The China Monitor

October 2006

Issue 12

Contents

A Publication of:

The Centre for Chinese Studies

Faculty of Arts, University of Stellenbosch

Editorial

With China's economy averaging between 9-10 percent in the last several years, Beijing's need for energy security has become a critical consideration in the Communist Party's 11th five year plan. Since coal accounts for the primary energy consumed in China, the People's Republic of China is considered to be the second largest emitter of energy related carbon dioxide emissions after the United States.

Projections are that by 2025 China's share of world carbon emissions is expected to increase to approximately 17.8 per cent. As China's economy expands, investments in the transport sector, infrastructure and in the industrial sector looks also set to rise and undoubtedly increase energy consumption. Not only will the latter have significant implications for China's environmental milieu, but will also create ripple effects at the regional and global level. Therefore to promote and improve efficiency in energy consumption, become energy secure and reduce the levels of air pollution, the Chinese government has invested in the production of alternative fuels.

One such area is ethanol production in which China is the third largest producer after Brazil and the United States. To explore how China's ethanol production is enabling it to become energy efficient, this issue of the Monitor outlines the PRC's ethanol production and its attendant impacts.

Sanusha Naidu
Research Fellow, Centre for Chinese Studies

Policy Watch

Biofuels: An Overview

By Dr Brian Preen

The recent rapid increase in the oil price from under US$25/bbl to over US$50/bbl has had the effect that the world has become more focussed on alternative fuels, particularly sustainable fuels. This includes the generation of power by the use of solar energy, wind energy, nuclear energy etc., and in the case of fuels for transportation, petrol and diesel, on electricity driven, hydrogen driven and "bio-fuel" driven vehicles.

Bio-fuels are produced from agricultural raw materials. As alternatives or supplements to petrol, plants containing sugar, sucrose, (sugarcane, sugar beet) and starch (maize, sorghum, cassava, wheat, and rice) are used in the production of ethanol. As alternatives or supplements for diesel, seed bearing plants (sunflower, canola) are used for the production of vegetable oil. In actual fact this is an indirect harnessing of solar energy and is thus sustainable. Particularly pertinent is the fact that, during growth, the plants absorb carbon dioxide in amounts equal to the carbon dioxide emitted into the atmosphere on combustion of the "bio-fuel" produced from them, thus resulting in no increase in production of carbon dioxide. They therefore do not contribute to the now, scientifically illustrated "green house" global warming effect due to the increased heat insulation effect of the atmosphere with increased carbon dioxide content.

"Bio-fuels are produced from agricultural raw materials"

Ethanol is made from plant raw material by yeast fermentation of the sugar content or by enzymatic conversion of the starch content to glucose and the subsequent fermentation of the glucose using yeast. The ethanol produced this way is very pure as distinct from ethanol produced synthetically in the conversion of coal to petrol, as is done by Sasol. Sasol ethanol is a combination of ethanol with higher alcohols, which contributed to the difficulties experienced by Sasol when the 10% blends were first introduced.

Ethanol production has been known for centuries due to the production of wine, beer and potable alcohol. It was used in petrol blends in Kwazulu-Natal as a 30% blend with petrol in the 1950's. It was manufactured from molasses, a by-product of the sugar industry after the extraction of the sugar from sugarcane. With the advent of Sasol in the 1960's, a blend of 10% ethanol with petrol became available in the highveld regions. More recently, it also became available from the PetroSA project that used Sasol technology for the conversion of natural gas into petrol. In the 1980's, attempts by the Sugarcane industry to produce ethanol to blend at a 15% level with petrol for the Kwazulu-Natal region were thwarted by the oil industry lobby that artificially downgraded the price that they would be prepared to pay for ethanol. During this period ethanol plants were established in both Zimbabwe and Malawi

using sugar molasses as the raw material for blending with petrol. It was possible to import only regular grade petrol that could be upgraded to premium grade by the addition of 20% ethanol, significantly reducing foreign exchange requirements.

Brazil is the world leader in the production of ethanol from sugarcane, approximately half of their sugar crop being converted to ethanol for use as blends in petrol-engine vehicles and, in the pure form, in ethanol engines, specifically developed to capitalise on the unique properties and the availability of ethanol. Brazil is almost self sufficient in transport fuel due to their ethanol production. In addition, the industry has been a significant contributor to job creation as the agricultural industry employs more than 10 times greater numbers per capita invested as does the highly capital intensive petroleum refining industry.

The USA is the world leader in production of ethanol from corn where it is blended with petrol at a level of 10%. The agricultural lobby was sufficiently strong in the corn growing states to have

legislation passed for the inclusion of ethanol as well as significant tax breaks for the blended fuel. In the production of ethanol from corn, a valuable co-product, distilled dry grain and solubles (DDGS), is also produced. It is a valuable animal feed product, as the protein in the maize of 10 to 12% is concentrated to approximately 30% in the DDGS.

Recently the SA Maize industry has announced its intentions to build 10 maize based ethanol plants in the maize growing areas for blending with petrol and a Government paper on this issue is awaited.

What about the future for “Bio-fuels”? There is significant research being undertaken in the USA for the conversion of cellulose based raw materials such as timber, straw, maize-stover etc. into ethanol. The potential availability of these plant materials is some 10 folds greater than availability from starch bearing materials. There are two technologies at the development stage. They are both directed at the economical conversion of cellulose to sugar. The technology in the one case is based on the use of concentrated acid and, in the other, on diluted acid combined with cellulose fungi for the conversion. The resultant sugars are more complex and special yeasts and bacteria are being developed for their fermentation. Once this technology becomes commercially available it would be possible for the USA, combined with their own availability of petroleum, to be almost self sufficient in transport fuel. This would have major political implications and would significantly reduce global warming.

Dr Brian Preen has a PhD in Chemical Engineering. He has extensive experience in the production of ethanol from sugar and has consulted in the US on the conversion of cellulosic materials into ethanol.

Review

China's Biofuels Industry

By Ruth Roberts

The rhetoric of the China Communist Party's (CCP) 11th five-year plan, placed heavy emphasis on the need for rural development in China's western regions, as well as increased awareness of the need for environmental protection, in the wake of such rapid economic growth.

"In Beijing alone 1000 cars are added to the roads every day"

China's economy, with an estimated growth rate of 10.5 percent in 2006, according to the Economist Intelligence Unit, has led to an enormous increase in the ownership of private vehicles. In Beijing alone 1000 cars are said to be added to the roads every day. By 2020 the World Bank estimates that China will have 170 million cars on the road. The related increase in demand for fuel and greater levels of pollution, as well as high oil prices, has led China to play a leading role in the production of alternative fuels.

China is the third largest producer of ethanol after Brazil and the United States. The country's bio-ethanol programme was launched in 2000 for three main reasons. Firstly, the use of bio-ethanol is not as environmentally harmful as other fuels; secondly it would reduce dependence on foreign oil and therefore increase China's energy security; and thirdly the programme would be used as part of a strategy to develop China's rural economy. Eight of its provinces have already made E10, a 10 percent ethanol and petrol blend, mandatory at petrol pumps.

The Chinese government heavily subsidises the production of fuel ethanol and has encouraged research and development in this field, introducing legislation in support of the industry. The China Renewable Energy Law came into effect at the beginning of 2006. China aims to increase its use of renewable energy from seven percent of total energy consumption in 2005 to 16 percent by 2020. Deutsche Bank has estimated that demand for ethanol will rise by 20 percent over the next five years.

The National Development and Reform Commission (NDRC) has taken the lead in the development of biofuels in China as the government regulates both the supply and demand of the biofuel market. Production of biofuels in China is around a million metric tonnes, with plans to increase this to 12 million by 2020. By this time the government aims to use biofuels for up to 15 percent of the country's transportation energy.

The rural areas of China have not experienced the same rate of economic growth as the country's major coastal cities. The development of biofuels is being used in part of an effort to stimulate growth in these regions through the development of the agriculture industry. Over 80 percent of ethanol in

China is made from grains including corn, cassava and rice, about 10% is made from sugar, 6% from paper pulp waste residue, while the rest is made from ethylene by a synthetic process.

There are four state-sponsored ethanol plants situated in the provinces of Heilongjiang, Jilin, Henan and Anhui. Sinopec and PetroChina both have stakes in the ethanol plants that jointly produced 1.02 million tonnes of fuel ethanol in 2005. In Jilin, where capacity is being expanded, ethanol production has provided an important means for the province to provide an income for some of its 15 million farmers.

"the production of ethanol has raised concerns about food security"

Many other new plants are planned including at Hebei and Hubei. The construction of a cassava ethanol plant in Nanning, Guangxi by a subsidiary of China National Cereals, Oils & Foodstuffs Corporation (COFCO) has recently begun. The Guangxi region aims to become China's largest non-grain ethanol base over the next five years, eventually with an annual production capacity of one million tonnes. Guangxi has both the right climate and soil for growing cassava, which is cheaper to use than corn or wheat in ethanol production. The region produces about 8 million tonnes of cassava per year, over 60 percent of the country's total. There is also potential for increased domestic growth of the crop as well as imports from Vietnam, Thailand, Cambodia and Nigeria.

In China, it is state-policy that all manufactured fuel ethanol must still be sold to the two state-run petroleum companies, Sinopec and CNPC, who then blend it with the petrol and distribute the blend to petrol stations, the majority of which are state-owned.

The development of the fuel ethanol industry has also caused China to become a major ethanol exporter. Despite exporting almost no ethanol last year, 2006 exports are expected to top 500,000 tonnes or 625 million litres. China's ethanol exports are mostly destined for the United States.

On the downside, the production of ethanol has raised concerns about food security if food crops are used for the production of fuel. The Chinese government has been hesitant to expand ethanol production from food grains. Nevertheless, the country is still likely to face a shortage of grains such as corn and wheat in the future because of rising domestic demand for both food consumption and ethanol production.

Looking forward, while ethanol production holds the promise of rural development in China, as well as reduced levels of pollution this is thus counter-balanced by the projected strain that domestic food security will undergo as a result. This is an issue, the resolution of which will have increasingly significant implications for the Chinese government's domestic policy formulations in the future.

Ruth Roberts is a researcher at the Centre for Chinese Studies.

Business Briefs

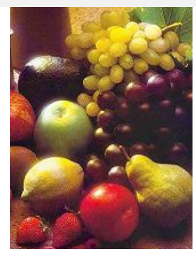
The Business Briefs section summarises key events regarding China's economy during the month of September.

Baosteel leads bigger push to consolidate steel sector As part of Chinese government attempts to close small steel plants, China's largest steelmaker, state-owned Baosteel Group Corp, plans to take over other producers, according to Chairwoman Xie Qihua. The acquisitions are expected to help increase the company's production capacity from 30 million tonnes this year to 50 million tones. Thousands of small steel mills were built during the "Great Leap Forward" in 1958. The government has now ordered producers with blast furnaces smaller than 200 cubic meters to close by the end of 2007. By limiting the number of steelmakers the industry's bargaining power can be increased. China's steelmaking capacity is set to rise 14.4 percent from last year to 374 million tonnes this year. The country became a net steel exporter in the first half of this year from being a net importer a year earlier.

China to increase input in alternative energy projects in next 5 years

According to the Chinese Ministry of Finance, China will increase input to projects developing bio-energy and other alternative energies between 2006 and 2010 to ensure the country's energy security and to guard against the impact of soaring oil prices on economic growth. The ministry said it would allocate more funds for bio-energy, solar and wind energy projects as well as coal-to-liquid fuel projects over the next five years.

China, Chile put free trade agreement into effect China and Chile's free trade agreement, effective 1 October, is expected to eventually exempt 97 percent of all trade goods from import tariffs. It covers 2,834 products imported from Chile, including copper and 5,891 commodities from China, including vegetables, fruits and mechanical and electrical equipment. China is Chile's second largest trading partner.



Vietnam-China Business Forum makes debut The Vietnam-China business forum, was held this year. According to Vietnamese Deputy Prime Minister, Nguyen Sinh Hung it will provide opportunities for enterprises in the two countries to work together. He encouraged enterprises to develop economic and trade relations between the two countries. Chinese Ambassador to Vietnam, Hu Qianwen was positive about trade relations and said Chinese enterprises will invest more in Vietnam when the country joins the World Trade Organization. Representatives from the Vietnamese Ministry of Planning and Investment and the Chinese Committee on Reforms and Development signed a deal on the development of Vietnamese and Chinese small and medium enterprises.

China to give market more control over Yuan Chinese Governor Zhou Xiaochuan announced in an interview with Caijing Magazine published this month that Chinese central bank will increase yuan flexibility by reducing its reliance on a basket of currencies. This measurement will give market more control over exchange rate of yuan. Currently, the yuan can only be bought or sold for foreign trade purposes or to fund approved capital investment projects.

COFCO to buy parent assets On Monday, COFCO International Ltd. released a paper announcing that the company would buy the food and beverage business as well as the agricultural business from its mother company COFCO Ltd. which belongs to China's state-owned China National Cereals, Oils and Foodstuffs Corporation. The bargain would include the takeover of a 100 percent stake in COFCO Beverages Ltd., which owns a 65 percent stake in a beverages joint venture with the Coca Cola Company for production as well as a 100 percent stake in COFCO Shaoxing Winery Co. Ltd. In addition, the statement says that the company would buy 20 percent stake in Shenzhen Nantian Oilmills Co. Ltd., which is involved in oil extraction, soybean meal production and the sale of edible oil.

Business air centre slate for Hongqiao Construction of a business aircraft hub at Hongqiao airport in Shanghai will be completed by the Shanghai Airport Authority and the Australia-based Hawker Pacific Company. The hub will accommodate 6,000 takeoffs and landings every year. The initial phase of construction is expected to be finished by 2008.

ANZ joins rush into China After negotiating since 2004, the Australia and New Zealand Banking Group (ANZ) has announced that the purchase of a 20 per cent stake in China's Shanghai Country Commercial Bank will be finalised by next month. The bank has already bought 20 per cent of China's Tianjin City Commercial Bank in July this year. ANZ joins other banks such as Bank of America and European HSBC in buying into the Chinese banking sector. At the moment, foreign companies are only allowed to hold maximum stakes of 20 per cent in Chinese banks but the Chinese government will open the national banking sector at the end of 2006.

China's growing influence in Cambodia Investments by Chinese citizens has become more significant in Cambodia - especially in agriculture, mining, oil refining, metals production, vehicle manufacturing, garments, hotels and tourism. Sino-Hydropower Corporation launched a $280 million hydropower station this year, the largest foreign investment in the history of Cambodia. China's investment in Cambodia has resulted in projects worth US$ 448 million in 2005.

Australia 'to fill China energy needs' Australian Environment Minister, Ian Campbell was in China to inaugurate amongst others the opening of a $ 300 million wind farm built by the Australian company Roaring Forties.

The joint project has been part of a three-year-old Australia-China Partnership on Climate Change. Campbell hoped that Australia's renewable energy industry will play a crucial role in reducing China's green house gas emissions. This has been met with criticism from Australia's Labour Ministry, which claims the company, had embarked on foreign ventures at the expense of domestic projects. China has a 15% renewable energy target by its new five-year plan compared to Australia's mere 2% target and there has been a call on the Australian government to increase this benchmark from Labor's Environment Spokesman Anthony Albanese.

China's annual silver demand will hit 3000t by 2010 China's Vice Secretary-General of the Chamber of Commerce, Wang Yao says that the country's economic boom means that the domestic demand for silver is also set to increase. This puts pressure on its international commitments as the third largest producer of silver. China has also had to increase its international market export quota from 3,500 to 4,000 tonnes. Three drivers stimulating the consumption of silver are linked to the financial economy, film industry and foreign electronic companies looking to establish their plants in China. Wang says that while the country has made considerable progress in improving its value added output and expanding silver applications, there is scope for improvement with respect to the export quality.

China not to ease control of land use China will tighten control over land use. China's Ministry of Land and Resources released a paper saying that local governments have to restrict the number of upcoming approvals of land use for construction in 2007. The amount of land available for construction should not exceed the level of 2006. The measure aims to ensure land for agriculture and to prevent China's economy from overheating.

Oil importers meet in Beijing demanding bigger say in price of oil Major oil importers, U.S., Japan, North Korea, India and China met this month in Beijing to discuss opportunities for cooperation to stabilize oil prices. The idea of joint action among the five nations, which consume nearly 45.5 percent of the world's 3.77 billion tons of oil, emerged after the OPEC recently agreed to reduce its daily output of oil.

Chinese companies to help Israeli firms penetrate market The Chinese Ministries of Finance and Industry, Trade and Labour have set up a joint project to support Israeli investment in China. Two Chinese companies, IT giant Digital China Co. Ltd and China International Engineering Consulting Corporation (CIECC) will act as agents for Israeli companies entering the Chinese market.

CITIC buys into mining firm China International Trust & Investment Corp (CITIC) has bought a stake in Australian mining company Southern Gold Ltd, to strengthen its presence in Australia's mining business. Southern Gold announced a stock placement of 8.9 million shares in CITIC, and Australian investment firm Talbot Group Holdings to raise US$1.686 million. CITIC has already bought other Australian resources projects including a 22.5 percent interest in the Portland Aluminium

Smelter Joint Venture in Victoria, an 11.62 percent shareholding in Macarthur Coal Ltd and a seven percent direct interest in the Coppabella/Moorvale Coal Joint Venture in Queensland.

ICBC Completes Record IPO as Demand Tops $500 Billion Industrial & Commercial Bank of China Ltd. (ICBC) raised $19.1 billion in the world's biggest initial public offering. China's biggest bank sold 48.39 billion shares for 39.4 cents. The IPO represents 14.8 percent of the company's shares and will value the Beijing-based bank at $129 billion. Insert

COFCO to Invest US$1 Bln in Ethanol China's main fuel ethanol producer, China National Cereals, Oils and Foodstuffs Corporation (COFCO) has said that it will invest over US$ 1 billion in ethanol projects, planning to increase the production capacity to 3 million tons. The company began construction of a cassava ethanol plant in south China's Guangxi Zhuang Autonomous Region this month, which has an annual production capacity of 400,000 tons. It will be one of the world's biggest fuel ethanol plants using cassava root. COFCO is planning to buy and build other ethanol plants that will convert corn and sweet potatoes into bio-fuel. The company owns an ethanol plant in Heilongjiang Province and has a 20 percent stake in a plant in Jilin Province. The plants have a combined annual capacity of 800,000 tons.

Sourced from: The Standard, Xinhua, Vietnam Net Bridge, Asia Times, Reuters, CCTV, Bloomberg, The Australian, Mineweb, Globes Online, Shanghai Daily

China & Africa

The latest updates on Chinese activity on the African continent.

China to grant Sudan US 27 million loan At the beginning of this month an agreement between China and Sudan was inked with Beijing granting Khartoum a US$ 27 million loan to strengthen Sudan's cereal storage and production capacity. This is to decrease the oil-rich country's dependence on foreign assistance.

SA to get Chinese bakkie After a year of negotiations South Africa's Autohaus Göbel has struck a deal with Chinese-based ChangAn Automobile Group to become the first importer and distributor of Chinese bakkies in SA. Geely cars, GWM pickups and SUV's will also be entering the SA market soon as McCarthy Motors has also reached a deal to bring Chinese vehicles into the SA market. At present ChangAn exports vehicles to South Asia, South East Asia, Middle East, South America, the United States and Europe.

Zijin enters SA, buys stake in Ridge Mining China's state-owned Zijn Mining has entered South Africa's platinum industry by agreeing to buy a 20% stake in London-listed Ridge

Mining. Zijn Mining has provided share capital worth R120 million for the construction of the Blue Ridge mining project which is to produce 125,000 ounces annually as from 2008. Ridge Mining CEO, Terence Wilkinson, also hopes for Zijn's expertise with the development of the Sheba's Ridge nickel, copper and platinum-group metals project.

South-South Ties Boost Africa's Development Last month a research paper entitled "Africa's Silk Road: China and India's New Economic Frontier" was issued by the World Bank. It a focused on the increasing trade and investment volumes in Africa, fuelled by two Asian Drivers, China and India. It also made recommendations for further strengthening the growing South-South relationship which has presented an opportunity to integrate the poverty-stricken continent into the global world economy. According to the study African exports destined for Asia have tripled since 1990 to 27 percent of total African exports and Africa's imports from Asia are increasing at 18 percent annually. Furthermore, the report outlines a number of reforms and guidelines to be implemented by the South-South economies to "address asymmetries and obstacles".

Kenya gives six key oil blocks to China As Sino-African relations blossom and China's interest in African oil expands, countries like Kenya are tending to award oil exploration blocs to Chinese companies (CNOOC) to the detriment of potential European competitors. Companies such as Cepsa of Spain and Swedish Lundin International have lodged complaints on this perceived favouritism. CNOOC secured rights to 6 of the 11 exploration blocks and hence owns about 28% of the acreage. As is common practice in the oil business, the Cepsa and Lundin International will have to negotiate with CNOOC.

Largest Chinese Daily Seeks Partnership With This Day The People's Daily, has plans to partner with the Nigerian daily newspaper, This Day. The Nigerian newspaper will establish a mutually beneficial media relationship by exchanging ideas and personnel with China's largest newspaper. This arrangement was proposed during the visit of a Chinese media delegation to Nigeria.

SA, China sign labour agreement South Africa and China have signed an extension to the memorandum of understanding in the labour field agreed to in 2002. According to Minister of Labour, Membathisi Mdladlana, the agreement focuses on human resources development, job creation strategies and cooperation in the International Labour Organisation. South Africa and China face similar challenges in the labour and social security fields. China can share its experiences with South Africa as it has been able to create ten million jobs a year over the past four years, whereas South Africa only creates about 500 000 jobs a year, not high enough to halve unemployment by 2014.

Namibian Official says China's Assistance to Africa needs to focus more on Training and Education Deputy Minister of Trade and Industry, Berharadt Esau, has praised China for been an important ally for Africa through the provision of general developmental assistance, cancellation of debt for some countries and the non-concessional loans which have helped many countries upgrade their economy. However, he pointed out that developmental assistance now needed to be channelled towards training and educational programmes.

Uranium One mulls links with burgeoning Chinese energy industry South African uranium company, Uranium One confirmed reports of possibly eyeing the Chinese uranium market. This interest stemmed from China's nuclear power project which involves targeting countries including Australia, Namibia, Canada and Kazakhstan. Australia is currently the world's second biggest exporter and already signed an agreement with China in April. China's nuclear power generating capacity is 2.3% of its 2020 target of 4%.

SA, China formalise cooperation agreement A "strategic political partnership" agreement has been signed between South Africa's National Assembly and China's National People's Congress during National Assembly Speaker, Baleka Mbete's visit to China. The agreement is to further strengthen and monitor bilateral co-operation in economic, agricultural, technological, judicial and military fields.

China Supports Nigeria's Rural Telephony Initiative With $300 Million Nigeria's National Rural Telephony Programme is ready to start its second phase. This will be handled by three Chinese firms, attracting US $300 million. The project was initiated to provide telecommunications infrastructure and general information and communications technology (ICT) services to rural areas. The three firms are ZTE Corporation, ASB and Huawei Technologies. The first phase of the project was funded through a concessionary loan of US$ 200 million from China and involved connecting about 280 rural communities to a telephone network.

Chinese company restores power network in Luanda, Angola The director of Chinese state company China National Machinery and Equipment Import and Export Corporation (CMEC) has said the project for restoring and expanding the power distribution network in Luanda, Angola, should be concluded by the end of the year. The project began in 2002 and total investment was US$85 million.

China accuses US of double standards The criticism of Chinese oil investments in Africa by the US was unwelcome, Zhang Yuging commented, adding that China had played a positive role in the continent's development. An incidence that may have stirred the criticism was CNOOCs withdrawal from bidding to purchase US producer Unocal. Yuging believed that the US has been against Chinese investments elsewhere. Western governments have traditionally criticised China's lack of transparency and accountability to the trade, investment and aid it offers African countries. China response is based on principle, "non-interference in the domestic affairs of other countries".

China's trade with Africa to hit US$50 bn this year Ahead of the Sino-African summit in Beijing, statistics show that bilateral trade between the two economies is set to hit US$ 50 billion this year. The economies of China and Africa were considered complimentary in many ways. Trade and economic relations have predominantly been based on equality, mutual benefit and common development. More than 800 Chinese companies had set up base in Africa with about US$6 billion worth of investments by 2005. This year marks the 50th anniversary of establishing Sino-African relations.

Ethiopia, China discuss establishment of fertilizer manufacturing The Ethiopian Prime Minister and Chinese business delegation, led by the chairman of China National Complete Plant Import and Export Corporation Limited (Complant), have discussed the establishment of a fertilizer factory in Ethiopia. They discussed development of a coal-based fertilizer manufacturing project to make urea fertilizer. Urea is widely used in the agricultural industry as an animal feed additive and fertilizer.

Absa, Barclays to advise China's Eximbank clients on Africa investment Absa Capital and Barclay's Capital announced that they will advise clients of China's Exim Bank on future investment opportunities in Africa. The delegation met with some of China's largest companies in the energy, resource and infrastructure business. Having the advantage of the necessary expertise and their country's demand for commodities, Chinese corporates are exploring international avenues to compliment their current business strategy.

China defends role in Africa against World Bank President's criticism China reacted to criticism by World Bank President, Paul Wolfowitz that it ignored human rights and environmental standards when lending to Africa. Liu Jianchao from China's Foreign Ministry said trade relations with Africa were based on equality, non interference and mutual advantage and that his comments were

unacceptable. Critics have pointed out that China's ignorance in international labour standards has often resulted in conflict with local African citizens.

Chinese to build $200m copper smelter in Zambia A $200 million smelter at Zambia's Chambeshi Mine with a capacity to produce 150 000 tonnes of finished copper a year will be built by Chinese investors according to a senior official. NFC Africa, a subsidiary of China Nonferrous Metal Mining (Group) Co. Ltd., which has been operating at the mine since 2003 has a production capacity of around 25 000tons to 30 000tons. It is hoped that the Chambeshi smelter will be completed by 2008 and most of the copper will be destined for China to meets its resource needs.

New gear doubles output of Zimbabwe coal giant Zimbabwe's largest coal producer, Hwange Colliery Company (HCC), said that the acquisition of new mining equipment from China and other destinations has enabled it to double production. The company will now be able to meet domestic demand which is estimated at about 320 000 tons a month. Since the arrival of the new equipment, the company has increased coal production in its opencast and underground mines to 10,000 tons and 1,600 tons respectively.

US firms' profits take off in China Since China's accession into the WTO in 2001 it has become easier for foreign companies to invest in the country. Statistics released by the US Bureau of Economic Analysis reveal that corporate profits of US firms in China has surged past the US$ 2 billion mark in the first half of 2006. This is more than a 50% increase for the same time period in 2005.

China to loosen control on RMB gradually According to repeated announcements of the People's Bank of China, Beijing is to gradually reduce controls on the pegged yuan, following a more flexible exchange rate system. Controls are to be loosened at a slow rate to facilitate the creation of new financial tools, including derivatives to assist banks and businesses to hedge risks with the transition to a more flexible yuan. With official foreign exchange reserves of close to US$ 1 trillion, accumulated due to China's trade surplus with both the US and EU, government is concerned that increased investment in both production capacity as well as the property market will increasingly produce bad loans.

South Africa: Talks on Chinese import prove fruitful Cosatu Secretary, General Zwelinzima and Reserve Bank Governor, Tito Mboweni reached a census on the issue of restricting Chinese imports in SA. South Africa will now work towards limiting the import of certain clothing and textile from China effective from November, 2006 and will run over more than a year. In the meantime, a Customised Sector Programme will serve as the plan of action needed to upgrade the South African textile industry and make it more competitive.


invest.coega.com

China to establish an IT industrial park in Mozambique The Deputy-Chairman of the China-Africa Business Council (CABC), Xie Boyang said that China would boost investment in Mozambique and planned to establish an IT industrial park in Mozambique in 2007. He said China would also set up a textile industrial park in Calabar, Nigeria, especially to support Chinese enterprises investing in the country.

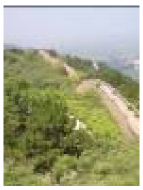
Sourced from: Macauhub, Mining Weekly, AND Network, Market Watch, Mail & Guardian, Xinhua, Bahrain News Agency, Wheels 24, This Day, All Africa, The East African, Sapa, Vanguard, Fibre to Fashion, Business Day, Engineering News Online, Sudan Tribune, Zee News, VOA

The China Forum

Recent Events

CCS China Month

With Chinese National Day celebrated on the 1st October, CCS in collaboration with the Sasol Museum and the Stellenbosch University Department of modern Foreign Languages presented China Month. Throughout the month of October, activities were arranged celebrating China's language and culture:



Photographic Exhibition: "China through South African Eyes" Opened on 4 October, this is an exhibition of photographs taken by Mandarin students whilst in Beijing. Housed at Sasol Museum, Stellenbosch, the exhibition is ran until 27 October.

China Lecture Series CCS presented a guest lecture series running for three weeks, discussing such topics as Chinese language and culture, China's economic reform and China's Contemporary Africa relations. Speakers included Lei Feng, Dept of Modern Foreign Languages, Lucy Corkin and Sanusha Naidu from CCS.

Calligraphy Lesson On 10 October, Mandarin lecturer Amy Yu presented a calligraphy class at Stellenbosch University open to all. It was well-attended and thoroughly enjoyed by the aspiring calligraphers.

CCS at Asian Drivers Conference, Addis Ababa

Dr Martyn Davies, Director of the Centre, and CCS Research Fellow, Sanusha Naidu attended the Asian Drivers Workshop on the Impact of China and India on Sub-Saharan Africa from the 9th-10th October 2006 in Addis Ababa, Ethiopia. The Workshop was hosted by the African Economic Research Consortium (AERC) based in Nairobi, Kenya, and which followed a broader meeting held in July 2006 that brought together a diverse set of academics and policy makers to deliberate the issues, opportunities and challenges posed by the growth of these countries for Sub-Saharan Africa in the areas of international politics and governance, agriculture, manufacturing, mining and infrastructure. The relevance of the Workshop was to debate these topics with a view of developing policy relevant research questions and agree on the most suitable approaches for conducting these studies at the country and regional levels. As part of this contribution, the Centre was mandated to undertake a research paper on the impact of the Asian Drivers within the infrastructure sector in Sub-Saharan Africa. Dr Davies presented the findings from this paper at the October workshop. The paper will be finalised in mid November and thereafter be compiled into a larger report that will be presented as Africa's perspectives on the Impact of Asian Drivers on Africa, Asia, and Latin America at a global meeting to be held later in the year.

CCS at SAIIA Conference

Dr Martyn Davies and Sanusha Naidu attended a two day conference on China in Africa in the 21st Century: Preparing for the Forum on China-Africa Co-operation. Dr Davies made a presentation on China's interests in Africa's Infrastructure Sector and Ms Naidu presented on FOCAC: The View from Africa. The Conference was hosted by the NEPAD Secretariat, the Royal African Society and the South African Institute of International Affairs from the 16th-17th October 2006 in Johannesburg, South Africa. The aim of the conference was to develop a critical dialogue on the substantive issues relating to the forthcoming FOCAC Summit 2006 and included academics from China, Canada, and Hong Kong sharing their knowledge and views on the subject as well as representatives from the diplomatic community and the corporate sector.

CCS at Media24's Instant Noodle Workshop

On 19 - 20 October, Media 24 held a workshop for South African entrepreneurs interested in knowing the business face of China. Projects Director, Lucy Corkin made a presentation on China's economic reform path.

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