

The new resource politics: can Australia and South Africa accommodate China?

MARK BEESON, MILLS SOKO AND WANG YONG*

China's remarkable economic development over the past few decades has rightly attracted much attention—and no little admiration.¹ Millions of people have been lifted out of poverty at a historically unprecedented pace. In some ways China's industrialization and social transformation mirror earlier experiences in Europe and North America; but the Chinese experience is set apart both by the rapidity of this transformation and even more by its sheer scale. As a result, the impact of its industrialization is not being felt in China alone: across the world, countries are having to adjust to the competitive impact and corporate practices of Chinese companies, and China's seemingly insatiable demand for energy and raw materials.² The underlying material transformation of the Chinese economy is forcing a concomitant process of political adjustment, and not just in China. Whether other states like it or not—and plainly, some do not—they are being forced to accommodate the 'rise of China' and the threats and opportunities that this overworked expression implies.

Even for the world's only remaining superpower, the adjustment process is proving difficult.³ But if accommodating China is proving a challenge for the United States, how much greater is the challenge for so-called 'middle powers' that lack the capacity to 'push back' and must adjust to both the economic and the political impact of closer ties with China? Whether it any longer makes sense to describe China as a 'communist' country is a moot point,⁴ but there is no doubt that for many countries dealing with China presents greater challenges, and greater potential for misunderstandings, than with other countries. This is nowhere more evident than in China's ties with Australia, a country that remains an integral part of a regional security architecture with the effect, if not the clear intention, of countering China's strategic potential. But Australia is a country that must now

* The authors of this research acknowledge the support of the EU FP7 large-scale integrated research project GR:EEN—Global re-ordering: evolution through European networks (European Commission Project No. 266809).

¹ M. Jacques, *When China rules the world: the rise of the Middle Kingdom and the end of the western world* (London: Allen Lane, 2009).

² M. T. Klare, *Rising powers, shrinking planet: the new geopolitics of energy* (New York: Metropolitan Books, 2008).

³ R. J. Art, 'The United States and the rise of China: implications for the long haul', *Political Science Quarterly* 125: 3, 2010, pp. 359–91; G. J. Ikenberry, 'The rise of China and the future of the West: can the liberal system survive?', *Foreign Affairs* 87: 1, 2008, pp. 23–37.

⁴ R. McGregor, *The Party: the secret world of China's communist rulers* (New York: HarperCollins, 2010).

come to terms with China, because the latter has become a central component both in Australia's national economic development and in the political discourse that seeks to rationalize the new diplomatic realities. South Africa is in a similar position, even if in this case the strategic dimension is less immediate.

The purpose of this article is, therefore, twofold. At one level it presents a comparative analysis of China's impact on two countries which have little in common other than a wealth of natural resources and a possible status as middle powers. This in itself is a particularly useful exercise, because much of the analysis of China's resource diplomacy has focused on similarly positioned countries in Africa or Latin America,⁵ rather than on states that are geographically distant from one another and have very different political structures and general developmental histories. The other novel aspect of the following discussion is to consider how China's bilateral ties look from a Chinese perspective in the context of two very different relationships. For all the sometimes alarmist talk about neo-colonialism and the impenetrability of state capitalism, such an analysis reminds us that resource dependency is a two-way street. Indeed, when the political importance of maintaining the development process in China is given due weight, the attitude of its policy-makers towards pivotal trade partners becomes more comprehensible. The following discussion illustrates how underlying material realities are constraining and to some extent determining the domestic and foreign policies of three very different states that otherwise have little in common.

Resource diplomacy: the Chinese perspective

The unprecedented pace and scale of China's rise have had a major impact on international energy and resource production. It is important to remember how recent this phenomenon has been: only in 1993 did China change from a net exporter of oil into an importer. Significantly, this long-term transformation created precisely the same sorts of concerns about vulnerability to external suppliers as it had in Japan 20 years earlier. The distinctively East Asian preoccupation with a form of 'comprehensive security' that includes economic security has developed in China, where it feeds into wider concerns about economic and social stability.⁶ Many outside observers are concerned that China will also replicate the sort of 'neo-mercantilist' strategies that Japan adopted during its own high-growth phase,⁷ a possibility that is reinforced by the prominence of 'state capitalism' in a number of rising powers.⁸

⁵ See e.g. I. Taylor, 'China's oil diplomacy in Africa', *International Affairs* 82: 5, Sept. 2006, pp. 937–59; D. Zha, 'China's energy security', *Survival* 48: 1, 2006, pp. 179–90; S. Zhao, 'China's global search for energy security: cooperation and competition in Asia-Pacific', *Journal of Contemporary China* 17: 55, 2008, pp. 207–27; D. Zweig and B. Jianhai, 'China's global hunt for energy', *Foreign Affairs* 84: 5, 2005, pp. 25–38.

⁶ China's major energy planner, the State Reform and Development Commission (SRDC), warned in 2009 that China's ratio of imported petroleum dependence had passed the 50 per cent mark, and that China's energy environment had changed from a status of relative security to one of relative insecurity.

⁷ M. Beeson, *Regionalism and globalization in East Asia: politics, security and economic development* (Basingstoke: Palgrave, 2007).

⁸ I. Bremmer, 'The return of state capitalism', *Survival* 50: 3, 2008, pp. 55–64.

Before we consider the implications of China's evolving foreign policy, however, it is important to understand why its government is so exercised about resource security and so nervous about relying on market forces. Projections about China's future energy demands are frankly alarming for a regime that relies heavily on 'performance legitimacy' to underpin its authority.⁹ Overall, it is estimated that China alone will consume 20 per cent of the world's energy by 2035—a sobering prospect, given the potentially zero-sum nature of energy competition.¹⁰ According to varying Chinese forecasts, the ratio of dependence on imported petroleum will reach between 60 and 65 per cent by 2020.¹¹ The US Department of Energy projects an even worse scenario, suggesting that the ratio could climb to nearly 80 per cent by 2020, even higher than the projected US dependence rate (70 per cent by 2020).¹² Since China's eighth five-year plan (1991–5) petroleum consumption has increased by 4.9 per cent per year, while over the same period domestic production has increased by only 1.7 per cent per year.¹³ The same story can be told in respect of other critical resources: according to the China Mining Industries Association, by 2020 19 of the 45 main minerals needed in China will be in short supply.¹⁴ Unsurprisingly, then, energy and resource security are now pivotal factors in China's foreign policy.

China's evolving global strategy

Resource security has become so important to China as to be reshaping its entire approach to foreign policy. In order to secure access to overseas resources, the government has relaxed restrictions on investment abroad and implemented incentives to Chinese companies operating overseas as part of its 'Going Global' strategy.¹⁵ Entities such as China National Petroleum Company (CNPC) and other 'national champions' are encouraged to gain direct access to overseas resources through exploration and investment, drawing on China's rapidly expanding pool of foreign exchange reserves. Thus CNPC has established a presence in Central Asia, Africa (especially in Sudan and Angola), Russia and elsewhere in order to boost the supply of oil and gain control over its extraction and use in the hope

⁹ Y. Zheng and L. F. Lye, 'Political legitimacy in reform China: between economic performance and democratization', in L. White, ed., *Legitimacy: ambiguities of political success or failure in East and Southeast Asia* (Hackensack, NJ: World Scientific, 2005), pp. 183–214.

¹⁰ S. Pfeifer, 'China to use 20 per cent of global energy by 2035', *Financial Times*, 9 Nov. 2010.

¹¹ Wang Xiaozong, 'Experts say oil export capacity of China reached its peak by 2016', *Zhongguo jingji zhoukan* [China Economic Weekly], 25 Jan. 2010, <http://news.sohu.com/20100126/n269821686.shtml>, accessed 21 July 2011.

¹² Wang Xiaozong, 'Experts say oil export capacity of China reached its peak by 2016'.

¹³ 'China's oil resources: petroleum demand and security', *China Industry and Economics News*, 10 July 2002; Wang Xiaozong, 'Experts say oil export capacity of China reached its peak by 2016'.

¹⁴ The list comprises ten minerals in 'shortage' (oil, uranium, iron, manganese, bauxite, tin, lead, nickel, antimony and gold) and nine in 'serious shortage' (chromium, copper, zinc, cobalt, platinum group element [PGE], gill, potassium, boron and diamond). See Zhongguo Kuangye Wang [China Mining Network], 'Woguo jiu zhong kuangchan ziyuan yanzhong duanque, jinkou yilai chengdu zhunian zengjia' [China's nine mineral resources are in serious shortage, and the dependence on imports has increased year by year], <http://www.chinamining.com.cn/news/listnews.asp?classid=154&siteid=134667>, accessed 21 July 2011.

¹⁵ Zhang Juanjuan, 'Guanyuan guli qiye zouchuqu' [Officials encourage enterprises to go global], *Zhongguo jingji zhoukan*, 13 Sept. 2009, <http://www.zgjzk.cn/html/Article/20099130839463.html>, accessed 21 July 2011.

of placing downward pressure on international oil prices.¹⁶ Revealingly, China's efforts to secure oil supplies include building a strategic oil reserve system, a project begun in 2006 and based on the experiences of the US and Japan, as a buffer against market disruptions.¹⁷

Although the oil sector is the most volatile and strategically sensitive part of the natural resource economy, a similar logic is at work in other resource sectors. Chinese importers are worried about the potential for price manipulation that flows from the concentration of ownership in the resource trade, in which three major iron ore suppliers, Rio Tinto, BHP Billiton and CVRD (Companhia Vale do Rio Doce), dominate supply to China. As China's principal importer, the China Steel and Iron Association has attempted to use its own market power to counteract the suppliers' virtual monopoly position, but weak coordination capacity on the Chinese side has seen negotiations collapse and commodity prices continue to rise. China's limited domestic reserves and consequent 70 per cent dependence on imports mean that Chinese firms have little option other than to accept the inflated prices imposed by the big suppliers. As a result, greater attention has been given to resource security in the increasingly outspoken Chinese media,¹⁸ heaping further pressure on the government. Particular concern has been expressed about the increasing dependence on imported coking coal, with Chinese market analysts highlighting the monopolization of the trade and demanding action to overcome what are depicted as unfair monopoly pricing practices by foreign companies.¹⁹

In the context of China's attempts to diversify the sources of energy and raw materials, its immediate neighbours are seen as especially important.²⁰ Summit diplomacy has been used as a means of consolidating 'strategic partnerships' with resource-rich countries such as Russia and the states of Central Asia, as well as more distant countries such as Saudi Arabia and Nigeria. The strategically important oil pipeline linking Russia's Siberia to north-east China, which started to pump crude oil to China in late 2010, is a good example of the new foreign policy's

¹⁶ US expert Erica Downs discussed the Chinese energy companies in Africa, and pointed out that the influence of China in gaining control over oil resources there is limited. See Erica S. Downs, 'China security: the fact and fiction of Sino-African energy relations', *China Security* 3: 3, Summer 2007, pp. 42–68.

¹⁷ China plans to have the equivalent of 90 days' imported oil in reserve by 2020. On China's strategic oil reserve, see Wang Xiaozong, 'Jiemi zhongguo zhanlue shiyou chubei' [Decipher Chinese strategic oil reserves], *Zhongguo jingji zhouban*, 21 Jan. 2011, http://news.xinhuanet.com/2011-01/21/c_121006711.htm, accessed 21 July 2011.

¹⁸ The Chinese media have focused on issues related to secure supply of energy, such as competition between China and Japan for the construction of the Siberian oil pipeline or bottlenecks in transportation of Middle Eastern oil via the narrow Malacca Strait. On the other hand, the publication of certain works by western authors, such as Michael T. Klare's *Resource wars: the new landscape of global conflict* (New York: Owl Books, 2002), Frederick William Engdahl's *A century of war: Anglo-American oil politics and the new world order* (London: Pluto Press, 2004), and the dissemination of notions of conspiracy, have according to some observers rung alarm bells in China. See Zhao Peng, 'Zhuajin goujian guojia ziyuan anquan zhanlue tixi' [Speed up building national strategic system of resource security], *Xinhuanet*, 14 April 2005, http://news.xinhuanet.com/newscenter/2005-04/14/content_2829651.htm, accessed 25 July 2011.

¹⁹ Yang Ye, 'Jingti jiaomei cheng xiayige tiekuangshi' [Vigilance on coke into the next 'iron ore'], *Jingji cankao bao* [Economic Information Daily], 15 Feb. 2011, http://news.xinhuanet.com/fortune/2011-02/15/c_121077444.htm, accessed 25 July 2011.

²⁰ See You Ji, 'Dealing with the Malacca dilemma: China's effort to protect its energy supply', *Strategic Analysis* 31: 3, May 2007, pp. 467–89.

effectiveness. These diplomatic initiatives run alongside a major effort to engage key economic partners through regional forums with Africa, the Caribbean and the South Pacific, and through the exercise of China's influential role in the Shanghai Cooperation Organization. Developing countries in particular are targeted by China because they hope to gain from Chinese aid and investment and are therefore generally receptive to the approach, and because there are generally fewer political obstacles for China to overcome.

By contrast, the investment climate in developed economies is often more complex and less welcoming. The US Congress's refusal to allow the state-owned China National Offshore Oil Corporation (CNOOC) to take over the US-based UNOCAL in 2005 on the pretext of safeguarding national security provided the proverbial wake-up call for Chinese policy-makers, highlighting the sensitivity in many western countries about China's form of state capitalism. When the Aluminum Corporation of China Ltd (Chinalco), another state-owned company, was similarly prevented from investing in Australia-based iron ore supplier Rio Tinto in 2009, it was clear that China's outward economic expansion was going to have to overcome formidable political hurdles if it was to play a role in China's resource security policy. Significantly, Chinese commentary on these events has generally been negative: it has been suggested that China should adopt a more nationalistic attitude and monitor inward foreign direct investment in the same way.²¹

Although China's evolving strategy has generated alarm and unfavourable comment in the West, it is important to recognize that, from a Chinese perspective, it is not very different from the policies of the US, Japan or South Korea. The Chinese government extends a variety of incentives and means of support to the companies 'going global', and China's rapidly growing foreign exchange reserves allow state-owned financial institutions to underwrite overseas investment and expansion, but the foreign aid it disburses, with its potential role in securing resource contracts, is still quite limited in size compared to the amount of foreign assistance given by the US and some other developed countries.²² Despite the claims made about the distinctiveness of China's investment strategies, they have been largely market-driven. Indeed, Chinese commentators emphasize that intense competition has developed among the companies owned by the central government, the localities and private investors, and that this competition also exists among Chinese companies seeking resources abroad. The idea of a 'China Inc.' controlling and coordinating the activities of China-based companies

²¹ A series of failed mergers and acquisitions by Chinese firms overseas led some experts to call for stricter screening of foreign investment in China. See 'Zhongguo qiye haiwai shoucuo, zhuanjia jianyi shencha waiqi zaihua bingou' [Chinese enterprises frustrated overseas, experts suggest screening M&A cases of foreign enterprises in China], IT.Sohu.com, <http://it.sohu.com/20110228/n279557088.shtml>, accessed 25 July 2011.

²² According to China's newly released foreign aid White Paper, between 1950 and 2009 'China had provided a total of 256.29 billion yuan (39.62 billion US dollars, based on the current US dollar-yuan exchange rate of 1:6.4665) in aid to foreign countries, including 106.2 billion yuan in grants, 76.54 billion yuan in interest-free loans and 73.55 billion yuan in concessional loans': see Information Office of the State Council, The People's Republic of China, 'China's foreign aid', April 2011, http://www.scio.gov.cn/zxbd/wz/201104/t896900_2.htm, accessed 30 July 2011. By contrast, in 2009 the US government allocated total economic and military assistance of US\$47.7 billion: http://en.wikipedia.org/wiki/United_States_foreign_aid, accessed 30 July 2011.

overseas misconceives the nature of the relationship between the companies and the Chinese state.²³

The companies involved in China's 'Going Global' strategy have a variety of owners, including central and provincial governments as well as a diverse range of private interests, and these firms compete with one another in bidding for overseas projects, development rights and construction contracts. For example, over 100 different firms are competing to invest in iron ore mines in Australia, and competition between the three biggest state-owned petroleum companies—CNPC, Sinopec and CNOOC—often inflates bids for exploration and drilling contracts.²⁴ Since the global financial crisis, Chinese companies have increased resource investments overseas, but competition among the three big petroleum firms has pushed up costs; the price paid for Brazil's Repsol oil assets, for example, was driven much higher by inter-firm competition. Likewise, in 2009 Sinopec was thought to have paid over the odds for the oil and gas assets owned by the Swiss oil company Addax.²⁵ Similarly, the intense competition between the China Import-Export Bank and the State Development Bank to finance projects in Africa has not only driven up the prices paid by Chinese interests, but also attracted much negative commentary in the Chinese media.²⁶ The reality is that China's economic expansion and restructuring are affecting both the policy process itself and the domestic interests that are competing to influence it. China is far from the monolith depicted in popular external commentary.

China's policy towards Australia and South Africa

From a Chinese perspective, overcoming negative perceptions and the concerns raised by its rapid economic rise and outward expansion is a major priority. In this context, Australia and South Africa are not simply strategically important resource-rich countries; they provide an important testing ground for the efficacy of China's foreign policies towards states in very different economic and political circumstances.

As far as China's policy-makers and investing companies are concerned, there is a clear contrast between Australia and South Africa and their respective attitudes to China's resource investment. The perception in China is that the South African

²³ In recent years, many commentators have warned of 'vicious competition' among Chinese state-owned enterprises in overseas bidding. For example, one report on the acquisition of a single iron ore mine in Pilbara, Western Australia, stated that competition between large state-owned enterprises including Wuhan Steel, Anshan Steel, Baosan Steel and China Steel drove prices up by a third. See Deng Yao, 'Yangqi haiwai binggou pingxian exing jzheng, xianghu tajia ziwa qiangjiao' [National SOEs viciously compete in overseas M&A, boosting the bid to be mutually destroyed], *21 shiji jingji baodao* [21st Century Economic News], 10 May 2011, <http://www.21fd.cn/a/fengmianbaodao/2011/0510/26199.html>, accessed 25 July 2011.

²⁴ Xi Min and Lu Fuming, 'Juedi fanji, zhongguo gangqi kaituo zizhu kuangshan bantu' [Strike back: China's steel firms explore the self-reliance mining landscape], *Jingji cankao bao* [Economic Information Daily], 7 June 2010, http://jjckb.xinhuanet.com/2010-06/07/content_224716.htm, accessed 27 July 2011.

²⁵ The actual figure was US\$7.24 billion. See Li Wei-Na, 'Sinopec targets upstream in high price', *Caijing*, no. 22, 25 Oct. 2010.

²⁶ See e.g. Wang Liying and Zhou Jun: 'Shui gai zuo zouchuqu de zhulijun?' [Who should be the main force going global?], *Caikuai xinbao* [Financial and Accounting News], 1 Nov. 2010, <http://opinion.hexun.com/2010-11-01/125361830.html>; Deng Yao, [National SOEs viciously compete in overseas M&A].

government sees Chinese investment more as a development opportunity than as a security threat. Indeed, Chinese policy-makers see Africa generally as an exceptionally promising and receptive investment area now that, the Cold War being over, ideological tensions have diminished and there is a perception that Africa has been abandoned by the West. Moreover, Chinese investment is not encumbered with the widely resented demands for reform that are associated with 'western' political and economic engagement in the region.²⁷ China sees its investment in energy and raw materials in developing countries such as South Africa as integral to developing local infrastructure and speeding up economic development. The much discussed 'African renaissance' is, many Chinese believe, partly a consequence of its investment and developmental strategies.²⁸

The challenges presented by engagement with Australia are of a very different nature, and have proved more difficult for Chinese officials and investors. Australia does not have the same basic need for investment and this necessarily influences the overall context of the relationship. Chinese policy-makers are well aware of the politically sensitive nature of Chinese investment in Australia, and the widespread concerns there about the long-term strategic consequences of foreign control of economic resources. There is great sensitivity in both China and Australia about managing the relationship between two such very different countries that are nevertheless inexorably drawn together by their joint material interests. Chinese political and economic elites are aware that concerns about their political system, the role of state-owned enterprises and state capitalism more generally mean that the relationship is easily politicized in Australia, especially at times of crisis. The desire of Australia's former prime minister and now foreign minister, Kevin Rudd, to 'stand up to' China was especially disappointing given all the hopes that were invested in Australia's first Mandarin-speaking, China-savvy leader.²⁹ To understand why relations with Australia remain problematic despite the potential benefits of Rudd's leadership and an increasingly sophisticated appreciation of the relationship on the Chinese side, it is important to see that relationship from an Australian perspective.

Australia's relationship with China

Few countries illustrate the diplomatic complexities that flow from China's rise more than Australia. China's growing economic and strategic importance are exercising an increasing influence on Australia's domestic and foreign policies. It

²⁷ P. R. Carmody and F. Y. Owusu, 'Competing hegemon? Chinese versus American geo-economic strategies in Africa', *Political Geography* 26: 5, 2007, pp. 504–24.

²⁸ Liu Jianfei, 'Wushi huhui: zhongguo tuidong xin nannan hezuo' [To be pragmatic and mutually beneficial: China pushes forward new modes of South–South cooperation], *Zhongguo jingying bao* [China Business News], <http://finance.sina.com.cn/g/20061104/03413048965.shtml>, accessed 25 July 2011. African leaders have praised the Chinese contribution in improving Africa's infrastructure and countering the global financial crisis: see Yin Liang, 'Zhongguo wei feizhou jingji fuxing tigongle qiangda de dongli' [China provides a strong force for African economic renaissance], *CRI International News* online, <http://gb.cri.cn/27824/2011/05/07/222583240341.htm>, accessed 4 Aug. 2011.

²⁹ See Daniel Flitton, 'Rudd the butt of WikiLeaks exposé', *Sydney Morning Herald*, 6 Dec. 2010, <http://www.smh.com.au/technology/security/rudd-the-butt-of-wikileaks-expos-20101205-18lf2.html>, accessed 25 July 2011.

cannot be overstated just how novel and challenging this is: for most of Australia's short history as an independent state, China has been a remote and/or threatening presence on the geopolitical horizon. Australia's overriding strategic imperative since the Second World War has been to shore up its relationship with the US—a reality that accounts for Australia's unwillingness even to recognize the People's Republic of China following the communist takeover in 1949.³⁰ While Australia's sense of vulnerability and the febrile atmosphere of the Cold War may go some way to explaining Australian foreign policy half a century ago, one of the most striking features of its contemporary position is that a similar sort of calculus continues to underpin its policy today. What complicates matters now, of course, is that China is far more important to Australia economically than it was formerly, making it impossible to ignore and rendering the calculation of Australia's 'national interest' more complex. The recent claim by Western Australia's Premier Colin Barnett that the state's relations with China were becoming more important than its relations with Canberra may have been made primarily for its impact on domestic politics, but is nevertheless an indication of just how important ties with China have become.³¹

There is, however, one aspect of Australia's relationship with China that is not unprecedented and from which its policy-makers might have been expected to learn. Australia's immense reserves of natural resources have meant that throughout its short modern history, economic development has been profoundly shaped by external demand for commodities. For example, large-scale immigration during the nineteenth century—including from China—was spurred by an early gold rush. More recently, in the late 1960s and early 1970s, there was the first of a series of 'resource booms', triggered by the rapid industrialization of Japan in particular and East Asia more generally. Asian industrialization and Australia's vast mineral wealth together have led many to see a natural complementarity between resource-rich Australia and the 'Asian tigers', an idea that has been reflected in domestic public policy debates.³² Indeed, discussions about the potential pitfalls of extensive foreign ownership, deindustrialization and the likely negative impact of resource development on the agricultural sector were being rehearsed 40 years ago.³³ What makes such debates more potent now is the fact that in recent years the resource sector has become an even more important part of Australia's overall economic profile, especially in respect of exports. The other complicating factor is that it is 'communist China' rather than the US or even Japan that is the principal economic partner driving policy responses, and this is heightening fears about the impact of foreign ownership of Australian assets.³⁴

³⁰ Christopher Waters, 'War, decolonization, and postwar security', in D. Goldsworthy, ed., *Facing north: a century of Australian engagement with Asia* (Melbourne: Melbourne University Press, 2001), p. 127.

³¹ Andrew Burrell, 'Western Australia shuns Canberra, eyes China', *The Australian*, 28 May 2011.

³² Most influentially in Ross Garnaut, *Australia and the northeast ascendancy* (Canberra: Australian Government Printing Service, 1990).

³³ See R. H. Gregory, 'Some implications of the growth of the mineral sector', *Australian Journal of Agricultural Economics* 20: 2, 1976, pp. 70–91.

³⁴ J. Massola, 'Chinese miner's land buyout passed national interest test, says Bill Shorten', *The Australian*, 29 June 2011.

A number of general points may be made to elucidate the current dilemmas confronting Australian policy-makers. First, while the resource sector is by far the largest contributor to Australia's exports, it employs less than 3 per cent of the workforce. Indeed, despite its prominence in Australia's export profile, where the resource sector accounts for over 50 per cent of export income, mining in particular accounts for little more than 5 per cent of gross domestic product.³⁵ Despite this relatively modest contribution to national wealth creation and employment, the resource sector generally is exercising a disproportionate influence over public policy debates and making the construction of broadly-based public policy increasingly complex as a consequence. Most immediately, the resource sector is driving a divisive debate about supposed 'skills shortages' in Australia and the sort of immigration policy that ought to be adopted as a consequence.³⁶ Indeed, Australia has recently seen something of a return to practices of an earlier era, with cheap Chinese labour being brought in on short-term contracts to plug gaps in the workforce.³⁷ At one level this is simply an expression of sectional interest and the resource sector's historic failure to train adequate numbers of employees. At another level, however, labour shortages highlight both the difficulty of shifting labour from one section of the domestic economy to another and the impact of the breakneck pace of development that is occurring in the resource sector—itsself increasingly a consequence of China's seemingly insatiable energy and resource demands.

It is important to spell out just how significant demand from China actually is, as this issue is looming large in domestic political debate. China is now both Australia's largest trade partner and—even more strikingly, perhaps—one of the largest sources of politically sensitive foreign direct investment. China's share of Australian exports has grown from 6 per cent in 1990 to 30 per cent in 2009—driven primarily by demand for coal and iron ore, which grew by 39 per cent in 2009 alone. Important as these material indicators of increased engagement are, however, even they do not capture the full impact of the growing ties between the two countries. According to the Melbourne Institute's *Asialink Index*, which provides a measure of regional engagement that includes a broader range of factors such as tourism, education links, migration and humanitarian assistance, engagement with China has increased by a factor of 16 in the period from 1990 to 2010.³⁸ In other words, relations with China are both increasingly important and experienced in a number of domains.

Resource politics

While the underlying structure and drivers of the growing ties between Australia and China may be easy to identify, their implications are not. True, the principal sources of Chinese demand are construction and manufacturing, as in the earlier

³⁵ E. Connolly and C. Lewis, 'Structural change in the Australian economy', *RBA Bulletin*, Sept. 2010, p. 19.

³⁶ S.-J. Tasker and K. Jiminez, 'Skills crisis risks \$150bn worth of projects', *The Australian*, 8 Dec. 2010.

³⁷ A. Fraser, 'Chinese to fly in for mining jobs', *The Australian*, 14 Dec. 2010.

³⁸ Melbourne Institute, *PwC Melbourne Institute Asialink Index* (Melbourne, 2010).

Japanese-inspired resource booms, but the consequences look likely to be rather different. There are both domestic and international aspects of the relationship with China that are distinctive and merit spelling out.

China's impact on Australia's domestic politics has been manifest primarily in the debate over the taxation and ownership of the resource sector. The principal consequence of China's growing material importance to Australia has been to increase the power of the mining sector. The mining lobby in Australia has always been influential; what sets the current generation of mining companies apart is their willingness to intervene directly in the domestic political process.³⁹ The most glaring example of this tendency occurred in the last federal election, when the mining companies lobbied furiously against the Australian Labor Party (ALP) government of (then) Prime Minister Kevin Rudd. The Rudd government's proposal to introduce a new resource tax outraged the mining companies and caused them to launch a massive, lavishly funded publicity campaign denigrating the government's position. Public support for the government in general and Kevin Rudd in particular declined dramatically in the face of the mining sector's relentless and skilfully executed campaign. In the face of increasingly dire public opinion polls, the ALP dumped Rudd in favour of the supposedly more voter-friendly Julia Gillard.

At one level, the fact that the mining sector's increasing political power in Australia is underpinned by the growing trade with China is entirely incidental. It is, after all, simply the perceived importance of the mining sector itself, not its trading partners, that gives it political leverage. At another level, however, the fact that it is China rather than, say, Japan that occupies this pivotal position added another complication to the task of a government that many thought would be particularly well placed to manage ties with China—Rudd being, as noted above, the western world's first Mandarin-speaking leader. In the event, however, Rudd was vulnerable to criticisms of being too close to China, and his attempts to use his supposedly superior insight into Chinese culture backfired at times.⁴⁰ More fundamentally, perceptions about the operations and underlying logic of China's growing numbers of overseas companies have tested the Australian government's policy settings and ability to deal even-handedly with what is often seen as a neo-mercantilist power.⁴¹

The potential difficulties confronting the Australian government (and the Chinese government, for that matter) can be seen clearly in Chinalco's aborted efforts to take over the British–Australian mining giant Rio Tinto. As a result of the global financial crisis, a concomitant downturn in commodity prices and an A\$40 billion debt from its own acquisition of Canada's Alcan, Rio Tinto was suddenly vulnerable to a hostile takeover bid. When its potential arch-rival BHP Billiton attempted to launch such a takeover, Rio Tinto was forced into a desperate search for new investment to service its debts at a time when international capital

³⁹ G. Pearse, 'Quarry vision: coal, climate change and the end of the resources boom', *Quarterly Essay*, vol. 33, 2009, pp. 31–122.

⁴⁰ M. Wines, 'Uneasy engagement', *New York Times*, 3 June 2009.

⁴¹ P. Dorling, 'Labor's secret curb on China', *The Age*, 3 March 2011.

markets were effectively frozen. It was in this environment that Rio Tinto invited Chinalco, a state-controlled investment and holding company, to invest nearly \$A20 billion.⁴²

As far as Chinalco and Chinese policy-makers were concerned, this, its largest offshore investment thus far, would have given it a presence on Rio Tinto's board and forestalled the possibility of Rio Tinto and BHP Billiton cooperating to control the price and supply of key resources. From the outset, however, Rio's shareholders were divided, and the Australian government was increasingly nervous about the possibility of Chinese interests manipulating iron ore prices to favour Chinese steelmakers.⁴³ Fortunately for the Australian government, it did not have to actually reject Chinalco's investment on national interest grounds, though it appeared willing to do so. The revival of international financial markets and a surprise proposal by BHP Billiton to develop iron ore assets in Western Australia jointly with Rio Tinto meant that the latter was no longer dependent on Chinalco to effectively bail it out.⁴⁴

The subsequent trial in China in 2010 of Rio Tinto executive Stern Hu on corruption charges was seen by some as revenge for Chinalco's failed investment.⁴⁵ Whatever the truth of such claims, the trial revealed the corrupt, opaque nature of a resource trade where demand from small steel mills in China without state patronage frequently outstripped supply. For many commentators, the imprisoning of Hu was a sobering reminder of the dangers of dealing with a country that subscribed to different standards of governance and where the state was more directly involved in economic activity.

Power politics

The challenges posed by China's rise in more traditional power politics have proved even more acute. China's growing importance as a trade partner has not transformed Australia's strategic orientation. On the contrary, in the most recent defence White Paper, produced during Rudd's period as prime minister, China was specifically named as a potential strategic threat to Australia—revealing major differences of opinion between military hawks and intelligence doves about the implications of China's rise. Significantly, Rudd himself, the avowed China expert, sided with the hawks. It has since become clear—again, thanks to Wikileaks—that Rudd's entire strategy of 'Asian engagement' was based on a desire to 'contain' China.⁴⁶

The centrepiece of Rudd's strategy for managing China's regional rise was his 'Asia Pacific Community' (APC) initiative. Although it was pitched as a mechanism for furthering regional cooperation and institution-building, it has subsequently become apparent that it was primarily envisaged by Rudd as a mechanism

⁴² P. Waldmeir and W. MacNamara, 'Rio Tinto case highlights risks in China', *Financial Times*, 5 April 2010.

⁴³ C. Yeates and J. Garnaut, 'Brakes put on Chinese investment', *The Age*, 25 Sept. 2009.

⁴⁴ Thanks to WikiLeaks, we now know that BHP lobbied the Australian government to block the deal and that this played an important part in preventing its going ahead.

⁴⁵ P. Bowring, 'China gets tougher', *New York Times*, 3 April 2010.

⁴⁶ P. Dorling, 'Scathing attacks on Rudd revealed in US diplomatic cables', *The Age*, 8 Dec. 2010.

for containing Chinese influence, about which Rudd describes himself as a ‘brutal realist’.⁴⁷ Despite the fact that the APC itself has failed to gain traction, its underlying rationale and—crucially—its membership have coalesced in a revitalized East Asian Summit (EAS). The key point here is that the US—Australia’s principal strategic ally—is a fully engaged member of the EAS. For some observers this is a triumph of Australian *realpolitik* and a crucial hedge against China’s growing power.⁴⁸

In the domestic Australian context, therefore, relations with China are an increasingly important measure of foreign and domestic policy competence. How to respond to the threats and opportunities presented by China has become the key policy question of the era. Significantly, even members of Australia’s strategic establishment have now begun to argue that Australia may need to rethink entirely the way in which it has previously viewed the region, and come to terms with the idea that US interests and Australian interests may not coincide in quite the way they once did. As Hugh White puts it, ‘the alliance will only survive for as long as the US role in Asia serves our interests, and that is something we can no longer take for granted’.⁴⁹ After all, when the US itself recognizes the constraints that arise from relying on China to fund its deficits and strategic ambitions, how much more likely is it that Australia will find itself having to adjust to Chinese ascendancy in its near north? Whether Australian policy-makers can reconcile traditional strategic orientations with new material realities is the key question facing them. It is a similarly portentous question for South Africa, albeit for rather different reasons.

South Africa’s relationship with China

Political and economic cooperation

Since the establishment in 1998 of formal diplomatic links between South Africa and China, the relationship between the two countries has grown rapidly to become one of the closest between an African country and the emerging global superpower. At the core of the relationship has been a mutual desire to strengthen diplomatic and political ties as a platform for deepening economic engagement. The framework for political cooperation was set out in the Pretoria Declaration, which was signed by former Chinese president Jiang Zemin and his counterpart, former president Thabo Mbeki, during Jiang’s state visit to South Africa in April 2000. The declaration pledged the two countries’ commitment to a ‘spirit of partnership and constructive dialogue’, while also stressing the ‘moral imperative for developing countries to strengthen capacity for cooperation and mutual support in the international system’.⁵⁰

⁴⁷ P. Maley, ‘Kevin Rudd’s plan to contain Beijing’, *The Australian*, 5 Dec. 2010.

⁴⁸ G. Sheridan, ‘The realist we need in foreign affairs’, *The Australian*, 9 Dec. 2009.

⁴⁹ H. White, ‘Power shift: Australia’s future between Washington and Beijing’, *Quarterly Essay*, vol. 39, 2010, p. 53.

⁵⁰ Garth le Pere and Garth Shelton, *China, Africa and South Africa: South–South cooperation in a global era* (Midrand: Institute for Global Dialogue, 2007), p. 165.

These sentiments were subsequently echoed in the decision in 2004 to forge a Partnership for Growth and Development with the aim of building a more equitable bilateral relationship; in the adoption in 2006 of the Programme of Cooperation on Deepening the Strategic Partnership; and in the signing in 2010 by presidents Jacob Zuma and Hu Jintao of the Beijing Declaration, which committed both countries to 'establishing a Comprehensive Strategic Partnership based on equality, mutual benefit and common development'.⁵¹

The importance attached by both countries to the burgeoning relationship is underscored by the frequency of high-level visits undertaken by political leaders since the formalization of diplomatic ties. Apart from Jiang's trip in 2000, other Chinese leaders who have visited South Africa on official business over the past few years include current premier Wen Jiabao (2006), (then) vice-president Hu Jintao (1999) and current vice-president Xi Jinping (2010). South African leaders have likewise visited China: ex-president Nelson Mandela (1999), former president Thabo Mbeki (2001) and current president Jacob Zuma (2010). Institutional support for these diplomatic interactions has been provided by a binational commission set up in 2001, which meets frequently to steer and coordinate state-to-state relations between the two countries.

Growing economic cooperation has undergirded these strong diplomatic ties. In recent years, trade between South Africa and China has grown appreciably. Two-way trade grew from a modest US\$14 million in 1991 to US\$800 million in 1998 (when formal diplomatic relations began), rising to US\$2 billion in 2002 and to US\$11.2 billion in 2007. In 2009 China became South Africa's single largest trading partner, with bilateral trade totalling US\$16.3 billion.⁵² South Africa has become China's biggest trading partner in Africa, representing about 25 per cent of overall China–Africa trade.⁵³

Buoyant trade has been complemented by steadily increasing investment. China has designated South Africa as a 'preferred country' on the 'preferred continent' for Chinese investment—indeed, as 'the only country on the African continent that has a manufacturing and service base that is anything near the scale required to engage the Chinese market'.⁵⁴ Chinese companies have invested in a range of sectors in South Africa, including mining, textiles, electronics, agriculture, communications, transportation and banking. By 2006, Chinese firms had ploughed into South Africa investments worth more than US\$180 million, while South African companies had invested in over 200 projects in China valued at US\$330 million.⁵⁵ China's initially low levels of investment in South Africa rose dramatically with the acquisition in 2007 by the Industrial and Commercial Bank of China (ICBC) of a 20 per cent stake (worth US\$5.6 billion) in Standard Bank,

⁵¹ Department of International Relations and Cooperation, *Beijing declaration on the establishment of a comprehensive strategic partnership between the Republic of South Africa and the People's Republic of China* (Pretoria: Government Printer, 2010), p. 1.

⁵² Chris Alden, 'South Africa and China: forging Africa's strategic partnership', *China Brief* 8: 13, June 2008, p. 1.

⁵³ Lloyd Gedye, 'China's boom swells the coffers of African economies', *Mail and Guardian*, 6 May 2011.

⁵⁴ Richard Bowker, 'Dancing with the dragon: economic relations between South Africa and China', *TradeInvest SouthAfrica*, 25 July 2008, p. 1.

⁵⁵ Le Pere and Shelton, *China, Africa and South Africa*, p. 171.

South Africa's largest bank.⁵⁶ The ICBC–Standard Bank deal represents the single largest Chinese investment in Africa to date. Recent Chinese investments include the purchase by the Jinchuan Group and China–Africa Development Fund of a 50 per cent stake in Samancor Chrome for US\$230 million, and the injection in 2010 by Chinese firm First Auto Works of US\$100 million into the transport sector.⁵⁷ During an official visit to China by the South African deputy president, Kgalema Motlanthe, in September 2011 the Chinese agreed to plough US\$2.5 billion worth of additional investments into South Africa.⁵⁸ South Africa now accounts for a quarter of all Chinese foreign direct investment in Africa. Even so, it is worth noting that, notwithstanding the appeal of South Africa as an investment destination, Chinese investment in South Africa remains smaller than South African investment in China. This is mainly because South Africa has a more complicated socio-economic structure than other African countries—typified by, among other things, powerful trade unions and a huge industrial base—that has impeded the growth of Chinese interests in the country.⁵⁹

Resource diplomacy versus domestic politics

Although South Africa is not the only African country that boasts natural resources that China needs, it is a vital focal point of Beijing's resource diplomacy. South Africa boasts 33 per cent of the world's reserves of chromium, 77 per cent of manganese reserves and 88 per cent of platinum reserves. The preponderance of these metals, and the absence of alternative supplies, makes South Africa strategically important to China.⁶⁰ China's resource diplomacy has accordingly focused primarily on securing access to South Africa's abundant mineral resources. Already, over 70 per cent of South Africa's exports to China is made up of base metals and mineral products, including iron ore, aluminium, nickel, manganese, copper, zirconium, vanadium oxides, chromium ores, granite, platinum and gold. In return, South Africa imports from China mainly textiles and clothing, footwear, plastic products, electrical appliances and, increasingly, higher-value-added products such as motor vehicles.⁶¹

However, this 'neo-colonial' pattern of trade between South Africa and China—with the former chiefly exporting raw materials and importing finished products—has been a source of contention in South African domestic politics. At the political level, it was initially highlighted in 2006 by former president Mbeki, who—to the chagrin of the Chinese government—warned that if Africa merely exported raw materials to China and imported Chinese manufactured goods, the continent could be 'condemned to underdevelopment', which would amount to 'a

⁵⁶ Sharon Davis, 'China's involvement in South Africa: romance or rape?', *Wits Business School Journal* 1: 24, 2011, p. 46; see also Alden, 'South Africa and China', p. 3.

⁵⁷ Gedye, 'China's boom'.

⁵⁸ Michael Martina, 'China set to invest \$2.5bn in SA,' *Business Day*, 30 Sept. 2011.

⁵⁹ Christina Alves, 'South Africa–China relations: getting beyond the crossroads?', *Sunday Independent*, 29 Aug. 2010.

⁶⁰ Davis, 'China's involvement', p. 46.

⁶¹ Alden, 'South Africa and China', p. 3.

replication' of Africa's historical relationship with its erstwhile colonial powers.⁶² More recently, it has been raised by the country's current deputy president, Kgalema Motlanthe,⁶³ and featured as the subject of a strident political speech by the leader of the ruling party's youth wing, Julius Malema, who observed: 'People use us to get into Africa, take mineral resources raw as they are and leave South Africa, or Africa. The Chinese are number one in doing that.'⁶⁴

The unbalanced trade profile between the two countries has acted as a lightning rod for a variety of concerns that South Africans have about China. Not only has it heightened anxieties about South Africa's ballooning trade deficit with China (which stood at US\$2.7 billion in 2009), it has been blamed by labour unions for the dislocation of the local textile sector, which has buckled under a deluge of low-cost Chinese imports—triggering fears of 'de-industrialization' of the South African economy and appeals for government protection.⁶⁵ South African policy-makers have also voiced worries that the pattern of trade is not favourable to rapid creation of jobs in low-skill manufacturing, proposed as an antidote to South Africa's high unemployment rate.⁶⁶

The South African business community has questioned South Africa's decision to grant China market-economy status, making it very difficult for local firms to prove that the Chinese government gives its companies an unfair advantage.⁶⁷ Moreover, China's economic expansion into Africa has been seen as a threat by South African companies that have lost market share in South Africa's 'near abroad'.⁶⁸ A case in point is Zimbabwe, traditionally South Africa's largest African trade partner and a 'captive market' for South African firms. Stealing a march on South African companies, Chinese enterprises have consolidated their grip on Zimbabwe as part of Beijing's Africa strategy, snapping up sizeable stakes in sectors including mining, agriculture, property, construction, infrastructure and communications. China has also extended various loans to Zimbabwe, the most recent being a US\$700 million facility unveiled in March 2011 to enable the country to revitalize its health, mining and agriculture sectors.⁶⁹

For their part, South African civil society organizations have voiced uneasiness over the influence of growing economic relations with China on South Africa's foreign policy. This intensification of economic ties has coincided with a shift in South Africa's foreign policy away from its central focus on Europe and North America. This shift became particularly clear when South Africa assumed a non-permanent seat on the United Nations Security Council in 2006 and took policy positions—on contentious issues like Zimbabwe, Darfur and Myanmar—

⁶² BBC News online, 'Mbeki warns on China–Africa ties', 14 Dec. 2006, <http://news.bbc.co.uk/1/hi/business/6178897.stm>, accessed 20 July 2011.

⁶³ Norbert Dörr and David Fine, 'South Africa in the spotlight: an interview with Deputy President Kgalema Motlanthe', *McKinsey Quarterly*, May 2010.

⁶⁴ South African Press Association correspondent, 'Malema launches attack on BRICS', *Business Report*, 9 April 2011.

⁶⁵ Claire Bisseker, 'Shanghaied by quota plan', *Financial Mail*, 17 Aug. 2007.

⁶⁶ Phil Alves, 'More sour than sweet in SA–China trade relations', *Sunday Times*, 29 June 2006.

⁶⁷ Le Pere and Shelton, *China, Africa and South Africa*, p. 175.

⁶⁸ Alden, 'South Africa and China', p. 2.

⁶⁹ Dumisani Muleya, 'China tightens hold on Harare', *Business Day*, 24 March 2011.

that were not dissimilar to those of China. The South African government was also fiercely criticized by social activists and opposition parties for its decision in 2009 to deny the Dalai Lama a visa to attend a peace conference that same year, with government officials proclaiming that granting a visa would be ‘not in our interests’.⁷⁰ Another political furore was sparked by a lengthy delay by the South African government to grant the Dalai Lama a visa to participate in the 80th birthday celebrations of the South African anti-apartheid leader and fellow Nobel Peace Prize winner Archbishop Emeritus Desmond Tutu in October 2011, forcing the Tibetan spiritual leader to cancel his planned trip to South Africa.⁷¹ These developments have reinforced a belief that South Africa will do anything to appease China, even at the expense of the moral ethos that has guided the country’s foreign policy since it became a democracy in 1994.

To show sensitivity to concerns about the surge of Chinese textile goods into the South African market, the Chinese government agreed in June 2006 to unilaterally impose quotas—effective until December 2008—on 100 categories of its clothing exports to the South African market in order to give local producers time to modernize and streamline their operations. Regarding concerns about the unbalanced trade structure between the two countries, the Chinese agreed to the inclusion of a provision in the ‘Beijing Declaration’ that encourages Chinese investment in South Africa and greater market access in China for South African value-added products in return for allowing China long-term access to South African mineral resources. As the declaration states, the two countries have pledged to work together to ‘improve through a concerted effort, the current structure of trade between the two countries, in particular, by working towards a more balanced trade profile and encouraging trade in manufactured value-added products’.⁷² It also notes that ‘China, in this spirit, will encourage its enterprises to increase investment in South Africa’s manufacturing industry and to promote the creation of value-adding activities in close proximity to the source of raw materials’.⁷³ To ease tensions over growing commercial competition for projects between South African and Chinese firms, the declaration states that efforts will be made to: ‘encourage Chinese and South African companies to explore cooperation opportunities in infrastructure construction projects such as roads, railways, ports, power generation, airports and housing’.⁷⁴ Whether these commitments will translate into reality will depend largely on the extent to which the South African government, supported by the domestic business sector, will be able to hold its Chinese counterpart accountable for its side of the bargain.

⁷⁰ Davis, ‘China’s involvement’, p. 47.

⁷¹ Peter Wonacott, ‘Dalai Lama cancels bid to visit South Africa,’ *Wall Street Journal*, 5 Oct. 2011.

⁷² Department of International Relations and Cooperation, *Beijing declaration*, p. 3.

⁷³ Department of International Relations and Cooperation, *Beijing declaration*, p. 3.

⁷⁴ Department of International Relations and Cooperation, *Beijing declaration*, p. 3.

Can South Africa accommodate China?

Based on mutual need and benefit, the relationship between South Africa and China is likely to become even stronger and grow even further in the future. Viewed through a Chinese lens, South Africa's bountiful mineral wealth—which China needs to power its industrial development—has elevated relations between Pretoria and Beijing to a position of strategic importance. Moreover, China views both South Africa's regional power status—founded on South Africa's significant industrial and commercial base and the strength of its state apparatus—and its position as an important global actor as justification for elevating state-to-state dialogue and cooperation to a strategic level.⁷⁵ China also sees the strengthening of bilateral relations with Pretoria as a vital part of bolstering South–South collaboration.⁷⁶ Furthermore, it regards South Africa as a pivotal state on the continent that must be given due weight in its broader African engagement strategy. This explains why China pushed very hard for an invitation to be extended to South Africa to join the 'elite' grouping of the BRIC (Brazil, Russia, India and China) nations, culminating in South Africa formally becoming a member in April 2011.⁷⁷ There is a school of thought that views China's invitation to South Africa to join the BRICS as a calculated strategy to 'kill' the IBSA (India, Brazil and South Africa) trilateral forum—in which China had no direct role to play—by incorporating it within the BRICS under Beijing's leadership.

In South Africa's strategic calculations, China's importance lies primarily in its being a growing source of the foreign investment that South Africa desperately needs to alleviate pressing domestic social problems, notably high unemployment, poverty and social inequality. Related to this is South Africa's view of deepening economic links with China (and with the other BRICS countries) as central to its economic strategy of diversifying its external trade away from Europe, which currently absorbs 40 per cent of South African exports.⁷⁸ The urgency of diversifying South Africa's export markets has been underlined by the adverse impact of the global financial crisis on the country's exports.

Furthermore, South Africa regards China as indispensable to the pursuit of one of the country's key foreign policy objectives: the transformation of global governance institutions to reflect the changing balance of power in the international system.⁷⁹ In particular, South Africa regards China's support as crucial to promoting Africa's interests in the United Nations and other multilateral institutions.⁸⁰ China's push for a 'multipolar' global order and its identification with the Global South agenda resonate strongly with South Africa's foreign policy interests. In particular, South Africa (specifically under the Mbeki administration) has used an ascendant China as a counterweight to the US and Europe and has attempted,

⁷⁵ Bowker, 'Dancing with the dragon', p. 1.

⁷⁶ Le Pere and Shelton, *China, Africa and South Africa*, p. 165.

⁷⁷ Author's telephone interview with senior South African diplomat, 12 Feb. 2011.

⁷⁸ Mills Soko and Mzukisi Qobo, 'Creating more walls than Brics', *Mail and Guardian*, 7 Jan. 2011.

⁷⁹ See Department of International Relations and Cooperation, *Building a better world: the diplomacy of ubuntu*, White Paper on South Africa's foreign policy, May 2011, p. 29.

⁸⁰ Alves, 'South Africa–China relations'.

in the process, to extract political, economic and diplomatic concessions from all parties. However, as the abovementioned criticisms of China's trade policies by South African political leaders indicate, South Africa has also sought to maintain a degree of foreign policy independence from China. The Mbeki administration, in particular, was not at ease with South Africa being China's junior partner and preferred to play Beijing off against other powers, notably the US and Europe. Furthermore, South Africa's attempts to counterbalance China involved forging an alliance with Brazil and India in the IBSA formation.⁸¹

In sum, therefore, the relationship between South Africa and China has thus far generally proved to be mutually beneficial, notwithstanding its flaws and risks as well as the disquiet and uneasiness among South Africans about the nature and impact of the bilateral relationship. However, the extent to which South Africa will continue to satisfy China's resource hunger will depend on whether powerful domestic constituencies in South Africa, primarily labour unions, organized business and civil society formations, feel that their concerns about China's influence on South Africa's political economy are being addressed. Particular areas of concern are the continuing impact of Chinese textile imports on local jobs and wages, the erosion of the competitive advantage of South African companies (in both local and regional markets) by the growing presence of Chinese firms, the skewed trade relationship, and perceptions that expanding commercial relations have exerted a baleful influence on South African foreign policy. China's willingness to comply with South Africa's request to impose quotas on its textile exports (albeit for only two years) and its undertaking to work with South Africa to correct the unbalanced trade profile between the two countries—by urging Chinese firms to expand investment in the country's manufacturing sector and promote local beneficiation of raw materials—suggest that Beijing is well attuned to the sensitivities of South African internal politics. It is clear, however, that China's responsiveness and flexibility in this respect will remain conditional upon South Africa's maintaining unfettered access to its mineral resources for Chinese firms, upon its not questioning China's policy positions in multilateral forums and upon its not interfering in what China considers its domestic affairs (as evidenced by the episode involving the Dalai Lama). China's economic backing for South Africa, therefore, comes at a price.

Resource politics revisited

The most striking feature of the new resource politics is that it is proving very challenging for all the governments concerned. True, all three countries examined here stand to benefit significantly from China's remarkable economic development; but while managing the political and social impact of such a rapid transformation in their domestic economies is a 'good' problem to have, it is one that is transforming the status quo with unforeseeable consequences. China is the

⁸¹ Adam Habib, 'South Africa's foreign policy: hegemonic aspirations, neoliberal orientations and global transformation', *South African Journal of International Affairs* 16: 2, Aug. 2009, p. 152.

epicentre of the new resource politics, and it is there that the stakes are highest. It is increasingly commonplace to observe that the 'performance legitimacy' of the Chinese government is almost entirely dependent on its ability to keep the process of economic development going and to fulfil the growing aspirations of its people.⁸² Resource security is a pivotal aspect of this implicit domestic political accommodation, which is why it has become such a central part of China's evolving foreign policy. It also explains why the government is under pressure to pursue and protect 'national interests' in a potentially zero-sum contest with resource-rich nations like Australia and South Africa.

Nevertheless, a concern with protecting national interests is hardly exclusive to China; on the contrary, it is an increasingly prominent feature of resource politics across the globe.⁸³ Even in notionally liberal countries such as Australia there are growing concerns about protecting 'Australian' interests, and about how the massive wealth that is being generated by the resource sector should be used.⁸⁴ The domestic structure of the Australian economy is being transformed as the paradoxical effects of the 'resource curse' take hold:⁸⁵ the rising Australian dollar is making it hard for other key sectors such as manufacturing and education to compete, leaving the country increasingly dependent on the resource sector. The dangers of over-reliance on an industry that is notoriously prone to cyclical crises are evident from Australia's earlier resource booms and busts,⁸⁶ but what has been especially striking about the most recent phase of resource development is the concomitant rise in the political power of the mining industry and its willingness to use it.⁸⁷ Further complicating the politics of resources in Australia is the fact that its major trading partner is also seen as the principal strategic threat in the region, a tension that highlights the contingent nature of ties between Australia and China. In a perfect world, Australia's principal economic relationship would not be with 'communist China'. It is a measure of how important and transformative brute materiality can be that the relationship works as well as it does: both ends of this unlikely pairing have little option other than to make it work.

The dynamics in the relationship between South Africa and China are rather different: potentially more productive, but ultimately just as arbitrary and materially contingent as those in China's relationship with Australia. What is different in the South African case is that there are other factors that may make bilateral resource politics more productive. Both China and South Africa are keen to assert themselves on the international stage, and can position themselves as part of a new world order that is more representative of contemporary geopolitical realities. Unlike Australia, South Africa is not as constrained by other strategic ties and has, via the BRICS, a forum in which common policy positions are at

⁸² B. Gilley, 'Legitimacy and institutional change: the case of China', *Comparative Political Studies* 41: 3, 2008, pp. 259–84.

⁸³ M. Stevens, 'Rising resource nationalism a worry for miners', *The Australian*, 7 June 2011.

⁸⁴ J. L. Hay, 'Challenges to liberalism: the case of Australian energy policy', *Resources Policy* 34: 3, 2009, pp. 142–9.

⁸⁵ M. L. Ross, 'The political economy of the resource curse', *World Politics* 51: 2, 1999, pp. 297–322.

⁸⁶ M. Horsburgh, 'What happens when the mining boom goes bust?', *National Times*, 8 April 2011.

⁸⁷ G. Megalogenis, 'Trivial pursuit: leadership and the end of the reform era', *Quarterly Essay*, vol. 40, 2010, pp. 401–80.

least conceivable. Whether such cooperation can be realized will depend on the conduct of the relationship—and here good intentions are likely to collide with underlying conflicts of interest over the division of the spoils that flow from resource exploitation. It will also depend on the cohesiveness of the BRICS and on whether some of the countries, notably China and India, that constitute that grouping can overcome their rivalries and forge a clear strategic agenda, something that the IBSA formation failed to achieve.⁸⁸

At one level, the relationships between China and both Australia and South Africa are necessarily zero-sum: greater profits for the mining companies mean higher prices for Chinese importers, and vice versa. True, all may benefit from overall increased economic activity, but there is much to be gained and lost in the negotiations over price. On another level, of course, all benefit from expanding economic activity and China's rapid development. In the longer term, the most vital consequence of China's rise and the evolution of resource politics may be the impact China's developmental model has on its trade partners. Australian policy-makers are already acutely aware of the need to avoid antagonizing their country's most important trading partner over strategic issues and human rights.⁸⁹ As far as South Africa is concerned—and the same point can be made for a number of other emerging economies—China's successful development may prove an attractive alternative to a 'western' economic paradigm that is generally seen as having only limited efficacy in the developing world. Indeed, China's position as the world's most dynamic engine of growth—especially when compared to the problems currently assailing the US economy—may have a major long-term impact on the internal and external politics of its trade partners. Whether they like it or not, other countries may have to get used to accommodating the wishes of the world's most dynamic economy. In the resource politics of the twenty-first century, material forces may trump ideological ones.

⁸⁸ See Chris Alden and Marco Vieira, 'The new diplomacy of the South: South Africa, Brazil, India and trilateralism', *Third World Quarterly* 26: 7, 2005, pp. 1077–95.

⁸⁹ D. Shanahan, 'PM pushes trade ahead of human rights', *The Australian*, 11 April 2008.