

Photo: Wikipedia.org

The China Monitor

Issue 52

The Emerging Politics of the
Emerging Powers: The BRICs
and the Global South

June 2010



CENTRE FOR
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Editorial

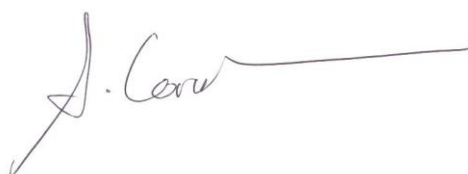
June 2010 saw the back-to-back hosting of the G8 and G20 Summits in Canada. Apart from the stringent security measures introduced by the Canadian authorities to ensure a peaceful summit environment, both meetings were marked by the intensity of the deliberations over the nature of the post-recession world and the future of global economic governance.

Leaders at the G8 Summit used the opportunity to announce a number of additional development initiatives, mostly in support of the Millennium Development Goals. In spite of this, to some extent the G8 Summit was overshadowed by the G20 gathering, which convened for the fourth time since 2008 as a meeting not only of finance ministers and central bank governors, but included heads of state. This solidified the G20's status - in the gathering's own words - as the 'premier forum for economic cooperation.'

For many analysts the G20 is today a more representative and important body than the G8, in no small measure because of the G20's membership, which comprises some of the largest and fastest-growing economies from the Global South. Importantly, the G20 includes among its ranks the BRICs countries (Brazil, Russia, India and China), which together account for a significant proportion of the world economy. The rise of the BRICs has been a key element of the shifting geopolitical landscape in recent years, the arguable eclipse of the G8, and the order the G8 used to represent.

This issue of *The China Monitor* explores the role of the BRICs and their significance for the Global South, particularly the African continent. In a short commentary, Prof Timothy Shaw of the Institute for International Relations at the University of the West Indies outlines the main features of the BRICs. He poses the question whether the BRICs have the potential to act as a cohesive unit (as a bloc) and what this could imply for international politics and economics. This is followed by an analysis of the relations between two major constituents of the BRICs edifice – China and Latin America. Prof Lilliana Avendãno Miranda of the International Business Faculty at Veracruzana University in Mexico reviews the shifting ties between China and Latin American countries and discusses their implications.

The rise of the BRICs holds some major import for developed and developing countries. Increased economic incursion into Africa by major players such as China and India has already significantly altered Africa's developmental fortunes, and promises to continue doing so.



Professor Scarlett Cornelissen

Interim Director, Centre for Chinese Studies

Commentary

Can the BRICs become a bloc?

By Professor Timothy M. Shaw

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“...equity market performance is just one manifestation of the staggering rise in BRICs’ importance to the global economy...Our ‘BRICs dream’ that these countries together could overtake the combined GDP of the G7 by 2035 – first articulated in our 2003 Global Economics Paper ‘Dreaming with BRICs: the path to 2050’ – remains a worthy ‘dream’ (Goldman Sachs 2007: 5).



The emerging importance of the G20 may make the G8 redundant
Photo: economics.com

A mid-2010 OECD (2010) study confirms that the balance in the world economy is shifting from North to South with, by 2020, the emerging and developing economies matching those of the OECD. Within another two decades – by 2030 – the OECD expects the South to account for 60% of world GDP. In response, the OECD is encouraging a handful of countries to join the 30-member group. At the core of these emerging economies is a burgeoning proportion of multinational corporations (MNCs) from the Global South, including ‘new’ icons like Cemex, Embraer, Infosys, Lenovo, Tata, Vale (BCG 2009, Goldstein 2007, van Agtamel 2007). In addition, most Sovereign Wealth Funds (SWFs) are located in the South, especially in the Middle East and Asia (e.g. Brunei, Malaysia, Singapore and Taiwan). But it is the corporations and markets of the so-termed BRICs (Brazil, Russia, India and China) that are leading the global economic reversal (Xu & Bahgat 2010).

Together the BRICs are central features of the profound, current shifts in ‘global governance.’ Their emerging respectability, if not centrality, was recognised mid-decade through the Heiligendamm Process, which formalised the presence and participation of the ‘Outreach Five’ (O5) – which includes the BRICs, Mexico and South Africa – at the annual G8 summits. This, arguably facilitated the turn-of-the-decade emergence of the G20 (Shaw, Cooper and Antkiewicz 2007). With the latter advancing from only a meeting of finance ministers and central bankers to include government leaders, the incumbent 8 + 5 formula of the G8 summits has since become somewhat redundant.

“. At the core of these emerging economies is a burgeoning proportion of multinational corporations (MNCs) from the Global South.”



BRIC leaders at the Yekaterinburg
Conference, 2009
Photo: Wikipedia.org

“The BRICs are large,
complicated, federal political
economies so their interests
may be multiple.”

The BRICs may lie at the core of a new ‘global middle,’ but how cohesive are they as emerging economies/markets/powers and societies? Further, whose interests do they represent in the evolving multilateral forums and alliances of the day?

Aside from distinctive histories, geographies and ecologies, the BRICs divide along several salient dimensions: two are federal democracies with established capitalist economic structures and ubiquitous civil societies; the other pair are at best semi-capitalist democracies. The new multilateralism increasingly involves a trend from inter-governmental to non-governmental relations and coalitions, and from club to network diplomacy (Heine 2006) involving new actors and technologies. Brazil and India, with relatively developed private companies and civil society organisations (such as think tanks) can practise and exploit ‘public diplomacy’; the more statist regimes of China and Russia cannot. Conversely, Brazil and Russia are major exporters of raw materials whereas China and India are major importers. And three out of four are nuclear powers, with just Brazil being the exception in the nuclear-free southern part of the western hemisphere. Such differences have become more pronounced around the current global economic crisis.

Finally, there are profound and exponential societal imbalances in some of the BRICs, especially China (124 male births to 100 female) and India (108 to 100), with long-term implications for human and regional developments and security (*The Economist*, 2010)

The BRICs and the evolving international system

The BRICs are large, complicated, federal political economies so their interests may be multiple. Thus, no one direction may be apparent: some communities, including diasporas, corporations, regions or cities head in one direction, others in another.

Such tensions are apparent in the BRIC Summits which are coming to cover a broad canvas, reflective of a diversity of interests and institutions. Conversely, aside from subgroupings, the BRICs have deepened their collaboration by developing a range of inter-governmental networks, spanning finance ministers and central bank governors, cooperatives, development banks, judicial and statistical officials, along with business forums and think tanks.

In addition, the BRICs are of growing importance not just for industrial production but increasingly for agriculture too, especially Brazil. While agricultural output is set to stagnate in the North, it will expand by over 25% in the trio of BRICs other than Brazil, where it is anticipated to rise by 40% after 2020. This explains the rising centrality of agricultural production for energy rather than food (UN-FAO 2010). Such



The BASIC alliance proved their mettle at the COP15 conference in Copenhagen 2009

Photo: wordpress.com

“The impact of the BRICs, especially China, on those ‘fragile states’ which have a concentration of energy and minerals, has been profound.”

trends inform the BRICs’ policy on, say, the BASIC environmental alliance (which includes Brazil, India and China and South Africa) or the G20 Cairns Group. To some extent the BASIC alliance reflects common interests around climate change and constitutes the BRICs’ response to diplomatic pressure on the matter arising from the Copenhagen Summit of end-2009.

Finally, the impact of the BRICs’, especially China, on those ‘fragile states’ which have a concentration of energy and minerals has been profound. In Africa, support for state leaders from Equatorial Guinea, Sao Tome, Angola and the Sudan has come from Chinese and other state energy and mining companies, leaving little competitive space for local civil society or even the private sector (Cheru & Obi 2010, Shaw, Cooper & Antkiewicz 2007). Thus the continent is increasingly divided into state regimes heavily supported by China and those with relatively developed and autonomous NGOs and MNCs with fewer linkages with the Asian power.

But China’s readiness to overlook others’ criteria or conditionalities, such as prevailing environmental, governance and human rights norms, means it can exert its own leverage. Whether this amounts to a ‘Beijing Consensus’ coming to succeed that of Washington remains contentious.

In all, as emerging powers the BRICs can contribute to new multilateralism, especially given the decline of United States unilateralism. Yet, although they constitute an embryonic bloc, they are unlikely to become much more cohesive or unanimous given historical and structural differences, distinctive societal values and norms, and economic and diplomatic competitiveness.

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Policy Watch

China's Investments in Latin America

By Professor Lilliana Avendãno Miranda,

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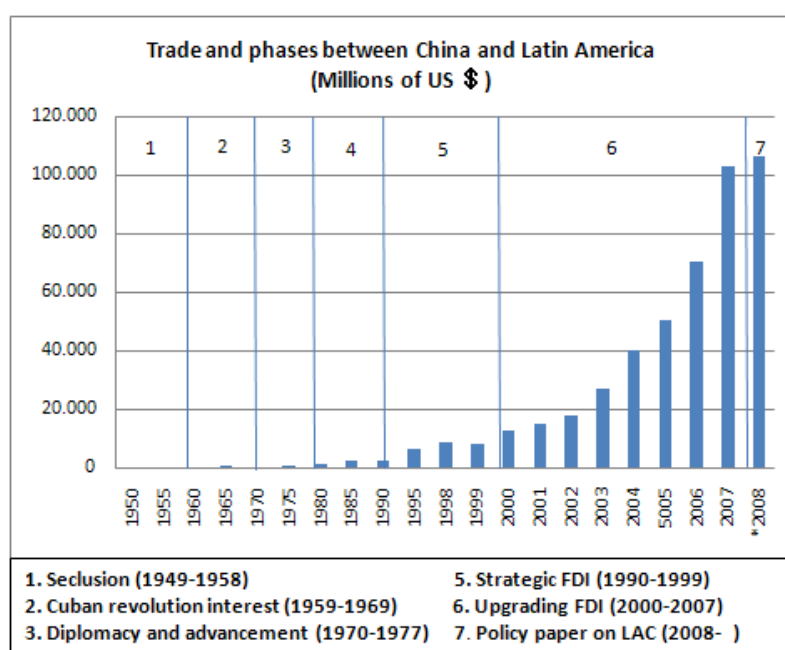
President Silva of Brazil and Chinese President Hu met in 2004 on the latter's tour of Latin America
Photo: americanprogress.org

“The Sino-Latin relationship has not always been as dynamic and co-operative as it is at present.”

In 2008 the People's Republic of China (PRC) produced its first policy paper on Latin America and the Caribbean region, trying to narrow down and formalise the conditions for more collaborative and far-reaching arrangements regarding trade relations, investment, finance, agriculture, industry, natural resources and energy.

Nevertheless, the Sino-Latin relationship has not always been as dynamic and co-operative as it is at present. Latin America and the Caribbean region (LAC) has a lengthy history as receiver of US and European foreign direct investment (FDI), and most of the countries in the region promote inward FDI offering facilities for investment. Yet, the truth is that at the beginning of the Chinese ‘Open Door policy’ in 1978, their FDI flows were directed to regions other than the LAC. Contemporarily however, it seems that the Chinese government is willing to make up for lost time. The evolution of the Sino-Latin American relationship can be divided into seven phases (see Figure 1) that clearly express how Chinese interest in Latin America has passed from indifference to engagement.

Figure 1.



Sources: Mora, F. (1999); Li, H. (1991), Regalado (2009).

* Projected figures first semester 2008



Then Chilean President Lagos and current Chinese President Hu inspect the Chilean Guard on a state visit of the latter in 2004

Photo: chineseembassy.org.uk

“Chile was the first Latin American country that recognised the PRC followed by Peru, Mexico, Argentina and Guyana.”

1. Seclusion (1949-1958)

In this period, contact between the LAC and the PRC could be described as intermittent. This was due to large-scale political, economic and cultural differences. Consequently, trade between China and LAC was practically non-existent (see Table 1).

2. Cuban Revolution interest (1959-1969)

The Cuban Revolution was considered a signal for Beijing's government to make an approach in the region. China's interest was mainly political, but at the same time they developed a commercial interest that remained politically motivated. Beijing supported the respective political struggles in Haiti, Nicaragua, Dominican Republic and Paraguay and promoted the Cuban Revolution as an exemplary model for political change. They were convinced that the only way for political change was by means of violent struggle. The fact that the Chinese government was supporting revolutionary groups made it impossible to establish diplomatic relations with any LAC country except Cuba.¹

3. Diplomacy and advancement (1970-1977)

In the 1970s the Chinese government initiated a more flexible and pragmatic foreign policy. In conjunction with this, many LAC countries showed willingness to diversify their commercial and political relations. Consequently, a favourable environment was created to promote Sino-Latin relations. Chile was the first Latin American country that recognised the PRC followed by Peru, Mexico, Argentina and Guyana (see Table 1). This period was characterised by the trade of raw materials, but at this early stage it was premature to consider even a small scale of Chinese direct investment in the region seriously.

Trade between the PRC and LAC grew slowly and was concentrated on a few market products like wheat from Argentina, copper from Chile and sugar from Cuba. The two main reasons for this weak exchange were shortages of foreign currency, and the difficulty to find suitable articles of interest to both sides.²

4. Open door policy and trade (1978-1989)

After 1978 it was clear that the PRC wanted to increase its foreign trade. In contrast to the previous Chinese approach to LAC countries, this decision was motivated by economic instead of political reasons.³ In fact, their foreign policy was focused:

- to ensure access to scarce natural resources in the country,
- to allow the transfer of technology to China,
- to increase export opportunities for Chinese companies, and



Investments in natural resources, such as Argentine Fisheries characterised early Sino-Latin American interaction
Photo: mercopress.com

“The 1978 - 1989 period of Sino-Latin relations was characterised by commodity and natural resources trade, direct investment in the region, extension of credit and technological transfers.”

- to increase the managerial skills of Chinese enterprise personnel.⁴

In addition, the PRC government legalised the emission of FDI through its Fifteen Measures of Economic Reform in 1979. This period of Sino-Latin relations was characterised by commodity and natural resources trade, direct investment in the region, extension of credit and technological transfers. Chinese enterprises in the region were mainly trading companies. For example there were some direct investments in fishing in Argentina and in forestry trading in Brazil in 1984. Additionally, there were investments in mining and equipment and raw material imports.⁵

Table 1.

Establishment of diplomatic relations between Latin American countries and the PRC		
Phase	Country	Date
Seclusion (1949-1958)	Cuba	28 September 1960
	Chile	15 December 1970
Diplomacy and advancement (1970-1977)	Peru	2 November 1971
	Argentina	14 February 1972
	Mexico	19 February 1972
	Guyana	27 June 1972
	Jamaica	21 November 1972
	Trinidad and Tobago	20 June 1974
	Venezuela	28 June 1974
	Brazil	15 August 1974
	Suriname	28 May 1976
	Barbados	30 May 1977
Open door policy and trade (1978- 1989)	Ecuador	2 January 1980
	Colombia	7 February 1980
	Antigua and Barbuda	1 January 1983
	Bolivia	9 July 1985
	Grenada	1 October 1985
	Nicaragua	7 December 1985
	Belize	6 February 1987
	Uruguay	3 February 1988
Strategic FDI (1990-1999)	Bahamas	1 September 1997
	St. Lucia	1 September 1997

Source: Mora, F. (1999); Li, H. (1991).

5. Strategic FDI (1990-1999)

By this period, not only trading companies were active in the LAC region, but manufacturing companies were established as well. This was largely because Chinese enterprises discovered that they could transfer low-tech manufacturing and



Venezuelan President Chavez meets Chinese President Hu in Beijing, 2008
Photo: Xinhua.net.

“In 2004 China’s trade with LAC grew 50% and in 2006 Chinese FDI in the area reached its highest recorded level.”

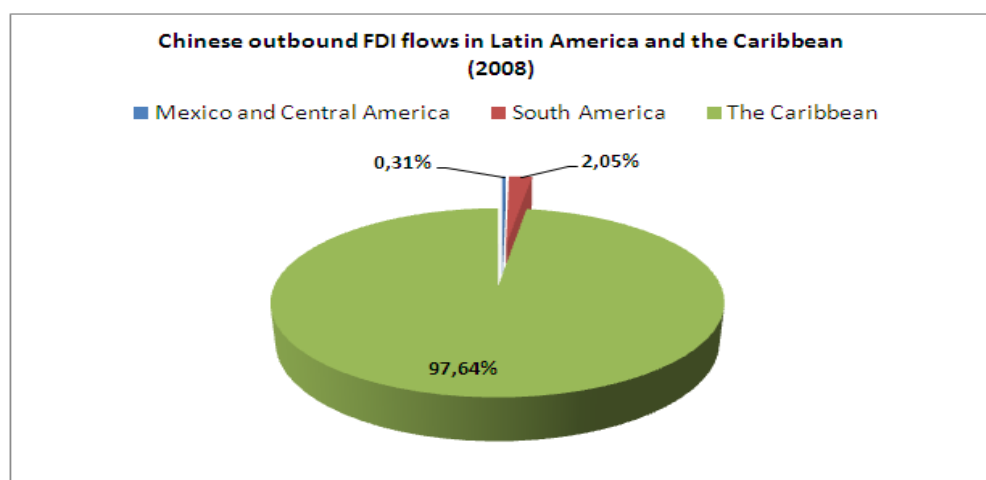
produced goods at a lower cost and dominate the market.⁶

The interest of the companies was mainly market-seeking, but they were also looking for strategic locations, not only for trade and investment purposes, but also to export to third countries (triangulation). This was with two major objectives in mind: a) to elude import tax payment on markets organised in blocs and, b) to try to eliminate restrictions imposed by those governments opposed to products ‘made in China’ and to limit the effects of their protectionist instincts.⁷ Those investments were located mainly in Brazil, Argentina and Colombia. The first two could allow trade in the MERCOSUR area whereas the last one could open the door to Mexico directly, and eventually to the whole NAFTA area.

6. Upgrading FDI (2000-2007)

With China’s entrance into the WTO, this period was characterised by the expansion of Chinese trade and FDI all over the world, with Latin America no exception. In 2004 China’s trade with LAC grew 50% and in 2006 Chinese FDI in the area reached its highest recorded level.

Figure 2.



Source: MOFCOM (2008).

Investments in the primary sector (mining, fishing and agriculture) increased, while the secondary- and tertiary sectors also grew, mostly since 2004. For example, there were investments in the automotive sectors, machinery and equipment, electronics, IT, transport and finance. In other words, Chinese investment in LAC began upgrading the value chain in this phase.

Nevertheless, the most important investments in the region were oriented towards two principal locations: The Cayman Islands and the Virgin Islands, tax havens where Chinese capital can be returned to China (‘round tripping’) or be invested in



China's Latin American Policy encourages investment in agricultural projects on the continent

Photo: mercopress.com

“The PRC is looking for strategic partners in the LAC. The countries of choice are those prepared to intensify collaborative relations.”

any other country in the world (see Figure 2). In other words, most Chinese capital was sent abroad just to have it return as foreign investment in order to enjoy special lower taxes and benefits from the Chinese government.

Between 2003 and 2007 Chinese FDI flows into the Cayman Islands and the Virgin Islands represented more than 90% of the total of Chinese FDI flows into LAC.⁸ This suggests that Chinese FDI in Latin America is in fact relatively slight compared to Chinese investments in Asia and Africa. Consequently this is an issue that has to be analysed very carefully to understand its implications and consequences.

7. Policy paper on LAC (2008-)

China issued its first policy paper on Latin America and the Caribbean in November 2008. The paper stresses the importance of the relationship between the PRC and LAC, considering it as 'strategic' and focusing on diplomacy, bilateral trade and economic relations.

In addition, the paper declares that 'the Chinese Government encourages and supports qualified Chinese companies with good reputation in investing in manufacturing, agriculture, forestry, fishing, energy, mineral resources, infrastructure, and service sector in Latin America and the Caribbean to promote the economic and social development of both sides.'⁹

According to this, the PRC is expecting to make a deeper approach into the LAC, assuring good relations with food- (Argentina), oil- (Venezuela), and raw materials providers (Chile), as well as strategic locations for their medium and high-tech enterprises (Mexico, Brazil, Colombia, and Argentina).

The paper also proposes more cooperation in some fields – such as exchanges between legislatures, consultation mechanisms and cooperation in international affairs - but is not quite clear how and when that cooperation will be developed. China does not desire to be perceived as a competitor but as a friend and a partner, for that reason it maintains a low profile in the region. The PRC is looking for strategic partners in the LAC. The countries of choice are those prepared to intensify collaborative relations. In the region Brazil, Venezuela, Argentina and Mexico have received the designation of 'strategic partners'.¹⁰

It is evident that implications for every LAC country will be different, above all in the case of Mexico and Central America due to the fact that trade with China has damaged their economies since it is such a strong competitor in manufactured goods, making deep inroads into their markets.

Besides, China has to act cautiously and make sure that its presence in the LAC will



China joins Brazil as one of the BRIC countries identified as important emerging powers by Goldman Sachs
Source: blogspot.com

be perceived as non-threatening and peaceful, chiefly because of US interests in the region. Consequently, the success of Sino-Latin relations in the following years, will not only depend on mutual economic interest but political and strategic interests as well.

End Notes

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Business Briefs

The Business Briefs section summarises key events regarding China's economy during the month of June



China favours diplomatic stance in Korean Peninsula Liu Jian Chao, the Chinese ambassador to the Philippines, has stated that although China is concerned about the recent sinking of a South

Korean patrol vessel, it does not approve the proposed joint US-South Korean naval exercises off the Korean peninsula. The sinking of the vessel led to the death of 46 people and could be a catalyst for further difficulties in the region. The ambassador explained that China favours a diplomatic approach to the incident.

China to ban energy consuming and polluting projects this year

It was reported that China is increasingly tighter on restricting new projects in highly energy consuming and heavily polluting industries. The National Development and Reform Commission will not approve new projects this year in high energy consuming and high polluting industries in a bid to cut energy consumption per unit of GDP during 2006 to 2010 by 20%.



China uses commodity reserves Analysts have noticed that although there is still a strong local demand for commodities such as lead, a fall in imports of other commodities indicates that Chinese

manufacturers are presently using up their reserves. This has the potential to become a concerning trend for the commodities sector, given that Chinese manufacturers are clearly awaiting a dip in commodities prices, based on weakening Chinese demand, before returning to the commodities market again.

China calls for persistent efforts in environment challenges

The Chinese ambassador to the United Nations in Geneva recently called for persistent international efforts in dealing with environment challenges such as climate change and the shortage of energy and natural resources. "Finding appropriate solutions to address these challenges is our shared long-term goal ... we must work together to find common solutions to these common problems," said He Yafei at a briefing to Geneva-based diplomats and

journalists on the next Group on Earth Observations (GEO) ministerial meeting to be held in Beijing in November. Over the years, China has actively promoted international understanding and cooperation on addressing global economic and environmental issues, according to the ambassador.

China vows no let-up to state control of Internet

China will not ease state control over domestic online activity and will brook no foreign criticism of its rules, according to a government white paper released after months of wrangling about freedoms for web users. A very public spat with Internet giant Google Inc earlier this year led to the company shutting down its main Chinese search engine. The 31-page white paper, which called the Internet "a crystallization of human wisdom," said its usage in the most populous nation on earth was "transforming the pattern of economic development."



China Direct Industries to host the Gateway to China business roundtable conference

Delegates from China's International Council for Promotion of Multi-National Corporation and various international business leaders met recently to identify and forge business opportunities between China, North America and South America. China Direct Industries, Inc., a U.S. owned holding company operating in China in announced it will be hosting the Gateway to China Business Roundtable Conference, an event designed to bring together a Chinese delegation, key international organizations and international business leaders to identify opportunities for inbound and outbound investments, partnerships, joint ventures and business opportunities between China, North America, and South America.

World's largest IPO from Agriculture Bank of China gets nod

The Chinese securities regulator gave the go-ahead to the staggering US\$ 30 billion pay out from the Agricultural Bank of China, which will be the world's largest ever public float. The China Securities Regulatory Commission's public offering review



Committee made the announcement shortly after the commission said it began reviewing the Agricultural Bank of China's (ABC) initial public offering application this morning. The bank is yet to decide its share price range if it gets regulatory approval.



China and Kazakhstan agree deals on gas, nuclear energy China and Kazakhstan have agreed to build and jointly finance a gas pipeline and deepen atomic energy ties

during a visit to the Central Asian country by Chinese President Hu Jintao. Hu and Kazakh leader Nursultan Nazarbayev presided over the deals between state companies that will give China greater access to resources and will allow Kazakhstan, Central Asia's biggest economy, to diversify its energy exports, reports the Shanghai Daily.

China to ensure success of emission reduction mission 2010 marks the last year of the 11th Five-Year Plan. All missions set in the plan have to be accomplished by the end of the year. This, of course, includes the emission reduction mission. On Monday, China recently expressed its determination to accomplish the goal. Li Yizhong, the Minister of Industry and Information, said the government will take iron-handed measures to ensure the success of the emission reduction. The government set a 20 percent drop of energy consumption per unit of GDP. However, after over 4 years, the drop is only 14 percent. It is a big task to drop another 6 percent in half a year. That's why the government decided to step up measures to cut emissions.



China hits out at US over Yuan US lawmakers risk "poisoning the atmosphere" with China through proposed laws aimed at the Yuan currency, China's official news agency said recently,

calling US Congress members "baby kissing" incompetents. The commentary from the state-run Xinhua news agency was Beijing's latest jab at members of the US Congress demanding legislation tackling what they say is China's policy of keeping its Yuan currency artificially low against the US Dollar. One of the most vocal backers of such action, Senator Charles Schumer, a Democrat, said this week that he and other colleagues want a vote in the next two weeks on legislation to allow the use of anti-dumping and countervailing duty laws against China or any

other country deemed to have a fundamentally misaligned exchange rate. Late last month, China and the United States avoided open confrontation over the Yuan at high-level talks held in Beijing.

China's inflation outstrips government target Recently China announced that consumer prices surpassed official targets in May while factory output and

123	1.1601	-	1.16%	0.186
118	1.662	+	0.16%	11.600
1.121	0.1201	+	0.10%	N/A
0.232	1.0233	-	1.53%	10.201
0.186	1.1611	+	1.75%	13.203
1.1601	0.1602	-	0.87%	N/A
1.662	0.105	-	0.11%	20.160
			1.12%	N/A

investment slowed, complicating government efforts to maintain steady economic growth. The consumer price index, the main gauge of inflation, rose a surprising 3.1% compared with the same month last year, the National Bureau of Statistics said. The increase outpaced the 2.8% rise in prices in April and overtook the government's own inflation target of 3.0% for the year, potentially increasing pressure on policymakers to hike interest rates. Sheng said a low base from last year and higher food and housing costs were to blame, and said the price pressures could ease later in the year.

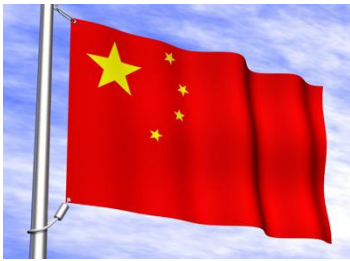
China's Cabinet approves plan to develop varied regions China's State Council, or Cabinet, approved a programme recently to map out specific development strategies for different



regions in a bid to boost economic development and, at the same time, ensure the protection of the environment. According to a statement released after a regular meeting of the State Council, the country's various regions should have their own development focus and priority according to their environmental features, natural resources, current development stage and development potential. The Cabinet noted that detailed plans and policies should be made for these "development priority zones" in terms of population distribution, economic layout, land utilization and the level of urbanization.

Chinese president wraps up Central Asia trip Chinese President Hu Jintao wrapped up his Central Asia trip recently after visiting Uzbekistan and Kazakhstan, and attending a Shanghai Cooperation Organization (SCO) summit in the Uzbek capital, Tashkent. Hu started his trip in Tashkent, where he and his Uzbek counterpart Islam Karimov exchanged views on the prospects of bilateral ties as well as international and regional issues of common concern. The two leaders signed a joint statement on the further development of

the friendly and cooperative partnership between China and Uzbekistan.



CCP leader meets Norwegian politicians for stronger bilateral cooperation

He Guoqiang, a leader of the Communist Party of China (CCP), met recently with Raymond Johansen, the

Secretary General of the Norwegian Labour Party and Jonas Gahr Store, the Norwegian Foreign Minister, in an effort to deepen bilateral relations and mutual cooperation between China and Norway. In a meeting with Johansen, it was learnt that both the CCP and the Norwegian Labour Party (the leading parties in China and Norway respectively) could draw on each other's experience in governance as an important aspect of party-to-party friendly exchanges.

Industrial actions, new challenge facing foreign manufacturers in China An ongoing labour shutdown at an autoparts facility for the Japanese-based carmaker Honda Motor Co. in southern China's Guangdong Province, which was actually part of a string of strikes at overseas-funded plants since mid May, shed more light on challenges for the survival and development of transnational corporations in China. According to Chinese experts, the recent series of strikes are challenging the ability of foreign capitalists to maintain peaceful relations with workers, which they believe are vital for the sustainable development of overseas-funded companies on the Chinese mainland.



Taiwan and China hold trade talks amid deal

Taiwan and China started a third round of talks recently aimed at strengthening economic and trade ties, amid rising speculation that they

may sign an agreement this month. Huang Chih-peng, director-general of Taiwan's Bureau of Foreign Trade met Tang Wei, head of Taiwan, Hong Kong and Macao affairs at China's Ministry of Commerce, in a Beijing hotel to discuss the Economic Cooperation Framework Agreement, or ECFA. A pact will likely be agreed by the end of June.

Venezuela invests US\$82 million for K-8 Military Aircrafts from China Venezuela will invest funds of up to US\$ 82 million to order two extra K-8 military training aircraft from China. The government

ordered 18 light attack and training planes from China last year, and received six of the ordered planes in March. They revealed plans to order more planes in June and President Chavez said that the aircraft will be used to equip a second squadron, and also to replace the remaining air force Canadair VF-5A/Bs. Venezuelan officials announced that the jets would also be used to train local pilots to capture drug smugglers that use Venezuela as a stop between the US, Europe, and Africa.

IMF's top Chinese official seeks revamp of Asia growth model

China's highest ranking official at the International Monetary Fund called for a revamp of Asia's growth model to make it more sustainable. "Asia needs to rethink its growth model," Zhu Min said in his first public comment after taking over in May as special advisor to the IMF managing director, the highest-level staff position ever attained by a Chinese national. Asia was still very much export-driven and the region needs "to move forward to the domestic consumption-driven model to make growth much more balanced and sustainable," said Zhu.



China's financial power brokers urge bigger overseas role

As the U.S. Congress prepares to vote on the financial-overhaul bill, China's financial regulators and top executives gathered recently to celebrate the success of the country's economic model and called for greater international engagement. Niu Ximing, president of Bank of Communications Co, China's fifth-largest bank by assets, told the annual Lujiazui Forum, "We shouldn't just set up branches overseas, but also explore mergers and acquisitions. The two approaches should be combined."

BP and Chevron agree on deal for China offshore block

China will eliminate tax rebates on exports for 406 items starting in mid-July 2010, according to a joint notification issued by the Ministry of Finance and the State Administration of Taxation recently. This is the first time this year that China has adjusted its tax rebate policy since it increased the export tax rebate rates seven times in 2009.



Sourced from: VOA News, Business Week, Yahoo, Reuters, NY Times, Rolling Stone, India Times, China Daily, Wall Street Journal, Engineering News, The Guardian, Google

China and Africa

The latest updates on China's involvement on the African continent.



Chinese company to build US\$1 billion Nigeria railway Plans have emerged for Lagos, Nigeria's capital, to have its first urban railway system by 2013. The inhabitants of sub-Saharan Africa's most populous city usually make use of taxi and

a rapid transit bus system, but the proposed US\$1 billion railway line will apparently be able to accommodate 382 000 passengers by 2017. The Chinese Civil Engineering Construction Company has received the design and construction tender.

South African tourism office opens in China South African Tourism has opened a new office in Beijing in an attempt to capitalize on the expanding Chinese tourism market to Africa. Marthinus van Schalkwyk, the South African Minister of Tourism, as well as Shao Qiwei, the Chairman of the Chinese National Tourism Administration were in attendance on the day of the opening. Chinese travellers accounted for 45,326 visitors to South Africa last year. This represents a year on year growth of 12%.



Zambian mine to create an extra 1000 jobs The Chinese-owned Mulalishi open pit copper mine in Zambia is set to create 1000 additional positions, bringing the number of employees on the mine to 3,000. Preparations are

underway for the mine's opening in July 2010. The mine is likely to produce 500,000 tons of copper per year for the next 12 years, according to estimates.

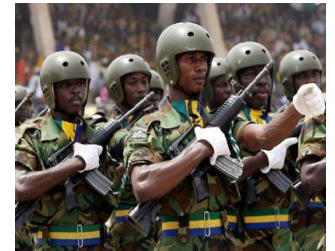
South African clothing industry seeks level playing field with China Johann Baard, the Executive Director of Apparel Manufacturers of South Africa stated recently that the South African government should enact trade policies that 'level the playing field' between South African textile manufacturers and their Chinese counterparts. He made the point that the South African textile sector is important in the fight against poverty in the country, and that China's fiscal policy made it difficult for local producers to compete with Chinese imports into South Africa.

China becomes Zambia's largest investor Mr Felix Mutati, Trade Commerce and Industry Minister of Zambia, said that China has become one of Zambia's

largest and most reliable investors in the economy, having ploughed in approx. US\$ 2 billion in various ventures. Mr Mutati said during a meeting with a delegation of Chinese businessmen in Lusaka recently that China had been the single largest investor into Zambia's economy, investing in Zambia's mining sector and in the Multi facility Economic Zones.

China donates logistics to Ghana Armed Forces

China recently moved a step closer towards strengthening ties with Ghana when it donated specialised military vehicles and accompanying spare parts to the Ghana Armed Forces (GAF). The vehicles, valued at US\$ 1.5 million, included troop carriers, trucks, field ambulances, and a tanker. Chinese Ambassador to Ghana, Yu Wenzhe handed over the vehicles to GAF at Burma Camp in Accra saying the gesture was intended to further strengthen the cordial relationship between both countries and their armed forces.



African Minerals in funding talks with Chinese companies

African Minerals Ltd is in talks with several Chinese companies to raise US\$ 5 billion in funding to explore the Tonkolli iron ore project in the West African nation of Sierra Leone, a top company official said recently. The London-listed explorer plans to ship the entire 10.5 billion ton iron ore deposits from the project to China. "The iron ore mine will have an annual production capacity of 75 million tons in the next six years, and we need Chinese partners to finance development work at the mine," said Frank Timis, chairman of African Minerals.

Uganda Cranes Coffee paves way for Sino-African coffee venture

Uganda Crane Coffee, a joint venture initiative between the Uganda Coffee Development Authority and Beijing North Star Industrial Group recently drew attention at the World Expo in Shanghai. Solomon Rutega, the Uganda's deputy head of mission, said it was clear the green beans of Uganda can call China home. Uganda Crane Coffee is the first Sino-African coffee project in China that aims at providing market access to value added products from Africa. Uganda is Africa's leading coffee exporter.





Sierra Leone president welcomes Chinese investors

President Ernest Bai Koroma of Sierra Leone recently received a delegation of 24 investors from China. The delegation was led by the chairman of China Kingho Group, Qinghua Huo. The delegation included investors

in Mining, Tourism, Banking, Agriculture and other related areas.

Egypt to offer opportunities to China Sovereign Fund

Egypt plans to offer China's US\$ 300 billion sovereign wealth fund opportunities to invest in major infrastructure projects as it seeks to diversify sources of foreign inflows, Investment Minister Mahmoud Mohieldin said. Unlike other African countries, such as Sudan, Egypt has seen minimal investment from China. Of the US\$ 8.1 billion of foreign direct investment that the Arab country attracted in the fiscal year ending June 2009, China only contributed US\$ 60 million, according to Reham El-Desoki, senior economist at Cairo-based investment bank Beltone Financial.



China opens market to African goods

China has lifted import duties for some African products to open up its domestic markets and fast-track achievement of the Millennium Development Goals. Xie Yajing, the Chinese Commercial

Counsellor in charge of Western Asian and African Affairs recently said the Chinese government would establish an African Exhibition centre to shore up the visibility of African goods in her country and increase market access. African exports to China include cut flowers, tin ores and concentrates.

China urged to explore investment opportunities in COMESA

Common Market for Eastern and Southern Africa (COMESA) Secretary-General Sindiso Ngwenya recently urged China to enter into joint ventures with Africa's largest regional trading and economic grouping to capitalize on the customs union that was launched last year. COMESA is endowed with vast natural and human resources that makes it a fertile investment destination. China has previously been urged to invest in the manufacturing sector so that Africa can move up the value chain and increase the incomes of its people while ensuring that less wealth is exported abroad.

Chinese company approaches Ethiopian market with latest technology

A Chinese electronics manufacturer, Hisense, is promoting its latest technology in the Ethiopian market. Hisense supplies modern

electronic products of high technology to local customers in the country. Feedback from the 3rd National Information Communication Technology (ICT) Exhibition at the Addis Ababa Exhibition Center revealed that local customers are highly attracted to the products displayed by Hisense. A number of local and foreign companies have exhibited their products in the exhibition co-organized by the Ethiopian ICT Development Agency and the Ethiopian Telecommunications Corporation.

China assists Ghana with anti-malaria centre

The Ghanaian Ministry of Health, has taken delivery of 55 pieces of health equipment, glassware and reagents from the government of the People's Republic of China

to constitute a fully functional anti-malaria research centre in Ghana. The equipment also includes computers and accessories, medical refrigerators and electronic appliances that will enable the centre to have a high quality diagnostic system for qualitative identification of the malaria parasite.



Ministry of Education delegation returns from China

A two-member delegation of the Ghanaian Ministry of Education has returned from the People's Republic of China after attending a workshop at the invitation of the Chinese Government. The four-week intensive training in the Chinese language and culture was attended by 41 government officials from 17 developing countries including Ghana. The programme, which was sponsored by the Ministry of Commerce of China was on the theme: 'Enhancing Regional Cooperation for Economic and Trade.'

China & Zimbabwe pledge to enhance military relations

During a recent engagement with the Commander of the Zimbabwean Defence Forces, the Chinese Defence Minister, Liang Guanglie, stated that China values its friendship with Zimbabwe and would like this friendship to progress in military terms. From the Chinese side appreciation for Zimbabwe's strict adherence to the 'One China policy' was expressed. Zimbabwe reciprocated the Chinese compliments and expressed interest in deepening military ties.



China re-affirms support to Ghana's socio-economic development

Mr Yu Wenzhe, out-going Chinese Ambassador to Ghana, has re-affirmed China's support to Ghana's socio-economic development. Mr Yu made the affirmation during a courtesy call on Mr Alban S.K. Bagbin, Minister of Water Resources, Works and

Housing in Accra. He noted that Ghana and China had made remarkable contribution to the development of their countries and called for the strengthening of bilateral relations.



First Bank of Nigeria eyes equity relationship with Chinese bank First Bank of Nigeria PLC is in the "elementary stage" of talks with a major Chinese bank about an equity relationship, Chief Executive Stephen Olabisi Onasanya said

recently. Onasanya said his bank, Nigeria's largest, is likely to decide within a month whether it will invest in one of the domestic lenders bailed out last year by Nigeria's central bank as part of government efforts to consolidate Nigeria's banking.

MTN Nigeria signs US\$ 2.2 billion loan deals for expansion The Nigerian arm of MTN, the biggest mobile phone operating company in Africa, has secured loans from fifteen Nigerian banks and two foreign banks. The summation of these bank loans are US\$ 2.15 billion with a US\$ 200 million loan from the Industrial and Commercial Bank of China. This credit facility has been earmarked for purchases from Huawei Technologies.



Chinese factory steps up vuvuzela production

A Chinese factory making vuvuzelas is having to increase production to keep up with huge demand during the FIFA World Cup in South Africa. Chinese

manufacturers say almost 90% of the vuvuzelas used in South Africa are made in China. The Ninghai Jiying plastics factory based in the gritty eastern Chinese coastal city of Ningbo is one such manufacturer raking in the profits from the vuvuzelas.

Nigeria and China sign MoU on sub-standard goods

The Nigerian Minister of State for Commerce and Industry, Ms Josephine Tapgun has led a Federal Government delegation to China for the signing of a Memorandum of Understanding, (MOU) between Nigeria and China on the ban of sub-standard goods from China. In a statement, the Special Assistant for Media and Political Affairs, Mr. Yakubu Dati, said the signing of the MOU is a long awaited strategy by the government to check the menace of fake and sub-standard goods that have flooded the Nigerian market from China. She said, "These products are not only harmful and dangerous to unsuspecting consumers, but also frustrate efforts by local manufacturers who are struggling to contribute their quota towards the country's drive to industrialization,".

China solar company 'shines' on World Cup In South Africa

China did not qualify for the FIFA World Cup 2010, but the country is still making an appearance in the South African tournament. An ambitious Chinese

solar company, the country's first World Cup sponsor, has placed advertising in all the stadiums in a bid to give its brand a worldwide boost. Yingli Green Energy Co.'s sponsorship deal allows it to show its logo of Yingli Solar, in Chinese and English, on electronic perimeter-boards at all 64 games of the World Cup.



Chinese banks agree to finance three projects in Mozambique

Chinese banks agreed to finance three projects in Mozambique totalling US\$165 million, a Mozambique news editorial reported recently, citing Mozambican Prime Minister Aires Ali. US\$ 65 million of the total will be disbursed by the Ex-Im Bank of China. Furthermore, the Chinese Bank for Development will provide US\$ 80 million for the construction of a new cement plant in the central province of Sofala, with capacity to produce 500,000 metric tons per year. It will also grant US\$ 20 million to finance a cotton-processing plant in Magude, in the southern province of Maputo.

Renaissance Capital channels China funds to Africa

Renaissance Capital, the Russian investment firm that has arranged the most stock offerings in the country this year, is helping place Chinese funds in natural resources companies across Africa and the former Soviet Union in a push to be the biggest multi-regional emerging-markets bank.

Renaissance
Capital

Africa is the next China says Puma CEO

Afro-optimist Jochen Zeitz thinks the continent's market could, in the coming decades, show the same sort of growth as China's. In South Africa recently for the World Cup, Zeitz hailed the tournament for making the doom-sayers eat their words. Zeitz commented recently, "I love Africa, the continent, the diversity of its people, the different cultures. Being very interested in not only art but also nature, it's certainly one of the areas in the world where you can still experience pure nature."

Sourced from: All Africa.com; BBC News; Nazret.com; Bloomberg; Engineering News; China Daily; Wall Street Journal, Lusaka Times, Zambia Post; Telecoms.com; CRI.net; Reuters; Business Week; FT.com; Afrik.com

The China Forum - Recent Events

CCS attends first China-Africa conference in Macau – 24-25 May, 2010

CCS Research Analyst, Sanne Mars-van der Lugt, attended a China-Africa conference in Macau called: “China-Africa: New Types of Exchange, Cultural Identity and Emerging Relations in a Globalized World.” The conference was hosted by the Centre for African Research and Development Studies (CARDS) of the University of Saint Joseph in Macau. Mrs. Mars-van der Lugt presented a paper on: “A Critical Analysis of the Need for Regional Integration in Africa and the Role of China.” The conference was attended by scholars and diplomats from China and Africa alike.



Sanne Mars v.d. Lugt (CCS) at the China Africa Conference in Macau (second from left)

Visit by China NGO Network for International Exchange – 5th June, 2010

On June 5, Ms. Shen Beili, Deputy Secretary General of the China NGO Network for International Exchanges (CNIE), and Ms. Wu Lin paid the Centre for Chinese Studies a visit. During this visit possibilities for cooperation were discussed.



Professor Li Minghuan of Xiamen University visit to CCS and seminar – 7 June 2010

Professor Li Minghuan of Xiamen University in China recently visited the Centre for Chinese Studies as part of her research on migration. Professor Li further hosted a CCS Chinese Forum seminar on Transnational Migration from South China: Regular and Irregular Dimensions. Prof. Li majored in migration studies at the Institute of Population Studies, School of Public Affairs, Xiamen University, China. She is also the Consultant of Overseas Chinese Affairs Office of State Council, China. Her presentation discussed her explorations of transnational migration culture in South China, as well as her systematization of transnational migration history from South China to Europe and her study of its social consequences.



Prof. Li Minghuan
Photo: uio.no

CCS / SAIIA Roundtable – 8 June 2010

On 8 June 2010, the Centre for Chinese Studies in association with the South African Institute of International Affairs (SAIIA) hosted a Roundtable on China's Role in Africa's Development at the Centre for the Book in Cape Town. The Roundtable sought to debate the role of China in Africa's development process and to further disseminate recent outcomes of research conducted in both institutions. The event was attended by academics, research associates and members of the public.



Professor Scarlett Cornelissen (CCS) with Dr. Mzukisi Qobo and Ms. Ana Alves from SAIIA. Photo: CCS

CCS publishes article in *ChinAfrica* magazine – June 2010

CCS Research Analyst, Matthew McDonald, recently published an opinion piece in the June edition of the periodical *ChinAfrica*. His article focused critically on the international discourse surrounding the proposed revaluation of the Chinese Yuan Renminbi.

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