

'China is a sleeping giant. Let her lie and sleep, for when she awakens she will astonish the world.'

These words by Napoleon Bonaparte in 1803 could not be more relevant today, given China's significant diplomatic and economic emergence in the post-Cold War era. But China's rise has produced mixed feelings.

On the one hand, China is a tantalising opportunity. On the other, it is a terrifying threat. The enigma that surrounds China has less to do with Beijing's commercial and political interests and the attendant prospects in the Chinese market, and more to do with the uncertainty that lies beneath the rhetoric of its guiding foreign policy principles of mutual interest, peaceful co-existence and harmony in diversity.

South Africa's increasing trade relations and political friendship with China need to be examined beyond the rhetoric. Following the democratic elections in 1994, the Two China dilemma (mainland China and Taiwan) was one of the first critical issues in the government's foreign policy. The Mandela government was confronted by the following issues:

First, forging ties with Beijing would have sent out the wrong message about Pretoria's own values in terms of its democratic and human rights, especially after the Tiananmen Square crisis.

Second, switching formal ties to Beijing would have meant the loss of Taiwan's largesse in lieu of the Reconstruction and Development Programme.

Third, there was no guarantee that Beijing would have reciprocated financially, given the relatively small amount of investment in South Africa by China at the time.

And finally, there was no guarantee that economic linkages with Hong Kong would have continued following the island's incorporation under Chinese rule.

The Mandela Presidency was guided by the pragmatism that diplomatic ties with Beijing would bear for South Africa's rapid reintegration into the world community. It also looked at the benefits, especially for the government's aspirations in the reformed UN Security Council and in the context of South-South co-operation. Moreover, formalising relations with Beijing meant that post-apartheid South Africa affirmed mainland China's position on one China.

As such, on 1 January 1998 Pretoria and Beijing formally entered into diplomatic relations, followed by the Presidential Bi-National Commission (BNC) in 2000. Areas

# ASIA'S DRAGON

## OFFERS MUTUAL OPPORTUNITIES, HIDDEN THREATS

South Africa's relations with China can be seen as both an opportunity and a threat in the current global order, explains SANUSHA NAIDU.

of co-operation range from mutual support for the New Partnership for Africa's Development and Africa's development, South-South co-operation, multilateralism in reforming the global trade regime and the UN to foster peace and stability in Africa, and pursuing a new international political and economic order based on peace, justice, stability and equality.

In addition, both sides have reaffirmed their commitments to expediting the Southern African Customs Union-China free trade

US\$5.381 billion. China is now South Africa's largest trading partner and South Africa is China's biggest trade partner in Africa, amounting to about 20% of the total volume of its trade with the entire continent.

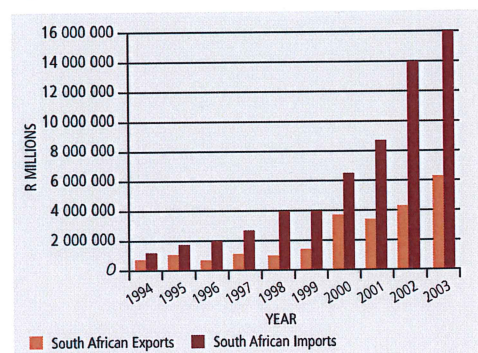
However, as Figures 1 and 2 illustrate, trade between South Africa and China is heavily weighted in China's favour. In 2004 South Africa's trade deficit with China was R9.85 billion, a substantial increase of 88% since 2001. The reason for this yawning gap is that

### China is now South Africa's largest trading partner and South Africa is China's biggest trade partner in Africa

agreement, facilitating greater linkages around education co-operation and the one China policy. Whereas the BNC reaffirms political ties between both sides, it is in the realm of economic relations that the heart of the relationship is rooted.

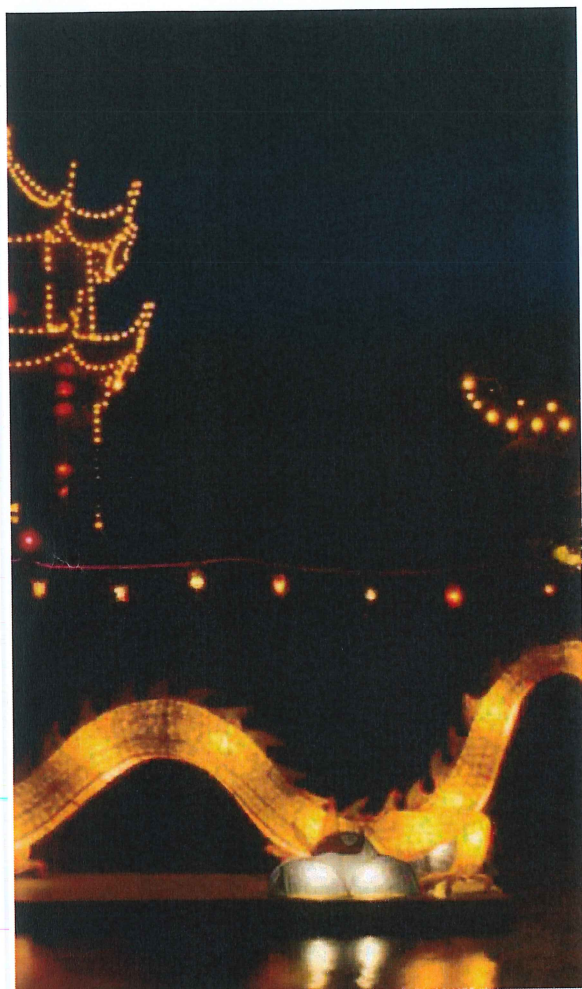
Since the establishment of bilateral diplomatic ties between the two sides, trade has grown rapidly. Between 1998 and 2003 trade between the countries rose by an annual 36%, from R5.3 billion in 1998 to R23 billion in 2003. From January to November 2004, trade exchanges between the two sides hit

Figure 1. South Africa's bilateral trade statistics with China



Source: Davies (2004)





manufactured products from China dominate the trade relationship, followed by high technology. These include capital equipment, TVs, electronic goods, 'white goods' and textiles. In contrast, South Africa's main exports to the mainland are iron ore, manganese, chrome ore, tobacco, wool, granite, gold, copper, aluminium and auto components, thereby making South Africa the net supplier of raw materials to China.

Two-way investment has also been on the rise. By the end of 2002, Chinese enterprises had invested US\$160 million in 98 projects in agriculture, textiles, electronics, mining, as well as banking, transportation and communications in South Africa, while South African enterprises had invested in 206 projects in China. There are currently around 20 South African-based businesses with offices in China and some 187 Chinese companies in South Africa with a stake of around US\$100 million in investment. As of 2004, Chinese foreign direct investment (FDI) to South Africa amounted to about R500 million, while South African FDI to China amounted to about R4 billion.

With China's rising domestic demands, the

## Tensions over cheap clothing imports from China will undoubtedly intensify

What has interested commentators is whether South Africa and China are allies within the global community. While some see these relations borne out of common synergies around South-South co-operation, advancing a multi-lateral global order and calibrated towards mainstreaming Africa's development trajectory, others are relaying it as nothing more than economic and political expediency – i.e. South African corporates hoping to get their slice of the Chinese market while China's behaviour, in turn, matches that of national interest.

But not to engage with China in the 21st Century is tantamount to political and economic suicide, although proceeding with caution is advisable. This is because:

- ▶ China remains the dominant pole in the South, with greater influence, and sees itself as representing the voice of the developing world and the South within the Security Council.
- ▶ The Chinese political and economic footprint in Africa does not always match South Africa's innate desire to propel continental peers towards greater accountability and better governance.
- ▶ The emergence of the Chinese investor in the African market does represent a clash of interests and competition for South African corporates also operating in the continent.

The above points are all notwithstanding the current tensions around local industries being crowded out by cheap clothing imports from China, which will undoubtedly intensify under the proposed free trade agreements in other sectors.

Clearly, then, South Africa's relations with China can be seen as a both an opportunity and a threat in the current global order. South Africa can gain from China's experience of developing a cheap skilled labour force that enabled it to become the workshop of the world. At the same time, Pretoria will have to absorb the inequalities as relations grow, until such time as it catches up with the East Asian dragon. •

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Figure 2. China – South Africa bilateral trade

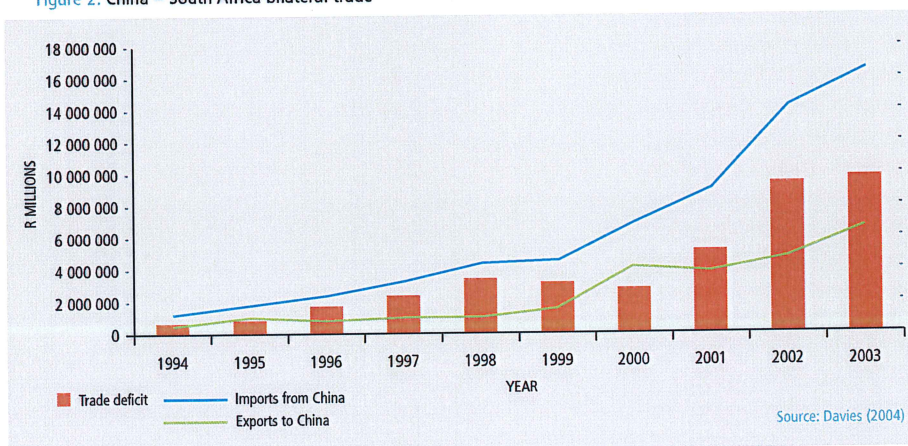
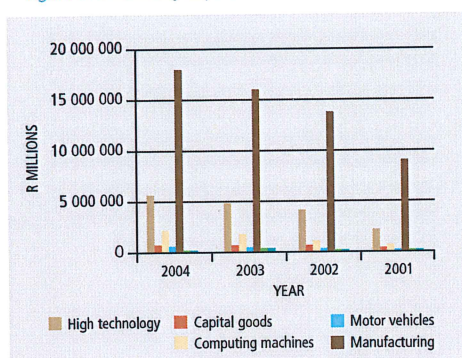


Figure 3. Commodity imports from China to South Africa



Chinese authorities are keen to find alternative sources of energy. So Beijing's expanding interests in the South African market include technologies in mining, water management, electricity supply, solar energy and nuclear research for energy requirements. By contrast, South African companies investing in China include a basket of resources, mining and financial conglomerates: Anglo American, AngloGold, Anglo Platinum, Anglo Coal, Kumba Resources, Old Mutual, Standard Bank, De Beers, Sasol, Absa, MIH (M-Tel), SAB-Miller, plus smaller specialist entities.



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