

# **AN INVESTIGATION OF THE BILATERAL RELATIONS BETWEEN SOUTH AFRICA AND CHINA: TRADE AND INDUSTRY AGREEMENTS**

By

**SIKHWARI TSHEDZA TSHIVHASA**

STUDENT NO: 11630405

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**Supervisor: Prof. R.R. Molapo**

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**Co Supervisor: Mr. N. Yende**

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## DECLARATION

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I declare that this dissertation, save for the supervisory guidance received, is the product of my own work and effort. I have, to the best of my knowledge and belief, acknowledged all sources of information in line with normal academic conventions.

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## ABSTRACT

China and South Africa share a long historic bilateral relation. Therefore, their formal diplomatic relations were officially established on the 1<sup>st</sup> of January, 1998. South Africa is presently China's leading trading partner in Africa. Since the establishment of these two diplomatic ties, bilateral cooperation in the political, economic and trade, inter alia, has continued to grow. This brought their bilateral relations to a new level. In spite of all these, the bilateral relations between China and South Africa appear to be unstable. This study explores all the bilateral trade measures, patterns, trade policy and strategy, investments, illicit act of dumping products, anti-dumping campaigns and construction development projects. Continually, the research supplements its critical view on the economic policy of Broad-Based Black Economic Empowerment (B-BBEE) and the ever-increasing migration of Chinese population to South Africa. The study employed a qualitative research approach. The data collection method relied upon secondary sources. The study is informed by two theories, namely the game theory and the neoliberal institutional theory. Both theories unpack some discussions and analysis of the study to understand competition, relative gain and interest of both nations. The study contributes to existing knowledge of trade and industry matters and it has recommended similar research topic for future researchers.

**Keywords:** Bilateral relations, South Africa, China, Foreign policy, BRICS, Trade, Industry.

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## ABBREVIATION

AEL	African Explosives Limited
AFRODAD	African Forum and Network on Debit and Development
ANC	African National Congress
BBBEE	Broad-Based Black Economic Empowerment
BNC	Bi-National Commission
BRIC	Brazil, Russia, India and China
BRICS	Brazil, Russia, India, China and South Africa
CCP	Chinese Communist Party
CDB	China Development Bank
CIC	China Investment Corporation
CIIE	China International Import Expo
CNMC	China Nonferrous Metal Mining Group
DIRCO	Department of International Relations and Cooperation
DRC	Democratic Republic of Congo
DTI	Department of Trade and Industry
EDD	Economic Development Department
EU	European Union's
Exim	Export Import Bank
FDI	foreign direct investment
FOCAC	Forum on China-Africa Cooperation
IMF	International Monetary Fund
INES	Integrated National Export Strategy
ITAC	International Trade Administration Commission
MOU	Memorandum of Understanding
MPLA	People's Movement for the Liberation of Angola
NAFTA	North American Free Trade Agreement

NDB	New Development Bank
NDP	National Development Plan
NEPAD	New Partnership of Africa's Development
NGO	Non-governmental Organisations
NIPF	National Industrial Policy Framework
PAC	Pan Africanist Congress
PRC	People's Republic of China
SA	South Africa
SACETA	South Africa-China Economic and Trade Association
SACP	South African Communist Party
SACPFA	South Africa-China People's Friendship Association
SACU	Southern African Customs Union.
SADC	Southern African Development Community
SAPS	South African Police Services
SARS	South African Revenue Service
SASAC	State-owned Assets Supervision and Administration Commission
SEZ	Special Economic Zone
SOE	State-Owned Enterprise
SONA	State of Nation Address
TCA	The Chinese Association Gauteng's
UNITA	National Union for the Total Independence of Angola
UNSC	United Nation Security Council
USA	United State of America
USSR	Union of Soviet Socialist Republics
WTO	World Trade Organization

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## CHAPTER 1: INTRODUCTION AND BACKGROUND

### 1.1. Introduction

The relationship between South Africa and China can be traced back from apartheid era. China supported South African's liberation movements that fought against the apartheid system. These were, among others, the African National Congress (ANC), the Pan African Congress (PAC) and the South African Communist Party (SACP) (Alden and Yu-Shan, 2014). The dawn of the post-apartheid era in 1994 opened doors for China and South Africa's diplomatic relations, and the establishment of all-round bilateral relations. The South African and Chinese governments reached an agreement in 1998 to establish this diplomatic relations.

Alden *et al* (2014) pointed out that the establishment of bilateral cooperation between the two countries in the political, trade and economic fields has since continued to grow. Alden *et al*, (2014) further stated that South Africa's bilateral relations with China gradually improved under former President Thabo Mbeki, while it was more embracing under the Zuma administration.

In 1976 before South Africa became independent, the apartheid government established bilateral relations with Taiwan, the aim being to suppress the expansion of the People's Republic of China (PRC) to South Africa (Payne *et al*, 1998). The ties between Taiwan and South Africa then were politically expedient and both states felt equally threatened by communist aggression and faced increasing international isolation at the same time (Payne *et al*, 1998).

Kim *et al*, (2013) explained that the bilateral relations between South Africa and Taiwan happened during the apartheid era and were supported by the fact that both countries were anti-communist. Meanwhile the collapse of Soviet Union in 1989 (Communism) many countries believed in forming diplomatic relations with countries that share similar ideological perspectives. The formal bilateral agreement between South Africa and Taiwan were formed in 1949. Apartheid South Africa established bilateral relations with

Taiwan with the political reason of maintaining the Republic of China not to increase its support to South African liberation movements (Kim *et al*, 2013).

According to Dullabh (2017) the combination of South Africa and Taiwan was based on a common approach to their problem of international recognition. Both states reflected diplomatic sanctions or isolation, South Africa for its apartheid policies and Taiwan since its ouster from the China seat at the United Nations (UN) in 1971. However the removal of Taiwan from China's United Nation Security Council (UNSC) seat, gave Taiwan a rapid change of diplomatic isolation with many African countries as they terminated relations with Taipei and established a new dawn of bilateral relations with Beijing (Dullabh, 2017).

One of the significant scopes of the bilateral agreement between South Africa and Taiwan was the promotion of traditional friendship and military cooperation between two countries. The traditional friendship was purposely well-known for academic exchange programme for students and lecturers in 1987 (Dullabh, 2017). Moreover, the military cooperation was alleged to have nuclear ties between both states and also the exchange of military armaments and armed forces during the time of conflict.

The Taiwan South Africa bilateral ties developed an economic interest with mutual beneficiary for both countries. Taiwan contributed an intensive state funding on agriculture, infrastructure drive, education and labor-intensive manufacturing of goods such as textiles and toys and later heavy industry, infrastructure and advanced electronics (Kim *et al*, 2013). This was the very same strategy that China has implemented to scramble for African countries ( Kim *et al* , 2013).

Moinogu (2015) stated that the Taiwanese - South Africa relations was based on trade and investments, and this was channeled through the embassy of Pretoria in order to enhance economic interests such as the Taiwanese exports to the South African market. Furthermore, the bilateral relations between Taiwan and South Africa were robust until the period of democratic transition. This was the time when the first black elected President of South Africa (Nelson Mandela) came into power (Moinogu, 2015).

The Nelson Mandela administration dumped Taiwan from all economic, diplomatic and political relations to begin a new bilateral agreement with China (Moinogu, 2015). The Cold War, China's relations with Africa, including South Africa, was influenced by the Union of Soviet Socialist Republics (USSR). Cold war was between two superpowers which is United State of America (capitalism) and Soviet Union (Communism). So, China was the ally of Russia as it adopted communist ideology. This shows that Russia and China have a long history of bilateral relations.

Even today, the countries are part of the multilateral relations such as the BRICS. Both Taiwan and the PRC regarded South Africa as a pivotal actor in Africa (Xiong, 2012). Anthony (2014) stated that the bilateral relations between South Africa and China have had formidable implications, and both countries have exchanged a number of high-level visits that resulted in a range of agreements covering various issues that include economic cooperation.

According to the discussion paper by the African Forum and Network on Debt and Development (Afrodad) (2013), through China, South Africa's development opportunities have increased the country's ability to achieve its national development objectives. The paper further states that there have been more diverse resources for African countries towards infrastructure and productive sectors (Afrodad, 2013). China has offered an interesting trajectory for an alternative economic model that moves African developmental agenda further by ensuring job creation, economic growth and equity.

The economy of South Africa is the second largest in Africa. It is second only to Nigeria. Since 1996, at the end of over twelve years of international sanctions, South Africa's gross domestic product almost tripled to peak at \$400 billion in 2011, but has since declined to roughly \$295 billion in both 2016 and 2017 (Haibin, 2012). According to Monareng (2016), China and South Africa share the multiple engagements together and continue to be diverse as well as collaborate with each other in global affairs such as the UNSC, FOCAC, BRICS and the G20. BRICS (Brazil, Russia, India, China, and South Africa) is the formation of five emerging world economies. From its inception, it

had four members, and later on, these were joined by South Africa in 2010 (Jiwesh, 2014).

The former South African Minister of International Relations and Cooperation, Maite Emily Nkoana-Mashabane stated that “Trade statistics with China continues to reflect the potential that exists for expanding the commercial relationship” (Nkosi, 2010). South Africa exports iron to China, and imports electrical machinery, equipment and textiles, among a range of other products from China (Nkosi, 2010).

This reflects that South Africa is a consumer of manufactured products from China, yet China exploits the former’s natural resources cheaply. Nonetheless, Nkosi (2010) stated the advantages that South Africa has from its bilateral trade agreement with China and these are the international recognition and it becoming an international destination for the Chinese South. However, all these gains have limited impact on South Africa’s economy.

## **1.2. Problem Statement**

The China - South Africa bilateral trade relations were made to reflect mutual benefits and equal partnership between these two countries. There is a view that China is using South Africa as a dumping site for its cheap products and there is imbalance reflection of trading patterns. However, a major problem with this kind of allegations is that China is pampering too much loan investment to South African industries and in return is sucking many unprocessed minerals. Despite its proposal of constructing a new coal power station in Musina, there is increasing concern that new coal power station is meant for Chinese industrial use, not for South African people’s benefit.

In addition, it is common that the Chinese business community brings its own labour force from China. The result is that the local people do not benefit from such initiatives. Asante, Debrah and Wang (2017) examined how China’s presence in Africa is toxic, both economically and politically. Since South Africa as an African country is no exception, there is a need to establish how she will fair and manage her relationship with China to her advantage. What is that which is unique to South Africa that has not been done in other African countries with similar bilateral relations to China?

### **1.3. Significance of the Study**

The study provides information about South Africa and China's trade agreement and to examine if it contributes to widen South African economy or benefit the country. The Study will significantly redress the research problem and revisit the arrangement of policy trade and strategy agreement between South Africa and China. The other most crucial point is to understand if it is necessary for South Africa to engage with China on trade agreement. Most significantly, the proposed study will complement other similar studies that investigated the two countries' bilateral trades in the past. The proposed study will intend to educate the society about the South Africa- China bilateral ties. The research outcome or findings will assist the government, departments, and policy and decision makers to develop a strategy that will benefit both countries.

### **1.4. Aim of the Study**

The aim of the study is to investigate the bilateral relations between South Africa and China considering the aspect of trade and industry agreement.

### **1.5. Objectives**

- To examine South Africa and China's trade and industry agreements.
- To investigate South Africa's approach that has been in place to ensure that the bilateral ties operate in mutual benefit.
- To assess the impact of the South Africa – China's bilateral trade and industry agreements.

### **1.6. Research Questions**

#### **1.6.1. Main question**

- What are the bilateral relations between South Africa and China checking trade and industry agreement?

#### **1.6.2. Subsidiary questions**

- What is the state of South Africa and China's trade and industry agreement?
- What are South Africa's approaches that have been in place to ensure that the bilateral ties operate in mutual benefit?

- What is the impact of South Africa – China’s bilateral trade and industry agreement?

## **1.7. Theoretical Framework**

The proposed study will be guided by two theories, namely the game theory and the neoliberal institutionalism theory.

### **1.7.1. Game Theory**

Turocy and Stengel (2001) defined the game theory as an appropriate study of cooperation and conflict. In the modern study of politics, Game Theory has emerged as a powerful analytical tool. Game Theory it has proven its application in diverse studies of political science and international relations such as ethnic cooperation, democratization, diplomacy, power, international security and economic cooperation (Shubik, 1973).

According to Snidal (1985), strategic game analysis lies across various areas of study such as the concept of nation state independence and goal seeking actors. This occurs when the action of state representative is interdependent. Turocy *et al* (2001) further stated that the game theory concept provides the structure and analysis, and understands the strategic setup. The game theory will assist to interpret and analyses the investigation of the bilateral trade relations between South Africa and China.

It is necessary here to clarify what is meant by the term game theory which is a bag of analytical tools designed to help scholars or people understand the phenomena that are observed when decision-makers interact (Gibbons,1992). Kenton (2018) indicates that the game theory is a framework for hypothetical social situations among competing players. South Africa and China are regarded as competing economies and they portray different interests towards each other. The game theory has a wide range of applications, including the psychology, evolutionary biology, war, politics, economics and business (Kenton, 2018).

### **1.7.2. Neoliberal Institutionalism Theory**



Joseph (2003) defined this theory as the principal view on the role that international institutions ought to have in international relations among states, both economically and politically. Neoliberal Institutionalism simply means that globalisation and innovation in technology have “connected” the world, thus creating interdependence among states on the globe. All countries are globally connected, so China and South Africa need each other to survive. Grieco and Ikenberry (2010) stated that the neoliberal institutional theory sees institutions as agreements or contracts between actors that reduce uncertainty, lower transaction costs, and solve collective-action problems.

Powell (1994) admitted that a state is concerned, first and foremost, with achieving its absolute gains rather than relative gains to other states. Neoliberalism Institutionalism is the most influential modern approach in the study of global politics, and it will assist the study to determine or understand the rise of China in the international arena. Keohane *et al* (1984) stated that the neoliberalism theory acknowledges the game theory as they both allow states to cooperate with each other.

Through the neoliberalism theory, Keohane *et al* (1984) developed the approach named the complex interdependence. It states that their fortunes are inseparably tied together. The complex interdependence reflects the Chinese government as the most powerful economy in the world that intends to absolutely gain more fortunes from other countries. Neoliberalism in the context of economic development can be defined as a free-market capitalism, which moves away from government spending, regulation, and public ownership (Kenton, 2019).

Sten (2008) gave a proper example of neoliberal institutional theory that the modern globalization of politics is highly institutional and intergovernmental, such as neoliberal institutions like World Bank, International Monetary Fund (IMF), European Union and United Nations invest more effort in shaping international political economy. Doyle (1986) further believe that neoliberal institutions can play a role in promoting peace, stability and liberal democracy and free market capitalism, these is to ensure stable flow of bilateral trade from one country to another.

## **1.8. Definition of terms**

During the course of this dissertation, the term ***Bilateral Relations*** is used to refer to a relationship between two countries whereby economic, political and social factors influence this relationship. Mostly, the relationship is diplomatic. Also, diplomatic countries can combine their military for assistance's sake, land use and essential resources in times of military crisis. Last, each region may install a diplomatic ambassador or regional representative in the other region (Carrier, 2019).

***Development*** is the process of economic and social transformation that is based on complex cultural and environmental factors and their interactions, adding improvements to a parcel of land such as grading, subdivisions, drainage, access and roads.

In this research paper, the abbreviation (***FOCAC***) which means ***Forum on China-Africa Cooperation*** was established in 2000 as a multilateral platform for exchange and cooperation between China and African countries that have formal diplomatic relationships with the former. The forum overlaps various fields of cooperation including politics, economics, social issues, culture and the environment (Anshan, 2016).

While a variety of definitions of the term ***Trade Agreement*** have been suggested, Amadeo, 2019 start defining the term Trade agreement as an agreement whereby bilateral or multilateral nations agrees on terms of trade and those countries play a role in determining the tariffs, rules and guideline that need to be imposed on sufficient running of import and export.

According to Majaski, (2019) ***BRICS*** can be defined as an economic initialization for Brazil, Russia, India, China and South Africa. Economists believe these five nations would become dominant suppliers of manufactured goods, services and raw materials by 2050. China and India would become the world's dominant suppliers of manufactured goods, services respectively, while Brazil, Russia, and South Africa would become similarly dominant as suppliers of raw materials.

Throughout this study the term ***Economic Development*** refer to a branch of economics that focuses on improving fiscal, economic and social conditions in developing countries. Development economics considers factors such as health, education,

working conditions, domestic and international policies, and market conditions with a focus on improving conditions in the world's poorest countries. Kenton (2019)

The term ***dumping goods*** has been applied to a situation wherein one country or institution export cheap products to another country. In this regards, the importing foreign market sell those dumping products in a cheaper price than a domestic market price. Most of dumping products are flooded to the market with product price that are viewed to be unfair to the business world (Barone, 2020).

According to Chen (2020) an ***investment*** is an asset or item which is invested with future aspirations of generating income. Usually, in the economic industry investors purchase goods that are meant to be sold in the near future. Investment can also be through purchasing of bond, stock or real estate property with intention of selling in future.

Kenton (2019) define that ***industry*** is several companies that share similar business objectives. Moreover, individual companies can also be regarded as an industry as long as it generate largest source of revenue.

In a broad political science terms, ***foreign policy*** can be defined as a guiding principle that expresses the objectives and activities of one states relation to another. Foreign policy is usually the reflection of the state constitution and policies, ideological system and its development is influenced by the domestic considerations (Augustyn, 2020).

### **1.9. Limitation of the Study**

Major source of uncertainty on this study is in the method used to generate data, since secondary data collection it relies upon data that is already collected from primary source, these secondary collection include written accounts of the past events, newspapers, books, and journal articles. In this investigation, there are several sources for error. The main error is that most written books or journals about South Africa and China trade agreement are written by South African authors only few authors from China, so the study gained one sided information from South Africa

In particular, the analysis and discussion of the study was very problematic as the study covered limited aspects of trade and industry agreement between South Africa and China. So, further data collection is required to determine the views of ordinary South African and Chinese citizens in South Africa with regards to study topic. Lastly, it was not possible to find a diligent way out to undue inequality of trade and industry agreement between South Africa and China since the study dependent upon secondary source of information.

### 1.10. The Study Area

Crossman (2019) points out that a study area is the political or geographical area including its history, geography, language, and general culture. The area of the study will be the Republic of South Africa and People's Republic of China as the study will focus on the investigation of these two bilateral relations over trade and industry agreement.



**Figure 1.1:** *South Africa and Chinese map with a representation of flags* (Frontiers, 2017)

Together, these maps highlight the need for the study to briefly elaborate the political, economic, geographical, history and trade differences between South Africa and China. The Republic of South Africa is found in the southernmost o the African continent under

the SADC region with a variety of eleven (11) speaking language and an estimate population of 58 million people. The Republic of South Africa compress of cultural and racial diversity and its form of id multiparty democracy/mixed economy which consist of three sphere of government such as executive, legislature and judiciary (Gordon, Mabia and Nel, 2020)

The republic of South Africa's foreign trade its sensitive to global economic competitiveness. Furthermore, South Africa's leading imports are motor vehicles, chemicals and electronic products, these products are mostly imported from China (Gordon *et al*, 2020). Though, Japan, Germany and United State of America are other main trading partners of South Africa. In Africa, South Africa have built a strong relationship with other African state through the expansion of investment particularly in commercial businesses, agricultural sector and mining industry (Gordon *et al*, 2020).

The People's Republic of China is a Marxist-Communist state with a single party legislative house. China is regarded as a largest population nation with approximately billions of people in all Asian nations and the entire globe and is located in South-East side of Russian Federation. In regards to trade, China has paid much focus on trading with developing nations which it finances through grant and credit. Moreover, Chinese most import includes chemical, fuels and technologic device (Cho-Yun, James, Kenneth ,Benjamin and Lyhn, 2020)

### **1.11. Preliminary Literature Review**

According to Olivia (2012), literature review provides an overview and analysis of the current state of research on a topic or question, and how a proposed research will contribute to the field of study.

#### **1.11.1. China, Africa and South Africa bilateral agreements**

In the context of South Africa, Pinto (2012) posits that South Africa is a base for African investments by China and is regarded as the voice of the African continent at international forums. China has a large territory and population, low income levels, but has a fast economic growth resulting in the emergence of a prosperous local middle

class. However, the Chinese emergence in the current global crisis has created new progressive impact as well as numerous challenges for the rest of the world. Maite Emily Nkoana-Mashabane reported that the South African government singled out infrastructure development as a key vehicle for improving people's quality of life. Infrastructure development through China is also expected to boost South Africa's competitiveness and create jobs.

Previous studies have reported a study of *“an evaluation of the trade relationships between South Africa and China: An empirical”* (Mhaka and Jeke, 2018). Mhaka *et al*, (2018) find out that the coordination of bilateral arrangements between South Africa and China aims to form comprehensive strategic partnership and both nations seeks to solidify and increase trade patterns. Furthermore, Yushan *et al*, (2014) recently gave evidence that the burgeoning bilateral friendship has resulted to rapid growth in trade, this was since China joined World Trade Organization (WTO) in 2001.

Studies such as that conducted by Monareng (2016) on *China-South Africa Comprehensive Strategic partnership*. The conclusion of this study posit that China must invest much on driving infrastructure development in South Africa which include schools, community halls, public libraries, transportation, and communications systems. Furthermore, this infrastcture drive will encourage skills development and attract international trade. However, China have started to invest on big development in South Africa such as the proposed Coal Plant at Musina-Makhado area and as one of the forthcoming strong economic hub of South Africa.

According to Crul, (2013) on his study of *China and South Africa on their way to sustainable trade relation*, wherein the study expressed that majority of South African heard concerns about the composition of trade between both nations. In addition, the former President of South Africa Jacob Zuma reacted towards the concern by giving a judgement that “trade patterns between South Africa and China are unsustainable in a long run” (Crul, 2013). Reason behind the raised concerns is that ordinary South African are not benefiting at all cost and unemployment rate does not change is forever always in a same level.

Kitissou (2005) conducted a study about China and Africa, and he illustrated that China has played a role in the extension of military, political and economic relations with almost 54 African countries. Her main aim of supplying Africa with aid was to secure a stable oil supply for future purposes. China is regarded as a major invader of the African continent. Furthermore, the study acknowledges that China has been available in Africa since 1950, in support of liberation and revolutionary movements through the USSR's ideological influence (Kitissou, 2005).

Kitissou (2005) explained China's various cooperation initiatives and projects to Africa such as the rebuilding of railroad network and 80% of main roads in Rwanda and Nigeria. Moreover, the Chinese companies own a largest copper mine in Zambia, and the major timber operations in Equatorial Guinea are under the Chinese businessmen's management. In most African countries, China is exploiting oil and gas, and also restructuring their telephone networks and electricity installations. Last, China has expanded half of its local small businesses and supermarkets in Lesotho and South Africa (Kitissou, 2005). African countries received hundreds of doctors and teachers (Kitissou, 2005).

Hyslop (2012) emphasised more about the infrastructure development and food security. Hyslop (2012) admitted that China is the largest trading partner in Africa in terms of paying for infrastructural development, business, agriculture and food security, and it has progressed to limit poverty. These China - Africa relations are slowly making Africa to be dependent on China. China has given vast loans to African countries than the World Bank and International Monetary Fund (IMF) (Hyslop, 2012).

China has increased the amount of competition in local markets as it produces cheap goods. However, the government of Tanzania has banned the Chinese from selling on its markets. It says the Chinese are welcome as investors, but not as 'vendors or shoe-shiners' (Hyslop, 2012). In the agricultural context, China has commercialised the majority of African farms and abolished subsistence farming as it plays no role in the expansion of the economy and food security. In the context of farming, China sends its own qualified farmers to replace Africans, thereby implement its own policies and making a success of the agricultural business (Hyslop, 2012).

Asante and Debrah (2017) elaborated on the risks and critics about the China - Africa relations. The study pointed out that the Chinese trade and investment turn Africa into an exporter of minerals and crude oil, and importers of manufactured goods (Asante *et al*, 2017). The former director of the Nigerian National Bank, Lamido Sanusi once said that, “China takes our primary goods and sells us manufactured ones” (Asante *et al*, 2017).

This process is not different to colonialism, as implemented by the western countries in Africa. Furthermore, Asante *et al* (2017) posit that the Africa - China trade partnership has made African economies to be dependent and thus demoralise the process of industrialisation. Olander and Staden (2016) demonstrated that the Chinese contractors made poor constructions on power stations in Botswana and Angolan hospitals which were later closed down due to severe cracks (Asante *et al*, 2017).

Ivins and Courtney (2013) stated that China’s growth in Africa has brought some political, social and economic inequalities amongst Africans. The income inequality gaps and the access to essential services such as health and education have aggravated the inequalities of opportunities for different sections of the population (Ivins *et al*, 2013). Ivins *et al* (2013) further conceded that the socio-economic differences are closely tangled with other key drivers of inequality, namely class, caste and gender. Ghosh and Jayati (2013) highlighted that inequality is socially and economically paralysing, and gives rise to political tensions that can be more damaging.

Wasserman (2013) indicated that China and South Africa’s bilateral relations are key in terms of repositioning global south and to network the global economic growth and a strategic political formation. China transformed and shifted the global economic power of developed economies to major developing countries (Haibin, 2012).

### **1.11.2. China’s bilateral relations with the developed world**

The Chinese Ministry of Foreign Affairs reported that China has developed bilateral relations with East European countries. The China - East Europe bilateral ties focus on the enhancement of foreign exchange and cooperation in political, economic, trade,



science and technology, and cultural fields. However, China has also established the biggest bilateral relations with the United State of America.

Watkins (2015) point out that the United States of America - China relationship is the most important bilateral relation in the world today. Moreover, the most global issue between the two major global economies is to enhance the foundation of mutual respect, seeking win-win strategies that enhance world peace and economic growth (Watkins, 2015). Watkins's (2015) study was critical about the United States and China's bilateral relations as he assumed that China's rise will determine the United States' demise.

China has surpassed the United States in various occasions. For instance, China has become the world's fastest growing large economy and auto producer. She has managed to move 700 million people from miserable poverty to a Chinese middle class. China has worked significantly hard to improve their stature as a global power under the unipolar world (Watkins, 2015). However, all contemporary global issues are channeled by Washington DC and Beijing.

Meng (2019) conducted a study about China - Italy deals where he discovered that it was a milestone in cooperation. This study complemented the fruitfulness of the bilateral relations between China and Italy and its good results in various fields. China and Italy signed a memorandum of understanding (MoU) with the aim of jointly promoting the Belt and Road Initiative. According to Meng (2019), the two countries equally benefited from the bilateral ties and the Belt and Road project helped to expand the shipping trade, and thereby creating the first-time development opportunities.

## **1.12. Research Methodology**

### **1.12.1. Methodology**

The study employed a qualitative research methodology in order to gain an understanding of the underlying reasons, opinions and motivations regarding the investigation of the bilateral relations between South Africa and China. According to Van

Maanen (1979), qualitative research methodology is fundamentally an expressive form of research. The qualitative methodology in this study provided details about the characteristics that quantitative studies cannot match. It was used to uncover trends in thought and ideas, and dive deeper into the problem being studied. Denzin *et al*, 2000, explained qualitative research as an ability to provide complete behavior of how people experience a given research topic or study.

Bailey (1994) posits that the research methodology is explained as a philosophy of the research process. It is also described by Babbie *et al* (2001) as referring to the various methods, techniques and procedures that are employed in the process of implementing a research project. The qualitative methodology finds answers to specific research problems and enables the reader to gain the ability to conduct their own research of interest. In this study of human and social sciences, it allows the researcher to opt for the most suitable techniques, theories and research design through understanding the context of the research (Babbie *et al*, 2001).

Qualitative methodology is a situated activity that locates the observer in the world (Guest, 2013). Nkwi *et al*, (2001) explained it differently though. To them, it involves any research that uses data that do not indicate ordinal values. The qualitative methodology helped this study in collecting, working with texts, images, and sound voices.

According to Streefkerk (2019), qualitative research allows the researcher to understand concepts, experience and written amount of thought. It also enables the research to gather in-depth insights of the study and are well understood (Streefkerk, 2019). Through the applicability of secondary research, qualitative research aimed to investigate and explore ideas used in the ongoing processes.

### **1.12.2. Data collection methods**

This study relied on the use of secondary sources to gather information from written accounts of the past events, newspapers, books, and journal articles. The use of secondary data assisted the study to have an understanding of the problem and help to answer the research questions. It helped to make primary data collection more specific (through secondary data). In this study, data was collected through watching

documentaries to understand the visual scenario of the study's area. The purpose of documentaries is to acquire an in-depth understanding of the research topic. This is because secondary data allows the researcher to locate dates quickly and is not expensive.

According to McCaston, (1998) secondary data can provide insight and valuable knowledge into a broad and is regarded as a pivotal source of information. This study collected data through means of written accounts of the past events, newspapers, books, and journal articles. McCaston, 1998 further stated that secondary data review is a cost-effective data collection method, compared to primary data collection (McCaston, 1998). The use of secondary data allowed the study to gather valid and reliable data that was collected by other researchers and it was less time consuming. Secondary data collection make it easier for the study to be finished accordingly (McCaston, 1998).

### **1.12.3. Data Analysis**

The study adopted a qualitative data analysis technique as it is dependent on primary sources of information which is already gathered by others Crossman, 2018 defines secondary analysis is a way of analyzing secondary data that have been collected for research purpose. Doolan *et al*, (2009) state that the secondary data analysis is a flexible method that relies on procedures and evaluative steps, to evaluate collected data from primary source research. The bilateral relations between South Africa and China will be analysed and interpreted based on the selected secondary sources of information.

Furthermore, secondary analysis depended on the primary data that is already collected by a researcher, it avoids unnecessary money spending, and it saves time and effort for research (Crossman, 2018). According to Johnston (2013), the development of research questions assists in terms of applying the theoretical knowledge and conceptual skills to analyse existing data. The study developed the main and subsidiary questions that are fit to address its problem. Secondary data analysis get data about a vast population that would be expensive and difficult to obtain otherwise (Crossman, 2018)

### **1.13. Ethical considerations**

Ethics can be defined as the responsibility that the researcher bears towards those who participate in his/her research, those who sponsor the research and those who are potential beneficiaries of it (Monette, 2008). Bryman and Bell (2007) explained some crucial ethics on the research, which include that the research participants should not be subjected to harm in any way whatsoever. The respect for the dignity of the research participants should be prioritised and the full consent should be obtained from the participants prior to the study. The researchers have the right to search for truth, knowledge and exploration, but not at the expense of violating other individuals' rights.

### **1.14. Chapter Sequence**

#### **Chapter One: Introduction and Background**

The first Chapter is the introduction and background of the study. It will summarise literature review, research methodology, and problem statement on the investigation of the bilateral relations between South Africa and China. It also outlines the study's aim and objectives, as well as its research questions.

#### **Chapter Two: Literature Review and Theoretical Framework**

The second Chapter deals with the South Africa - China bilateral relations overview based on previous similar studies. The study's theoretical framework will be discussed in this Chapter as well.

#### **Chapter Three: Research Methodology and Area of Study**

The following Chapter will outline the research methodology to be followed by this study, its data collection methods, research design, data analysis procedures and the ethical considerations.

#### **Chapter Four: Data Presentation, Analysis and Discussion**

The next Chapter analyses, discusses and presents the data on the bilateral relations between South Africa and China.

## **Chapter Five: Findings, conclusion and recommendations**

This last Chapter will close this study through the provision of the study findings, the conclusion and its recommendations for future related research.

## **CHAPTER 2: THEORETICAL FRAMEWORK AND LITERATURE REVIEW**

### **2.1. Introduction**

This chapter begins by discussing two theories; Game theory and Neoliberal Institutionalism theory that are used as a framework in this research. Furthermore, this chapter will review the literature; discuss trade patterns, trade policy and strategy, overall trade, and expectation of trade agreements between both economies. China is also partaking major bilateral ties with other Southern African Development Community (SADC) countries, so the chapter explore the China and SADC literature to boost the in-depth understanding of the current research topic, it covers countries like Angola, Democratic Republic of Congo (DRC) and Zambia because China is dominating those states. This Section will give a brief historic overview about China and South Africa relations, the impact, and foreign policies of two countries and lastly it will be China Africa relations. Lastly, this section will also review BRICS, South-South cooperation and FOACAC.

### **2.2. Theoretical Framework of the study**

#### **2.2.1. Neoliberal Institutionalism Theory**

According to Lamy (2011), described neoliberal institutional as a new way of promoting free trade or open markets as well as institutions and the democratic values of Westerners. This theory is mostly pioneered by the United State-led unipolar chorus of spreading the global democratic community and capitalist nation-states. Moreover, Baylis, Smith, and Owens, (2014) supported the description of neoliberal institutional theory as an ideal system of democratic peace, open borders and free trade, however they added that before morality and universal ideals, nation-states must prioritize national interests, economic interests and geopolitical one. Genesan, 1995, further explains that the end of bipolar world and ideological disputes in 1989 is viewed by neoliberal institutionalists as a favorable environment for the new unipolar-led trade system and global development of such international structures.

This theory of neoliberal institutionalism will assist the research study of bilateral relations between China and South Africa on how to support and promote cooperation in a competitive world. Furthermore, the theory will again analyses and interpret the core national interest of both national. The global world is presently in an autonomous hegemonic system wherein all nation-state decide their own fate of trade flows and establishment of other diplomatic relations. Keohanes (1984) argument about neoliberal institutions is rooted on the world of cooperation after hegemony, where there were no hegemonic superpowers, and the international environment consisted of many regimes and institutions.

Smith (2014) stated that neoliberal institutionalism focus on country-to-country mutual interests that arose from trade and development issues. In regards to mutual benefits from two trading nations, Keohanes (1984) further posit cooperation is difficult and it will somehow lead to discord, regimes and institutions could benefit states by incorporating cooperative strategies. In consequence, trade and industry agreements between South Africa and China have a good sustainable vision; however, cooperation procedures might interrupt the agreements.

According to Friedman (2005) argues that when states interact positively to free trade, free markets and ownership of private property, these will lead to an innovative, tolerant and richer world. Therefore, it is crucial for China and South Africa to engage in a tolerant mutual trade, as it will enhance both states to be richer than before. According to neoliberal institutionalist, they view the individual capacity of nation-state differently on the issue of cooperation and mutual interest. Hellmann and Wolf, 1993, confirm that before one nation-state is involved in cooperation it firstly calculate its national interest and how it can position itself in the international society. China and South Africa portray different national and economic interests toward each other; however, this will be fully complimented by the findings of the current study.

Andreatta and Koenig-Archibugi, 2010, posits two set of condition of neoliberalism institutionalism theory such as fear of cheating by incorporated states and mitigate that fear. Furthermore, in regards to the first condition, the fear of cheating will be a least problem from both states only if the cooperation is perfectly beneficial, this can

absolutely occur if states can solve their relative-gains problem and achieve absolute gain for both states comparative advantage (Andreatta and Koenig-Archibugi, 2010). However, James, 2003, believe that solving the issue of relative-gain it will allow the cooperation to have different actors deliver the goods at different times, which will there enhance the chances of cheating amongst state. This narrative is similar to the allegation of China using South Africa as a dumping site of its cheap goods; this is defined as an act of cheating (James, 2003)

On the study of neoliberal institutionalism, Hellmann and Wolf, 1993, posit that the international behavior regularities are best defined by the nature of the international system. They further augured that nations are main superior actors in the globe and that states are rational unitary players trying to promote their national interest (Hellmann *et al*, 1993). Moreover, anarchy is one of the underlying forces of the international system because there is no central authority that could force states to comply with international agreements (Hellmann *et al*, 1993). Even if states interest are common, international cooperation is not easy because anarchy allows nations to vary from international agreement (Hellmann *et al*, 1993).

### **2.2.2. Game Theory**

Evans and Newnham (1998) stated that the realist approach of the game theory in the bilateral relations is that countries are motivated merely by their own interests. Countries consider the needs and interests of other countries only when the other countries have the capability to enforce their demands by threatening or performing damaging actions. Correa, (2001) further argued that this shows that countries are not channeled by humanitarian considerations and that international law and even treaties and similar official agreements between states do not really restrict the international activities of those particular countries.

According to Swedberg, 2001, since the mid-1980s game theory has become increasingly among sociologists, political studies, international relations and a number of interesting studies produced. Applying game theory to a substantive body of



knowledge such as international political study raises a host of problematic observed questions.

The game theory in this study of China and South Africa will seek for strategic questions such as, who are the relevant actors? What are the rules of the game within the bilateral trades? What are the choices available to each actor? What are the payoffs in the game of the bilateral trades? Is the issue best characterized as single-play or repeated-play? In analyzing any particular issue, it is impossible to answer all of these questions with certainty (Snidal, 1985).

Snidal (1985) further stated that ironically it cannot always adequately incorporate other important available information that include relevant historical details about the context of interaction, insights into the personalities and behavior of decision makers, and understandings of the diplomatic or foreign relation policy process. These short-comings of game theoretic analysis have led some experts to conclude that its usefulness as a theoretical guide to the empirical study of international politics is seriously impaired (Snidal, 1985).

According to Munck, 2001 the game theory carries both empirical and theoretical purposes, this occurs when it is used to generate new findings and understandings rather than to reconstruct individual situations. This objective requires treating game theory as a theory of international politics in terms of the goal-seeking behavior of states in an interdependent international system (Munck, 2001).

Munck (2001) uttered that game theory in the circumstances of rationality gives interpretations of solutions in regards to intentional behavior of actors. Specification of different political-institutional environments such as the capitalist market in economic oligopoly theory versus anarchic international society in balance-of-power theory) determines rules of the game that result in different interpretations of models and ultimately in different models, as the rules are more openly introduced into the analysis.

In this study game theory can be analyzed in the sense that some of actors involved in the bilateral agreements are completely self-centered and tirelessly pursuing their own satisfaction. According to Correa (2001)

### **2.3. Brief historic overview about China and South Africa bilateral relations**

Since AD 1000, China had maintained exchange relations with African countries. China. However, the first Chinese to arrive in South Africa were prisoners, debtors and those who were exiled by the Dutch colony from Batavia in 1660. Those Chinese came to South Africa to work as slave farmers. Furthermore, the shortage of labour force at the gold mines on the Rand resulted in the importation of Chinese labour in 1904 (Melanie; Leong Man, Dainne, 1996).

#### **2.3.1. South Africa -Taiwan's relation during the Apartheid**

The formal bilateral agreement between South Africa and Taiwan were formed in 1949. Grimm at al. (2013), elucidate that the bilateral relation between South Africa and Taiwan that occurred during apartheid era was supported and strengthened by the fact that both countries were anti-communist. Grimm *at al.* (2013) argued that South African bilateral relations with Taiwan was formerly established with the political reason of maintaining the Republic of China not to increase its support to South African liberations movement such as African National Congress (ANC) and Pan Africanist Congress (PAC) (Woods, 1989).

Previous studies have reported that the combination of South Africa and Taiwan was based on a common approach to their problem of international recognition (Dullabh, 2017). However, a major problem with this kind of international recognition isolation is for the reason that South Africa heard apartheid policies and Taiwan was ouster from the China seat at the United Nations (UN) in 1971, therefore both states suffered diplomatic sanctions. Williams (2018) point out that this diplomatic isolation affected Taiwan as it had bilateral relations with only 29 states, while People's Republic of China is recognized by 159 states during the apartheid era.

Furthermore, the removal of Taiwan from the China's United Nation Security Council (UNSC) seat, gave Taiwan a rapid change of diplomatic isolation with many African countries as they terminated relation with Taipei and establish a new dawn of bilateral

relation with Beijing (Dullabh, 2017). Studies of Pickles and Woods (1989) shows the voting results of Taiwan's removal from United Nation that was pioneered by majority of African countries more especially those who were pro-Taiwan. Williams (2018) state that UN adopted "One China principle", this principle it simply mean that Taipei is now part of China whereas Beijing hold complete powers of legitimate authority over both Chinese states.

Despite the rapid change of Taiwan isolation to many African countries, in 1976, South Africa and Taiwan continue to upgrade their bilateral relations through consulates to full embassies and to tighten their political and economic ties (Alden 1997). One of the significant scope of the bilateral agreement between South Africa and Taiwan was the promotion of traditional friendship and military cooperation between two countries (Pickles *et al*, 1989). The traditional friendship was purposely well known for academic exchange programme for students and lecturers in 1987(Dullabh, 2017). Moreover, the military cooperation was alleged to have nuclear ties between both states and the exchange of military armaments and armed forces during the time of conflict.

Recently investigators have examined the effect that Taiwan-South Africa bilateral ties developed an economic interest that mutual benefited both countries (Pickles *et al*, 1989). One of the most important events is that Taiwan contributed an intensive state funding on agriculture, infrastructure drive, Education and, labor-intensive manufacturing of goods such as textiles and toys and later heavy industry, infrastructure and advanced electronics (Grimm, *et al.*, 2013). In view of all that have been mentioned so far, one may compare that the strategy that was used by Taiwan to conquer Africa is similar to the current one of China, as both states intend to achieve common goals.

Meanwhile the South African transition between periods 1990 to 1994, Taiwan continued its relation. Former China foreign minister Qian Qichen uttered that the switch in diplomatic relation from Taipei to Beijing would have to wait for the African National Congress when attain power. However, According to Haifang (2018) point out that the economic cooperation between South Africa and both mainland China and Taiwan increased faster and the dual recognition of both Taipei and Beijing was employed from 1995. Both mainland China and Taiwan supported the ANC election campaign and

development-related investment including cultural and educational programmes, hence the ANC did not automatically switch diplomatic ties from Taiwan to China immediately after attaining independence (Haifang, 2018).

### **2.3.2. South Africa and China in the Post-Apartheid**

Recent evidence by Haifang (2018) indicates that China is not South Africa's only strategic partner in the global society. It has conclusively been shown that South Africa is also one of the European Union's (EU) 10 Strategic Partners (EU delegate, 2016). However, in post-apartheid period formal diplomatic relation between South Africa and China were sole established in 1998 after when the former President of South Africa Nelson Mandela ditched Taiwan for People's Republic of China. The South Africa-China bilateral trade partnership was upgraded to highlight its best level of comprehensive partnership in 2010.

According to Naidu (2012), China formed FOCAC in 2000. In addition, this Forum assisted a number of South African researcher's uncertainties of China's intentions. The following year after agreement of diplomatic ties, thoughtful strategic considerations were given to strengthen cooperation with signing of Pretoria declaration (Williams, 2018).

Zemin, 2001 shows how, in the past instance Pretoria declaration gave birth to a joint South Africa – China Bi-National Commission (BNC). The BNC was established in December 2001, Jiang Zemin preparing the institutionalization of the relation by coving diplomacy, economics and trade, science and technology, military and defense, education and energy.

According Haifang (2018), in June 2014, the former President Jacob Zuma government acknowledged China as market economy and both nations continued to announce free trade agreement between China and the Southern African Customs Union (SACU). In 1910, SACU was established as a customs union among five Southern Africa nations, which include Botswana, Lesotho, Namibia, South Africa and Eswatini. Its headquarters are in the Namibian capital, Windhoek.

In 2008-2009, global financial crisis destabilised the bilateral trade relation between South Africa and China as it lowered down the economic growth of both nations (Naidu, 2012). Then again, Wu and Alden (2014) stated that in 2012 the trade relations between South Africa and China recovered to 32% from R205 billion to R270 billion in 2013. Furthermore, the former President of South Africa Jacob Zuma stated that “For South Africa to build its relations with emerging market economies, more especially China became a priority for South Africa’s foreign policy (Naidu, 2012). A considerable amount of literature has been published which point out that in post-apartheid era, South African stimulation of social and economic development and transformation was led the way by the People’s Republic of China (Songtian, 2018)

In 2011, the Chinese foreign direct investment to South Africa stood to \$803 million (Haifang, 2018). Several attempt have been made to the public knowledge that South African companies in China where earning significant profit such as SABMiller partnering with Chinese Resource Enterprises Limited enjoyed 23 per cent share of Chinese Beer in 2013( Economic Observation, 2014). Wu and Alden (2014) uttered that South African companies enjoyed the degree of investment to China, those investment include China’s largest Internet Company, Naspers and South African media. During Zuma’s visit to China for the firth FOCAC meeting, who highlighted the need for South Africa to engage on bilateral trade agreement with China as well as hopes to expand South Africa export volume to China and improve Chinese investment in South African infrastructure including the industrial, park and mining sector (Ballim, 2012).

#### **2.4. South Africa-China Trade patterns**

The past centuries the world has seen the rapid development of China stood at the highpoint of global technology (Hiner, 2016). China was so strong that its people called the empire the middle kingdom, the center around which all else revolved. China is on the rise again after centuries of decline. The Peoples Republic of China transformed the politics of Asia and it is currently on a global economic and diplomatic competitiveness (Bader, 2005). The have been a number of longitudinal studies involving Overholt (1993) that have reported that the China’s economic growth has not been confined to

raw economic growth, foreign trade had shot up to \$166 billion which shows that China moved from totalitarianism to been one of the world's major trading powers.

China's phenomenal economic growth during the past three decade has made major impact on global economy (Overholt, 1993). In the World Economic Forum of 2017, Jiang Jianguo point out that China's economic growth have effectively strengthen and promote the world economy, driven innovative development, the rule of law, to enhance healthy economic development and to fight against corruption more especially in developing world (Jianguo, 2017).

Nearly 20 South African based businesses in China and some 187 Chinese companies in South Africa. However, trends have consistently shown that most Chinese business interest have been family trading operations, apart from investment and television assembly plant (Sidiropoulos *et al*, 2004). The list of South African investors in China includes Anglo-American, Anglo gold, Anglo Platinum, Anglo Coal, BHP Billiton, Khumba Resources, Old Mutual and Nedbank (Olawale, 2019). Chinese business active in South Africa point to the positive business environment, the Sound Soft and hard infrastructure, the support of the government foreign direct investment (FDI) and the sound bilateral political relations as good for trade (Sidiropoulos *et al* , 2004).

South African trade patterns with China is general positive, but there have been a number of complaint about high operating costs, especially in large cities, corruption and the safeguarding of intellectual property rights (Renard, 2011). Chinese prices are always competitive, but they do not always supply the exact product ordered. Though standards are set in terms of the quality of work to be produced, there is a tendency to bypass such standards where doing so can resolve other problems like schedule constraint, equipment or resource constraints. Recently South African textile industry was suffering, as it could not compete with cheap imports from China (Sidiropoulos *et al* , 2004).

Furthermore, Renard (2011) have shown an increased rate of job loss between 23 000 and 85 000 in the textile industry, which is reported to be initiated by China. Despite the long successful relation between China and South Africa, clothing industries have a number of problems that they were experiencing globally. This led to South African

former president Thabo Mbeki and Premier Wen Jiabao of China signing an agreement to help protect South African textile industry from the influx of cheap Chinese imports (Xinhua, 2006). Wen Jiabao (2006) uttered that the overall trade and economic relations between South Africa and China will no longer be compromised by textile trade.

The bilateral trade of South Africa has climbed upward since 1998, wherein the produced data had variation by both countries remain a challenge for analyst. This was explained by the study conducted by an African Economic Research Consortium, which stipulate that a range factors that causes variations are technical and political factors, smuggling, currency fluctuations, different timing, and the role of intermediaries such as Hong Kong (Alden *et al*, 2014). Alden & Yu, (2014) stress out that South African gold and diamond trade are usually exported through third market, which means China will not respectively consider them as national exports.

## **2.5. Bilateral trade relations expectations**

Mills (1995) provide in-depth literature about China's establishment of the diplomatic ties with post-apartheid South Africa was very crucial symbiotically, with Beijing viewing it as a matter of correctness rather than a pragmatic calculation. Previous studies have reported that South Africa and china share a long historic moment together and South Africa holds a much larger share of Chinese trade than does the rest of the continent (Mills, 1995).

The current President of People's Republic of China Xi Jinping have previewed "a time and change of international environment in South Africa and China relation (Xinhua, 2018). In addition, "both ties have moved from partnership to a strategic partnership and to a comprehensive strategic partnership and these furthered a strong economic growth through trade cooperation, exchanges programs, economic and political trust and strategic coordination" Xi Jinping (2018).

The trade relations upgraded its strategic partnership in 2004. The partnership assisted South African FDI in China from \$491 million in 2004 to \$770 million by the end of 2005. This was vested by the contribution of large companies such as Anglo American, Sasol and SABMiller all making substantial investment in the country (Adebajo *et al*, 2015).

Studies of Chiu (2018) shows that in December 2015, South Africa and China signed a memorandum of understanding (MoU). The MoU expectations was to develop mutual learning from people to people, create opportunities and achieve trade exchange of goods, capital and technological skills (Chiu,2018).

According to Mandisi Mpahlwa, South Africa minister of trade and industry in 2009 expected that the bilateral trade agreement would encourage stakeholders to communicate better and work well with each other, to encourage Chinese entrepreneurs to invest in South African textile sector, infrastructure, and the low cost electricity and labour connectivity with other markets (Adebajo *et al*, 2015). However, some expectation had negative response by South African retail stores including Woolworth and Edcon Holding.

These previous mentioned South African retail stores have issued a collective declaration criticizing the trade measure as it harms the interest of customers by creating shortage of supply, worsening inflation and encouraging corruptions (Adebajo *et al*, 2015). Former deputy president of South Africa Phumzile Mlambo-Ngcuka charged retailers with treason for seeking to buy cheap clothing's from thirds world countries in an effort to avoid quotas on import from China (Adebajo and Virk, 2015).

Factors found to be influencing China and South Africa bilateral relations expectations have been explored in several studies such as Daniel (2018) who have shown that Chinese foreign investment have benefited South African sectors that include finance, ocean and green economy, agriculture and general infrastructure. The South Africa and China bilateral expectations were agreed and concluded in 2007, February. The former president of People's Republic of China Hu Jintao expressed an interest and willingness to work together in building infrastructure poverty alleviation, job creation, rural development, skills training, capacity building and Chinese language teaching (Adebajo and Virk, 2015). Yet South African government identified agriculture, infrastructure, mining and job creation as key priorities for greater cooperation (Adebajo *et al*, 2015).

According to Phumzile Mlambo-Ngcuka, "the bilateral relationship between China South Africa was shifting from its political cooperation to profound economic cooperation (Daniel, 2018). The expectation of South Africa to China derives from the theme of



South African pavilion: Ke Nako [it is time] for South Africa to rise its modern economic power (Adebajo *et al* 2015).

Ever since one of the most well-known event of 2008-2009 global financial crisis, it was an urgent call for South Africa to come with new solutions to diversify its economic partners and to enhance growth and employment (Chiu, 2018). South Africa created the Economic Development Department (EDD) to respond to the financial crisis and the rise of China, India and Brazil (Adebajo *et al*, 2015).

## **2.6. South Africa and Southern African Development Community (SADC)**

Amos, 2010, stated that South Africa is the leading and important nation in Southern Africa in terms of foreign relation and trade relations. This is because South Africa network all SADC nations in terms of social, political and economic welfare of the nations. Nganje (2014) support this literature by briefly examining South Africa's role on SADC as it primarily focus on three founding pillars such as achieving strong state capacity, national development consensus and too champion the regional integration interest. SADC is a regional governmental organization that has set its objective to pursuit Southern region collaborations, technical cooperation and economic integration (Amos, 2010).

Matseke (2018) shows that South Africa is regarded as a largest export market in SADC. Amos, 2010, uttered that South Africa possess the key trading interest toward SADC regional integration. Moreover, South Africa's global mutually respectful products have huge market in SADC as was in Southern African Customs Union (SACU). A study of Further augured that SACU channels a great portion of South African export; this was overlooked by the conducted survey of SADC trade figures.

The Framework of Southern Africa Cooperation it has a vision of promoting economic cooperation, mutual assistance and regional integration in development, environmental and political realities (Amos, 2010). Regardless of Southern African solidarity, South Africa lead the role and addresses such economic integration as well as collaborations closer. Akinkugbe (2009) further reviewed that the SADC integration gave birth to the establishment of free trade area in SADC regions. These will assist the development of

basic infrastructure, human resource and promote urgent peace in time of war, democracy and good governance. Osmond, 2019, augured that free trade increase quality of life, job opportunities, wage benefit and economic market.

South Africa main purpose is to gain more economic power through both regional partners SACU and SADC (Amos, 2010). South Africa has become involved in many SADC activities such as Transportation and Communications, Agriculture, Trade, Energy and Mining. Furthermore, South Africa through SADC has developed its mining industry and seek to enhance economic investments. The SADC regional integration established South African interest towards Democratic Republic of Congo mining sector and less important extent its water.

## **2.7. South African trade policy and Strategy**

Recent evidence point out that the trade policy and strategy of South Africa has put forward a key influential role on the composition and aggregate growth of trade (Lawrence *et al*, 2006). According to the Mlumbi-Peter (2017), the South African Cabinet approved the Trade Policy and Strategy Framework in 2012 under former President Jacob Zuma's administration. The contextualizing of South African policy alongside national development strategy aims to achieve rapid growth of sustainable decent jobs in order to fix the broken of apartheid legacy (Vickers, 2014).

According to Mlumbi-Peter (2017) trade policy can be defined as a call for development tariff setting and instrument of industry policy that support industrial development, employment growth and lastly increase value added exports. Vickers (2014) further states that South Africa ranks amongst the most open jurisdictions for FDI in the world and guarantee best protection of investors.

Due to gradual rise of traded global economy, Seventer *et al*, 2004, posits that trade liberalisation will enhance national economic welfare and South African exports in the global economy. Historically, South African trade liberalisation was initiated two decades ago with an attempt to counter the anti-export bias of import protection (Seventer *et al*, 2004). Disenyana, 2009, states that the issue of trade liberalisation on the economy it effectively remains an argumentative matter. Moreover, Vickers, 2014

points out that South African export commodity continues to dominate the global markets in exception of African markets.

The South African trade strategy priorities according to Mlumbi-Peter (2017) focuses on integration, industrialization and the call for African development. There is a need for Africa to move its current consumption and commodity driven growth path to be more sustainable industrial development (Mlumbi-Peter, 2017). Another strategic priority is to work on building industrial complementarities and shift structure of trade with dynamics economies of the South such as BRICS. Last of all, the investment relations and trade with industrialized economies will be maintained (Mlumbi-Peter, 2017).

The Department of Trade and Industry (2010) in cooperation with the National Industrial Policy Framework (NIPF) prepared a trade and industry policy document with the aim of enhancing chances of job creation, economic emancipation and growth, eradicating poverty and reduce inequalities that are manifested by the society and economy of South Africa at large. In addition, NIPF seeks to encourage the South African economy to limit its dependence upon traditional commodities and non-tradable service and labour absorbing industrial production (Department of Trade and Industry, 2010)

The South African trade policy seeks to increase production by upgrading industries in order to increase export products and to achieve competitive advantage. South Africa and other developing nations have bounded into the responsibilities of developing proactive trade and to establish policies that safeguard the concerns and interest of developing economies without impeding access to international market (Department of Trade and Industry, 2010). South Africa must also shape its integration and trade networks in the global economy to pursue its national economic objectives.

Tsedu *et al* (2016) outline that the South African trade policy has initiated some mechanism in place to enhance its global competitiveness and relevancy in international trade, to drive the economy through the system of modernizing local companies, technical support institutions and strengthen companies legislative act, transforming industry through the economic policy of B-BBEE and to support small business and cooperatives.

## 2.8. South African complete Trade agreements

Naidu *et al*, 2008 point out the overall statistical trade exports and imports between South Africa and the world in 2007. South Africa exports include platinum, gold and other minerals in addition to coal; cars and machinery were valued at approximately US\$52 billion in 2007. Whereas their import includes petrochemical, cars, mechanical components and telecommunications equipment was approximately US\$66 billion (Naidu *et al*, 2008). Western Countries with the exception of which China accounted for 6 percent of exports and 11 percent of imports (Naidu *et al*, 2008) dominate the primary trade partners of South Africa.

Recent report by the official guide of South Africa 2018/19 indicates several trade agreements between South Africa and several international institutions. Hence, the trade agreements are enacted by the act of law as agreed in the *Government Gazette* such agreements are contained in Schedule no 10 of the Act. South Africa has signed a Memorandum of Understanding (MoU) with the government of People's Republic of China in promoting bilateral and economic cooperation (Official guide to South Africa 2018/19).

Other treaties include; South Africa and United States of America agreement regarding mutual assistance between their customs administration, free trade agreement between SACU states and EFTA states, SADC treaty and protocols, common market of the south (Mercosur) and SACU (Official guide to South Africa 2018/19). Last but not least, the SADC Agreement of economic partnership of the one part and the European Union members which was implemented in 10 October 2016 (Official guide to South Africa 2018/19).

## 2.9. BBEE policy on Chinese

According to Bowman report (2016) that defined Broad-Based Black Economic Empowerment as central part of South African government's economic transformation strategy and this formation is controlled or administrated by the department of trade and industry together with the Presidency. B-BBEE was shaped to correct the historical injustices and inequities of blacks, Indians and coloured people. The term "Black

people” according to Employment Equity legislation Act is defined as a genetic term which applies to Indian, Africans and Coloured. So, in post-1994, the Chinese ethnic group was sidelined from all government privileges and benefits which were granted specifically to black people. These raised a lot of complaints and appeals by the Chinese Association of South Africa as they believed that the Employment Equality Act is being discriminatory against them.

On the other hand, majority of South African politicians especially those from the African National Congress retaliated against the appeals. The article by Anon and Adkins (2000) confer that the African National Congress labelled Chinese group as small with no voice during apartheid and they were not previously disadvantaged. But then again the ANC acknowledge the fact that Chinese people also suffered from apartheid wound but it was not of high degree compared to Africans, Indians and Coloured (Matavire 2000). The former Deputy Director General of the Department of Trade and Industry Lionel October gave his view regarding the Chinese petition, he uttered that “Chinese were never discriminated against consistently” (Sakato, 2005).

After a long-end battle launched by Chinese Association of South Africa with the aim of clarifying their status on affirmative action and empowerment legislation. South African Chinese Community came out victories and were finally regarded as ‘Black people’ in terms of Employment Equity and Broad-Based Black Economic Empowerment (B-BBEE) as it was ruled by South African High Court in 2008 at Pretoria. (Harris, 2017). Erasmus (2008) Chinese Community have being staying in South Africa since the late 19<sup>th</sup> century, it was time were Chinese migrated to Johannesburg for work purpose in gold mines.

The concluded decision of considering Chinese society as black people and granting them privileges of B-BBEE will increase the population of Chinese in South Africa. Many Chinese will migrate to South Africa with the aim of obtaining citizenship and some might go extra mile to fraudulently claim that their families existed in South Africa during the apartheid regime. The government of South Africa might not correct all the

wounds and injustices of apartheid to black people since the competition of resource will be high and not easy to accessible.

This court ruling of referring Chinese people as “Black” also opened doors for Chinese in lots of sectors that are meant for African people’s benefit such as Land reform and redistribution of land to black people. Hence, Chinese people also have rights to claim land as they are regarded as black. Nevertheless, China and South Africa have a good Memorandum of Understanding in terms of economic and bilateral cooperation, so this court ruling will escalate the relations between the two nations since Chinese have secured a home in South African land.

## **2.10. FOCAC and South-South cooperation**

Shelton *et al*, 2008, explain Forum for China-Africa Cooperation (FOCAC) as a joint multilateral platform for Chinese and African leaders to have collective dialogues, consultation and pragmatic. Several studies of Naidu, (2015), outline that FOCAC intend to establish collaborative relation between African nations and China that will develop economic cooperation, instill political trust, social exchange programmes and cultural cohesion. FOCAC was established in 2000 to jointly strengthen friendly cooperation of both Africa and China in order to deal with challenges of economic globalization and to promote common development (Shelton *et al*, 2008). Most importantly, the forum focuses much on creating political platforms from country to country, equality or mutual benefit among nations, economic cooperation and trade (Xinhua, 2018).

According to Anshan (2011) the partnership between China and South-South cooperation has managed to practical workout the principle of equality and mutual assistance. Shelton *et al*, 2008, explain that South-South cooperation prevent the massive exploitation of global South nations by industrialised nations and weaken the North-North trading patterns not to dominate. Historical, South-South relationship advanced African state to escape neocolonial rule and it offer solidarity amongst global south nations through opposing the spread of globalization that is driven by the interest of Western world (Shelton *et al*, 2008).

Aiping *et al*, 2018 study reminds us of achievement that were done through FOCAC such as the construction of African Union Conference Center and Office Complex in Addis Ababa, by China, as well as the China-Africa partnership in compairing climate change and green development plan to support Africa.

The China-Africa relations has set a common goal for interaction by ensuing that the management and expansion of globalization portray mutual benefit. The countries of the Global South must set long-term objectives of creating equitable international order through unity and solidarity (Shelton *et al*, 2008). Furthermore, China through FOCAC in both bilaterally and multilaterally allows global south nations to restructure their economic institutions (Shelton *et al*, 2008).

### **2.11. China relations with Southern African Development Community (SADC)**

The literature that was conducted by Haglund, 2008 reveal that in 1965 Zambia was the first Southern African country to establish diplomatic relations with China. The serious discussions and analysis of China and Zambia's long historic relations emerged during 1970-76 when both countries agreed to construct a TAZARA railway line that connect Zambia and Tanzanian coast (Hilal, 2012). In the mid-2000, more than 146 Chinese projects were officially making headway in Zambia. Thus, the investment of China to Zambia could be labeled as smaller private entrepreneurs through trading sectors and Chinese multi nationals with medium-to-large operations (Haglund, 2008).

Chinese first priority interest in Zambia is mining (NFC Africa's copper mines, Collum Coal mines, and manganese processing by Chimam Manufacturing in Kabwe) and construction (Dynamic, 2016). NFC Africa is the largest investor, having acquired the Chambishi mines at privatisation in 1997. ts parent company China Nonferrous Metal Mining Group (CNMC) is a state-owned enterprise (SOE) under direct supervision of State-owned Assets Supervision and Administration Commission (SASAC), boasting the leading foreign operations among Chinese non-ferrous mining companies (Haglund, 2008).

Chinese government have occupied vast of mining industries in Zambia and this results in the negative effect to the Zambian population and economy. According to Gadzala,

2010, Zambian local mine workers and construction workers are hired to work at Chinese projects under the control of Chinese people. Dynamic, 2016, review the challenges faced by Zambian people named '*race to the bottom*' in labour standards, which is alleged to be created by Chinese companies.

The team '*race to the bottom*' have been applied to a situation where the government reduces enforcement capacity of public regulatory institutions as well as monitoring (Dynamic, 2016). In addition, majority of Chinese skilled laborers are imported to work in the Chinese-owned Chambishi mine and this negatively results on Zambian who works in formal sectors to be driven out of their posts and be taken to work at informal economy (Gadzala, 2010).

The Zambian informal economy accounts for approximately 88% of the country's workforce and over 90% of manufacturing and construction employment in the urban areas (Gadzala, 2010). The amount of jobs competition in this informal sector of the economy is approximately high. According to Dynamic (2016) stated that in 2006 Zambian mine workers were protesting for enforcement of labour agreement that protect mine workers' rights.

Furthermore, the number of Chinese entrepreneurs of small-scale businesses has increased in the informal economy, which leaves Zambians with no employment or opportunities (Gadzala, 2010). Gadzala, 2010, lastly stated that if unemployment rate is of a single state is over 50% and 86%, therefore the population's lives below the poverty line, the developmental implications of such a reality are quite terrible. According to the study conducted by Human Right Watch (2011) allude that China need to strengthen its mining reform policy with the purpose of mitigating accidents.

China claims to have a "win-win" bilateral trade relations with the Democratic Republic of Congo. Meanwhile the two countries possess different economic capabilities and socio-political power. Kabemba, 2016 examine that China pledged to employ a win-win economic approach with the DRC and it also stressed that it won't interfere in the internal affairs of the DRC, for instance politics, decision making and running of the country. The DRC also had its interest towards China which was to rebuild the country's



infrastructure destroyed by years of colonialism, dictatorship, corruption, and war (Kabemba, 2016).

Larrarte, 2019, stated that the Chinese infrastructure agreement towards the DRC open doors for China to have mining rights of cobalt and copper. These minerals boosted Chinese technological industry such as electric vehicle batteries and electronics, including smartphones and laptops. This was done in exchange to build much-needed infrastructure projects such as urban roads, highways and hospitals (Larrarte, 2019).

Several attempts of literature have been made by Kabemba (2016) who critiques China's approach to the DRC was different to the West-DRC relations, as it privileges economic over politics and pump more economic investment in infrastructure drive and education. However, the DRC is dysfunctional and fragile, lacking capacity to broaden its future both politically and economically. China-DRC trade relations are taking place within the confines of a fragile Congolese state lacking in capacity to utilize from opportunities that China brings (Kabemba, 2016).

All this virtuous trade arrangement between China and the DRC, in turn China has shown little passion to assist the DRC to fully participate in the relationship. Kabemba, 2016, stressed out that Chinese main focus was to maintain its close relation with political elites and ignore to enhance the wellbeing of the Congolese people and investment. The trade relations between the two nations was imbalance, China is sucking more mineral resources from the DRC than it gives back. China-DRC relations might be beneficial to both countries but do not represent a win-win relation (Kabemba, 2016).

According to Larrarte (2019) the most Chinese priorities on the trade deal with the DRC shows that Chinese companies have focused much on extracting valuable natural resources, yet the interest of local communities are neglected. The other problem is that Chinese infrastructure lacks quality and after it requires to be maintained by the government (Larrarte, 2019)

After decades of Angolan civil war between the People's Movement for the Liberation of Angola (MPLA) and the National Union for the Total Independence of Angola (UNITA),

Angola was faced with the challenge of reconstruction. During the Angolan civil war that took place, right after independence from 1970 to 1980, China was supporting both parties with military weapons, training, and other resources (Hylton, 2019).

In early 1980s, China terminated its relationship with Angola for roughly seven (7) years with a reason of been embarrassed for supporting government enemies UNITA. However, in late 1980, Angolan government reestablished a trade relationship with China through the purchasing of military armaments. Therefore, when Angolan government faces an economic crisis, China came into rescue with funding and aid (Hylton, 2019).

According to Corkin (2008) in 2004, Angolan government received the estimated amount of \$2 billion loan from China Export Import Bank (Exim), the loan was for public infrastructure development purpose. Again, in 2006 and 2007, China Exim Bank added another \$500 million loan. Furthermore kept on receiving Exim bank loan until 2010 were it was estimated to \$10.5 billion (Corkin, 2008). Another Chinese bank came to board to pump more loan to Angola, according to Corkin, (2008) stated that \$1 billion granted by China Development Bank (CDB) to assist the development of Angola's agricultural sector.

It was on the clear depiction that China's investment and interests towards Angola was its oil industry. Corkin, 2002 reported that Exim bank was giving loans to Angola in exchange of 50% blocks of oil. These issues of Exim Bank channels the developments of oil backing could be dangerous to the Angolan economy and this conclude that Chinese support intent to be exploitative. Angola has quickly become China's largest African trading partner since these developments (Corkin, 2011)

The China-Angola bilateral trade relations has grown in the sense that there were frequent bilateral state visits and both nations agreed to establish a direct airline from Lunda to Beijing. Corkin, 2011 uttered that Angola stood firm to be in control of its main source of revenue without China's interference. During the intercourse of China and Angola bilateral trade, Angola faces many countless challenges such as the issue of responding strategically to the price competition promoted by Chinese Imports and the

matter of dealing with China's cheap product, which might lead to unemployment, deindustrialisation and discourages economic diversification (Sandrey, 2009).

## **2.12. BRICS – Brazil, Russia, India, China, South Africa**

BRICS (Brazil, Russia, India, China, and South Africa) is an association of five (5) emerging World Economies, however its inception had four (4) official members then South Africa joined later in 2010 (Jiwesh, 2014). Since its establishment, BRICS seem to focus much on developing South-South countries. The BRICS nations have arisen as powerful countries in the 21st century. They have strong economy, strong military and strong political leadership. Brics was formed based on the reasons of been an alternative to World Bank and International Monetary Fund (IMF) in order to challenge the supremacy of unipolar power (Jiwesh, 2014).

According to Gumede, (2014) who discussed the offers that BRICS promised to the African development. Gumede, (2014) explains that since the end of colonial rule the chances African countries of growing have been summarized because the global political, trade and economic rules are against African Development and in favour of developed nations. According to Jiwesh, (2014) BRICS targets to provide self-owned and self-managed organisation to carry out Developmental and Economical Plans in member nations without being dependent on any foreign agency. Mark, (2015) consider BRICS nations as powerful emerging states there little in common and represent diverse abilities.

According to McDonald (2017) the BRICS multilateral trade agreement indicate the vitality of economic independency and globalization and changing of the new world economic order. This was referenced from the WTO (World Trade Organization) to NAFTA (North American Free Trade Agreement) to BRICS, This indicates a rapid change of trade agreement and global super powers (McDonald, 2017). BRICS has a unique free trade agreement, as its primary aim is to assist global South nations with extensive financial assistance, infrastructure drive and support on border defense projects (McDonald, 2017).

McDonald, 2017, further stated that BRICS nations are establishing their sovereignty outside the western-dominated market. BRICS nations own 30 percent of global output. BRICS nations have convened several summits since June 2009 right after South Africa joined. The organised summits are meant to discuss plans about the collaboration and for improving the collective prosperity of the group (McDonald, 2017). The hosting of these summits rotate in all five BRICS nations (McDonald, 2017). McDonald (2017) provided the outcomes of 2015 summit, which are as follows:

*Wherein China saw a necessity to commit to an agreement of adding \$41 Billion to a BRICS reserve pool, which will be utilized during the course of emergency and the currency pool of BRICS in dollars is expected to gain in value. South Africa will provide \$5 Billion while remaining BRICS nations such as Brazil, Russia and India will chip in \$18 Billion.*

*There are number of other important aspect that were touched by Xi Jinping the president of People's Republic of China and Narendra Modi Indian prime minister which include the construction of One Belt One Road initiative that will connect these two nations and the rest of Asia, Europe and Africa. Both, India and China agreed to strengthen their border security as well as the approval of Chinese investment by Narendra Modi.*

*The New Development Bank main objective is to supply funds to development projects and infrastructure drive more especially in third world countries and the bank was officially launched with a startup capital of \$50 billion. In addition, BRICS nations also aims to invest on Belt and Road initiatives and enhance infrastructure and BRICS nations believe that this can be achieved if they is economic cooperation amongst them.*

According to Naidoo, 2012, BRICS entry into the G20 was confirmed in which all members used their geopolitical influence to match the global economic crisis. However, a third meeting was planned for the following year 2011, whereby the host nation was to be China. Sachs points out that People Republic of China's economy is larger and more stable than all the rest combined. Furthermore, BRICS emerging

economies will become stronger and bigger than the G6 group of developed economies by the year 2025 (Naidoo, 2012).

Sachs carry on with projections that the current G6 will not be the same by the year 2050, only two of the existing 6 will be standing, those two would be the US and Japan and the rest will be designated as emerging economies. By 2010, these emerging economies registered growth patterns that shocked the whole world, and the recorded patterns indicated are as follows (Naidoo, 2012).

### **2.13. Conclusions**

South Africa values its bilateral relations with People's Republic of China. Prior and post-apartheid era in South Africa, China continued to support black South Africans and it organised a strongest bilateral trade. High-level visits have been exchanged between both nations since 1998 and these visits have improves bilateral relations for both states. South Africa visited Beijing to support China's one policy through investment and both nations have channeled projects that worth the amount of \$160 million. South Africa in China have roughly 20 South African based businesses such as mining companies. South Africa stand to benefit immensely from this bilateral tie thus is encountered by many problems that should be addressed. Both governments took steps to resolve the disputes and it is hoped that such spirit of goodwill and cooperation will continue.

## **CHAPTER 3: CHINA AND SOUTH AFRICA FEATURES**

### **3.1. Introduction**

This chapter focuses on examining the features of South Africa and China, these include the size of population in both countries, the Chinese population in South Africa, ideological perspectives/ system, multilateral relations that are shared by South Africa and China, trade, nongovernment organizations, international organizations, regional integration, mechanisms of trade and industry and to conclude with bilateral relations objectives and principles of South Africa.

### **3.2. Population of South Africa and China**

Nuroglu (2010) conducted a study that intends to view the impact of the population on bilateral trade flows. However, population is the most critical aspect in the trade agreement, as it is able to measure the capacity and strength of the country. South Africa and China possess different size of the population and demographic landscape. Historically, South Africa's population has extensively increased since the dawn of democracy. According to Nuroglu (2010) signifies the prominence of income and population on the country and checking the distances between the bilateral ties nations and lastly volatility of exchange rates affect bilateral trade (Nuroglu ,2010).

Furthermore, Nuroglu, (2010) explained that bilateral trade between two nations depend on economic size, population and distance. The World Population Review, (2019) reported that since 1994, South African population has raised and this makes it to be ranked 24<sup>th</sup> in the world with the population number of 58,795,683 in 2019. Yet People's Republic China is regarded as the largest population country in the world with the size of 1. 43 billion (World Population Review, 2019). The official guide to South Africa 2018/19 outline that 81% of South Africa's population is dominated by Black people with a majority number of 47.4 million followed by coloured people with an estimated of 5.2 million, white people 4.7 million and lastly Asian/Indian with 1.5 million.

World Population Review, (2019) gave a brief historic population of China and South Africa, wherein China's sets to grow under the tragic circumstances of war, famine and

natural disasters. China is amongst six of twelve most deadly wars across the universe. The estimated killings during those wars is rated at approximately 123 million people and in addition ancient three Kingdoms estimated that 40 million people died in war, famine and diseases (World Population Review, 2019).

In the context of historic population of South Africa, World Population Review, 2019 stated that for more 100 000 humans stayed and lived in South African land but the population records don't reflect quite far back. The Khoisan people existed in South Africa until the British came to invade them and take over their land, then the Dutch take over the territory from 1700s. Therefore, after all sorts of segregation, racial and unjust laws in South Africa, in 2001 census declare that resident citizen population of 44,819,778 (World Population Review, 2019).

Judging by the population stats across the South African religions, Christianity religion ranks 81.2%, Islamic and other faith are 3.7% and the rest is traditional cultural belief on 15 % (World Population Review, 2019). And South Africa consists of 11 languages namely Zulu, Xhosa, Afrikaans, English, Sepedi, Setswana, Sesotho, Xitsonga, Swati, Tshivenda, and Ndebele (World Population Review, 2019).

### **3.3. Chinese population in South Africa**

The Chinese community has permanently stayed in South Africa for more decades. It is important for Chinese in South Africa to have a sense of belongings and have equal rights and opportunities to prosper in the new democratic South Africa of Nelson Mandela. Immediately after the agreement of bilateral relations between South Africa and People's Republic of China in 1998, therefore in post 2000 there was a massive wave of Chinese migration to South Africa until to this date.

Grimm's (2011) research indicate that majority of Chinese migrants entered South Africa illegally from other African neighboring countries, have applied for asylum seeker status, and work permit. Most of them lack education, skill, they cannot speak fluently or at all, and they lack extensive business connections, so they end up operating in small towns all across South Africa (Yang and Altman, 2011).

It was upon South Africa government to ensure that it maintains its good bilateral relations with China by accommodating South African of Chinese descent and Chinese living in South Africa. According to Chris (2008) stated that Chinese living in South Africa are at risk of crime because they are amongst the targeted groups by local criminals. Furthermore, South Africa is one of the largest Chinese community with the estimated amount of 300 000 Chinese (Chris, 2008).

The original Chinese community descended from independent immigrant mainly males who arrived from 1970's. These Chinese travelled a long way from Southern Chinese province of Guangdong and it was various ethnic groups namely the Cantonese, Fujianese and the Hakka (Wilhelm, 2006). Moreover, a vast number of Chinese coming to South Africa it was during mineral revolution at the mining towns of Kimberley and Johannesburg. Both tribes split in different ways, the Hakka settled at the coastal of Kimberley and the Cantonese dominated Johannesburg (Wilhelm, 2006).

With regards to the history of Fujianese ethnic group, Grimm (2011) confirmed that Fujian is found in South East of China, where is the dawn of migration to Southern Asia and European colonies in the Atlantic Ocean. In detail, the Fujianese emigrated to America, Britain, South Asia and Japan. Most countries rejected the Fujianese for migrating to their counties by implementing restrictive border laws and security, so the Fujianese saw an alternative opportunity to move to South Africa, Argentina and Russia (Grimm, 2011). However, migrating to South Africa was cheaper than going to America as an individual pays 400 000 RMB (US\$ 60 000) to go to America and then going to South Africa you pay the amount of 40 000 RMB (US\$ 6000) (Yang and Noah Altman, 2011)

Fenglan (2011) mentioned that the largest Chinese population tribe in South Africa is Fujianese. Further indicated that Fujianese lack money to sustain their lives in developed countries that's some of the reasons they choose South Africa as a home to settle. However, these newest Chinese migrants settled in South African villages and small towns and they hardly speak English fluently (Fenglan, 2011). Furthermore, majority of these Fujianese come across many challenges in rural areas, they are lonely



and they totally do not establish friendship with locals unlike Somalians and Pakistan's who live a pleasant life with village people.

According to Wilhelm (2006) showed the figures obtained in 1946 were 4000 Chinese in South Africa and in 1980 the number increased to 10000. The Chinese community encountered several predicaments and restrictions in occupation, residence and movement, which escalated in full ban in 1948 (Wilhelm, 2006). A reaction to be increasing discrimination under the apartheid was a brain drain. Right after South Africa established bilateral relations with Taiwan then the Chinese community started to change in late 1970's. Nowadays, the Taiwanese population is scattered at Newcastle, Bloemfontein and Durban. Today Chinese people are scattered in all corners of South Africa and have legal rights like all other humankind in South Africa.



**Figure 3.1:** Chinese South African outside Johannesburg high court (Eramus, 2019)

Even though the Chinese South African population is extensively growing they still face some problems with regards to discrimination and hate speech. The above picture

confirms that South Africa is an open accommodative society for everyone and regardless of race differences everyone has a right to lay charges against any sort of discrimination and hate speech. In 2019, the Chinese Association Gauteng's (TCA), non-governmental organization and non-profit organization joined forces to open a legal case against 12 individuals who were accused of hate speech, unfair discrimination and harassment (Eramus, 2019). The leader of Chinese Association Mr Erwin Pon shared his horrific past about how he was discriminated and teasing by other kids since his colour is different to theirs.

### **3.4. Ideological perspective (politics)**

Even though South Africa and China share superlative bilateral relations, and other regional integration and multilateral relations such as BRICS, the two nations still vary in terms of political ideology in governance. Eagleton, 2007 uttered various definition of ideology, is the process of signs and value of social life, social group or class that is characterized by ideas, political ideas that assist the dominant political power to be legitimize, manifesto thought motivated by social interest, action pioneered by sets of belief, social actors and power and lastly relations among social structure (Eagleton, 2007).

Since 1978, the People's Republic of China (PRC) has been called a post-Communist and post-ideological society (Eagleton, 2007). According to Kerry (2012) PRC is governed by the Communist Party with the parliament seat of Beijing government. The PRC used to control Taiwan, which is controlled by the independent political entity called Republic of China. Through the Marxism-Leninist and other dominant forms, Chinese Communist Party (CCP) have been exercising power since 1949 (Kerry, 2012).

The Chinese Communist Party through Marxism-Leninism thought it reveals the universal laws governing the development of human society history. Furthermore, Marxism-Leninism is meant to counter the contradictions brought by capitalist society and more importantly to unleash the potential of socialist and communist societies (Kerry, 2012). The ideological system of China is promote the Chinese Strategic vision of trade and robustly lift the economic prestige.

South Africa has transformed from apartheid unjust laws to parliamentary representative democratic republic, wherein the state is governed by a cooperation of multi-party system and the President is elected by the national assembly. The government of South Africa possesses three sphere of governance which is Legislative power, Executive power and Judiciary. However, the difference of both nations' ideologies does not disturb the bilateral relations.

### **3.5. South African Multilateral relations**

According to South African department of foreign affairs discussion paper (2019) the role of multilateral organisations in reconciling and harmonising the frequently conflicting interests of countries, will necessarily increase. In Multilateralism, the Department of International Relations and Cooperation (DIRCO), 2018, explained global challenges that need to be redressed such as political and economic crisis, human security and rights, environmental sustainability, poverty alleviation, development disarmament and the non-proliferation of nuclear weapons. The duties of multilateral relations is to find equitable multilateral solutions to international problems (DIRCO, 2018).

### **3.6. Regional Integration**

Based on the setup of South Africa and regional integration position in Africa. The department of trade and industry (DTI) integration is in line with the African Union objectives and strategies that set out by New Partnership of Africa's Development (NEPAD). The Department of Trade and Industry focusses on particular aspect of development work and integration at the Southern African Customs Union (SACU) and the Southern African Development Community (SADC).

SADC and SACU share the common vision of trade integration with more determination to build a diversified production capacity in the region. Through the mandate of SACU, the DTI approach aims to transform the custom union, which is held by common external tariffs and through coordinated economic development strategies. Furthermore, the DTI continually extend SACU to anchor for deeper integration in SADC and it engage the global society as a unified trading bloc. Whereas SADC focus

on pursuing the vision of free trade area in Southern Africa and works on African integration through the tripartite mediations of SADC, EAC and COMESA.

The matter of strong bilateral country agenda reinforces the work in Africa. The DTI have conscripted strategic and technological missions that helps to point out areas of cooperation with partner countries. The cooperation include trade and industry, investments, to promote infrastructure development and grant technical assistance particularly for institutional and policy building. This collaboration will continue to enhance South African business that will ensure a broad based work in African development activities.

### **3.7. International organization**

Since 2009, South Africa and Peoples Republic of China share similar international platform such UNSC, FOCAC, BRICS and G-20. Former Minister of foreign affairs once point out that South Africa and China bilateral ties are regarded as strategic partners and cooperate in the whole range of areas such as promoting trade and investments, people to people cultural exchange and Science and technology. She further uttered that South Africa cooperation with China in various multilateral arena and China has been available and hands on in terms of African peace and security engagement (Yu-Shan *et al*, 2014).

Yu-Shan *et al* (2014) stated that the strengthening of the bilateral cooperation between South Africa and China on the global affairs has been a hallmark. The reason both counties have a positive expression and concrete agreement is due to four multilateral forums in particular, namely the UNSC, FOCAC, BRICS and the G-20 (Yu-Shan *et al*, 2014). South Africa worked with China as a helping hand to African peace and security. In the case study of Zimbabwean sanction crisis, According to Yu-Shan *et al* (2014) South Africa worked supportively with China to block Western countries inspired sanctions. All these happened when South Africa was a non-permanent member UN Security Council.

In regards to FOCAC, South African mission or objective was to ensure that its perspective is incorporated in the ministerial meetings. South African diplomats are regarded by Chinese officials as best amongst other African ambassadors. However,

this trust of activism has translated cooperation and Chinese investment in the resource sector, improved trade patterns and profound obedience by Chinese companies to labour standards (Alden *et al*, 2014). Other authors believed that BRIC nations added South Africa in order to strengthen the hand of developing nations in forum such as G-20.

BRICS strengthen the cooperation of China South Africa on the global issues. It is well popular that BRICS nation share equivalent features such as democratization of international institutions and approach to climate change (Alden *et al*, 2014). As a final point, South Africa is privileged to be the sole African member of G-20 in the continent. Therefore, it has a duty to work with China and other leading economies in shaping response to global financial crisis. Alden *et al*, 2014 noted that in 2008 global financial crisis, the former President of China Hu Jintao attested to the world that African development was threatened by the economic slowdown.

### **3.8. Nongovernmental Organisations**

Zhang, 2005, point out that Non-governmental organisations (NGOs), play increasing valuable and significant roles in trade policy, and participate in both international and domestic policymaking. United Nation have publicly passed or endorsed the importance of nations to partnership with NGO sector. The NGO's of South Africa and China share similar roles that is to engage in poverty reduction work and development at local, national and global level. According to Zhang (2005) stated in NGO's play a huge role in ensuring international trade balances of exports and import amongst countries.

China and South Africa NGO's reflect different historic event, political, economic and cultural experience. In the People's Republic of China, NGO's are controlled by and dependent upon government for funding, most of them are government organized NGOs (Zhang, 2005). In South Africa, not only are NGOs regarded as more efficient, innovative and dynamic than state bureaucracies, they are also seen as important for the institutionalization of mechanisms of democratic accountability, similar to those which emerged in the liberal democracies of the West about one century ago (Zhang, 2005).

### 3.9. South Africa bilateral relations objectives and principles

The official guide to South Africa 2018/19 report allude that the main principles of South Africa's bilateral relations is to maintain and contain peacekeeping, conflict resolutions, prevention, and mediation. Furthermore, the Republic of South Africa claim pride on its effort in the direction of the strengthening bilateral cooperation with countries in Africa, Asia, Middle East, America, Caribbean and Europe. Most significantly, their objective is to expand trading of goods and services, Foreign Direct Investment (FDI) with the transfer of technology, industries, skills base, tourism and mineral beneficiation (official guide to South Africa 2018/19).

The South African Department of Foreign Affairs set up the objectives, principles and priorities for implementing Government policy in global context and in respect of each country or region that both share bilateral relations. However, in the situation whereby South Africa's relation is regarded as third party it require a sensibly considerable approach and key measured actions. In regards to multilateral sphere wherein global matters and bilateral relations are involved, therefore specific objectives and proper strategic initiatives are required (discussion paper of department of foreign affairs, 2019).

Primarily, South African prioritized objectives are that when concluding bilateral relation it should firstly consider its national interest. In addition, South Africa does not pay much attention on other country's domestic policies when trading or concluding diplomatic relations. In the context of South African foreign policy under bilateral relations aspect, it is noted that South Africa definitely adhere to the United Nation resolutions for which it has stayed focus and never breached those agreed resolutions (discussion paper of department of foreign affairs, 2019).

According to the discussion, paper of department of foreign affairs (2019) South Africa is available to maintain its bilateral relation and trade with any state that is not subject to United Nations embargos. Such diplomatic relation should be incapable to pose real threat to the interest of other states. The discussion document on bilateral relations further state that bilateral relations principles and board policy approach need to be

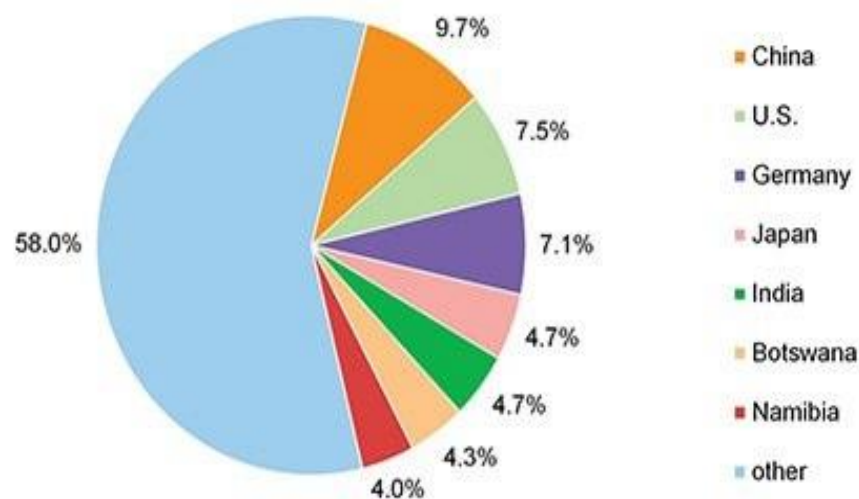
addressed by the government in a decisive manner and be implemented in the South Africa's international relations practical arena.

### 3.10. Trade

In the recent status of South African trade, the President of South Africa Cyril Ramaphosa on his first State of Nation Address (SONA) stated that the expansion of trade and attracting profound foreign investment for development purpose and jobs opportunities is the major prioritize global issue (Stremlau, 2019). Judging by the trade war between the United State of America (USA) and China, the foreign policy and aspects of trade have become more noticeable.

In the process of unipolar system, South Africa has continually suffered collateral damage. For the reason that the United State has separately raised duties on steel and aluminum imports. Again, there is a potential security threat of disputes over the introduction and domination fourth industrial revolution (4IR) or digital revolution through use of robotics and artificial intelligence (Stremlau, 2019). Another priority on the trade front long-term plan on ensuing involvement of World Trade Organisation, because is modernized and empowered to mediate disputes by democratic consensus (Stremlau, 2019).

South Africa major export destinations (2017)



**Figure 3.2** : *South African major export destinations (Britannica, 2017)*

What is interesting in the chart is that in 2017, China was South Africa's leading trading partner with the major exports that range 9.7 percent (%) followed by the United State of America by 7.5% and Japan by 7.1%. From the chart, it can be seen that by far the greatest demand of South African exports goes to non-African countries, since Botswana and Namibia have low export destinations with South Africa.

A number of researchers have reported that South Africa continue to be an economic hub of Africa as it has well maintained infrastructure, leading manufacturing industry and advance technology. So the South Africa Trade Report (2014), reflect that South Africa export destinations has comparative advantage and in the past years export destination is seemly expanding. China might be viewed as a leading trading partner of South Africa, when it comes to African trade expansion both nation are in competition including EU, India and USA.

### **3.11. Mechanisms of Trade and Industry**

Molepolle and Ramakokovhu presented the mechanism of trade and industry between South Africa and China. The presentation allude that China has the leading trading relation with South Africa amongst other African state, making up approximately 14% of stock imports and amount 12% of exports ( Department of Trade and Industry report). South Africa and China trade exist amid comparative advantage and other basic forms of trade. South Africa and China posits various comparative advantages in primary and secondary sector commodities such as mental ores, gold, coal, textiles and foodstuffs especially from China (DTi report).

According to Molepolle and Ramakokovhu presented that South Africa China trade mechanisms theoretically allow both nations to focus on products and industries in order to combine its factors of production. This trading idea will open flows for consumers to purchase product at higher quality and increasing prosperity for the average citizens in both nations (DTi report).



### 3.12. Conclusions

In the contemporary features of international trade, China has emerged as a major trading donor in both exporting and importing. However, the South Africa China bilateral trade phenomenon has furthered South Africa's economic and political transformations in recent years. One of the objectives of the study is to investigate South Africa's approach that have been in place to ensure that the bilateral ties operate in mutual benefit., whereby the following chapter the study will go deeper to understand this objective.

## CHAPTER 4: DATA PRESENTATION, ANALYSIS AND DISCUSSION

### 4.1. Introduction

This chapter will discuss and interpret data and seeks to remedy these problems by analyzing the collected data. Therefore, the objectives of the study and understand the gesture of the problem statement will be answered. Firstly, the chapter will analyze the issue of Chinese cheap products to South Africa and the new Chinese project that is going to be planted at Musina for power electric energy. The study will also check the trading exchange of export and import between South Africa and China. The economic status of both nations ever since the establishment or agreement of bilateral trade as well as political and social impact and lastly major beneficiaries and contributors. This chapter will also reexamine the Broad-Based Black Economic Empowerment (BBBEE) on Chinese stance and South African approach in dealing with bilateral trade and industry including growth and development. The trend in world export of South Africa and China will be analyzed, investment and how the bilateral ties advance the global order.

### 4.2. Cheap Chinese dumping goods to South Africa

Mearsheimer (1994) draws on an extensive range of manifestation that neo-liberal institutionalism focuses on the main challenge of cooperation which is “cheating”. Dumping of cheap goods to other states is illegal and can be regarded as cheating since it certainly not contributing towards the socio-economic development of the victim state. Tao (2006) draws our attention to distinctive categories of “dumping” as it is observed in three (3) dimensions such as temporary or sporadic dumping, short-term dumping and continuous dumping. Furthermore, according to Willig (1998), dumping can also be divided into two kinds which are monopolizing and non-monopolizing. Tao, 2006 states that monopolizing dumping is strategic and destructive, yet non-monopolizing dumping consists of cyclical, market expansion and trading dumping.

Chinese dumping to South Africa is viewed as sporadic dumping. According to Holden, (2002) who defined sporadic dumping happens when exporters get rid of overstocked goods by lowering the prices and sell to foreign countries. Furthermore, this practice of dumping can be harmful to the economy of other countries (Holden, 2002). The dumping of Chinese goods to South Africa is continuous whereby Chinese exporters continuously sell cheap goods at South Africa's local market (Willig, 1998).

The problem statement of this study indicates that there are some allegations that China is using South Africa as a dumping site for its cheap products and the entire Africa. Nhlabatsi, 2014 gave a brief study about the issue of dumping cheap goods to Africa inclusive of South Africa. Neoliberal Institutionalism points out that non-compliance and cheating by states is one of the profound obstacles to successful cooperation (Lamy, 2011). Moreover, neoliberal intuitionists proclaim that it is normal for cooperation to have problems (Lamy, 2011). The most important point is that China is taking advantage of its strong economic dominance to dump its goods in African countries and this practice lowers competition within the local or small markets (Nhlabatsi, 2014)

Nhlabatsi, (2014) mentions specific reasons for dumping of cheap goods to materialize, which it happens when one country exports products at a cheap price than it sells the similar products in its local markets. This can be selling of goods to another market with cheap prices or below their normal value. Willig (1998) claims that the intention of dumping goods is to get rid of old stock or excess supply due to a decrease in demand and to position the foreign market. In the similar article, Nhlabatsi, (2014) points out that "for one country to dump goods to another occurs when both countries compete amongst each other over limited markets and export markets may target to dominate surplus product from their domestic trade zone". However, the World Trade Organization (WTO) policy, dumping is not prohibited or illegal.

According to the statistical report of World Trade Organization, China is internationally leading in terms of dumping cheap goods, wherein majority of countries lodged an anti-dumping investigation against it. From 1995 to 2012, approximately 32 nations

worldwide have started an anti-dumping investigation against China, in which 20 cases are from Africa including 19 cases from South Africa only (WTO, 2012). The situation that led to South African institution or structures to lay charges or accuse China of dumping is because of material injury suffered by many people (Nhlabatsi, 2014).

South African government has come across countless cases of dumping goods at the Durban harbor. Nkosi, 2019, wrote an article about the attempts of South African Revenue Service (SARS) trying to shield South Africa from cheap Chinese imports. SARS withheld 11 containers from China to Johannesburg-based Dragon Freight Company full of cheap goods to be sold at Chinese Market (Nkosi, 2019). The Dragon Freight took the matter to North Gauteng High Court; therefore, SARS lost a court battle. However, SARS continues and refuses to release those containers giving reasons that it was withholding the clothes because they were too cheap compared to similar types of clothes found at South Africa local or domestic markets (Nkosi, 2019).

#### **4.3. Consequence of dumped goods to South Africans**

The Game theory according to Newnham (1998) who examines that players (states) take actions that affect each other. There are many consequences that are brought by China's dumping of cheap goods to South African local markets. Firstly, the South African markets encounter a massive problem of displacement, South African companies get to close their business due to competition of prices and lastly majority of ordinary South African might lose jobs Tao, (2006). Job loss can negatively affect the government tax revenue, national income, poverty especially in primary class and adjustment costs for workers and companies. The higher the number of unemployed people the higher the number of people who are dependent upon government for state grant and other sources of social relief funds.

As suggested by Holden (2002) that dumping should be prohibited as it disturbs the economic development of an importing country and the normal global competitive order of export and import. According to Tao (2006), the acts of dumping harms and destroys

South African domestic industries producing similar products. Moreover, Investors of those affected companies might lose profit. In the study that was conducted by Nhlabatsi (2014) indicated that the dumping of goods led to price undercutting and decline in sale which led to reduction in profit, pulling out of investors and negative effects on cash flow. The SACU companies lost their market share and jobs as well and it was alleged that dumping causes material injury.

Baird (2017) points out in international trade, dumping of cheap goods allows the importer to gain unfairly. Moreover, dumping is regarded as an unfair trade, competition and the products are anticipated to mislead the consumers. Importers of dumping products are free to rise or reduce prices to whatever level they think the market will bear and they usually don't bank their money (Baird, 2017).

#### **4.4. Anti-dumping investigations**

Hofmeyr (2017) stated that it is upon South African government to protect the local markets and industries from the effects of dumping by China or any other countries. The nation has the power to initiate anti-dumping investigation through the recommendations of the International Trade Administration Commission (ITAC). Moreover, ITAC is vested authority to pursue an investigation on any practice of dumping and recommend appropriate remedial actions (Hofmeyr, 2017). The aim of the government to initiate anti-dumping investigation is to ensure that the import price of goods is balances and local markets are able to compete fairly.

Brink, 2014 briefly explained the South African legislative provision in terms of anti-dumping investigations. South African constitutions in section 32(2) (b) of the International Trade Administration Act 71 of 2002 (ITA Act) defines normal value, but section 32(4), which specifically provides that:

*“If the Commission concludes that the normal value of the goods in question is, as a result of government intervention in the exporting country or country of*

*origin, not determined according to free market principles, the Commission may apply to those goods a normal value of the goods, established in respect of a third or surrogate country” (Brink, 2014)*

Hofmeyr (2017) further stated that anti-dumping process does not change or emerge rapid as it requires key intensive care on the marketplace and to actively identify dumping practices so that they do not escape unnoticed. The government of South Africa and International Trade Administration Commission work together to tackle dumping practices. There are some cases that were investigated by ITAC whereby the dumping operated in terms of wheelbarrows imported from China. Another case was when Portland cement originating from Pakistan was being dumped to South African domestic markets (Hofmeyr (2017).

Nhlabatsi, 2014, examined that previously in South Africa there was a case whereby an application was lodged to ITAC by Graftech establishment to accuse China for dumping its graphite electrodes used in furnaces. One of the main reasons for the application to be lodged was the comparison of prices between the normal value and the export price. In the process of the investigation, ITAC dug out that China was denting its prices in the Southern African Customs Union (SACU) region (Nhlabatsi, 2014). This was an obvious indication that China is tempering with the normal value of South African domestic markets and other SADC nations.

#### **4.5. Chinese new project at Messina, South Africa**

In 2018, the President of South Africa Cyril Ramaphosa signed an agreement with Chinese companies to build a new 4,600-megawatt coal power plant in Limpopo (Wasserman, 2018). The Game theory expresses the significance of interaction between self-interested agents. This happens when one agent intends to bring strategies that will harm the other agent or not only to harm but to bring development that is accompanied by ulterior motives of self-interest for future purpose (Correa, 2001). An institution can change the way success is measured by producing strong cooperation and reducing cheating (Mearsheimer, 1994)

Many scholars, political analyst and think tanks criticized the signed agreement between South Africa and China. According to McKay (2018), who described this power plant agreement as “whacko”. Wasserman (2018) further stated that this newly proposed coal power plant at Makhado-Musina would only serve for new planned Chinese controlled industrial park not for South African usage. The constructing of this coal power station seems to have no rationality or impact to South African economic development and to alter unemployment crisis.

According to Wasserman (2018) stated that the estimated amount of \$10 billion is assumed to be invested by nine (9) Chinese owned companies for Makhado-Musina special economic zone. Furthermore, these Chinese companies will focus on investing in a large planned ferroalloy industrial park. Therefore, the new power plant is called “Power China International Energy Project”, which is allegedly not meant for South African household and business (Wasserman, 2018).



电厂效果图

**Figure 4.1:** *The planned new coal-fired power plant (Wasserman, 2018).*

The President announcement of building this new coal station came as a shock to many South African economies, politicians and newspapers reporters. Therefore, McKay (2018) analysis on this subject gives objections to new coal plant with reason that

government policy document, the integrated Resource Plan does not accommodate the nature of this proposed future power mix and therefore it is illegal to build (McKay, 2018)

Wasserman, 2018 believes that the construction on renewable energy will be best for South Africa than Coal energy power. Since South Africa is currently encountering surplus available electricity on the network, so Chinese coal power project is unable to generate its own power energy (Wasserman, 2018)

In a nutshell, the trading of coal will be more expensive option for Chinese investors; this will then make the new power station to deliver expensive energy than new renewable power projects. Wasserman (2018) consider renewable energy as a way of creating more employment than coal power station. Besides, coal power station will negatively influence massive implications for health of local communities and boarder environment.

There are several possible explanations for this project especially when considering the role for regional economic growth, employment, manufacturing industry and trade relations. This new plant will again assist the local export-oriented industries and domestic firms to grow as they will be supping export to SEZ projects. It is noted that this project will create employment, however this might be for a short term, because there will be uncompetitive when wages rise and trade will slowly disappear.

The planting of this power station is a good social and economic initiative; however, the government must develop an inclusive notion that will absolutely cater for South African locals than Chinese. Naturally, burning of coal is unhygienic, dirty and most responsible for carbon dioxide emissions. The worrisome matter regarding this planed Makhado-Musina Special Economic Zone (SEZ) is that it is for Chinese use. South Arica should consider borrowing money from China or New Development Bank so that it can construct this coal plant and fully own it.



#### 4.6. South African investment to China

Burke, Naidu and Nepgen, 2008, conducted a study of China and South Africa relations were they added the spread of South African business to China. These mentioned authors indicated that South Africa have a significant role to China when compared to other African nations, thus, it is still difficult for the study to track down the exact value of total investment. South Africa have more than 10 big companies that are operating at China more especially in the city of Hong Kong. Naidu, 2008 gave a list of South Africa's companies at China and industry of performance.

<b>no</b>	<b>Name of Company</b>	<b>Industry</b>
<b>1</b>	Kumba Resources	Mining/ Minerals
<b>2</b>	Landpac	Engineering
<b>3</b>	SAB Miller	Beverages
<b>4</b>	First National Bank	Financial
<b>5</b>	Sasol	Energy
<b>6</b>	African Explosives Limited (AEL)	Engineering
<b>7</b>	Old Mutual	Financial
<b>8</b>	Goldfields	Mining
<b>9</b>	Spur	Hospitality and Restaurant
<b>10</b>	SAB Miller	Beverages
<b>11</b>	First National Bank	Financial
<b>12</b>	Bateman	Engineering
<b>13</b>	Standard Bank	Financial
<b>14</b>	Anglo Coal	Mining
<b>15</b>	Anglo American	Mining
<b>16</b>	Metspan	Manufacturing
<b>17</b>	AngloGold Ashanti	Mining
<b>18</b>	Freeplay	Manufacturing

19	Naspers/ MIH	Media
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**Table 4.2:** *South African companies operating at China*

According to Burke, Naidu and Nepgen, 2008 outline that South African companies in China are performing successfully, even though the government of South Africa does not show any supportive interest towards them and they have adapted the Chinese environment and culture. These listed companies have massively invested more than US\$ 5 Miliion, But SAB is regarded the best amongst all as it has invested close to US\$ 1 Billion (Nepgen, 2008). Therefore, Burke, 2008, posits that comparative political advantage should be furtherly exploited to benefit South Africa.

#### **4.7. South Africa China trade exchange**

According to Monareng (2016), South Africa and China bilateral trade exchange have mutual gain and equal or mutual benefit in their cooperative partnership. The theory of neo-liberal institutionalism examines that states are rational international actors and they engage in the cooperative partnership to maximize their mutual interest and absolute gain in the global society (Genesan, 1995). Wesserman 2012 stated numerous gains that are acquired by Chinese government from bilateral trade with South Africa, firstly, China sell their technologically advanced manufactured goods to South African middle class consumers.

Furthermore, China utilized the opportunity of vast available land in South Africa by gaining access to agricultural land and Corporation of companies such as FAW Group Corporation, Hisence and Huawei play a pivotal role in boosting China (Wesserman 2012). However, South Africa also gain something little compared to China. Maroreng (2016) augured that South Africa benefit and have accessible opportunities to middle class consumers market in China. Lastly, South African companies are operating tremendously in China such as SABMiller, Naspers and Kumba Mining Group Maroreng (2016).

Game theory argue that the production and exchange require cooperation between two states at some point, however that interaction might as well lead to tragic confrontations especially if the collaboration is one-sidedness (Correa, 2001). The graphs below amenably explains that 100% of South Africa's top 10 imports from China are DRmanufactured goods yet 90% of its top 10 exports to China are mineral resources or raw materials.

#### 4.7.1. South Africa exports to China

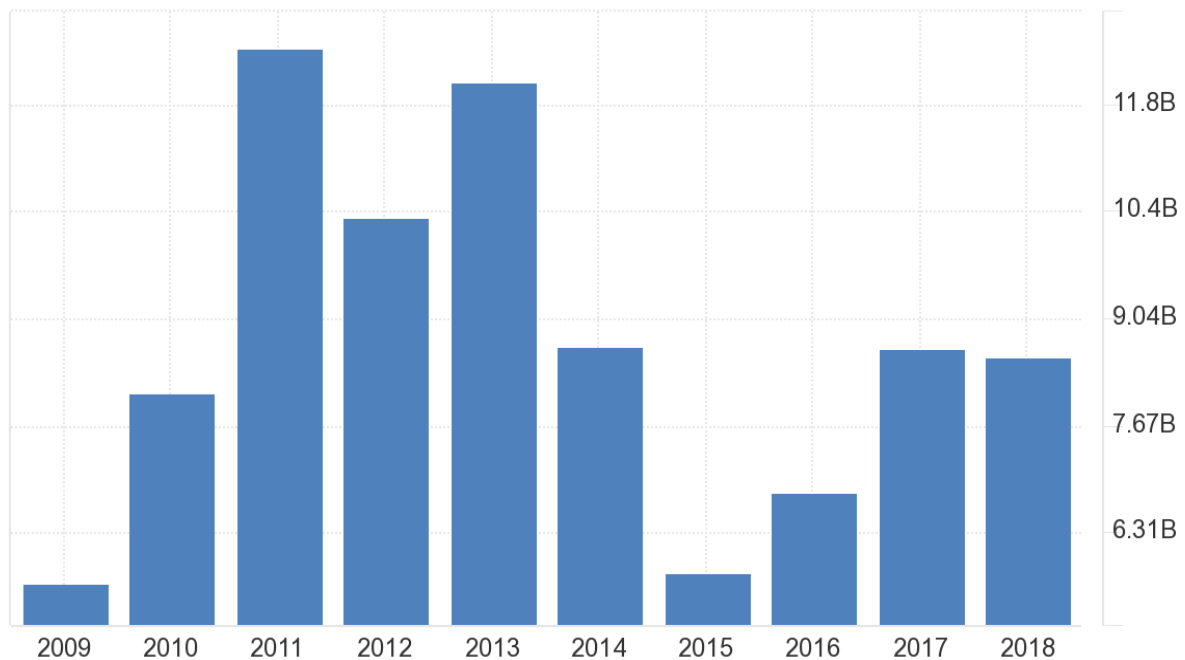
<b>Commodities</b>	<b>Value of commodities</b>
Ores, slag and ash	5.6 bn
Iron and steel	1.2 bn
Wood pulp	343.4 m
Gems, precious metals, coins	216.2 m
Wool	209.1 m
Oil	203.2 m
Copper	170.5 m
Plastics	102.6 m
Machines, engines, pumps	98.5 m
Nickel	89.4 m

**Table no 4.3:** *South Africa top 10 exports to China expressed in US\$*  
 (Workman, 2015)

As can be seen from the table above that the slag, ore and ash are the largest export mineral products followed by iron and steel. Table 4.11 supports the previous point as it shows that mining industry is one dominating firms and industry in South Africa. Lamy, 2011, outlined that neoliberal institutionalist focus on mutual interests extend beyond trade and development issues. Naik, 2015, gave various exports that China receive from South Africa which is steel, iron ore, chrome ore, tobacco, manganese, vehicle spare, wool gold, copper, granite, aluminum, pulp of wood, fibrous cellulosic material,

waste, edible fruits, nuts, peel of citrus fruit, melons, pearls, precious stones, metals, coins, miscellaneous chemical products, beverages, spirits and vinegar, raw hides and skins (other than furskins) and leather.

South Africa Exports to China



Source: tradingeconomics.com | Comtrade

**Figure 4.4:** Bar Graph of South Africa Exports to China (tradingeconomics.com, 2019)

The graph above shows that South African exports towards China have been moving up and down. In 2011, a year after South Africa joined BRICS nations the export between South Africa to China increased faster to reach the amount of more than US\$ 11.8 Billion, thereafter in the following year of 2012 it then decreased. However, according to stats recorded by Trading Economic (2018) South Africa Exports to China was US\$8.55 Billion during 2018. Angomoko, 2017 points out that the export of China continues to increase yet South Africa's export to China is deteriorating. In 2017, there was an export rapid upward trend of South African agricultural products such as rooibos, applies and

wine grapes. Amid other African countries South Africa hold a record of becoming the first country to export beef with China (Songtian, 2018).

Trade Intelligence report (2016) which focus more the agricultural export from South Africa to China alludes that the total agricultural exports to China in 2011 and 2015, they constitute from the top 10 of South African exports between 82% and 90%. Furthermore, these result that South Africa's agricultural exports are within the few important ones. According to Kapuya, (2016) stated that in 2015, the top 10 exports products such as greasy shorn wool constituted almost half of the country's total agricultural exports to China, with a value of US\$175 million. Over the past 5 years, greasy shorn wool have averaged 54% of South Africa's agricultural exports to China (Kapuya, 2016).

According to Carmody (2012), in 2006, 92 910 tons of ferrochrome were exported from South Africa to China, reason been China was an Asian leading stainless steel producer of the year. Furthermore, many scholars indicated that China is internal using South Africa as a gateway to other African market because South Africa hold the strongest economy in the African content and majority of African trade migrate to South Africa to search for business opportunity, thereafter they take their business connections to their home countries(Carmody, 2012).

#### 4.7.2. South Africa imports from China

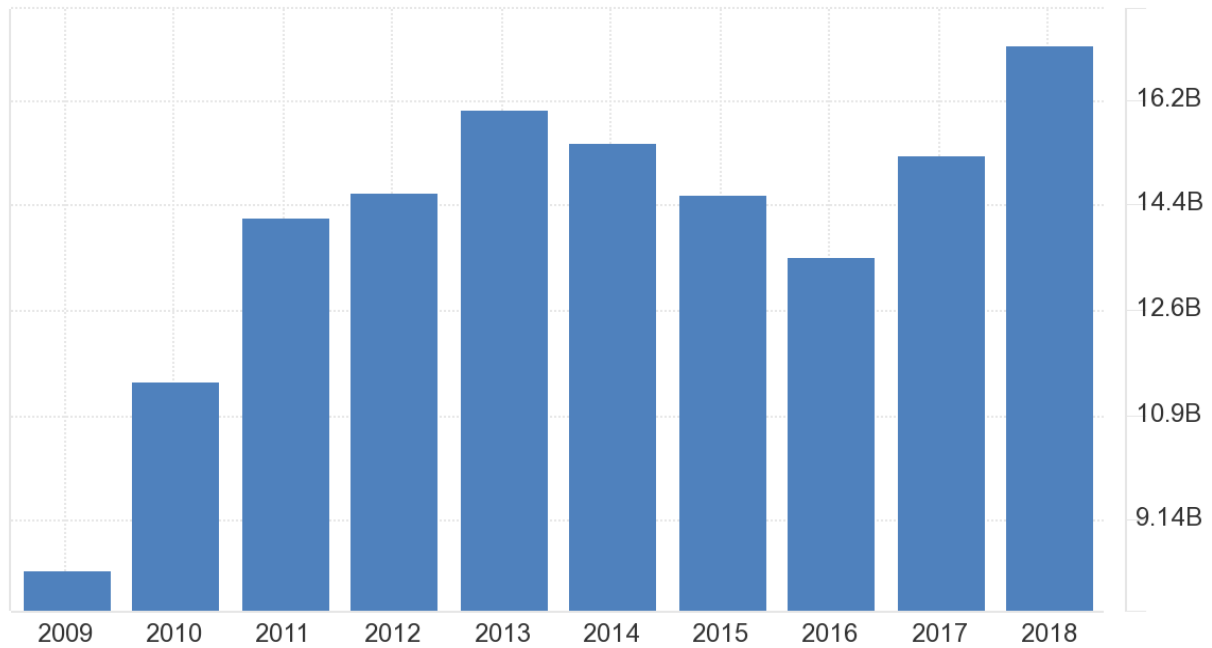
<b>Commodities</b>	<b>Value of commodities</b>
Electronic equipment	3.8 billion
Machines, engines and pumps	3.3 billion
Footwear	621.1 million
Plastics	495.4 million
Knit or crochet clothing	478.3 million

Clothing (not knit or crochet)	466.6 million
Furniture, lighting and signs	414.9 million
Iron or steel products	396.2 million
Vehicles	392.6 million
Iron or steel	373.2 million

**Table 4.6:** *South Africa imports from (China Workman, 2015)*

South Africa is China's biggest trading partner in the Africa and import various commodities from China such as textiles, kidney beans, groundnuts, cotton seed cake, light electronics, capital equipment, paraffin wax, television sets, Bird skin, feathers, artificial flowers, human hair, residues, wastes of food industry, animal fodder, coffee, tea, mate, spices, photographic or cinematographic good, miscellaneous edible preparations, musical instruments, parts and accessories (Naik, 2015). According to the Trading Economics (2018) which as captured South Africa -China trade relations from 2009 to 2018 shows that the partnership was doing well. Check the following bar graph.

### South Africa Imports from China



Source: tradingeconomics.com | Comtrade

**Figure 4.7:** *South Africa imports from China bar graph* (tradingeconomics.com, 2019)

The above bar graph shows that in 2009 the South Africa imports from China were below the amount of US\$ 9.1 Billion. Therefore, imports between these two nations increased rapidly whereby in 2018 South African imports from China reached to US\$17.09 Billion. In 2009, South Africa imported a total value of US\$ 8.4 Billion from China, six years later imports were worth US\$ 14.4 Billion. Nevertheless, checking the rate of 2018, it concludes that China has become main source of imports from China. South African most significant imports category from China are Electrical, electronic equipment. In 2018, South Africa spent almost US\$4.55 Billion importing manufactured electronic from China

Songtian, 2018 gave estimations that in the next five years to come, the Chinese foreign direct investment outflow will surpass US\$750 Billion and more than US\$ 8 Trillion of goods. Yet South Africa on the other side purse to it economic growth and social

transformation. Carmody (2012) point out that amongst other African countries China prefer South Africa as its leading exporting acquaintance mineralogical treasure house.

#### **4.8. BRICS effect in South Africa and China**

BRICS also played an effective role in strengthening the bilateral relations between South Africa and China. BRICS has transformed from being an economic hub to become a vital international cooperation mechanism (Wenjun, 2018). Moreover, BRICS countries are key influencers of enhancing global economic governance, driving global economic forum and development and promoting the spread of democracy in international relations even though China and Russia are communist states (Wenjun, 2018)..BRICS lunched a New Development Bank (NDB) at Johannesburg, South Africa (Wenjun, 2018).

According to Uneze *et al* (2014) the addition of South Africa to BRIC boosted its geopolitical significance. The Republic of South Africa hold 80% of economic activities in the Southern African Development Community (SADC) region and in Sub-Saharan Africa it holds third of economic activities (Uneze *et al*, 2014). Furthermore, Uneze *et al* (2014) outlined the statistical viewpoint and interpretation of South Africa and BRICS nations trade patterns which shows that amongst BRICS nations, China is South Africa's most influential trading partner in terms of exports and imports followed by India and Brazil. In 2003, China compacted India with South Africa exports of 71% (Uneze *et al*, 2014).

Ever since the South Africa join BRIC, its exports to BRICS nations is improving and have significance role to the society, as it has surpassed exports to EU which dominated South Africa trade for many years (Uneze *et al* , 2014). Through BRICS, South Africa and China have managed to maintain high level of exchange projects, strengthen international organization cooperation, to provide mutual understating activities, governance experience integration and to continue with smooth communication and coordination over multilateral relations such as G20, and BRICS



(Wenjun, 2018). China stands ready to forever share its development opportunities and tactics with South Africa.

Shoba (2018) alluded that the main problem about BRICS nations is that their economies are not increasing in the same pace and they are stagnant, for the reason that a 7% rate of GDP growth is shown at China whereas South Africa is experiencing a stagnation and recession (Shoba, 2018). Ghosh, (2013) suggested that those common domestic and socio-economic challenges that are shared by BRICS nations must be resolved independently. Moreover, this will assist the BRICS nations to equally accomplish their major goals as a group by tackling issues like inequality, improvement in health care and education, corruption and to advocate for human rights issues (Ghosh, 2013)

In order for South Africa and China to have an equal share or transformation within BRICS, Ghosh, (2013), posits that they must be a policy regulation that is enforced by BRICS policy makers to ensure that all BRICS economies force a creation of decent and equal working condition. Singh *et al* (2013), believe that the most common challenge between China and South Africa in BRICS is infrastructure deficiency. For an economy to grow rapidly, infrastructure development must be considered or prioritized especially if those particular nations intend to participate in the global value chain. China and South Africa through BRICS they must consider enhancing energy, telecommunication, road and rail, and access to clean water and sanitation (Singh *et al*, 2013).

The Export Genius (2016) gave stats on BRICS Imports and Exports in 2016. The 2016 BRICS aggregate value of import and export amounted to US\$ 2339183 Million and US\$ 2902801 Million. Furthermore, China remains the leading trading partner of all BRICS nations in terms of export and import and is as well leading worldwide (Export Genius, 2016). One can conclude that China the leader of BRICS as is stronger than all nations with various aspects such as populations, GDP growth, economy and vast

landmass. The following graph shows a trade overview statistics of imports and exports in BRICS nations.

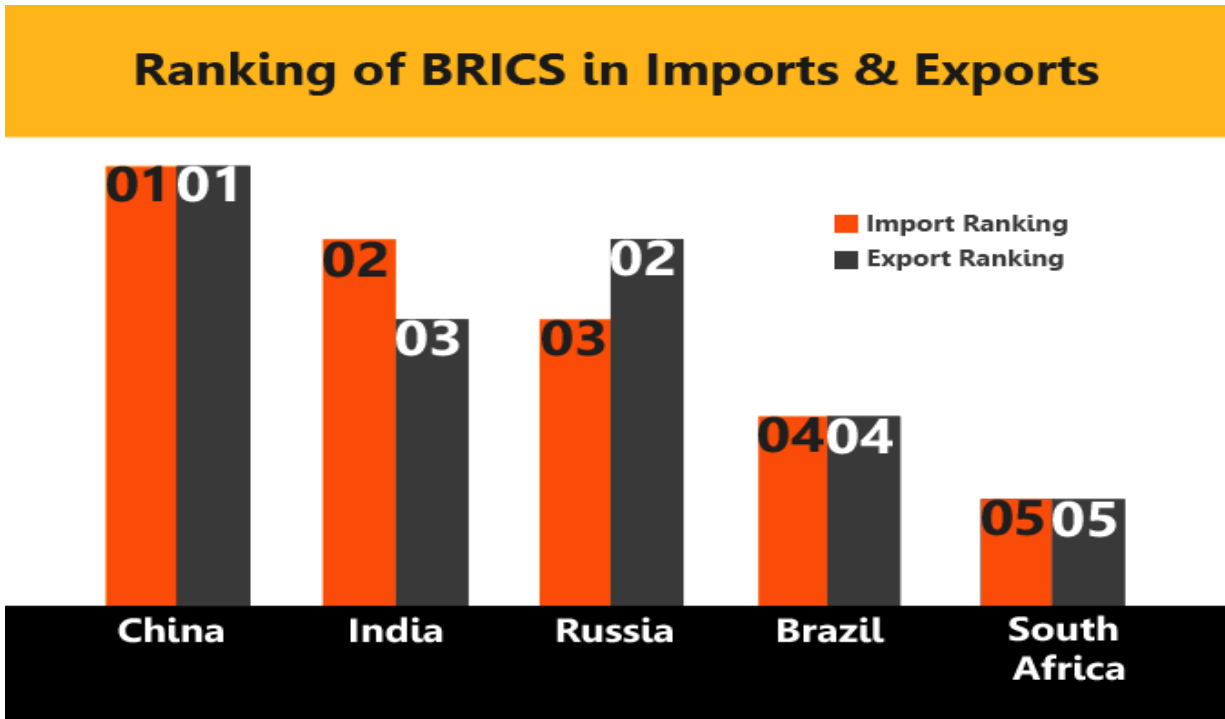


Figure 4.8: BRICS imports and exports rankings ( Export Genius, 2018)

Country	Import Value (2016)	Export Value (2016)	Import Ranking	Export Ranking
China	US\$ 158 7920 Million	US\$ 2 097 637 Million	1 (BRICS), 2 (World)	1 (BRICS), 1 (World)
India	US\$ 356 904 Million	US\$ 260 326 Million	2 (BRICS), 14 (World)	3 (BRICS), 20 (World)
Russia	US\$182 261 Million	US\$ 285 491 Million	3 (BRICS), 25 (World)	2 (BRICS), 17 (World)
Brazil	US4 137 552 Million	US\$ 185 235 Million	4 (BRICS), 30 (World)	4 (BRICS), 27 (World)
South Africa	USD\$ 74 744 Million	US\$ 74 110 Million	5 (BRICS), 38 (World)	5 (BRICS), 38 (World)

Table 4.9: BRICS imports and exports rankings (Export Genius, 2018)

BRICS import and export ranking simply shows an unequal or imbalance partnership amongst all nations. China is regarded as a leading BRICS nation with both import and export and ranked number second importer in the world. China has the largest import value of US\$ 1587920 Million and export value of US\$ 2 097 637 Million. These stats conclude China is more focused on exporting its product than importing because the margin of trade is massive. China is followed by India, which is also doing well in the world, and BRICS. India has a total export value of US\$ 260 326 Million and import value of US\$ 356 904 Million.

South Africa is ranked number fifth (last) on BRICS stats; however, South Africa is the last country to join BRIC and is still defined as an emerging nation unlike China, Russia and India, which are developed. South Africa's total value of export is US\$ 74 110 Million and import value of USD\$ 74 744 Million. The Export Genius stats of 2016, shows that the import and export margin of South Africa are equal.

#### **4.9. China and South Africa a major contributor to local economic and social transformation**

In 2018, the South Africa-China Economic and Trade Association (SACETA) gave a report on Corporate Social Responsibility of Chinese-Funded Enterprises in South Africa. The report paves creativity for future bilateral trade and integrates social responsibility of both nations. Zhang Jinguo (2018) participated and illustrated his perspective about the ongoing cohesion between South Africa and China that include social responsibility, job creation and local manufacturing (Brand of South Africa, 2018).

According to brand of South Africa, news report (2018) South Africa is China's leading trade partner in Africa for nine (9) years with the first quarter of bilateral trade that amounted to 33.2 billion USD. Furthermore, both states portrayed various factors that contribute to a mutual beneficial commitment. Both countries hosted BRICS and FOCAC summits and China has established branches of its top financial institutions in South Africa (brand of South Africa, 2018). China's government maintains its view that bilateral relations between both nations are indeed win-win cooperation.

According to the Commissioner of National Planning Commission, Dr Miriam Altman point out that the National Development Plan 2030 (NDP) is more dependent upon the existing Africa-China relationship. Dr Miriam Altman concluding sentiment illustrate that “We need to seek more balanced trade, increase tourism prospects, and give fair attention to education and skills training, not forsaking deeper cooperation in innovation” (brand of South Africa, 2018).

#### **4.10. USA-China Trade war on South Africa**

Oil SA (2019) released a report that indicates that South Africa’s economy is slowing becoming fragile and encountered by vast of distress in terms of trading manufactured goods. Furthermore, new emerging US-China Trade War will cause several costs to South Africa trading. Oil SA, 2019, describe that Trade War it starts when two or more nations attempt to destroy each other’s trade markets by regulating trade restrictions and intensifying tariffs. Ebrahim, 2019 points out that South Africa must be prepared and careful because in the US President Donald Trump continue to threaten trade war against China, therefore South African economy will suffer traumatic consequences of a global recession.

Ebrahim, 2019 alluded reasons for the US to impose trade war to China, firstly is to ensure that Chinese products are expensive to America, this will habitually force US consumers not to purchase Chinese product and this will make Chinese companies to lose profit. Moreover, Oil SA report (2019) stated that Trump’s idea is to convert American consumers from buying exported goods to local produced goods. Lastly, the US is trying to punish China from its unpopular trade practices, where they force foreign business to assist Chinese companies with technology in exchange for access to the Chinese market (Ebrahim, 2019).

Major South Africa manufactured exports are held by China and followed the US, were China holds 10% of manufactured goods then the US holds 7% is at risk because of the implications posed by the Trade War (Oil SA report, 2019). Moreover, in 2019, South

African economy was regarded the worst performer with manufacturing goods and it affected the country's GDP to be poor, so the US-China trade war might eliminates South Africa to a final nail of trade. The Chief Executive Officer of Liberty insurance Mr David Munro states that Liberty companies is banking to stimulate revenue growth and this tension between US-China will worsen negative sentiment around equity price, which will require the insurer to increase premium value of its asserts (Henderson and Mbatha, 2019).

#### **4.11. South African approach on bilateral trade and industry**

One of the current South African approaches that is in place to strengthen the bilateral trade and industry between South Africa and China is the creation of exhibition for South African companies. In November 2019, the department of Trade and industry sent South African companies to appear in the exhibit at the China International Import Expo (CIIE). Based on the article writing by brand of South Africa (2019) state the main objective of the exhibition, which is to recruit new foreign direct investment to South Africa and the development of export markets for South African goods and services.

According to the deputy minister of trade and industry Ms Nomalungelo Gina, 2019, mentioned that China aim to achieve import valued at \$10 trillion and provide opportunities for various innovators across the globe. Further stated that for South African companies to participate in the CIIE would contribute to increase the export of value-added products to China (brand of South Africa, 2019).

According to Oliveira (2017), the Department of Trade and Industry's (DTI's) and Integrated National Export Strategy (INES) incorporated to establish strategies of enhancing the global competitiveness of South African exporters and to assist the economic growth of South Africa. Moreover, the primary goal of the launched strategy was to attain 6% of export growth target by 2030 as it is stipulated in the National Development Plan (NDP) (Oliveira, 2017).

Former South African Minister of Trade and Industry Dr Rob Davies indicated that “the strategy is made to influence the rise and the capacity of exporting diversified and value added products and service to countless global markets”. He continues to mention that this idea will support doubling in manufactured exports in a decade and will eventually expand goods and services to constitute 40% of total services by 2030 (Oliveira, 2017).

Lastly, Oliveira, 2017, state the department of trade and industry is certain that the economic export-led trade will assist to unlock opportunities for emerging small and large businesses and construct export-orientated employment. The Integrated National Export Strategy (INES) also aim to enhance export performance by creating favorable environment for local trade and encourage the competitiveness of companies including associated sectors (Oliveira, 2017).

#### **4.12. Diplomatic and political exchange**

According to the report issued by the Embassy of People’s Republic of China in 2018, which was the year of celebrating 20<sup>th</sup> anniversary of bilateral agreement between South Africa and China. Based on the report, the Ambassador of China to South Africa Lin Songtian addressed that the political decision, which was taken by the first democratic President of South Africa Nelson Mandela of establishing diplomatic relations with China one the foundation one China policy. Even though both nation stumble upon changes of international situations, both countries are still solid and working on a political foundation of growing South Africa-China relations (speech by Lin Songtian).

According to the speech by Lin Songtian, the bilateral ties between South Africa and China have improved to achieve strategic, comprehensive and development partnership. This diplomatic relation have gave both nations an advantage of political mutual trust, people to people friendship exchange, international coordination and mutual beneficial in integration. South Africa and China share similar international cooperation platform such FOCAC, BRICS partnership, the belt and road initiative, and

lastly South-South cooperation. The ordinary people of China and South Africa have massively benefited from this cooperation.

Mao, 2017, stipulates that the bilateral ties between South Africa and China exercise mutual partnership in all diplomatic relations, trade, investment, public media engagement, historic links and multilateral cooperation. In addition, both nations' works closely together in the United Nation Security Council to aspire peacekeeping resolution in African counties surrounded civil unrest conflicts (Mao, 2017). The embassy of People's Republic of China (2018) state that China is as capable to invite South African leaders and official to supply them with trainings on special economic zones. Furthermore, according to the deputy minister of Trade and Industry Bulelani Magwanishe, the ability of trainings will assist practitioners to gain broad experience in technical skills, management, development and operation of special economic zones.

#### **4.13. Cultural and academic exchange**

According to Lamy, (2011) states that neoliberal institutional argues that state that are involved in cooperation should consider cultural exchange in order to strengthen and maintain deepen understanding, it will also reduce gaps of misrepresentation while improving ease and trust. Kabwete, 2015, indicated that China and other African counties inclusive of South Africa have a long history of cultural and educational exchange. Moreover, this exchange cooperation have brought several achievements for both sides more especially in the boosting of economic cooperation (Kabwete, 2015). This academic cooperation enable South Africa to access knowledge acquisition and diversify its source of material wealth.

Monareng, (2016) points out that Chinese living in South Africa have brought a unique culture to a country such as Chinese cultural food, language and clothes. Furthermore, the cultural exchange in both countries is mutually as it is evidence that Chinese are learning South African cultural and background. The former President of South Africa Jacob Zuma have adopted a language policy, which stipulates that Mandarin Chinese should be included as an optional language in school curriculum (Monareng, 2016).

Grimm, 2014, outlined that the power of South Africa and China to exchange and share of languages and communication will make it easier for cooperation to succeed without any misrepresentation and misinterpretation for a sustainable cooperative partnership.

According to the report by the embassy of People's Republic of China (2019) state that "Chinese university has established a Zulu programme aimed at enabling students in that country to learn the South African language, strengthening ties between the two countries". The independent expert on international relations Mr Timothy Drury believe that the cultural exchange mechanism will assist South Africa-China bilateral relations to deepen the understanding in the sector of tourism, sports, science, technology, culture and health (Embassy of People's Republic of China, 2017)

The Embassy of People's Republic of China (2017) reported that in September 2017, China and South African universities hold a first annual student dialogue that was named "From University to the World". The Student dialogue aim and objectives was to uphold cultural and social exchange amid the young adult and the importance to deepen the understanding of the bilateral relations within the scope of globalization and learning each countries culture (Embassy of People's Republic of China, 2017). As both nations are part BRICS, it is important to formulate a good friendship between citizens not on government only.

In 2013, South Africa and China established South Africa-China People's Friendship Association (SACPFA). According to Monareng, (2016), SACPFA is an established association with an aim of enhancing friendship between China and South Africa, more importantly to strengthen the understanding and cooperation of both nations, through diverse and enriched cultural and economic activities. Furthermore, Alden and Wu, 2014 briefly explain that this association support broad academic exchange and focus on strengthening the cooperative bilateral partnership between South Africa and China. Other factors of SACPFA is to exchange technical skills, industrialization and economic development (Alden and Wu, 2014)



Xinhua, 2017 gave stats of tourist from China to South Africa and acknowledges that China is a leading growth market of tourism industry in South Africa as it increase with yearly growth record of 38%. Moreover, according to Stats SA (2015), South Africa received 10 million of international tourist and the following year in 2016, 1.2 billion international tourist travelled the world, this shows the growth of 3.9% increase over 2015 (Embassy of People's Republic of China, 2017). However in 2016, Britain was a leading source off tourist market to South Africa with a 444 840 international tourist, followed by United State with 345 013 arrivals and Germany with 311 832 arrivals

#### **4.14. Advancing a new global order**

Alden and Wu, 2014 state that for a cooperation to be rendered successfully it lies on the global arena. The global governance influences the participation-shared interest of South Africa and China in the same multilateral platform, in order to advocate for the needs for developing countries more especially south-south nations (Alden and Wu, 2014). Those shared multilateral platforms include G20, BRICS and the United Nation (UN). According to Wenjun, 2018, detailed China and South Africa share common ambitions for a broad consensus on major international affairs, development, security and global order. These two nations work tirelessly to achieve superlative cooperation and coordination on the global stage (Wenjun, 2018).

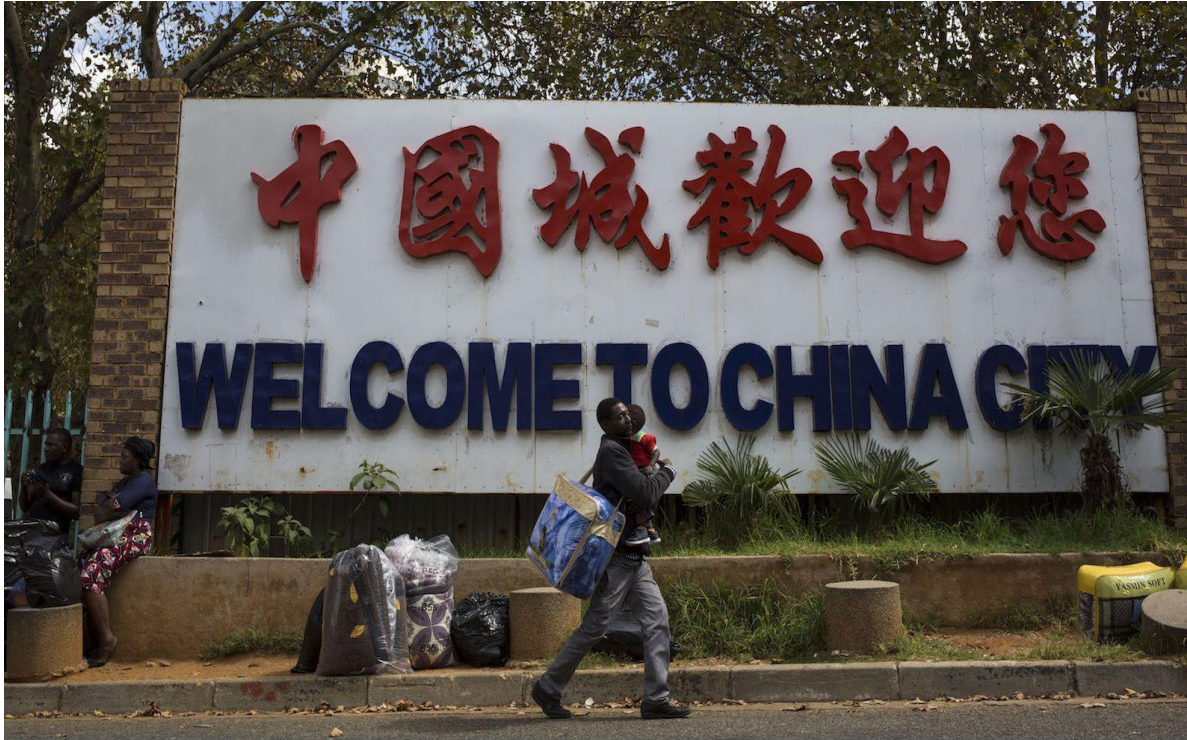
The bilateral relations of China and South Africa is presently on firm foundation that is supported by countless deepening economic engagement and interaction. Therefore, Wenjun, 2018 suggest that South Africa must independently balance its broad amount of bilateral, multilateral and global relations with careful attention. South Africa is fortunate to form part of BRICS, especially with China leading the formation. Furthermore, BRICS drives the economic concept of the international cooperation mechanism, where it leads world economic development, enlightening global economic governance and encouraging democracy in international relations even though China and Russia believes in one party ideology (Wenjun, 2018).

#### **4.15. China towns in South Africa**

Huynh, 2018, stated that during apartheid in South Africa, the city of Johannesburg was the most popular economic hub and majority of Chinese arrived there for mine works that resulted in the introduction of two China towns. According to Yap and Man (1996) indicated that the first Chinatown developed because of the arrival of independent Chinese Migrant from Guangdong for mining purpose. Due to the lack of digging mine license, they begin to open businesses and cater food and clothes for mine laborers (Yap and Man, 1996). The second Chinatown emerged as a Chinese settlement right after the end of apartheid (Xu, 2017).

Huynh, 2018, regard the second China town as a place that brings Chinese together, especially Mandarin is spoken, a home far from home for Chinese community and newcomers can always feel safe to settle before moving to other part of the country. It a strategic area where Chinese products can be consumed and a living entity where socio-economic activities for Chinese people are focused (Huynh, 2018).

Furthermore, when Chinese population increase in China towns or any part of South Africa it makes the bilateral relations between South Africa and China to extend. However, Mail & Guardian (2007) gave a view that China cities are dirty, foreign dominated and mysterious. According to Ho (2013) who described Chinatowns as a place where bylaws related to housing and other issues are infringed.



**Figure 4.10:** *China City at Johannesburg, South Africa (Kuo, 2017)*

Kuo, (2017) describe China City as a “darkly lit warren of wholesale stalls in central Johannesburg. The China city is popular for selling various cheap goods such as sneakers, luggage’s, wigs and furniture. According to Kuo (2017) state that South African locals criticized that, the Chinese traders initiate the decline of South Africa’s textile industry. Furthermore, South African locals believe that Chinese markets are selling electronics and other items that are Fong Kong (fake or poor quality) (Kuo, 2017).

Many South African lodged a complaint that Chinese Shops at China town are not paying tax and they are popular to those consumers who prefer to get good or cheaper deals (Friedman, 2019). The CapeTalk's Breakfast Show presenter engaged with various listeners who pushing the campaign that South African local should cease to purchase goods from China Shops as they do not pay tax and not properly registered (Friedman, 2019). Steve Kruger who represents China Town Trust gave the status qua of Chinese trading shops, he confidently alluded that Chinese tenant are registered

taxpayers as majority of them pay VAT and they adhere with regulations of the Department of Labour (Friedman, 2019).

#### **4.16. China's investment to South Africa**

Chris *et al* (2016) express that Chinese investment are more modest portion of economic relations. Mr Lin Songtian the ambassador China to South Africa positively applauded the current direct Chinese investment in South Africa reached more than US\$ 25 Billion in 2017 (Nkunjana, 2019). He further stated that these brilliant achievements were done through manufacturing, processing, mining, finance commerce, trade, services sectors and tourism. The president of South Africa Cyril Ramaphosa aims to raise US\$ 100 Billion in new Chinese investment for the next five (5) years.

Torrens (2018) stated that Ramaphosa's plan is to attract more investment for economic growth and he perceives China as a rightful institution for his plans. According to Nkunjana (2019) stated the one of the main objective of Chinese investment is to eradicate unemployment rate, tackling poverty and fix the matter of inequality. Since the attainment of freedom in South Africa, the country still suffers the embarrassing barge of inequality in the whole world.

According to the report by Taung Gold International Limited (2019) South Africa is the second ranking African countries that receive mining investment from China. The report further indicated that the Jinchuan Group had more significant investments, which ranged to US\$227 Million and the China-Africa development Fund of 45% stake in Wesiswe Platinum. Moreover, the development if Wesizwe's Frischgewagde mine was also assisted by Chinese investor to raise US\$650 Million (Taung Gold International Limited, 2019). In 2011, Taung Gold International Limited (2019) reported that China Investment Corporation (CIC) paid US\$243 Million for a 25% shareholding in Shanduka Group.

Torrens (2018) point out that Chinese investors intend to build metallurgical complex that will worth US\$ 10 Billion. Furthermore, it is alleged that the complex will be stainless steel plant, ferrochrome plant and silicomanganese plant. Nkunjana, (2019) state that the notable investment of Chinese companies to South Africa include Hisense manufacturing company that operates in South Africa, and FAW vehicle manufactures. However, South Africa has all good investment, but it is still failing to attract more foreign direct investment (FDI) from China.

Sandrey, (2013) stated that between 1997-2010, China was a South African modest source of Foreign Direct Investments when compared to United State of America, Germany and United Kingdom. Hisense companies has a strong base in South Africa and in a year period is able to produces 400 000 refrigerators and televisions, which is regarded as a second largest market in a country. Hisense company did not sole produce electronics, but created direct and indirect employment for 2700 local people of South Africa (Songtian, 2018).

No	Firms/Industries	Number of Firms/Industries
1	Electrical/electronic machinery	6
2	Consumer services	4
3	Mining	6
4	Finance & business services	6
5	Automobiles	4
6	Other machinery	3
7	Materials processing	5
8	Infrastructure & construction	11
9	Consumer goods	2
10	IT/media	0
11	Unknown	0
12	Total	47

**Table 4.11:** *Chinese investment in South Africa (Gelb, 2010)*

It is apparent from the table that Chinese investment has a representation of various sectors across South Africa. As the table shows, Infrastructure and construction is on the peak of the firms and industries. However, some of this Chinese infrastructure projects are meant to benefit China's development, just like the coal plant that is about to be developed at Makhado-Musina. What is interesting in this table is that electrical machinery, mining and financial service sectors has dominated its investment. South Africa has been a biggest consumer of Chinese products and most of Chinese electronic are sold in South Africa's local markets.

Moreover, Gelb (2010), Chinese mining industries in South Africa are the biggest contributors of Foreign Direct Investment. Data from this table can be compared to with the data in Table 4.2 which shows South African investment in China, from these two tables it is evident that Chinese invest more than South Africa does. In addition, China has many companies operating in South Africa. According to Gelb (2010), China's primary motives are to develop other country's exports and it has an issue of depending upon cheap labour.

#### **4.17. Africa's responses towards China-South Africa relations**

Wesserman, 2012 stated that African leaders voice their view that China focus on economic development without considering democracy to rationalize its authoritarian rule. Furthermore, Zeleza, (2008) Chinese culture is authoritarian by nature and corrupt and their workers are used to work in impoverished village under cheap disorderly surroundings. Many African state have faith in China as it is a best alternative political economic framework to the United State of America, which have been with Africa for than centuries (Zeleza, 2008)

African authors have noticed that the media of South Africa scarcely report negative news about China. Moreover, it is easy for South African media report negative coverage about other superpowers like the US and United Kingdom, yet China receive little negative coverage (Wesserman, 2012). This concludes that Chinese style of

cooperation in Africa is not just about developmental partners but is resemble exploitative colonialism and dictatorship (Wesserman, 2012).

#### **4.18 Conclusions**

In conclusion, this chapter discussed and analyzed various aspect of China South Africa bilateral relations, most significantly the issue of dumping and anti-dumping investigation of cheap product in South Africa. The chapter also discussed the trade imbalance in both nations and examine trade amid BRICS nations. Nevertheless, China pave vast of opportunities to South African government and the bilateral relation gives both nations the renewed hope that both can reduce poverty and emerge as global players. Since 1998, the bilateral relations between South Africa and China have seemly grown as both nations develop and grow s leaders in their respective continent. South Africa imports from China consist mostly of manufactured products while it exports goods such as raw materials and minerals.

## **CHAPTER 5: FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1. Introduction**

This chapter presents the research findings, conclusion and recommendations of the bilateral relations between South Africa and China of trade and industry. The findings will deepen the understanding of factors that lead to unshared or disparity relations between South Africa and China. In addition, findings will also give key factors that ensure the success of bilateral relations in trade and industry. This chapter identifies the effectiveness of the China-South Africa relations and lastly to contribute solutions on the matter of dumping of cheap products to South Africa and the process of anti-dumping investigations. The study has gone to some instance of highlighting the imperative of the vision and mission for South Africa and China relations. Lastly, this chapter will give recommendations for future studies on China and South Africa bilateral relations.

### **5.2. Findings**

This research extends our knowledge of dumping of cheap goods to South Africa by China and how it destroys the economy and the local business of South Africans. Moreover, South Africa and China have engaged in a decisive trade partnership and South Africa is even regarded as a leading trading partner of China on the African continent. The present study makes several noteworthy contributions to trade patterns of both nations that have developed vast loopholes and other scholars' defined China as an emerging neocolonial superpower in Africa as it has conquered all corners of Africa including South Africa.

Through the discussion, is indicated that China intends to invest more in South Africa and it has planned to plant a coal power stations at Musina, South Africa, which it is anticipated to benefit Chinese industrial parks. In regards to Chinese projects in South Africa, it is alleged that Chinese companies usually bring their workforce from China than hiring locals. Therefore, the findings of the study determined main factors that contribute to disparity of the relations.



### 5.2.1. Factors lead to unshared relations between China and South Africa

- As it was pointed out in the chapter 3 of this paper that the margin of the populations of China is far larger than the South African populations and GDP per annum. There are unstable trade arrangements between both nations. The study confirmed the assessment by Ramani, (2018) that the trade volume of South Africa have increased since 2010, especially when South Africa was invited to join BRIC group of emerging economies. The shape of exports and imports is instable and only one country benefits vastly, since South Africa exports mineral resources or unprocessed goods to China and therefore China will process them and export manufactured goods to South Africa with any expensive price. These findings enhance our understanding that South African local markets still continue to purchase illegal products and dumping goods.
- In regards to Chinese projects and the development of special economic zones such as the new coal plant that it is intended to be developed at Limpopo, South Africa. According to Torrens (2018) detailed that Chinese companies are capable of importing its own labour force than hiring South African locals. This factor can escalate unnecessary negative sentiments against China and people might even develop ideas of convening a protest against the government of South Africa. However, few of Chinese companies absorb South African labourers in their construction projects. Moreover, Hairong and Sautman, 2012, stated that the Chinese government export prison for labour purpose in African countries that it share its bilateral relations with and South Africa is no exception.

Majority of Chinese prison labourers are regularly associated with crimes such as smuggling of Rhino horns in South African game farms. France-Presse, 2018, reported that one Chinese man was found at Dutch airport currying five rhino horns in his luggage that worth the amount of US\$ 613 000 from South Africa. The Chinese are not a problem only in South Africa even in other part of Africa, for the reason that News24, 2015, a court of Tanzania arrested four Chinese men who were caught with 11 smuggling of 11 rhino horns.

- South Africa and China share an equal opportunity and exposure in terms of permitting big companies to operate in both countries. South Africa has companies that are situated in China yet Chinese companies are also operating at South Africa. Based on the finding of the study, most of Chinese companies that are operating in South Africa are manufacturing technical product or electronic and engineering and South African companies at China focus on various industries such as mining, hospitality, beverages and financial.

In 2018, the current President of People's Republic China (PRC) Xi Jinping intends to invest US\$ 14.7 Billion which will assist Cyril Ramaphosa's administration to kick start economic growth after a long lack of progress for decade (Winning, 2018). It seems like Chinese government focuses more on pampering loan investments to bail out South African government during the time of crisis than to develop project that will benefit local people or to invest on skills development project.

- The matter of allowing South African born Chinese to participate on the economic policy of Broad-Based Black Economic Empowerment (B-BBEE) has also raised controversial argument amid scholars and researchers. The B-BBEE policy was originated with the purpose to empower black people who were oppressed and disadvantaged by the apartheid regime. Yes, it is authentic that South African Chinese were also oppressed by apartheid; however, the issue of granting them a platform to partake in B-BBEE is problematic. Many Chinese migrant fake or do fraudulent documents to prove that they related to South African born Chinese, so that they can utilize the privileges of B-BBEE policy.

However, the B-BBEE policy has also been criticized by majority of South African politicians as they believe that it sole cater for those who are political connected to the ruling party. Some White dominated political organization believes that the B-BBEE policy is racist as it segregated white South African. For instance, former

President of the Democratic Alliance Mmusi Maimane (2019) addressed that the B-BBEE policy has failed to benefit most South African locals instead has disempowered many and has also failed to tackle the injustices of South Africa past apartheid. The B-BBEE policy also gives Chinese business in South Africa a challenge. Torrens (2018) states that in 2015 there was poor government communication and delays in the publishing of sector-specific codes cause confusion among investors. Chinese companies need to fully understand the importance of Broad-Based Black Economic Empowerment (B-BBEE) and what this means for a joint project.

- As was mentioned in the literature review chapter, China is constructing major developments in many African countries such as Kenya, Zambia, Angola, Rwanda, Democratic Republic of Congo (DRC), Zimbabwe and Egypt. However, China seems to have a good partnership with South Africa amongst all African states. Even though China-South Africa are leading partners, the study find out that China has done little development in South Africa than in other African state. China usually assists South Africa with loans and investment mostly when South Africa encounter financial crisis. Major projects that China is undertaking in South Africa are generally for Chinese benefit not South African citizens. This is evident in a case of China building infrastructure development such as roads, railway and smart cities in other African nations.

### **5.2.2. Key factors in ensuring the success of bilateral relations**

- In terms of investment and business, South African government should work in close form with private sectors most importantly South African innovative businesses. This can be done through the creation of a conducive business environment in order to attract Chinese investment. Lower tax incentives must be purposely introduced for Chinese companies by the South African government. Majority of Chinese who are having business at South African local market they have a problem of crime and looting, so it is upon South African government to

expand local and national security. According to the report by the embassy of China in South Africa (2019) Chinese in South Africa have been victims of crime, in between 2004 to 2014, 20 deaths of Chinese nationals were recorded. South Africa and China collaborated to strengthen their bilateral police department by allowing Chinese police force to assist South African Police Services (SAPS). Chinese police officers assist SAPS with cases that involve Chinese community.

### **5.2.3. Exports and Imports findings**

The study shows that China has been increasing and dominating the foreign market in terms of product exchange. China is also popular of exporting manufactured goods to South Africa. This might have indirect effect to South African manufactured export product. The more China exports manufactured goods, they are also a rapid growth in Chinese demand for mineral resources and this will contribute to rise terms of trade agreement. Moreover, South Africa local market and customers are incessantly benefiting from the Chinese dumped cheap product. Edwards and Jenkins (2014) state that Chinese manufactured goods may wipe away the market destinations of South African export.

### **5.2.4. Dumping and Antidumping**

The doings of Chinese companies dumping cheap goods to South Africa have been unethical and atrocious. Though, South Africa is not solely a victim of Chinese dumping goods only, even other countries like the United Kingdom, Russia, India and the United State of American finds it easy to use South African market as their dumping site. The Mexican and Brazilian government was also accused of dumping vast amount of chickens in South Africa. The dumping of chickens in South Africa affected the profit of South African local business. Nevertheless, China is the leading source of dumping cheap product in South Africa local market. These dumped goods affect trade patterns, stock exchange and investment between South Africa and China. In this regards, China is accused to be bridging a legal agreement of trade between both nations, thus investigations should undertake to the abolishing these doings.

In regard to trade and industry policy, the research has demonstrated that the trade policy speaks little about the matter of dumping. South Africa's government still needs to per much focus on mobilizing all trade and industry stakeholders to revisit and contribute in developing a meaningful policy document that will deter the act of dumping as well as protection of local industry. Moreover, trade and industry policy must work toward the sustainable development goal in the eradication of inequity, poverty and decisive creation of jobs.

#### **5.2.5. A planned vison for future purpose**

The People's Republic of China is the most powerful expanding player on the world stage especially in Africa and it will definitely shape the 21st century in very significant ways. South Africa is already playing a leading role in advancing Africa relation with China for more than a decade after diplomatic relations were established with Beijing in January 1998. These bilateral trade relations between South Africa and China include diverse forms and signed agreements, exchange visits, and scholarships.

In 2000 FOCAC was formed, it offers many opportunities and treats for Africa inclusion of South Africa. The People's Republic of China President Xi Jinping urged that South Africa and China bilateral relations main objectives for the future include various signed agreement of investment and trade, education, job creation, poverty alleviation and infrastructure development. China's interest towards South Africa continues to grow and it assist the government of South Africa to achieve its economic development goals. Moreover, Heffron, 2013, point out that Chinese interest will collaborate with South Africa to play a part in developing African diplomatic support, markets and resources.

### 5.3. Recommendations

#### 5.3.1. Recommendations which talk to the findings of the study

- There is, therefore, a definite need for South Africa's government to utilize this bilateral relations opportunity with China by demanding Chinese skill of processing mineral resource to manufactured goods. This will assist South African export rate of processed goods to grow, for the reason that the more the country export the higher it generate revenue. South African must acquire business skills from Chinese people.
- There number of important changes which need to be made. As a result, a key priority should therefore be a plan for the long term severe policies by the South African national assembly and judiciary. States must inflict totalitarian trading rules and strengthening security measures in South Africa's borders, so that the country does not welcome illegal and dumped products anymore and local industries/firms are well protected.
- Taken together, the study findings do not support strong recommendation to trade patterns of small traders. More In-depth understating of South Africa and China trade patterns and to explore the perceptive and experience of individual traders or trading companies of both nations.
- The research methodology of the study obstructed or limited the research not to gather more data. A similar study can be conducted with inclusive of sampling, interviews and conducting questionnaires.
- It has become a norm that South Africa's government politicians and business or company leaders frequently commit themselves to corruptions, fraud and money laundering acts. Therefore, this might also affect its bilateral and multilateral relationship with other countries.
- Moreover, more research should be made available to explore the effectiveness of shared multilateral relations between China, South Africa and other countries.

This will assist to deepen the understating of South Africa and China's role in the global society.

### **5.3.2. General recommendations for future research on related theme**

- Several questions remain unanswered at the present study; however for further research purpose the study should be strengthened to South Africa-China trade comparison and strategical learning and training of manufacturing services.
- Further research should be undertaken to assess South African leadership role on the border security measures or how local firms and industries can contribute toward the development of trade policy with aim of preventing dumping.
- Another possible area for future studies should develop linkage between local participant and a researcher, for instance the researcher must gather primary source information and address research problem of recent phenomenon between South Africa and China bilateral relations.
- A reasonable approach to tackle this issue of government corruption could be to examine how the government corruption of South African affects the bilateral relation between China and South Africa.

### **5.4. Conclusions**

Since the establishment of bilateral relations between South Africa and China in 1998, the trade flows of both economies are intensifying and have shown positive economic impact of both nations. China regard South Africa as the most prominent trading partner in Africa and bilateral trade of both economies makes up 20% of total trade on the continent. Through the BRICS, FOCAC, G20, G77 and World Trade Organization, South Africa has managed to work together with China. This study has managed to investigate and gain more understanding on the changing aspects of bilateral trade relations between South Africa.

China seems to be benefiting and extracting mineral resources from South Africa. This bilateral relation it is important to South African government even though they benefit less from trade. This bilateral relations it position South African government to be more recognized in the global society. In terms of trade patterns, the study discovered that the price of exchange rate between South Africa and China it also affect trade. Furthermore, the study noticed that the higher the trade volume between both nations, the higher the product of the market size.

China is also sharing its bigger developmental plan with South Africa, because it is committed to encourage more Chinese companies, tourist and investors to move with South African sustainable development and prosperity. China supports South Africa to play a leading and pioneering role in Africa, and become a locomotive to lead Africa's industrialization. This study also finds out that the issue of dumping cheap goods must be urgently addressed, so that it does not continue to collapse local markets of South Africa.



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# APPENDICES

## Ethics Approval Certificate

ETHICS APPROVAL CERTIFICATE

RESEARCH AND INNOVATION  
OFFICE OF THE DIRECTOR

NAME OF RESEARCHER/INVESTIGATOR:  
**Mr TT Sikhwari**

STUDENT NO:  
11630405

PROJECT TITLE: An investigation of the bilateral relations between South Africa and China: Trade and Industry agreements.

PROJECT NO: SHSS/19/DS/10/1202

SUPERVISORS/ CO-RESEARCHERS/ CO-INVESTIGATORS

NAME	INSTITUTION & DEPARTMENT	ROLE
Prof RR Molapo	University of Venda	Supervisor
Mr N Yende	University of Venda	Co - Supervisor
Mr TT Sikhwari	University of Venda	Investigator – Student

Type: Masters Research  
Risk Level: **Straightforward research without ethical problems**  
Approval Period: February 2020 – February 2022

The Research Ethics Social Sciences Committee (RESSC) hereby approves your project as indicated above.

**General Conditions**

While this ethics approval is subject to all declarations, undertakings and agreements incorporated and signed in the application form, please note the following:

- The project leader (principle investigator) must report in the prescribed format to the REC:
  - Annually (or as otherwise requested) on the progress of the project, and upon completion of the project
  - Within 48hrs in case of any adverse event (or any matter that interrupts sound ethical principles) during the course of the project.
  - Annually a number of projects may be randomly selected for an external audit.
- The approval applies strictly to the protocol as stipulated in the application form. Would any changes to the protocol be deemed necessary during the course of the project. The project leader must apply for approval of these changes at the REC. Would there be deviated from the project protocol without the necessary approval of such changes, the ethics approval is immediately and automatically forfeited.
- The date of approval indicates the first date that the project may be started. Would the project have to continue after the expiry date; a new application must be made to the REC and new approval received before or on the expiry date.
- In the interest of ethical responsibility, the RECs retains the right to:
  - Request access to any information or data at any time during the course or after completion of the project,
  - To ask further questions; Seek additional information; Require further modification or monitor the conduct of your research or the informed consent process.
  - Withdraw or postpone approval if:
  - Any unethical principles or practices of the project are revealed or suspected.
  - It becomes apparent that any relevant information was withheld from the REC or that information has been false or misrepresented.
  - The required annual report and reporting of adverse events was not done timely and accurately,
  - New institutional rules, national legislation or international conventions deem it necessary

ISSUED BY:  
UNIVERSITY OF VENDA, RESEARCH ETHICS COMMITTEE  
Date Considered: February 2020

Name of the RESSC Chairperson of the Committee: MASHAYI TAKALANI

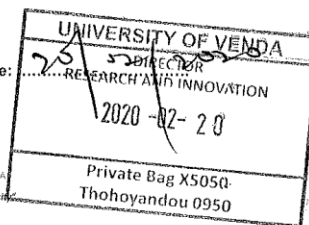
Signature: [Signature]

Date: 19.02.2020

Director Research and Innovation

Signature: [Signature]

Date: 20.02.20



## Research Timeline

Activity	Months	Year
Meeting the supervisor for research topic discussion	May – July	2018
Research Proposal	August- October	2018
Departmental Presentation for research proposal	October	2018
Literature review	November – December	2018
Approval of the research proposal by UHDC, Field visit and consultations	January – March	2019
Data collection commencement from various selected areas	May- July	2019
Data presentation, Analysis and discussion	August- September	2019
Findings, conclusion and recommendations	October- November	2019

## Research Budget

	<b>MOTIVATION</b>	<b>TOTAL</b>
Stipends	Stipends for 1 Research Assistants. R150 X 60 days	R9000
Travel expenses	2 return trips from Thohoyandou to Pretoria (Dirco Library and UP Library)	R21 000
Data Analysis and Binding	Independent Coder	R5000
Editing of proposal 1x20 pages	Spiral Binding R250 X7	R4500
Draft copies (6x150)	Hard Copies and CD R400 X 8	R4200
	<b>Total</b>	<b>R44 000</b>