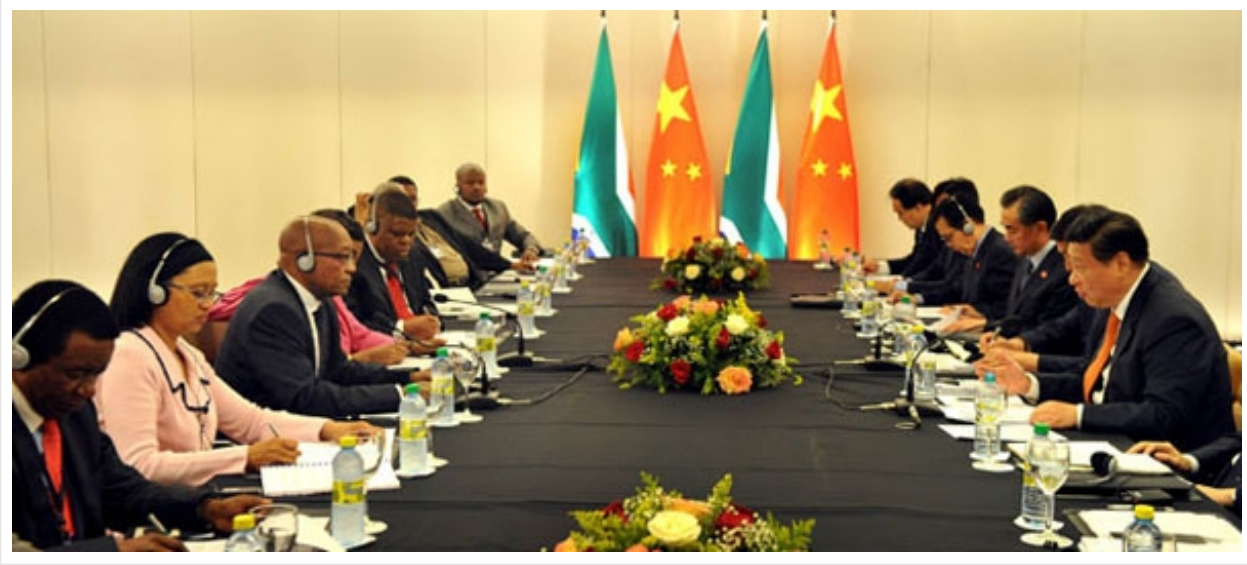


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## South Africa-China Relations: Evolving Cooperation, Collaboration and Competition

By Chris Alden and Yu-Shan Wu



President Jacob Zuma holds bilateral talks with Chinese President Xi Jinping ahead of the Sixth BRICS Summit held in Fortaleza and Brasilia, 14-16 July 2014.

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South Africa, a leading economy on the African continent, and China, the largest developing country in the world, have forged a unique partnership. Operating at bilateral, continental and multilateral levels, the governments are actively striving to realise the comprehensive strategic partnership envisaged in 2010.

Enhancing these developments is South Africa's status as home to the continent's largest and oldest Chinese community, a concentration of Confucian Institutes and an active Chinese media presence. With the pace of trade and investment picking up, coupled to closer international cooperation with Beijing through the G-20 and BRICS grouping, South Africa-China ties are assuming a significant position in continental and even global affairs.

It is also a relationship of paradoxes, breaking with many of the assumptions that underpin contemporary analyses of 'China-Africa' ties. For instance, until recently South African investment into China far exceeded in depth that of China into South Africa. Moreover, while economic ties between the two countries have extended beyond the conventions of resource extraction and infrastructure financing seen in other African countries, this appears to be changing. Finally, the vocal criticism of Chinese policies levelled by some local trade unions, businesses and civil society representatives contrasts with the positive attitude in other quarters and increasingly warm party-to-party relations.

### Bilateral ties

Following the establishment of formal diplomatic ties in 1998, relations have advanced gradually from the cautious approach adopted by former president Thabo Mbeki to a more all-embracing character under President Jacob Zuma. At present the most significant link, apart from diplomatic relations, is economic with two way trade accelerating since 2009, **jumping by 32% between 2012 from R205 billion to R270 billion in 2013, thereby making China the country's largest trading partner**. The momentum building behind more than a decade and a half of cooperation is producing closer economic ties that mirror the burgeoning bilateral diplomatic relationship.

Yet ironically one of the strongest features of its bilateral ties is also the most challenging. Like most of South Africa's trade relations, it has a large trade deficit with China, driven by South Africa's high imports of value-added goods and China's increasing demand for mineral products. Moreover, commercial competition with China in certain sectors like textiles has caused some like **Moeletsi Mbeki** to

In terms of FDI, South African companies have enjoyed a degree of success through their presence in China, such as the case of South Africa's media conglomerate, **Naspers** and its investment into China's largest Internet company, Tencent. Still when **the Industrial and Commercial Bank of China (ICBC) took a 20% stake (\$5.5 billion) in South Africa's Standard Bank** – said to be one of the largest foreign direct investments into the country – there were high hopes of further expansion of commercial relations. South Africa is deemed a 'mature' market with established and highly competitive players in strategic sectors (such as mining) and its strong regulatory framework and institutional structures seem to pose obstacles for new commercial entrants from China.

However, the recent announcement of Chinese financing for local beneficiation through a steel plant in Phalaborwa, is arguably part of a new trend aimed at employment generating investment for South Africans. This seems to be echoed in the expansion of Hisense and the FAW automotive manufacturing plants, discussions for the revival of the Coega Industrial Development Zone and even a prospective mixed-use residential, retail and light-industry facility east of Johannesburg.

As economic ties deepen, so will the complex interactions at the public level. South Africa is home to the largest (as well as mixed) population of Chinese migration on the continent. At the same time, its strong labour unions and civil society actively express their concerns about the impact of China on key sectors such as manufacturing. Conscious of abiding misperceptions within their societies, both governments are engaged in public diplomacy campaigns built around a range of events dubbed the 'South Africa Year in China' in 2014 and a 'China Year in South Africa' in 2015 to promote better understanding of the relationship.

### **The Diplomacy and the Continent**

Beyond the bilateral ties, South Africa and China are finding points of convergence in their diplomatic engagements on the continent. South Africa and China have cooperated closely in the UN Security Council to further a range of peacekeeping initiatives in Africa. China's approach to the continent's development runs in parallel to South Africa's commitment to pursue regional infrastructure development. The announcement in May 2014 by Premier Li Keqiang that China would finance and construct a railway link between Nairobi and the port of Mombasa (with possibility of extended routes to Rwanda, Uganda, Burundi and South Sudan) is seen in this light. These developments also align with President Xi Jinping's articulation of a new 'Maritime Silk Road' between China, the Indian Ocean rim and the African eastern seaboard countries.

At the same time, such high-level diplomatic engagements exist alongside regional commercial competition in services and trade on the continent. Moreover, the countries have not always shared common positions in complicated cases, like Sudan/South Sudan and Zimbabwe. Managing these concerns is part of the art of forging closer diplomatic ties without jeopardising national interests.

For South Africa, its hosting of the sixth Forum for China-Africa Cooperation (FOCAC) in 2015 promises to be a major event on the diplomatic calendar. The FOCAC process, which now formally includes the African Union, is a tri-annual meeting of leaders and ministers which provides an opportunity to highlight the areas of cooperation and growth in China's relationship with Africa. With the expansion of the FOCAC agenda from its primary focus on economic development to also include a partnership in peace and security, the FOCAC VI meeting is set to demonstrate how cooperation is evolving to encompass new areas of mutual concern.

### **Global engagement**

Perhaps the most visible cooperation lies in the global arena. Framing the participation of South African and China on shared multilateral platforms is a shared interest in reform of the global governance architecture, to speak closer to developing country needs. Such mutual support in multilateral aspirations is most evident in the BRICS, the UN and G20. Importantly, China is perceived as a genuine partner that seeks to consult and integrate South Africa's (and the continent's) views when formulating positions on the UNSC - despite diverging visions and interests, as was the case of Resolution 1973 on Libya.

Still deeper nuances could potentially affect the future of such a partnership, as in the case of the BRICS grouping. Both countries are required to make calculated decisions that at times give priority to other 'strategic partnerships'. In particular, South Africa's African

Africa with a privileged platform from which it can articulate its positions on the world stage.

### Looking Forward

In essence the South Africa-China relationship is characterised by a healthy overlap of competition and cooperation that is underlined by continued involvement at a bilateral, continental and multilateral level. South Africa-China collaboration at this particular juncture is on a firm foundation, bolstered by the levels of interaction and deepening economic engagement. However, as collaboration is deepening there is also the need for South Africa to balance the broad range of its bilateral, regional and global relations with care. The FOCAC platform offers an additional opportunity for South Africa, China and the continent to formulate the next stage of an evolving development partnership.

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