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Integrating South African resource advantages with  
China's production capacity advantages

11 projects of South African Energy and Metallurgy  
Special Economic Zone signed during Chengdu 2019 SEZ  
Investment Roadshow

By Lei Maosheng, Mei Chao, Lei Yunfeng



Remarks by Mr. Thabo Mokone - MEC of Limpopo Province, South Africa at the signing ceremony

During the 2019 China-South Africa SEZ Investment Roadshow, a signing ceremony for the South African Energy Metallurgical Special Economic Zone project was held. 11 projects have been signed at the event.

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According to Mr. Ning Yat Hoi, Chairman of South African Energy Metallurgical Base (pty) Ltd., the South African Energy Metallurgical Special Economic Zone is a key project for capacity cooperation between China and South Africa. The SEZ is located in Musina-Makhado, Limpopo, South Africa, and is rich in coking coal, chromium, manganese, iron and vanadium mineral resources. The SEZ enjoys tax incentives and other favorable investment policies. There were also MOAs previously signed with China Huadian Group, PowerChina Group, Taiyuan Iron and Steel Group, Metallurgical Corp of China, Shaanxi CEI Investment Holdings Co., Ltd., Guangdong Wealth Investment Co., Ltd etc.

Mr. Ning Yat Hoi revealed that 11 projects signed during the Investment Roadshow held in Chengdu include: Zhengzhou Xinli Power Co., Ltd. to build a 2×200MW coal-fired power generating units project; Guangdong Yuda Construction Engineering Group Co., Ltd. for Bonded Trade City Project; Hunan Education Satellite Technology Application Co., Ltd. for vocational education college project; Guangdong Huabo

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Construction Engineering Co., Ltd. for magnesite smelter project; Hunan Yanlin Electric Power Construction Co., Ltd. for hotel project; Liaoning Shengyu curtain wall decoration engineering Co., Ltd. develops steel structure assembly house project; Guangxi Guilin Gongcheng Caimao Investment Development Co., Ltd. for 2,500 t/d clinker environmental friendly cement plant project; Shenzhen Yijianda Engineering Co., Ltd. for 500,000 square meters of original ecological industrial park project; Shanxi Lianyou Coal Washing Co., Ltd. for an annual output of 5 million tons of coal washing plant project; Hebei Guangning Cable Co., Ltd. for cable plant project; Hunan Changxin Calcium Industry Co., Ltd. for 1 million tpa metallurgical lime (calcium oxide) project.

During the meeting break, the reporter interviewed some representatives and investors from Chinese enterprises who have cooperated deeply with the South African Energy and Metallurgical SEZ and or willing to invest and develop in South Africa.

"South African Energy Metallurgical SEZ is a large platform for resource and industry integration, which perfectly

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combines South Africa's resource advantages with China's capacity advantages." Mr. Zhang Ye, the Member of Party Standing Committee and Vice President of Metallurgical Corp of China (MCC), said in the interview that MCC began to cooperate with Shenzhen Hoimor Resources Holding Co., Ltd. as early as 2014. The South African Energy and Metallurgical SEZ, which develop and operate by Shenzhen Hoimor Resources Holding Co., Ltd., provides many metallurgical development projects with mining resource advantages, all of which are the strengths of MCC.

According to Mr. Zhang Ye, since 2014, three MCC subsidiary enterprises, ie. MCC BERIS Engineering & Research Corporation, MCC International Incorporation Ltd. and MCC Capital Engineering & Research Incorporation Ltd., have carried out design and research on master planning, technical solutions on high-carbon ferrochrome Submerged arc furnace, blast furnace ferromanganese, high vanadium steel and high manganese steel, stainless steel and auxiliary facilities for South African Energy Metallurgical SEZ.

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“I am engaged in construction and new environmental friendly building materials industry. Musina-Makhado has very rich and non-renewable mineral resources. I am going to set up factories there and carry out deep processing of minerals.” Mr.Ning Kangsheng chairman of Guangdong Huabo Building Materials Co., Ltd. told the author that he will lead the company’s senior management to the South African Energy Metallurgical SEZ for investment investigation at the end of this month.

“The South African Energy Metallurgy SEZ needs more than 80,000 industrial workers. The industrial enterprise inside the industrial parks need more highly qualified/skilled personnel, and our school has such training conditions.” Mr.Ning Ping, chairman of the Hunan foreign language Vocational College said that, as a foreign language private school, the students are from all over the world. South African Energy Metallurgy SEZ provides a gateway for students to go out.

background information



The Signing Ceremony of South African Energy Metallurgical Base (Pty) Ltd. and Zhengzhou Xinli Electric Power Co., Ltd. on the Co-construction of Musina-Makhado Special Economic Zone 2x200MW Coal-fired Power Generator Units Project

### "The Rainbow Country"

South Africa has the highest degree of economic development in Africa. It has the reputation of "The Rainbow Country". Rich in natural resources, relatively complete financial and legal systems, and good infrastructure in communications, transportation and energy. Mining, manufacturing, agriculture and services are the four pillars of the economy. However, development of various sectors and regions of the national economy is unbalanced, urban-rural, black-and-white

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dual economic characteristics are obvious. The main export products are gold, metal and metal products, diamonds, food, beverage, tobacco, machinery and transportation equipment; the main import products are machinery and equipment, transportation equipment, chemical products, petroleum etc.

As the largest trading partner, China is the major exporter and importer of South Africa. By the end of 2018, China's accumulated direct investment in the South Africa exceeded US\$7 billion, which brought huge economic benefits to South Africa's development.

The South African Special Economic Zone (SEZ) is a key policy tool for promoting the industrial opening process in South Africa. It is an important measure for the South African government to promote industrialization and improve the environment for foreign investment. In February 2018, after being elected as the President of South Africa, H.E President Ramaphosa in the State of the Union Address promoting the construction of special economic zones as one of South Africa's top ten economic propositions.

At present, there are 10 special economic zones that have been built and under construction in South Africa. These 10 special zones can be divided into four categories: free port,

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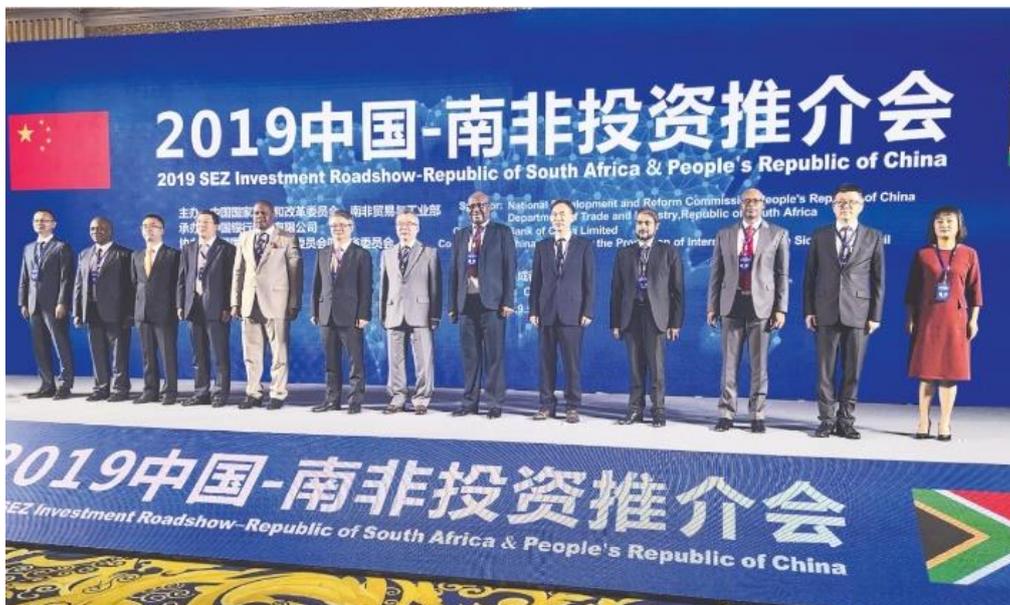
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free trade zone, industrial park and industrial base.

## South Africa's push on the special economic zones may trigger "gold rush" among Chinese Enterprises

The National Development and Reform Commission and the South African Department of Trade and Industry have actively set up a platform for cooperation in investment and production capacity between China and South Africa to promote government-enterprise and B-to-B docking so as to attract more Chinese enterprises to enter South Africa.

By Lei Maosheng, Mei Chao, Lei Yunfeng



Delegates to the "2019 SEZ Investment Roadshow-South Africa & China" took a group photo. Mr. Su Wei-Deputy Secretary General of the National Development and Reform Commission (7<sup>th</sup> from the Left), Mr. Fikile Zachariah Majola-Deputy Minister of Department of Trade and Industry, South Africa (8<sup>th</sup> from the Left), Mr. Lin Jingzhen-Vice President of the Bank of China

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(6<sup>th</sup> from the Left), Mr. Siphon Zikode-Deputy Director General of the Department of Trade and Industry, South Africa (2<sup>nd</sup> from the Left), Mr. Thabo Mokone-MEC of Limpopo Province, South Africa (5<sup>th</sup> from the Left), and Mr. Zhu Jiade-Deputy Secretary General of Sichuan Province (5<sup>th</sup> from the Right), Dr. Julian Naidoo, Chairman of the SEZ Advisory Board, South Africa (4<sup>th</sup> from the Right), Mr. Zhang Zhiqing-Deputy Director General of the Division of Foreign Investment and Overseas Investment of the National Development and Reform Commission (1<sup>st</sup> from the Left), and Mr. Lei Xuejie-Vice President of the CCPIT Sichuan Council (1<sup>st</sup> from the Right).

On September 5th, the “2019 China-South Africa SEZ Investment Roadshow” jointly organized by the National Development and Reform Commission (NDRC) and the South African Department of Trade and Industry (DTI) was held in Chengdu, Sichuan. The representatives of the two governments, entrepreneurs and financiers gathered to discuss how to promote China-South Africa capacity and investment cooperation.

It is understood that in November 2016, China NDRC and DTI of South Africa signed the “Framework Agreement on Capacity Cooperation”, which laid a good foundation for promoting investment between China and South Africa. In order to further implement the relevant contents of the agreement, the NDRC and the DTI decided to jointly host the China-South

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Africa SEZ Investment Roadshow each year, which has been held for four consecutive sessions up to this year.

At present, the China-South Africa SEZ Investment Roadshow has become an important achievement for China and South Africa actively implement the important consensus reached by the two heads of state, Forum on China-Africa Cooperation, the BRICS cooperation mechanism, and the “Belt and Road”, and it has become a sample of deepening exchange and cooperation in terms of the new economic area and industrial between China and South Africa.

Remarks at the roadshow, the Deputy Secretary-General of the National Development and Reform Commission, Mr. Su Wei said that as the fourth roadshow held by the NDRC and DTI, the purpose of the roadshow is to introduce the policies and projects related to investment promotion in South Africa, to share the investment experience of Chinese-funded enterprises in South Africa, to build a platform for investment and capacity cooperation between China and South

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Africa, and to facilitate the docking between government-enterprises and B-to-B, to attract more Chinese enterprises to invest and start businesses in South China, and to promote investment and production capacity cooperation between China and South Africa.

### South Africa is pushing SEZ plan

Mr. Thabo Mokone, MEC of Economic Development, Environment and Tourism of Limpopo 100% supports the development of Musina-Makhado Special Economic Zone. “We will spare no effort to ensure that all obstacles are removed so as to ensure the success of our investment in the special economic zones.” In response to concerns raised by Chinese entrepreneurs on investment security and policy sustainability, MEC Thabo Mokone stated that Limpopo has embarked on a development path similar to that of China 30 years ago. The Musina-Makhado Special Economic Zone in Limpopo is the catalyst for this development strategy. At present, the economic growth rate of Limpopo Province is 2.2%, and the Musina-Makhado Special Economic Zone will push the economic growth of Limpopo

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Province to more than 5%. Therefore, the Limpopo provincial government is more eager to see the development and construction of the special economic zone more and more successful.

Mr. Siphon Zikode, Deputy Director-General of Department of Trade and Industry South Africa started from the background of South Africa's industrialization path and the birth of the special economic zone plan, demonstrating South Africa's determination to vigorously promote the development of the special economic zones. He said that in the early 2000's, South Africa introduced the Industrial Development Zone policy, the first Industrial Development Zone was approved in 2002, the Special Economic Zone Plan was launched in 2007, identified ten new Special Economic Zones in 2012, discussed the Special Economic Zone Act in 2013, the Special Economic Zone Act passed in May 2014, promulgated the Special Economic Zone Act and related provisions in February 2016, in year 2018 The Department of Finance of South Africa adopted the fiscal incentive policy for the special economic zones in

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2001, and will complete the transformation from the existing industrial zones to the special economic zones in 2019.

Mr. Zikode said that like many other developed and emerging economies, South Africa regards industrialization as the preferred way to achieve sustainable economic development. In particular, manufacturing-led industrialization has proven to be the key to job creation, as it provides the most direct employment opportunities. South Africa's major development blueprints, such as national development plans and industrial policy action plans, all emphasize the need for industrialization. The SEZ Plan is one of the most important tools to promote industrialization. Although the SEZ Plan is a relatively new thing in South Africa, but it has changed and will continue to change the economic structure of many regions with SEZs.

Mr. Zikode said that as a relatively new concept, the intentions and goals of policy makers are to accelerate industrial development and promote economic growth, attract

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targeted foreign and domestic direct investment, and achieve high value-added export growth. To build a diversified regional industrial economy, build more industrial centers and strategic industries, and increase employment opportunities. For investors, it is particularly desirable for policy measures to be stable and sustainable, and to provide them with special infrastructure, transportation and logistics networks. For the region and community where the SEZs are located, it is also hoped to achieve rapid economic and social development.

Speaking of the soft and hard environment of South Africa's investment, Mr. Zikode believes that in addition to a package of incentive policies such as construction tax subsidy, employment tax preferences, export duty and value-added tax exemption, South Africa also has three advantages in terms of global economic perspective, rich mineral resources and low labor costs:

—South Africa is one of the most mature and promising emerging markets, offering highly developed First World

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economic infrastructure and vibrant emerging markets, one of the 26 industrialized countries in the world and the largest economy in the African continent. First, it accounts for about 25% of the continent's GDP. The Johannesburg Stock Exchange is the largest and most developed stock exchange in Africa and one of the top 20 stock exchanges in the world.

—South Africa remains the world's largest producer of gold, platinum, rhodium, chromium, manganese and vanadium. South Africa has 80% of the world's manganese, 72% of chromium, 88% of platinum group metals (PGMs), 40% of gold and 27% of vanadium.

—South Africa's unit labour costs are significantly lower than in many other emerging markets. According to the World Competitiveness Index 2016/17, South Africa scored well in all areas, rising from 49th to 47th in overall competitiveness and ranking 29th in global efficient transport infrastructure.

Mr. Lehlogonolo Masoga, CEO of Musina-Makhado Special Economic Zone (State-owned Corp) said in an interview that the grant of South African Energy Metallurgical SEZ Operator

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Permit to South African Energy Metallurgical Base (Pty) Ltd—a subsidiary of Shenzhen Hoimor Resources Holding Co., Ltd by South African government has fully demonstrate the friendly cooperation, complementary advantages and high-level trust between the enterprises of China and South Africa. We very much welcome and actively support the investment cooperation of Chinese enterprises in the SEZ and jointly promote the industrialization of South Africa.

### Strong financial support for Chinese companies in South Africa

China has always been encouraging enterprises to go to South Africa. According to Mr. Su Wei—Deputy Secretary General of National Development and Reform Commission said. In recent years, the NDRC has adopted a series of policies and measures to promote the facilitation of oversea investment, improve the “going out” public service platform, and enhance the vitality of enterprises’ oversea investment. We also adhere to the cooperative principle of “corporate led, market-oriented, commercial operate, international practices”,

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comply with South African laws, regulations and respect local customs, pay attention to protecting the ecological environment and the legitimate rights and interests of employees, and increase local employment and tax revenue. At the same time, the Bank of China and other financial institutions are encouraged to provide strong financing support for bilateral cooperation.

To the author's understanding, the sponsor of this Roadshow is Bank of China Limited. As a large state-owned commercial bank in China, BOC's business covers investment banking, direct investment, securities, insurance, funds, aircraft leasing and other fields.

"Prior to this, BOC, together with the NDRC and DTI, has successfully held two sessions of the China-South Africa SEZ Investment Roadshow." Lin Jingzhen, vice president of BOC, said at the Roadshow that the BOC has been in the South African market for nearly 20 years, we have adhered to localized operations and serving the cooperative development

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of enterprises of the two countries.

The Bank of China Johannesburg Branch was established in October 2000. It was the first Chinese-funded banking institution incorporated in South Africa and the first RMB clearing bank designated by the People's Bank of China. Currently, its loan size ranks first among all foreign banks operating in South Africa.

“Today, we have invited representatives from a number of financial institutions to participate in the conference. We hope to strengthen the cooperation between banks and enterprises and jointly serve the overall situation of China-South Africa economic and trade cooperation.” Mr. Lin Jingwei said that the Bank of China will adhere to the group development goal of “building a world-class bank in the new era”. Give full play to the advantages of globalization and integration, and contribute to the “One Belt, One Road” and enterprise investment cooperation between the two countries with unique financial strength.

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## China and South Africa have strong economic complementarities

According to Su Wei's analysis that China and South Africa are both emerging developing countries, BRICS members, G20 member countries and regional economic powers. The two countries have strong economic complementarities and great potential for development cooperation. China is the second largest economy in the world, with strong strength and international competitiveness in the fields of steel, metallurgy, electric power, high-speed rail, infrastructure construction and manufacturing. While South Africa has a long history of stable economic and social development, relatively complete infrastructure, abundant resources, sound financial and legal systems, and attracting foreign investment in the forefront of Africa. In September last year, Forum on China-Africa Cooperation was successfully held in Beijing. The leaders of the two countries attended relevant activities to promote the further development of the comprehensive strategic partnership between the two countries. In this context, China and South Africa have held this investment

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roadshow to jointly explore the expansion of investment cooperation between the two countries, which is of special significance.

Sichuan, as a big province of economy, population, resources and science and education, is the host of this investment roadshow. Mr. Zhu Jiade, Deputy Secretary-General of the Sichuan Provincial Government, said in his speech at the roadshow that the China-South Africa SEZ Investment Roadshow is a positive result of implementing the consensus of leaders of both countries and an important platform for deepening the cooperation at new economic field and industries between the two countries. The Investment Roadshow is held in Chengdu this time, which also create a good exchange and cooperation platform for Sichuan enterprises to expand their development space.

"It is hoped that the companies of both sides will complement each other's strengths and deepen cooperation so as to promote cooperation in various fields between China and South Africa to a deeper and higher level." Zhu Jiade said that he

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hoped that Sichuan enterprises would grab the opportunity to promote capacity cooperation between Sichuan and South Africa in infrastructure, manufacturing, agriculture and other fields, and promote the good capacity "going out". At the same time, South African enterprises are welcome to invest in Sichuan to achieve better development.

"South Africa exports mainly minerals and metals to China, it is the rich mineral resources that attracted me." Mr. Ning Yat Hoi, chairman of South African energy metallurgical base (Pty)Ltd. believes that "belt and road" is the road of opportunity and prosperity. South Africa is the first African country to sign a memorandum of understanding with China on the "belt and road". The international cooperation space developed by the "belt and road" and the China - South Africa capacity cooperation has provided a valuable stage and opportunity for Chinese enterprises to deeply participate in the global industrial specialization and international competition. Especially, it provides an important strategic opportunity for Chinese private enterprises to invest

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overseas. By complementing each other's strengths and seeking common development, the South African Energy Metallurgical Special Economic Zone will surely become the most competitive energy metallurgical base in the world.

Mr. Zhang Wei, member of the Standing Committee and Vice President of Metallurgical Corporation of China Ltd., is also optimistic about the development prospects of the South African projects. In an interview with the author, he said that South Africa, as one of the BRICS countries, has a good complementarity with China's economy. Under the background of the country's implementation of the "Belt and Road Initiative", there is indeed a broad prospect for China-South Africa's capacity cooperation.

Mr. Zhang Ye also told the author that as a commercial operation project, it is necessary to adhere to mutually beneficial cooperation, complement each other's advantages, develop together, and get ready the project investment conditions.

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## It's the right time for Chinese enterprises to jump into South Africa

"I think it is the right time to recommend more excellent Chinese enterprises to invest in South Africa under the current circumstance." Mr. Lin Jingzhen also analyzed the prospects of Chinese enterprises invest and cooperate in South Africa from three aspects.

—The relationship between the two countries is at its best in history, and enterprises are facing rare opportunities. China and South Africa are both big emerging market countries, and a comprehensive strategic partnership has been established since the establishment of diplomatic ties 21 years ago. Under the Forum on China Africa Cooperation, BRICs cooperation and the "belt and road" initiative, the two countries have been deepening the economic and trade investment relationship, which is a model of China's cooperation and development with African countries and developing countries. The NDRC and the DTI actively create

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conditions for enterprises of the two countries to build a pragmatic exchange platform.

—South Africa actively implements the economic reform plan and strives to improve the investment environment. In recent years, with the implementation of the National Development Plan as the main route, the South African Government has intensified its support for the development of special economic zones, key industries and youth employment, supported the development of key industries such as marine economy, infrastructure, green economy, technology agriculture and launched a one-stop shop investment service platform to improve the investment environment, South Africa's attractiveness to Chinese enterprises will increase significantly.

— The strength of financial institutions has been significantly enhanced to help enterprises "go out". Over the past 40 years of reform and opening up, the strength of China's financial institutions has improved significantly. In the global banking rankings of Bankers magazine in 2019, Chinese banks ranked the top four. China's financial institutions have established more than ten branches in

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Africa, playing an important role in serving Chinese enterprises in investing in Africa and supporting African economic construction.

Sichuan enterprises have a strong willingness to “go out”

Mr. Zhu Jiade said that in recent years, the leaders of China and South Africa have maintained frequently high-level visits, meetings and exchanges. The comprehensive strategic partnership of cooperation between the two countries has become closer, and pragmatic cooperation in various fields has yielded fruitful results. The strong development momentum of China-South Africa relations provides a broad space for economic and trade cooperation between Sichuan and South Africa. In 2018, the total import and export volume of Sichuan and South Africa exceeded RMB 2.7 billion, accounting for one-third of Sichuan’s total trade with Africa. A group of Sichuan enterprises such as Huaqiao Phoenix Group and Sichuan Cotton and Maize native product Company successively invested in South Africa. Sichuan Province and Mpumalanga have established Twinning provinces relations for 17 years,

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Chengdu, Johannesburg and four cities have become sister cities.

Mr. Lin Jingxi also commented that Sichuan Province is a large economic province in western China with a strong economic foundation and a large number of excellent local enterprises, and has a strong will to “go out”.

“Sichuan enterprises have accelerated the pace of “going out”, with more than 1,000 companies made overseas investments, investment stock exceeding 10 billion US dollars, and an average annual turnover of contracted overseas projects exceeding 4 billion US dollars.” A set of data listed by Mr. Zhu Jiade supports Mr. Lin Jingzhen’s point of view.

According to Mr. Zhu Jiade, Sichuan has maintained a sustained and healthy development trend in recent years, and the quality and level of opening up has been continuously improved. In 2018, the regional GDP exceeded RMB 4 trillion for the first time, and the import and export growth rate reached 29.2%. It has established economic and trade relations with more than 200 countries and regions around

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the world. There are 347 Fortune 500 companies in Sichuan, and 17 countries have been approved to set up consular offices in Sichuan.