

SOUTH AFRICA AND CHINA: A STRATEGIC PARTNERSHIP?

Garth Shelton

The world can truly achieve peace, stability and prosperity only if developed countries and developing countries enjoy common development.

Hu Jintao¹

Our countries and peoples are united by a common resolve to build a better life for themselves. We are at one in the commitment to ensure that we build that better life in conditions of freedom and peace. We are committed also to contribute what we can to ensure a more equitable international political and economic order which addresses the just aspirations of the billions of people who belong to the developing countries of our common universe.

Thabo Mbeki²

China's relationship with South Africa is longstanding and complex, reflecting the politics of the Cold War and apartheid as well as the more contemporary activism emerging out of Beijing. The debate over

1 Quoted in B. Gilley, 'The year China started to climb', *Far East Asian Economic Review*, 168, 8 (2005), p.33.

2 President Thabo Mbeki, 'State Banquet in Honour of President Jiang Zemin', 25 April 2000, Office of the Presidency, at <http://www.gov.za>.

diplomatic recognition of China, a legacy of the apartheid government's close ties with Taiwan that were surprisingly enough carried over into the post-1994 democratic period, has been one facet of relations. Another is the compelling growth of economic ties and, once formal diplomatic links were restored, close political co-operation between Pretoria and Beijing over a variety of international issues. This convergence of views has raised the matter of closer economic co-operation in the form of a proposed Free Trade Agreement, which has been the subject of intense discussion within South Africa in recent years. This remarkable trajectory over the last decade, culminating in a declaration of a 'strategic partnership' between China and South Africa, will be reviewed and analyzed in this chapter.

The Taiwan question and diplomatic relations

Diplomatic relations between Taiwan (the Republic of China, or ROC) and South Africa were initially established at the consular level in 1962 and upgraded to ambassadorial level in 1976. The relationship was based largely on a common interest in anti-communism and a desire to counter their common international pariah status. Following the establishment of formal relations, ROC-South African links across a range of areas grew steadily. Trade and investment showed a substantial increase, while defence contacts led to a large number of South African military personnel undertaking specialist training courses in the ROC.³ Over 10,000 Taiwanese businesspeople migrated to South Africa to invest in factories providing a solid economic foundation for diplomatic links. Taiwan ignored international sanctions against South Africa, favouring instead increased trade and political interaction at the highest level. Despite good relations with Taipei, South Africa also sought to establish contacts with the People's Republic of China (PRC) during the 1980s. In 1989 the South African government conveyed an official message to Beijing, via Liang Zhaoli, the president of the Chinese Association of South Africa, requesting the establishment of formal diplomatic relations.⁴

3 See Deon Geldenhuys *et al.*, *The Taiwan Experience: Implications for South Africa* (Pretoria: University of Pretoria, 1995).

4 Qian Qichen, *Ten Episodes in China's Diplomacy* (New York: HarperCollins,

Concerned over a possible recognition switch following the 1994 elections, Taipei made a very substantial contribution (an estimated US\$25 million) to the African National Congress' (ANC) election campaign. Most observers believe this contribution was crucial for the ANC victory in 1994. Moreover, with ROC investment of \$1.56 billion which provided 40,000 jobs, bilateral trade totalling \$1.77 billion and dozens of joint projects whether in progress or promised, Taipei was confident that diplomatic relations would continue for some time to come. The new ANC government chose to delay an immediate switch in diplomatic recognition, given the well-established relationship with Taipei and the financial support provided by the Taiwanese authorities. At the same time, in official interactions, the Chinese authorities repeatedly pointed out that China had long been a supporter of South Africa's liberation struggle, regarding the fight for justice as its own in solidarity with the people of South Africa.

In its communiqué with Beijing establishing diplomatic ties, the South African government stated that 'The government of the PRC is the sole legal government representing the whole of China', and added that Pretoria 'recognises China's position that Taiwan is an inalienable part of China.' Taipei lobbied unsuccessfully for South Africa to make use of the word 'acknowledges' rather than 'recognises' in describing the PRC's claim to represent all China, but to no avail. The status of the ROC embassy was downgraded to that of the 'Taipei Liaison Office in the RSA [Republic of South Africa]', with branch offices maintained in Cape Town, Durban and Johannesburg. However, the new 'Office' continued to perform the same functions as before, retained the same staff and operated from the same premises. Formal diplomatic relations between China and South Africa were established on 1 January 1998, opening a new chapter in Sino-African relations and bringing South Africa in line with African diplomacy.⁵

2005), p. 204.

5 Garth Le Pere, 'Sino-African Synergy Matures', *The Star*, 6 May 1999. See also SAIIA Research Group (ed.), *South Africa and the Two Chinas Dilemma* (Johannesburg: South African Institute of International Affairs and the Foundation for Global Dialogue, 1995) and Deon Geldenhuys, 'The Politics of South Africa's China Switch', *Issues and Studies*, 33, 7 (1997), pp. 93-131.

The political framework of cooperation

In April 2000, President Jiang Zemin paid a state visit to South Africa where he signed the 'Pretoria Declaration' with his counterpart Thabo Mbeki. The 'Pretoria Declaration on the Partnership Between the People's Republic of China and the Republic of South Africa' commits both countries to a 'spirit of partnership and constructive dialogue' while uniting in the 'moral imperative for developing countries to strengthen capacity for co-operation and mutual support in the international system.'⁶ The most important outcome of the agreement was the establishment of a Bi-National Commission (BNC), which would meet regularly to guide and coordinate all government-to-government relations between China and South Africa, while providing an effective forum for consultation on matters of mutual interest in bilateral and multilateral affairs.⁷ In addition, the Pretoria Declaration committed China and South Africa to a 'constructive dialogue', a concerted effort to expand economic links and a joint initiative to advance peace, security and development on the African continent.⁸

Besides the Pretoria Declaration, China and South Africa signed six agreements covering police co-operation, maritime transport, prevention of the spread of deadly pathogens, animal health and quarantine, arts and culture, and avoidance of double taxation. However, the emphasis of public statements from Jiang Zemin and Thabo Mbeki at the time was on the need for both countries, along with the developing world, to work together to ensure benefits from globalization. China and South Africa confirmed a commitment to oppose the negative affects of globalization and also to oppose global dominance by a single country. President Mbeki stressed South Africa's desire to 'deepen existing relations' and to 'extend relations

6 Quoted in Garth Shelton, 'China's Africa Policy and South Africa: Building New Economic Partnerships', *SA Yearbook of International Affairs 2000/01* (Johannesburg: South African Institute of International Affairs, 2001), p. 389.

7 P. Wadula, 'South Africa, China Set Up Binational Body', *Business Day*, 26 April 2000.

8 See D. Monyae, 'Bridge to Beijing', *The Sowetan*, 11 December 2001.

to broader areas of co-operation'.⁹ He also emphasized the need for South Africa and other developing countries to seek closer co-operation in international affairs with the objective of restructuring the global economic architecture. In response, Jiang pointed out that the constant expansion and deepening of Sino-South African relations fulfilled the 'long-term fundamental interests' of both countries, while supporting and advancing 'peace and global development'.

Jiang suggested that South Africa's status as a regional power and a key international actor elevated the importance of the Beijing-Pretoria dialogue and government-to-government co-operation. A long-term, stable, friendly co-operative relationship was thus the objective of Jiang's vision for Sino-South African relations.¹⁰ Moreover, as Jiang intimated, 'hegemony and power politics threaten world peace and security,' which made it more important for South Africa as a leading African nation and China as a leading Asian nation to strengthen contact and collaboration. Both Pretoria and Beijing confirmed a belief that the two countries strongly complemented each other in many fields, thus providing an excellent opportunity for long-term cooperation and political interaction. Mbeki alluded to the history of Sino-African relations, suggesting that Africa's struggle against colonialism received consistent and enthusiastic support from China. Moreover, the post-independence era witnessed strong PRC involvement in African reconstruction and economic development programmes. Given China's constructive relationship with many African countries, Mbeki voiced support for South Africa's full participation in the FOCAC process, which he predicted would play a leading role in helping African countries overcome socio-economic problems.

Jiang's visit to South Africa also set the scene for Sino-South African co-operation and policy synchronization on the issue of advancing the establishment of a new international economic order. He pointed out that the accelerated pace of economic globalization benefited developed countries far more than developing, which face

9 Quoted in Zhong Fei, 'President Jiang's Visit to South Africa', *Chinafrica* 113, 20 May 2000, p. 5.

10 See S. Chetty, 'Forging Afro-Sino Ties', *The Sowetan*, 29 September 2000.

increasing risks and challenges. The continuously, ever more rapidly widening gap between rich and poor nations, along with increasing tensions and conflict between North and South, threatened economic development and sustained growth in the countries of the South. In this context, both China and South Africa found themselves on the wrong side of the 'digital divide' with declining prospects for bridging the North-South division.¹¹

Both Jiang and Mbeki concluded that the Bretton Woods system, along with quickening globalization, required developing countries such as China and South Africa to work together in a joint programme to reform the existing economic architecture, aiming at a new, just and rational economic order. Developed countries were urged to shoulder more responsibilities, reduce developing world debt, fulfil aid promises and provide appropriate assistance to promote economic development in African and other developing countries. The developing countries in turn, and especially Africa within Mbeki's vision of African Renaissance, should strengthen solidarity, demand new global trade rules at the World Trade Organization (WTO) and unite in defending legitimate rights and economic interests.

The BNC was officially launched during President Mbeki's state visit to Beijing in December 2001. A range of discussions were held at ministerial and senior official level involving the ministries of foreign affairs, economics and trade, public security, judiciary, science and technology, energy and tourism.¹² The initial BNC meeting led to the establishment of four sectoral committees on foreign affairs, economy and trade, science and technology and national defence. A number of other government departments from both countries subsequently established direct channels of communication and also maintain a regular and constructive dialogue.¹³ The BNC provides a solid framework for the further development and enhancement of bilateral China-South Africa relations. Moreover, the BNC agenda has been complemented and strengthened by a frequent exchange of high level

11 Zhong Fei, 'President Jiang's Visit to South Africa', op. cit.

12 'China-South Africa Bilateral Commission Launched', *People's Daily*, at

13 'Bi-National Commission Important for China-South Africa Co-operation', *People's Daily*, at

visits between the two countries. Mbeki's visit to Beijing focused on expanding relations to include scientific and nuclear research, while the Department of Foreign Affairs confirmed that South Africa was looking to the PRC 'both as a market and an investor.'

The foundation of China-South Africa relations is the 'Pretoria Declaration', concluded on 25 April 2002, which provides the framework for a broad strategic partnership between Pretoria and Beijing. Grounded on China's five principles of Sino-African relations—friendship, equality and sovereignty, common development and mutual benefit, consultation on international issues and co-operation in advancing a new international political and economic order—the Pretoria declaration commits both countries to carry on a partnership and constructive dialogue; advance the full spectrum of relations for mutual benefit; establish a Bi-National Commission to give full expression to the relationship; expand economic co-operation in the context of South-South co-operation; co-operate in supporting Africa's and the G-77's agenda; and advance a new global order based on justice and equality.¹⁴

At the close of the 2004 China-South Africa BNC meeting in Pretoria, Deputy President Jacob Zuma confirmed both country's satisfaction with regard to broadening interaction in trade, culture, education, science and technology and co-operation on international issues. The specific areas of co-operation noted by Zuma included an agreement on China's offer to provide human resource development; formal recognition of China's market economy status; an agreement on South African exports of agricultural products to China; an undertaking to begin negotiations on an FTA; a range of business-to-business agreements including chambers of commerce; a letter of intent by Sasol to go ahead with investments in China; and an agreement to co-operate in strengthening South-South co-operation in the context of WTO negotiations.¹⁵

14 'Pretoria Declaration on the Partnership Between the People's Republic of China and the Republic of South Africa', at <http://www.fmprc.gov.cn/eng>.

15 Deputy President Jacob Zuma, 'Closing Remarks on the Occasion of the China-South Africa BNC', Pretoria, 29 June 2004, at <http://www.info.gov.za/speeches/2004>.

In June 2006, President Mbeki and the Chinese Premier Wen Jiabao signed an agreement to help protect the South African textile industry from the ongoing influx of low-cost Chinese textiles. In agreeing to this, Beijing signalled its willingness to assist a fellow country of the South to soften the impact of globalization. The agreement provided a breathing space for the recovery of South Africa's textile industry, giving local manufacturers an excellent opportunity to modernize and restructure manufacturing processes. In addition to Beijing's major concession on textiles, China and South Africa signed an additional 13 agreements including co-operation in agriculture, minerals and energy, technical co-operation, investment and trade promotion, customs co-operation and nuclear non-proliferation.¹⁶ The range of agreements concluded and the broad synthesis of international perspectives provided further impetus to the China-South Africa strategic partnership.¹⁷

Economic relations and a FTA?

During the early 1990s direct trade relations between China and South Africa were initiated, and within a relatively short period of time two-way trade began to increase significantly.¹⁸ The volume of bilateral trade in 1991 was only US\$14 million, but within six years it totalled over US\$1.5 billion. The establishment of formal diplomatic links in 1998 provided a further boost to commercial interaction, with two-way trade levels reaching over US\$2 billion in 2002. South Africa's exports to China have consisted mainly of raw materials such as nickel, manganese, zirconium, vanadium oxides, chromium ores, granite, platinum and gold. China's exports to South Africa have included mainly manufactured products, such as footwear, textiles, plastic products, electrical appliances, tableware and kitchenware.¹⁹

16 B. Webb, 'Deputy President Cautious on Trade Deals with China', *The Star*, 23 June 2006.

17 See J. Katzenellenbogen, 'China, SA Join Forces on Nuclear Technology', *Business Day*, 24 June 2006.

18 See Garth Shelton, 'China and Africa: Building an Economic Partnership', *South African Journal of International Affairs*, 8, 2 (Winter 2001), pp. 111-19.

19 Embassy of the People's Republic of China in South Africa, 'China-South

In addition to healthy growth in trade, bilateral investment has increased significantly. By 2006, Chinese companies had invested \$180 million in over 80 projects involving agriculture, textiles, electronics, mining, banking, transport and communications. Initial Chinese investment plans outlined in 1997 pointed to an investment injection of over \$300 million, but this has not materialized. However, given poor investment conditions in South Africa, such as high crime levels, low productivity and lack of labour flexibility, securing FDI from any source remains a major challenge. Chinese investments in South Africa include a \$75 million deal with the Limpopo Province Development Corporation to establish ASA Minerals, based on chrome mining. The Chinese steel maker Jisco is also involved in a chrome investment in North West Province. Shanghai Industrial and First Auto Works have made investments in manufacturing plants, while Hisense and Shanghai Guangdian Co. are involved in South Africa's electronics market. In the telecommunications field, Huawei Technologies and ZTE Corporation are active.

South Africa, in turn, has invested over \$400 million in over 200 projects in China. Key South African corporate investors in China include SABMiller, the MIH Group and Landpac. Beginning in 1994, SABMiller invested in China through a joint venture partnership with the China Resources Enterprises (CRE) Group, to establish China Resources Breweries (CRB). CRB has seen rapid growth over the last ten years, becoming the second largest brewing business in China by volume, as well as one of the most profitable beer businesses in China. SABMiller's strategy has been to enter into joint venture partnerships with local brewers in different parts of the country and thereby strengthen its position in what is expected to become the world's biggest beer market.²⁰ SABMiller is now present in a number of Chinese provinces including Liaoning, Sichuan and Anhui. Its most recent joint venture agreement is a 29.6 per cent stake in the Hong Kong listed Harbin Brewery, the oldest beer brand in China. SABMiller's corporate expansion strategy has positioned

Africa Relations', at <http://www.chinese-embassy.org.za/eng/62966.html>

20 *The South Africa-China Business Association (SACBA)* at <http://www.sacba.com.cn/about/about.htm>.

the company for future growth and market dominance in the lucrative Chinese market.²¹

Since 1998, MIH has worked with SARFT (State Academy for Radio, Film and Television) and CCTV (China Central Television) in establishing and maintaining an advanced television platform. MIH now provides services to 15 major clients, including CCTV, Macao Cable, Shanghai Cable and TVB Hong Kong. Through a range of JVs, supported by MIH's own innovative technologies, the company now also provides entertainment, interactive and e-commerce services to the Chinese market. From its Hong Kong Office, MIH is expanding operations in China with a view to consolidating their position in the Chinese market.²² Since 1995, Landpac has been active in China, providing its Impact Compaction technology to numerous road-building projects. Landpac has engaged in construction initiatives across the length and breadth of China in the building of new roads, as well as the maintenance or repair of existing transport networks. Other important investment activities include Kumba's Qingdao port facility and its Hongye zinc refinery, Sasol's polymer investment near Shanghai and the potential \$6 billion coal-to-fuel plants being finalized by Sasol in co-operation with the government of China. Other South African companies with varying levels of interest include Anglo American PLC, Anglo Gold, Anglo Platinum, Anglo Coal, BHP Billiton, Iscor, Goldfields, ABSA and Nedcor.

The China-South Africa relationship has clearly advanced significantly at both the political and economic levels. The momentum of two-way trade is certain to accelerate in the years ahead, given the evident complementarity of the Chinese and South African economies. Growing opportunities for investment in South Africa are expected to be attractive to Chinese enterprises, while the massive potential for investment in China cannot be ignored by South African businesses. South Africa needs to take advantage of China's rapidly

21 See African-Asian Society, 'SABMillar's Success in the Chinese Market', *African-Asian Society Newsletter*, October 2003. See also H.E. Ambassador Liu Guijin, 'Official Opening of SAITEX', Gallagher Estate, 30 September 2003.

22 Interview with Mr Wayne MacGregor, MIH Hong Kong, Hong Kong, 31 March 2006.

growing economy, and in this context there is enormous potential for South African investment in China. Moreover, China's entry into the WTO facilitates and encourages new foreign investment in China. At the same time, South African exports to China are increasing significantly, and there is clearly enormous potential for increased trade between the two countries. Co-operation between decision makers and business leaders in both countries continues to significantly enhance China-South Africa relations. There are many new business opportunities for South African companies in China following WTO entry. A China-South Africa Free Trade Agreement (FTA) would be of mutual benefit and would boost trade between the two countries. China is one of the most powerful and fastest growing economies with which South Africa can negotiate a mutually beneficial FTA.

In the early stages of debate on a China-South Africa FTA, three perspectives are discernable. The 'idealists' are hypnotized by the size and dynamism of the Chinese market and thus advance the long held view that instant riches can be quickly accumulated because of the sheer number of Chinese consumers. They also contend that a FTA with China would strengthen the China-South Africa strategic partnership and mobilize Beijing's support for Pretoria's ambitious global reform agenda. The 'pessimists' oppose a FTA, fearing that increased trade with China will lead to a major loss of employment in South Africa. The 'realistic optimists' see the opportunities in greater access to the China market, but caution against an impetuous and hurried FTA which will not advance, nor protect South Africa's interests. The varying perspectives of these broad groups are outlined below.²³

In terms of economic interaction, the 'idealists' contend that a FTA will ensure greater access to the rapidly growing Chinese market. Initial quantitative analysis suggests a surge in Chinese exports to South Africa following a FTA, but thereafter significant Chinese market penetration for South African exporters within a five-year

²³ The differing views were advanced by the various participants at the Institute for Global Dialogue/South African Institute of International Affairs, *SACU-China FTA Workshop*, Johannesburg, 28-9 September 2004.

period. The forecast is based on China's growing market demand and increasing consumer expenditure. However, growth of the Chinese market does not automatically mean that Chinese consumers will purchase South African products, as numerous other competitors are already well established in China.

The main argument in favour of a FTA advanced by the 'idealists' suggests that a FTA with China will further strengthen the political relationship between Pretoria and Beijing, thus facilitating increased foreign policy co-operation. In this context South Africa will, in exchange for signing a FTA, increasingly look to China for support in a wide range of areas, such as support for NEPAD and for the AU and the promotion of peace in Africa. Sino-South African co-operation and policy synchronization on the issue of advancing a new international economic order would be promoted by a FTA. Moreover, the gap between rich and poor nations, continuously widening ever faster, along with increasing tensions and conflict between North and South, requires increased South-South co-operation, such as FTAs and similar economic instruments. It is hoped that China and South Africa can work together in a joint programme to reform the existing economic structure with a view to establishing a new, just and rational economic order. Developing countries should thus strengthen solidarity, demand new global trade rules at the WTO and unite in defending legitimate rights and economic interests.

The 'pessimists' are critical of free trade agreements in general, and specifically criticize the South African government for a 'gung-ho' attitude towards FTAs.²⁴ Driven by an essentially mercantilist philosophy, the 'pessimists' contend that theoretical investigations with regard to the value of FTAs have produced inconclusive results.²⁵ Moreover, in FTAs between countries in unequal stages of development, the less developed country usually bears more of the adjustment costs.²⁶ Not only are there possibly damaging adjustment costs, empirical evidence suggests that direct net gains from FTAs

24 S. Makgetla, 'South Africa's Trade Talks', at <http://www.bday.co.za>.

25 See World Bank, *The World Bank Economic Review*, No. 12, 2 May 1998.

26 See B. Kite, 'Free Trade? Somebody Always Has to Pay', *Business Week*, 2 May 2001.

are not significant.²⁷ Besides the lack of clarity regarding the actual value of FTAs, the success of the South Africa-EU FTA remains in doubt.²⁸ FTAs which bring few benefits but high risks and new costs should thus be carefully considered.

Interest in China is driven by the belief that China is a huge untapped market. This is not entirely accurate as North American, European and Japanese companies have been in China for more than twenty years and are now well established in that market. South African businesses would have to compete with highly experienced, highly capitalized and established foreign companies in China, as well as with thousands of Chinese companies which produce similar products, or provide similar services. South Africa's main exports to China at present are iron ore, steel, manganese, chrome, tobacco, wool, granite, gold, copper, aluminium and motor vehicle parts. Perhaps with the exception of motor vehicle parts, it is unclear how these exports will benefit from a FTA. Economists have identified the following sectors as new opportunities: banking, telecommunications and insurance; in the telecommunications sector, Motorola is already the second biggest foreign investor in China. It is unclear how South African companies would be able to compete against giant corporations.

The 'pessimists' question South Africa's decision to grant China market economy status, which effectively prevents local manufacturers from proving that the Chinese government gives Chinese producers an unfair advantage. Consequently, proving dumping allegations or other unfair trading practices becomes extremely difficult, if not impossible. The granting of market economy status is contrary to the EU's as well as the WTO's opinion, and contradicts the Chinese government's own definition of its 'socialist, market economy'.²⁹ Moreover, the PRC's numerous direct and indirect subsidizing of production via support for basic services, housing and transport fa-

27 See A. Brunetti, *Credibility of Rules and Economic Growth*, World Bank, 1997.

28 See F. Ahwireng-Obeng, 'The EU-SA Free Trade Agreement', *South African Journal of International Affairs* 6, 2 (1999).

29 See Ding Zhitao, 'A Market Economy - Is China There Yet?', *Beijing Review*, 22 July 2004.

ilitates low wages and supports China's ability to compete unfairly on international markets. In addition, the pegging of China's currency to the US dollar at a rate far lower than market value, perhaps as much as 40 per cent undervalued, provides enormous advantages over producers in other countries, such as South Africa where the rand has been consistently overvalued for some time.

The 'realistic optimists' recognize that globalization offers huge opportunities for internationally competitive economies, but also poses very significant challenges for economic and political management. Given the high economic growth rates and highly competitive nature of the East Asian economies, especially that of China, this region of the world will become increasingly important to South Africa, as both a market and an investment destination. However, the ability to operate in the Chinese market should never be underestimated. Over 400,000 international enterprises are already well established in the Chinese marketplace, competing with many very efficient domestic producers and traders.³⁰

Given that South Africa exports mainly raw materials to China and China exports mainly manufactured goods to South Africa, a comparative advantage in terms of the classical Ricardian model does not exist. Moreover, a failure to add value to South African exports to China constitutes a fundamentally flawed export strategy, given that in the long term South Africa will eventually run out of raw materials for export. For the realists, the key questions in any FTA are who gains, who loses, and what is the net gain or loss for the economy as a whole? A comprehensive well-informed strategy implemented by skilled negotiators, intended to provide solutions to all or most of the possible problems likely to be faced by South African businesses, offers the most favourable approach. The best option is to confront directly the impediments to accessing the Chinese market and build a FTA on mutual understanding along with a clear process to guarantee mutual benefit.

30 See G. Mills and G. Shelton, 'From Butterflies to Take-Off? Asia-Africa Trade and Investment Ties', in G. Mills and G. Shelton (eds), *Asia-Pacific and Africa - Realising Economic Potential* (Johannesburg: South African Institute of International Affairs, 2003).

Any negotiations with China on a possible FTA should be informed by a clear analysis of South Africa's specific economic objectives, both domestic and international, as well as the carefully calculated expected impact on increased two-way trade. Specific objectives would need to be formulated in consultation with business leaders, commercial organizations, trade unions and public interest groups. Those enterprises likely to be affected by a FTA (both negatively and positively) should be consulted and encouraged to participate in the deliberations. While there are unquestionably enormous potential benefits from a FTA with China, the costs, risks and benefits of any agreement need to be thoroughly investigated. Informed by a comprehensive investigation and scientific impact study, along with broad business and civil society support, a China-South Africa FTA would certainly be a major boost to economic growth and prosperity for both participating countries. The historic opportunity to expand trade with China should not be missed, but at the same time the process of economic engagement should be prudently and judiciously negotiated.

Conclusion: advancing a new global order

China's relations with South Africa have clearly advanced significantly at both the political and economic levels. The momentum of two-way trade is certain to accelerate in the years ahead, given the evident complementarity of the Chinese and South African economies. Growing opportunities for investment in South Africa are expected to be attractive to Chinese enterprises, while the massive potential for investment in China cannot be ignored by South African businesses. At the political level, the synchronization of foreign policy proposals and long-term objectives is expected to become a more urgent consideration. On the African continent, South Africa will increasingly look to China for support in the following areas: first, China's FOCAC process could be merged with NEPAD, thereby providing a major impetus to Africa's economic development; strong Chinese political and financial support for the programmes and objectives of the AU would also be a very welcome contribution to Africa's revival. Second, where the promotion of peace in Africa is concerned,

China's decision to deploy peacekeepers to Africa has been widely welcomed as a very positive contribution. Third, increased Chinese investment in South Africa would provide a major boost for local employment and assistance in accessing the Chinese market would be an enormous advantage for South African companies. Increasing Chinese tourism to South Africa holds the promise of significant job creation for South Africans (for this, a direct air link with China would be beneficial).

In the context of a partnership to advance a new global order, and the common foreign policy objectives identified and confirmed by Presidents Mbeki and Jiang in December 2001, South Africa looks to China for support in the following areas: first, restructuring the United Nations, in line with the Group of 77 and China's UN Programme for Reform (A/51/950) as well as the Declaration of the Twenty-Seventh Annual Ministerial Meeting of the G-77, which would bring strong permanent African and possibly South African representation to the UN Security Council.³¹ Second, reform of the global trading system,³² as outlined by the Group of 77 and China in Geneva on 22 August 2003, aimed at improving the access of developing countries to the markets of the developed, industrialized economies and strengthening programmes to eradicate poverty, underdevelopment and economic vulnerability in the world's less developed countries;³³ other objectives here include promoting a stable international financial system and co-operation to advance a free

31 See 'Preliminary Position of the Group of 77 and China on Actions Contained in the Report of the Secretary General: Renewing the United Nations - A Programme for Reform (A/51/950)', 29 October 1997, at <http://www.g77.org/Docs/reform2.htm> See G. Chan, 'Is China a Responsible State? An Assessment from the Point of View of Its Multilateral Engagements', in J.Y.S. Cheng, *China's Challenges in the Twenty-First Century* (Hong Kong: City University of Hong Kong, 2003).

32 See Wang Xiaoye and Tao Zhenghua, 'WTO Competition Policy and its Influence in China', *Social Sciences in China*, XXV, 1 (2004), pp. 43-53.

33 See Declaration by the Group of 77 and China on the Fifth WTO Ministerial Conference, Cancún, Mexico, 10-14 September 2003, *Group of 77 & China*, Geneva, 22 August 2003. See also China (Hainan) Institute of Reform and Development, *China's Accession to the WTO and Infrastructure Reform* (Beijing: Foreign Language Press, 2002).

but fair global trading system (market access). Third, a set of issues concerning enhanced South-South cooperation in the spirit of the 1955 Bandung Conference's programme for African-Asian solidarity, and collaboration to address global injustice, discrimination and the marginalization of developing countries, as outlined in the New Africa-Asia Strategic Partnership.³⁴ This also relates to advancing of multilateralism through the UN and other fora to address global security issues, and co-operation on key international issues, such as the Middle East peace process, Iraq, Iran and Korea with a view to advancing global peace and stability. Finally, a number of development related objectives: advancing the regeneration of Africa (investment, financing and infrastructure), countering the worst effects of globalization,³⁵ addressing poverty and underdevelopment (including debt cancellation), sharing of information on economic development and sustainable development, and cooperation to reverse the imbalances of traditional North-South interaction.

Building on the solid foundation of a shared global political vision and accelerating economic interaction, China and South Africa are in the process of building a new form of South-South co-operation which could be very effective in advancing African interests and reforming the existing global political and economic order. The bonding of China and South Africa in a common goal to eliminate the iniquities of the existing outdated economic and political system of global governance provides hope and inspiration to developing countries. The evolving China-African relationship, at the multilateral level via the FOCAC process and at the bilateral level through (for example) a formally constituted Bi-National Commission, serves as a model for South-South co-operation and provides a new framework for effective participation in the North-South debate. Continued co-operation and collaboration based on the past augurs well for a continued warm friendship and a long-term strategic partnership between China and Africa.

34 See *Marrakesh Declaration on South-South Co-operation*, 15 January 2004, United Nations, General Assembly, A/58/683, 19 January 2004.

35 The 2006 China-South Africa textile agreement serves as a good example in this context.

