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ABSTRACT

China's massive growth has left her in need of new energy and raw materials sources to fuel her fast developing economy. Consequently, China has turned to the African region to meet such critical needs. To this end, China's emerging economy appears to be associated with an increasing strengthening of its political and economic relations with sub-Saharan African countries, particularly with South Africa. At the same time, South Africa is also enjoying improved relations be it economic, political and social with China. This research has three tasks: first it will examine the impact of the China- South Africa political and economic relations on the socio-economic fabric of South Africa. Secondly, this project will ascertain the opportunities and challenges presented by China's relations with South Africa. Finally, this study will investigate whether this relationship is mutually beneficial or one-sided. A combination of the realism, Balance of Power, Heckscher-Ohlin theory, and notions from the Liberalist approach to International Political Economy theories will be used in explaining the China – South Africa relationship. The study will mainly take the form of a qualitative study and will mainly entail the examination, analysis and interpretation of documentary secondary data published in a variety of financial journals, non-profit organisations such as the Trade Law Centre for Southern Africa (TRALAC) and the South African Institute of International Affairs (SAIIA), government departments, reports and articles in the media as well as research conducted by other students.

LIST OF ABBREVIATIONS

| | |
|-------|---|
| ANC | African National Congress |
| ATC | Agreement on Textiles and Clothing |
| AU | African Union |
| BNC | Bi-National Commission |
| CCP | Chinese Communist Party |
| CPSA | Communist Party of South Africa |
| CPC | Communist Party of China |
| DIRCO | South African Department of International Relations and Cooperation |
| FOCAC | Forum on China-Africa Cooperation |
| GDP | Gross Domestic Product |
| G-20 | Group of 20 countries |
| G-77 | Group of 77 countries |
| GATT | General Agreement on Tariffs and Trade |
| IBSA | India Brazil South Africa |
| ICC | International Criminal Court |
| IDC | Industrial Development Corporation |
| IPE | International Political Economy |
| IR | International Relations |
| IMF | International Monetary Fund |
| JETC | Joint Economic and Trade Committee |
| MFA- | Multi Fibre Arrangement |

NAM Non-Aligned Movement

NEPAD New Partnership for Africa's Development

PAC Pan African Congress

PGD Partnership for Growth and Development

PRC People's Republic of China

UN United Nations

UNSC United Nations Security Council

US\$ United States Dollar

US United States

USSR Union of Soviet Socialist Republics

ROC Republic of China

RSA Republic of South Africa

SA- South Africa

SACP South African Communist Party

SADC Southern African Development Community

SAIIA South African Institute of International Affairs

SC Security Council

TEXFED Textile Federation of South Africa

TRALAC Trade Law Centre for Southern Africa

TDCA Trade, Development and Cooperation Agreement

WTO World Trade Organisation

World Bank International Bank of Reconstruction and Development

ZAR South African Rand

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CHAPTER 1

INTRODUCTION

1.1. Background:

Since 1994, the South African economy has become more open and integrated into the global economy. This has been a result of the ending of the country's isolation and as a result of the process of trade liberalization and economic integration, commonly termed 'globalization' (Flatters and Stern, 2007:9). As is the case with the rest of Africa, bilateral trade between China and South Africa has increased significantly over the last decade, particularly since 1998 when the two countries established formal diplomatic relations.

This relationship has been marked by numerous high-level visits between the two stakeholders which mainly emphasized the importance of the two countries bi-lateral relationship (PMG, 2010). In November 2006, former President Thabo Mbeki embarked on a state visit to China to attend the Beijing Summit of the Forum on China-Africa Co-operation (FOCAC). Once again in September 2011, the Deputy President of the Republic of South Africa, Kgalema Motlanthe also embarked on an official visit to the People's Republic of China (Department Of International Relations and Co-operation, 2012). More recently, President Jacob Zuma embarked on an official visit to Beijing in 18 July 2012 at the invitation of His Excellency, President Hu Jintao from 19-20 July 2012 (DIRCO, 2012).

1.2. Problem Statement

China's massive growth has left her in need of new energy and raw materials sources to fuel her fast developing economy. To meet this need, China has thus turned to the African continent. China's current need for resources and trade could present a real opportunity for Africa's development and its integration into the world economy. However, a critical question arises as to whether African countries like South Africa have been able to exploit this new trading opportunity to their full potential and thus mutually benefiting from their relations with China.

As such China's rapid and increasing diplomatic and economic relationship with South Africa has received increasing attention in recent years. As the impact of this relationship becomes more visible, there is a need for increasing empirical research on this politico-economic relationship which presents both opportunities and challenges for the South African economy that seems to be showing deepening relations with China (Sandrey, 2009).

1.3. Preliminary literature study

Since 1991, the economic and political relationship between China and African countries has intensified exponentially. The cooperation between the two sets of players has fuelled much contention over the potential ramifications of China's emerging economy for its African partners and has given rise to differing arguments regarding the implications of China's presence in Africa. Contemporary literature on China-Africa relations has generally generated two polarising sets of scholarly views regarding China's increased involvement on the continent. This section therefore discusses these contemporary views on China's increased interest in the region and goes on to establish the relevance of these various perspectives to the study of the current China-South Africa relations. The review of the literature on this relationship is based on driving forces for China involvement in and its implication for Africa.

In 2006, the Forum on China-Africa Cooperation formally established the 'strategic' partnership between China and Africa. This partnership was based on the "values of sincerity, equality, mutual benefit, solidarity and common development" (Botha, 2006). According to Borovska (2011) "some see this partnership as potential win-win cooperation, while others stress varied benefits and the likely risk". South Africa, in particular, has increasingly found itself at the centre of such debate surrounding Chinese activity on African soil.

Some scholars such as Taylor (2008) and Shelton (2008) argue that the current China-Africa relations are mainly commercial. These scholars argue that China's policy in Africa is concerned with increased economic interaction based on the need for three strategic areas which are China's growing demand for oil; Africa's raw materials and natural resources; and Africa's potential as a market for China's finished products. This argument is supported by Mooney (2005) who argues that China's rapidly growing economy has necessitated the increased demand for raw materials and hence China's vigorous involvement in Africa.

Other scholars such as Alden (2007) and Giry (2004) suggest for the most part that the relationship is mainly centred on the areas of economics and diplomacy. These scholars have attributed the strengthening of this relationship to China's increased need for diplomatic support in world politics and multilateral forums like the United Nations. This view has also been complemented by Alden (2005), and Van der Wath, (2004) who argue that most of China's presence in Africa is mainly driven by economic and diplomatic interests and has been concentrated on targeting governments and the elite of different African countries. From a similar perspective, Giry (2004) puts it clearly when he perceives China as "trying to buy the hearts and minds of African leaders as part of its broader strategy to acquire allies in developing countries so as to augment its soft power internationally".

Van der Wath (2004) asserts that the involvement of China in Africa can be mostly beneficial to Southern African countries considering the abundant resources found in these countries. This view is supported by Obiorah Ndubisi (2006, 2007); Firoze Manji (2007) and Xu Weizhong (2008) who have emphasized and viewed China's involvement as an opportunity for Africa's growth and development. For example, they suggest that "increased trade with China can be beneficial for the economies of African countries, particularly in industries where African countries have a strategic advantage such as South Africa in mining" (Botha, 2006). In a similar fashion Manji (2007), suggests that China has much to offer in areas such as rural development and intermediate technology. Furthermore, proponents of this view such as Brautigam (2007) and Prah (2007) collectively agree that the continent has a lot to benefit from China's commercial interest in the region. To complement this view, Shinn et al (2005), concludes that the relations between Africa and China should be viewed as an opportunity rather than a threat following the study findings of Chinese assistance on the Horn of Africa which have shown to have contributed to the betterment of this part of Africa.

In a similar fashion, the work of Anthony Yaw Baah (2007) and Herbert Jauch (2007) suggests that, "China's engagement with Africa today is less motivated by ideological considerations but based on a commercial agenda that aims to sustain rapid industrialisation and economic growth rates." This is in agreement with Alden's conclusion that "Chinese investments have also been seen as beneficial to African economies, particularly when they are coupled with the transfer of skills and technology to Africans" (Alden, 2005). Baah and Jauch share the same perspective as they argue that Africa stand to benefit more from China's involvement in the sense that Chinese relations with the continent are coupled with aid, debt relief, scholarships, training and provision of technical specialists to African countries.

Alden, (2005) supports this view by pointing out that Chinese investment should be welcomed particularly those which include skills transfer as they can help reduce investments from western countries that come with stricter conditions.

It is important to note that the aid given out by China has played an important role in certain poverty stricken sections of the continent and in overall development. On a similar note, it should also be noted that Chinese aid in Africa does not carry strict conditionalities particularly on governance and economic liberalisation which are usually demanded by the IMF and the World Bank when giving aid instead, China has opted for the 'no-strings attached' approach in its engagement with African states.

Although a large contingent of scholars have concentrated on the positive postulations, others have not supported the China- Africa relationship and continue to view this relationship as a threat to Africa's growth. They argue that the current situation shows the trade between China and Africa is in favour of China except for oil exports to China, thus this threatens local manufacturers and labour markets such as the shutting down of some industries (Draper, 2006 and Alden, 2005). This has been evident in South Africa where scholars argue that China is undermining local production especially for those in the textile industry; these scholars have expressed concerns about this relationship (Salifu, 2011). Some also claim that China is not involving many Africans in their projects but rather much of the work force is recruited from China (Large Daniel, 2008).

Furthermore, other scholars have criticized South Africa's approach of going all out to pacify China. These arguments are based on the claim that "South Africa is raising the spectre of undermining hard-fought democratic gains by allowing the Asian dragon to buy up all the strategic sectors of the economy" (Gumede, 2012). Marks (2007) and Margaret Lee (2006) argue that this type of relationship will only lead to a new form of colonialism, however this time, not from Western super powers, but from the East (Gumede, 2012) In particular, Adama Gaye argues that China is "a new imperial power with a colonialist project who will pretend to be a saviour to Africa".

According to Gumede (2012) "China's strategy has been to portray itself as different to the West in its dealings with Africa, supposedly more 'fair', more developmentally orientated and more altruistic". Another key factor is that China is still a developing country, regardless of its great progress in economic development; it has shown feelings of solidarity with African states (Sidiropoulos, 2006). Such scholars have described the current China- Africa

partnership that is marked by China's rising power in geopolitical and economic spheres as a new case of colonialism where African countries supply their raw materials to China while the latter sends its manufactured goods to Africa under the theory of free trade (AFRODAD). Kaplinsky and Morris (2007) emphasize that the presence of China in Sub-Saharan Africa is mainly motivated by the search for raw materials necessary to support the development of its manufacturing industry and its investments in infrastructures.

China has been viewed as a country that seeks to exploit the African continent. "Indeed, as China is much more developed and independent, the context and circumstances surrounding its expansion on the continent and its policy approach are much different than in the past". Furthermore, China's standing in the global economy has seen a significant shift and the country is seen to be increasingly playing a significant role in international markets. As such, "this new partnership is seen as less unequal when compared with the one with Western countries, even though this is debatable" (Borovska, 2011).

China is one of the world's largest growing economies and this has allowed the country to form close ties and relations with South Africa. The relationship with China offers South Africa enormous opportunities including the potential to absorb a higher proportion of value-added exports from South Africa. China has remained a strategic partner for South Africa in the global economy as she presents unique opportunities for South Africa including investments, joint ventures and technological transfers (PMG, 2010).

Due to its rapid growth and market presence in the international markets, China presents both opportunities and challenges for South Africa which would have an impact on South Africa's market share. Amongst the positives, China presents an opportunity for leveraged synergies where South Africa could operate in third party markets (PMG, 2010). Whilst in Africa, both countries could co-operate in support of multilateral economic development initiatives, predominantly within the NEPAD framework (PMG, 2010). Further co-operation was noticeable in the South-South developmental region where China had made commitments and South Africa had an important multilateral diplomacy focus (PMG, 2010). These types of interactions have resulted in a noticeably stronger partnership between the two countries.

However, as suggested by Gumede "China should be a key geo-political ally for South Africa as a pillar of the country's foreign policy strategy is to make global trade and economic and political architecture – currently stacked against African and developing countries, in favour of Western economies" (Gumede, 2012).

In general, the above discussion suggests that China's topical engagement with Africa can be said to be , on one hand, mutually beneficial, innovative and developmental, while on the other hand it has remnants of being exploitative, extractive, destructive and providing a way of perpetuating Africa's underdevelopment (Ampiah & Naidu, 2008).

Current studies on China-Africa relations have often been concentrated on the general overview of China's involvement in South Africa without sufficiently engaging the rationale for China's deepening relations with South Africa. The political and economic implications of this deepening engagement have not been adequately explored. Hence, China's growing presence in South Africa needs to be explored to establish the economic and political implications of this deepening relationship. In conclusion, it is evident that implications of China's involvement in Africa is perceived differently by scholars as some perceive the relationship as an opportunity for Africa's growth and development. On the contrary, others remain pessimistic and hostile toward the relationship.

1.4. Research questions.

1.4.1. What is the nature of South Africa-China relationship?

1.4.2. For South Africa, what are the opportunities presented by China-South Africa relation?

1.4.3. For South Africa, what are the challenges presented by China-South Africa relation?

1.4.4. Is this a relationship mutually beneficial?

1.5. Research Objectives.

1.5.1. To explore the nature of South Africa-China relationship.

1.5.2. To ascertain the opportunities and challenges presented by China.

15.3. To investigate whether the relationship is mutually beneficial or not.

1.6. Theoretical Framework

This section looks at China- South Africa relations in the context of the predominant theories of International Relations and International Political Economy. This section will also consider various theories that will enable the researcher to contextualise the study of the China- South Africa relationship. This research will utilize International Relations, International Economics and International Political Economy (IPE) theories to address its key questions. It is important to note that the different aspects of this study do not perfectly fit into one single theory; thus it is necessary to select different theoretical approaches that would help clarify and support this study more adequately. Below I look at various theoretical frameworks as to better understand the research focus.

The first theoretical component of this study will be the Heckscher-Ohlin model within International Economics. This model was designed to predict the pattern of trade between countries. The theory is founded the idea that relative factor abundance and intensity drive trade patterns between countries. The model suggests that different factor endowments between trade partners are the main reason for countries to trade (Pugel & Lindert, 2000). The framework suggests each country exports the good for which it has, due to its factor endowment, a comparative advantage. The other side of this argument is that each country will import products for which it has a comparative disadvantage. The Heckscher Ohlin theory suggests that countries which are rich in labour will export labour intensive goods and countries which are rich in capital will export capital intensive goods (Pugel & Lindert, 2000). Given these assumption, Ohlin's thesis contends that a country export goods which use relatively a greater proportion of its abundant and cheap factor. While the same country imports goods whose production requires the intensive use of the nation's relatively scarce and expensive factors. This model will be helpful in assessing the economic determinants of China – South Africa economic relations.

The Hecksher-Ohlin model is primarily an economic model; it will therefore be supplemented with International Political Economy. IPE is a discipline that views “the state as a key actor in the global system and as the organizer of the international political order” (Van De Felts, 2009: 29). Its strength in this particular study is that it combines varied tools and perspectives, from the political and economic dimension up to the social and cultural dimension. Because of this strength, it is able to provide a multilevel approach to study human behaviour and relationships in the international arena (Van De Felts, 2009: 30). IPE encompasses two aspects, the political realm which refers to the process of politics and the use of state power to arrange and define relationships within society, decision-making

processes, and shape boundaries of influence as well as the impact of different actors. In summary, it refers to the allocation and distribution of power (Van De Felts, 2009: 30).

The second sphere of IPE is concerned with economics, referring to the process where scarce resources are distributed and allocated to the different actors within the international and national systems, by market processes (Van De Felts, 2009: 30). These two spheres, the economic and political, interact, influence and are influenced by the societal and cultural context in which they are embedded. In the end, IPE represents an interdisciplinary approach for the study of problems and issues (Van De Felts, 2009: 30). Accordingly, the suggestion made here is that states and markets are interconnected and cannot be analysed separately.

IPE thus looks at the ways that individuals, states and markets are linked to each other, and the structures that have developed to connect them. This is particularly useful for this study as it will enable the researcher to explore both the economic and political spheres of the South Africa- China relationship. IPE will be useful in assessing the South Africa- China relationship (Borovska, 2011:29).

This research will rely on realism to address state to state political relations. Hans Morgenthau (1973:5), one of the pioneers of political realism argues that each state in the international system is concerned with its ultimate survival and seeks to achieve its own national interests which are defined in terms of power. Furthermore, Realism is centred on the view that states are the main actors in world politics and are primarily concerned with their own security (Borovska, 2011:29). The realist theory views human beings as self-oriented and hungry for power. This suggests that there is always an element of mutual suspicion in world politics, therefore the intentions and expectations of a state are never completely revealed to an ally. As a result, in international relations there are no permanent friends or permanent enemies. However, this does not suggest the existence of complete anarchy and perpetual conflict, but rather it depicts that there is no permanent or universal authority in the international system that regulates states' behaviour instead the suggestion here is that there is mutual suspicion in world politics (Nye, 1988).

According to Borovska (2011:29) whilst in the quest for national security, a state's intention is to seize as many resources as possible. In other words states are perceived as rational actors who constantly seek to maximize their benefits in the international system. This could well explain the China -Africa relationship which has been said to be centred mainly on

economics and diplomacy but also the need for support in multilateral organizations like the United Nations.

Thus considering that states are inherently self-interested entities this suggests that they gain merits in terms of balance of power. Morgenthau, (1973:5) further argues that national interest is defined in terms of power, thus the definition of power and how it is used or applied depends on current culture and political milieu. Furthermore, the realist perspective suggests that “interrelationships between states are based on their power levels. Consequently, these are determined by their military and economic competences and experience” (Borovska, 2011:29).

Similarly this view is supported by Zhao (1996:2) who suggests that, “China’s foreign policy and external behaviour is seen as responsive to the changing dynamics of the international environment”. This argument may be water tight taking into consideration the abundance of raw materials and natural resources found in Africa. According to Heller (2003) this is the reason for China’s increased presence in Africa, in an effort to secure their raw material supply.

The argument of this dissertation is that the involvement of China in Africa is explained by the realism theory, which puts forward the national interest and security over ideology, social reconstructions and moral concern. This view suggests that to attain power, states should not concern themselves with morals. This explains China’s stance of sovereignty and non-interference when dealing with Africa.

The strength of the Realist theory is it can be useful when trying to analyse the China – South Africa relationship. According to Botha (2006), the realist theory that suggests self-interest and moral scepticism helps one to better understand China’s foreign policies which have been labelled as “Self-serving and ruthless”. It can be argued that this is the stance taken by China in Africa. China’s engagement in South Africa could be an attempt at expanding and protecting its market, empowering her own state and increasing her power share in the international arena (Rodrigous, 2010). This research argues that China’s presence in South Africa motivated by the states desire to become more economically and diplomatically strong.

The realist theory has been criticised for its’ over emphasis on the pursuit of national interest in terms of power and completely dismisses the cooperative nature of states and excludes any

chances of mutual gain. The theory views the international economic cooperation as a “zero-sum game”, in which “the gain of one party necessitates a loss for the other party” (Giplin, 1987). However, in its engagement with African states including South Africa, China has not been the sole beneficiary gaining from the relationship. Some African states have been benefited from Chinese development projects such as the building of bridges, dams, roads in countries like Angola and Ethiopia (Mvutungai, 2010)

The liberal perspective will therefore be used to supplement realism. The liberalist perspective in both IPE and IR focuses on the individual and argues that human nature is competitive in a constructive manner, being oriented by reason. Furthermore, Liberalists perceive the international system as interdependent and cooperative rather than anarchic (Van De Felts, 2009: 30). The suggestion made here is that conflict is not inevitable; however more emphasis is directed towards the conditions and possibilities for cooperation.

However, international institutions are viewed to play a significant role within liberalist thought. Furthermore, states remain crucial actors within the Liberalist approach, but they are not seen as unitary and rational actors, but rather as influenced by diverse factors, contexts and other actors (Van De Felts, 2009: 30).

One of the strengths of liberalism is the fact that it provides a positive view on global economy, it suggest that different actors and interests can unite to arrive at a cooperative relationship and, consequently lead to mutually beneficial outcomes. As such, the theory will be useful in helping the researcher to investigate whether the cooperative relationship is a mutually beneficial one or not.

The balance of power theory is an extension of realist theory. According to Waltz (1979), the balance of power theory suggests that states will use other states to balance that of a superpower state. The theory predicts that coalitions are formed to prevent domination by a super power states. The theory of balance of power argues that such counterbalancing occurs regularly and assists in maintaining stability of the international system (Pearson, 2010: 40). The realist balance of power theories foretell that: (1) “regional hegemons will seek to prevent the rise of peer competitors, (2) all other non-hegemonic states will seek to expand when they can, taking advantage of opportunities to increase their relative power, and (3) states respond to dangerous accumulations of power and especially the emergence of a rapidly growing state by balancing against it, that is, they answer threats by forming alliances and building arms as counterweights to check superior power” (Shweller, 2008).

In the current international system of U.S. dominance, balance-of-power theory would predict that countries will form alliances to counter U.S. dominance. Alliances play a significant role in the balance of power (Pearson, 2010; 51). States form alliances to build up their own strength against a superpower. The safer strategy is to join with allies to avoid being dominated by superpowers. These predictions seem to be in line with the formation of BRICS, which both China and South Africa are members of.

In conclusion, the main pillars of this particular theoretical framework have been based on the complementary features and explanatory scope of International Political Economy and International Relations. From International Economics the study utilizes the Heckscher- Ohlin theory to explore the pattern of trade between China and South Africa. The study utilizes the balance of Power theory which is a fundamental aspect of the realism theory, the balance of power theory predicts that coalitions are formed to prevent domination by a super power states. Realism is also used to explain state to state political relations. The study also utilizes notions from the Liberalist approach to IPE to supplement realism which falls short because of its inability to explain the cooperative relationships between states. The above mentioned theories prove useful in attempting to explain the China – South Africa relationship and will serve as a point of reference for the rest of the study.

1.7. Research methodology

This study adopts a qualitative research methodology in both data collection and analysis. However, quantitative data will be used to provide a viewpoint on the degree and extent of economic trade between China and South Africa. The difference between qualitative and quantitative research is often brought to light in the literature on social research (De Vaus, 2001). The two streams include qualitative and quantitative research strategies. The quantitative research method is commonly used in the natural sciences, and places much emphasis on quantification in the production of empirical data, knowledge, and stressing on measurement (Bryman 2004:19). On the other hand, qualitative research strategy is primarily concerned with exploring issues, understanding phenomena and answering questions without relying on numerical data. This method is also concerned with explaining the kind of data, and it is usually associated with generating knowledge and empirical data through interviews, participant observation, and so on. Given the nature of the study and the research question, the study will mainly take the form of a qualitative study.

This research will mainly review existing research and literature by research institutions and academics that specialises on China-South Africa relations. This approach will be important for this study as it will allow the researcher to obtain sufficient literature which has been produced by different scholars when attempting to evaluate the role played by China in South Africa. The method of data collection will be based on secondary sources such as textbooks, journals, academic internet articles, published press releases and newspapers. The method entails the examination of documentary secondary data published in a variety of financial journals, non-profit organisations such as the Trade Law Centre for Southern Africa (TRALAC) and the South African Institute of International Affairs (SAIIA), government departments, reports and articles in the media as well as research conducted by other students. The internet will equally play an important role as recent and relevant articles on the study can be accessed. The data used in this empirical evaluation research study will mainly be secondary data.

1.8. Structure of dissertation:

The first chapter begins by providing an introduction and historical background to China – South Africa relations. This background section is followed by a literature review which looks at work that has been done by other authors and scholars who have researched the China- Africa relationship. The next section provides the problem statement and objectives of the Study. The last section provides the theoretical framework and methodology that is used in this research.

The second chapter will first explore the history of China’s political relations with South Africa. This chapter will then investigate the current political relations between China and South Africa. This chapter will also probe the implications of these relations for South Africa. Finally, this chapter will explore the opportunities and challenges presented by China in terms of political relations.

The third chapter describes the economic relations between South Africa and China focusing mainly on trade and goes on to explore both the opportunities and challenges presented by China in terms of economic relations.

The last chapter will provide a conclusion of the study, and give a summary of the findings. It will provide some recommendations on the future prospects for the China- South Africa relationship.

CHAPTER 2

THE POLITICAL RELATIONSHIP BETWEEN CHINA AND SOUTH AFRICA

2.1. Introduction

In the past decade South Africa has become a major player in international affairs, and carries a remarkable level of authority. South Africa's status "as a rising power has afforded it considerable clout in the international arena" (Botha, 2006). This is due to the country's considerable economic power with much influence in Africa, as well as its political and military capacities. South Africa is considered as a regional and continental hegemon. According to Fuller and Arquilla regional powers "possess the will, means and ambition to conduct foreign policy in their own region without close regard to the preferences of the United States or multilateral organizations, including the United Nations" (Fuller and Arquilla, 1996). South Africa depicts this picture perfectly, and has grown in power and influence in Africa since 1994.

China has maintained relations with South Africa since the apartheid era when China played an instrumental role in the fight for national independence and political liberation in Africa. China supported many of the liberation movements on the African continent through various methods including military and financial support. It is on the basis of these strong historical ties that the two countries increasingly see an opportunity to strengthen ties and build a development partnership as an expression of South-South solidarity. Although China has been well renowned for its economic interests in Africa, the South African case might prove different, as its political importance may well overshadow the economic ambitions China has in the country (Botha, 2006).

Regionally, both China and South Africa play a significant role on Africa's peace and development. At the global forefronts, both states have played a significant role in issues of climate change, peace-keeping, world trade, the reformation of IMF and international development. As a result, the relationship between the two states is anticipated to have more strategic influence given its increasingly regional and global implications. Moreover, both states have continued to show support to the collaboration of rising powers by exploring each other's market and working towards building a more just and fair global order (Niu, 2011).

In Multilateral forums both countries have emphasised the desire to further strengthen and deepen their relations through cooperation in both political and regional affairs. This would be achieved through the establishment of a comprehensive strategic partnership based on “equality, mutual benefit and common development” (Botha, 2006).

Using realist theoretical lenses, this chapter aims to explore the political relations between South Africa and China. This goal will firstly be achieved by looking into the history of China’s political relations with South Africa. This chapter will then investigate the current political relations between China and South Africa. This chapter will also investigate the implications of these relations for South Africa. Finally, this chapter will explore the opportunities and challenges presented by China in terms of political relations.

2.1.1. South Africa- China Relations during Apartheid

According to (Burke et al, 2008) the first Chinese to arrive in South Africa came as “indentured labourers in the mid-1800s”. As a result, the first Chinese diplomatic representation was established in the early 1900s to support these labourers (Singh, 1997).

Furthermore, “during the cold war, China’s role in the international arena was determined largely by its relationship to nations seeking non alignment. Thus China had started to assert herself as a leader amongst this group” (Botha, 2006). The process of decolonization in Africa provided a platform for China to take lead role in the pursuit of independence for African countries. China was now providing support to African liberation movements to promote revolution on the continent and to create an international front against the superpowers. The PRC’s support for anti-imperialism was intended to deprive the colonial powers of their colonies which played significant roles in their economies. This behaviour can be seen as China’s ‘realist’ strategy in pursuing its national interest by affirming its leadership influence on the non-aligned group of nations to gain support in its rivalry with the Soviet Union (Botha, 2006).

Thus, the Chinese Communist Party (CCP) supported and promoted anti-imperialism and racial equality in numerous countries including South Africa. However, around the late 1950s, the Apartheid government became more concerned and increasingly uncomfortable with the PRC’s support and solidarity with various colonized countries oppressed in the developing world, particularly in Africa. As a result, China had reinforced the South African

government's worries that the PRC could offer support to the opposition parties and liberation movements, and provide a lee way for communism to raise its ugly head in Africa. The rise of communism in South Africa could threaten the National Party government's economic and security interests inside South Africa and Africa at large.

The PRC's support for liberation movements towards independence was most evident at the 1955 Bandung Conference in Indonesia. The Bandung conference intended to strengthen Afro-Asia solidarity, based on the idea that they faced similar economic and political challenges. These similar standpoints suggested a basis for cooperation between the two regions. The Bandung conference provided a platform for leaders of liberation movements to meet and engage each other. During the conference Chinese delegates met leaders of African liberation movements such as Moses Kotane of the African National Congress (ANC) as well as some Algerians who were part of a Maghreb observer delegation (Le Pere & Shelton, 2007). The PRC's involvement in the Bandung Conference of in 1955 would serve as a confirmation to the South African government's fears.

Ideologically, the National Party government was against China's support for anti-colonialism and regarded her participation in Africa as potentially damaging to its own programme. The threat of the establishment of communism in Africa, and thus stirring up of violent uprisings in African states, was against the ideals of the Apartheid government. Consequently, official diplomatic ties between the two states ended in 1960 (Burke et al, 2008). Despite the termination of official relations between Beijing and Pretoria, certain levels of economic relations were retained, however, on an increasingly secretive level. In addition, the CCP continued to render support to the African National Congress (ANC) and the Pan-African Congress (PAC) and other various liberation organisations throughout Africa (Burke et al, 2008). Despite these relations, the PRC's continued engagement with the apartheid government was in direct contradiction to its public condemnation of the South African apartheid government.

To show its discontent with the PRC's behaviour, the South African government established relations with Taiwan in 1976. The relationship proved to be a complementary one for both states at the time as both felt equally threatened by communist aggression and faced increasing international seclusion (Naidu, 2005:460). With increasing political and economic segregation from the international community, political survival became a priority for both

South Africa and Taiwan. In this case, the Apartheid government adopted a self-help approach by establishing relations with the PRC's enemy for support. As a result, Taiwan played along by recognizing the legitimacy of the Apartheid government thus cementing the relationship. In addition, Taiwan was supporting many of the apartheid governments operations at the time. Furthermore, Taiwan was playing a critical role in enhancing the apartheid states capacity in low intensity warfare, particularly with psychological operations. This led to stronger relations between the two states, with South Africa sending her Defence force for military training in Taiwan (Naidu, 2005). The 1980s saw an increase in bilateral trade and investment between South Africa and Taiwan. The Taiwanese government took advantage of the apartheid government's industrialization policy of decentralization and invested in the clothing and textile industry in KwaZulu-Natal (Naidu, 2005). Thus, the relation between Taiwan and South Africa was guided by each country's self-interest.

Although both PRC and USSR shared communist ideology, their relations, in the 1970's and 1980's, were antagonistic. The two countries were using monetary support to win allegiance of Africa's liberation movements (Burke et al 2008). The alliance with the newly independent countries and liberation movements were used in securing support in international platforms. These alliances also proved to be significant in securing support and future cooperation on various issues within the United Nations. Using these alliances, China was able to deprive Taiwan of its UN permanent membership (Burke et al, 2008).

The relationship between the ANC and the CCP remained pleasant, with the ANC receiving military and other forms of assistance from China. However, as the ANC established deepening relations with the pro- Moscow camp of liberation movements, the relations turned sour (Naidu, 2005). At that time liberation movements had increasingly become a prized possession in the proxy war between the Soviet Union and China. The Soviet Union was aggressively trying to gain power and influence in Africa through economic and military support. This was the case for liberation movements within South Africa (Xiong, 2012). After the Sharpeville massacre and the banning of the ANC, the ANC developed closer relations with CPSA. However, in the context of the tensions between Moscow and Beijing, where liberation movements were forced to choose between China and Soviet Union, ANC aligned itself with Moscow. As a result, the Pan African Congress (PAC) remained as the only liberation movement which China could strategically back and show support. Subsequently, the CCP looked towards deepening relations with the PAC (Xiong, 2012).

The 1970s marked an important time for the PRC as it needed support to gain a permanent seat in the UNSC. During this time the PRC's policy towards Africa was determined by the existing bipolar international system and superpower politics. The PRC's actions at the time were motivated by its intention of fighting, opposing and crippling super power domination. As such, the PRC was trying to enhance its influence in the international scene. According to the Realism theory, the international environment is the ultimate determinant of state action. This suggests that when formulating foreign policy, states are merely responding to the nature of the international system. As a result, the realist viewpoint suggests that foreign policy formulation is a State's method of adjusting to the demands of an anarchic international environment (Mvutungai, 2010: 60). In this regard, Africa played an important role in support for China's ambitions. In 1971 the PRC gained a permanent seat mainly because of the support it gained from African countries (Botha, 2006). As a result, the PRC began to forge deeper relations with the continent mainly through aid.

It was only in the 1980s that relations between the PRC and ANC were somewhat resuscitated. This was as a result of the Soviet Union failure to continue with providing financial support to liberation movements throughout Africa. The Soviet Union was at this point experiencing serious political and economic problems and was encouraging such organisations to look for alternative support. This led to the re-establishment of the relationship between the CCP and ANC, both China and the ANC saw this as a new strategic opportunity to realign with each other. The PRC redefined its equal support for anti-apartheid movements and this led to Oliver Tambo's visit to China in 1983. The visit symbolised the re-opening of links between the ANC and the PRC (Taylor, 2005).

China's anti-apartheid stance backed up the ANC's call on the international community to retain sanctions against the Apartheid state. Regardless of this, the PRC maintained clandestine relations with the National Party government. By entertaining both sides the PRC was willing to establish relations with any side that would have power and influence in post-apartheid South Africa (Naidu, 2005: 462). This type of thinking once again reflects realist interpretations of state behaviour that suggest that state behaviour is mainly informed by the ultimate goal of survival. This suggests that there is always an element of mutual suspicion in world politics, therefore the intentions and expectations of a state are never completely revealed to an ally. As a result, in international relations there are no permanent friends or

permanent enemies. This type of thinking still explains Beijing's foreign policy in the international system today.

2.1.2. South Africa- China political Relations Post-Apartheid

After South Africa's democratization both Taiwan and the PRC continued to view South Africa as a strategic actor in Africa. The newly elected South African government had initially adopted the following strategy: it was going "to maintain de facto relations with both the PRC and Taiwan" (Naidu, 2005). While the South African government was progressively more eager to establish relations with the PRC, even before the democratic transition, the ANC had maintained that a democratic South Africa would not abandon its long term friend who assisted the ANC during its worst time. While the new government was enthusiastic to establish diplomatic relations with the PRC, at the same time the ANC was not prepared to cut ties with Taiwan (Xiong, 2012).

2.1.2.1. The Dilemma: A choice between Beijing and Taipei

After 1994, relations between the Pretoria and Beijing began a lengthy and complex evolutionary process. While Beijing had formally cut off its ties with South Africa in the 1970s, Taiwan had maintained the relations. The newly elected government was unwavering in its quest to assert its sovereignty and independence, while at the same time looking to re-establishing the country's credibility and reintegration into the global community (Xiong, 2012). The newly elected ANC government was faced with a dilemma as it proved to be a difficult time to choose between Taiwan and the PRC, in reality the situation was far complicated than it seemed. The choice was difficult as Taiwan had given out increased loans and contracts to South African companies such as Eskom, Macsteel and the Development Bank of Southern Africa (Xiong, 2012). South Africa had to take into consideration Taipei's investments in the country. A choice against Taiwan after her significant investment could have a threatening impact on South Africa's economy.

At the same time, South Africa could not ignore China's rising economic and political status in the international arena. The Mandela administration was not ignorant of the potential benefits associated with its alignment with China. However the situation was further

complicated by Taiwan's "chequebook diplomacy" (Naidu, 2005), as Taipei invested enormous amounts of money on the ANC's election campaign prior to the 1994 elections (Mills, 1995). Whatever decision the Mandela administration would make it would have serious implications for South Africa's future. The dilemma was not only of interests but of morals, South Africa's choice would draw a clear picture of the driving factors behind South Africa's foreign policy moving forward.

Many believed Beijing would be the clear choice for the new government, mainly because of the historical relations between the CPC, ANC and SACP. However, reality would unfold differently. South Africa was, however, going to tread carefully before making a final decision. It was important for South Africa to weigh its options before making the final choice between Beijing and Taipei.

South Africa could in essence:

- a) Maintain relations with its old ally Taiwan, with whom South Africa had enjoyed an advantageous relationship and who like South Africa was undergoing a process of democratization.
- b) Abandon ties with Taiwan in favour of the PRC which had a bad human rights record but with a seat in the UNSC and greater economic opportunities due to its fast growing economy. However, this scenario could also be economically detrimental to South Africa considering Taiwan's investment in the Country. South Africa could learn from South Korea's experience. In August 1992, South Korea which had existing ties with Taipei established diplomatic relations with Beijing without giving Taiwan any prior notice. As a result Taipei was enraged by South Korea's behaviour and retaliated by severing diplomatic ties with South Korea; in addition Taipei cancelled favourable trade agreements and announced cessation of air links. Similar behaviour from South Africa may possibly have serious costly implications considering the strong relationship between the two states. South Africa would have to deal with loss of investments and possible ill-treatment of South African nationals in Taiwan (Dullabh, 1994). Furthermore, establishing ties with the PRC (after the Tiananmen Square incident) would raise questions on the human rights and democratic stance of the newly elected democratic government.
- c) Attempt dual recognition by establishing ties with the PRC whilst maintaining official relations with Taiwan-a dangerous choice as had been evident in the Caribbean state

of Grenada in 1989. Grenada recognised both the PRC and Taiwan and established diplomatic links with Taipei; this was after the state had formed diplomatic relations with the PRC a few years earlier. While Taiwan accepted Grenada's choice of dual recognition, the PRC was unhappy with this decision and as a result severed its formal ties with Grenada. Similarly, In February 1994 Burkina Faso also attempted dual recognition, and to its dissatisfaction was instantly rejected by the PRC (Dullabh, 1994).

In December 1997, despite Taiwan's chequebook diplomacy, South Africa chose the second scenario and established formal ties with Beijing, a choice over Taipei. South Africa could not attempt dual recognition. The PRC had explicitly stated that South Africa could not launch diplomatic ties with the 'two China's'. Formal ties with both the Beijing and Taipei would suggest the existence of two territories (two China's) which was undesirable to Beijing. One of South Africa's fears in its Choice was whether the PRC would be able to match up Taiwan's investments. In this regard the PRC made a proposal to invest \$50 million in South Africa if Pretoria chose to establish ties with Beijing and sever ties with Taipei (Singh, 1997).

The PRC's UN membership, size and economic capabilities also played a crucial role in South Africa's choice. The PRC, which boasts a population five times larger than that of Taiwan, was recognised by 159 sovereign states while Taiwan on the other hand was recognised by 30 states (Singh, 1997). The newly elected government's choice of Beijing over Taipei is grounded in the realist school of thought that suggests state action and behaviour is almost always guided by national interests, which at most times will override certain internationally commended values and norms such as democracy, human rights and the rule of law (Nye, 1988). In other words states engaged in diplomacy have no permanent friends but permanent interests. Mainly because of the dynamic nature of international relations, state interests also change over time as states amend their policies and change their means of engagement to keep up with the constantly changing nature of the international system.

South Africa's transition from apartheid rule to democratic rule country and thus its re-joining the international community has given rise to an array of challenges. While many had expectations for the ANC to maintain its moral high ground for its founding values of human

rights and democracy the choice favouring Beijing against Taipei has tarnished this image and has left much uncertainty on the moral standpoint of the ANC government. The choice of Beijing over Taipei symbolizes the transition of South Africa's foreign policy from an ambiguous stance to a realist one.

2.1.3. Importance of maintaining diplomatic visits

The previous sub-section dealt with the establishment of formal relations between China and South Africa. This section will highlight the significance of diplomatic visits between these two countries. South Africa established formal diplomatic ties with the People's Republic of China on the 1 of January 1998 after switching to Beijing in 1997. In the 1998 joint communiqué on establishing diplomatic relations, both governments recognized each other's sovereignty and agreed to base their relations on mutual respect, mutual non-interference, and mutual non-aggression (Foreign Ministry of the People's Republic of China, 2002). The PRC has adopted a method which has proved to be productive in its diplomatic agenda. China has invested much on frequently sending high ranking officials on official visits to numerous African countries. The maintenance and importance afforded to high level political visits proves that they remain a significant aspect of China's international diplomacy. China uses these visits to show the high level of importance that it attaches to its relations with those countries. Through these official visits, China seeks to build official relations with African governments and to present itself as a trustworthy leader and partner of the developing world. Furthermore, the political visits throughout the years have served as door openers for signing of trade contracts between China and various African countries. The visits can also assist in raising the countries profiles.

High level political visits have acted as an enabler for business ties to grow. Several South African business delegations led by the President or Vice-President have made their way to China in the past decade. In February 1999, Chinese Vice President Hu Jintao visited South Africa and President Nelson Mandela paid a state visit to China in May of the same year. At the invitation of President Mbeki, Chinese President Jiang Zemin paid a state visit to South Africa in April 2000. During the visit Chinese President Jiang Zemin joined President Thabo Mbeki and the two Heads of states signed the 'Pretoria Declaration' that marked the formal establishment of a strategic partnership between South Africa and China. Furthermore, the Pretoria Declaration provided a framework for closer cooperation and provided for the establishment of the PRC-SA Bi-National Commission (BNC), a move towards a structured

organized mechanism to coordination interaction between the two states (Naidu, 2005). The BNC is a body that was intended to facilitate bilateral relations and cooperation between China and South Africa in all fields and also provide a platform for discussion on all matters of mutual interest in bilateral and multilateral spheres (Xiong, 2012). In addition, the two presidents conducted an in-depth exchange of views on bilateral ties along with international and regional issues.

In 2001, a large delegation, led by President Thabo Mbeki, visited China at the invitation of President Jiang Zemin. During this visit, President Mbeki officially inaugurated the BNC. Furthermore President Jiang and President Mbeki co-chaired the first plenary session of the BNC. Separate talks on co-operation between counter parts from ministries were held between the ministries and departments of foreign affairs, economic cooperation and trade, science-technology, energy and tourism. As a result, four sectoral committees on foreign affairs, economy and trade, science- technology and national defence have been established (Naidu, 2005). President Jiang suggested that this meeting brought forth a new stage in bilateral, friendly cooperation between China and South Africa.

A Bi-National Commission (BNC) was established in 2002 and has become the key vehicle for facilitating cooperation between the two countries. The third session of the BNC was held in Beijing in September 2007. During this BNC a number of critical decisions were reached for intensifying cooperation in the areas that complement South Africa's 10 priorities in the Medium Term Strategic Framework.

In his 2007 Africa tour President Hu visited South Africa where he concentrated on issues of trade, politics, development, investment and economic cooperation. Furthermore the Chinese President visit was concluded with the signing of seven agreements such as the Protocol on Phyto-Sanitary requirements for the export of pear fruits, table grapes, tobacco leaf and apple fruit from China to South Africa. In addition the two states signed agreements between South Africa and the Peoples' Republic of China on Co-operation in the Minerals and Energy Sector, Minerals and Energy Sectoral Co-operation Committee and the Agreement on Economic and Technical Co-operation between South Africa and the Peoples' Republic of China .The two countries also held discussions on agreements that were concluded during the Forum on China-Africa Cooperation (FOCAC) meeting held in 2006 (Burke et al, 2008).

More recently, President Jacob Zuma embarked on an official visit to Beijing in 18 July 2012 at the invitation of His Excellency, President Hu Jintao from 19-20 July 2012. The “visit to China took place within the framework of the Comprehensive Strategic Partnership concluded between the Republic of South Africa and the People’s Republic of China in August 2010” (DIRCO, 2012).

In conclusion, although diplomats may have various reasons for visiting foreign states, their main aim is to “develop and enhance bilateral relations” (Denny, 2012). State visits between China and South Africa have frequently acted as a platform for discussions of closer economic cooperation. This suggests that foreign diplomatic visits play a significant role in strengthening trade or economic relations.

2.2. Co-operation in multilateral avenues

The previous sub section explored China’s high level political visits as a significant aspect of China’s international diplomacy. This sub section will look into the co-operation between China and South Africa in multilateral avenues. China has ambitions of securing a peaceful rise into world superpower status. It is opposed to many of the Western super powers and the unipolar system. As such China has taken a lead role in being a representative for the developing world in multilateral forums as a gateway to achieving its superpower status. The idea that states form alliances to counter supremacy by stronger states is founded on the Realist balance of power theory. According to the balance of power theory, states form alliances to guard against domination from other powerful states who pose a threat to them (Waltz, 1985). The theory of balance of power argues that such counterbalancing occurs regularly and assists in maintaining stability of the international system. In the current international system of U.S. dominance, balance-of-power theory would predict that countries will form alliances to counter U.S. dominance. According to Pearson (2010; 51), the formation of Alliances plays a significant role in the balance of power. The suggestion made here is states form alliances to build up their own strength against a superpower and will often unite with allies to avoid being dominated by superpowers.

South Africa proves to be particularly important for China in this regard. South Africa has a strong economy with much influence and has been considered as the power house of Africa. South Africa also plays important roles in forums such as NEPAD and the AU and in many respects has maintained the status of a political role model for the rest of Africa (Botha

2006). Since the country's democratization in 1994, South Africa has been pulling its weight on various occasions, particularly at multilateral forums. More significantly South Africa has taken lead role in voicing the challenges of developing countries, particularly African countries. This has been evident as the country's former President Thabo Mbeki was instrumental in the revitalization of the Non-Aligned Movement and the G77+ China (Matshanda, 2009). The country has also taken lead role in the process of African integration. As such, China has seen it increasingly necessary to win South Africa over and to enhance its cooperation with South Africa in dealing with regional issues.

China's strategic interests with South Africa, however, cannot be separated from her interests and ambitions in the rest of Africa. China's engagement with South Africa, therefore, also sets the stage and provides access for its strategic partnership with the rest of Africa. It can be argued that China views South Africa as its gateway to the continent. As other African countries continue to witness the fruits of South Africa's relations with China, they too will be attracted to establish relations with the giant economy which is in need of Africa's resources and diplomatic support (Matshanda, 2009).

In light of multilateral forums, China is the only developing country that has permanent membership of the UN Security Council. This means China has substantial power, as she can overturn other members' votes through the veto (Matshanda, 2009). However, despite her permanent seat, China needs support from other developing countries to boost its global standing and to counter western influence. China's need for support in multilateral forums to counter western superpowers is in line with the Balance of power analytical framework which is centred on the view that states form alliances to achieve mutual interests and goals which exclusively are in line with their ambition to become stronger players in the international community. As such, China has turned to Africa as it continues to look towards strengthening and deepening its alliances with African countries and is continuously depending on the support of African states in the UN and World Trade Organisation.

South Africa continues to be viewed as an important ally and a key player with strategic political significance for China, particularly in securing support in the multilateral forums and south-south cooperation where Beijing believes this strategic relationship..... "Will enable it to secure its interests in the WTO and other multilateral venues at relatively low cost over the long term" (Alden, 2005: 143). As an emerging middle power, South Africa is particularly

significant to China as a 'strategic partner'. South Africa is a regional leader with great global power and is said to be "punching above its weight, expanding the common ground between North and South and earning the country the status of a middle power facilitator" (Lee 2006: 56). South Africa's emerging middle power status has earned it significant diplomatic influence in the international community (Botha, 2006). China therefore has a vested interest in maintaining friendly relations with South Africa, because it is seen as a diplomatic ally within the developing world that can align with China on issues that impact on China's core national interests. This type of stance can be viewed through the realist lenses which suggest that states, whilst, in the quest for national security and to achieve their own interests are rational actors who constantly seek to maximize their benefits (Borovska, 2011:29).

As a result, China's key agenda is to promote as much diplomatic and political support as possible. China's economic and diplomatic relations with South Africa and consequently the rest of African countries affords for her a strong support base and backing in the international community and among international organizations and agencies such as the United Nations. Most notably, China has proposed its idea of a 'One China', policy and relies on its African allies to vote in support of the policy, which will play a critical role in its quest to isolate Taiwan with the eventual goal of reuniting Taiwan with the Chinese motherland (Pannell, 2008)

As part of their south- south cooperation both Beijing and Pretoria have emphasized their commitment to promote and protect multilateralism in the international arena. This has been re-affirmed by their agreements to enhance the representation of developing countries, especially African countries in international financial institutions. Furthermore, China has expressed support for South Africa's initiatives in the African Union (AU), NEPAD, and participation in other Regional Economic Organizations. China has also agreed to enhance institution building and implementation of FOCAC programs. China has also acknowledged and supported South Africa's proposal to host the 6th ministerial conference in 2015 (Xiong, 2012).

The international community views China as an increasingly important player in the global economy as well as a significant force on the domestic stage. South Africa views China as a key player in the global dialogue especially since the great shift towards global multi-polarity in favour of the developing world (Xiong, 2012). China as a renowned leader in the global

south is also a member of the G20, G77, in addition to its veto rights and permanent membership in the UN Security Council. Consequently, all these political advantages that China is endowed with carry significance for South Africa (Alves and Sidiropoulos, 2010). China and South Africa have maintained similar voting positions and diplomatic statements in the UNSC. These similar voting patterns between China and South Africa in the UNSC have been evident in the cases of Zimbabwe, Burma and Sudan with the exception on Libya.

In July 2008, a draft resolution was presented before the UNSC calling for sanctions on Zimbabwe, including a travel ban and assets freeze on President Mugabe and other top government officials. The draft resolution was proposed by the US and Britain, the proposal was vetoed by Russia and China and consequently was not accepted by the Security Council. South Africa voted against the resolution and argued they were attempting to resolve the situation through their role in the AU and SADC.

The situation in Burma has captured the world's attention and the attention of the UNSC. As a result in January 2007 the UNSC held an emergency session to consider a joint call for sanctions which was initiated by from the US. However, Russia, China, and South Africa voted against sanctions arguing that the situation in Burma was not a threat to international peace and Security. Similarly, when a UN Security Council resolution was previously put forward demanding the junta to stop human rights abuses, South Africa had voted against the resolution, joining China and Russia (Masters, 2010).

The two countries also saw similar voting patterns in the Sudan issue, However unlike their previous non-assenting positions on human rights issues in Myanmar and Zimbabwe, both China and South Africa voted for resolution 1769(2007) on Sudan. This time around China voted in favour of a resolution that empowers troops to defend civilians in Sudan (Alden and Roque, 2008) a move from China's principle of non-interference in the internal affairs of sovereign states, which underpins its relations with African States.

It is important to note that Sudan is China's third partner after South Africa and Angola. In addition, China has invested of over \$3 billion into the development of the Sudanese oil industry infrastructure and has brought in their top engineers for the project (Alden and Roque, 2008). This suggests that China has vested interests in Sudan. As such the Sudan case

presents a unique scenario as Sudan remains more than a trade partner to China, but an important and critical investment.

However, the two countries saw a difference in voting patterns in the Libyan case on the resolution 1973 and no fly zone which would allow for the protection of civilians from further attack by Libyan government forces (Matshanda, 2009). In this regard, the BRICS countries chose to abstain with the exception of South Africa who voted in favour of the no fly zone.

South Africa's voting patterns on the UNSC has afforded it negative criticism for failing to live up to the international expectations of the country to protect human rights and democracy. The cited deepening bilateral relations between China and South Africa have often been cited as a possible explanation for similar voting patterns (Xiong, 2012).

South Africa's relations with China also serve her own ambitions and interests as a regional leader of Africa. Notably South Africa has aspirations of a permanent seat in the UN and depends on China for support and representation (Naidu, 2008). Similarly, other African countries have relied on China for support and representation of the developing world's interests in the United Nations, including its pro stance for the reformation of the permanent membership of the UN Security Council to include an African country.

Through her relations with China, South Africa can access China's markets which can afford South Africa with a platform to diversify traditional north-south economic relations and draw investment from alternative sources. In addition to the economic opportunities there lies significant political strategy, In multilateral forums both China and South Africa, much like many other emerging market economies, are pushing for greater power and influence in the developing world and in the international system.

2.3. BRICS a platform for mutual gain

The previous section explored the co-operation between China and South Africa in multilateral avenues. This section will explore BRICS as a platform for mutual gain for both countries. While South Africa's entry into BRICS was as a result of a collective agreement by all member states, it is quite evident that the development of economic and diplomatic relations between China and South Africa has played a key role in South Africa's ascension

into the BRIC group. According to Xiong (2012) despite good relations with India and Brazil, it was ultimately the influence of China which assisted South Africa in attaining its invitation to BRICS. As such it can be argued that currently South Africa's participation in BRICS is to a certain extent based on her bilateral relationship with China. South Africa, although not in the same league as the other BRICS countries in terms of economic indicators, remains an important force in its regional domain.

Similarly, China has benefited from bringing in South Africa into BRICS. Having South Africa as a partner will assist China in unmaking its image as a new colonial power that seeks to exploit African countries. Furthermore, partnering with South Africa shows the countries willingness to include and show consideration for African representation (Xiong, 2012). Beijing's invitation of South Africa as a new member of BRICS has been seen as a confirmation of China's recognition of South Africa's leadership role in Africa and global influence on key agendas of international arena.

Moreover, the ascension of South Africa into the group attaches to it 'global forum status'. This can mainly be attributed to South Africa's inclusion into the group as it reflects the representation of African countries and improves BRICS representation in the developing world. In addition, South Africa's ascension into the group increased the relevance of BRICS as a global group of major developing countries. South Africa also plays a key role in FOCAC and other multilateral forums and as such offers China a strategic partner and obligatory partner who always has to be in China's corner. Inclusion of South Africa into BRICS can further be seen as a further strengthening of bilateral relations both on an exclusive basis and in non-exclusive multilateral basis (Matshanda, 2009). Furthermore, the inclusion of all IBSA countries into BRICS ensures that China is able to steer the developing world agenda through the influence of this grouping.

In line with the realist viewpoint, Notshulwana (2012) argues that China is well aware of the dynamics of shifting global power. China has also mastered the power of strategic persuasion that can be achieved through formal and informal institutions such as BRICS, the G20 and in the UNSC for its rising global power and influence. According Notshulwana (2012) "In the short to medium term, China's strategic goal is to consolidate and persuade its fellow BRICS countries to adopt common positions in respect of the transformation of the international economic system. In the long term, the country's constructivist posture is to introduce new

thinking, ideas and values into the global economy and persuade its fellow BRICS countries to adopt common positions in respect of the transformation of the international economic system” (Notshulwana, 2012). BRICS therefore can be understood as an alliance of great and powerful states to limit the strength of the Western superpowers.

On the other hand for South Africa, there too lie individual benefits. The South Africa- China cooperative relationship is embedded in the IPE liberalism theory which suggests that different actors with differing interests can unite to arrive at a cooperative relationship and, consequently lead to mutually beneficial outcomes. South Africa also has its own political ambitions. This is captured in President Jacob Zuma’s speech in Sanya where Trade ministers met at the ‘BRICS Economic and Trade Ministers’ meeting in April 2011 “It is a historic moment for South Africa. We look forward to using this relationship to further advance our agenda of creating jobs, as announced in the State of the Nation Address in February 2011. The mechanism will also contribute immensely in the advancement of other priorities domestically and internationally, especially in the peace and security and development arenas,” said President Jacob Zuma in Sanya (Kodwa, 2011).

BRICS countries represent more than 40% of the world's population and about 25% of global GDP, this suggest that the group remains a remarkable force and poses an unwelcome threat “to the established world order as defined by the US-dominated UN security council, the IMF and the World Bank”. One of the primary reasons for the BRICS formation is their mutual aspiration to minimize the influence of the super power economies in the international arena. The idea proposed here is that BRICS was formed to facilitate cooperation among the five regional powers and thus alter the balance of power between the developed and developing world. BRICS has ambitions of promoting the economic interests of the developing world and challenge a lifetime of ‘western hegemony’. Since 2009, the BRICS countries have been calling for the reformation of global decision-making bodies and international bodies such as the IMF and the World Bank. The BRICS alliance of the countries symbolise a shift of power away from the west-led economic order towards the ‘developing nations’.

In addition, South Africa has ambitions of maintaining and strengthening its regional and continental hegemonic standing and eventually to attain a permanent seat in the UN Security Council. As such being a member of the well renowned BRICS offers South Africa much

political prestige in the international system. South Africa will continue to benefit from its affiliations with China and the rest of the BRICS countries and benefit from the shift of power toward developing countries. As the economic and political proficiency of BRICS grows so too, will South Africa's influence on the continent by association to it. Being part of an alliance with the world's four largest and up-and-coming economies, namely Brazil, Russia, India and China, with much economic power and political clout, South Africa's cooperation with these four countries, suggests economic prosperity and the possibility of increasing its influence on the African continent (Herman, 2012).

Belonging to BRICS, means that South Africa is a part of an important force that seeks to reshape the global order. Furthermore, insertion into BRICS provides South Africa with new opportunities of trade and investment as it deepens a linkage with global growth centres. With China's support, under the multilateral trade framework, South Africa is afforded an opportunity to link up specific industries such as agriculture, manufacturing, infrastructure, minerals beneficiation with the BRIC partners.

Through BRICS South Africa is afforded more international prestige and thus provided with an opportunity to put its "African agenda into a more relevant grouping since China, India and Brazil are major emerging players in African continent" (Xiong, 2012). Moreover, South Africa's membership into BRICS affords her a platform to voice concerns and eliminated future possible impediments to be encountered on the path of South Africa's economic growth.

In addition, South Africa's entrance into BRICS will raise the awareness of the international community on Africa's plight, which is one of South Africa's diplomatic pursuits and objectives. BRICS can further address Africa's problems more efficiently and draw increased attention to Africa's burdens from international community (Niu, 2011).

"South Africa's relations with China and as a member of BRICS means that she can benefit mainly by association from its partners being on the top ten shareholders list of the IMF" (Xiong, 2012). As South Africa's economy continues to grow and while the prospects of growth for the rest of Southern African Development Community (SADC) remain positive, relations with China and BRICS can further be utilized in future to assist in lobbying for areas of mutual interest in the IMF.

Furthermore, BRICS markets can provide a broader market for South African products while at the same time be afforded an opportunity for enhanced cooperation in niche synergies such as agriculture, technology and infrastructure. In addition, China can provide investment capital to expand business expansion projects (Xiong, 2012).

2.4. Conclusion

This chapter explored the political relations between South Africa and China by looking into the history of China's political relations with South Africa. It investigated the historical and current political relations between China and South Africa.

China's engagement with South Africa can be understood with the realist framework which suggests that the international system is an anarchic one where any state's primary goal is always survival. It is evident that China has ambitions of securing world superpower status in the international system. In this regard, China's key agenda has been to seek as much diplomatic and political support as possible, particularly in Africa, thus increasing its soft power and influence in the international arena. China's economic and diplomatic relations with South Africa and consequently the rest of African countries have been able to afford her a strong support base in the international community and among international organizations and agencies such as the United Nations.

Similarly, other African countries have relied on China for support and representation of the developing world's interests in the United Nations, including supporting the expansion and reformation of the permanent membership of the UN Security Council to include an African country. South Africa also depends on China for support and representation to attain a permanent seat in the UN Security council.

It was also argued that the maintenance of high level political have played a key role in the diplomatic relations that China has with African countries including South Africa. The importance afforded to these visits proves that they remain a significant aspect of China's international diplomacy. China uses these visits to show the high level of importance that it attaches to its relations with those countries.

South Africa remains a strategic partner and an important ally with political significance for China, particularly in securing support in the multilateral forums and south-south cooperation. In addition it was argued that China's engagement with South Africa sets the stage for its strategic partnership with the rest of Africa. It was argued that China views South Africa as a gateway to the continent. The current diplomatic relationship between the two states is largely attributed to the historical ties they share, which have allowed for closer relations.

In terms of cooperation in the UNSC it is evident that there is a clear pattern of cooperation in voting patterns between China and South Africa. However, the voting patterns have commonly been in defiance of the ideals of western super powers. It is evident that this cooperation is influenced by a number of factors including the growing relationship between the BRICS countries. In the case of China and to some extent South Africa both countries voting patterns are largely influenced by national interest. Therefore in terms of support in multilateral forums South Africa's political importance may well overshadow the economic ambitions China has in the country.

It was also argued that there are strategic individual benefits that both China and South Africa enjoy from the BRICS arrangement in terms of political and economic prospects. China and South Africa have been able to arrive at a cooperative relationship as advocated by the IPE liberalist theory. In addition it was argued that the formation of the BRICS grouping seems to be founded on the balance of power theory which entails "the shifting of the status quo distribution away from the situation that favours the dominant state in the global system" (Sangtu, 2010). The argument made here was that BRICS has been formed to counter the influence of the US-dominated institutions and to challenge the political and financial imperialism of the West.

The formation of BRICS and alliances such as the South Africa- China relationship shows the developing world's ambitions to form alliances to create a balance of power to counter western dominance. The BRICS countries economic and political support for each other signals a shift of power towards developing countries to guard against the pressures placed on them by the western led order.

As a result of the cooperation between the two states, South Africa has become a member mainly because of China's influence in the grouping. Similarly, China has benefited from South Africa's inclusion into the group as it has afforded it 'global forum' status with the representation of the African continent. Inclusion of South Africa has also assisted to serve as a complete contradiction to the on-going accusations of China being viewed as a new colonial power that seeks to exploit African countries.

CHAPTER 3

CHINA- SOUTH AFRICA ECONOMIC RELATIONS

3.1. Introduction

China's expansive engagement in Africa is "driven by a desperate need to find oil and raw materials to feed its resource-guzzling, and the world's fastest growing economy" (Idun-Arkurst and Laing, 2007). With an expanding manufacturing base, rising incomes, purchasing power and a large population of more than 1.3 billion people, China's need for natural resources is constantly increasing (Botha, 2006). This economic reality suggests an increased demand for energy and new markets. In her search for resources and opportunities for export markets, China has turned to Africa, which boasts an array of natural resources, including oil and gas, metal ores and cotton which China is in constant need of.

While the Chinese economy is in need of natural resources as input to its manufacturing industry, many African countries including South Africa are highly dependent on imports for manufactured products and further require capital investments and infrastructure to develop their economies. In these respects there are various economic complementarities between China and African countries including South Africa (Botha, 2006). Using the Heckscher-Ohlin (H-O) theory, this chapter will explore the economic opportunities as well as obstacles faced by South Africa in its economic relationship with China.

3.2. The Heckscher- Ohlin (H-O) Theory and its application

The Heckscher- Ohlin Theory (H-O) of international Economics was first conceived by two Swedish economists, Eli Heckscher (1919) and Bertil Ohlin. Heckscher's initial model was developed by his student, Ohlin; hence the theory is known as the Heckscher Ohlin (HO) theory.

The Heckscher-Ohlin model can be applied to explain the pattern of trade between countries. This theory is founded on the idea that relative factor (resource) abundance and intensity drive trade patterns between countries (Rongotis, 2009: 8). It suggests that different factor endowments between trade partners constitute the main reason for countries to trade (Pugel & Lindert, 2000:56). According to this theory, a country which has capital at a relatively

cheaper price and has expensive labour is said to be a capital rich country. This country will therefore export capital intensive products. In contrast, a country which has cheap labour and costly capital is said to be a labour rich country. The latter country will therefore export labour intensive products, and import capital intensive product (Pugel & Lindert, 2000:57).

According to the theory, trade arises due to the differences in the relative prices of different goods in different countries. Simply put, the difference in product price is mainly caused by the difference in factor prices (costs). Factor prices also differ because of the differences in country endowments (capital and labour). Therefore, trade occurs because different countries have different factor endowments. Thus, each country exports the good for which it has in abundance, due to its factor endowment, a comparative advantage. This suggests that a country will export goods which use relatively a greater proportion of its abundant and cheap factor (Pugel & Lindert, 2000:57). On the other hand the same country will import goods whose production requires the intensive use of the country's relatively scarce and more expensive factor (Rongotis, 2009: 9).

Thus, in the context of China - South Africa relations, the South African economy is endowed with a lot of natural resources and very little skilled labour. South Africa's wealth in natural resources and endowment in non-fuel minerals complements the attractiveness of this opportunity where South Africa appears as a prize as it rests on one of the "world's richest mineral beds" (Giovannetti & Sanfilippo, 2009). Among other minerals, "South Africa is a leading producer of platinum (80% of total production and 90% of world reserves) and manganese (holds over $\frac{3}{4}$ of worlds reserve base) and second world gold mine producer (overtaken by Australia in 2007)" (Giovannetti & Sanfilippo, 2009). Furthermore, South Africa is a large coal producer and is now considered one of the leading countries in technology in the field of converting coal to synfuels, this suggests new opportunities for China which is rich in coal.

On the other hand, China has an enormous amount of labour, but very little natural resources. As a result, because South Africa has abundance in natural resources it will export these resources to China; on the other hand China has an enormous amount of labour and will therefore export finished products into South Africa.

3.3. Background to China – South Africa trade relations

Since the formal establishment of China – South Africa relations in 1998 and the creation of the Bi national commission in 2001, trade and investment between China and South Africa has seen a significant growth. A range of political interactions including diplomatic visits have facilitated increased interdependence and collaboration between South Africa and China. Increased economic relations between the two countries have acted as a foundation for increased bilateral ties on a political level. In addition, as suggested by the Hecksher- Ohlin theory, trade provides an opportunity for both states to reap individual benefits. According to the theory, trade occurs because different countries have different factor endowments. In other words, each country exports the good for which it has in abundance, due to its factor endowment, a comparative advantage. Trade can be seen as the cornerstone in the foundation of the China- South Africa relationship (Xiong, 2012).

Before 1994, South Africa's manufacturing industries, including the clothing and textiles industry, were highly insulated from global markets and international competition (Bennett, 2003:4). The industry was highly privileged and protected, safeguarded by the protectionist structure of government policies, tariffs, quotas and quantitative restrictions (Biyase and Bonga-Bonga, 2009:5). A number of factors have been attributed to the high protectionist structure afforded to the industry from the 1960s up to the late 1980 and these include the policies of National Party government aimed at developing the manufacturing industry at home (Bennett, 2003:4). The industry was further insulated from international competition by Apartheid South Africa's varying levels of international isolation. These were sanctions sprung from the international bodies' aversion to Apartheid in the effort to coerce South Africa to democratize.

During this time, the local clothing and textile industry, like many other local industries put in more effort and focused on import substitution and placed their focus almost completely on the domestic market. This led to the country's industries getting very little international exposure and the industry's failure to become internationally competitive (Woolfrey, 2009). Moreover, the sector was getting support from the state-owned Industrial Development Corporation (IDC) through the provision of incentives and investments

The 1970s marked a period where production in South Africa was almost entirely determined by domestic demand. During this time, clothing products were mainly produced and marketed in South Africa whilst exporting comprised 6% of the total production (Biyase and

Bonga-Bonga, 2009:8). However, during the 1970 - 1990 period South Africa began to realize and accept that import control and tariff protection measures were not effective measures in the country's efforts to achieve economic growth (Netshandama, 2001:41). From the South African government's view point, the country was in need of some sort of economic policy that would encourage international exposure, while at the same time tackling issues of effective production and profitability in the manufacturing sector (Institute For Global Dialogue, 2005:3). However, the key question remained: how could the industry be opened without threatening and negatively impacting the domestic market and employment? This question would remain a reality for the democratic government that had to usher the industry towards international trade.

As suggested by the Heckscher –Ohlin theory, a country will export goods which use relatively a greater proportion of its abundant and cheap factor. In this regard China has an enormous amount of labour, but very little natural resources. Thus South Africa's imports from the PRC consist mostly of “portable electro mechanic products, automatic data processing machines, telephones for cellular networks, parts and accessories of machines, tricycles, transmission equipment, knitted and crocheted clothing, accessories, non-knitted and non-crocheted clothing and accessories, footwear, furniture, beddings, iron and steel products, organic chemicals, automobiles, and plastic products among a range of other products” (Foreign Market Access Report, 2010).

In contrast, the South Africa economy is endowed with a lot of natural resources and very little skilled labour. Thus South Africa mostly exports minerals and basic commodities such as “chromium ores and concentrates, manganese ores and concentrates, copper ores and concentrates, copper waste and scrap, shorn wool, aluminium, petroleum oils, wool, iron ore, steel ore and stainless steel to China” (Foreign Market Access Report, 2010). According to SARS figures, South Africa's exports to China came to about R29-billion in 2007, this increased to about R35,2-billion in 2008 and jumping again to about R47,7-billion in 2009. This amount saw an increase when the numbers reached R59.3 billion in 2010. In 2011 this number escalated to about R90, 2 billion. However this number decreased to 77,8 billion in 2012 (SARS, 2012). Due to its rich natural resources the Heckscher- Ohlin theory predicts that South Africa will continue to export its natural resources to China and the rest of the world as it holds a comparative advantage for natural resources.

3.4. Post-Apartheid Liberalisation

South Africa's democratic dispensation in 1994 signalled an end of international isolation for the country, thus presenting a huge paradigm shift which saw the country being reinstated into the international world. This event then facilitated the country's re-establishment of its yester trading relations and an opportunity to harvest new markets in the international arena. This was an extremely necessary victory after a long period of isolation and trade embargo against the country. In 1995, South Africa became a member of the World Trade Organisation and was thus bound by the WTO's agreements including agreement on clothing and textiles.

In 1999, South Africa became signatory to the Trade, Development and Cooperation Agreement (TDCA) with the European Union (EU). This trade policy together with the World Trade Organisation Treaty entailed the opening up of South Africa's domestic market for foreign imports. Furthermore, being signatory to the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) meant the South African economy would now be incorporated into the global trade regime (Cuts TDP Project, 2006).

Perhaps, being influenced by different theories of comparative advantage, the belief was that increased competition would result in increased productivity, better quality and increased service standards for the country to be able to compete with international standards. However, these theoretical assumptions were not supported by practical, direct measures or state policy mechanisms. Regardless of the opening up of the sector certain structural problems remained these included lack of training, skills, education, out-dated machinery and technology in the clothing and textiles sector (Netshandama, 2001:42). These problems demanded urgent attention from the South African government.

South Africa's signatory to the WTO Agreement on Textiles and Clothing (ATC) necessitated that the country's clothing and textile industry undergo a degree of modification in order to acclimatize to the new international markets within which it sought to participate. In the DTI's submission to Parliament it is said: "The South African government has always been clear in its policies that the country cannot afford to artificially sustain uncompetitive industries through import substitution or protectionist measures. Based on this, the government has committed itself to support this sector through a range of initiatives with the

understanding that, in its current form, the industry was neither competitive nor sustainable and needed to change” (DTI, 2005). As envisaged the industry grew, however its rapid growth and development led to its demise. The low barriers invited entrepreneurs in, and the low set-up cost and the domestic market demand also played a part in the growth of the industry. The growth of the clothing and textile industry was a speedy one; however manufacturers failed to build up links with retailers thus leading to the industry’s weakness.

The situation was worsened by a huge inflow of clothing imports from other countries that exceeded South Africa’s exports. Imports of Chinese clothing increased by 335% between 2002 and 2004 in US dollar value whilst China’s share of imports increased from 54% in 2002 to 74% in 2004 (Mthente, 2008:5). According to SARS, one of the most dramatic import increases could be seen between 2002 and 2005 where Units from China jumped from 85 million in 2001 to 123 million in 2002 (increase by 45 %); to 215 million in 2003 (increase by 75%); to 335 million in 2004 (56 %) (SARS Customs figures quoted in Clothing Trade Council of South Africa 2005). In mid-2006 China’s market share in South Africa reached a level of just under 75% by volume China’s share is even higher, accounting for 85% of all imports of clothing. Over the same period, imports of textiles from China grew by 144% in US dollar value terms (Vlok, 2006:240).

The industry continued to be confronted by steep competition locally and internationally. As a result local industry could not compete with Chinese imports. This saw manufacturers struggling to meet Bargaining councils rates and terms. These new developments in the industry propelled scores of manufacturers to retreat to home-based operations to cut down on operating costs (Barnes et al, 2004). When the country was reinstated in the global economy it aimed to attain rapid growth and development of the industry, this meant South Africa needed to play by international rules of standards and of competition. In the unfortunate turn of events, this reality came accompanied by fierce competition both locally and internationally thereby creating an insurmountable hurdle for South Africa’s infantile industry.

In addition, the period spanning from the 1990s to the beginning of the 2000s, marked a period when the country’s currency (South African Rand, ZAR) had the lowest buying power amid many international calamities like the Zimbabwean farm repossession programme and the September 11 terrorist attacks. This period saw the ZAR dive to its historical all time low

thus greatly diminishing its buying power internationally. According to Vlok (2006), this economic phenomenon dealt a major blow to the stability of the clothing and textile industry and its competitiveness. For the early part of the decade to follow the ZAR remained considerably weak although local industry still managed to compete with imports. In the aftermath, the resultant defects in the local industry were glaring. In the attempt to salvage the situation, in 2002 the South African gazetted the Duty Credit Certificate Scheme. This scheme was designed to promote and incentivise exports from local industry.

Along with South Africa's move towards export led growth, trade liberalization and the globalisation of trade has come a danger of an abundant flow of cheap, lower quality import goods into the country, subsequently bruising local clothing and textile industry. Wolmarans (2011) asserts that the opening up of the South African economy to foreign competition negatively impacted the competitiveness of many of the companies in the industry. In the case of the export incentive scheme as mentioned above, the growth and development of the country's clothing and textile industry had to be export-based to counteract the import-export disequilibrium.

An investigation by Mthente (2008) has shown that the South African governments move towards liberalisation of markets was well intended. The policy was intended to allow the South African economy to grow in order to alleviate poverty and create employment. For the clothing and textiles sector the growing strength and expansion of industry would accommodate other strategic government goals including, broad-based black empowerment and the decentralisation of investment economic activities from the so-called four economic hubs of South Africa which are Johannesburg, Pretoria, Cape Town, Bloemfontein and Durban. Due to the industry's labour intensive nature, the policy was intended to ensure that economic growth is achieved even in areas that previously lacked development and industrialisation. This reality is owed to the country's legacy of uneven and spatial development. Lack of industry development and adaptation to compete has led to company closures thus loss of employment which has subjected these remote areas to abject poverty and pernicious living conditions.

Mthente (2008:4) continues to explore the two-way relationship between trade policy and poverty in this manner: "trade policy influences trade, which consequentially affects poverty through its implications for the economic activities; thus affecting goods and services prices;

and finally influences government spending and tax, which has a greater effect on the poor people in the country”.

The lifting of trade quotas on the 1st of January 2005 by the WTO promoted the influx of imported goods into South Africa (Raamdaas, 2007). This meant cheaper low cost clothing for the consumer but on the other hand pain and suffering as millions and millions of workers continued to lose their jobs (Paton and Bissekier, 2005). According to Cuts TDP Project (2006) “the rapid liberalisation of the South African clothing industry meant that the industry was ill-prepared for the resultant speedy rise in clothing imports, especially those from China: from 11 million units in 1995 to 335 million units in 2004” (Cuts TDP Project, 2006). The changes in markets and policies has had a major impact in the clothing and textile industry as it allowed for a flood of cheap Chinese textile and clothing into the country (Le Roux, 2007).

3.5. China’s comparative advantage

In its engagement with China through trade, South Africa has achieved somewhat a considerable degree of success as predicted by the new trade policy. However, the South African government failed to consider factors such as their trading partner’s comparative advantage in the clothing and textile industry. Chinese imports are having a negative impact on employment throughout the globe and South Africa too has not been exempted (Woolfrey, 2009: 30). The Hecksher- Ohlin theory suggests that comparative advantage is the main reason for maximum gain in international trade. According to the theory the greater the differences in the factors of comparative advantage between states, the greater the gains from trade (Rongotis, 2009). As a result of this comparative advantage, Chinese imports are negatively impacting the South African clothing and textile industry largely because of their low production cost. The suggestion made here is that the Chinese have a competitive advantage in the production of manufactured goods. In other words, China produces these goods at a much lower cost in their homeland than their trading partners (Biyase and Bonga-Bonga, 2009:11).

According to Barnes (2005:11) South Africa’s competitiveness is hindered by the countries relatively high cost of labour as compared to China and numerous other Asian countries like Bangladesh and Pakistan. A key factor among South Africa’s short falls is the country’s high labour costs and government red tape. China and its Asian counterparts have extremely low wage rates, a huge pool of labour due to high populations, excessive work hours, compulsory

overtime and child labour. As a result of the industry's labour-intensive nature, there is an increased need for human resources in the manufacturing firms. This gives China a competitive edge above its trading partners. In other words, more workers produce more goods at global volumes therefore their costs become relatively low as the goal is to sell them quickly, as a result inventory must be cleared to make way for further high volume production. In the case of South Africa the labour intensiveness of the sector suggests increased costs, decreased flexibility and will further reduce the ability of firms to compete effectively, predominantly when competing in standard commodity markets (Fakude 2000:20).

In 2006, the average manufacturing wages in China, for instance, were approximately 14,200 yuan (US\$2,077 at current rates of exchange) per annum. In Malaysia they were approximately 21,360 Ringgit (US\$5,900) per annum, while in South Africa they were approximately 78,000 Rand (US\$8,664) per annum (Woolfrey, 2009: 11). This meant that local manufacturers therefore had labour costs almost 50% higher than their Malaysian counterparts, and almost 300% higher than their Chinese counterparts. According to Morris and Barnes (2008: 33-4) South African labour costs around \$1.75/hour, which is approximately double the costs of labour in China (which vary between \$0.55 and just over \$1) and four to five times higher than in Bangladesh, Cambodia, Pakistan, Vietnam and Sri Lanka.

In labour intensive industries such as clothing and textiles which utilise significant amounts of labour, these comparatively high wages make it almost impossible for local manufacturers to compete with foreign producers in terms of price. Furthermore, due to South Africa's political history the country has very solid, powerful and influential trade unions. As a result, wages in South Africa are often much higher in than in other developing countries. In addition, South Africa has relatively rigid labour legislation. On the contrary, China benefits from "export incentives; state-subsidised infrastructure; production by state-owned enterprises; and possible input subsidization" in the Chinese textile industry (Cuts TDP Project, 2006: 3). In addition, South African employers bear more costs when it comes to social costs such as overtime, sick pay and pension contributions than some of their international competitors (Woolfrey, 2009: 11). Wages in metro areas also include benefits such as medical aid and provident fund which are not part of 'non-metro' wages (Cuts TDP Project, 2006).

Furthermore, according to the World Trade Organisation (WTO, 2005) the Chinese currency was undervalued at about 40% against the US dollar. This meant that China could get away with exporting their clothing products at a very low price. In addition, approximately 50% of the textile industry in China is owned by the government and mainly subsidised by the national, provincial and local governments (Vlok, 2006:241). Furthermore, China's exporters receive rebates of up to 13% on their exports.

3.6. Opportunities for South Africa

China has made proposition of vast export opportunities and the potential to absorb a higher proportion of value-added exports from South Africa as a result of increased trade between the two countries. China has remained a strategic partner for South Africa in the global economy as she presented unique opportunities for South Africa including investments, joint ventures and technological transfers (PMG, 2010). Furthermore, due to its rapid growth and market presence in the international markets, China presented an opportunity for leverage synergies where South Africa could operate in third party markets (PMG, 2010).

For a resource rich developing country such as South Africa that is endowed with abundant natural resources, the Heckscher-Ohlin model implies specialization in the production and export of primary goods on which it has a comparative advantage to capital-abundant developed countries like China. The theory predicts, South Africa's mining sector should be booming as there is a great demand from the PRC. The South African mining industry is home to the world's largest reserves of "chromium, gold, manganese, platinum and vanadium" (Leon, 2013). According to the Hecksher- Ohlin theory, the demand for minerals from highly industrialized countries like China is expected to be a major driver for domestic mining expansion in South Africa that would result in increased demand for unskilled-labour in mines. This increased demand for labour would increase the price of minerals and result in increased wages and increased employment opportunities for unskilled labour. The theory suggests that the flourishing of the mining sector in the country should be able to improve the distribution of income, and restructure income inequality. The theory further predicts that the boom in the mining industry should create employment opportunities that would cater for workers that have lost their jobs in the clothing and textile sector thus alleviation of poverty.

The mining sector in South Africa accounts for nearly 8.8% of the country's gross domestic product (GDP) (Gqada, 2012). The sector employs over a million people directly and indirectly. However, contrary to the Heckscher- Ohlin contentions, the South African mining industry today faces many challenges. According to Statistics South Africa (2012), the industry's output saw a decline of 7.7% between January and October 2012. Between the period marked September and October 2012 the industry's output had decreased by 7.9%. Statistics South Africa's Quarterly Labour Force Survey for the third quarter of 2012 (from July to September) revealed a loss of 8 000 jobs overall in the mining industry. According to Statistics South Africa, the mining sector has experienced "a year-on-year decline in mining production over the past 5 years" (Leon, 2013). A report conducted by Stats SA suggests that mining production in the country decreased by 4.5 per cent year-on-year in November 2012. This decline in production has mainly been attributed to the strikes in the mining sector where employees are demanding wage increases and improved living conditions. The National Treasury estimates that strikes in South Africa's mining industry reduced "exports by R12.5 billion and cut GDP by 0.5 percentage points in 2012" (Leon, 2013). Furthermore the National treasury estimates loss of production to about R10.1 billion due to strikes and stoppages in the platinum and gold mining sectors alone in 2012

In terms of investment opportunities South Africa is the only African country that has significant investment in China (Burke et al, 2008) (Gelb, 2010). The country has had its corporations successfully penetrate the often challenging Chinese market. Numerous South African corporations have often been termed 'industry shapers' in the Chinese economy (Davies, 2008). "After entering the market in 1994, SAB Miller had climbed up to be the largest brewer by volume in China in 2007 and is said to be South Africa's single largest investor. In addition, Naspers has proved to be a leading media player in China's most insulated sector for foreign firms; and Sasol could soon become the single largest investor in China if it goes ahead with two coal-to-liquid projects in the country" (Davies, 2008). According to Burke et al (2008) South African companies like Freeplay, Beijing Axis Consultancy, Kumba Resources, Anglo Gold Ashanti, Anglo Coal, Anglo American, Goldfields Old Mutual, Standard Bank and First National Bank are among the companies that have been successful in China. South Africa's private sector has been the only sector in Africa to successfully take on the Chinese market and this suggests that this comparative political advantage should be exploited even further to ensure South Africa's benefit. This is largely due to South African company's ability to function in environments with poor

infrastructure. Furthermore, China still has unexploited opportunities for South African products in the Chinese market, with the exception of natural resources these opportunities have not yet been explored (Burke et al, 2008).

As part of the opportunities, the trade relationship between the two countries is said to have brought in affordable manufactured imports, investments, skills and technology transfer into South Africa. Chinese telecommunications companies such as Huawei and ZTE have expanded into South Africa and other African countries such as Algeria, Ethiopia, Ghana, Nigeria and South Africa. The telecommunication companies have established training centres, the centres are expected to produce and train locals that can operate the technologies and even develop new ones and thus investment and technology transfer (Mtuvungai, 2010).

In addition, numerous whole sale and retailers have been able to source import goods from China and this has helped making goods cheaper in the South Africa market. This has been the case since many of the African countries including South Africa have become a major destination for Chinese manufactured products. These cheaper Chinese products provide an alternative for South Africa's low income consumer. This means consumers who previously could not afford locally manufactured products and those from European markets have been able to access cheaper Chinese products which are easily available in the country. In addition, local businesses have aligned with the Chinese counter parts to secure the tricks of the trade and how the Chinese organize their business activities. This has been evident in the small Chinese shops which are collaborating with locals in their business ventures. If used strategically, this knowledge can enhance business activities and socio-economic development in South Africa.

3.7. Challenges for South Africa's economy

A number of challenging issues have arisen in the course of the growth of trade between South Africa and China over the years. Some of these challenges will be captured in the paragraphs below. Some of the challenges to be explored include; trade deficit, impact on the local industrial growth but special attention will be paid to the South African clothing and textile industry to show the impact of Chinese imported clothing on the industry. The H-O theory predicts that because China has a competitive advantage in labour it will export finished products to South Africa. For manufacturing sectors like Clothing and textiles the

theory predicts a negative impact. According to H-O theory the South African manufacturing sectors might find it hard to compete with Chinese products that enter the country.

3.7.1. Overview of the South African Clothing and Textile Sector

The South African clothing and textile industry has a long history and is mainly concentrated in provinces like the KwaZulu-Natal, Western Cape, the Free State and Gauteng specifically in the cities of Cape Town, Durban, Newcastle and Johannesburg as well as certain rural areas. In South Africa the Industry has remained an essential source of income upon which many local households depend for survival. The industry has played a key role in sustaining and even liberating considerable scores of township and rural families from abject poverty.

In 2004, the clothing and textiles manufacturing industry retained its character of being the “most labour-intensive industry, it also accounted for 1.8% of overall employment in South Africa” (Mthente, 2008:3). As a highly industrial sector, the sector contributes significantly to the South African economy. According to the Textile Federation of South Africa (Texfed), the clothing and textile sector is South Africa’s “sixth largest employer in the manufacturing sector and eleventh largest exporter of manufactured goods” (Mthente, 2008:5). In addition, the clothing and textile industry has remained one of the largest sectors in terms of value added products in manufacturing, and is therefore considered very important for the country’s economy.

The industry is said to have provided employment for an estimated 300 000 South Africans in the year 2002 (Mthente, 2008:4). In addition, it is suggested that in 2002, the sector accounted for an estimated 1.2 percent to the gross domestic product (GDP) for South Africa (Mthente, 2008:4). The sector’s domestic sales in the year 2002 were R13.4 billion and it exported R4.5 billion. In a period of just two years (2002-2004) the domestic sales had rocketed to R18.4 billion, nonetheless the exports plummeting to R3.1 billion (Mthente, 2008:5) In 2005, there were an estimated “2 000 functioning companies in South Africa, an astounding 80% of these were clothing and textile industries” (Barnes, 2005:6).

The industry therefore remains a critical component in the country’s strategy to alleviate poverty by creating decent work opportunities. This is the case primarily because even in the midst of capitalisation, this one industry uniquely continues to require human resources in large scales particularly in production that focus on economies of scale. In addition, the sector

remains a significant contributor in job creation by virtue of its ability to absorb unskilled labourers and provide entry-level jobs to disadvantaged minority groups in the country (Barnes, 2005:6). This unique trait about the sector allows for skills development to a level where the country's skill deficit is substantively reduced.

3.7.2. Impact of Chinese imports on the South African clothing and textile industries.

The clothing and textile industry is one of the industries that have been hardest hit by the influx of Chinese imports into the country. The clothing and textile industry is considered to be one of the most significant sectors in many developing countries in the world. This is mainly due to the labour intensiveness of the sector and its ability to absorb semi- skilled and non-skilled individuals in poverty stricken communities. South Africa's clothing and textiles industry has been characterised by a very rich history and has remained one of the most important sources of employment for disadvantaged individuals, most of whom are women for whom very few other opportunities exist. South Africa like many other developing countries faces high unemployment and illiteracy rates and a large number of people have lost their jobs as a result of cheap Chinese clothing that are continuing to flood into the country. In South Africa, in particular, these industries have played a critical role in providing livelihood in many families by providing a source of income.

As South Africa aims to improve the value-added and technology levels of its exports, China poses a major challenge, both because of competition it subjects the South African clothing and textiles sector to. In a more specific level, low-cost Chinese imports have negatively affected some South African local manufacturing firms. In 2011, 5% of the manufacturing workforce lost their jobs as a result of retrenchment and factory closures (IDC, 2012). This trend could have a devastating effect on South Africa's manufacturing and other labour intensive sectors. If measures are not put in place, South Africa's prospects of promoting local industrial growth and job creation will remain on paper instead of translating into reality.

3.7.3. Balance of Trade

A trade balance is the difference between the country's imports and its export over a period of time. A country's trade balance is favourable when its exports are greater than its imports.

When imports exceed exports, a country has a trade deficit; when exports exceed imports, a country has a trade surplus. The trade balance contributes to the country's balance of payments. For an extended period of time, imports from China have exceeded South Africa's exports to China. South Africa has thus been experiencing a trade deficit in trade relation with China. This relation is illustrated by Table 1 below.

Table 1: *South Africa- China Bilateral trade*

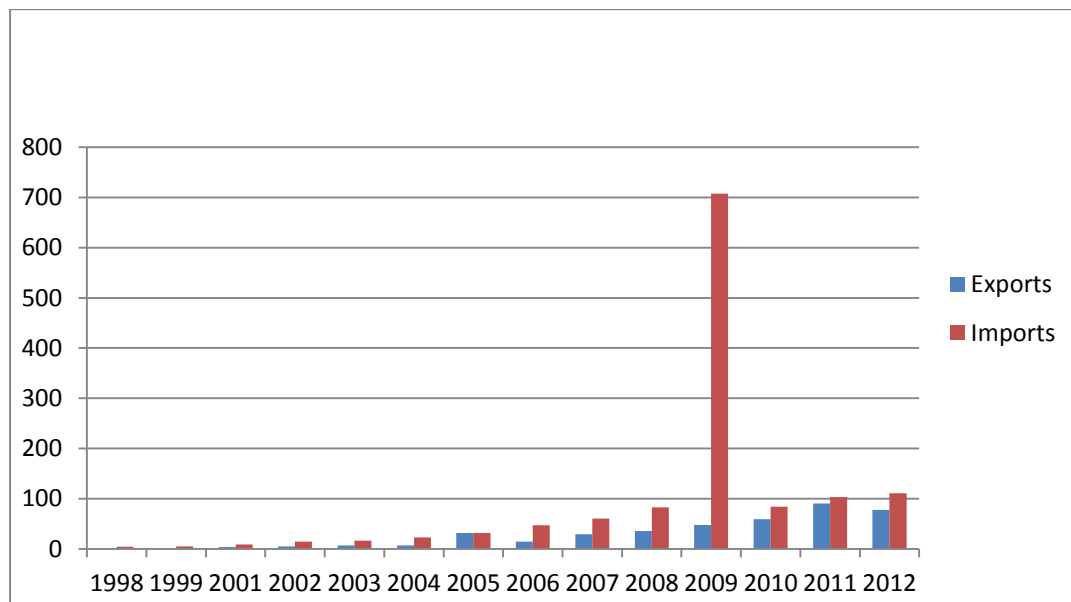
| Year | Imports | Exports | Trade Balance |
|-------------|------------------|----------------|----------------------|
| 1998 | 4 330 713 563 | 917 868 407 | -3 412 845 156 |
| 1999 | 5 003 530 599 | 1 461 593 299 | -3 541 937 300 |
| 2001 | 9 085 955 441 | 3 927 482 636 | -5 158 472 805 |
| 2002 | 14 260 568 766 | 4 720 349 448 | -9 540 219 318 |
| 2003 | 16 598 906 482 | 6 686 393 701 | -9 912 512 781 |
| 2004 | 22 992 847 428 | 6 773 559 355 | -16 219 288 073 |
| 2005 | 31 484 302 882 | 8 762 647 510 | -22 721 655 372 |
| 2006 | 46 723 529 003 | 14 370 082 791 | -32 353 446 212 |
| 2007 | 60 264 271 984 | 29 303 383 133 | -30 960 888 851 |
| 2008 | 82 411 244 161 | 35 243 991 079 | -47 167 253 082 |
| 2009 | 70 77787 315 521 | 47 721 941 549 | -703 006 537 972 |
| 2010 | 84 023 908 129 | 59 326 222 821 | -24 697 685 308 |
| 2011 | 103 173 967 457 | 90 210 035 927 | -1 296 393 153 |
| 2012 | 110 731 499 046 | 77 831 057 374 | -25 900 441 672 |

Source: South African Revenue Services, 2012

Table 1 shows the trade balance has favoured China since 1999. In 1999, the trade deficit stood at R3,5 billion rand. This has mainly been attributed to the countries bilateral trade profile where South Africa is the primary exporter of natural resources and China exports finished products into South Africa. In 2003, China had a deficit of about 9.9 billion with South Africa (South African Revenue Services, 2012).

Table 1 shows that as of the year 2010 to 2012, the trade surplus in China's favour increased from R 26.4 billion to R25, 9 billion; however this amount decreased to R1.2 billion in the year 2011. The decrease has mainly been attributed to government support to the economy through trade agreements for protection of industries in the country.

Graph 1: South Africa's Bilateral Trade statistics with China



Source: South African Revenue Services, 2012

The trade deficit between South Africa and China can largely be attributed to the trade profile between the two countries. Graph 1 shows, South African exports are increasing at a faster pace than imports from China. Bilateral trade is clearly dominated by commodity exports from South Africa and value-added imports from China. Whilst China's manufacturing base continues to show increased growth, South Africa's seems to be declining as a result of the influx of Chinese products into the country (Botha, 2006). The contemporary composition of trade between the two partners is, therefore, tilted in China's favour and continues to show

signs of being unsustainable in the long-term. South Africa's trade deficit with China seems to be growing considerably as trade progresses.

The increasing trade deficit that China runs with South Africa has moreover developed into a controversial issue in the relationship between the two countries. According to the DTI "As China's exports to South Africa increase in value terms auto-mobiles and consumer electronics for example the trade deficit will continue to widen further attracting criticism from the South African government and labour unions" (Davies, 2008) .

Beijing's outward economic strategy, which is mainly geared towards meeting China's growing domestic demands for commodities, tends to confine South Africa's role in the relationship to that of a primary exporter of raw materials. This is evident as the South Africa remains the main supplier of natural resources products or lightly processed primary products, whereas its imports comprise mainly manufactured product.

South Africa's failure to add value to its exports to China constitutes a fundamentally ineffective strategy, as in the long-term raw material stockpiles are depleted without creating a sustainable economy (Shelton, 2012).

3.7.4. Loss of employment in the industry

During the period 1974- 2004, the global textile industry was governed by the World Trade Organisation through The Multi-Fibre Arrangement (MFA) which regulated the quantity that developing countries could export to developed countries. The MFA was introduced in 1974 as a short-term measure intended to protect and control local industry from imports. The termination of the Multi-Fibre Agreement on 1 January 2005 gave rise to further problems for the manufacturing industry in general and specifically the clothing and Textiles industry. This was in terms of the manufacturing sectors domestic and international competitiveness. The result has been job losses for employees across the entire manufacturing industry. Although the accurate figures are difficult to calculate, estimates of Job losses in the clothing and textiles range from 23,000 to 85,000 (Barnes, 2005:11). The actual number of job losses in the clothing and textiles industry has been contested by differing stakeholders in the industry. Although numbers are debated, statistics of Bargaining Council employment by province give some indication to the losses (Mthente, 2008:8). An estimated 69 000 job losses were recorded between 2003 and 2009 (Biacuana, 2009). In 2011, Job losses in the industry

showed a significant slowdown as the union database recorded 48% less job losses than in 2010 and 55% lower than in 2009 (SABC, 2012). This slowdown has been attributed to improved government support in the industry. According to Kriel (2012), employment in the clothing, textile and leather sectors decreased by 1.4% in 2011. The majority of these job losses occurred in rural areas, where wages are lowest and unemployment is already extremely high. This has further reduced the possibility of these retrenched workers finding alternative employment in the future (Vlok, 2006:239). In the event of the recent economic meltdown, inflation and instable currency, no industry has been hardest it like the clothing and textile industry.

3.7.5. Other Challenges

Increasingly, Africans are contributing and playing an important role in the imbalance of trade between China and South Africa. This is mainly attributed to the high unemployment rates of and poverty in South Africa and Africa in general, that provide a market for the cheap Chinese imports into South Africa. The high levels of poverty in the country have enabled the establishment of more Chinese shops and enabled such shops to buy cheaply directly from Chinese wholesalers by lowering the capital requirements of Chinese-manufactured goods. As a result there has been rapid growth of the street economy, as it is becoming more commercial and international in character (Woolfrey, 2009: 32). This has resulted in a situation where you find stall after stall of informal traders selling cheap Chinese goods and offering special prices if you buy two or more of the same item, and on the other hand, you have the local producers charging a much higher price for similar products. In a country surrounded by townships and other poverty stricken areas it would be difficult to convince one to pay a higher price for an item that would last them longer.

In addition, Lack of skills and out-dated technology are some of the challenges hindering the growth of the South African clothing and textile industry. The Chinese government has invested heavily in capital for its clothing and textile industry. The country has not only invested in capital but has also invested in equipment and technology. Today China's factories are ranked among the world's best in terms of technology and processes. The Chinese government identified the opportunities that could be presented by their clothing and textiles for boosting exports. China finds herself in a situation where investments in the industry have led to increased demand for Chinese products thus allowing for further investment (Woolfrey, 2009:12). South Africa's clothing and textile industry, on the other

hand, stands at another type of crossroad, confronted by a declining demand, many local firms are unable to make the investments that are needed for them to become competitive. The local industry's ability to grow and maintain market share, even in the local market, is therefore weakened, and the demand for their goods continues to decline (Woolfrey, 2009:12).

3.8. Trade agreements between SA and China to address Challenges

South Africa and China have continuously made commitments to cooperate with each other to create favourable conditions for growth in relations between the two countries and to balance trade. The two governments have repeatedly committed themselves to promote trade and to correct the imbalances in current trade relationship. This has been seen in the formation of FOCAC, PGD, South Africa -China Economic & Trade Cooperation Forum and Joint Economic and Trade Committee (JETC) which were all established to tackle the challenges in the relationship between China and South Africa. In addition, "China has pledged to further open up its market to Africa, by increasing the number of export items to China eligible for zero-tariff treatment, from 190 to over 440". However, this will only apply to the least developed countries (LDCs) in Africa that currently have diplomatic relations with China (Burke et al, 2008).

3.8.1. SA-China Partnership for Growth and Development (PGD)

In 2006, the South African President together with the Chinese president held discussions that focused on the overall trade imbalance which is consistently and significantly in China's favour. The two states agreed to a more equitable, 'win-win' relationship to tackle the trade imbalance (Molepolle, 2011). Thus the formation of the South Africa-China Partnership for Growth and Development (PGD) which began in 2007. The PGD was intended to build up an economic relationship and to ensure balance of trade and increase investment flows between the two countries in a sustainable manner. The PGD includes a number of measures designed to ensure a long-term balance in South Africa-China trade (Molepolle, 2011). The PGD's key objective was mainly to modify the structure of trade. This would be achieved "by increasing the value of South Africa's exports to China, focussing on mineral beneficiation and the export of manufactured and processed agricultural products, and establishing a balanced bilateral investment flow" (Molepolle, 2011).

One of the outcomes of the PGD, was a Memorandum of understanding that was drafted by the South African government which featured amongst other aspects “market access, mineral beneficiation as well as infrastructure facilitation and development” (Molepolle, 2011).

As envisaged the South African government’s work on the PGD has been anchored around market access for South Africa’s value added export to China, mineral beneficiation as well as infrastructure facilitation and development. However, according to the DTI, the PGD process has not yielded positive results since 2007. The South African government has made little progress with China on the PGD under each of the pillars, market access for value added products is the only pillar to show some results (Molepolle, 2011).

3.8.2. SA-China Economic & Trade Cooperation Forum

As part of the initiatives to balance trade, the South Africa -China Economic and Trade Cooperation Forum was held in Pretoria, March 2010. The Chinese Government invited 23 companies to take part in the contract signing ceremony. According to the DTI “Procurement contracts between companies from both countries amounted to US\$311 million (or R2,3 billion) were signed”. The main products involved in these contracts consisted of primary products and raw materials with the exception of wine.

3.8.3. Bilateral Mechanism for Trade and Investment Cooperation

One of the important committees that were established is the Joint Economic and Trade Committee, a sectoral Committee of the SA-China Bi-National Commission (BNC) that was established in 2002. South Africa and China cooperate comprehensively and frequently on trade and investment issues through the (JETC).

China and South Africa have discussed the following areas of cooperation under the JETC:

- “Advancing the Partnership for Growth and Development (PGD);
- Encouraging South African and Chinese enterprises to cooperate and explore mutually beneficial commercial opportunities;
- Identifying joint projects that may be supported by financing arrangements including Concessional loans, preferential export buyer’s credit and the China- Africa Development Fund,
- Cooperation in human resources development to support South Africa,

- Coordination in support of NEPAD and FOCAC”.

(Molepolle, 2011) DTI

3.9. Conclusion

This chapter attempted to explore the economic relations between South Africa and China. It argued that trade flows between South Africa and China can be explained by adopting a Heckscher-Ohlin trade model. The chapter has shown that trade between the two states has expanded significantly over the last number of years. However, it is evident that South Africa has not derived maximum benefit from this development of trade with the PRC. The trade benefits are tilted towards China; South Africa's trade deficit is worsening as South African imports are growing significantly faster than exports. South Africa's trade profile with China displays that Beijing's interest in the country is not limited to resources, but it also regards South Africa as a potential market for its manufactured and industrial goods. This imbalance is largely attributed to the nature of the trade relationship, as South Africa mainly exports raw materials to China; while on the other hand China's imports are made up of manufactured goods including clothing and textiles. As a result a number of labour-intensive sectors have been experiencing rapid surges in imports from China (Vlok, 2006:234).

It is thus evident that the inflow of Chinese manufactured products is not ideal for a country like South Africa that is aiming to diversify its exports, increase its industrial base and create jobs at the same time. The sectors that have been hard hit by the Chinese wave are the most labour intensive including clothing and textiles, footwear, construction and manufacturing. The clothing and textile industry was singled out and explored in-depth because of the significant role it plays in the country.

The chapter has also shown that the influx of Chinese goods into the country have had a positive impact on South Africa's low income consumer who can make do with the cheap Chinese goods as an alternative to locally made products which are sold at a higher rate. However, while the cheaper Chinese products may be benefiting South Africa's low incomes consumer, this benefit is at the expense of the countries clothing and textile industry. The availability of affordable products may have benefits in the short term, however in the long term it has negative consequences for South Africa's manufacturing industries as it might lead to over dependence on Chinese products.

In conclusion, this chapter explored some of the programs that South Africa and China have developed in an attempt to tackle the challenges that the two countries face. It was shown that FOCAC, PGD, South Africa -China Economic & Trade Cooperation Forum and Joint Economic and Trade Committee (JETC) were all established to alleviate the negative impact of China – South Africa trading relations.

CHAPTER 4

CONCLUSION

4.1. Summary of findings

This research work aimed to assess the China – South Africa political and economic relationship, with the intention to ascertain whether the relationship is mutually beneficial or not. The research intended to assess the challenges and opportunities that are inherent in this politico- economic relationship between China and South Africa.

4.2. The foundations of the China- South Africa political relationship

Chapter 2 explored the political relations between South Africa and China by looking into the history of China's political relations with South Africa. It investigated the historical and current political relations between China and South Africa. The research provided a background that underlies current the relationship between South Africa and China.

The study indicated that China's role in South Africa dates back to struggles against colonialism, the current relations between the two regional powers reinforces the notion of the relationship as a continuation of a past partnership. It has shown that the relationship between post-apartheid South Africa and China has been founded on notions of south- south solidarity. During the period of western imperialism China rendered military and financial support to liberation movements in South Africa and Africa at large. However, the study has showed that China's anti- colonial movement was guided by self-interest as it targeted to support newly independent countries. It is evident that the early interactions between the two countries were largely ideological, based on the aim to challenge Western imperialism. In addition, the relationship at the time was beneficial for all parties involved. While the Chinese Communist Party needed to spread communism in Africa and to undermine Soviet influence in South Africa, liberation movements in Africa needed financial and military support. The current diplomatic relationship between the two states is largely attributed to the historical ties they share, which have allowed for closer relations.

In line with the realist perspective, the China- Apartheid South Africa relationship was challenged as the PRC was forming close relations with the liberation movements in the country, this led to conflict of interest between the two countries. Due to this conflict of interest South Africa severed ties with the PRC. Consequently the South African Apartheid

government adopted a self-help approach by establishing relations with the PRC's enemy (Taiwan) for support. As a result, Taiwan played along by recognizing the legitimacy of the Apartheid government thus cementing the relationship. In line with the realism theory, that suggests that states' behaviour in the international system is guided by their national interests, the South Africa – Taiwan relationship was guided by national interests on both sides. This was the case as both felt increasing political and economic segregation from the international community. Political survival had become a priority for both countries.

Similarly, the study reaffirmed realist notions of self interest in the case of the ANC and CCP. This was the case as the relationship between the CCP and ANC turned sour because of the ANC's deepening relations with the pro- Moscow camp of liberation movements (Naidu, 2005). The ANC's move at this point was against the ideals of the CCP.

It was only in the 1980s, mainly due to the Soviet Union failure to continue with providing financial support to liberation movements throughout Africa, that relations between the PRC and ANC were somewhat resuscitated. This led to the re- establishment of the relationship between the CCP and ANC, both China and the ANC saw this as a new strategic opportunity to realign with each other. This re-alignment once again reflects realist interpretations of state behaviour that suggest that state behaviour is mainly informed by the ultimate goal of survival in the international system where there are no permanent friends or permanent enemies.

It was also argued that the maintenance of high level political have played a key role in the diplomatic relations that China has with African countries including South Africa. The chapter suggested that China's diplomats travel to African countries for a variety of reasons, but the main one seems to be attached to enhancement of economic relations through strategic political visits. It has been shown that the state visits between China and African states have often been characterized by discussions of closer economic cooperation where politicians are often accompanied by high-ranking business delegates. Friendly ties with resource-rich countries like South Africa ensure continued access to the raw materials that China is in constant need of, to be able to maintain its high level of economic growth (Denny, 2012).

South Africa remains a strategic partner and an important ally with political significance for China, particularly in securing support in the multilateral forums and south-south

cooperation. The two countries similar voting patterns in the UNSC have showed to be guided by expediency and self-interest. This is the case as China needs backing in the UNSC and South Africa has ambitions of securing a permanent seat in the reformed UNSC. However, South Africa's voting patterns on the UNSC has afforded it negative criticism for failing to live up to the international expectations of the country to protect human rights and democracy. In addition South Africa's voting patterns have damaged the countries moral high ground image which it earned from the time when the country adopted its world renowned constitution with its progressive bill of rights and its peaceful transition to democracy.

In addition it was argued that China's engagement with South Africa sets the stage for its strategic partnership with the rest of Africa. It was argued that China views South Africa as a gateway to the continent. The current diplomatic relationship between the two states is largely attributed to the historical ties they share, which have allowed for closer relations.

It was also argued that there are strategic individual benefits that both China and South Africa enjoy from the BRICS arrangement in terms of political and economic prospects. China and South Africa have been able to arrive at a cooperative relationship as advocated for by the IPE liberalist theory. In addition, it was argued that the formation of the BRICS grouping is founded on the balance of power theory which entails the "shifting of the status quo distribution away from the situation that favours the dominant state in the global system" (Sangtu, 2010). The argument made here was that BRICS has been formed to counter the influence of the US-dominated financial institutions and to challenge the western powers. In an increasingly interdependent international system , the up-and-coming BRICS countries are increasingly using this grouping as a platform to affirm their independence and also to emphasize their stand point on matters that impact their national interests (Xiong, 2012).

The study further suggested that, South Africa ascension into BRICS is as a result of the cooperation between the two states. The research has shown been that both states have benefited from South Africa's entry into the grouping. China has benefited from South Africa's inclusion into the group as it has afforded it 'global forum' status with the representation of the African continent. South Africa's inclusion into BRICS has served as a complete contradiction to the on-going accusations of China being viewed as a new colonial power that seeks to exploit African countries. South Africa's entry into BRIC carries

significance as it symbolises an acknowledgement of the country's leadership role in the evolving international arena.

4.3. Economic relationship

The study has argued that China's rapid expansion into Africa has been associated with a robust and increasing intensification of its economic relations with South Africa and that this relationship is associated with both opportunities and challenges for South Africa. The chapter investigated the economic relationship between South Africa and China by focusing on trade between South Africa and China. Moreover the chapter utilised the Hecksher-Ohlin (H-O) theory to explore the economic opportunities as well as obstacles faced by South Africa in its economic relationship with China.

The research has shown that trade between the two states has expanded significantly over the last number of years. However, it is evident that South Africa has not derived maximum benefit from this development of trade between the countries: the trade benefits are tilted towards China and worsening as South African imports are growing significantly faster than exports. This imbalance can be seen as South Africa mainly exports raw materials to China and concentrates on capital-intensive sectors, while on the other hand China's imports are made up of manufactured goods including clothing and textiles. As a result a number of labour-intensive sectors have been experiencing rapid surges in imports from China (Vlok, 2006:234). The South Africa - China trade relationship can be seen as a very strategic one because China focuses on the supply sector (Mamoepa, 2006).

It is thus evident that the inflow of Chinese manufactured products is not good for a country like South Africa that is attempting to diversify its exports, increase its industrial base and job creation at the same time. The sectors that have been hard hit by the Chinese wave are the most labour intensive including clothing and textiles, footwear, construction and manufacturing.

The chapter has also shown that the influx of Chinese goods into the country have had a positive impact on South Africa's low income consumer who can make do with the cheap Chinese goods as an alternative to locally made products which are sold at a higher rate. In an increasingly globalised economic system, internationally competitive economies clearly have

an upper hand in gaining market access and market share. China's immense and dynamic economy, with remarkably low labour costs, is a complete contrast with South Africa's comparatively smaller economy system (Shelton, 2012).

In terms of trade it is evident that China determines the rules of engagement, particularly when related to labour intensive contract where they insist on using Chinese labour. This will negatively affect the South Africa's strategy of building a downstream beneficiation sector.

In terms of mechanisms to address the challenges, both governments have recognised the challenges inherent in the trade relationship and have partnered to rectify the situation and thus the formation of FOCAC, PGD, South Africa -China Economic & Trade Cooperation Forum and Joint Economic and Trade Committee (JETC) which were all established to alleviate the negative impacts inherent in the China – South Africa trading relationship.

4.4. Final remarks

Even so, China still represents some opportunities for South Africa despite the challenges that are inherent in the relationship. If understood through the lenses of realism, China's behaviour is anything but abnormal. Realism in international relations argues that each state in the international system is concerned with its ultimate survival and seeks to achieve its own national interests which are defined in terms of power (Morgenthau, 1973:5). Based on these postulations, China conducts her international relations guided by her "national interest and pursues its foreign policy with aggression and on its own terms" (Naidu, 2005). On the other hand "liberal theorists would argue that China's foreign policy undermines the foundations of the international system namely, co-operation, democracy, human rights and transparency (Naidu, 2005)".

The Chinese government has aligned its national interest to its economic sustainability and political ambitions. On the other hand while South Africa can argue that establishing formal relations with the PRC was guided by national interest, more than a decade later, China reaps more benefits from this comprehensive strategic partnership based on "equality, mutual benefit and common development" (Botha, 2006). Benefits in the economic relations are tilted in China's favour.

China has growing influence in Africa which might be a threat to Pretoria's Africa policy (Naidu, 2005). Even in the context of the global south states, China has more influence in Africa than South Africa. South Africa's role in international organization has often been labelled as the representative of the African agenda, while the country has showed commitment to the AU's principles mainly on the UN Security Council; numerous African states are hostile towards South Africa (Xiong, 2012). Lack of support from fellow African states for the assumption of leadership on their behalf may well undermine further South Africa's ambitions of being a regional leader. As a result, as a member of the BRICS grouping South Africa needs visible support from fellow African states. A lack of legitimate support from the continent will cost South Africa its trump card within the BRICS grouping "thus undermining its position as a strategically useful partner in the group". Taking into consideration the above, the China- South Africa relationship extends beyond just pragmatism instead the benefits from the relationship are tilted in China's favour.

In conclusion, the presented secondary qualitative and quantitative data together with the application of the selected theories which assisted to produce a collective meaning about the political and economic relations has led one to conclude that the China- South Africa relationship currently presents both opportunities and challenges. Similar to other African countries in South Africa the negative effects may outweigh the positive ones. Whether viewed as a positive engagement or a negative impact, the relations between the two regional powers are set to continue and intensify but South Africa needs to tread carefully if it is to ensure mutual benefit from this relationship.

The recommendations is that future research on the China- South Africa relationship should pay more attention into the policies that can assist both states to diversify trade into strategic areas that can ensure a comprehensive, sustainable and mutual benefits for South Africa. The current structure of the relationship is not good for the country's long term objective of diversifying the trade structure and regional development. If not addressed this extractive relationship could lead to a depletion of South Africa's natural resources which remain the backbone of the county's economy. Generally, the South African government should look into policy that will allow for improved access to the Chinese market for a broad range of export products and at making African economies more competitive by eliminating the binding supply response capacity constraints that are currently in place.

From the conclusions reached here it is clear that there is room for the strengthening of the China- South Africa politico- economic relationship to ensure mutual gain, particularly from the South African side.

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