South Africa-China textile quota’s: Recent developments and trade prospects
Contents

Editorial
3
Dr Martyn J. Davies, Executive Director,
Centre for Chinese Studies

Commentary
4
China-Africa two-way trade – recent developments
Mark George

Policy Watch
9
South Africa: The China textiles and clothing quota failure?
Taku Fundira

Commentary
12
South Africa’s textile and clothing industry: Reflecting on two years
of quotas on textile and clothing imports
Herman Wiid

Business Briefs
16
A round-up of China’s business news from the past month

China & Africa
19
News briefs highlighting Chinese relations with Africa

The China Forum
22
Recent events at the Centre for Chinese Studies

Contact Us
23
Editorial

At the end of 2008, China was Africa’s second single largest trading partner with trade totaling US$106.8bn. This surpassed the notable US$100bn target that had been set for 2010 two years earlier. Trade is relatively balanced with African economies purchasing over US$50bn of Chinese traded products last year. This partly reflects the strength of the rising African consumer market in the continent’s emerging economies.

Chinese trade to Africa is being driven by a number of key factors. It is facilitated by the migration of Chinese entrepreneurs to the continent who most often become retailers importing “Made in China” products; Chinese construction projects in Africa are supported by Chinese supply chains with large quantities of building materials shipped to site; The newly established Chinese Special Economic Zones (SEZs), that focus primarily on manufacturing, are requiring inputs of components from the home market; and South Africa’s large retail stores already purchase large quantities of Chinese clothing and accessories and as they expand their formal retail footprints across the continent, they are becoming major distributors of these goods.

China’s rising exports to Africa are supporting its markets but may also be undermining industrialisation efforts by recipient economies. This trend is evaluated in this month’s China Monitor in light of the textile and garment sector in South Africa. How should African economies manage their trade with China in potentially vulnerable sectors?

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

China-Africa two-way trade – recent developments

Mark George
Political Analyst
Department For International Development (DFID) China

1. No one who is paying any attention to the relationship between China and Africa doubts that China is now a major player in Africa. Trade is the largest dimension of the economic relationship. In 2008, China and Africa have surpassed the target of $100 billion which they both set in 2006 when total trade was $55 billion. This target has been reached two years earlier than either planned.

2. The rate of growth has been impressive. Two-way trade increased by 32% between 2006 and 2007. Using ten months of actual data for 2008, we estimate that it will increase by 50% between 2007 and 2008, reaching a figure of $110 billion, with a small surplus in favour of Africa.

3. Of course the financial crisis is going to impact on trade flows, but China Africa trade looks pretty robust, not least because it tends to be concentrated in oil, mineral products, wood, cotton, iron and steel products, diamonds, ferromanganese, copper and tobacco. These commodities and products are in fairly inelastic demand in China.

4. On the other side, China’s exports to Africa consist mostly of light industrial products, textile products, clothes, electronic products and consumer goods. Depending upon how the financial crisis plays out in Africa, it is probably reasonable to assume that there will be some slowing in the growth of exports from China to Africa. China’s currency has followed the dollar as its value has increased, there might be some price disadvantages for Chinese exporters, but they have also gained from large falls in the price of their inputs. We estimate that aggregate two-way trade in 2009 is likely to increase again, but not at the rates witnessed between 2006 and 2008.

5. A closer look at the trade statistics reveals an interesting story behind the headline figures. Using data from China’s Ministry of Commerce, it is evident that much of the growth in trade is heavily concentrated in a number of countries.
China Africa trade in more detail

6. In 2008, 25% of total two-way trade between China and Africa was with one country – Angola. Nothing has changed since 2006. Angola was China’s largest trading partner in Africa accounting for 21% of trade in 2006 and number one again in 2007 accounting for 19% of trade. South Africa was the second largest trading partner between 2006 and 2008, accounting for 18% in 2006, 19% in 2007 and 16% in 2008. Rankings for the top ten trading partners are shown in the table below.

<table>
<thead>
<tr>
<th>Table 1: Rankings for total two-way trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>9</td>
</tr>
<tr>
<td>10</td>
</tr>
</tbody>
</table>

| Top 5 as a % of overall | 56% | 58% | 61% |
| Top 10 as a % of overall | 78% | 78% | 79% |

Source: China’s Ministry of Commerce

7. Table 1 shows that, despite huge growth in the aggregate level of two-way trade, there has been considerable stability in the top ten trading partners since 2006. The top 5 countries accounted for 61% of total two-way trade in 2008, with the top 10 accounting for 79%. The data suggests that there has been a small increase in the concentration of trade amongst the top ten trading partners compared to 2006.

8. Table 2 shows trading partners ranked by the largest exporters to China between 2006 and 2008. This table shows that in 2008 79% of all exports from Africa came from just 5 countries. In the same year 93% of exports came from 10 countries. The ranking of exporters has been pretty stable between 2006 and 2008, with little movement within the top 10 and not much change in terms of positions.
Table 2: Ranking of African exporters to China

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Angola</td>
<td>Angola</td>
<td>Angola</td>
</tr>
<tr>
<td>2</td>
<td>South Africa</td>
<td>South Africa</td>
<td>South Africa</td>
</tr>
<tr>
<td>3</td>
<td>Congo-Brazzaville</td>
<td>Sudan</td>
<td>Sudan</td>
</tr>
<tr>
<td>4</td>
<td>Equatorial Guinea</td>
<td>Congo-Brazzaville</td>
<td>Congo-Brazzaville</td>
</tr>
<tr>
<td>5</td>
<td>Sudan</td>
<td>Equatorial Guinea</td>
<td>Libya</td>
</tr>
<tr>
<td>6</td>
<td>Libya</td>
<td>Libya</td>
<td>Equatorial Guinea</td>
</tr>
<tr>
<td>7</td>
<td>Gabon</td>
<td>Algeria</td>
<td>Gabon</td>
</tr>
<tr>
<td>8</td>
<td>Mauritania</td>
<td>Gabon</td>
<td>DRC</td>
</tr>
<tr>
<td>9</td>
<td>DRC</td>
<td>Mauritania</td>
<td>Mauritania</td>
</tr>
<tr>
<td>10</td>
<td>Morocco</td>
<td>Nigeria</td>
<td>Algeria</td>
</tr>
</tbody>
</table>

Top 5 as a % of overall: 77%, 78%, 79%
Top 10 as a % of overall: 90%, 91%, 93%

Source: China’s Ministry of Commerce

"The Table shows the continuing importance of South Africa, Egypt, Nigeria and Algeria as markets for China."

Table 3: Ranking by exports from China

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>South Africa</td>
<td>South Africa</td>
<td>South Africa</td>
</tr>
<tr>
<td>2</td>
<td>Egypt</td>
<td>Egypt</td>
<td>Nigeria</td>
</tr>
<tr>
<td>3</td>
<td>Nigeria</td>
<td>Nigeria</td>
<td>Egypt</td>
</tr>
<tr>
<td>4</td>
<td>Algeria</td>
<td>Algeria</td>
<td>Algeria</td>
</tr>
<tr>
<td>5</td>
<td>Morocco</td>
<td>Morocco</td>
<td>Angola</td>
</tr>
<tr>
<td>6</td>
<td>Benin</td>
<td>Benin</td>
<td>Morocco</td>
</tr>
<tr>
<td>7</td>
<td>Sudan</td>
<td>Sudan</td>
<td>Benin</td>
</tr>
<tr>
<td>8</td>
<td>Angola</td>
<td>Togo</td>
<td>Sudan</td>
</tr>
<tr>
<td>9</td>
<td>Ghana</td>
<td>Angola</td>
<td>Ghana</td>
</tr>
<tr>
<td>10</td>
<td>Libya</td>
<td>Ghana</td>
<td>Libya</td>
</tr>
</tbody>
</table>

Top 5 as a % of overall: 57%, 55%, 55%
Top 10 as a % of overall: 76%, 75%, 75%

9. Table 3 below shows trading partners ranked by their level of imports from China between 2006 and 2008. The table shows the continuing importance of South Africa, Egypt, Nigeria and Algeria as markets for China. It also shows the growing importance of Angola. The top five countries account for around 55% and the top 10 countries for 75% of all exports from China to Africa.
So what can we conclude from the above tables? The main points are that in spite of a doubling in trade between China and Africa:

- There has been no really dramatic change in the relative importance of different countries. South Africa along with Angola remain the pre-eminent trading partners. Sudan has become an important source of imports from Africa, Egypt remains an important export market.
- The big exporters from Africa in 2006 remain the big exporters in 2008. They accounted for 93% of all exports from Africa in 2008.

So what has happened to the other countries?

11. Countries like Malawi, Kenya and Tanzania are never likely to eclipse the big commodity exporters of Africa, but it will be important for countries like these to feel that they are benefiting from export opportunities to China. Annex 1 shows the growth rate in exports between 2006 and 2008 for the 53 countries in Africa that trade with China. This annex shows that:

- although total exports from Africa to China increased by 110% between 2006 and 2008, 16 countries have seen their exports decline, including countries such as Uganda, Tanzania and Ethiopia;
- five countries have seen no virtually growth in exports, including Sierra Leone;
- fifteen countries have seen their exports increase, but below the rate of growth for the continent as a whole, these include Kenya, Ghana, and Mozambique; and
- sixteen countries have seen their exports grow faster than the average for Africa as a whole, including DRC, Sudan, Malawi and Zambia. Many of these are commodity exporters but a small number are not.

Conclusion

12. In November this year, the 4th China Africa Summit in Egypt will bring China and the continent of Africa together again. There will be much to celebrate. Many of the commitments made in Beijing at the 3rd China Africa Summit will have been delivered, a number of them ahead of schedule, particularly those related to trade. Whilst the overall trade target of $100 billion by 2010 will be given wide attention, it will be important for African and Chinese
leaders to keep focused on those countries that have yet to really capitalise on export opportunities to China.
Policy Watch

South Africa: The China textiles and clothing quota failure?

By Taku Fundira
Researcher at the Trade Law Centre for Southern Africa (TRALAC)
Stellenbosch University

China is increasingly becoming an international economic powerhouse. Its global market share is constantly increasing from its supply of relatively cheap quality goods. The Economist recently noted that its revised figures revealed that China overtook Germany in 2007 to become the world’s third-biggest economy and also looked set to become the world’s biggest exporter in 2008 (a slump in exports in the final months of the year, however, meant they remained smaller than that of the current leader, Germany). Thus it should not come as a surprise when Chinese goods flood our markets.

In the South African clothing and textiles sector, the Chinese market share of South African global clothing imports has risen steadily from around 20% ten years ago to the mid 2006 level of just under 75%.

The South African response to this was to apply quantitative restrictions to individual lines that account for around 70% of clothing imports by value. The average growth for these selected lines had been 36.8% (in US$) since 1996, while overall clothing imports increased at a similar 35.5%. Thus, growth does not seem to have been the selection criterion. Also, most of the selected lines showed annual price decreases of up to 15.6% in US$ value, highlighting both the contribution to a stable inflation rate in South Africa, and the distributional effects of cheaper clothing to the poor.

On the 1st of January 2009, South African quotas on Chinese clothing and textiles had been in place for almost the entire two year period originally set out for these restrictions. In December 2008, Department of Trade and Industry (DTI) Director-
“Given the trend towards liberalised trade within a rules-based system, South African firms can no longer call on Government to unilaterally impose protectionist measures.”

General, Tshediso Matona, indicated that the quotas would terminate at the end of that month as there had been no formal application for extension from the stakeholders. However, an open door was left when he indicated that the Department of Trade and Industry could "enforce an extension through a bilateral agreement."

The rational of an extension is questionable since most analysts, including the author, have highlighted the fact that importers simply developed new strategies to circumvent the restrictions. In our recent analysis, we found among others that in 2008, although Chinese imports in the targeted lines declined and stabilised at the levels observed after the significant drop in these imports at the start of 2007, other exporting countries continued to strengthen their position in the South African clothing and textile market, both within and outside those lines targeted by the quotas. We also found that there was no conclusive evidence to suggest that China was pricing to market for the South African economy during the period of quota restrictions.

**Facing up to the future**

The important question is “What can South African firms do to compete with the emerging giants of Asia?” Can solutions be found through infrastructural development, export incentives, promoting technology development and/or transfer, or is it simply through free market competition?

The success stories of Asian economies span around five decades, with China following suit as a new emerging economy and potential global market. This also begs the question, “What can South Africa learn from these stories?”

Given the trend towards liberalised trade within a rules-based system, South African firms can no longer call on Government to unilaterally impose protectionist measures. Only in a few instances will this be legally possible and economically appropriate. Indeed, narrow firm and sector interests must be weighed with wider interests that are usually not expressed as vocally as with the textile quota’s. Long-term careful and innovative strategic planning with clear objectives is therefore required to succeed in a competitive trade relationship. This is also important for South African firms competing with imports from China as well as competing against China in the rest of the world.

Although the South African textile industry is under threat of collapse, China has indicated its willingness to enhance technology transfer and investment
cooperation with South Africa. If this industry is to survive through reform, collaboration with China is imperative. Similarly, the South African agriculture, mining and medical industries could be developed through greater collaboration with China.

On the export side, there are a multitude of trade and investment opportunities for South African exporters globally and specifically in China. Some of the major sectors currently experiencing rapid growth include IT and telecommunications, transport, processed food and beverages, minerals and energy, environment protection, building construction products and services. Furthermore, processed food and wine products could also become significant exports.

Nevertheless many challenges remain for South African firms to face in exploiting these opportunities. These include extending beyond South Africa’s current advantage in primary and resource based goods to include competitively manufactured products. In the long-run, South African firms should thus seek out value-adding opportunities.

Also to note is that the low labour-productivity cost advantage of China may eventually be eroded as China integrates towards a full market economy. This will have an impact on its current competitive advantage. However, this is not a clear certainty as various cultural and social factors may still place China at an advantage relative to South Africa. This poses a question as to the extent that culture and value systems impact on economic performance, growth and development.

In light of this, these challenges and opportunities should be addressed with the recognition that Government cannot protect uncompetitive firms. Although there are some policy options for development, in the longer term Government is best able to promote growth by creating conditions that allow for South African firms to compete internationally. The rules-based trade system does afford developing countries some flexibility in this regard. South African firms, and indeed all stakeholders, are thus well advised to engage more meaningfully, and with less rhetoric, with Government in achieving optimal outcomes.


Commentary

South Africa’s textile and clothing industry: Reflecting on two years of quotas on textile and clothing imports

Herman Wiid
Analyst at the Centre for Chinese Studies

The South African Government announced in June 2006 that it was looking into imposing voluntary restrictions, in the form of quotas, on textile and clothing imports from the People’s Republic of China. These quotas, which came into effect on the 1st of January 2007, were aimed at breathing life into the country’s ailing textile industry and to provide the local sector with a break period to get its house in order. This would allow the sector to restructure itself as a robust and competitive role player in the global textile and clothing industry.

With the advent of 2009 these quotas effectively expired, bringing the two-year period to a close. This however does not seem to be the end if the quotas. Earlier this month, the Department of Trade and Industry (DTI) formally asked the Chinese government to extend these quotas¹. The DTI apparently did so without consulting any of the relevant industry role players, including the manufacturers, and before releasing the findings of their study on the effectiveness of the quotas².

In order to understand the reasons for this decision, it is important to look at the role the textile industry plays in the South African economy and how local policy decisions were influenced by events in the international textile industry.

The textile and apparel industry in South Africa is the country’s sixth largest manufacturing sector employer and eleventh largest exporter of manufactured goods³. It directly employs an estimated 230,000 workers and another 200,000 in dependent industries such as transport and packaging⁴. This labour intensive industry was identified by government as a priority for job creation and economic growth⁵ and since 1994, over US$ 1 billion has been spent on upgrading and modernising South Africa’s textile, clothing and footwear industry⁶ to world standards.

At first it seemed as if the stimulus plan had worked as total exports peaked at R 1,194 billion in 2002. Since then, however, textile exports have been on a downward trend with total exports reaching only R 246 million during the first half of 2008.
This is most evident in the decline in exports to the United States (until recently the major export destination) to 6.1% of the total, compared to that of the United Kingdom (17.6%), Malawi (9.2%) and Japan (6.7%) for the same period. In order to understand how this situation came about, developments in the international textile industry should be examined.

Voluntary export restraints imposed by developing countries such as China, India and Pakistan in the 1950s, were replaced in 1962 for the first time by an official agreement called the Long Term Agreement Regarding International Trade in Cotton Textiles (LTA) and was signed under the auspices of GATT (General Agreement on Tariff and Trade). The LTA was later renegotiated several times until it was replaced by the Multi Fibre Agreement (MFA), which came into force in 1974. This sought to extend restrictions on trade to wool and man-made fibres in addition to cotton.

The MFA formally governed quantitative restrictions on textiles and clothing trade until 1994 when it was succeeded by the Uruguay Round Agreement on Textiles and Clothing (ATC). The ATC defined three successive stages for integration of textiles and clothing products into the rules of GATT 1994, and for the acceleration of growth rates for remaining quotas. This was to make the existing quota restrictions less binding so that this integration process culminated in the elimination of all quantitative restrictions by 2005.

This, together with China’s admittance to the World Trade Organization (WTO) in 2001, left the back door open for China and other low cost producing countries, such as India, to dominate the world textile and clothing industry.

Turkey (backed by the US) tried to sway the WTO to postpone the phasing out of the remainder of the quotas over a three to four year period. South Africa and 14 other Sub-Saharan African countries also added their voices to what became known as the Istanbul Declaration.

The WTO, however, did not retract its decision and the textile and clothing industries in many developing countries were left to the mercy of the (global) market system.

South Africa was no exception. By mid 2006, China’s market share of South African global clothing imports was already close to 75%. This, together with the coinciding job losses and an effort to increase stability in the industry, prompted Government to restrict clothing and textile imports on 31 items for a two-year period.

Union officials and manufacturers alike widely welcomed this move, saying that it would go a long way to create jobs in a sector that has been plagued by major job losses since 2003. In contrast, government critics and retailers were more sceptical in their initial assessment of the proposed quotas.
They argued that the industry (and the country’s economy as a whole) might be better off putting its case before the WTO to seek interim safeguards, rather than pursue them as part of a bilateral agreement\textsuperscript{13}.

Local retailers also warned that higher local prices would force them to seek cheaper foreign market alternatives\textsuperscript{14}. In doing so they would circumvent the local manufacturing industry. Now, more than two years down the line, while assessing the consequences of Government’s decision, it seems that their fears were not entirely unwarranted:

1. An objective of the imposed quotas, and arguably Government’s main intention, was to give the local industry a chance to find its feet and increase local production capacity. All indicators at this stage, however, show that very little of this has taken place. On the contrary, some experts even argue that the industry may find itself in an even worse economic position with the onset of new Chinese imports this year amid a general worldwide economic recession\textsuperscript{15}.

2. The restrictions seem to have created a market for illegal imports with goods being either smuggled in or invoiced for less than their worth\textsuperscript{16}.

3. Perhaps the worst consequence of the imposed quotas is the fact that the supply gap created by the quotas was not filled by the local manufacturing sector. Instead local retailers sought cheaper alternative markets such as Mauritius, Malaysia, Bangladesh and even Lesotho, to fill this gap\textsuperscript{17}.

Given this, one cannot help but wonder that if the DTI had consulted all the relevant parties before making a decision, would they still have decided to renew the quotas or would they instead have proposed a more industry comprehensive approach to the problem? In retrospect it seems that the textile and clothing industry in South Africa has come full circle since 2007. With the advent of a possible second round of restrictions local manufacturers once again find themselves in a familiar position, as in the past, with their future appearing uncertain.

This time round however, it has been proven that government protectionist measures can also only do so much to protect an industry from competitive markets.\textsuperscript{18} The responsibility therefore lies with the manufacturers themselves\textsuperscript{19} to respond to market signals and the competitive environment in which they exist by increasing their capacity to innovate, apply and customize new technology with competitive pricing for both the local and foreign markets. If not, the chances of this industry surviving the implications of another two years of ineffective quotas are dim.
8 See Mayer, J. 2004. Not Totally Naked: Textiles and Clothing Trade In a Quota Free Environment, 4
9 See Mayer, J. 2004. Not Totally Naked: Textiles and Clothing Trade In a Quota Free Environment, 4

Herman Wiid is an analyst at the Centre for Chinese Studies.
Business Briefs

The Business Briefs section summarises key events regarding China’s economy during the month of February

China plans major nuclear power expansion
Chinese officials are considering starting construction on eight new nuclear power plants in the next three years, sources said. The Xinhua news agency said that Chinese newspapers were reporting that China plans to double its nuclear capacity to 70 gigawatts by 2020 and make nuclear 5% of the country’s total energy mix. A source at the National Energy Administration told the 21st Century Business Herald that the eight proposed plants would include 16 separate reactors and account for 10 gigawatts of electricity output.

China starts construction of world’s longest natural gas pipeline
China started construction of the eastern segment of the country’s second West-East natural gas pipeline in Shenzhen City, Guangdong Province on Saturday. Chinese Vice Premier Li Keqiang attended the kick-off ceremony announced the start of the construction. The pipeline, the second after the first West-East natural gas transfer project, will cross 15 regions and carry 30 billion cubic meters of natural gas every year to Zhejiang, Shanghai, Guangdong and Hong Kong, among others.

EU, China summit will aim to improve diplomatic relations
THE EU and China have agreed to hold a summit in a sign the two blocs want to improve diplomatic relations following their recent dispute over the Dalai Lama’s trip to Europe. They also signed agreements on aviation, piracy and clean energy projects yesterday at a meeting between the EU executive and senior members of the Chinese government. The summit is expected to be held in either April or May and concentrate on preparing a joint response to the financial crisis and measures to tackle global warming.

Chinese Oil Companies Urged to Boost Drought Relief
China Petroleum & Chemical Corp. and PetroChina Co., the nation’s two biggest oil companies, have been urged by the government to boost supplies to rural areas to help counter the worst drought in five decades. Service stations should extend working hours if necessary to ensure supplies for planting of spring crops and drought relief, the National Development and Reform Commission said in a statement on its Web site. Fertilizer producers and power companies are urged to boost output for agriculture, it said. China, the world’s largest grain producer, has raised its drought-emergency alert to the highest level for the first time to battle the threat to crops, livestock and rural incomes.

China monthly auto sales overtake US for 1st time
Monthly auto sales in China surpassed those in the U.S. for the first time last month, but automakers and industry watchers say the news may say more about the troubles in the U.S. than about China’s growing car market.” China has the potential very easily to become the largest car market in the world,” said Tom Wilkinson, a spokesman for General Motors Corp., but “it was probably a bit of an aberration in January.” Data released by the China Association of Automobile Manufacturers shows 735,000 new cars were sold in China last month, down 14.4% from the record of 860,000 set in January 2008.

China may cut taxes to aid light industry
China will soon announce new measures, including tax cuts, to help light industry with the goal of boosting domestic consumption and moving the sector up the value chain over the next three years, state media reported. The support plan is part of a concerted government campaign to prop up growth, which slowed in 2008 to a seven-year low of 9%. Beijing has already unveiled steps to help the auto, steel and textile industries to complement a 4 trillion Yuan (US$585 billion) stimulus package and an increase in bank lending.
Clinton expected to visit Japan, South Korea, China

Hillary Clinton is expected to travel to Japan, South Korea, China and possibly Indonesia in mid-February on her first trip as U.S. secretary of state, diplomats said. The diplomats, who spoke on condition they not be identified because the State Department has yet to announce the trip, cautioned that Clinton's schedule could change. The stalled multilateral effort to rein in North Korea's nuclear ambitions is likely to be a major feature of Clinton's talks in the region, as is the global financial crisis.

China restructures energy sector

With the financial crisis already dealing a heavy blow to China's energy sector, authorities at an energy conference held in Beijing have announced restructuring of the entire industry giving a big push to the development of new resources. Authorities believe the best way to weather the economic downturn is restructuring the energy sector closing down small scale coal-fire power plants, building cleaner facilities, and using new resources. Since last September, the financial crisis's has hit China's energy sector hard with consumption dropping, profits draining, and investment plunging.

China central bank adviser says recovery will take time

China needs to continue to pursue an "active" fiscal and monetary policy as an economic recovery will still take time despite some recent positive signs, an adviser to the country's central bank said. Chinese stocks and bond yields have surged after data on manufacturing activity and bank lending sparked hopes for an early economic recovery. "It is still too early. Fiscal policy and monetary policy should keep being active and not think that things have turned around," said the adviser, Fan Gang, speaking to Reuters on the sidelines of a business conference.

China pumps in another US$19b to stimulate economy

China's central government has launched a new stimulus plan totaling 130 billion Yuan (US$19 billion) to boost its economy, an official of the National Development and Reform Commission said today. The fund is the second batch of investment from the central budget following a 100 billion Yuan allocated in the fourth quarter of 2008. Both were included in the country's 4 trillion Yuan (US$584 billion) economic stimulus package announced in November. Chinese Premier Wen Jiabao said during an interview that the 130 billion Yuan had been put in place in terms of real funds and on what projects the money will be spent.

China energy firms aim to boost northwest output

Two Chinese oil and gas companies are aiming to expand output from two major fields in the nation's far northwest Xinjiang region, lifting crude oil production at the Karamay field by a third, Xinhua news agency reported. Chen Xinfa, general manager of the Xinjiang Oilfield Company, a unit of the China National Petroleum Corporation (CNPC), said it expected to boost crude oil output at its Karamay oilfield from 12.2 million tonnes in 2008 to 16 million tonnes a year by 2015.

China to close 31GW of coal power plants

The government said it plans to shut some of its smaller, most inefficient coal-fired power plants, with 13 GW of capacity set to close this year, 10 GW in 2010 and 8 GW in 2011. The National Energy Commission plans to replace the highly polluting plants with large, energy-efficient coal plants with a combined capacity of 50 GW. Similar plans led to more than 34 GW of the most inefficient plants being taken offline from 2006 to 2008. In 2007, the government closed 14.38 GW, surpassing its goal of closing 10 GW. And in 2008, the government beat its goal of 13 GW by closing 16.69 GW of plants.

China's policy changes showing positive results

Despite being confronted with a string of uncertainties ahead, China's economy will be in a better shape than expected this year. Due to the gloomy internal and external economic conditions, the fast-growing economy of the past decades is now struggling to meet an 8 % growth target. According to newly released figures by the National Bureau of Statistics, the gross domestic product (GDP) of the world's largest developing nation reached 30 trillion Yuan (4.38 trillion U.S. dollars) last year, up 9 % from that in 2007. The growth rate of the country's consumer price index (CPI), a key measure for inflation, was 5.9 % on the average, and its investment into fixed assets was 17.23 trillion Yuan, a 25.5 % growth over the previous year.
Consumers in 13 cities to get grants to buy energy autos Chinese consumers in 13 cities will receive a financial subsidy if they buy energy-saving and new energy cars while public service sectors are expected to play a key role as China launched projects to promote greener vehicles. The central government has called on local authorities in cities such as Beijing and Shanghai to offer one-time subsidies to auto buyers for them to purchase fuel efficient cars, the Ministry of Finance said in a statement posted on its Website. But no details on the subsidies were released. Greener vehicles will include hybrid cars, electric cars and fuel cell vehicles.

China falls into budget deficit as spending balloons Despite a near 20pc rise in tax revenues and a record surplus of 1.19 trillion Yuan ($US182bn) in the first six months of the year, the dramatic scale of government spending in November and December was enough to plunge the entire year into deficit. The figures are the first indication of how quickly and forcefully China reacted to the economic crisis after it announced a fiscal stimulus package of 4 trillion Yuan in November to build new roads, railways, schools and hospitals.

CICC, Shanghai International launch US$3bn private equity venture A new private equity firm which is to manage RMB20bn ($US2.9bn) is to be launched by investment bank China International Capital Corp and government-owned Shanghai International Group, according to Reuters. The firm, Golden Partners Capital, is reportedly targeting RMB8bn ($US1.17bn) for its debut fund and will invest in fund management firms, brokerages and banks. CICC and SIG will take equal ownership in the new venture. Beijing has granted licenses to a number of local brokerages to launch private equity businesses.

New UK-China Intellectual Property deals to help business exploit new ideas The UK and China have signed two ground-breaking Intellectual Property agreements as part of a summit meeting between the two countries. The agreements which cover patents and trade marks aim to encourage and make it easier for UK and Chinese business to develop products and services from new ideas and innovation. Chinese companies now file four times more patents than five years ago. By 2012 China is forecast to become the largest patenting nation in the world.

China still biggest gold producer China’s gold produced 282 tons last year to help secure its position as the world's biggest gold mining country, the China Gold Association said today. China managed to produce 4.26 %, or 11.5 tons, more gold in 2008 than 2007, despite the massive earthquake and the financial crisis, the association said. Shandong, Henan and Jiangxi were the top three gold mining provinces, contributing to 46.4 % of the country's total. China surpassed South Africa as the world's biggest gold mining country in 2007 with a yearly production of 270.49 tons.

China says no to trade protectionism to fight crisis As the “Buy America” provision raises alarms against trade protectionism among state leaders and economists, China said "no" to a similar plan that bans foreign products in domestic stimulus projects. "We won't practice 'Buy China,'" said Vice Commerce Minister Jiang Zengwei at a press conference. "We'll treat domestic and foreign products equally as long as they are needed." The U.S. Senate last week voted to soften, not remove, a provision in its roughly 900 billion-U.S. dollar stimulus plan that requires all public works projects funded by stimulus dollars to use only U.S.-made iron and steel.

China Manufacturing Shrinks for 4th Month on Exports China’s manufacturing shrank for a fourth month as exports fell because of the global recession and companies ran down stockpiles of steel, textiles and autos, a government-backed survey showed. The Purchasing Managers’ Index rose to a seasonally adjusted 45.3 in January, from 41.2 in December, the China Federation of Logistics and Purchasing said in an e-mailed statement. A reading below 50 indicates a contraction. A slowdown in the world’s third-biggest economy has already cost the jobs of 20 million migrant workers, increasing the risk of protests and social unrest, the government says.


© Centre for Chinese Studies, University of Stellenbosch; All Rights Reserved
China and Africa

The latest updates on China’s involvement on the African continent.

Sudanese minister highlights Sudan-China desire to enhance ties Sudanese Minister of Energy and Mining Al Zubair Ahmed Al Hassan highlighted the shared desire of Sudan and China to enhance their ties of cooperation and friendship. The Sudanese minister made the remarks in an interview with Xinhua at the Chinese Embassy in Sudan, where a party was held to celebrate the 50th anniversary of the establishment of diplomatic relations between China and Sudan. He said the celebrations which were being held in Khartoum and Beijing on the gold jubilee of diplomatic relations “demonstrated the desire of both Sudan and China to inaugurate a new stage in which the existing cooperation will be expanded.”

Foton consolidates gains in Nigeria’s trucks market Asian Motors Limited, the marketer of Foton light and heavy duty trucks in Nigeria, last week took stock of the brand’s business in the country in 2008 (the second year since the debut mid 2007) and concluded that a lot of progress was made in its efforts to introduce the Chinese vehicles to the various segments of the market. And buoyed by the development, the company said high premium would now be placed on consolidating the gains made so far, by increasing the volume of sales and expanding after-sales network with emphasis on keeping large stocks of replacement parts in order to facilitate efficient operation by its customers.

NigComSat 1: Firm to Replace Missing Spacecraft Managing Director of Nigeria Communication Satellite, Alhaji Tima Ahmed Rufai, said that the NigComSat 1 that disappeared in space would be replaced by the China Great Wall Corporation Limited that built and launched it into the orbit at no cost. He said that the NIGCOM SAT 1 was fully insured by the Lead Insurance, adding that plans had commenced to build NigComSat 2 and 3 at the cost of US$500 million, explaining that the move was informed by the necessity to have back up to which traffic could be diverted in the event that one collapses. He told the Senate Committee on Public Accounts that the Federal Government paid US$51 million to the China Great Wall Corporation for the NIGCOM SAT 1, saying that the amount was in the 2005 and 2006 budgets.

China welcomes S. Africa decision to end investigation of Chinese products China welcomes and appreciates South Africa’s decision to terminate its countervailing investigations into China-made stainless steel sinks, said a spokesman of the Ministry of Commerce (MOC) in a statement. The International Trade Administration Commission of South Africa (ITAC) announced the decision on Jan. 30. Yao Jian, spokesman of the MOC, said the case was resolved after the ministry and South African investigators consulted and urged the industries to communicate with each other. He said South Africa had been China’s major trade partner in Africa. Economic and trade relations between China and South Africa had maintained robust development in recent years.

Gabon Urges China to Accelerate Development of Iron-Ore Project Gabon urged China to accelerate the development of an iron-ore project in the Central African country, which has been delayed by the global financial crisis, Mining and Oil Minister Casimir Oye Mba said. “We need to finalize this project because we expect the creation of 20,000 jobs for the country,” Mba said in remarks broadcast on state-owned Radio Television Gabonaise in the capital, Libreville. China’s Ambassador to Gabon, Xue Wei Jin, on Jan. 22 held talks with Georgette Koko, Gabon’s deputy prime minister in charge of the environment, to review the progress of an environmental study before work on the site, known as Belinga, starts. The project is situated 500 kilometers (300 miles) east of Libreville.

Liberia’s Sirleaf signs $2.6bn iron-ore deal with China Union The West African country, Liberia, has signed a US$2.6-billion agreement with a Chinese conglomerate, China Union, to develop what is described as its “main iron-ore mine”. Also pursuing iron-ore in Liberia is the world’s largest steelmaker, ArcelorMittal, and South Africa’s Delta Mining Consolidated, which is
taking legal action against the government of Liberia for not awarding Delta an iron-ore concession. A report from the Liberian capital, Monrovia, sourced from the news agency AFP, describes the latest Chinese investment as the largest ever in the West African country headed by President Ellen Johnson Sirleaf.

China pledges multi-million-dollar aid to Senegal

China on said it would extend Senegal aid worth 8.9 million Euros (US$11.5 million dollars) for sports, cultural and sanitation projects. "The Chinese government will provide the Senegalese government aid totaling 80 million Yuan for cooperation projects," Chinese Ambassador Lu Shaye said. This would be used to build or refurbish 11 stadia, a museum, a national theatre in Dakar and a children's hospital, Senegalese Finance Minister Abdoulaye Diop said. Lu said China would honour "aid and cooperation pledges to developing countries, especially African countries."

Donors press Congo over US$9bn China deal

China’s biggest investment deal in Africa is faltering as western donors create pressure to renegotiate a minerals-for-infrastructure contract in the Democratic Republic of Congo valued at US$9bn. Under the deal, a consortium of state-owned Chinese companies agreed to build roads, railways, hospitals and universities in return for the right to develop a copper and cobalt mine.

China fully implements promises made at China-Africa Forum

China will fully implement the eight measures for China-Africa practical cooperation agreed at the Beijing Summit of Forum on China-Africa Cooperation despite the ongoing global financial crisis, Assistant Foreign Minister Zhai Jun said Thursday. In an interview with Xinhua two days before the opening of the 12th African Union (AU) Summit to be held here, Zhai said even though China itself faced difficulties brought along by the financial meltdown, the Chinese government would make no compromise in regard to cooperation measures with Africa as promised at the Beijing Summit in 2006. He noted that China’s determination to strengthen practical cooperation and to promote the new type of strategic partnership between China and Africa remained unwavering.

China to Double Aid to Africa

The Chinese government will double development aid to African countries, following the visit of President Hu Jintao to this region, official sources report Saturday. The Asian nation has a policy that encourages the imports of products from 31 African countries by reducing tax rates. China has canceled the poorest countries’ debts, with the purpose of helping them recover their economy. China Assistant Foreign Minister Zhai Jun says the authorities of his country are still working on details. China will present a group of measures to help protect these countries from the world financial crisis, the official stated.

China’s Hu seeks to assure and temper African hopes

China’s quest to show it is a responsible power in grim economic times moves to Africa, where President
Hu Jintao will seek to both reassure and temper hopes of aid and investment. After a three-day visit to Saudi Arabia beginning, Hu goes to Mali, Senegal, Tanzania and Mauritius -- all offering opportunities for growing China but none ranked among Africa's economic and resource heavyweights. Trade between China and Africa rose to US$107 billion last year, and Hu's choice of smaller destinations appears designed to show China's interest reaches beyond oil and mines, said Zha Daojiong, an expert on energy diplomacy at Peking University.

Tanzania sells 49 % of airline to Chinese firm
Tanzania plans to sell a 49 % stake in its state-run Air Tanzania to a Chinese firm that will help it buy nine planes, a senior government official said. The Tanzania Civil Aviation Authority (TCAA) suspended the carrier's operating license in December, but the firm has since resumed operations. "The government has ... found a private investor ready to enter an agreement with Air Tanzania by buying a 49 % shareholding," said Hezekiah Chibulunje, deputy minister for Infrastructure Development. He told parliament that the investor, China Sonangol International, was willing to help with the purchase of more aircraft.

Angola close to signing US$1 bln Chinese loan -- source
Angola's government is close to securing a US$1 billion loan from China aimed at rebuilding the southwestern African nation as it recovers from a civil war, a source close to the Angolan finance minister said. The source said Angola's Finance Minister, Severim de Morais, was currently in China to take care of the "final details of the loan." "We're talking about a loan of around US$1 billion but it could be more," the source, who requested anonymity, told Reuters. Angola has received at least US$5 billion in oil-backed loans from Beijing since the end of the war in 2002. In return, tens of thousands of Chinese have come to Angola to work in everything from brick-building plants to road projects.

China moves to rescue Botswana's diamond industry
Chinese ambassador to Botswana Ding Xiaowen has assured the country that China's stable market could be the saving grace for Botswana's under pressure diamond industry. The representative of the world's third largest economy has urged the Botswana government to turn to the Chinese diamond market. According to estimated figures from the People's Republic of China, about 10 million people tie the knot annually and spend a whopping 250 billion Yuan (US$365 million) on diamond related items. The ambassador urged the Botswana diamond industry to seize this opportunity and open up more trade channels in China.

China-Africa trade up 45% in 2008 to $107 bln
Trade between China and Africa reached a record US$106.84 billion in 2008, up 45.1 % from a year earlier, customs figures showed Wednesday. Exports to Africa reached US$50.84 billion dollars, up 36.3 %. Imports from Africa hit US$56 billion, up 54 %. China had a trade deficit of US$5.16 billion with Africa in 2008, compared with a surplus of US$940 million in 2007. The number of African countries with which China had more than US$1 billion in trade increased to 20 in 2008 from 14 in 2007. Angola remained China's largest trading partner in Africa and South Africa came in the second.

Senegal's Wade praises China 'partnership'
Senegalese President Abdoulaye Wade has praised the West African country's partnership with China ahead of a visit by his Chinese counterpart Hu Jintao. "We are partners with China and I want to say that this partnership is a success and an example, and I'll tell the Chinese president that," the official APS news agency reported Wade as saying during a visit to the central town of Touba. Wade praised the "private cooperation" between China and Senegal, citing the example of private Chinese construction company Henan Chine, which has several infrastructure projects in Touba.

The China Forum - Recent Events

Visit from new Consul-General of the PRC - 9 February 2009
The CCS welcomed the new Consul-General of the PRC, Mr. Hao Guangfeng, on 9 February. He met with the CCS staff and visiting Chinese scholars who informed him of CCS undertakings.

CCS Research Director partakes in AERC workshop – January 25th-29th 2009
Ana Santana, CCS Research Director, took part in the African Economic Research Consortium’s (AERC) Inception and Capacity Building Workshop on China-Africa Economic Relations, held in Mombasa, Kenya, on 25-29 January 2009, integrated in the AERC special collaborative research project on “The Impact of China on Sub-Saharan Africa”.

CCS Economist discusses president’s visit on SABC – 9 February 2009
On 9th February 2009, Hannah Edinger, Economist at the Centre for Chinese Studies discussed Chinese President Hu Jintao’s upcoming 4-nation Africa visit, potential deals and the implications of this visit on the show “180 Degrees” on SABC International.

CCS Executive Director presents to Mining Indaba – 12 February 2009
On the 12th of February 2009 CCS Executive Director, Dr. Martyn Davies delivered a presentation to the Mining Indaba entitled “The sustainability of China’s Commodity Foray into Africa”. The event was held at the Cape Town International Convention Centre.

CCS Executive Director delivers guest lecture at USB – 9 February 2009
On the 9th of February 2009 Dr. Martyn Davies, CCS Executive Director, delivered a lecture entitled “China’s slowing economy: Implications for African Economies and Business” at the Stellenbosch University Business School (USB). The lecture formed part of the USB Leaders Angle Guest Lecture Series and was supported by Finweek.

Meeting with Swedish Ambassador- 13 February 2009
Dr. Martyn Davies, Ms. Ana Santana, Ms. Johanna Jansson and Ms. Hayley Herman attended a lunch meeting with Swedish Ambassador to South Africa, Mr. Peter Tejler on 13th February. The discussion centered on the current state of Sino-South Africa and Africa relations.

Journalists from China visit CCS – 20 February 2009
On Friday the 20th February a group of 6 bloggers and journalists from China visited the CCS. They were accompanied by Mr. Schoeman du Plessis, Counsellor at the South African Embassy in Beijing. The day ended off with a visit to the Journalism Department at Stellenbosch University where discussions were held between the bloggers, journalists and post graduate students of the department.