



China & South Africa: Comrades in Arms

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Abstract

China and South Africa's relationship has reached new heights since establishing ties in the 1990s, culminating in South Africa's appointment as a Comprehensive Strategic Partner in 2010. South Africa is now China's largest trading partner in the Africa, the greatest recipient of Chinese investment and arguably China's greatest ally on the continent. Through all this, China has managed to cultivate a substantial influence over South Africa, its politics and economy. This influence can be seen through the ANC's relationship with the Chinese Communist Party, the South African economy's overreliance China and South Africa's defence of China's strategies on a regional level. Despite the skewed relationship, South Africa is heavily reliant on China's investment and ongoing commitment to assist them, creating incentive to not slow down this growing influence of China in South Africa.

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Analysis

It is no secret that China has taken an active interest and role on the African continent over the last few decades. Due to the size of its population and economy, China has a great need for natural resources – of which Africa has plenty. The continent has the largest reserves in the world of diamonds, platinum, uranium and cobalt – a resource important in the production of lithium batteries and other parts vital to the technology industry, which forms an important part of the Chinese economy.

To gain access to these resources, China has spent time and effort not only fostering economic but also political ties, thus, not only extending its reach as an economic powerhouse but also manifesting itself as a world power and garnering critical political allies. South Africa's diplomatic ties with China began in the late 1990s following the end of the Apartheid regime. Over the years, these ties grew stronger and in 2010 South Africa was appointed a "Comprehensive Strategic Partner" of China. The partnership rests on three key pillars - strategic, multi-dimensional and mutually beneficial – and has not only manifested itself in strong economic ties but the two countries maintain close coordination on national, regional and international affairs.

National influence

The African National Congress (ANC) won South Africa's first democratic elections in 1994 and has been the ruling party since. One of the cornerstones of the ANC government's power is its alliance with the South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU). This so-called Tripartite Alliance was officially formed in 1990 when the three parties reached an agreement to work together in fighting the oppressive Apartheid regime. Although COSATU and SACP do not run as official parties in elections, they put candidates forward through the ANC and their members tend to hold high political offices.

The agenda of the political alliance is firmly rooted in the National Democratic Revolution (NDR) to which they have been committed since the 1960s. Whilst the agenda might have been slightly adjusted and modified since then, the NDR still aims to shift South Africa from a predominantly capitalist society to a socialist and ultimately a predominantly communist one. Whilst the SACP is a driving force in keeping the NDR part of the national agenda, the ANC recommits itself to the goals at its national conference every five years. To achieve the goal of an ultimately communist state in which government dependency is increased and state ownership over land and vital means of production and wealth is a reality, policies are being implemented slowly.

Whilst the implementation was taken in slow and incremental steps in the first 15 years of ANC rule, it accelerated during the tenure of former President Jacob Zuma under the banner of radical economic transformation and is now fostered by current President Cyril Ramaphosa. Many of the implemented and intended policies to achieve NDR are not only lacking support amongst the population, but foreign powers are equally sceptical of the developments. However, in China, the South African government not only has a supporter for such a regime change but an ally it can turn to for guidance.

The Chinese Communist Party (CCP) can be used as a model for maintaining control over a country as a de facto One-party state and South Africa is increasingly sending executives from its parastatals to study China's relationship with its State-Owned Enterprises. In 2014, it was announced that the CCP would support and construct a political training school for the ANC in Venterskroon. Although, to date, no official progress has been made on building the school, it still underlines South Africa's notion of using assistance from China to achieve its ultimate political goals.



Regional and international influence

South Africa is a powerhouse on its continent and its voice carries significant clout in regional issues and through its position within the African Union (AU). The country is vocal in endorsing Chinese foreign policy issues and is willing to alienate others in the process: over the years, South Africa has repeatedly denied visas for the Dalai Lama to not jeopardise its diplomatic ties with China - a pressure many Western countries did not bow to. In the competition between the US and China over the advancement of 5G technology, President Ramaphosa openly sided with China, resulting in other African countries similarly rebuffing the United States on the issue.

President Ramaphosa is equally defending China's lending practices to African countries – a practice heavily criticised by Western countries. Whilst the hope on the continent is that initiatives such as the Belt and Road may potentially help the African continent realise its Agenda 2063 as well as the newly implemented African Continental Free Trade Agreement (AfCFTA), weak industry protections coupled with the lending practices are more than likely going to result in an even deeper liquidation crisis in South Africa and the continent as a whole. This crisis would in turn result in a heavy reliance on China as a trade partner to remedy the situation.

Trade relations

South Africa and China's established diplomatic relations were predated by economic relations and trade relations between the two countries go back to 1992. Nearly thirty years later, South Africa is considered the top destination for Chinese investment in Africa and is China's greatest trading partner in Africa. Some would also argue that South Africa has emerged as China's greatest ally on the continent. Through the BRICS (Brazil, Russia, India, China, South Africa) bloc, Forum on China-Africa Cooperation (FOCAC) and the Belt and Road initiative, economic ties between South Africa and China have grown greatly over the past three decades. This relationship falls in line with both countries' foreign policy goals of strengthening south-south ties.

The economic relationship between South Africa and China is multifaceted – there has been immense investment in various sectors including infrastructure, loans offered, and growing trade relations. The relationship is however, a highly skewed one in many ways.

In terms of trade, South Africa's exports are mainly low-value commodities that do not match the value of the imported goods from China resulting in a staggering trade deficit and over-reliance on Chinese imports. Whilst trade in 2020 was complicated by the Covid-19 pandemic, the statistics are still a good indication of the skewed relationship. In 2020 South Africa exported goods worth US\$9.79 billion to China but imported goods to the value of US\$14.31 billion.

The kind of products exported versus imported is also an indication of this slanted relationship. According to the United Nations COMTRADE database on international trade, in 2020 the top three exports from South Africa to China were [ores, iron and steel and copper](#) whilst the top three imports from China were electronic equipment, machinery, and textiles. This difference in products imported versus exported has inhibited development in South Africa, which has become reliant on China for these higher value products. The stifling of development and even establishment of these industries domestically results in an overall slowdown in industrialisation, keeping South Africa behind other countries.

There is also the issue of those domestic industries that cannot compete with cheaper Chinese imports. The textile industry specifically has been unable to compete with the direct competition of the Chinese textile



industry. This issue has resulted in a demand for government protection of local industries suffering, but to no avail.

Despite these trade issues, there is no sign of South Africa shifting focus in their exports. In fact, in February 2021, China became South Africa's largest coal market, something which China has not imported from South African since 2015.

Financial ties

The economic influence of China in South Africa extends beyond trade and into loans and investment too. China has steadily started to decrease its official lending to various African countries, including South Africa. The funding is traditionally offered through the China Development Bank and China Exim Bank, however, it is likely that funding will start to come from alternative sources such as Chinese State-Owned Enterprises and private investors.

Despite the steady decline in lending, China has previously lent money to both the South African government and its failing parastatals – Eskom and Transnet. A previous loan was offered to Eskom but ultimately withheld by the Chinese government over concerns of non-completion of power plants, proving that these loans do not necessarily come without terms and conditions.

Investment by Chinese firms in South Africa has grown where lending as slowed down. Examples of this include the investment made by Chinese electronics maker, Hisense. Hisense has invested over US\$30 million in South Africa and is looking to expand their production in South Africa. Beijing Automotive Industry Holding Co has invested US\$773 million in a joint venture with the Industrial Development Corporation in South Africa¹, creating a manufacturing base. In 2019, 88 Chinese companies were investing in South Africa, with a strong presence in the mining industry.

The consensus is that South Africa needs to leverage their close relationship with China to create a more equal and beneficial one. One way in which this can be done, but has not happened, is a free trade agreement. Despite South Africa and China's long-lasting relationship, the only African country to have a free trade deal with China is Mauritius. Other countries on the continent that are classified as "least developed" also have access to a preferential scheme that allows them market access to certain goods. South Africa does not qualify for this and thus does not have preferential access and is subject to higher tariffs than the countries who do qualify. This makes exporting for South Africa a much larger battle than what it should be.

China has an aggressive agenda when it comes to investing and strengthening economic ties with South Africa. Their decision-making processes have been quicker and there has been an increase in private investment and not just state investment. However, their intentions are clear – China needs access to resources and through investment to (South) Africa, can get preferential access whilst cementing their economic ties with diplomatic relations.

Remarks: Opinions expressed in this contribution are those of the authors.

¹ The Industrial Development Corporation of South Africa is a national development finance institution.



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