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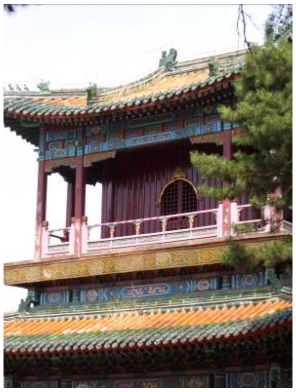
Editorial



Reform of the agricultural sector from the late 1970's into the early 1980's established the basis of China's commercial success. The move away from a collectivist and state-heavy approach to land management and the freeing of the country's agricultural sector unshackled the market and boosted productivity in agriculture.

When Hernando de Soto wrote his book "The Mystery of capital", he could have been referring to Chinese policy making vis-à-vis its land reform policy. China effectively unlocked the value that lay in its land through marketising its usage and giving incentive to private capital. The labour intensive nature of the sector caters for 750 million Chinese peasants, the majority of China's population.

China's reform model faces similar challenges to that of South Africa albeit on a far greater scale – poverty reduction and management of urbanisation. Agriculture is naturally a major component of reducing poverty in both countries.

With free trade negotiations between our two countries pending, China's agricultural sector holds out promise as an export destination for South African agricultural produce. Rather than wilting under the competition in the manufacturing sector, agribusiness could be a win-sector for South Africa in China.

Dr Martyn J. Davies

Director, Centre for Chinese Studies

Policy Watch

Chinese Agricultural Developments

By Dr Ron Sandrey

Since the reform period of around 1978 China's economic development has been a feature of the world scene. With its 1.3 billion people and the second-largest economy in the world (as measured by purchasing power parity), this development, fuelled in part by massive exports of light manufactured goods, is having a major impact upon the dynamics of the global economy. But it is not only the manufacturing sector that has dramatically changed, as the agricultural sector has also undergone transformation. Even though its relative importance has declined, as is almost universally the case for a country during a rapid growth period (and indeed almost an inevitable sign of such growth), it still accounts for some 15 percent of GDP and more than 40 percent of employment.

The Organisation for Economic Co-operation and Development (OECD) has recently reviewed Chinese agriculture along with the same sectors in South Africa and Brazil. The OECD's "Review of Agricultural policies: China" was the feature of a seminar held in Cape Town on 21 April this year where the OECD presented their report and the author of this article spoke on the comprehensive New Zealand economic reforms in agriculture that took place during the mid to late 1980s.

"China's agriculture is dominated by small-scale producers"

Even more so than is the case in South Africa, China's agriculture is dominated by small-scale producers with an average land allocation of just 0.65 hectares per household, and even then the plots are often fragmented and dispersed. While this land is effectively now controlled by the user, there is not yet a fully transferable system of ownership. Production per land unit is, by necessity, high, and again by necessity this production is labour intensive. Both upstream (suppliers) and downstream (processors) are becoming more efficient as the old state planning is giving way to market reforms. A down-side is that the high chemical use and constraints on both land and water resources is pointing to concerns about agricultural sustainability, but meanwhile there has been a spectacular growth in rural incomes (augmented by some limited off-farm income) although the poverty that does still exist in China is almost exclusively rural poverty.

The accession of China into the WTO made a huge difference to the previously high levels of tariff protection to agriculture. As a generalisation, these tariffs were reduced by about one third at the accession date, and up to another third during the implementation period. They are now close to only one third of what they previously were in many instances. The global import profile has changed over the last few years, with increasing imports of land-intensive products such as cereals and oilseeds and increasing exports of labour-intensive products such as fruit and vegetables. The former holds limited opportunities for South Africa, while the latter represents some potential threats to not only current exports from South Africa's agricultural sector but also in the form of increased competition in third markets for fruit in particular.

"During 2005 China imported agricultural goods, as defined by the WTO, to the value of US$ 26,269.84 billion…"

Following on from the previously-referred to OECD Cape Town seminar, the Trade Law Centre for Southern Africa (tralac) has been comparing agricultural reforms in China, South Africa and New Zealand and examining the opportunities for the latter two countries for increased exports to China. During 2005 China imported agricultural goods, as defined by the WTO, to the value of US$ 26,269.84 billion, a value that represented only some 3.98 percent of the total Chinese imports. Of these imports, U$ 637.7 million were from New Zealand, but only US$ 46.9 million were from South Africa; in 1995 agricultural imports were 8.85 percent of total Chinese imports. South Africa's agricultural profile for imports into China in 2005 shows that:

- Waste products for animal feed were the main import, followed by oranges and cane sugar;
- Only two products (oranges and ethyl alcohol) had a market share above 10 percent;
- New Zealand is a competitor in food wastes, oranges, wool, ethyl alcohol and fish oils.

Both quantitative and qualitative analyses and projections of the welfare effects of tariff liberalisation traditionally focus on current flows of trade, but such approaches are unable to estimate where new opportunities might lie. It is conceivable, for instance, for South Africa to have relatively concentrated flows of trade in specific product categories, with one reason for this level of concentration being that the tariff structure outside of those specific product lines is relatively high. In short, as a consequence of these tariffs, trade may have been 'chilled'. An examination of where South Africa exports and China imports suggests areas for future growth in exports from South Africa.

In looking to the future and visualising a Free-Trade Agreement (FTA) between China and the Southern African Customs Union (SACU) or South Africa there appear to be some sectors where South Africa may gain, but these are limited to possibly wool, meat and some other crops, certainly sugar and processed fruits that contain sugar, and other relatively minor sectors. But these are not likely to be major. Conversely

"…there appear to be some sectors where South Africa may gain…"

New Zealand agriculture can expect to gain from an FTA with China; for example, dairy exports to China should increase by a substantial amount, and this is important as dairy exports to China are already large (dairy products were the largest merchandise New Zealand import into China during 2005 at 18 percent of the total).

Dr Ron Sandrey is a Senior Research Fellow at the Trade Law Centre for Southern Africa (tralac)

Commentary

Will South Africa be feeding China?

By Dr Martyn J. Davies

Almost two years ago the Chinese Government granted South Africa formal access to its citrus market. This meant that South African exporters of agricultural citrus produce started to enjoy preferential market access into China's burgeoning food sector. Considering that South Africa and China are presently negotiating a free trade pact, agriculture is a key sector in which South Africa possesses a comparative advantage to supply China.

China's rapid economic development and income growth, its enormous population and increased urban consumer spending are resulting in booming demand for food produce in the country. China's expanding 1.3 billion population is placing great strain on the country's ability to feed itself. Environmental degradation, inefficient production techniques and land and water shortages are compounding the problem. Declining annual harvests since 1998 are also putting pressure on domestic food supply.

China has moved away from the ideological ideal of striving for self-sufficiency in agriculture. Official trade figures show that China experienced its first deficit in agricultural trade over the first half of 2004. Total imports rose by 62.5 percent to US$ 14,35 billion whilst exports amounted to US$ 10.62 billion, up 11 percent year-on-year. Most of China's exports go to the Asian and EU markets.

"…China experienced its first deficit in agricultural trade over the first half of 2004."

The World Bank has forecast that by 2020, China will consume almost 700 million tons of food grain, and 608 million tons of milled grain including 206 million tons of feed grain. China's agricultural sector has been a large recipient of World Bank funding, receiving over 25 percent of the total of the bank's lending to the PRC.

Reform and market opening

Following the initiation of reform measures in 1978, growth in China's agricultural sector has been spectacular. Reforms included allowing farmers to sell above quota produce on the open market, export of produce, the dismantling of government-imposed production quotas and the promotion of internal trade within China. However, the key reform driver was the granting of land leases to farmers, thus creating a sense of "private" ownership.

China's reform agenda from the late 1970's to the mid 1980's initially focused on the agricultural sector, after which emphasis was placed on industry. Agricultural reforms laid the foundation of China's economic reform model thereafter, thus holding out lessons for other developing world economies.

Over the 20 year period following the initiation of reform, agriculture's share in the workforce dropped from almost 75 percent to under 50 percent. It took the US and Japan 50 and 60 years respectively to experience the same rate of employment decline.

The majority of Chinese, however, still live in rural areas and are dependent upon a productive agricultural sector for their livelihood. Approximately 400 million Chinese people still live on less than US$ 1 per day, the World Bank's measure of absolute poverty. China's reform model faces similar challenges to that of South Africa albeit on a far greater scale – poverty reduction and management of urbanisation. Agriculture is naturally a major component of reducing poverty in China.

The PRC government seeks to maintain food security through its strategic grains stocks estimated to be between 260 and 400 million tons at all levels of government i.e. county, provincial and national. The World Bank, however, argues that the current government stocking policies may serve to destabilise domestic prices and is more in favour of a liberal trade regime.

"Agriculture is naturally a major component of reducing poverty in China."

The WTO and trade

This correlates with China's own trade liberalisation agenda through the WTO. Following its entry into the WTO in December 2001, China continues to reduce its tariffs on agricultural imports. The three largest agricultural exporters to China are the US, Canada and Australia. South Africa will face stiff competition from these states to penetrate the Chinese market. However, with reduced tariffs and the pending free-trade pact creating market space, new opportunities are emerging for South African exporters.

In particular, products in which South Africa is well positioned to take advantage of include citrus fruits, beef, fruit juices and wines. The tariff reductions for these products have been reduced dramatically over recent years. For example, citrus fruits from 40 percent in 2001 to 12 percent in 2004; beef from 45 percent (2001) to 12 percent (2004); and wine from 65 percent (2001) to 14 percent (2004). Local quality standards also position South African exporter's vis-à-vis the Chinese market.

"… new opportunities are emerging for South African exporters."

Coinciding with the visit of former PRC President Jiang Zemin to South Africa in May 2000, bilateral agreements with China on phytosanitary co-operation as well as on animal health and quarantine were signed. In 2004 a Memorandum of Understanding was signed in Beijing between the SA Minister of Culture and her Chinese counterpart lifting previously implemented bans, advancing risk analysis and further strengthening the bilateral relations between the two countries. The plenary session also established the first China-South Africa SPS (Sanitary and Phytosanitary Standards) committee.

GM foods

Although the figure is relatively low at between 0.4-0.5 percent of agricultural GDP, China is increasingly allocating resources on research & development for production technologies. Emphasis is being placed on genetically modified (GM) products. There are already over one million Chinese farmers producing GM cotton, corn and soybeans due to cost and productivity factors.

Unlike the Western world, Chinese agricultural researchers and producers are not under the same environmental activist pressures than their American and European counterparts. Emulating Singapore's commercial success from biotechnology research, China is the only developing world country that has the scientific expertise, political will and domestic market to substantially benefit from it.

With free trade negotiations between our two countries pending, China's agricultural sector holds out some promise as an export destination for South African produce. However, our first world competitors are already well positioned in the marketplace. Substantial government effort and private sector marketing investment will be needed to realise the potential for agricultural product exports into China. The free trade pact will certainly serve as an enabler for this business.

Dr Martyn J. Davies is Director of the Centre for Chinese Studies.

Business Briefs

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

China brokers to start trading derivatives abroad Six Chinese futures brokers, including China International Futures Co (Cifco), will soon be broking in derivatives abroad and have set up branches in Hong Kong. This is the first time that Chinese brokers have been allowed to conduct futures business outside China. They plan to broker commodities futures and financial products. Only 31 large Chinese industrial companies and organisations are currently allowed to trade directly in overseas commodity derivatives.

China big 4 banks Aug lending down sharply to about 50 bln yuan According to Forbes, a source has said that China's big four state-owned banks, Bank of China, Industrial and Commercial Bank of China, China Construction Bank and Agricultural Bank of China, reduced new lending in August to around 50 billion yuan. Monthly averages have been closer to 80 billion this year. The big four banks usually account for about half of total new loans but their share has been diminishing, which means it is unclear whether new loan activity has actually slowed. The government is concerned about credit activity, and the central bank has raised interest rates twice.

Wal-Mart to enter Chinese credit-card venture A joint venture between China's Bank of Communications and American Wal-Mart Stores Inc. will see the launch of the company's first credit-card in China, targeted at Chinese consumers. The card will have dual currency compliance and provide consumers with special discounts at Wal-Mart stores in China. China's consumers have started to embrace consumer debt according to the Wall Street Journal and a target of nearly 76 million of the card base is expected according to the urban definition. Although the current card penetration is much lower than the base in Hong Kong, Taiwan and Japan, it is expected that the opening up of 6 branches across Shanghai, Nanjing, Fuzhou will increase the rate.

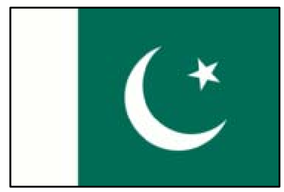
China Merchants IPO soars on Hong Kong market China Merchants Bank, the sixth-largest commercial bank in China, made a strong debut on Hong Kong's stock market this month. The Bank's share price rose 25 percent higher than the initial public offering. It raised US$ 2.4 billion in the second biggest IPO in Hong Kong this year. The Industrial and Commercial Bank of China (ICBC) also plans to issue up to 14.95 billion A-shares and 40.70 billion H-shares under a dual listing in Shanghai and Hong Kong. ICBC will be the third of China's big four banks to list offshore. China Construction Bank and Bank of China have both listed in Hong Kong. China's banking sector is scheduled to open up further to foreign competition by the end of the year under a World Trade Organization timetable for market access.

China to milk dividends from state firms Chinese state-owned firms will pay dividends for the first time in 2007. Director of the State-owned Assets Supervision and Administration Commission, Li Rongrong said these firms have not paid dividends before because of financial problems. The World Bank has argued that Chinese state-owned firms usually reinvest profits inefficiently, leading to greater risks of inflation. There are 166 state companies under the Assets Commission's direct control. Their combined profit rose 16 percent, reaching US$ 44.2 billion in the first half of the year. According to Li the dividends will be used to fund public works projects and support the development of select industries.

China's Inflation Accelerates to 1.3% on Food Prices China's inflation grew last month with higher food, water and electricity prices. According to the National Bureau of Statistics, the consumer price index increased 1.3 percent from a year earlier. The Chinese government cap on fuel prices and utilities, and improvements in production capacity have helped slow inflation in spite of massive economic growth. Inflation will remain below the central bank's 3 percent ceiling this year. Food prices climbed 1.4 percent and other consumer prices rose 1.3 percent in August from a year earlier. Household utility charges including water and electricity jumped 5.6 percent. Because inflation is so low, interest rate hikes are aimed only at cooling overheated economic activity.


en. chinabroadcast.cn

Central Bank keeps an eye on short-term capital movements As China opens up its banking industry to the globe, concerns about capital movements arise. A database monitoring cross border capital flows will be established with a focus on assessing how overseas money influences China's home financing market. This represents tactics employed by the People's Bank of China, according to Vice Governor, Su Ning. Domestic banks were also advised to improve their risk prevention capacities to protect their clients. The central bank on the other hand, will tighten controls on loans in foreign currencies and limit the risks posed by globalisation.



China, Pakistan to soon finalise deals in energy sector According to the China Chamber of Commerce for Petroleum Industry (CCPI), Chinese private companies will soon finalise deals with their Pakistani partners to make investment in the energy sector. The CCPI will send a delegation to Pakistan later this year to finalise their ongoing negotiation. Four potential projects include an oil pipeline linking Gwadar to Xinjiang, and the development of Gwadar Port Energy Zone, where the Chinese could set up an oil refinery with a capacity of 21 million tonnes. The Chinese petroleum industry also indicated an interest in oil and gas exploration projects in Pakistan.

China's Top Offshore Oil Producer Sees Profits Soar China's biggest offshore oil producer, CNOOC and second-largest bank, Bank of China have both reported rocketing profits. CNOOC saw a 38 percent growth in earnings in the first half of the year due to soaring energy prices and higher output. Its production increased by over seven percent compared to a year earlier. CNOOC also acquired a 45 percent stake in a Nigerian oil block and extended its exploration activities to Equatorial Guinea, Australia and Kenya. Higher lending in the booming Chinese economy was the main driver behind Bank of China's 28 percent rise in first-half earnings.

UK and China sign memorandum of understanding on energy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According to the UK's Department of Trade and Industry, the UK government has signed a memorandum of understanding with China to create a UK-China Energy Group, allowing for increased cooperation between the two countries on energy security and renewable power.

China boosts global role with US/Asia energy meet China will host an energy summit in October with government officials from China, India, Japan, South Korea and the United States. The meeting will look at ways to stabilise energy prices among high energy consuming countries. China's role has historically been small in global energy relations but its huge economic growth has forced it to increasingly rely on foreign resources. China has made efforts to reduce local oil demand and promote conservation, but is unwilling to raise energy prices in line with global markets. The country is not part of the 26-member International Energy Agency (IEA), which manages 1.5 billion barrels in government-held oil reserves.

China emerges as ethanol exporter amid high oil China is emerging as one of the three largest ethanol producers alongside Brazil and the USA. The National Development and Reform Commission already estimated production at close to 6 million tonnes by 2020. For this year, industry officials have predicted ethanol exports in excess of 500,000 tonnes with most designated to the USA. Since ethanol is a by-product derived from fermented corn or cassava, Beijing has encouraged its feedstock to find alternative sources to this cassava.

China's trade surplus hits record in Aug Bypassing market expectations of US$ 15 billion China's trade surplus climbed to new highs of US$ 18.8 billion last month, after July's record of US$ 14.6 billion. As the external imbalance expands, further upward pressure is placed on the yuan to revalue and become more flexible. The increasing imbalances have also expanded Beijing's reserves to over US$ 950 billion as July closes posing challenges for the People's Bank of China to restrain money supply growth. Nevertheless, the surge of cash into the domestic financial system has not driven


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inflation rates which remained modest between August last year and 2006, rising at 1.3 percent.

China adjusts export rebates After last month's record trade surplus of US$ 18.8 billion the Chinese government has readjusted export-tax rebates. The new rebates are aimed at controlling the trade surplus as part of a government attempt to cool the overheating economy. The scheme is to discourage exports of commodity goods and low-value-added, high-energy-consuming, resource-intensive and environmentally harmful products, while encouraging exports of high-value-added IT products, pharmaceuticals, biotech goods and heavy equipment. Analysts doubt that there will be a significant effect on slowing China's exports but it may increase the flexibility of the yuan.

Brazil's Petrobras eyes partnerships with Chinese oil firms Brazilian company Petrobras has talked with China's Sinopec, CNOOC and PetroChina about possible partnerships in deepwater oil exploration. Sinopec and Petrobras are already working together in oil concessions in Angola and Nigeria and on building a pipeline in Brazil. Petrobras is Brazil's biggest oil producer, exporting about 300,000 of its 2.4 million barrels per day.

Chinese firms to redevelop copper mine in DPRK A consortium of Chinese companies together with state-owned China Nonferrous Metal Mining Group (NFCG) will restore a mine holding 250,000 tonnes of copper in the Democratic People's Republic of Korea. The copper mine, Hu Shan is situated 10 km from the China-DPRK border and this venture is one of many that is geared towards satisfying China's huge demand for precious metals. The NFCG already has operational mines in Zambia, Mongolia and Kazakhstan.

Bahrain entrepreneurs sign $3m China deal A group of Bahraini entrepreneurs signed trade agreements worth US$ 2.76 million during their visit to China this month. The visit was part of the Sino-Arabian SME's cooperative initiative aimed to encourage South-South cooperation. Also of significance was the first ever Sino-Bahraini Entrepreneurs Forum which was held in Shanghai and managed to attract more than 40 entrepreneurs and representatives of financial institutions and Investment Banks from Bahrain and the Arab region..

China draws foreign firms, Chinese flee Foreign firms are eager to enter the Chinese market to take advantage of its high-speed growth, pouring US$ 60 billion into the country last year. Foreign banks want a piece of the US$ 2 trillion in savings in Chinese banks and hope to get in on the credit card, mortgage and wealth management business. Bank of China, with 600 overseas branches, and Tsingtao Brewery are now also turning attention to the domestic market. Some Chinese companies, on the other hand, are entering international markets due to the intense competition and narrow margins at home. Major deals include Lenovo's acquisition of IBM's computer business and TCL Multimedia and TCL Communication's acquisition of TV and phone businesses in Europe.

Airbus to Expand operations in China With rising demand in China's airline business Europe's Airbus has announced plans to enlarge its operations in China. Over the last few years Chinese airline traffic has been climbing at average annual rates of 15 percent. Presently, Beijing's orders of aircrafts constitute 20 percent of total Airbus production, an equivalent of 219 new planes sold to China in 2005.

China rates well on reform but economic nationalism a worry According to a survey by the European Union (EU) Chamber of Commerce in China, China has made progress towards fulfilling its promises to open up its economy. 71 percent of respondents believe that Beijing is willing to adhere to the World Trade Organization (WTO) calls for free and open markets. The EU business community in China however, is worried about the implications of economic nationalism in the five-year plan beginning this year, on foreign companies in China. This includes the development of local markets and independent innovation, aimed at reducing reliance on external demand, technology and capital over the long term. Beijing has blocked or delayed attempts by foreign companies to gain controlling stakes in major Chinese firms, and has put caps on foreign ownership of local assets.

China's failure to follow WTO rules could hurt U.S. The American Iron Steel Institute has expressed concern over China's non-compliance in conforming to subsidy, overcapacity and currency commitments issues forwarded to the WTO. China's demand for iron ore is having a global impact. This is particularly posing a threat to US steel producers who cannot effectively compete with the Asian giant. Increased US imports has lead to about $3 million worth in manufacturing job losses. US data show that steel imports from China and other economies may reach 46 million tons by the end of this year.

Wen Jiabao highlights government reform Chinese Premier Wen Jiabao has emphasised the importance of reform, calling for hard efforts to build a government, ruled by law, focused on service and bound by duty and efficiency. He referred to innovation in management to implement a scientific concept of development. He said the government should further regularise its powers, work harder against corruption and build a clean government to prevent the abuse of power and increase its credibility.

Russian-Chinese relations on the right track Russia's Minister of Economic Development has expressed satisfaction with the countries trade and economic cooperation initiatives thus far. Trade volumes of the two countries exceeded US$ 29 billion last year and statistics show a similar if not better trend this year. Though the quality of Russian exports, primarily machinery and equipment poses a threat to the trade balance, it is anticipated that this could be overcome with more diligence and focus in areas where Russia has an advantage such as producing equipment for nuclear and conventional energy sectors. Regional and border trade comprised a third of the cross trade in 2004-2006 and currently the most sought after commodities include ferrous metals, pulp and chemicals.

FMs vow to strengthen Sino-US ties Foreign Ministers of the United States and China, Condoleezza Rice and Li Zhaoxing have agreed to strengthen bilateral ties aimed at building a constructive partnership. The two ministers also discussed a number of issues ranging from Iran's nuclear stance, the humanitarian crisis in Sudan's Darfur region to America's affirmation of the "One-China" policy. China also pledged to continue work in LDCs, supporting them and increasing the magnitude of assistance. 172 debts of 36 LDCs have been cancelled and tariff-free treatment has been given to some exports from LDCs who have diplomatic ties with China.

China competes with West in aid to neighbours China is emerging as the "new face" of foreign aid to poor Asian and African countries, embarking on construction projects in the remotest of places. Huge loans are being offered to fund capital projects previously associated with the World Bank or the Asian Development Bank to mention a few. China's loans have no conditionality unlike the traditional donors, and the World Bank sees this as no threat since China's impact is ultimately seen to benefit trade between economies. But criticisms from Western donors include lack of transparency in aid issues and China not been keen to attend World Bank meetings on the coordination of aid in poor regions.

Call for innovation with globalisation The World Economic Forum (WEF) and China Enterprise Confederation held the annual China Business Summit in Beijing this month. A major discussion point at the two-day session was the growing presence of Chinese MNCs in major industries and markets. There were also calls for globalisation and innovation in China's manufacturing sector. Also highlighted was the China's global potential as it develops its skills, brand innovation and intellectual property rights laws. Head of Asian affairs at the WEF, Lee Howell told Xinhua that a slowdown in the US economy could have a knock-on effect on China which sends nearly 40 percent of its exports to the United States. The WEF set up its first office outside Switzerland in Beijing in June this year. It will also start a new annual summit to focus on companies that have the potential to be future multinationals.

China trade summit opens up opportunities This year's EU-China Business summit was held in Helsinki under the theme of boosting innovations in the new era of the two trading blocs with the underlying aim of strengthening economic cooperation. The event was well attended by political and business leaders. It is believed that the EU trade surplus in its food and drink industry of about € 4.5 billion was due to the ongoing cooperation between the blocs. However, strong competition and low margins remained a hindrance to many foreign firms seeking to do business in China. It was hoped that the summit would strive to address solutions to these challenges.

Sourced from: AFX News Limited, Baltimore Times, Bloomberg, China Daily, Deutsche Presse-Agentur, DuluthNewsTribune.com, Forbes.com, Reuters, Russian News and Information Agency, The Financial Express, The Indian Express, Xinhua, Gulf Daily News, Asia Times, Shanghai Daily, Food and Beverage Development

China & Africa

The latest updates on Chinese activity on the African continent.

Chinese trade with Portuguese-speaking countries rises 68% in first half Since the Macau Forum was established 3 years ago to develop and strengthen relations with Portugese-speaking economies, trade statistics show a steady increase. In 2004, trade had increased 66 percent more than in 2003, and in 2005 about 27 percent more trade took place than in 2004. This year marked a substantial development, with 68 percent of trade flows occurring in the first half of the year. By 2009, China wants to double trade volumes with Portuguese-speaking countries in the world. The 11th edition of Macau International Fair in China provided the background for talks in September. China has agreed to extend 800 million yuan in loans to countries including Brazil, Angola, Portugal, Cape Verde, Guinea-Bissau, Mozambique, Sao Tome and Principe, and East Timor.

Bilateral talks between China and Angola During the Macau International Fair bilateral talks between China and Angola took place. As a result, China granted US$ 220,000 to Angola. The Angolan bank, Banco Fomento de Angola (BFA), owned by Portuguese banking group BPI, and the Macau branch of the Bank of China signed two co-operation protocols during the exhibition aimed at financing external commerce and to speed up banking transfer for Chinese immigrants in Angola.

China's need for raw materials guarantees 15 years of revenue for Angola and Brazil According to a Deutsche Bank study, Angola and Brazil are set to benefit the most from

China's growth, with imports of raw materials from both countries expected to rise by 10-20 percent per year over the next 15 years. Average growth of 20 percent per year on Chinese oil, coal and meat imports, and 10 percent on imports of iron ore, copper, manganese and wood is expected. African oil producing countries will benefit from China's increasing need for oil. Angola currently produces some 1.4 million barrels of oil per day, exporting over 500,000 barrels a day to China. China's importation of agricultural products and growing consumption of meat is expected to benefit Brazil.

Sinopec buys from Africa to cut Middle East imports Sinopec, China's largest petroleum refiner and Japan's Nippon Oil Corp. have increased oil imports from Africa and Russia as Asian nations reduce their dependence on OPEC crude to counter supply disruptions. China's main supplier of oil has become Angola, from which it imported 15 million tons of crude between January and July of this year. This amounts to 13 percent more than imported from Saudi Arabia. Japan has also shifted its business away from the Middle East to Russia.

Botswana, China sign accords China and Botswana have extended diplomatic relations by signing a number of economic and social agreements earlier this month, including a concessional loan agreement for the second phase construction of the Letlhakeng-Morwamosu road. According to Botswana's Minister of Foreign Affairs and International Cooperation, Mompati Merafhe, the African country has benefited from China's assistance in terms of human resource development, defence, infrastructure development and agriculture, as well as sports and culture development. A Memorandum of Understanding approving Botswana as a preferred tourist destination was also inked.

China not practicing neo-colonialism in Africa says Cameroonian scholar President of the Media Council of Cameroon, Pierre Essama Essomba has welcomed China's role in Africa citing the vast benefits that accrue to ordinary citizens on the continent. Bilateral trade has resulted in more affordable goods than previously was the case, and the country has benefited from China's investment through the development and refurbishment of infrastructure. Essomba also hoped that the China-Africa cooperation would enable the transfer of the essential technical expertise needed to make Africans more independent.

China's MA60 planes arrive in DRC The Democratic Republic of Congo has secured two MA60 airplanes through a concessional loan from the Chinese government. This makes it the third country to own a MA60 and it would also be the first time such airplanes have flown through the western and central African airspace. The planes will provide capacity for the country's domestic feeder transportation.

Egypt seeks stronger trade ties with China
Egypt is seeking stronger trade and investment ties with China. The two countries have signed a joint economic cooperation protocol aiming to increase Egypt's trade volume with China from US$ 2 billion to US$ 5 billion. Planned joint projects include a Chinese industrial zone in Egypt, and established China's state-owned construction company, CNCEC, to accommodate joint investment in Egypt's textiles, footwear and pharmaceuticals industries. MOUs were also signed facilitating the transfer of Chinese technology and equipment into strategic export sectors in Egypt such as textiles and building materials.

China wins $2.4bn Ethiopia telecoms deal
Earlier this month Ethiopia signed a US$ 2.4 billion agreement with ZTE Corporation, Huawei Technologies and Chinese International Telecommunication Construction Corporation. The three Chinese telecoms companies will assist in upgrading the African country's telecommunication services to expand mobile services, increase fixed telephone services and enlarge its optical fibre network.

China blamed for killing Nigerian economy
Nigerian commerce minister, Aliyu Modibo has criticised Chinese companies accused of faking Nigerian textile designs and products. Modibo said textile manufacturers had complained that a group of Nigerians had

scanned their designs and sent them to their Chinese counterparts, who then copied and sold them at much lower prices. This has had a negative impact on the Nigerian economy.

Nigeria's NNPC doubles crude exports to China's Sinopec NNPC, government-owned Nigerian National Petroleum Corp., has inked a year-long agreement with China's state-owned Sinopec to up crude oil exports to 100,000 bpd from October 2006. NNPC also extended its exports agreement with China's biggest oil producer, China National Petroleum Corp. (CNPC). These deals will increase crude oil exports from the African country to China from 80,000 bpd to 130,000 bpd as Beijing moves out of Middle East oil imports.

China, South Africa pledge to strengthen military ties Increased friendly cooperation between China and South Africa's armed forces, including personnel exchange programmes, will continue according to the Chief of the New South African Defence Force, General Godfrey Ngwenya, who returned from his China visit at the beginning of the month. Solidifying bilateral relations further is in the interest of both countries.

Retailers slam China import limits Retailers have criticised the South African government's proposed restriction on clothing and textile imports from China. They say it will not address the problems of employment and competitiveness in the domestic industry, and high prices will inevitably be passed on to consumers. Retailers have asked for an independent study to be conducted before implementing legislation, to determine the impact on the South African economy. The Department of Trade and Industry delayed the implementation of import quotas until 1 January next year to avoid shortages over the festive season.

China, SA to enhance prosperity, stability of Africa National assembly speaker, Baleka Mbete who is currently in China met with Chinese Premier, Wen Jiabao on issues pertaining to Africa's prosperity and stability. Premier Jiabao highlighted the importance of China-South Africa cooperation in its Africa relations and more generally, towards the overall South-South cooperation. Premier Jiabao already signed a strategic partnership agreement with SA in June and was optimistic that the China-South Africa Binational Commission (BNC) would help strengthen coordination and cooperation between the countries.

Museveni meets Chinese bankers Ugandan President Yoweri Museveni has highlighted the country's energy sector and railways as the most pressing areas for development. This was stated during a meeting with delegates from the China Development Bank which was led by Vice-Governor Gao Jian. The development of a railway network linking Uganda to southern Sudan and another to Dar es Salaam was proposed in the near future. This could further enhance trade relations.

China Flexes Muscles in Africa Chinese investors, mainly in the mining, tourism and construction industry, have postponed investment spending in Zambia, as a result of

Michael Sata's pro-Taiwan stance. This could dawn the four decade-long diplomatic relationship between Beijing and Lusaka to an end if Sata, the opposition candidate of the upcoming election, were to become president. China's investment withdrawal comes at a cost for Zambia, a democracy with half the population unemployed and over 80 percent living under the poverty line.

China firm seeks to produce 8,000T copper in Zambia Sino-Metals Leach Zambia Ltd., a joint venture of China Nonferrous Metals Mining Co. Ltd., Sino-Africa Mining Investments Ltd., NFC Africa Mining Plc, and China Hainan Construction Company Ltd., has plans to produce 8,000 tons of copper annually at its US$ 15 million plant in Chambishi, Zambia. NFC Africa, a subsidiary of China Non-Ferrous Metals, owns Chambishi mine, which supplies copper oxide ore used in the production of copper cathode. Since July 140 tonnes of copper cathode have been produced and full production is to commence in 2007.

Zimbabwe obtains $490m loan This month Zimbabwe secured a much-needed US$ 490 million loan to boost agricultural production. China has provided US$ 200 million of this loan for agricultural support as Zimbabwean farmers have suffered from a lack of agricultural inputs, capital and expertise as well as a much needed foreign exchange and fuel. This has boosted the Sino-Zimbabwean relationship further. Earlier this year Zimbabwe signed a construction deal with China to provide chrome in return for three thermal power stations.

Chinese, African trade union leaders meet on stepping up cooperation Heads of 26 trade unions from 17 African nations assembled at a seminar in Beijing this month to discuss trade union cooperation and economic globalisation. China is committed to further boost ties with African trade unions and anticipates that the seminar will have educated trade union leaders on China and its trade unions. China has relations with over 400 trade unions of more than 150 countries.

China, Africa bond over trade Chinese businesses are taking charge of Africa's vast opportunities by investing widely in infrastructure and industry, areas that previously appealed to the US and other Western interests and now offer China the gap it needs to accelerate trade relations. With low labour costs in their favour Chinese companies are pouring capital into Africa's most economical areas mainly geared towards projects in construction and refinery. However, 2004 World Bank statistics cite 450 Chinese investment projects in Africa with the majority in manufacturing and services.

China, 48 African countries meet to pave way for Beijing Summit Preparing the Forum on China Africa Cooperation (FOCAC) for beginning of November in Beijing, China and 48 African countries met for two days. Officials from Africa and China addressed various issues in order to identify discrepancies. The Chinese Foreign Ministry released a statement saying that the consultations reached consensus on many topics.

Sourced from: macauhub, Botswana Press Agency, Mining Weekly, AND Network, Market Watch, Reuters, CNSNews.com, Mail & Guardian, Xinhua, Bloomberg, Angola Press Agency, People's Daily Online, Kansas City.com, The New Vision

The China Forum

Recent Events

Delegation from CICIR

On Friday, 21 September, CCS received a delegation from the Institute of African and Asian Studies, based in Beijing, China. The Institute is one of several bodies that form the China Institutes of Contemporary International Relations (CICIR). Scholars Li Rong (Deputy Director) and Zeng Qiang enjoyed a lively discussion concerning China-Africa relations with CCS scholars laying the foundation for further co-operation between the two centres of learning.

Delegation from CCCWS

On Thursday, 28 September, CCS received a delegation from the China Centre for Contemporary World Studies (CCCWS), a research institute based in Beijing, China. CCS Scholars and professors from Stellenbosch University's Political Science Department engaged with the delegates on a range of issues, giving rise to a fruitful discussion on Sino-African trade relations.

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