

## **China, South Africa and Zimbabwe Relations**



**8 June 2016, Cape Town**

### **Executive Summary**

On the 8<sup>th</sup> June 2016, SALO facilitated a dialogue in Cape Town titled “China, South Africa and Zimbabwe”. The dialogue workshop was a follow-up to SALO’s South Africa/ Zimbabwe Relations dialogue held in August 2015. At the 2015 dialogue, the importance and relevance of China to Zimbabwe was raised several times. During the 2015 workshop, it was noted that this relationship is a key factor in analysing and understanding South Africa/Zimbabwe relations. The diplomatic engagements and subsequent economic agreements facilitated in 2015 between South Africa and Zimbabwe, and also between China and Zimbabwe, have highlighted the importance of these countries to Zimbabwe. Mr. Tawanda Sachikonye (SALO Researcher and Chair of the dialogue workshop) pointed out that this indicates that South Africa and China have strengthened political, economic, and diplomatic ties with Zimbabwe. He argued that in light of such a context, it is essential to assess how China and South Africa can improve Zimbabwe’s adverse and alarming socio-economic context as well as promote stability, especially in the wake of the upcoming 2018 elections. The dialogue workshop presented such an opportunity for the well-represented audience, which included civil society, academics, youth, and diplomats.

**Mr. Andres Quasten**, assistant director to FES (Frederich Ebert Stiftung) South Africa, argued that the workshop provided an opportunity to interrogate and debate the relationship between these countries. He pointed out that these relations in themselves are already very complex and multidimensional, ranging from political ties to diplomatic ties, to political party relationships, as well as migration and the presence of the Zimbabwean diaspora here in South Africa. He then reiterated the fact that an analysis and assessment of these three nations is incomplete without taking into account the growing Chinese influence in Southern Africa. The speakers for the workshop included Professor Mills Soko (Associate Professor of International Political Economy at the Graduate School of Business at UCT), Sanusha Naidoo (Senior Research Associate, Institute for Global Dialogue (IGD)) and Dr. Philani Mthembu, who is a senior researcher at the Institute for Global Dialogue.



## Summary of Presentations

### **Professor Mills Soko: Associate Professor of International Political Economy at the Graduate School of Business (GSB), University of Cape Town**



Prof. Soko asserted that if one wants to understand China's relations with both South Africa and Zimbabwe, it is vital to understand the drivers of China's foray into Africa. He argued that China has significant national interests related to the African continent. Therefore, to identify Chinese objectives, it is crucial that we understand China's core national interests. According to Prof. Soko, these are national security, sovereignty, territorial integrity, sustained economic, and social development. Central to these objectives is the need for international recognition by foreign governments of the Chinese Community Party's (CCP) successful political and economic policies. According to Prof. Soko, these are regarded as a powerful reinforcement of its legitimacy at home for China. In this context, relations with the

developing world, especially on the African continent, have become a vital pillar for strengthening credibility and legitimacy. According to Prof. Soko, not only does China seek to import raw commodities from Africa, it also uses the continent as an arena in which to exert and grow its international influence. Moreover, Africa matters greatly to China in terms of ideological interest. Prof. Soko pointed out that the emphasis in China's foreign policy on non-interventionism has meant that Beijing will not impose moral or ethical standards on African countries. China has enormous security interests in Africa, this is due to the expansion of China's commercial interests in Africa which has brought with it significant security challenges, according to Prof. Soko. He argued that China has begun to prioritise the protection of both its economic interests and personnel on the African continent.

China's aforementioned respective national interests make both South Africa and Zimbabwe relations very pivotal for China in Africa. The relationship between China and South Africa and Zimbabwe goes beyond the continued drive for resources, which underpins the accelerating commercial dominance cemented by Chinese

finance, Prof. Soko maintained. He pointed out that the relationship is grounded on three pillars – strategic and development relations; economic relations; and cultural and social relations. Putting emphasis on Zimbabwe, he pointed out that China's relationship with Zimbabwe can be summed up into three phases. The first phase was China's support for Zimbabwe's national liberation struggle, from the 1960's to 1980; the second phase, from 1980 to 2000, has been described as the 'estranged comrades' phase, characterised by strong political ties which did not translate into greater economic cooperation between the two countries; and lastly, the contemporary 'special relationship' – which begun in 2000 in lieu of Zimbabwe's 'Look East' policy. He argued that during this phase, 2000 to 2013, China played a very important role in terms of facilitating the signing of the Global Political Agreement, a role that it performed with South Africa. Prof. Soko argued that this was due to its veto power in the UN Security Council, as well as its non-interference policy and economic influence in Zimbabwe.

In terms of the relations between South Africa and Zimbabwe, Prof. Soko pointed out that Zimbabwe is important to South Africa for both political and economic reasons. Zimbabwe remains South Africa's largest trade and investment partner in Africa. Therefore, no country has a stronger interest in the unfolding developments in Zimbabwe than South Africa. Prof. Soko asserted that South Africa is well-placed to continue to engage with Zimbabwe.

Prof. Soko raised concerns about the current state of engagement between South Africa and Zimbabwe. He argued that South Africa seems to have disengaged from Zimbabwe since the Government of National Unity ended in 2013. He pointed out that South Africa needs to reclaim the initiative with regards to sustained engagement with Zimbabwe and that it should primarily do so by making a case to President Mugabe to step aside in the interests of regional stability. Furthermore, South Africa must also ensure that it secures the support of other regional leaders in its Zimbabwe engagement initiative. The post-Mugabe era should be a key priority of South African relations with Zimbabwe, and central to this should be the revitalisation of Zimbabwe's economy. According to Prof. Soko, Zimbabweans have to take the leading role in terms of fashioning political and economic solutions. However, the support of regional partners and the wider international community will be crucial as well. As such, Prof. Soko advised that amongst other things, South Africa must work closely with its companies operating in Zimbabwe to develop a recovery plan that will help ease Zimbabwe's economic difficulties.

Prof. Soko argued that in view of these relationship complexities between China, South Africa and Zimbabwe; South Africa-China relations are pivotal to look at. He argued that South Africa is China's most important strategic partner in Africa and that the relationship between these countries has been underpinned by growing political, economic, and diplomatic relations. According to Prof. Soko, South Africa's mineral wealth has elevated China-South Africa political and economic relations to strategic importance. Furthermore, China views South Africa's regional power status as justification for elevating cooperation to a strategic level. He highlighted the case where China pushed hard to extend an invitation for South Africa to join BRICS. Moreover, Prof. Soko argued that the creation of the BRICS Development Bank represents an opportunity for South Africa to tap into an alternative source of finance to address the country's development needs.

Prof Soko argued that thanks to China, South Africa is also a member of the Asia Infrastructure Investment Bank. Hence, for South Africa, China remains a central strategic partner as well as a source of much needed foreign investment. For South Africa this relationship is critical in terms of attaining economic growth and addressing the pressing domestic social challenges- notably high unemployment, poverty, and inequality. South Africa regards China's support as crucial to promoting Africa's interests in the UN and other multilateral institutions. The country also views the deepening of economic links with China, and with other BRICS countries, as central to its economic strategy of diversifying its external trade away from Europe.

In concluding his presentation, Prof. Soko highlighted concerns that have been making rounds in South Africa regarding South Africa-China relations. He argued that labour unions have voiced concerns about the impact of Chinese textile imports on local jobs and wages. He pointed out that:

*“these labour unions blame the so-called neo-colonial nature of the trade relationship for the de-industrialisation of the South African economy”.*

Furthermore, the South African business sector has questioned the country’s decision to grant China market economy status. The South African business sector has argued that this makes it difficult for local firms to prove that the Chinese government gives its companies an unfair advantage. This has contributed towards unfair trade relations and benefits between these two countries. Civil society organisations have voiced uneasiness over the threatening influence of expanding South Africa/China economic relations with regards to South Africa’s Foreign Policy. As such, Prof. Soko pointed out that it is clear that China’s economic support for South Africa comes at a price and the question is whether South Africa is prepared to pay that price? He alluded to certain instances that may arise where South Africa might have to support China while possibly undermining its own principles.

#### **Sanusha Naidu: Senior Research Associate, Institute for Global Dialogue (IGD)**



According to Ms Naidu, the relationship that Zimbabwe has with South Africa, vis-a’-vis China, poses an important question: how do China and South Africa engage in Africa as respective partners in the BRICS? She argued that there are different dynamics around China-South Africa relations elsewhere in Africa. As such, it is vital to ask whether China and South Africa’s bilateral relations converge or diverge on the African continent. South Africa, on the other hand, has shown dynamism as an actor for peace, security, and development issues, particularly in its engagements around peace mediation efforts in Africa. Therefore, in analysing the relationship these countries have with Zimbabwe, it is important to understand these different dynamics.

Adding to the contemporary drivers that Prof. Soko spoke about, Ms Naidu argued that it is pivotal to add the ‘new economy’ in China as another drive. According to her, this new normal economy focuses on the internationalisation of the Chinese currency. Thus, the move towards the adoption of the renminbi as a primary international currency in Zimbabwe speaks to this. Ms Naidu argued that as a consequence of such policies, China is positioning itself in global financial markets by having a foothold in Africa.

Ms Naidu noted that the agreements signed by Zimbabwe and South Africa in April 2015 give a sense that South Africa is looking more at how to position the region in terms of regional development issues. She pointed out that this is where South Africa sees its relations with China developing- with a focus on regional development. Indeed, Ms Naidu points out that:

*“Development cooperation is a key driver, but development cooperation at which level? I think South Africa really wants to push China towards a regional development cooperation engagement. That’s what FOCAC was about.”*



Therefore, in as far as South Africa is concerned, the country wants to have China move FOCAC from its focus on bilateral relations to more regional based agreements. Reiterating the aforementioned contradictions between South Africa and China in Africa, she argued that China has been hesitant about this push for more regional focused agreements for years. According to Ms Naidu, this pull-back is motivated by the fact that China sees regional dynamics as hard to implement and monitor. Therefore, at the FOCAC summit, South Africa tried to push this regional agenda. Hence, according to Ms Naidu, the post-FOCAC press brief from the South Africa delegation highlighted that China is finally starting to see FOCAC projects as regional rather than bilateral.

Regarding China's and South Africa's respective roles in the region and how Zimbabwe looks at both, Ms Naidu pointed out that Zimbabwe sees itself as having a certain degree of regional influence. She argued that this has been highlighted after the country chaired both the African Union and Southern African Development Community in 2015. Noting these emerging differences in this trilateral relationship, Ms Naidu pointed out that it is critical to ask:

*“How does Pretoria see Beijing in Africa? Does it see it as a partner, or does it see it as an actor that can cooperate with? Does it see it as a strategic competitor?”*

**Dr. Philani Mthembu: Senior Researcher, Institute for Global Dialogue (IGD)**



Dr. Mthembu appreciated the representative grouping of participants at the workshop, which consisted of representatives from the African continent and young people from South Africa. His presentation focused on the 2015 FOCAC. In the form of a post forum reflection, he covered key issues that emerged from the summit. Dr. Mthembu pointed out that in understanding China's relationship with Africa, it is crucial to look at the China-Africa policy papers (the first paper was released in 2006 and the second one in 2015). He pointed out that it is quite interesting to note that if one reads both of these documents, it becomes clear that the FOCAC summit is almost a way to operationalise China's Africa policy document. Highlighting one of the significances, Dr. Mthembu pointed out that FOCAC 2015 was the first summit that took place on African soil.

The summit was centred around some of the discussions relating to the Chinese economy that have been taking place globally. For African countries, a major concern rested on the trade relations that China has with Africa. According to Dr. Mthembu, this is primarily because most of the trade that African countries do with China is focused on raw materials. An important outcome from the FOCAC summit was a growing call by African countries to transform this relationship into one centred on industrial development. Dr. Mthembu pointed out that Africa voiced its interest for China to play a stronger role in assisting African countries in terms of their industrialisation initiatives. As a result, Dr. Mthembu noted that what emerged from China's side was a pledge

of money to fund these initiatives for the continent. He pointed out that there is a special fund which China has set up to assist African countries in terms of industrialisation and building up capacity for production.

Indeed, the existing initiatives such as the special economic zones, funded through Chinese investments on the continent, would see a major boost after the 2015 FOCAC summit. Dr. Mthembu highlighted that several other pledges came about, such as increasing the trade levels between China and Africa from \$220 billion in 2014 to a target of \$400 billion in 2020. He argued that this includes foreign direct investment, where China pledged to increase the FDI from a total of \$32 billion in 2014 to a total of \$100 billion in 2020. China has been consistent at meeting its targets, therefore it will be interesting to see if it continues to do so with these new programmes or initiatives. Dr. Mthembu noted that the establishment of FOCAC coincided with the development of Zimbabwe's 'Look East' policy. He stated that from 2000 onwards, the relations between Zimbabwe and China became increasingly economically focused, with significant trade taking place. In terms of the crisis unfolding in Zimbabwe at the time, China did not particularly voice concern or play a major part in the resolution efforts. Rather, it is clear that the political crisis in Zimbabwe became something that was handled primarily by the region, and South Africa became a vital actor, both as a regional leader and an emerging power, as argued by Dr. Mthembu. According to Dr. Mthembu, South Africa played a strong leadership role in addressing the Zimbabwe crisis under the framework of SADC, but was also strongly supported by China internationally. In light of this, Dr. Mthembu asserted that Chinese support in global institutions like UNSC was pivotal in terms of SADC-led mediation around the Zimbabwe crisis. Therefore, the trilateral relationship between these countries continues to develop both economically and politically.

South Africa and China's support of Zimbabwe on the global stage, including at multilateral forums such as the United Nations, is integral to the ongoing relations among these countries. However, he cautioned that there are limitations that South Africa faces in terms of influencing Zimbabwe's socio-economic and political future. Key to those limitations is the question of certainty about the future leadership of Zimbabwe, which South Africa seems to be reticent in influencing. Dr. Mthembu also pointed out issues regarding the links between Chinese investments and indigenisation laws in Zimbabwe.

### Contributions from the floor



Among the contributors from the floor were **H. E Boniface Mugobogobo** (Consulate General from the Zimbabwean Consulate). He thanked SALO and appreciated the speakers' presentations on the multi-faceted relationship between South Africa, China and Zimbabwe. He pointed out that Zimbabwe enjoys very strong historical ties with both China and South Africa. Consul General Mugobogobo went on to argue that South Africa and Zimbabwe have a very long-standing relationship, underpinned by strong diplomatic and political ties in the SADC region. According to Mr. Mugobogobo, from Zimbabwe's perspective, the excellent relations amongst these countries will not be meaningful if they fail to transform into stronger economic and trade ties. He pointed out that this is essential for all countries as a drive towards increasing

the standard of living and economic well-being of their citizens. Comparatively, China and South Africa are much more industrialised than Zimbabwe, but Mr. Mugobogobo argued that these two countries remain important trading partners for Zimbabwe. Mr. Mugobogobo argued that Zimbabwe would like to see a situation whereby the existing asymmetry that underscores trading relationships that are economically skewed in favour of South Africa, and much more so in favour of China, is replaced by a more mutually beneficial trade framework. He proposed an introduction of mechanisms where China and South Africa can transfer technologies to Zimbabwe so as to help the country industrialise as well. According to Mr. Mugobogobo, Zimbabwe's industries are currently operating well below capacity. Changing the existing mechanisms therefore would help Zimbabwe to recapitalise and organise its factories so that it can also recover its economic stability.

Dr. Yanyin Zi, representing the **Confucius Centre at the University of Cape Town (UCT)**, raised the issue of the importance of interpersonal relations between Chinese and African citizens. She pointed out that the two groups of people do not know each other well. As such, she argued that it is very important not to neglect the cultural and social dimension that exists between Chinese and Africans. She therefore urged policy makers to reflect on the need for both of these groups to know each other better, so as to discard the existing stereotypes held about each other and address the lack of knowledge about the role of China in Africa. A **representative of the Congress of South African Students (COSAS)** raised a concern around the role of China in Africa, cautioning against a neo-colonialist approach where-in African countries are pressurised by China to adopt certain policies, including its currency. A question was posed to Prof. Soko with regards to Africa's continued reliance on foreign countries to address its development challenges. The audience felt that Africa needs to develop its own methods of economic development. A question came regarding a point made by Prof. Soko that South Africa should actually initiate a process of President Mugabe stepping aside. Denise Dube from the **Economic Justice Network** raised the issue of environmental degradation that has become a growing concern for Africa, with regards to mineral resource extraction. She asked whether there is any interest from China to assist with environmental rehabilitation. Ms Dube also pointed out that Africa trades in natural resources which are finite – they are going to finish; therefore, “what is going to happen to us once they are gone?”

## Responses

Ms **Sanusha Naidu** responded by pointing out that as much as we want to disengage from the dollar, this would be difficult as we are dealing with a very intricate and complex international political economy that is underpinned by the dollar as the dominant currency. This is an aspect of structural power, and even within Africa, the structural power of the international economy determines how a country's economy is rated. Ms Naidu reminded the audience that South Africa and Zimbabwe exist under the global economic architecture and that perhaps the Chinese and others, especially through the BRICS, are trying to reform. Explaining this reform, she pointed out that BRICS countries are setting up parallel institutions. These include the BRICS Bank, the Asian Infrastructure Investment Bank (AIIB) and new credit rating agencies as alternatives. According to Ms Naidu, the critical question that should be asked is: if we move away from the dollar, “where are we going to go to? What are we going to use?”. In terms of such questions, even the Chinese are very cautious about how important the dollar is to them, as noted by Ms Naidu.

In terms of the question regarding the indigenisation policies in Zimbabwe and how China views outcomes such as land appropriation, Ms Naidu argued that while there may not be an overall concern about indigenisation issues, there are sectors in which indigenisation policies may impact China's economic interest and may therefore require economic guarantees. In terms of the BRICS grouping and how South Africa and China are performing economically, Ms Naidu pointed out that India is the stable one in the BRICS grouping.

However, India is not getting the same attention that Brazil, Russia, China and South Africa are getting around its economic stability. She highlighted how Indian Prime Minister Narendra Modi has established himself as a strategic foreign policy maker. PM Modi has gone on to ensure that the 'Make in India' program becomes the succession plan to China's restructuring of its domestic economy. India has formed its own industrialisation process and has gone from being largely an agrarian economy to moving towards a services oriented industry, thereby by-passing the manufacturing base, as noted by Ms Naidu.

**Dr. Mthembu** responded to the question of the environmental issues that come with industrialisation and growth in manufacturing by reminding the audience that it is imperative that Africa industrialises and develops its manufacturing infrastructure in order to move up the value chain in global development. He pointed out that what is essential is for countries like South Africa and Zimbabwe to understand the global dynamics of development. In tackling environmental challenges, Africa needs to work with countries like China to establish clear policies that will help tackle environmental concerns, Dr Mthembu maintained.

**Prof. Soko** pointed out that there should be a sense of perspective when discussing the relationship between China and Africa. He argued that there is a tendency to create a false dichotomy in terms of the relationship between the US and China and this is a very dangerous falsehood. China's most important partner in the world is the United States. According to Prof. Soko, these are the two most important countries in the world, in terms of their respective economies as well as their diplomatic ties. Apart from both being members of the UNSC, the US and Europe are China's largest export markets. Therefore, China attaches a great deal of importance to its relationship with the US, and so does the US with respect to China. Prof. Soko reiterated that Africa is very important to China, but not as important as the US or EU. He argued that in the bigger scheme of things like trade, Africa accounts for between 5% and 6% of China's global trade. The majority of the trade that China conducts is with the US and Europe. On the other hand, China accounts for 16% of world trade for the African continent. Hence, Prof. Soko cautioned against romanticising China-Africa relations. Prof. Soko pointed out that arguments that South Africa should disengage from the West are always worrying. He maintained that what is necessary for African countries is to fight against being used as proxies of major powers. African countries must develop independent foreign policies and they must not be held to ransom by foreign powers, Prof. Soko argued.

According to Prof. Soko, African countries need to diversify their export partners and economic partners and must not allow themselves to be distracted by counterproductive ideological debates. Articulating the fact that Africa needs alternative sources of investment, he pointed out that the continent needs to ask itself important questions regarding its foreign relationships. For China, Africa needs to spell out what its economic development needs are. China has one thing that Africa needs desperately, and that is capital. Hence, in pursuit of addressing domestic challenges, countries like South Africa and Zimbabwe must demand job-creating investment from China, Prof. Soko maintained. He pointed out that when these countries talk about creating manufacturing capabilities, they need to be clear about what we mean in that respect. When it comes to the Zimbabwe question, he argued that South Africa should initiate a discussion, primarily on the basis of the fact that it is the country that stands to lose the most from Zimbabwe's implosion. He highlighted the changing nature of Chinese involvement and trade conditions in Zimbabwe. He argued that President Xi Jinping laid explicit conditions when President Mugabe went to China to ask for bailout money. Questions regarding the succession plans, questions about the management of state-owned enterprises and others came to the fore. Prof. Soko concluded that it means that China will increasingly make its position clear where its interests are involved.



## Closing Remarks

### Dr. Showers Mawowa: SALO Research, Development and Coordination Manager

Dr. Mawowa appreciated the expansive yet intensive conversation about the relations between South Africa, China and Zimbabwe. In terms of the current dynamics on China-Africa political and economic relations, Dr. Mawowa pointed out that it is worth examining how these differ from the prior and once dominant North-South relationships, between African countries and Northern powers. He observed that there is no doubt that China has both historical and contemporary capital when it comes to its influencing Zimbabwe. Therefore, it is important to interrogate the potential of this kind of relationship.



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*The analysis and recommendations included in this Policy Dialogue Report do not necessarily reflect the view of SALO or any of the donors or conference participants, but rather draw upon the major strands of discussion put forward at the event. Participants neither reviewed nor approved this document. The contents of the report are the sole responsibility of SALO, and can under no circumstances be regarded as reflecting the position of the donors who provided financial assistance for this policy dialogue session.*

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The Southern African Liaison Office (SALO) is a South African-based not-for-profit civil society organisation which, through advocacy, dialogue, policy consensus and in-depth research and analysis, influences the current thinking and debates on foreign policy especially regarding African crises and conflicts.

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