Topic Overview: China's Relationship with South Africa

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China has had a focus on investing in the African economy for the past two decades, and South Africa has been the keystone in the relationship between China and Africa. South Africa is considered to be a Strategic Comprehensive Partner by the government of China. After the fall of the apartheid regime in South Africa in 1994, relations with China greatly improved, and Chinese investment in South Africa increased. China and South Africa are both definitional parts of BRICS, the five developing economic expected to become major world players.

Popular opinion of China is low

(Max Rebol is a senior associate at Stroz Friedberg, former fellow at the Pacific Forum Center for Strategic and International Studies, and has a PhD in international relations from Fudan University, "Public Perceptions and Reactions: Gauging African Views of China in Africa," Turkish Journal of International Relations, Winter 2010)

<u>Within the African continent it is South Africa that has the lowest opinions of China, with only 44% of the population expressing positive views about China.</u> Of all the countries with available data for the previous year, Nigeria is the only one in the world (within the sample) where public opinion rose from 2006 – 2007. At the same time they have fallen significantly in Japan, India and most parts of Europe.

Economy

As developing economies, South Africa and China have been working together to pursue development. At first, South Africa was the more developed/industrialized nation, but as a result of Deng Xiaoping's programs, China had overtaken South Africa in volume of industry. Both countries invest in each other's industry. South Africa's large volume of raw industrial materials, such as metals, means it is very important for China's economy. South Africa was the gateway country for Chinese investment in Africa because its economy was more developed, and that South Africa had also invested in China at the time.

Mutual economic investment

(Mark Beeson is the professor of Internal Politics at the University of Western Australia, as well as a former professor at Murdoch, Griffith, Queensland, York, and Birmingham universities, "The new resource politics: can Australia and South Africa accommodate China?" International Affairs, https://www.researchgate.net/profile/Mills_Soko/publication/227828152_The_new_resource_politics_can_Australia_and_South_Africa_accommodate_China/links/55ed3efc08ae65b6389f450a.pdf, 2011)

Buoyant <u>trade has been complemented by</u> steadily <u>increasing investment. China has designated South Africa as a 'preferred country' on the 'preferred continent'</u> for Chinese investment—indeed, as 'the only country on the African continent that has a manufacturing and service base that is anything near the scale required to engage the Chinese market'. <u>Chinese companies have invested in a range of sectors in South Africa, including mining, textiles, electronics,</u>

agriculture, communications, transportation and banking. By 2006, Chinese firms had ploughed into South Africa invest[ed]ments worth more than US$180 million, while South African companies had invested in over 200 projects in China valued at US$330 million. China's initially low levels of investment in South Africa rose dramatically with the acquisition in 2007 by the Industrial and Commercial Bank of China (ICBC) of a 20 per cent stake (worth US$5.6 billion) in Standard Bank, South Africa's largest bank. The ICBC–Standard Bank deal represents the single largest Chinese investment in Africa to date. Recent Chinese investments include the purchase by the Jinchuan Group and China–Africa Development Fund of a 50 per cent stake in Samancor Chrome for US$230 million, and the injection in 2010 by Chinese firm First Auto Works of US$100 million into the transport sector. During an official visit to China by the South African deputy president, Kgalema Motlanthe, in September 2011 the Chinese agreed to plough US$2.5 billion worth of additional investments into South Africa. South Africa now accounts for a quarter of all Chinese foreign direct investment in Africa. Even so, it is worth noting that, notwithstanding the appeal of South Africa as an investment destination, Chinese investment in South Africa remains smaller than South African investment in China. This is mainly because South Africa has a more complicated socio-economic structure than other African countries—typified by, among other things, powerful trade unions and a huge industrial base—that has impeded the growth of Chinese interests in the country.

South Africa is rich in resources that China wants

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Although South Africa is not the only African country that boasts natural resources that China needs, it is a vital focal point of Beijing's resource diplomacy. South Africa boasts 33 per cent of the world's reserves of chromium, 77 percent of manganese reserves and 88 per cent of platinum reserves. The preponderance of these metals, and the absence of alternative supplies, makes South Africa strategically important to China. China's resource diplomacy has accordingly focused primarily on securing access to South Africa's abundant mineral resources. Already, over 70 per cent of South Africa's exports to China is made up of base metals and mineral products, including iron ore, aluminium, nickel, manganese, copper, zirconium, vanadium oxides, chromium ores, granite, platinum and gold. In return, South Africa imports from China mainly textiles and clothing, footwear, plastic products, electrical appliances and, increasingly, higher-value added products such as motor vehicles.

South African resentment of Chinese influence

(Mark Beeson is the professor of Internal Politics at the University of Western Australia, as well as a former professor at Murdoch, Griffith, Queensland, York, and Birmingham universities, "The new resource politics: can Australia and South Africa accommodate China?" International Affairs, https://www.researchgate.net/profile/Mills_Soko/publication/227828152_The_new_resource_politics_can_Australia_and_South_Africa_accommodate_China/links/55ed3efc08ae65b6389f450a.pdf, 2011)

The South African business community has questioned South Africa's [the] decision to grant China market-economy status, making it very difficult for local firms to prove that the Chinese government gives its companies an unfair advantage. Moreover, China's economic expansion into Africa has been seen as a threat by South African companies that have lost market share in South Africa's 'near abroad'. A case in point is Zimbabwe, traditionally South Africa's largest African trade partner and a 'captive market' for South African firms. Stealing a march on South African companies, Chinese enterprises have consolidated their grip on Zimbabwe as part of Beijing's Africa strategy, snapping up sizeable stakes in sectors including mining, agriculture, property, construction, infrastructure and communications. China has also extended various loans to Zimbabwe, the most recent being a US$700 million facility unveiled in March 2011 to enable the country to revitalize its health, mining and agriculture sectors. For their part, South African civil society organizations have voiced uneasiness over the influence of growing economic relations with China on South Africa's foreign policy. This intensification of economic ties has coincided with a shift in South Africa's foreign policy away from its central focus on Europe and North America. This shift became particularly clear when South Africa assumed a non-permanent seat on the United Nations Security Council in 2006 and took policy positions—on contentious issues like Zimbabwe, Darfur and Myanmar—that were not dissimilar to those of China. The South African government was also fiercely criticized by social activists and opposition parties for its decision in 2009 to deny the Dalai Lama a visa to attend a peace conference that same year, with government officials proclaiming that granting a visa would be 'not in our interests'.70 Another political furore was sparked by a lengthy delay by the South African government to grant the Dalai Lama a visa to participate in the 80th birthday celebrations of the South African anti-apartheid leader and fellow Nobel Peace Prize winner Archbishop Emeritus Desmond Tutu in October 2011, forcing the Tibetan spiritual leader to cancel his planned trip to South Africa. These developments have reinforced a belief that South Africa will do anything to appease China, even at the expense of the moral ethos that has guided the country's foreign policy since it became a democracy in 1994.

China is important to South African exports and social issues

(Mark Beeson is the professor of Internal Politics at the University of Western Australia, as well as a former professor at Murdoch, Griffith, Queensland, York, and Birmingham universities, "The new resource politics: can Australia and South Africa accommodate China?" International Affairs, https://www.researchgate.net/profile/Mills_Soko/publication/227828152_The_new_resource_politics_can_Australia_and_South_Africa_accommodate_China/links/55ed3efc08ae65b6389f450a.pdf, 2011)

In South Africa's strategic calculations, China's importance lies primarily in its being a growing source of the foreign investment that South Africa desperately needs to alleviate pressing domestic social problems, notably high unemployment, poverty and social inequality. Related to this is South Africa's view of deepening economic links with China (and with the other BRICS countries) as central to its economic strategy of diversifying its external trade away from Europe, which currently absorbs 40 per cent of South African exports. The urgency of diversifying South Africa's export markets has been underlined by the adverse impact of the global financial crisis on the country's exports.

South Africa invests in Chinese industry

(Raphael Kaplinsky is Professor Emeritus of International Development at the Open University, "China and Sub Saharan Africa: impacts and challenges of a growing relationship," The Open University, http://oro.open.ac.uk/22239/2/Kaplinsky_sub_saharan_africa.pdf, 2010)

Most SSA [Sub-Saharan African] investment in China comes from South Africa, with a number of large South African firms having a growing presence. This includes SABMiller (now the world's second largest brewing company), which has invested more than

$400m in China since 1994, and has equity in 30 local breweries (Goldstein, 2004). Other large investors are SASOL, joining local Chinese investors in two very large coal-to-petroleum plants (each at more than $3bn) in the North West Province of China, Kumba Resources (part of Anglo American) in the production of zinc, SAPPI (also Anglo American, in paper), Polifin in chemicals and ABSA and NEDCOR in the financial sector.

Telecommunication investment

(Yejoo Kim is a research fellow at the Centre for Chinese Studies at Stellenbosch University, "Increased Chinese engagement in South Africa's economy – strategies, opportunities and future implications," Centre For Chinese Studies at Stellenbosch University, March 2015)

Chinese enterprises play a major role in financing and supplying telecom infrastructure across Africa, now leading Europe and the United States of America in this sector. Within South Africa specifically, Chinese companies, Huawei and ZTE, as equipment suppliers, accounted for more than 50 per cent of the South African telecoms market in 2013. Chinese enterprises have extensively utilised government subsidies and government-to-government relations to access the market. Competitive pricing and collaboration with local telecom operators have helped Chinese companies gain market share. Chinese Telecoms investments in South Africa include: ZTE's US$ 378 million investment in Cell C (2010) and Huawei's US$ 211 million investment in Telkom SA (2008). Huawei, ZTE and other Chinese companies have increased market competition in the telecoms industry, by reducing prices and increasing consumer choice. Huawei aims to help the South African government achieve 100 per cent broadband penetration by the year 2020 (from the 2013 figure of 26 per cent).

Strategic interests

China has long been a major player in Africa, and its strategic and economic interests in South Africa are no different. China wishes to supplant the US as a global superpower, and has begun to do so by bringing a greater focus onto Africa than the US has. Outside of economic interests, however, China has very little interest in military or naval programs with cooperation from South Africa.

South Africa sees China as supplanting the US as hegemon

(Chris Alden is a reader in International Relations at the London School of Economics and Political Science, a research associate at the University of Pretoria, and the head of the Global Powers and Africa programme at the South African Institute of International Affairs, "South Africa in the company of giants: the search for leadership in transforming global order," International Affairs, http://onlinelibrary.wiley.com/doi/10.1111/1468-2346.12007/abstract, January 2013)

The need to break US and western hegemony features prominently in [China-South Africa] the discourse, but so does the rider that South Africa does not want to see one hegemon supplanted by another—a veiled reference, perhaps, to China an China–South African relations in the African context. The point to be made here, though, is that South Africa sees its membership of the BRICS as a means of promoting its presence and role globally, and as confirmation of its status as a global player, a status which requires it to behave like an emerging big power. In part, this conviction that it belongs in the company of the other BRICS is based on its experience and track record in peacebuilding on the continent (in Burundi, the DRC, and South Sudan), combined with a sense of frustration that while South Africa has in many instances underwritten the costs of peace, stability and post-conflict reconstruction, it is external powers that have actually reaped the benefits. This has led to a sense that the country needs to define its national interests clearly and publicly.

South Africa is a gateway to military cooperation

(Lloyd Thrall is the Deputy Assistant Secretary of Defense at the United States Department of Defense, "China's Expanding African Relations: Implications for U.S. National Security," RAND Corporation, http://www.rand.org/content/dam/rand/pubs/research_reports/RR900/RR905/RAND_RR905.pdf, 2015)

Beyond U.N. peacekeeping operations, China maintains modest but growing relations with African militaries. The PLA has bilateral relations with the 51 African states that recognize Beijing rather than Taipei, although many of these relations are not substantial. The PLA operates 16 defense attaché offices covering 30 African states, with the majority of PLA officers likely career Army intelligence officers. There are 28 African states with attachés in Beijing, up from 18 in 2007. The PLA sent 12 senior delegations to Africa from 2009 to 2012 and hosted 13 such delegations from African militaries. The PLA's visits are not correlated with China's economic interests, although they do feature a high number of coastal states, potentially pointing to interest in replenishment locations. In line with its policy of no foreign bases, China has no bases or operating locations in Africa and has publicly committed to not developing them. To date, the PLA has undertaken no major joint military exercises with an African state, although it has expressed a desire for deeper collaboration with African militaries. For example, the PLA has recently sought limited exercises and arms contracts with the Nigerian Navy to counter piracy in the Gulf of Guinea. The PLA has conducted regular defense consultations only with South Africa, beginning in 2003. Such consultations are likely to expand; China's2010 Defense White Paper states, "China has also established mechanisms for defense (cooperation) commission meetings with Egypt."