



Colloquium

China-Africa Economic Relations

Monday 28 September to Friday 2 October



MONDAY 28 SEPTEMBER

Eden Grove Seminar Room 1

13.15 Opening and welcome
Hayley Herman, Centre for Chinese Studies
University of Stellenbosch

13.30 Locating Chinese engagement in the new scramble for Africa
Professor Roger Southall, Department of Sociology,
University of the Witwatersran
Chair: Hayley Herman, University of Stellenbosch

Dramatically escalating prices of raw materials, driven by the rapid industrialisation of newly emerging states, notably China, as well as looming world shortages, have driven a new scramble for Africa. In the post-Cold War world, ideological alignments have been displaced by market-driven national interest, as the external drive for raw materials and resources encourages African states to play off Western powers against new players such as China. This presentation will locate the appearance of China as a growing force in Africa against the historical background of the original scramble of the late 19th century, colonialism, the Cold War post-colonial era and present developments. It will consider the impact of the new scramble upon African development prospects and livelihoods, and point to the present and potential advantages and disadvantages of China's increasing involvement with the African continent.

ROGER SOUTHALL taught and worked in universities in Uganda, Lesotho, Canada and the United Kingdom before coming to Rhodes University in 1989. He was Professor of Political Studies at Rhodes from 1991 to 2001 before moving to the Human Sciences Research Council as



Executive Director of Democracy and Governance. He moved to his present post as Professor of Sociology, University of the Witwatersrand, in 2008, but retains a link with Rhodes as Co-Editor of the Journal of Contemporary African Studies, which is published out of the Institute for Social and Economic Research. He is Co-Editor with Henning Melber of *A New Scramble for Africa? Imperialism, Investment and Development*. UKZN Press, 2009.

17.15 The implications of the global financial crisis for China's engagement with Africa

Rajith Sebastian, Standard Chartered Bank, Johannesburg

Chair: Prof Gavin Keeton, Rhodes University

Africa's abundant natural reserves, its large untapped market and growing political importance make the continent very important for the commodity and growth-hungry China. Bilateral trade and investment have both skyrocketed since the turn of the century. Today, however, we face the greatest global economic slowdown of our generation. Plummeting commodity prices, stagnating global trade and the drying up of foreign aid is already putting pressure on Africa's developing countries. This sets the stage for a significant economic and philosophical question - what impact will the recession have on Beijing's continued engagement with Africa?

RAJITH SEBASTIAN is an Associate Director for Standard Chartered Bank, Senior Client Coverage Group, where he is responsible for the origination of Africa corporate transactions for the bank. He covers a wide breadth of transactions, from corporate, project and structured finance to principal investment transactions. Previously Rajith was based for 2 years in Shanghai, China, where he worked as Assistant Vice President for ChinaVest, a leading private equity firm. During his time in China he founded trading company China-Sphere. Prior to that Rajith worked in Corporate and Project Finance advisory at Macquarie Bank, and started his career as a management consultant at the Monitor Group. Rajith speaks fluent English, Afrikaans and Malayalam, and is conversational in Mandarin, Hindi and Xhosa.



TUESDAY 29 SEPTEMBER

Eden Grove Seminar Room 1

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- 13.15** China and the new world economic order in comparison to other emerging actors such as Brazil and India: similarities and differences vis à vis Africa

Sanusha Naidu, China in Africa Programme, FAHAMU

Chair: Prof Roger Southall, Wits University

China's deepening engagement in Africa has provoked intense debate and often controversial assessments which tend to compartmentalise Beijing's African footprint apart from other actors' engagements with African countries. While China's resource, trade, investment and development assistance raises divisive reactions between those who perceive Beijing as a benign partner that will assist Africa's sustainable development trajectory and others who caution that China represents an imperialist power with selfish intentions, not much is said about other emerging actors following a similar path. And in instances where there is recognition of these actors' emerging relations with African countries it is often labeled as less aggressive than Beijing's economic-seeking activities. Based on these caricatures in the debate on China's African engagement, this presentation will examine whether China's activities in Africa are based on an exceptionalism or are part of a broader foreign policy dynamic that is perpetuated by other emerging powers from the South. It will explore the factors that drive this engagement in Africa, assess similarities and differences in strategies, where applicable, and conclude to what extent Africa's Northern engagement is being replaced by a Southern axis.

SANUSHA NAIDU is Research Director of the China in Africa project based with FAHAMU in South Africa. Prior to joining FAHAMU she was research fellow at the Centre for Chinese Studies at Stellenbosch University and research specialist in the Democracy and Governance research



programme at the Human Sciences Research Council. She also served as the co-ordinator of the trade and poverty programme of the Southern African Regional Poverty Network (SAPRN) from 2001-2004. After completing a BA Law degree and an Honours degree in Political Science from the University of Durban-Westville, she obtained an MA in International Relations from Staffordshire University, England. Previously Ms Naidu was the Senior Africa researcher at the South African Institute of International Affairs based in Johannesburg. Ms Naidu has made presentations on China and India's engagement with Africa to, inter alia, government, civil society organisations and the research community, both locally and abroad. She has authored and co-authored a number of articles in accredited journals and books on Africa's development. She was the issue editor for the March 2008 special edition of the Review of African Political Economy on The New Face of China-African Cooperation (with Giles Mohan and Marcus Power) and the guest editor for the Africa Institute of South Africa Newsletter: Inside AISA, special edition on China in Africa (Oct/Dec 2006, Nos. 3-4) She is co-editor of the book entitled Crouching Tiger, Hidden Dragon: Africa and China, published by UKZN Press (with Kweku Ampiah). She guest-edited the forthcoming special edition of Politikon on Emerging Powers in Africa (with Lucy Corkin and Hayley Herman).

17.15 China and Africa: Address

The Chinese Ambassador to South Africa

Chair: Prof. Marius Vermaak, Dean: International Office, Rhodes University

17.30 Panel discussion: China and a new world economic order

- **Sanusha Naidu, FAHAMU**
- **Prof Roger Southall, Wits University**
- **Prof Mei Linhai, Jinan University, Guangzhou**
- **David Fryer, Rhodes University**

Panel Chair: Prof Paul Bischoff, Rhodes University



WEDNESDAY 30 SEPTEMBER

Eden Grove Seminar Room 1

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- 13.15** China's manufacturing sector competition and industrialisation efforts in Africa
Professor Ron Sandrey, Trade Law Centre for Southern Africa (tralac) and the Department of Agricultural Economics, University of Stellenbosch
Chair: David Fryer, Rhodes University

While a succession of Asian countries have exhibited dramatic growth over the last thirty to fifty years, Africa has largely stagnated. Driving this Asian expansion has been manufacturing exports to the US in particular, and enabling this to happen has been an overall policy package that includes opening markets, operating favourable trade and exchange rate policies, and providing a sound and stable government that inspires investment and secures property rights. Conversely, Africa has been unable to put the full package in place, and this has resulted in a manufacturing sector whose contribution to both GDP and export shares is significantly below the continents' developing country peers. Growth in natural resource-specialising developing countries in general has lagged behind those with a manufacturing focus, and this is especially the case in Africa with its poor linkages into unskilled labour and its appetite for rent-seeking activities.

Africa's industrial base is not as robust as theory suggests it should be. Using the continent's export profile to the US we find that 90 percent or more is either a dominant mineral fuel or precious minerals for those African countries with significant exports. Other than South Africa, manufacturing exports are notably absent, with only textiles and clothing featuring in those countries where manufacturing also features. Importantly Africa has failed to capitalise on its significant tariff preferences into the US, and we examine the thesis that China is making it harder for Africa to diversify away from its natural resource-based export profile.



RON SANDREY is a Fellow at the Centre for Chinese Studies and a Research Associate of the Trade Law Centre for Southern Africa (tralac), both situated in Stellenbosch, as well as Professor Extraordinary at the Agricultural Economics Department at the University of Stellenbosch. He is currently semi-retired and living in New Zealand, but continues to be actively involved in trade and economic issues associated with South and Southern Africa. He came to Africa in 2005 following a career in New Zealand that included farming and time as Chief Economist with, sequentially, the Ministry of Agriculture and then the Ministry of Foreign Affairs and Trade. He holds a Ph D from Oregon State University in the US.

17.15 The role of technology in the rise of Chinese agriculture and the lessons for Africa

Professor Ron Sandrey, Trade Law Centre for Southern Africa (tralac) and the Department of Agricultural Economics, University of Stellenbosch

Chair: Prof Gavin Fraser, Rhodes University

The economic miracle of China is well known, but China's dramatic economic growth over the last thirty years is just one more example of the growth paths exhibited by several Asian economies over the last fifty or sixty years. This paper is concerned with the agricultural developments and policy changes that were part of the key drivers of economic growth and development during China's reform period. Especially in the 1990s, China achieved significantly higher agricultural yields, based partially on the wider application of agricultural research and technologies. On aggregate, Chinese cereal yields trended upwards since the mid-1980s and this is negatively correlated to poverty rates which declined dramatically over the same period. In contrast, sub-Saharan Africa's agricultural productivity and poverty levels remained more or less constant over the same period (1987-2002).



Of the perhaps 1 billion people in the world who live in abject poverty, as defined as less than US\$1 a day, about three quarters live in rural areas and a disproportionate number live in Africa. Given the large number of subsistence farmers in Africa, we will look at lessons from the Chinese agricultural sector to assess potential ways to increase African agricultural output and productivity, and assist in reducing poverty not only in the countryside but throughout the economy. The rural sector must produce more food domestically and lessen the need for both food imports and food aid to reduce poverty and create spillover effects. The lessons from China are appropriate because the reforms in China have taken place over a relatively short period of time that has coincided with Africa's economic stagnation in many countries.





THURSDAY 1 OCTOBER

Eden Grove Seminar Room 1

13.15 China's outbound direct investment in Africa
Professor Tang Yuhua, Jinan University, Guangzhou

China's extractive industry activity and infrastructure rollouts in Africa

Hannah Edinger, Centre for Chinese Studies, University of Stellenbosch

Chair: Prof Meshach Aziakpono, Rhodes University

China's outbound direct investment in Africa

China's outbound direct investment in Africa began in the early 1980s and has developed rapidly. This lecture first gives a general brief review of the history, and then explores briefly the characteristics, chief areas, and selection of investment target countries. Finally, it puts forward some suggestions on how to improve this all-important investment.

PROFESSOR TANG has a Masters degree in English literature and a Ph.D. in International Relations. He has studied at several universities in various parts of China and is now working at Jinan University, Guangzhou, China. He has taught students majoring in English as well as those majoring in International Economics and Trade at Jinan University. He also holds honorary teaching posts in a number of universities and colleges in Guangzhou. He has taught courses such as International Relations, Business Correspondence and Translation Studies. He has published more than 10 books, including textbooks and dictionaries. His writings have appeared in acclaimed journals in China such as Contemporary Asia-Pacific Studies and Southeast Asia Studies. He has wide interests, ranging from literature, history, and world politics to music and arts.



China's extractive industry activity and infrastructure rollouts in Africa

China has been among the fastest growing economies in the world, with a real GDP growth rate averaging 9.8% between 1980 and 2006. Swift modernisation and development, coupled with a deeper presence in global markets, has upped Beijing's demand for various natural resources as the industrial structure of the nation is developed. This has greatly underpinned Beijing's entrance into Africa's extractive sector, which has been significant. According to UNCTAD, between 1979-2000 China's cumulative investments into resource extraction on the continent amounted only to about \$188 million. This has changed dramatically in recent years.

China has become a major buyer of resources, consuming about 20% of global aluminium and copper resources, 30% of steel, iron ore and coal; it is the second largest consumer of oil after the US, importing about one fifth of its oil needs from Africa. With the recent commodity boom (partially driven by China) miners rushed to capitalise on the swelling demand for raw materials and alternative sources, and previously untouched reserves and deposits started to feature as part of mining companies' investment portfolios across the globe, including resource-rich Africa.

China has announced mega-investments in the continent's extractive industries sector to the value of several billions of dollars, supported largely by the Export-Import Bank of China, China Development Bank and the newly created China-Africa Development Fund. Linked to resource investments are large amounts of capital for mining infrastructure development and refurbishments, dam and power projects, transport infrastructure and ICT developments, as well as social infrastructure. Given the absence of adequate infrastructure investments estimated at a minimum of \$40 billion per annum (probably the continent's biggest constraint to development), China's role as a large-scale infrastructure financier as well as its interest in Africa's extractive industries cannot be ignored. China plays a potentially pivotal role in the development and economic diversification efforts of African countries.



HANNAH EDINGER is Economist at the Centre for Chinese Studies (CCS) at the University of Stellenbosch, where she has been involved in a number of research projects focusing on the Sino-African trade, investment and aid relationship. Hannah also holds the position of Senior Manager and Head of Research at Frontier Advisory (Pty) Ltd, a leading South African-based research and strategy firm that specialises in emerging markets. Hannah has a BComm degree, majoring in Economics and Statistics, a BComm Honours degree in Economics (cum laude), and MComm in Economics (cum laude) from the University of Stellenbosch, South Africa.

17.15 A review of and outlook for China's economic assistance to Africa

Professor Tang Yuhua, Jinan University, Guangzhou

China's development assistance in Africa

Hayley Herman, Centre for Chinese Studies, University of Stellenbosch

Chair: Prof Jen Snowball, Rhodes University

A review of and outlook for China's economic assistance to Africa

Sino-Africa relations began with the establishment of official relations between China and Egypt. Since then, China's economic aid to Africa has been a crucial part of this relationship. With the change of the international situation and the socio-economic development in China and Africa, China's policy toward economic assistance to Africa has also undergone changes. This lecture is a brief review of China's aid and suggestions on how to improve it.

PROFESSOR TANG has a Masters degree in English literature and a Ph.D. in International Relations. He has studied at several universities in various parts of China and is now working at Jinan University, Guangzhou, China. He has taught students majoring in English as well as those majoring in International Economics and Trade at Jinan University. He also holds honorary teaching posts in a number of universities and colleges



in Guangzhou. He has taught courses such as International Relations, Business Correspondence and Translation Studies. He has published more than 10 books, including textbooks and dictionaries. His writings have appeared in acclaimed journals in China such as Contemporary Asia-Pacific Studies and Southeast Asia Studies. He has wide interests, ranging from literature, history, and world politics to music and arts.

China's development assistance in Africa

China's deepening engagement in Africa in recent years has provoked intense debate around its impact on Africa's development, economic growth and relationship vis-à-vis traditional development partners. The presentation will provide an overview of China's development assistance to Africa through the Forum on China-Africa Cooperation (FOCAC) in respect of the implementation of China's aid policy. Debates surrounding China's aid to Africa will be highlighted in order to contextualise what this assistance means for Africa.

HAYLEY HERMAN is Research Manager at the Centre for Chinese Studies.

Recently, Ms Herman participated in consultations towards the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2008, focusing on regional investment trends and policies in southern Africa and mapping India and China's engagement in Africa. She provides regular assistance towards research reports and oversees the compilation of the CCS monthly publication—the China Monitor. She has written articles and academic papers for various publications and conferences, and most recently attended a consultation titled Democracy in Development in Addis Ababa, organised by International IDEA. In addition she is co-editor, with Sanusha Naidu and LucyCorkin, of a forthcoming edition of *Politikon: the South African Journal of Political Studies on Emerging Powers in Africa*.





FRIDAY 2 OCTOBER

Eden Grove Seminar Room 2

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- 09.15** The China-Africa merchandise trading relationship
Professor Ron Sandrey, Trade Law Centre for Southern Africa (TRALAC) and the Department of Agricultural Economics, University of Stellenbosch
Chair: Prof Gavin Keeton

The objective of this paper is to examine the merchandise trading profile between Africa and China. This trade has seen dramatic growth in recent years, with the growth rate almost always higher than the increasingly documented Chinese export penetration into global markets. Chinese imports from Africa are heavily dominated by resources, and in particular mineral fuels (84 % of the aggregated African total) and precious metals (another 3.2 %). Chinese exports to Africa are much more diverse and cover most of the general manufacturing sectors. Looking at the often mirror data of African imports from the global economy, the notable feature again is the dramatic rise of China in all of the markets for which consistent data is available. In addition, an update on the direct China – Africa trade for the six months ending June 2009 is given in the Annex (where the value of Chinese imports declined by 51% on the comparable period during 2008, with the average unit price of most of the main imports falling by a similar figure indicating that this decline was largely price-driven).

We suggest that given the nature of African exports into China and the consequentially low average tariff assessed on these imports, China may wish to consider extending its currently limited preferences for Africa into a much more ambitious scheme. This trade scheme could almost resemble a Chinese variant of the African Growth and Opportunities Act (AGOA) US-initiated trade liberalisation program intended to promote African exports to



the US market or the Economic Partnership Agreements (EPAs) that are being negotiated for African access into Europe. The direct costs to China of such a trade arrangement would be minimal and the political gains from giving Africa an opportunity to promote its resource and manufacturing base, a base that is increasingly being underpinned either directly or indirectly through infrastructural building from China itself, is very large.

RON SANDREY is a Fellow at the Centre for Chinese Studies and a Research Associate of the Trade Law Centre for Southern Africa (tralac), both situated in Stellenbosch, as well as Professor Extraordinary at the Agricultural Economics Department at the University of Stellenbosch.

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- 13.15** China's impact on regional integration in southern Africa
**Wamkele Mene, Director of Trade in Services Negotiations,
International Trade & Economic Development Division,
Department of Trade and Industry**
Chair: Niki Cattaneo, Rhodes University

The change of guard in the leadership of the Communist Party of China – from Jiang Zemin to Hun Jintao – ushered in a new vigour in China's pursuance of political and geo-economic interests. This change also marked the completion of China's unilateral macro-economic reforms and transition to a market economy, factors which precipitated rapid economic growth and an unprecedented export boom. China's diplomatic net has been cast far and wide: it has become an influential member of the WTO, it has assumed a critical role in the global economic governance architecture and represents a strong voice in the G8 discourse on issues of development. The combination of the above factors has resulted in a China that is confident, not shy to leverage its vast foreign currency reserves to expand its sphere of geo-economic influence across markets that have been traditionally neglected in terms of flows of foreign direct investment.

China's emergence as one of the biggest foreign direct investors in southern



Africa presents the region with a rather multifaceted set of implications. Firstly, it seems that the region has not yet developed a coherent policy posture towards China. The region has not yet decided whether it sees China as a threat or an opportunity, notwithstanding the relatively warm political relations that exist. The threat would of course be manifested by China's huge economies of scale in areas such as textiles, on which many countries in the region continue to rely as a source of export revenue. At the same time, China could be seen as an opportunity by the region. China's domestic boom that started in the mid 1990s relies heavily on minerals that are imported from the SADC region. Secondly, China's status as a new substantial investor in the region must be seen against the backdrop of SADC's efforts to improve its "investor friendly climate". Does China facilitate the creation of such a friendly investor climate? Thirdly, SADC has made giant strides towards reaching a higher level of integration in areas such as trade and industrial policy. Whilst the region has analysed the role of third parties in the context of its regional integration agenda, it has yet to pronounce on and characterise the role of China. For example, the African Union has publicly questioned the assertion by the European Union that the EPAs will facilitate regional integration in SADC. On the other hand, there appears to be no clear characterisation of China's role with respect to the regional integration agenda. This paper will focus on these pertinent questions, and will attempt to present rational policy responses from the perspective of the South African government.

WAMKELE MENE holds the position of Director: Trade in Services at the International Trade & Economic Development Division of the Department of Trade & Industry. He focuses on multilateral, bilateral and regional trade negotiations. As South Africa's Lead Negotiator on services trade, Wamkele provides strategic and policy leadership in all trade in services negotiations that South Africa is involved in. Currently the focus of his negotiations is the WTO's Doha Round of negotiations, the Economic Partnership Agreement with the European Union and concluding negotiations on the SADC Services Trade Protocol. To this extent, his role includes developing negotiating positions and strategy, and based on analysis of developments in the multilateral trade



regime, providing technical and legal advice to political principals. On behalf of the South African delegation to the WTO, he actively participates in the Council for Trade in Services, and its various subsidiary bodies. Wamkele routinely represents the South African government in various informal and formal Trade in Services experts' meetings at the UN, the WTO, the OECD and other multilateral fora. He has published articles on the subject of developing legal disciplines for international trade in services. He is also a regular guest speaker at academic institutions, locally and abroad, where he lectures on the regulation of the international trading system.

Prior to joining government Wamkele was resident in the US, Hong Kong and London offices of Wall Street law firms Millbank Tweed and Simpson Thacher & Bartlett; where he worked as a Capital Markets Legal Assistant. He is a graduate of Rhodes University, where he served as president of the SRC. Wamkele obtained his postgraduate qualifications from the University of Detroit Mercy in the US and the Centre for International Studies & Diplomacy at the University of London in the UK.

14.15 WTO negotiations on trade in services: what role has China played since accession?

**Wamkele Mene, Director of Trade in Services Negotiations,
International Trade & Economic Development Division,
Department of Trade and Industry**

Chair: Niki Cattaneo, Rhodes University

It took over fifteen years of complex and protracted negotiations for China to accede to the World Trade Organisation (WTO). Since the accession in December 2001, China has emerged as a significant player in the current Doha Round negotiations of the WTO, particularly the trade in services negotiations. This is due to a number of reasons; firstly, the sheer size of China's services economy potentially offers a new large market for developed country services exporters whose own markets have reached saturation



point. As a “new kid on the WTO block”, China attracted a lot of attention. Secondly, in the services negotiations China is constantly under pressure to make more efforts to further liberalise its services economy. This is unusual; normally recently acceded members are given due recognition for opening their economies during the accession phase. But China has been able to use this undue pressure to its advantage by raising its profile to that of an important power broker in the WTO negotiating machinery. Thirdly, China has exercised shrewd diplomacy by effectively managing developing country coalitions in the WTO and by projecting itself as an advanced developing country that successfully balances its own national interests with broader negotiating objectives of developing countries in the WTO.

This paper will explore China’s role in the Doha Round negotiations on trade in services, and briefly survey the market access offers that China has made relative to the nature and size of its economy. It will also examine China’s profile as a formidable negotiating powerhouse in the *real politik* theatre that is the WTO. It will explore the extent to which China is able to extract negotiating concessions from some developed countries, in negotiating areas other than trade in services. It will conclude by assessing the balance of power relations in the WTO political landscape, which has been significantly altered largely due to the enhanced influence of advanced developing countries since the Uruguay Round.

15.15 Closing remarks

**Hayley Herman, Centre for Chinese Studies,
University of Stellenbosch**



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