Is China’s involvement in SA a mutual love affair or rape?

Last Updated Saturday, 22 October 2011

2010 was supposed to be South Africaâ€™s year, but with production of everything from vuvuzelas to the 2010 World Cup mascot, Zakumi, being outsourced to China, discussions around whether increased trade with China is good for us has intensified. Sharon Davis investigates whether the ANCâ€™s open-door policy to trade with China is something to lose sleep over.

China has overtaken Japan as the worldâ€™s second-largest economy, and is well on its way to becoming a world economic super-power. Although slowing to fend off inflation-related issues its red-hot economy, which continued to grow at around 9% during the recession, is expected to outstrip the US to become the worldâ€™s largest economy by 2030.

By 2010 China had replaced the US as South Africaâ€™s largest trading partner. Our mineral-rich country exports USD 5.5bn a year in minerals to China and has received substantial Foreign Direct Investment (FDI) â€“ most notably the Industrial and Commercial Bank of Chinaâ€™s USD 5.5bn investment in South Africaâ€™s Standard Bank in October 2007, which remains the largest Chinese investment in Africa

Chinese FDI has boosted growth rates and spurred improvements in infrastructure in South Africa and across the continent. This FDI has created jobs, provided training and helped to build up human capitalâ€¦ but against a history of unhappy exploitation by outside powers China is seen by many as the new imperialist power, pretending to be the saviour of Africa while serving its own colonialist agenda.

Nay-sayers argue that Chinaâ€™s growth is fuelled by the consumption of natural resources and energy and criticise China for its â€œsecretâ€• mineral diplomacy, for creating looming trade imbalances, and for compounding human rights and environmental issues.

South Africa is a case in point. We are Chinaâ€™s number one source of African iron, copper, manganese, chrome and diamonds. But Chinaâ€™s exploitation of raw materials, which is shipped back to China for manufacture and then shipped back to South Africa as manufactured goods, is the prime reason for the USD 2.7bn trade deficit we face.

China is tapping into a variety of resource markets to feed its growing economy and population, establishing bilateral relationships and looking for new reserves to ensure supply, explains Daniela Kirkby in paper on Chinaâ€™s growing investment and cooperation written for Consultancy Africa.

According to Kirkby South Africa has 33% of the worldâ€™s reserves of chromium, 77% of the manganese reserve base and 88% of the worldâ€™s reserves of platinum group metals. The concentration of these metals and lack of alternative supplies or substitutes makes South Africa strategically important to China and other industrial states.

While some critics have argued that Chinaâ€™s activities in Africa have created a relationship of exploitation, she notes that others have seen this relationship as mutually beneficial, particularly as traditional export markets in Europe and the US contract under the pressure of the recession.

China is often portrayed as a recent arrival on the African continent, intent on securing mineral and energy resources to fund its growing economy. There is a fear that Chinaâ€™s perceived generosity has been used to buy good will â€“ giving China access to vast natural resources as well as a new dumping ground for cheap Chinese manufactured goods.

But this is not the case according Deborah BrÃ¤utigam a Washington-based professor at the American Universityâ€™s School of International Service and author of The Dragon's Gift: The real story of China in Africa, a book on Chinese aid and economic engagement in Africa published in 2009. She believes that by focusing on the â€œthreatâ€• China poses, we ignore the opportunities.

â€œThe flurry of activity we see today has deep rootsâ€• going back to the Asian-African Bandung Conference in 1955 says BrÃ¤utigam. â€œChinese leaders have repeatedly said that their aid programme is not a form of charity but based on mutual benefit.â€•

While the balance of trade between China and South Africa is still clearly in Chinaâ€™s favour, there are signs that China is listening. When South Arica complained about the flood of cheap textiles from China, Beijing voluntarily implemented export constraints says BrÃ¤utigam.

Countering arguments that itâ€™s all about mineral exploitation she also points out that Chinaâ€™s single largest direct investment in Africa so far is not an oil concession, copper field, or uranium mine but the purchase of a 20% stake in

South Africaâ€™s Standard Bank.

The willingness of China to invest without the string of conditions imposed by the likes of the World Bank and International Monetary Fund has not been met with popular support. It undermines the power of these international lending organisations and has fueled concerns of growing corruption, with many believing that African leaders are selling the future of their countries forward in order to line their own pockets.

Some critics also argue that the infrastructure projects undertaken by Chinese companies in Africa are not Chinese funded. Many are tenders awarded to China and financed by African governments or development banks like the World Bank or the Africa Development Bank. They feel that China is robbing Africans of these opportunities. But in most cases, if they hadnâ€™t gone to China, the tenders would still not have been awarded to an African country.

â€œYes, the Chinese are doing well by Africa, but it is up to Africans to ensure that the net result is good for them too,â€• says BrÃ¤utigam. Chinaâ€™s demand for commodities is creating new opportunities and countries that set their house in order can position themselves to benefit. Those that do not will find their resources continue to be a curse â€“ with or without China, she says.

The West is keen to criticize Chinaâ€™s stance on Africa and brand China as irresponsible and reckless due to its non-interference policy. However it is doubtful that this criticism is a result of genuine concern for African welfare. â€œIt is rather the jealousy of a competitor,â€• says Lassana Kone from Consultancy Africaâ€™s Intelligence Eyes on Africa Unit.

Chinaâ€™s investment in South Africa and the African continent is making things more difficult for Western countries. The question to bear in mind is: are the trade co-operation detractors motivated by facts or is their opposition motivated by sour grapes or jealousy?

Sour grapes or not, the 2010 decision by the South African government to deny the Dalai Lama a visa to attend a peace conference before the World Cup because it was â€œnot in our best interestsâ€• does suggest that Chinaâ€™s economic suppo comes at a price.

Is it a price we can afford to pay? And given Chinaâ€™s growing economic power, can we really afford not to?This article originally appeared in the WITS Business School Journal.