

# How SA's trade relations with China are strengthening

By [Virusha Subban](#)

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Trade between China and South Africa is set to grow further after several announcements on trade were made at the Brics summit, held in South Africa in August 2023. At the summit, the countries agreed to narrow the trade deficit by increasing access to Chinese markets for South African products.



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In this regard, China has recently begun importing South African beef after a block on the product (due to foot and mouth disease) was lifted. The two countries also agreed to allow avocados to be exported from South Africa to China. China also announced at the summit that it would donate energy equipment worth around R167m (\$8.97m) and a grant valued at around R500m (\$26.9m) to South Africa to assist with its energy crisis, although no deadlines were given.

## 20 deals

In August, the countries jointly announced that Chinese companies had signed 20 deals to buy products worth around R41bn (\$2.2bn) from major South African companies. The Minister of Trade, Industry and Competition in South Africa, Ebrahim Patel, said at the signing ceremony that the deals would assist South Africa in creating jobs and growing the economy. It was also noted at the signing that two-way trade between China and South Africa amounted to \$47bn in 2022 and that both countries were committed to strengthening the relationship.

China Minister of Commerce Wang Wentao noted at the summit that there was a prospect of even greater growth in trade, not only with South Africa but with other African countries

Across Africa, China is increasingly importing agricultural products and manufacturing goods on the continent, in addition to its strong focus on oil, critical minerals and metals. African imports from China mainly focus on manufactured goods such as electronics, clothing, appliances and technology.

Recent data from the Chinese Ministry revealed that over the last two decades, China's trade with Africa as a whole has risen 20-fold, showing that China is one of Africa's biggest bilateral trading partners. To balance the trade gap, China pledged in 2021 to import \$300bn of African products by 2025. The country has also increased the number of products that can be exported to China tariff-free.

## Economist report

A recent report by Economist Corporate Network, supported by Baker McKenzie and Silk Road Associates, *BRI Beyond 2020* (Economist report), showed how these strengthening trade links are, in part, a result of favourable financial incentives offered to African jurisdictions by China. According to the Economist report, 33 of the poorest jurisdictions in Africa export 97% of their exports to China with no tariffs or customs duties.

This report noted that bilateral trade was still heavily centred on China's import of Africa's natural resources. However, in recent years, China has increased its imports of manufacturing products from more diversified economies, such as South Africa. At an official session of the Joint Economic and Trade Committee held at the 2023 BRICS summit, Minister Patel said the aim was for South Africa to export more manufactured and value-added products to China.



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## AfCFTA report

A Baker McKenzie report with Oxford Economics, *AfCFTA: A Three Trillion Dollar Opportunity* (AfCFTA report), revealed that over three-quarters of African exports to the rest of the world were still heavily focused on natural resources, but that on the import side, manufactured goods accounted for more than half the total volume of imports into African jurisdictions. Africa's most important suppliers of manufactured goods were listed as Europe (35%) China (16%) and the rest of Asia, including India (14%).

The Economist report pointed out that political and policy commitments between China and Africa have strengthened and expanded in scope in recent years. Since its launch in 2000, the Forum on China-Africa Trade Cooperation (FOCAC) has focused on forming closer relationships between China and Africa. At FOCAC's last conference, held at the end of 2021, China announced that it would move away from state-backed projects in Africa, partly due to the impact of Covid-19. Instead, the focus would be on increasing reciprocal China-Africa trade, incentivising private firm investments from China into Africa and strengthening cooperation between the two regions.

At China's Foreign Ministry Spokesperson Wang Wenbin's regular press conference in August 2023 it was noted that Chinese companies were growing in confidence in the African market, with 3000 Chinese enterprises, of which more than 70% are private, currently invested in Africa. It was also noted that the progress of the African Continental Free Trade Area (AfCFTA) meant that Chinese investors would find more opportunities to invest in the African market. Successful pan-African trade under AfCFTA will connect the region's wealthier and poorer nations, promote the growth of value chains and lay the foundations for increased international trade in the process.

## Sustainable development

As Africa reduces its overdependence on natural resources and increases its manufacturing capacity, it must also ensure it develops other industries in a sustainable way.

To this end, the Economist report outlined how China and Africa have agreed to work together on improving Africa's capacity for green, low-carbon, and sustainable development, and to roll out more than 50 projects on clean energy, wildlife protection, environment-friendly agriculture, and low-carbon development.

The trade in sustainable goods and services is also expected to reap benefits for the African continent in future years. A joint statement issued by the two countries in August 2023 acknowledged "the need to defend, promote and strengthen the multilateral response to Climate Change and undertake to work together for a successful outcome of the 28th Conference of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC COP28) in the United Arab Emirates in December 2023."

## ABOUT THE AUTHOR

Virusha Subban, Partner Specialising in Customs & Trade, and Head of Tax, Baker McKenzie Johannesburg

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