutors; for example, The Chinese Association co-ordinates events such as the Chinese New Year celebrations that help to promote Chinese culture.²⁰¹ One motivation for the more recent establishment of Chinese associations is the chairman's authority to invite delegations from China.²⁰² It is in the spaces between the public and private where the foundations for deeper relations lie.

However, there are also limitations to the extent that the Chinese diaspora can help leverage closer relations. The Chinese community in South Africa is a complex one. It consists of various ethnic Chinese groups that have different levels of political, economic and social assimilation.²⁰³ These distinctions are exacerbated by the varying levels of perceived 'closeness' to the Chinese state and interest in developing greater China–South Africa relations.

A study by the Brenthurst Foundation explored the plight of Chinese traders in Southern Africa, where interviews with Chinese small business owners revealed their limited interaction with the Chinese embassy and officials, and that they were at times unfavourable towards Beijing's engagement.²⁰⁴ As a result of their growing presence in the region, there is a danger of their becoming 'the whipping boy for Africa's politicians, merchants, consumers and unions'²⁰⁵ that are critical of China's growing engagement on the continent. Most importantly, perceptions of Chinese traders helped to reveal the mutual stereotypes in terms of day-to-day engagements that could damage relations.²⁰⁶ Examples of common perceptions include the African notion that Chinese traders are robbing and cheating Africans out of jobs rather than merely offering competition,²⁰⁷ or the Chinese migrants' perception that the violent crime and corruption in cities such as Johannesburg are directed only at them.²⁰⁸

The diversity within the Chinese community, reinforcing the divided views on what being 'Chinese' means, highlights the complex dynamics between members of the diaspora and local people, and even the disjuncture within diaspora communities themselves. The public reaction to a Constitutional Court ruling that allowed Chinese South Africans to become eligible under the BEE programme, which misconstrued the small numbers potentially involved (under 10 000) to being a concession and even incentive to all Chinese entering the country, underscores the sensitive domestic dynamics at play.²⁰⁹

CONCLUSION

The velocity and complexity of South Africa–China relations, rooted in deep historical ties while being increasingly subject to the exigencies of commerce, are defining the shape of future ties. In many ways South Africa's unique position in Africa and in global affairs, coupled with its resource-based economy, makes it a natural partner for the emerging giant. Yet there are elements of the South African experience – from its commitment to democracy and the diversity of its civil society to its own economic and political aspirations on the continent – that may suggest barriers to the deepening of ties beyond a certain point.

Will the partnership continue to be one based on a complementarity of interests; a shared understanding of the developmental challenges faced not only by South Africa and China but also by the African continent as a whole? Or will commercial competition and even geo-strategic concerns eventually impose limitations on collaborative action abroad? Can South Africa and China reconcile the disjuncture between an official policy based on common interests with public perceptions that emphasise differences and distance? These questions, among others, are part and parcel of the challenges facing South Africans and Chinese as they seek to build on the foundation of relations over the last few decades.

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