SARPN

CHINA & SADC

ROUNDTABLE DISCUSSION

29 March 2006

Burgers Park Hotel Pretoria, South Africa

SARPN Southern African Regional Poverty Network

China's Growth: Implications for Poverty Reduction in the SADC Region

Report-Roundtable Seminar[1]

29 March 2006

Executive Summary

Some fifty representatives of the South African and regional governments, embassies, donors, business associations and research institutes attended this seminar. It was aimed at assessing those economic and poverty reduction implications and potentials in China's shifting engagements and new policies- particularly economic - for Africa, and in particular for the SADC region. SARPN adopted a 'broad cost benefit' approach in framing the seminar and three presentations, which asked; what are the likely benefits and threats to African economies in this new era, what role should Africa play in harnessing benefits for its now mandatory suite of pro- poor policies, and what should be done to mitigate any negative effects of China's economic expansion?

The seminar covered both higher and lower order, more downstream issues. Some of the macro themes queried the implications of China's current growth path globally, its motivations in Africa and the uniqueness of its 'non western developmental model'. They traced the implications of China's major internal drivers; its growing middle class with its associated consumption, the commodity supper cycle upholding resource prices globally, its predatory multi-nationals and the related ability to capture much in the global value chain and alter international competition, particularly in manufacturing. Questions were asked whether Africa's current developmental paths and socio-economic models for growth – embodied within the design and unfolding of NEPAD - were preparing it sufficiently to compete globally. Could these Chinese challenges to other countries be turned into opportunities?

China's economic influence on specific issues in trade and development in SADC were likely to be a function of the frailty in Southern Africa's socio-political dynamics, with the resilience and adaptability of many countries existing economic frameworks to these trends questioned. Various Chinese investments in the region were held as likely to alter existing attempts to create more 'developmental states'. The resultant need for much more reactive policy development in labour absorbing growth paths and regional industrial development strategies was raised, and the potentials for contrasting positive and negative outcomes for different countries in the region noted.

These themes were exemplified by a case study of China's engagement in extractive, resource based industries in the region. It was argued that its growing involvement in Mozambique's relatively large timber industry in Zambezia province was deliberately non compliant with well developed national Mozambican policies for growth and pro-poor development, and contrary to both those African and global conventions for sustainable development in the timber industry. The relationship, moreover, was held to have encouraged a corrupt collusion between senior party people, widely specified 'Asian' entrepreneurs and with industry officials, leading to- among other issues- preferential concession and contract allocations, large scale over exploitation of allowable off take, overpricing to cover 'costs of doing business', and data manipulation in statistics to mask some of these trends.

[1] Report prepared by Jeff Zingel

Developmental investment in downstream processing and related enterprises was held to be conspicuous in its absence. The case study raised a wide range of proactive actions held capable of restoring the industry to a leading sustainable and developmental 'sector' in the county, including donor action, inward investment in downstream processing via well developed joint ventures, internationally led monitoring and evaluation and constructive multilateral engagement with the governments of China and Mozambique.

Subsequent open floor discussions therefore then questioned the sustainability of small, open African economies to resource based development, recognizing that this was clearly a governance issue, with the onus on SADC governments to ensure that the returns-the 'resource rents'-from such Chinese (and other country) investment was more effectively managed in the interests of the countries pro-poor developmental paths, rather than to reward a narrow band of local (party) elites. Moreover, countries in the region were urged to more effectively build supply side led capacities in suitable and improved infrastructure, institutions and in skills in order to capture the benefits more economically (as is the case currently within South Africa's Accelerated and Shared Growth Initiative). Questions in this regard were also asked about Southern Africa's willingness and ability to catch the Chinese 'wave'.

Discussions on the growth and pro-poor impacts of Chinese dominance in manufacturing and exponential increases in exports to Southern Africa (fortified by the presence of many Fortune 500 companies in joint ventures) reflected on the additional impacts of World Trade Organization requirements to lower protective tariffs on SADC's labour intensive industries. Some predictions were for further large scale dislocation from the need for subsequent restructuring. Emotional appeals were made for raising tariff barriers locally to limit job losses, while the Chinese marketplaces in Johannesburg responsible for a large measure of the distribution of cheap imports essentially through the informal sector were said to be the likely target of violent aggression in future. Conversely cheaper imports from China and India were held to be capable of benefiting poorer people, but at the expense of other third country exporters, such as the case in Kenya and Uganda. The positive potentials for a virtuous cycle arising from regional trade expansion where local capabilities in financial and construction, for example, could engage in China reciprocally, were raised. China's desire to become responsible partner in addressing the negative consequences in these former investments were also highlighted.

China's demands for high volume and niche agricultural and fisheries products were also raised as a potential major benefit to the region's development, given low tariff barriers there and Africa's capabilities in labour intensive production. This potential includes Chinese investment directly into agriculture here, as is happening in Zimbabwe. However there are complexities regarding the present inability of agribusiness in this region to penetrate a diverse and competitive Chinese agriculture, exemplified by the example of Chinese strawberries imported into South Africa for jam production, in a situation where local agribusiness itself was having to go 'offshore'. African countries were again admonished for not catching the Chinese wave in this sector, speakers citing the obvious potentials for extensive prawn and shrimp exports from suitable developments on the ample coastline having now been missed by China's own recent investment in these markets.

In addressing global trends in China's growth path, the Australian case was cited as a real win-win situation, having moved from the cold war mood of suspicion and fear to one of many mutually beneficial investments and large local gains being realised. Extensive Chinese tourism, very strong Chinese enrolment in Australia's higher education system and a resulting enrichment of Australia's avowed multiculturalism has occurred. Many interests at the seminar were keen to assure everyone that this pattern was the ideal and likely outcome of present trends in this region.

In recognising the importance of China's growing investment in Africa's resources and markets, the seminar concluded that the balance of opportunities and possibilities in SADC countries existing and future relationships outweighed the negatives and the threats, despite the caveats of the case study material in Mozambique. This was strongly qualified by the need in SADC for a far stronger, responsible and more pro-active role from governments in managing the relationships, and changes in the way of doing business characterising many engagements to date. In certain sectors it may require a serious revisit of current policy development for local and regional growth. Future negotiations with China will need to be undertaken from a better informed platform and predicated on leveraging more 'structurally significant' benefits, with Chinese expansion better directed into well defined areas of national interest. The supply side capacity of countries needs to be strengthened, with better cooperation between countries in the region in these relationships, despite capacity problems. Conversely, there needs to be something more from the Chinese themselves. They should aim in their investments to more effectively create the necessary balance between 'extraction' and economic growth, with a primary objective of getting the mix between local growth, trade and poverty reduction correct in many sectors. The key to the future, embodied in the case study, is the progressive achievement of good governance at all levels of institutions.

1. Introduction and background

This summary is intended to capture the main themes arising, and those key issues for future consideration, which emerged from roundtable discussions on the topic in Pretoria on the 29th of March 2006. The seminar was attended by some 50 representatives of regional governments, embassies, donors, business associations, civil society organizations and various local and international universities and research institutes. Its main objectives were to constructively consider those economic and related social and poverty reduction implications and potentials of China's shifts in engagements with Africa as a whole, and with the SADC region in particular.

These have moved from its Cold War basis in Africa's pre and post independence era defined by sentiments of solidarity around liberation, and marked by friendship and exchanges, discrete aid and often highly symbolic investments in various infrastructures. The current focus on the continent has grown from the first China –Africa Co-operation Forum held in Beijing in 2000 to promote trade and investment, now the official forum for collective dialogue and multilateral cooperation, with an emphasis on achieving long term stability, equality and mutual benefit. This has been sharpened by Beijing's official January 2006 'China's Africa Policy', predicated on enhancing discrete areas of cooperation in the fields of politics, in economics, in education, science and culture and in peace and security.

Facilitating the economic development efforts of both China and Africa is being achieved through increasing trade, investment and financial and agricultural cooperation, while stepping up cooperation in most infrastructures and in resource development. Preferential cooperation in tourism, support for debt reduction and relief and an increase in untied economic assistance complement these initiatives.

1.1 Frameworks for analysis and discussion

The framework of analysis for three presentations and subsequent discussion was defined as a broad 'cost- benefit' approach. It aimed firstly, at distilling the prospects of this new era for African economies and assessing the concomitant benefits and threats, secondly at exploring what role Africa can play in harnessing and maximizing any benefits towards its now mandatory suite of pro-poor initiatives particularly and thirdly, to consider how to mitigate against any of the negative effects associated within China's economic expansion.

The main outcome intended was to deepen the understanding of how economic growth or expansion of one or more economies can have a bearing on the growth or lack thereof in other parts of the world - and thereby impact on poverty reduction.

The presentations were organised into three interlocking themes.

The first, by Martyn Davies (Director of the Centre for Chinese Studies at Stellenbosch University, South Africa) covered some very high order issues –including the wider impacts of China's current growth path globally and its motivations in Africa, while considering Africa's potentials to compete globally in terms of its present developmental paths and socio-economic models for growth (best embodied and idealized within the AU/Nepad/Regional Economic Community paradigm). It also covered the macro dimensions of China's internal drivers –its rapidly growing middle class, the commodity 'super cycle', its emerging multi-nationals, its ability to capture much in the global value chain and change the nature of international competition while negatively impacting on emerging market economies. Much of its record to date was ascribed to the design of its own unique 'non western development model', supporting its drive into what was described as 'new' practices in economic development, trade and investment etc. The key question underpinning this presentation was whether these challenges to other countries could be turned into opportunities?

Peter Draper (Research Fellow in Trade and Development at the South African Institute of International Affairs) presented a similar perspective, but more devolved to interpreting the economic dynamics of 'trade and development'. He framed the presentation by contrasting China's spectacular growth and poverty reduction and its expanding global footprint against Southern Africa's fringe status globally and its chronic socio-political problems. He questioned the resilience and adaptability of country economic frameworks in the region, also asking how would the economic changes best suit or negatively impact the trends in Southern Africa's attempts at constructing 'developmental states'? He noted the potentials for contrasting outcomes for different countries, while listing the positive and negative 'entries' of China's globalised growth path within a summative framework of 'a balanced scorecard?' His overall assessment of the scorecard is positive, with much depending on domestic governance capabilities in African countries.

These first two themes were contrasted and practically reinforced with a detailed case study of Chinese engagement in the rapidly expanding exploitation of the finite resources in Mozambique's timber industry in Zambezia Province. This is presented in some detail here, providing the basis for a fuller contextualisation –and a consideration of scale -of the many complexities inherent in the nature of the China -Africa relationship, particularly around resource bound industries.

Lourenco Du Vane (Director of ORAM, the Rural Association of Mutual Support in Mozambique) held that a broadly defined set of 'Asian interests' have colluded with national and local administrators and officials and business leadership in establishing concessions for the rapid and unsustainable logging - for direct export to China -of precious forest hardwoods. This engagement is interpreted as deliberately non compliant with Mozambique's national, and those African and global policies and developmental conventions established for the industry and Zambezia's resource dependent communities, still attempting to reconstruct livelihoods after the consequences of the civil war. Neither is this confined to Zambezia province, with similar or worse practices held to occur in Cabo Delgada, Nampula and Niassa.

The extractive nature of resource development in these investments- where numerous small and large concessionaire loggers financed with cheap Chinese credit simply 'cut and haul' timber for trans shipment- and subsequent processing for re-export from China- was thematically described as a 'Chinese takeaway'. The substantive criticism was the collusive nature of many enterprises and the failure to bring any associated investment into promoting the (re)distributional possibilities inherent in the planned development of a local beneficiation, thus providing for more suitable downstream growth, job creation and forms of poverty alleviation. Current practices were held to contravene and contradict the expressed aims in such economic development co-operation between China and Mozambique.

These perspectives have been developed against the background of the Government of Mozambique and donors commitment to a wide range of policies and programmes to support its main goals of sustainable economic development and poverty alleviation. The Action Plan for the Reduction of Absolute Poverty (PARPA), the National Agricultural Programme (PROAGRI) and policies for the forestry and wildlife sector formulated between 1992 and 2002 all set out the requirements for sustainable forest management and the development of forest industries for combating rural poverty. The government also signed the Yaounde Ministerial Declaration on African Forest Law Enforcement and Governance (AFLEG) in 2003, committing itself internationally to the fight against illegal logging and hunting, trade and corruption and to sound forest governance.

While volumes involved are small relative to other tropical producing countries, the impact on Mozambique's economy at present is comparatively large. Since 2000, when the situation was one of almost totally unlicensed operations, the sector has been witnessing a boom, with growth in numbers of industrial operators from 11 to 24 by 2004, in 'simple license loggers' from 27 to 144, in concession applications from 9 to a total 126, with 77 new companies established over the period. Clearly, a large number of new interests are getting into the industry. Increases in the total annual allowable cut/off take have doubled over 2003/04 (with simple license operators getting 28,655 m3 and industrial operators with concessions 20,865 of a total 49,340 20 m3). The area allocated to new concessionaires has been officially increased almost 400% to 1,449 million ha from 339,000 ha in 2001. Official estimates of total productive forest in Zambezia have been increased by 12% to 3,569,600 ha, with the annual allowable cut increased from 17,000 m3 to a remarkable 72,533 m3 /annum.

These trends preface a number of intricate issues raised in the case study: The first are distributional. It is held that the majority of 'simple licence' quota is not being allocated to existing industries to support local development but to new small operators –all Mozambican nationals but driven by Asian log buyers in the port of Quelimane who provide cheap credit to those who cannot afford it. Furthermore, the expansion of the larger licenses in the concession system is held to favour Asian interests, other foreign investors and local industrial operators, with some said to be fronts for members of the forest service itself.

The second set of interrelated issues concern both forest and economic governance. The cornerstones of sound forest management for long term local development are; a system for limiting the annual cut to levels sustainable in the long term, the allocation of forest concessions with sustainable management plans and the establishment of industrial capacity, all held in balance with forest productivity. In terms of the various Acts, an ideal sustainable management of the resource for economic development should see the National Directorate and Provincial Services for Forestry and Wildlife (SPFFB) establishing an accurate resource inventory, delimiting the permanent forest estate, delimiting the concessions and supervising operators. The latter should be approved by communities with benefit sharing agreements, and sound management plans that specify both harvesting and regeneration strategies. Processing and export of product should be similarly supervised.

The case study argues that there is a questionable inventory and annual allowable cut, no permanent forest estate delimited, nor any spatial control of logging. Collusion leads to the licensing of unqualified operators and unsustainable concessions. The results imply that communities are cheated out of their resources and benefits, too many operators and fictitious management plans lead to illegal harvesting and no post harvest treatment, with no downstream processing since most timber is exported as logs, all likely to lead to a paralysed industry.

Contradictory forestry statistics from different agencies are held to suggest illegal export through Quelimane port. For example, 2002 quota was set at 42,000 m3 while the SPFFB reported licensing only 33,2000 m3 and the export of only 28,400m3. However that year, 17 bulk carriers and 27 container ships loaded logs in the port, with authorities recording exports of 51,000m3. Inevitably, these anomalies reflect large losses to government revenues, and prices paid for logs by Asian buyers are said to be reduced to cover 'the cost of dong business'. It is said that the largest problem is in the continued export of logs. Year 2002 legislation passed by Parliament specified that the main commercial species be processed prior to export. This law was rescinded by the relevant Ministry under decree in 2002, and said to be the 'result of pressure from loggers and their Asian backers'.

The study cites macro trends in China's import of forest products, increasing over 8 years to 134 million m3 valued at $16 billion in 2005 from 40 million m3 valued at $6 billion in 1997. China's exports over the same period rose n value from $3,6billion to %17.2 billion

Moving from critical analysis to proactive recommendations for the survival of a sustainable industry, the case study proposes the following reforms: An immediate moratorium on log exports, a review of the ministerial decree permitting them, the suspension of logging by small operators and of further concession approvals, and an independent review of existing management plans. Others include the rights of communities to manage their own forests with operators forced into legal partnerships with them. They argue for those harvesting operations linked to industries to be allowed to continue. Operations not linked to permanent and quality jobs should be stopped, to create time and incentives to bring the sector under control. They also propose donor financed infrastructure schemes as compensation to minimize the impacts on the provisional economy during the proposed transition to sound governance.

Donors, consultants and Ngo interests are criticized as being reluctant to come forward with their perceptions of the sector's current performance. Those countries benefiting from cheaper wood product imports (predominantly America, Japan and the EU countries), are maintaining a deadly silence. Donors are held to pursue politically correct budget support mechanisms and impose loose performance targets on the government, loosing touch with reality. Final recommendations are for a more constructive engagement with China to promote the country's own economic development instead of 'just China's', to ensure governance while cracking down on corruption and enforcing regulations for best practice. International Ngo's should provide independent Forest Monitoring and support local Ngo's. Donors are exhorted to put pressure on the government to fulfill policy commitments and to provide more appropriate financial and technical support while promoting constructive multilateral engagement with China and the Mozambican government.

2. Common and contrasting issues arising from the presentations and discussions

The predominant issues covered throughout the seminar were the three major implications for smaller countries which arise from one of China's main drivers, the growth in consumer demand of China's growing middle class (at a rate of some 10,5 million people per year). These themes are the country's demand for commodities, its impacts on the global manufacturing value chain, and its demand for food and agricultural products.

Sub Saharan Africa's comparative advantage remains it's relative endowment with natural resources and there is increasing Chinese exploration and extraction of oil, strategic metals and minerals and other commodities such as hardwood timber. A 'flotilla' of state run corporations have been sent out in search of exploration and supply contracts in investment environments. Over 25 % of its oil imports are now from the Sudan and the Gulf of Guinea (and more recently Angola). China is also investing heavily and profitably as a partner in hydro- electric plants, pipelines and major roads in support of extraction, going where western firms are deterred by sanctions or political instability, and often held to be bypassing internationally determined codes for technical and social best practice (such as in large dam construction) and in corporate governance. Almost 700 companies were operating in 49 African countries by 2004.

The first presentation queried whether Africa is a continent which shuns, rather than embraces foreign competition, and how effectively are its institutions poised to capture the benefits of this investment. The second presentation assessed the current and future investment in Southern Africa in the 'minerals- agriculture nexus' as a 'positive entry' (while China's boom continues), providing a positive effect on terms of trade via the better commodity prices offered, and capable of assisting with debt management while underpinning fragile balance of payments positions.

At issue in the discussions however, was the durability or sustainability of these trends in resource development, (and in the case of some, the propensity of China's state led corporations to bypass global industry standards) and how would the returns to countries (the resource rent's) be managed? Would not the 'African house' that is being built via resource extraction subsequently have no floor, literally? What then?

The perspective emerging was that there was a clear g*overnance issue involved*, with the onus being on African and SADC governments to more effectively manage returns from these investments in the interests of the respective country, rather than to collude – as held in the Zambezia case study- with the more limited returns only promoting a narrow band of elites. Implicitly, NEPAD's role and functions become crucial, and the British Foreign Secetary's perspective may resonate here. He has noted elsewhere that what matters to the west is not the fact of China's engagement in Africa, but that such engagement should support the agenda which the African Union have set for this continent: support for democratic and accountable governance, for transparent business processes, for economic growth and effective poverty reduction, for human rights and the rule of law.

Can the benefits of increased tax and other revenues from primary product development be used to fund pro-poor initiatives? Clearly this is a potential. It was also held incumbent on SADC countries to more effectively build supply side led capacities in suitable and improved infrastructure, institutions (and in food exports covered below), to capture the benefits of the associated resource development more economically and cost effectively. This matter is partly exemplified by the related omissions highlighted in the Mozambique case study, and also given recognition in South Africa's Accelerated and Shared Growth Initiative- ASGISA. An interesting aside was that the business practices of the French in the Economic Community of West African States (ECOWAS) were held to differ little from those purported to the Chinese, raising the issue of how different is the Chinese wave from any other forms of 'neo-colonialism'. South Africa's economic and commercial expansion into African countries itself raised similar questions.

Discussion also covered whether African countries were really serious about catching the positive benefits of the wave. Relatedly, issues of xenophobia, and in South Africa's case, a reinvention of the old notion of 'rooi gevaar' into one of the 'red peril', were raised. Any sensitivities around this matter were held capable of potentially retarding the achievement of the benefits in the region associated with China's competitive and aggressive expansion, all things being equal.

Secondly, China's ability to capture and dominate a large part of the value chain in manufacturing generally- and its associated ability to re-export globally- was held to be predicated on good and pragmatic policies for its stage of growth (including pegging its currency), good state management and support, strong vision and a sound work ethic, also evidenced in its own radical forms of labour intensity. However, it was emphasized that this is not a wholly owned China Inc phenomena-a large part of manufacturing has been spurred by Fortune 500 companies entering into joint ventures there. Within some 10 years or so, 50% of all manufacturing is likely to be located in China, with half of the Fortune 500 present. Nor is all demand internal, much being spurred by high consumption in the US and Europe.

The most profound (and well known) impact of this centralisation on the SADC region has been that of cheap manufactured imports displacing domestic production in certain sectors such as textiles, and with the inherent potential to reduce exports to southern countries' 'third markets' (largely in the north). By the end of 2004 China's share of textile exports to South Africa had grown from 40% to 80%, local industries thus suffering from the competition of cheap Chinese products and resulting in large job losses following closure of some industries. With the end of the Multi Fibre Agreement in January 2005, increased Chinese exports to the USA have meant many African exporters can no longer compete. In SADC, Lesotho have suffered the worst with over 10,000 job losses.

The second presentation raised higher order issues regarding the impacts on locally planned labour absorbing growth paths, and on regional industrial development trajectories. Is Southern Africa being condemned to primary product exporter status, and where will future employment growth come from? (In 1993 advanced manufactures accounted for 50% of total SA goods exported to China, with resource and intermediate products the balance. By 2003 the ratio was 8% for manufactures and 92 % for resources). World Trade Organisation (WTO) negotiations towards a free trade agenda imply severe pressure on South African protective tariffs for its labour intensive industries, with large scale 'dislocation' predicted in subsequent restructuring.

It also raised the matter of cheap imports benefiting poorer consumers locally as well. This positive entry is clearly dependent on what types of goods are predominantly imported. (Tanzania, Ghana and Uganda have been cited as cases where the real incomes of the poor may have increased since they import a high proportion of basic consumer goods from China and India, and this growth is at the expense of other exporters rather than domestic producers). The potentials for a virtuous economic cycle arising from support for regional trade expansion and deepening economic ties, if it enhances the supply of the regions own services into China's growth (in financial services, construction, etc.), was also strongly posited.

The 'negative entries' above were queried in discussions, and emotional suggestions were made regarding raising tariff barriers, (a restriction on Chinese imports and a minimum requirement on locally made goods in the shops?) thus limiting job losses. The Chinese marketplaces in Johannesburg which distribute cheap manufactures cycled largely through the informal sector were viewed as a likely target of violent aggression in the near future. This emphasises both the ambivalence in the situation as well as the seriousness of the matter for job creation and poverty reduction.

Further discussion emphasized that the approach of the Chinese government to any of the 'dislocations' covered above- including that of the unsustainability and impacts of a pegged currency- embodied a desire to be seen as a 'mature and responsible' partner in addressing these problems and challenges. Others noted the potential for South Africa's gains in achieving democracy (and its role in the continent in this regard), as being a good basis for influencing China's democratic evolution along with its recent economic performance, starting from home.

The third major challenge in the growing relationship was held to be in unlocking the potentials for a competitive, labour intensive local agriculture (and fishery), exporting into large China markets- given the rapid uptake of agricultural land for urban development there. Tariff barriers to entry are low and despite the fact that China is investing heavily in genetically modified food technologies with the potential to reduce import needs, rising Chinese incomes imply opportunity for the SADC region to increase attention into selected products in a labour intensive agriculture, and to continue with its suite of land reform initiatives with this potential in mind. One view is that given 'regional incapacities', Southern Africa's potential in food exports should be enhanced by supporting Chinese investment into the region to secure particular food supplies. Again, there is a large role for a responsible government here if this is to be realised effectively.

Discussion on the potentials of the topic were both positive and negative: On the one hand African agriculture can take advantage of this 'wave' in areas of production requiring labour intensity where they can excel. On the other hand, many recent attempts to find market niches for export of agricultural products from this region were held to be retarded by a very diverse and competitive Chinese agriculture, and with their strawberries being imported into local South African jam production, for example. Agri- business here is also going 'off shore'. Others noted how Southern Africa –with its abundant coastline- has failed to capitalize on the Chinese demand for prawns and shrimp, raising the question again of how serious have really are in 'catching the wave?'

2.1. Some general issues in the evolving relationship

The Australasian experience of its long relationship with China helped cast light on the heat in this seminar. From a long history of post World War Two trepidation and fear of economic and numerical dominance by 'Asians' on their continent, they warmly remarked that after twenty years of consistent engagement up to the present, all of their then concerns have long been forgotten. The relationship today, economically, culturally and socially was held to an open one, benefiting hugely from reciprocal relations in trade, investment and aid, with the volumes overall larger than those between Africa and China, and this in a country of only 18 million people. Some 70,000 post matric scholars from China study there annually, and the economic impacts of Chinese tourism were marked as 'massive'. Responsible engagements between governments and the consistent building of institutions and ties in many sectors have contributed to this fruition.

3. Summary and Conclusion. The Scorecard

In summary, the seminar clearly highlighted China's growing interest in Africa and its rapidly increasing investments in both resources and markets in the SADC region. Despite the finely tuned caveats in the sophisticated case study material, the predominant concluding perspectives emerging were predominantly that the opportunities and the possibilities in SADC's existing and future relationships with China far outweigh the threats.

This scenario was necessarily qualified. The summative perspective was that SADC required a far stronger, responsible and more pro-active role and management from both governments and the private sector and changes in the way of doing business that have characterised much of engagements to date. The emphasis was that this must be 'done well'. In certain sectors, it may also require a serious revisit of much of the models underpinning current policy development for local and regional growth, and there are encouraging signs that this is occurring. It was concluded that negotiations with China will in future need to be undertaken from a stronger, better informed platform and predicated on leveraging more 'structurally significant' benefits from both the positive and negative implications which are likely to occur within and across many sectors. Chinese expansion will therefore need to be better directed into well defined areas of national and regional interest. This will clearly require a strengthening of the supply side capacity of governments in the region and greater cooperation between countries in future relationships, despite capacity problems.

Conversely, the seminar concluded that there clearly needs to be something more coming from the Chinese themselves. The balance of opinion was that they should aim in their investments to more effectively create the necessary balance between 'extraction' and economic growth, with a primary objective of getting the mix between local growth, trade and poverty reduction correct across many sectors. The key to the future of the relationship was embodied in the case study, and defined as the progressive achievement of good governance at all levels of institutions, and not necessarily governments alone

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