China in North Africa: Oil & Diplomacy in the Maghreb Region

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Editorial

Although geographically part of the African continent, the Maghreb region has historically fostered closer political, economic and cultural ties with southern European and Middle Eastern states; indeed, as far as diplomatic relations between the Maghreb and sub-Saharan Africa is concerned, ties have tended to be partial and ambivalent. In recent years there have been some shifts, shaped by the broader politics around the African Union and narrower concerns of individual regimes – both north and south of the Sahara - to assume leadership positions in African multilateral fora.

Against this background, it is an interesting observation that China’s relations with the Maghreb have also seen some significant recent changes and that the Asian giant’s engagements with the region show significant divergence from its ties with the rest of the continent. For one, although there is a lengthy history of ties between China and the Maghreb, this has not necessarily translated into very close economic ties. Trade between China and the five states of the Maghreb (Algeria, Libya, Mauritania, Morocco and Tunisia) has grown at a slower pace than the rest of Sino-African trade, although it is now starting to pick up. Second, China’s focus on the oil sector in Africa, so strongly evident in the country’s engagement with sub-Saharan African states, has not been mirrored to the same extent in North Africa – although steadily, too, this is changing.

Instead, China follows a more variegated approach to North African countries, seeking to balance resource-driven interests with political considerations. This issue of The China Monitor explores some of the major drivers of China-North Africa relations. In a first piece an analysis is made of China’s interests in and interactions with Morocco, Algeria and Tunisia. In a second, Gys Hough, junior research analyst at the Centre for Chinese Studies at Stellenbosch University investigates the nature and implications of China’s ties with Libya.

North Africa’s geographical proximity to Europe has led to well established and extensive economic engagements with European Union member states. Yet China is emerging as an increasingly important player in the North African region, fostering ever-closer trade and strategic ties.

Professor Scarlett Cornelissen
Interim Director, Centre for Chinese Studies
Commentary

China’s Relations with North Africa

By Khalid Hilal
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Introduction

North African countries’ foreign relations are bound by geography and sustained economic interests. With their proximity to Europe, they perceive the European Union as the strategic partner that is most likely to help them develop their economies and export markets. Since the independence Morocco and Tunisia in 1956 and Algeria in 1962, and despite occasional periods of tension between Algeria and France, these countries remained part of the sphere of influence of France. Their economies are structurally linked to European markets through oil and gas (for Algeria), tourism, and agricultural products and textiles (for Morocco and Tunisia). Yet, with the increasingly influential role of China in world affairs, these countries have attempted in different ways to benefit from China’s growth.

China-North African Relations

Morocco

Since November 1958 when Morocco and China established diplomatic relations, the ties between them have experienced remarkable stability. In part, this is due to the support the two countries have shown to two diplomatically charged issues – that of Tibet and Sahara. Because of the salience of these issues to both countries, their positions served as the ground for solid relations. The two countries have set a formal framework for regular consultations. On 13 April 2010, for example, Beijing hosted the fifth session of the political consultations between the two countries, where the respective leaders stated their intention to further promote bilateral relations.¹ The visit by King Mohammed VI to Beijing in 2002 and China’s Premier Zhu Rongji to Morocco in the same year, attest to the solid political relations between the two countries. However, it is at the economic level that relations between the two countries experienced sustained growth, particularly since the late 1990s. Many commissions were established to boost economic exchange. The two countries have ‘established a mixed committee on economic, trade, and technology issues… They even signed an agreement to hold regular political consultations.’² Trade focuses on phosphates, fisheries, technology, medical care and culture.³
China has also been involved in large infrastructure projects in Morocco such as highways. The volume of trade between Morocco and China reached US$1.86 billion in the first nine months of 2009. Yet, this trade is heavily skewed in the favour of China. China has, in fact, promised to reduce the trade deficit by encouraging Chinese companies to import Moroccan products.

At the political level, China is an important partner to Morocco especially as it wields veto power at the UN Security Council (UNSC). As Morocco is pushing towards a political settlement of the decades-long conflict over the Western Sahara, China may play a crucial role if the UNSC were to vote on a resolution. Moreover, Morocco can benefit from China’s economic experiences in agriculture and industrial development.

**Algeria**

Relations between China and Algeria have been shaped by similar nationalist experiences following their respective wars of independence. The relations predate the independence of Algeria in 1962. The Chinese government ‘recognized the Algerian interim government in 1958. Algeria reciprocated by helping China to obtain its seat in the UN. Algeria has been a strong supporter of China's policy on Taiwan from the beginning.’

Over the past fifty years, many leaders from both countries made mutual visits to underscore the strength of relations between these two countries. In 2004, ‘President Hu Jintao visited Algeria… the two countries decided to enter a strategic partnership and strengthen cooperation in all fields.’ Moreover, Algeria has always supported China’s national integrity by declaring that Taiwan is part of China. In the economic sphere, the two countries have seen their trade grow extensively, especially during the last decade. Underpinning this is China’s need for stable supplies of oil and gas. Since 2002, most major Chinese oil companies have invested significantly in the Algerian oil industry:

Other areas of economic cooperation are infrastructure construction, telecommunications, and the training of personnel. The volume of trade between the two countries reached $5.6 billion in 2009. The trade balance is expected to be more in favour of Algeria once the oil exploration turns into exploitation.

In the current era, Algeria sees China as an influential power that can supply technology and execute projects at a lower cost than European countries. In fact, Chinese companies are building huge housing units in Algiers. China is also a source of cheaper consumer goods that are destined to the less affluent segments of the Algerian population.
Tunisia

Unlike Algeria and Morocco, the relations between China and Tunisia were marked by tensions in the 1960s as Tunisia was a proponent of a two-China policy to solve the China UN seat dilemma. Recently, Tunisia supported a one-China policy. With the increasing importance of economic issues in China, the relations between the two countries improved and the two countries agreed to ‘periodic political consultations’ in 1996. 9 In 2002, President Jiang Zemin visited Tunisia and signed agreements focused on the economy, technology, maritime issues, civil air transport, taxation, and culture. Chinese companies are also involved in infrastructure construction, agriculture, and light industry.

Tunisia is the North African country that is still waiting to see its relations with China grow. Trade between the two countries remains very limited compared to Morocco or Algeria. Save some infrastructure and textile investment, the economic cooperation remains very limited. Following the same pattern as Morocco and Algeria, Tunisia sees its long-term interests with the European Union. Tunisia has received much investment from Italy, France and Spain. Its economy is directly linked to Europe, as Tunisia is an important tourist destination for Europeans.

China’s interest in and posture vis-à-vis North Africa

With its ever-growing economy, China has found itself, within a very short time, compelled to develop new markets for its domestic industries as well as to secure steady supplies of raw materials. Currently, China enjoys solid political relations with each of the North African countries. Yet its North African agenda appears to be rather driven by economic interests. In this respect, China’s relations with North Africa are to be seen within the larger context of China’s international relations. Over the past 20 years, China’s influence in Africa has grown exponentially, especially in resource-rich countries. In Sudan, for example, China is heavily involved in the oil industry. In Guinea, China has significant investment in the bauxite mines. In all, the volume of trade between China and Africa has reached $106 billion in 2008.10 With such growing presence, it has become imperative for China to develop relations with African countries that have the potential to serve as future hubs for Chinese companies; North African countries offer such opportunity.

Combined, North African countries represent a sizeable market of about 75 to 80 million people, with significant growth margins, especially for lower-priced consumer goods and high tech equipment. In the city of Casablanca, Morocco, a growing Chinese merchant community has been instrumental in boosting trade between China and Morocco. In an interview with the Chinese News Agency, Xinhua, Chinese Ambassador to Morocco Gong Yuanxing, stated, ‘Chinese-made
equipment is widely used in Morocco’s communication networks. Chinese brand name cars are selling well and Chinese commodities for daily use are available in many Moroccan supermarkets.”

The same applies to Algeria and Tunisia. It is, however, at the level of large infrastructure projects and oil investment - in the case of Algeria - that China sees significant growth potential. In infrastructure projects, whether in Morocco, Algeria and to a lesser degree in Tunisia, Chinese companies have the opportunity to develop their comparative advantage as they compete against world class construction companies such as the French conglomerate Bouygues. Bidding and ultimately undertaking large infrastructure projects will allow Chinese companies to develop solid international expertise and to improve their capabilities. In addition, in the case of Algeria, with the growing importance of natural gas as a cleaner source of energy, China is attempting to set foot in this highly competitive field. It is also trying to secure direct access to the Algerian gas without having to resort to the international markets. From a Chinese perspective, the stable supply of energy is of strategic importance.

Overall, China is trying to reap the benefits of an increasingly integrated world economy. Through its companies, the Asian power is positioning itself to benefit from the Free Trade Agreement (FTA) Morocco has signed with the European Union. A country such Morocco, with its low wages, proximity to Europe, and reliable transportation links to major EU markets, offers ample opportunity for Chinese companies to develop production lines there and to export to the EU.

**Concluding remarks**

While the three North African countries are still closely linked to the EU, they have been building solid, interest-based relations with China. This allows them to maintain open channels with the Asian giant. In addition, one should not overlook the role the United States has come to play in North Africa especially after the September 11 terrorist attacks. In fact, the growing threat of terrorism in the Sahel made North African countries an important ally in confronting such a threat. The EU is more likely to remain the main economic and political partner of the North African countries. However, these countries are eager to develop new markets for their products. To this end, the sheer volume of the Chinese market may offer significant growth opportunities. Politically, relations are expected to improve as China’s political clout in the world grows.
End Notes

1 Morocco, China Set to Further Promote Bilateral Relations, Maghreb Arab Press, 15 April 2010 http://www.map.ma/eng/sections/politics/morocco_china_set_t/view


5 Shinn, D. H. Op Cit.

6 Ibid.

7 Ibid


Policy Watch

Libya, China & Oil – Why large supply and demand do not necessarily seal the deal

By Gys Hough, Centre for Chinese Studies, Stellenbosch University

Introduction
Chinese trade and diplomatic relations with African countries have been distinguished by China’s resources-centric approach. In recent years China has shown an aptitude for brokering deals that supply African countries with the much needed finances for infrastructural projects while China in turn gains the commodities it needs to fuel its economic growth. In 2009 China imported 4.1 million barrels of oil a day. Although China is also an oil producing country, it cannot meet its own demand and it is therefore a net importer. Within sub-Saharan Africa this arrangement has led to widespread Chinese economic participation in resource-rich African countries such as South Africa, Angola and Nigeria.

Within Africa, Libyan oil reserves are only comparable to that of Nigeria, Angola and Algeria with these three holding 29%, 11% and 10% of proven African oil reserves respectively. From the top producers of crude oil in 2007 in Libya which included Italy’s E.N.I. Oil, Arabian Gulf, Libya’s Waha and Germany’s Wintershall no Chinese companies featured in the top 10 list. Indeed China has been conspicuously absent from the Libyan oil industry. There has however been almost US$2 billion worth of infrastructural investment in the railway sector in 2008-2009. This is somewhat of an anomaly within Chinese-African relations given that Libya has 35% of African oil reserves and 3.5% of the world’s proven reserves.

The spatial proximity to the European market will partially explain a pro-European bias in Libya’s oil trade and production. On the other hand the debacle with China surrounding the purchase of Verenex, a Canadian oil company with interests in Libya, suggests a budding Sino-Libyan relationship in the oil sector. During the recent bidding process China National Petroleum Corporation offered a per share amount that valued Verenex at US$470 million. The Libyan authorities blocked this bid and bought Verenex at a price per share that valued the company at only US$299 million. What reasons explain Libya’s apparent frugality vis-à-vis China?
The Importance of Oil for Libya

Libya’s oil reserves are of major importance for the north African country. Before oil was exploited in the 1950s Libya was one of the world’s poorest countries. Oil steadily replaced the agrarian economy and today represents 90% of Libyan fiscal revenue and 99% of its export earnings. In 2007 it was estimated that the mining and quarrying sector, which includes oil and gas, made up 66% of GDP. The second biggest sector, government, defence and mandatory social insurance represents seven percent, while real-estate, renting and other business activities represent 6%. With its 55th position, Libya has the highest UN Human Development Index ranking of all African countries.

At current rates of production Libya would also have oil reserves for the next 64 years while Nigeria’s reserves are supposed to last for the next 45 years. Libyan oil production in 2008 (1846 thousand barrels/day) was less than Nigeria’s (2170 thousand barrels/day), Algeria’s (1993 thousand barrels/day) and comparable to Angola’s (1875 thousand barrels/day). This means, ceteris parabus, that within the next 45 years Libya will be the only country in Africa with oil reserves - and 20 years worth of reserves at that. Apart from its role as Libya’s sole economic driver Libyan oil will, in future, also be used as a source for political leverage as reserves elsewhere run dry or become more expensive to extract. Another plausible scenario would be for Libya to manipulate the supply of energy to rope neighbouring countries into a satellite state relationship that parallels Russia’s relationship with ex-USSR countries.

Recently, the Libyan National Oil Company’s director, Shokri Ghanem, has stated that steps will be taken to improve oil trading relationships with China. This happened after tensions rose between the US and Libya following the warm welcome home to Libya received by convicted Lockerbie bomber, Abdel Baset al-Megrahi. The rhetoric surrounding the would-be preferential treatment of China is therefore more a rebuke of the US, reinforcing the notion that Libya tries to convert its reserves into international political influence, than evidence of deepening oil trade ties between Libya and China.

Diplomatic Relations with China

In a November 2009 interview, Musa Kusa, the Libyan foreign minister and former head of Libyan foreign intelligence, levelled criticism at China’s refusal to interact with Africa by means of the African Union (AU). China refused to let AU delegates participate in the latest round of The Forum of China-Africa Co-operation (FOCAC) in Egypt in 2009. This reluctance to acknowledge the AU, of which President Qaddafi was the chairman, was viewed by Libyan officials as a way of undermining African unity through only working with individual countries. This goes against...
President Qaddafi’s approach to African relations, believing that an united Africa will be a stabilising factor.  

In a 2007 address to the students of Oxford University, President Qaddafi stated that he foresaw a struggle between the major powers (the US and China) over Africa. Given the US hard power approach towards Africa, the Chinese are bound to enjoy more favour than the US due to their use of a soft-power based approach and refusal to interfere politically. With reference to African resources, the following statement by President Qaddafi is insightful:

“We all seek a deterrent against the harsh approach of American penetration. This makes us take China’s side. However, China must know that we are aware that it could turn into an imperialist power. If it wishes to settle in Africa or to plunder Africa’s resources at a low price and sell its manufactured products at an exorbitant one, it will turn into a colonial power”.  

Conclusion

Trading in oil with Libya is a complex issue due to the fact that Libya relies on oil not only for economic growth but also for political influence. This means that brokering a successful deal within the oil sector requires more than a financial agreement seeing that Libya also wants support for its political goals. China also happens to have its own set of political goals within Africa and until some form of compromised is reached between the two one can be assured that Chino-Libya trade will not go any further than the present infrastructural investments.

End Notes


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Business Briefs

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

Beijing hones its U.S. investment strategy

Although the Chino-US exchange rate squabble has been averted, the Chinese acquisition of US economic assets is set to become a new dynamic in Sino-US economic relations. Chinese acquisition of US assets include a relatively obscure theatre as well as big stakes in US companies such as Johnson & Johnson, Coca-Cola and the acquisition of Volvo from Ford. In addition to this local US governments are competing for Chinese investment. A recent acquisition in Los Angeles even prompted the presence of the Californian governor. Chinese investment in the US is said to be between the US$3.9 billion and US$6.4 billion mark.

China Bank reserve-ratio rise may prove insufficient

Shortly the mandatory reserve ratio for banks in China will hike to 16.5% for the larger institutions and 14.5% for the smaller ones. This is the third increase in reserve ratios in China this year. As previously reported Beijing is making a concerted effort to stave off a bubble in the Chinese real estate market with higher reserve ratios and other regulations that aim to thwart attempts at speculation. Brian Jackson, an economic strategist, feels that the ratio hikes, that will remove US$40 billion from the Chinese economy, might not be enough to keep price pressures down.

China celebrates opening of World Expo in Shanghai

Recently China and especially Shanghai celebrated the start of the World Expo. The six month long event that has been called the “economic Olympics” by Chinese officials will play host to an estimated 70 million guests and it is hoped that the expo will also serve as a means to broaden understanding between the world and China and China and the world. The French president Nicolas Sarkozy and the South Korean President Lee Myung-bak also attended the festivities.

China’s Xinhua to launch English-language station

China has launched a global English news television channel. This channel is said to be part of countering the domination of Western news media as well as serving as a means to broadcast the Chinese point of view on events. The service is called China Network Corporation (CNC) and will be available in diverse media outlets such as the internet, cable/satellite television and cell phones. CNC is regarded as a means by which the Chinese interpretation of media events will gain space within Western media.

China stripped of Olympic medal

Dong Fangxiao China have been stripped of their women's gymnastics team bronze medal from the Sydney 2000 Olympics after one of the athletes falsified her age, the International Olympic Committee said. An International Gymnastics Federation probe had found in February 2010 that Dong Fangxiao was younger than the minimum age requirement of 16 at Sydney and the Beijing Games eight years later. Dong registered a January 20, 1983 birth date in Sydney, but when accredited to act as an official in the vault at the 2008 Beijing Games, she declared her birth date as January 23, 1986.

China may let Yuan rise by 2011

The head of the American Chamber of Commerce in China said the country may allow its currency to appreciate against the dollar during the second half of this year. Murck said he believed the Chinese government would allow the yuan to rise in part because of domestic reasons. A higher value for the Yuan would ease inflationary pressures in China and serve the economic interests of Chinese consumers and importers of raw materials.

China’s carmakers court Japanese engineers to boost exports

Chinese vehicle makers, seeking to become successful exporters, are importing engineers from Japan. Anhui Jianghuai Automobile Co. and Changan Automobile Group Co. aim to poach the talent nurtured by Japan’s top automakers. Making lower-polluting cars is key to meeting a government goal of boosting exports of vehicles and parts to US$85 billion by 2015 and the equivalent of 10% of the global auto trade by 2020.
Corn rises in Chicago on speculation China may increase imports Corn climbed in Chicago on speculation that China, the world’s second-largest consumer of the grain, may boost imports. The grain has climbed since an April 28 report from the U.S. Department of Agriculture that China bought 115,000 metric tons of corn from U.S. exporters, the biggest reported transaction since 2001. “The U.S. markets continue to find some support from the Chinese imports, notably in corn,” according to French farm adviser Agritel.

North Korean leader on rare visit to China North Korea’s reclusive leader Kim Jong-Il arrived in China, officials said, at a time of tension over the sinking of a South Korean warship and his communist regime’s nuclear ambitions. Some analysts said the rare trip to North Korea’s sole major ally could reinvigorate stalled six-nation talks on dismantling Kim’s atomic programme. But mystery over the warship’s destruction clouds any hopes for early dialogue.

Crude oil little changed as China rate raise may dampen demand Crude oil pared gains after rising to a three-week high on concern that China’s third increase of bank reserve ratios will slow demand growth in the world’s second-biggest energy consumer, while the dollar rose against the euro. Oil was little changed after China left benchmark interest rates and the Yuan’s peg to the dollar unchanged as it seeks to contain inflation.

Two China rights lawyers slapped with lifetime ban Tang Jitian and Liu Wei have been informed that they have been banned by Chinese authorities to practice law for the rest of their lives. Although the Beijing municipal bureau have stated that Jitian and Wei have “disobeyed court personnel and disrupted order in the courtroom” the context of the ban sheds light on Chinese lawyers increasing assertiveness and their relationship with Chinese authorities. The two lawyers were taped and interrupted and were ordered to leave the courtroom during a trial of a Chinese spiritual movement. Videotaping during court procedures is illegal by Chinese law. Jitian and Wei are not the only lawyers who have fallen out of favour with Chinese authorities – over the past year 50 Beijing-based lawyers’ licenses were not renewed and a legal non-profit was also shut down.

China boosts oil imports by 29% China, the world’s second-biggest energy consumer, increased March crude oil imports by 29 from a year earlier and remained a net importer of fuel as the country’s economic recovery drove demand. Crude imports 4.98 million barrels a day, preliminary data released by the General Administration of Customs showed. Net imports were 20.8 million tons, second only to December’s record 20.9 million tons.

US Commission names 13 nations for violating religious freedoms A new report from the U.S. commission on International Human Religious Human Freedoms has implicated 13 countries as committing severe violations of religious freedoms. The commission has said that its mandate is to investigate areas around the world where religious freedoms are being obstructed. The 13 areas are Burma, China, Eritrea, Iran, North Korea, Saudi Arabia, Sudan, Uzbekistan, Iraq, Nigeria, Pakistan, Turkmenistan and Vietnam.

China hopes for accord on securing nuclear material China is hoping the international community would arrive at a consensus on the protection of nuclear material and facilities, and stave off likely threats from nuclear terrorism, during next week's nuclear security summit in Washington, a senior official said recently. "President Hu Jintao will give a speech at the summit he will analyze the global nuclear security situation and put forward China's proposals on strengthening international cooperation in this area to meet challenges," Vice-Foreign Minister Cui Tiankai said. During the Nuclear Non-Proliferation and Nuclear Disarmament Summit last year, President Hu had urged participants to eliminate the threat of nuclear war.
China to build strategic reserve for rare earth metals

China will launch a pilot strategic reserve for rare-earth metals in Baotou, Inner Mongolia, as part of a government plan to manage valuable mineral resources. An official from the Ministry of Land and Resources (MLR) told media at a recent conference that the major rare-earth producer, Inner Mongolia Baotou Steel Rare-Earth Group Hi-Tech Co. will build 10 storage facilities for rare-earth oxides in Baotou, China's major rare-earth production area.

Chinese government adds US$29.3 million Yuan for quake relief

The Chinese government has allocated another US$29.3 million Yuan to quake relief in the northwest Qinghai Province. The funds will reportedly support relief efforts, including resettlement, subsidy on daily necessities, medical care, epidemic prevention, re-opening of schools, and infrastructure repairs.

China Mobile seeking acquisitions in emerging markets

Chairman Wang Jianzhou said. China Mobile is searching for investments and acquisitions to revive profit growth after posting earnings that missed analysts’ estimates. The Beijing-based company this year agreed to buy a 20% stake in Shanghai Pudong Development Bank Co.

China boosts holdings of US Treasury debt by 2 pct

For the first time in semester China has invested in US treasury bonds. The value of China’s investment in US treasury bonds has risen by 2% and at present it is valued at US$895.2 billion. US treasury bonds are in demand again due to concern over Greece’s debt as well as a rebound in the US economy. If it were not for the rising interest in US treasury bonds the US faced the very real danger of repaying its debt at a higher interest rate.

China Mobile wins approval for Taiwan subsidiary

China’s biggest mobile phone network operator won approval to set up a subsidiary in Taiwan, a first for a Chinese telecommunications company. China Mobile will not be able to use the subsidiary to invest in Taiwan's telecommunications sector just yet. The Taiwan government still forbids such investments. China Mobile's new subsidiary, Zong, was originally intended as the Taiwanese subsidiary through which China Mobile could buy a 12% stake in Far EasTone Telecommunications, one of Taiwan's largest mobile service providers.

China Longyuan to spend US$13 billion to lead wind power league

The China Longyuan Power Group Corp. is planning to spend US$13 billion in the next five years on development of wind power infrastructure that will generate at least 16,000 megawatt in China and abroad. The company has raised US$2.2 billion in the third biggest initial public offering of an alternative energy company to date and will be looking at opportunities in South Africa, the US, Australia and Europe. These developments form part of the Chinese attempt to wean itself of coal as a means of energy generation.

China to provide US$180 million aid to Pakistan

China will grant US$180 million aid to Pakistan for enhancing the capacity of its law enforcement agency. Interior Minister Rehman A. Malik Friday held a meeting with his Chinese counterpart Meng Chiang in Chinese capital. In addition, Beijing also offered training facilities for Pakistani LEAs personnel and funding for police equipment.

OPEC increases 2010 oil demand forecast on outlook for China

The Organization of Petroleum Exporting Countries raised estimates for global oil demand in 2010 on optimistic outlook for economic growth in China. OPEC, responsible for about 40% of the world's oil, boosted its forecast for worldwide crude consumption this year by 180,000 barrels a day.

China and Africa
The latest updates on China's involvement on the African continent.

China joins contest to fund second port in Lamu Kenya has inched closer to building the multi-million dollar Lamu port after China said it was willing to finance the project that Japan is also hoping to land. This follows bilateral talks between President Kibaki and his Chinese counterpart Hu Jintao recently in which China agreed to give Kenya an US$15.5 million grant—the bulk of which will go to setting up a second port at Lamu and a road and road corridor from the Coast to Isiolo.

China overtakes US to become biggest purchaser of Angolan diamonds Due to the world financial crisis China has overtaken the US as the largest importer of Angolan diamonds. The diamond industry in Angola took a beating during the recession with the main Catoca Mine, the fourth largest in the world, producing only US$430 million. Even though Catoca is said to be in an exploratory phase with the other two Angolan diamond deposits this represents less than five carat’s worth of diamonds in 2008 prices.

Go China, Museveni tells EAC technocrats President Museveni urged civil servants in the East African Community to stop thinking small if they want to transform the renewed trading bloc into a developed region. President Museveni said if the officials want the EAC region to develop, they should look to fast developing and developed countries like China and Malaysia. “They are real performers in the world,” he said.

Somali pirates hijack China-bound oil tanker Somali pirates recently hijacked the Russia-owned oil tanker MV Moscow University bound for China 560 kilometres off the coast of Yemen with 23 Russian crew and crude oil worth US$52 million on board. Maritime experts said the tanker had deadweight of 106,474 tonnes and a Russian shipping source said the vessel had begun its journey from Sudan with a cargo of 86,000 tonnes of oil.

South Africa sees investment worth US$16 billion by 2013 South Africa has targeted some of the world's fastest growing economies, such as China, to reach a minimum target of US$15.49 billion in foreign investment projects by 2013, Trade and Industry Minister Rob Davies said shortly. “Targeted potential sources of FDI (foreign direct investment) will include China, India, Russia, Brazil Japan, the USA and Middle East,” Davies said in his budget vote speech to parliament.

University of Ghana takes delivery of Chinese books for Chinese course The Chinese Embassy in Ghana on Thursday donated about 600 books to the University of Ghana towards the introduction and study of Chinese language in the country. The books, which cover various aspects of ancient and modern China, range from philosophy, history, politics, economy, culture and arts, religion, sports, medicine, geography and tourism.

Africa should learn from China on agricultural development African countries should learn from China's experience in improving agricultural productivity, the president of the Alliance for a Green Revolution in Africa said.

If African countries could increase agricultural productivity by applying enhanced technology, such as improved seeds and fertilizer and better water management, they might be able to solve the problem of food insecurity.

China offers Zambia US$1 billion for power project The China Development Bank recently offered to provide US$1 billion for a planned hydroelectric station in Zambia and proposed a Chinese company to develop the project. Jiang Chaoliang, president of the state-owned CBD, said Beijing-based Sinohydro Corporation, which has expressed interest in developing the US$1.5 billion Kafue Gorge Lower power station, could bring valuable experience to the project.

China plans exhibition centre to increase Africa imports The Chinese Ministry of Commerce has announced that it will establish an African Products Exhibition Centre in Yiwu city in Zhejiang Province. Although Yiwu is not so well known as Beijing or Shanghai it does play host to Yiwu International Trade City – the world’s largest marketplace for small commodities. The exhibition centre will showcase African products to the Chinese market and other international markets. China-Africa trade was worth US$91 billion in 2009 and by the end of 2012 China will have no tariffs on 95% of the goods from the least developed African countries that have established diplomatic relations with China.
China's investment reaches US $9.9 Billion The Government of the People's Republic of China has revealed that its investment in Liberia has reached a total of US$ 9.9 billion. The Vice Minister of Commerce of China, Mr. FU Zijing, made the disclosure during the signing ceremonies of six agreements between the Government of Liberia and China, which took place at the Ministry of Foreign Affairs recently. The six agreements are: Economic and Technical Cooperation between the Governments of the People's Republic of China and the Government of Liberia; exchange of letter-zero tariff treatment with import of 60% of commodities originated from Liberia to China shall be totally exempted; exchange of letters-Technical; Cooperation Project with the Liberia Broadcasting System.

South Africa undertles need to build new Africa-China strategic relationship During the recent World Economic Forum on Africa held in Dar es Salaam, Tanzania the South African Minister of trade and Industry, Rob Davies, emphasized the strategic linkage between Africa and China. According to research cited by Davies Africa’s growth path tracks that of China. This is said to be due to Chinese demand as well as buoyant commodity prices. On the other hand China’s growth is also partly dependent on Africa’s ability to deliver commodities. This has caused an away-shift in China-Africa relations from mere contractual agreements to a more robust strategic partnership. This has prompted Davies to state that Africa must “set the agenda more energetically” and “grow beyond suppliers of dirt out of the ground that goes somewhere else to be processed.”

Standard Bank has number of large financing deals in Africa In response to the debt crisis in Greece, Standard Bank Group Ltd. has several large financing deals planned in Africa in conjunction with Industrial and Commercial Bank of China Ltd. These deals are said have been made to increase the lender’s capital base. Tanzania is an example where Standard Bank is focused on becoming one of the three biggest lenders in the country.

China vows to cement traditional friendship with Namibia This year marks the 20th anniversary of Sino-Namibian diplomatic ties. Namibia is one of Africa’s youngest countries and established diplomatic relations with China the day after independence. A visit to Namibia from He Yong, the deputy secretary of the Communist Party of China (CPC)’s Central Commission for Discipline Inspection, coincides with this anniversary. Yong stated that China seeks to further bilateral ties to the benefit of both countries during a meeting with Pendukeni Iivula Ithana the secretary-general of SWAPO.

Congo says it won’t approve Zijin, China fund’s bid for Platmin China’s Zijin Mining Group Co. and the Chinese CAD fund are bidding to buy Platmin Congo. This would give the company access to two copper-cobalt projects and to other assets. According to the Congolese minister of mining, Alexis Mikandji Penge, the bid will not be successful as it does not apply to Congolese regulations. Despite holding 4% of global copper reserves and being the world’s largest producer of cobalt and industrial diamonds, and Africa’s largest producer of tin ore, Congo is also rated 182nd of 183rd on the World Bank’s 2010 Doing Business guide.

China defends activities in Africa China’s vice commerce minister pushed back against Western criticism of China’s activities in Africa, describing Chinese investment as “more market-driven” and defending Beijing’s stance on recent flare-ups. Economic activity in Africa has surged in recent years, with Beijing becoming an important investor, creditor and donor for many African nations.

China’s demands keep South Africa mines booming According to Statistics South Africa production within the South African mining sector has grown for the third month in a row in March 2010. Robust demand from China has been cited as the main reason for the highest growth rate since 2004. Although gold, copper and building materials are in a slump the growth was driven by diamonds, manganese and nickel.

South Africa opens pavilion at Shanghai Expo Maite Nkoana-Mashabane, the South African Minister of International Relations and Co-operation, has invited the world to the South African stand at the World expo in Shanghai, China. The World Expo is estimated to have cost US$59 billion. The theme of the South African stand is the Rise of a Modern Economy. The South African ambassador to China, Ncumisa Ntshinga, placed emphasis on the role of South Africa as a springboard for Chinese companies into the rest of Africa.

China, South Africa in US$217 million cement deal South African and Chinese companies recently announced plans to build a US$217 million plant in South Africa, in one of China’s biggest investments in the country. The new plant will be developed with Women Investment Portfolio Holdings Limited (Wiphold), a black women-owned company, and South African limestone mining company Continental Limited (Wiphold), a black women-owned company, and
Cement. The Chinese partners are Jidong Development Group and the China-Africa Development Fund, which together will hold a 51% stake.

**China Development to offer US$5 billion Zambia loans**  China Development Bank Corp, the nation’s largest state-owned policy bank, will provide US$5 billion of loans to companies involved in Zambia’s mining sector under an agreement signed between the two countries. China Development Bank’s President Jiang Chaoliang said the lender was keen to help Zambia improve its hydro-electric power industry and provide financing to small and medium-sized enterprises.

**China supports Mozambique in rice production**  Due to Chinese research that is being done in the Gaza province of Mozambique farmers can look forward to rice crop yields of 10 tons instead of the usual 1.2 tons per hectare. This research has been going on for the past two years and results on a variety of Chinese rice have yielded promising results. Although the experiment has only taken place in an area of 35 hectares the experiment is going to be extended to other areas of Mozambique in the following year. Chinese officials are negotiating with officials from Mozambique to allow production that will cater for the whole of Mozabiques domestic market. At present Mozambique imports 315000 tons of rice annually.

**China to lend Zambia mining firms US$5 billion – report**  The Zambian president, Rupiah Banda, has announced that China will provide a loan to private mining firms in Zambia to the value of US$5 billion. This loan is especially important for Zambia as the country’s economy is dependent on copper mining.

**FirstRand, China Construction Bank complete deals**  FirstRand Limited, South Africa’s second biggest lender with more than US$7.5 billion at its disposal, has completed its first transaction with China Construction Bank Corp – the world’s third largest lender in term of market value. FirstRand has already done business with China Construction Bank Corp in Zambia and South Africa and is looking at possible opportunities in Angola and Tanzania. The interaction between the two banking companies has fallen within the financing of projects in the mining, infrastructure, manufacturing and engineering.

**Export Zones to boost Africa’s manufacturing industry**  Export processing zones have spread rapidly across Africa. The logic behind EPZs is to attract export-oriented manufacturing investment to boost economies.

EPZs, although they create controversy in certain circles, have been highly successful in Asia, central and Latin American countries.

**Kenya calls for more Chinese investors**  The Kenyan government intends to partner with financial institutions from China to promote infrastructural projects to spur economic growth. Prime Minister Raila Odinga said the government was looking forward to Chinese investors financing the construction of major infrastructural projects in communications, energy and their support of small and medium-sized enterprise (SMEs) programmes.


The deal was signed between the state-owned Nigerian National Petroleum Corporation (NNPC) and its Chinese counterpart China State Construction Engineering Corporation Limited for the construction of oil refineries in three strategic centres in Nigeria including Lagos and in the Niger Delta.

**Chinese & South African presidents discuss bilateral ties**  Recently, Hu Jintao, the Chinese President met with, South African President Jacob Zuma regarding the development of further co-operation between the two countries. These talks occurred alongside the recent BRIC and IBSA discussion in Brasilia, Brazil. China’s trade relations with South Africa have significantly expanded since the two countries forged diplomatic ties, and trade has grown tenfold to the 2009 record of US$16 billion. This makes China South Africa’s largest trading partner.

**Sinopec Shareholders okay plan to buy parent’s Africa oil assets**  China Petroleum & Chemical Corp. (SNP), or Sinopec, recently said its shareholders approved its plan to buy a 55% stake in Sonangol Sinopec International Ltd. from its parent, its first acquisition of overseas upstream assets. Sinopec said in March it agreed to buy the stake in Sonangol Sinopec International Ltd. from China Petrochemical Corp. for US$2.46 billion. Sonangol Sinopec International owns a 50% interest in Angola Block 18, a deep-water oil asset in Angola. Block 18 is divided into east and west zones, with an average water depth of 1,500 metres.

The China Forum - Recent Events

FirstRand Group Leadership Communication Forum – 12 May 2010
Research Analyst at the Centre for Chinese Studies, Sanne Mars-van der Lugt, gave a presentation at the quarterly Leadership Communication Forum hosted by FirstRand bank in Johannesburg where she discussed the importance of strong personal relationships in doing business with Chinese business persons and companies.

Visiting Scholar speaks at China Forum – 13 May 2010
Visiting scholar of the Centre for Chinese Studies, Professor Lilliana Avendaño Miranda of the University of Veracruzana in Mexico, recently presented a CCS China Forum seminar at Stellenbosch University. The Forum was held as a roundtable discussion, in which Professor Avendaño Miranda presented a talk titled: “Main Drivers of Chinese Outward Foreign Direct Investment in sub-Saharan Africa and Latin America.”

Sudanese Ambassador visit to CCS and China Forum- 18 May 2010
On Tuesday, 18 May 2010, His Excellency Dr. Ali Yousif Ahmed Alsharif, Ambassador of Sudan to South Africa, visited Stellenbosch University as guest of the Centre for Chinese Studies (CCS). He gave a seminar on Sino-Sudanese relations as part of the China Forum run by the CCS. The talk covered a wide range of topics including the history of Sino-Sudanese relations, the various stages of this dynamic relationship and current salient issues. The Ambassador spoke candidly about the strategic partnership between China and Sudan, addressing matters such as resource extraction, the North-South conflict, the implementation of the Comprehensive Peace Agreement, and Darfur. The seminar was attended by a diverse group of people including academics, investment bankers, businessmen from the ICT sector and those in the media industry. The seminar provoked much attention around the Stellenbosch campus and produced some hard hitting questions from those who attended the seminar. Dr Alsharif served as the Sudanese Ambassador to China from 1993-1998. Later he served for several years as Ambassador to the European Union in Brussels. He took up his post in South Africa at the end of 2009.

The Charm of Wuhan City” Photo exhibition – 19 May 2010
Research assistant, Elizabeth Schickerling, attended “The Charm of Wuhan City” Photo exhibition held at the Civic Centre in Cape Town, on 19 May 2010. The event was hosted by the Consul General of China in Cape Town, Mr. Hao Guangfeng and special guest Vice Mayor of Wuhan People’s Municipal Government, Mrs. Liu Shunnni. The photo exhibition showcased some of beautiful sights to be seen in the province of Wuhan. The event was attended by delegates from the Eastern Cape in South Africa as well as from the City of Cape Town.

Visit and presentation by Jesse Ovadia – 20 May 2010
Jesse Salah Ovadia - PhD Candidate (Political Science) at York University recently gave a presentation to the Centre for Chinese studies that relates to his current research: Development, Transformation and New Imperialism in the Gulf of Guinea: Case Studies of Nigeria and Angola.
The China Forum - Recent Events

Professor Deborah Bräutigam visit to CCS and China Forum - 26 May 2010
On Wednesday, 26th May 2010, the Centre for Chinese Studies at Stellenbosch University hosted Professor Deborah Bräutigam, Associate Professor of International Development at American University in Washington, DC. Professor Bräutigam presented on her recent publication, *The Dragon's Gift: The Real Story of China in Africa*, and discussed issues related to this topical and controversial field. Her seminar assessed the scope of Chinese activities in African countries and focussed on why this engagement has a chance of working better for Africa's development than decades of efforts from the West.