Two decades of mutual support

SA's largest trading partner and valuable source of both foreign investment and tourists

This year marks the 20th anniversary of diplomatic ties between SA and China, during which time the two countries have established a number of comprehensive strategic partnerships and platforms for co-operation.

These include the Forum on China–Africa Co-operation (Focac), the emerging market economic hub consisting of Brazil, Russia, India and China (Brics), the Belt & Road Initiative and South-South co-operation as well as numerous trade and bilateral agreements.

As a result, China has become SA's largest trading partner and a valuable source of both foreign investment and tourists.

According to Lin Songtian, China's ambassador to SA, bilateral trade between the two countries was more than US$39bn in 2017, up from US$30bn in 1998 in the first year of diplomatic ties.

China and SA complement each other with their respective strengths, says Lin: China with its comparative strengths in capital, technology, markets, enterprises and a successful development track record and SA with its rich resources, infrastructure network, well-regulated market, perfect location and sound legal system.

He says China has a long-term perspective on its relationship with SA and is willing to deepen and expand co-operation with the country in 10 priority areas including manufacturing and processing; agriculture; tourism; marine economy; digital economy; the development of industrial parks; infrastructure; human resources; scientific research & innovation; and finance. He says China is committed to further expanding two-way trade and investment and that by working together, the two countries will ensure that their strategic partnership is productive and beneficial for both.

China's influence on Africa

China's economic influence on the African continent has been growing steadily in recent years with increased capital and trade encouraged by the US$60bn that China pledged to African development projects in December 2015. Executives in Africa regard China as the most important country for their organisations' overall growth prospects during 2018, according to PwC's 21st CEO Survey (2018).

The Chinese government's "Going Out" policy encourages Chinese enterprises to invest and expand overseas in an attempt to secure export-led growth and increase the country's presence on the global stage. According to PwC strategy manager & economist Christie Viljoen, the Chinese government has introduced several structures to assist domestic companies in developing a global strategy to exploit opportunities in expanding local and international markets together with the China Council for the Promotion of International Trade (CCPIT). This strategy has turned China into one of the world's largest exporters of foreign direct investment, accounting for nearly 10% of global flows.

The One Belt One Road (Obor) initiative - also known as the 21st-century Maritime Silk Road and the Silk Road Economic Belt – could, according to the SA-China Economy & Trade Association, create up to 1m additional jobs in SA. Obor, as says Viljoen, is the unprecedented global engagement initiative announced by the Chinese government in 2013 to deepen investment, infrastructure and trade ties across Asia, Europe and Africa.

While Beijing has not committed to a time scale, if fully realised, the network is set to pass through more than 65 countries and regions, with a population of about 4.8bn, constituting a third of the global economy.

In a February 2016 report, PwC predicted that in the following 10 years, the initiative would mobilise up to US$1 trillion of outbound state financing from the Chinese government.

In terms of trade, the bulk of Africa's exports to China continue to be commodity-based products representing China's producer growth model but has failed to take into account its growing consumer model. Calls have been made for African countries to diversify their exports to China to a greater extent. Mining investments constitute around a third of China's direct foreign investment into Africa.

Despite the tendency to portray Africa as passive in its relationship with China, the truth is that it is up to African entities themselves to maximise the benefits of the engagement, says Dr Ross Anthony, director of the Centre for Chi-