

South African President Zuma's Visit Expands Close Ties with China

by Douglas DeGroot

Dec. 8—South African President Jacob Zuma, at the invitation of Chinese President Xi Jinping, arrived in Beijing on a four-day state visit Dec. 3, accompanied by a high-profile delegation including seven ministers, the mayor of South Africa's Executive Capital, Pretoria, and more than 100 business executives, to advance South Africa's collaboration with China on trade and economic development.

Zuma was greeted by Xi, given a state welcome at the Great Hall of the People, and on Dec. 4, had a working meeting with Premier Li Keqiang.

Xi welcomed Zuma as “the Chinese people's old friend and good friend,” adding, “South Africa is the comprehensive and strategic partner of China in Africa. We are good friends and good brothers who mutually benefit each other.”

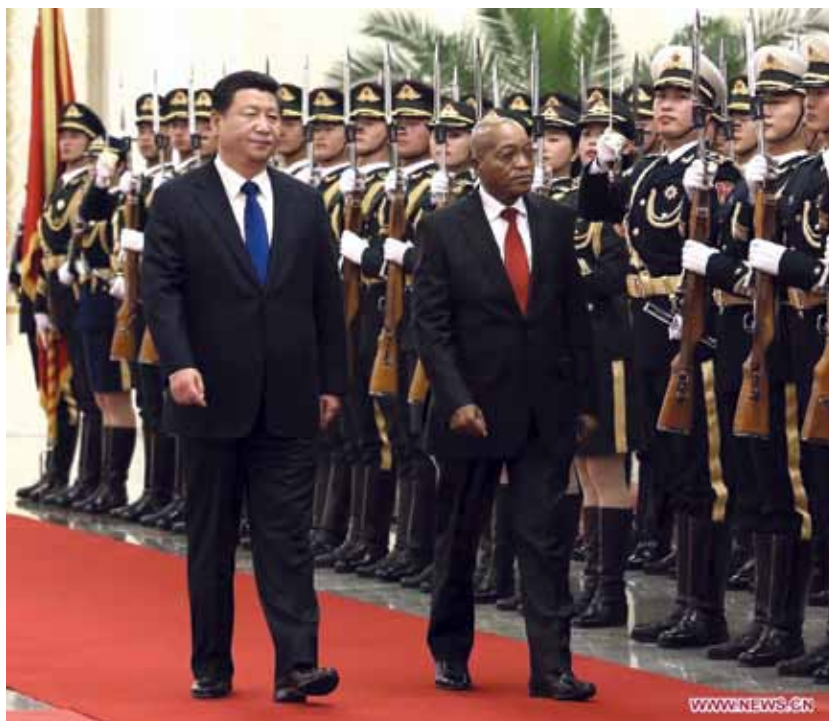
This was Zuma's first visit to China since he was re-elected in May. On a previous visit in 2010, Zuma finalized the Beijing Declaration with then-President Hu Jintao, an agreement for a “comprehensive strategic partnership” between the two nations, which are both now members of the BRICS (Brazil, Russia, India, China, South Africa). South Africa is seen as the BRICS portal into Africa, and is to be the African regional headquarters of the BRICS New Development Bank. China is setting up factories there to solidify BRICS development plans for the African continent.

President Zuma was accompanied by Maite Nkoana-Mashabane, Minister of International Relations and Cooperation; Jeff Radebe, Minister in the Presidency; Nhlanhla Nene, Minister of Finance; Rob Davies, Minister of Trade and Industry; Edna Molewa, Minister of

Environmental Affairs; Dipuo Peters, Minister of Transport; and Senzeni Zokwana, Minister of Agriculture, Forestry and Fisheries.

On Dec. 4, Zuma and Xi signed a new 5-10-year framework agreement for further improving their economic cooperation. As Nkoana-Mashabane pointed out, China is South Africa's single largest trading partner in the world, and South Africa is China's largest trading partner in Africa. The trade balance is weighted to China's advantage. During this state visit, the two partner nations are seeking to rectify this imbalance. Bilateral trade grew by 32% last year.

The South African delegation's intention was to secure more Chinese investments in science, technol-



Chinese President Xi Jinping welcomes South African President Jacob Zuma to Beijing, Dec. 4, 2014.

Xinhua/Pang Xinglei

ogy, agriculture, and infrastructure, with the goal of improving the value of South African exports to China.

As an example of this purpose-driven process, which is seen as more important than profits, China is setting up factories, such as home appliance, and car and light truck plants. In one Chinese appliance motherboard factory in South Africa, one man monitors one machine, while in China, one person manages two. The comment of a Chinese supervisor involved in the project: “It will just take some time.”

In contrast, a Ford casting plant in South Africa employing 350 people recently announced that it would close, after its workers went on strike.

Nuclear Accord

On the same day, China and South Africa signed a series of accords, including a Memorandum of Understanding (MoU), to advance South Africa’s nuclear energy industry. South Africa will soon choose the vendor that will build its new nuclear plants, and is preparing the groundwork for that expansion.

According to *World Nuclear News*, the MoU was signed by the Nuclear Energy Corporation of South Africa (Necsa) and China’s National Nuclear Corporation (CNNC) to officially establish a partnership, through which CNNC will support South Africa’s industry.

A second agreement enables cooperation on the financing of new nuclear power plant construction, through China’s State Nuclear Power Technology Corporation, the Industrial and Commercial Bank of China, and South Africa’s Standard Bank Group.

The third agreement will provide training for about 300 South African nuclear professionals, including in-service training. It will be launched in March 2015.

During his visit, Zuma told a meeting of the China-South Africa Business Forum on Dec. 5 that his govern-



Eskom

South Africa’s Koeberg nuclear power plant. Nuclear cooperation was a focal point of the discussions in Beijing, and a Memorandum of Understanding was signed to establish a South African-Chinese partnership.

ment regards the MoU on nuclear cooperation “as a mechanism which will enhance mutual exchange of information, best practices, and lessons learnt in the nuclear energy sector, which will also encourage and identify additional opportunities for cooperation.”

South Africa Is a Chinese Priority

At Zuma’s meeting with Li, the latter said that “China will make South Africa a priority destination for overseas investment, and encourage and support the country’s industries.”

Li noted that China will emphasize joint projects in ports, shipbuilding, and fisheries; financial cooperation, such as settling trade in local currencies; cooperation in nuclear power; the establishment of joint venture airlines, and the use of airplanes made in China.

Yang Lihua, director of the South African Studies Center at the China Academy of Social Sciences pointed out on Dec. 5 on Chinese television the reasons that China views South Africa as the key country for the BRICS development initiative towards the African continent:

- South Africa is the most developed African country; its per-capita GDP is higher than that of China; and its industry has been developing for over a century. She pointed out that South Africa has the task of shifting

from over-reliance on mining, to industry, and at the same time raising its competitiveness in manufacturing and other industries.

- Cooperation in infrastructure, investment, and manufacturing between the two countries is important, especially financial cooperation. South Africa has a mature financial system, and has a lot of business dealings throughout Africa. South African transnational corporations have been active in China since the late South African statesman Nelson Mandela was released from prison in 1990, so they have more than 20 years of experience already.

- The Forum for China-Africa Cooperation will be held next year in South Africa, so the two sides will promote bilateral as well as Africa-wide, cooperation. South Africa will co-chair the event.

Bilateral Trade Expands

Prior to the visit, Foreign Minister Nkoana-Mashabane said that the visit would seek “to ensure that our relations with China remain central to realizing our developmental agenda through our foreign policy.” South African relations with China have remained close since Zuma’s first election to the Presidency in 2009.

Economic relations have grown rapidly in the last decade, and improved further when South Africa joined the BRICS in 2011. South Africa is the top recipient of Chinese investments in Africa. Trade between the two in 2012 was \$18.6 billion, increased to \$25 billion in 2013, and is expected to increase further this year.

Nkoana-Mashabane said that the establishment of the BRICS New Development Bank “raises the level of cooperation between China and South Africa,” which she called a “clear indicator of South Africa’s significance” for the African continent. The South African-based Centre for Conflict Resolution (CCR) earlier this month stated in a policy brief that one-third of Chinese trade with Africa last year went through South Africa. The CCR brief pointed out that Chinese investment in South Africa has increased from \$59 million in 2004, to \$5 billion in 2012.

As an indication of the drive for closer relations between the two nations, the South African Ministry of Education earlier this year introduced Mandarin into its educational curriculum.

A BRICS Portal to Africa

China is setting up factories in South Africa which will increase the nation’s ability to be the entry point for

the ambitious BRICS development plans for the continent.

The BRICS New Development Bank and Contingent Reserve Arrangement (CRA) are the critical institutions that make the development drive by the BRICS possible, and Zuma is well aware of the role they will play in the development of South Africa and the continent.

The \$100 billion BRICS Development Bank, and the \$100 billion pool of foreign currency reserves, were created at the July BRICS summit in Fortaleza, Brazil. The Bank will be hosted in Shanghai, China, and its African regional center will be in South Africa.

Zuma praised the BRICS Bank as “an everlasting legacy that will change the face of global economics and the face of all the developing world for the better.” Finance Minister Nhlanhla Nene said the bank “will boost Africa’s infrastructure drive,” noting that through its South Africa branch, it will mobilize resources for “transformational” infrastructure development projects that will boost the continent’s integration.

The BRICS Bank and the CRA open the door for expansion of economic development for the BRICS nations and their developing-sector allies. The BRICS have long alleged that the IMF and World Bank demand austerity conditionalities in return for loans, without giving the borrowing countries any say in working out the terms for the loan agreements. Total trade among BRICS countries now is \$6.14 trillion, or almost 17% of the world’s total.

Zuma emphasized in July that the BRICS New Development Bank will function differently than the IMF/World Bank system. He told the South African Assembly: “You know that in the banks that we have, if you ask for help, you end up in more difficulty. That has been the history of countries, particularly developing countries.” But China is not like the former colonial powers, he said.

On Dec. 5, the opportunity for collaboration in this new paradigm was put into practice at the South Africa-China Business Forum in Beijing. The South African business leaders who were part of Zuma’s delegation met more than 150 Chinese business leaders to foster trade with and investment in South Africa in the areas of finance, infrastructure, energy, manufacturing, mining, and capital equipment for the long-term investment by China in the development of infrastructure in South Africa that Zuma is seeking.