Evaluating China’s FOCAC commitments to Africa and mapping the way ahead

A report by the Centre for Chinese Studies
Prepared for the Rockefeller Foundation, January 2010
The findings, interpretations, and conclusions expressed therein are those of the authors and do not necessarily reflect the views of the Rockefeller Foundation.
Acknowledgements

The research team comprising of Tracy Hon, Johanna Jansson, Professor Garth Shelton, Dr. Liu Haifang, Christopher Burke and Carine Kiala would like to thank:

The CCS team: Dr. Martyn Davies, Hayley Herman, Elizabeth Newman, Hannah Edinger, Tebogo Lefifi, Meryl Burgess, Matthew McDonald, Sanne Mars-van der Lugt, Anneke Kamphuis, Flore Pallardy, Herman Wiid and Bronwyn Grobler; the NEPAD Business Foundation; Africa Matters Ltd; João Feijó, Amb Philip Idro, Amb Charles Sanga, Samuel Nguiffo, Johanna Bergman-Lodin, as well as friends and colleagues in Angola, Botswana, China, the DRC, Mozambique, Tanzania and Uganda for all their assistance and advice;

The Chinese, African and other government officials, academics, NGO community representatives as well as private sector representatives with whom the research team met in-country for their generosity and frankness in sharing invaluable insights in the interviews;

The Trade Law Centre for Southern Africa (TRALAC), Stellenbosch, for providing the World Trade Atlas data;

The Rockefeller Foundation for kindly funding the research and providing advice and support.

Cover picture courtesy of China Chas: Beijing during the 2006 FOCAC Summit.

Layout by Johanna Jansson
# Contents

ACKNOWLEDGEMENTS

CONTENTS

LIST OF ACRONYMS

LIST OF FIGURES

EXECUTIVE SUMMARY

1. INTRODUCTION

1.1 Structure of the Report

1.2 Research Methodology

2. BACKGROUND

2.1 Conceptual remarks: The role of the FOCAC meetings

3. ANGOLA

3.1 Introducing Sino-Angolan Relations

3.2 Evaluating the Beijing Action Plan: Political Cooperation

3.3 Evaluating the Beijing Action Plan: Economic Cooperation

3.3.1 Agriculture

3.3.2 Investment and Business Cooperation

3.3.3 Trade

3.3.4 Infrastructure Development

3.3.5 Cooperation in Energy and Resources

3.3.6 Cooperation in Science and Technology, Information, Air and Maritime Transport

3.4 Evaluating the Beijing Action Plan: Cooperation in Social Development

3.4.1 Development Assistance and Debt Relief

3.4.2 Human Resource Development

3.4.3 Education

3.4.4 Medical Care and Public Health

3.5 Political, Social and Economic Impact of FOCAC process

3.5.1 Cementing Sino-Angolan Relations

3.5.2 Visible service delivery of infrastructure
3.6 Recommendations for Angolan stakeholders

3.6.1 Increase employment of locals on projects contracted to Chinese companies
3.6.2 Develop local competence in Mandarin Chinese
3.6.3 Build medical expertise for combating malaria
3.6.4 Boost manufacturing sector with Sino-Angolan joint ventures
3.6.5 Raise cultural awareness to encourage mutual understanding

4. THE DEMOCRATIC REPUBLIC OF CONGO (DRC)

4.1 Introducing Sino-Congolese relations
4.2 Evaluating the Beijing Action Plan: Political Cooperation
4.3 Evaluating the Beijing Action Plan: Economic Cooperation
4.3.1 Agriculture
4.3.2 Investment and business cooperation
4.3.3 Trade
4.3.4 Finance
4.3.5 Infrastructure development
4.3.6 Energy and Resources
4.4 Evaluating the Beijing Action Plan: Cooperation in Social Development
4.4.1 Development assistance
4.4.2 Human Resource development
4.4.3 Education
4.4.4 Medical care and public health
4.5 Political, social and economic impact of FOCAC

4.6 Recommendations for Congolese stakeholders
4.6.1 Technology transfer should be the focus for Sino-Congolese relations
4.6.2 Sino-Congolese collaboration on infrastructure also beneficial to health and food security
4.6.3 Engage civil society to improve transparency
4.6.4 Ensure cultural and technical capacity in negotiations with China
4.6.5 Appoint a point person to manage Sino-Congolese health cooperation
4.6.6 Focus HR development on managerial capacity in the health sector
4.6.7 Katanga should engage on labour rights via Chinese intermediary
4.6.8 Focus Sino-Congolese health care cooperation on malaria prevention
4.6.9 Utilise outgrower schemes for Chinese investment in oil palm production

4.7 Recommendations for Chinese stakeholders
4.7.1 Open a Chinese consulate in Lubumbashi
4.7.2 Participate actively in efforts to coordinate development aid
4.7.3 Educate Congolese students in China only in subjects not available in the DRC
5. MOZAMBIQUE

5.1 Introducing Sino-Mozambican Relations

5.2 Evaluating the Beijing Action Plan: Political Cooperation

5.3 Evaluating the Beijing Action Plan: Economic Cooperation

5.4 Evaluating the Beijing Action Plan: Cooperation in Social Development

5.5 Political, Social and Economic Impact of the FOCAC process

5.6 Recommendations for Mozambican stakeholders

6. TANZANIA

6.1 Introducing Sino-Tanzanian relations

6.2 Evaluating the Beijing Action Plan: Political Cooperation

6.3 Evaluating the Beijing Action Plan: Economic Cooperation
6.4 Evaluating the Beijing Action Plan: Cooperation in Social Development 115
  6.4.1 Development assistance 115
  6.4.2 Human Resource development 115
  6.4.3 Education 116
  6.4.4 Medical care and public health 117
  6.4.5 Tourism 118

6.5 Political, social and economic impact of FOCAC 118

6.6 Recommendations for Tanzanian stakeholders 119
  6.6.1 Structure the Sino-Tanzanian engagement process 119
  6.6.2 Establish a Tanzanian FOCAC monitoring committee 120
  6.6.3 Utilise the FOCAC process to address growing trade imbalances 120
  6.6.4 Build capacity in the Ministry of Foreign Affairs and International Cooperation 120
  6.6.5 Facilitate access to capital and financing options for Tanzanians 121
  6.6.6 Increase opportunities for skills and technology transfer 121
  6.6.7 Utilise the necessary expertise when negotiating contracts 121
  6.6.8 Formalise linkages between African and Chinese science and research institutions 122

6.7 Recommendations for Chinese stakeholders 123
  6.7.1 Facilitate Tanzanian stakeholders’ access to capital 123

7. UGANDA 124

7.1 Introducing Sino-Ugandan relations 124

7.2 Evaluating the Beijing Action Plan: Political Cooperation 124

7.3 Evaluating the Beijing Action Plan: Economic Cooperation 126
  7.3.1 Agriculture 127
  7.3.2 Investment and business cooperation 129
  7.3.3 Trade 132
  7.3.4 Finance 138
  7.3.5 Infrastructure development 139
  7.3.6 Energy and Resources 141

7.4 Evaluating the Beijing Action Plan: Cooperation in Social Development 142
  7.4.1 Development assistance and debt relief 142
  7.4.2 Human Resource development 143
  7.4.3 Education 144
  7.4.4 Medical care and public health 146
  7.4.5 Tourism 149

7.5 Political, social and economic impact of FOCAC 150
  7.5.1 Government level engagement 150
  7.5.2 Private sector engagement 151

7.6 Recommendations for Ugandan stakeholders 151
  7.6.1 Ensure that agro processing is prioritised 151
7.6.2 Establish a Centre for Chinese Scholarships in Kampala ........................................... 151
7.6.3 Focus Chinese HR development on malaria prevention............................................... 152
7.6.4 Strengthen the managerial capacity of Uganda’s health system .................................... 152
7.6.5 Establish annual Sino-Ugandan FOCAC business conference ..................................... 153
7.6.6 Further Sino-Ugandan JVs to strengthen Ugandan manufacturing capacity .................... 153
7.6.7 Establish a Sino-Ugandan Entrepreneurial Centre in Kampala .................................... 153
7.6.8 Chinese investment in resources sector to take place in Sino-Ugandan JVs ....................... 154
7.6.9 Source the material for FOCAC-donated buildings in Uganda ..................................... 154
7.6.10 Launch Mandarin language training ............................................................................ 155
7.6.11 Provide English language training for the Chinese medical team ............................... 155

7.7 Recommendations for Chinese stakeholders ...................................................................... 155
7.7.1 Assist Ugandan commercial actors as they trade with China ....................................... 155
7.7.2 Chinese customs improve collaboration with Ugandan counterparts ........................... 156
7.7.3 Engage to a greater extent with Uganda’s other development partners ....................... 156

8. THE EAST AFRICAN COMMUNITY (EAC) ................................................................. 157

8.1 Chinese engagement with EAC ....................................................................................... 157
8.1.1 Political cooperation .................................................................................................... 157
8.1.2 Economic cooperation .................................................................................................. 159
8.1.3 Cooperation in Social Development ............................................................................... 160

8.2 Recommendations for EAC stakeholders .......................................................................... 163
8.2.1 Extend an invitation to China to join the EAC Partnership Fund .................................. 164
8.2.2 Deploy a Chinese diplomatic representative to the EAC ............................................ 164
8.2.3 Encourage CADFund investment in East Africa .......................................................... 164
8.2.4 Establish a Sino-EAC trade and investment agreement ................................................ 165
8.2.5 Contracts with Chinese companies should include the use of local labour .................... 165
8.2.6 Arrange workshops to improve mutual Sino-EAC understanding ................................. 165
8.2.7 Establish a sub-committee for FOCAC-EAC relations ................................................ 165
8.2.8 Implement joint initiatives to eradicate malaria ............................................................ 166
8.2.9 Request assistance from China in developing HR in the EAC region ......................... 166
8.2.10 Request that Chinese airline experts assist in training of East African pilots ................. 166
8.2.11 Chinese media to provide info to EAC media about Sino-African relations .................. 167
8.2.12 EAC secretariat to coordinate amendments to list of tariff free items ......................... 167
8.2.13 EAC to help coordinate Chinese development aid ..................................................... 167
8.2.14 Approach Chinese investors to improve capacity of EAC airports ............................. 167
8.2.15 Establish research exchanges in agriculture, science and technology ......................... 168

9. THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) .............. 169

9.1 Chinese engagement with SADC ..................................................................................... 170
9.1.1 Political cooperation ....................................................................................................... 170
9.1.2 Economic cooperation .................................................................................................. 171

9.2 Recommendations for SADC stakeholders ...................................................................... 173
9.2.1 Issue a formal directive for increased Sino-SADC interaction ..................................... 173
9.2.2 Establish a committee to deal specifically with FOCAC-SADC relations ...................... 173
9.2.3 Extend an invitation to China to become a SADC ICP ............................................. 173
9.2.4 Invite China to the joint SADC-ICP task force .......................................................... 174
9.2.5 Complement the member states’ bilateral agendas with a multilateral approach .......... 174
9.2.6 Ensure SADC ownership of Chinese development projects ...................................... 174
9.2.7 Present a list of development projects to the Chinese government for financing .......... 175
9.2.8 Make capacity building within the SADC secretariat a FOCAC priority ..................... 175
9.2.9 Build capacity for the SADC secretariat in terms of agriculture .............................. 175

10. CONCLUSION - WHITHER FOCAC? ............................................................................ 176

10.1 Key challenges for Sino-African relations going forward ........................................... 188
10.1.1 Labour rights and the development of workers’ skills ............................................... 188
10.1.2 The establishment of joint ventures to build capacity and transfer technology .......... 189
10.1.3 The language barrier ................................................................................................. 189
10.1.4 The appointment of China coordinators in key government departments ............... 189
10.1.5 The role of civil society ............................................................................................ 190
10.1.6 The use of building material ‘Made in Africa’ ......................................................... 190

10.2 Concluding remark - FOCAC at crossroads ................................................................. 191

PROFILE OF THE CENTRE FOR CHINESE STUDIES ......................................................... 192

ENDNOTES ........................................................................................................................ 193
# List of Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AABF</td>
<td>Africa-Asia Business Forum</td>
</tr>
<tr>
<td>AfDB</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>AGGT</td>
<td>Agence Congolaise des Grands Travaux (Congolese Agency for Major Construction Works)</td>
</tr>
<tr>
<td>ADM</td>
<td>Aeroportos de Moçambique</td>
</tr>
<tr>
<td>ADS</td>
<td>Approved Destination Status</td>
</tr>
<tr>
<td>AFECC</td>
<td>Anhui Foreign Economic Construction (Group) Co. Ltd</td>
</tr>
<tr>
<td>AMU</td>
<td>Arab Magreb Union</td>
</tr>
<tr>
<td>ANIP</td>
<td>Agência Nacional para o Investimento Privado (National Agency for Private Investment)</td>
</tr>
<tr>
<td>AU</td>
<td>African Union</td>
</tr>
<tr>
<td>BCPSC</td>
<td>Bureau de Coordination et de Suivi du Programme Sino-Congolais (Bureau for Coordination and Monitoring of the Sino-Congolese Programme)</td>
</tr>
<tr>
<td>BLCU</td>
<td>Beijing Language and Culture University</td>
</tr>
<tr>
<td>BT</td>
<td>Bank of Tanzania</td>
</tr>
<tr>
<td>BWM-SEZ</td>
<td>The Benjamin William Mkapa Special Economic Zone</td>
</tr>
<tr>
<td>CADFund</td>
<td>China-Africa Development Fund</td>
</tr>
<tr>
<td>CAN</td>
<td>African Nations Cup</td>
</tr>
<tr>
<td>CAS</td>
<td>Chinese Academy of Sciences</td>
</tr>
<tr>
<td>CATIC</td>
<td>China National Aero-Technology Import and Export Corporation</td>
</tr>
<tr>
<td>CCB</td>
<td>China Construction Bank</td>
</tr>
<tr>
<td>CCCC</td>
<td>China Communications Construction Company</td>
</tr>
<tr>
<td>CCS</td>
<td>Centre for Chinese Studies</td>
</tr>
<tr>
<td>CCCCA</td>
<td>Chamber of Commerce of Chinese Companies</td>
</tr>
<tr>
<td>CCP</td>
<td>Chinese Communist Party</td>
</tr>
<tr>
<td>CCPIT</td>
<td>China Council for Promotion of International Trade</td>
</tr>
<tr>
<td>CDB</td>
<td>China Development Bank</td>
</tr>
<tr>
<td>CEA</td>
<td>Centro de Estudos Asiáticos (Centre for Asian Studies)</td>
</tr>
<tr>
<td>CEC</td>
<td>China Electricity Council International</td>
</tr>
<tr>
<td>CEN-SAD</td>
<td>Community of Sahel-Saharan States</td>
</tr>
<tr>
<td>CGCD</td>
<td>ChangDa Highway Engineering Corporation</td>
</tr>
<tr>
<td>CHICO</td>
<td>China Henan International Corporation Group</td>
</tr>
<tr>
<td>CI</td>
<td>Confucius Institute</td>
</tr>
<tr>
<td>CICS</td>
<td>Competitiveness and Investment Climate Strategy</td>
</tr>
<tr>
<td>CIF</td>
<td>China International Fund Ltd</td>
</tr>
<tr>
<td>CPIDCC</td>
<td>Centro de Promoção de Investimento Desenvolvimento e Comercio China</td>
</tr>
<tr>
<td>CITCC</td>
<td>China International Telecommunication Construction Corporation</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Name</td>
</tr>
<tr>
<td>-----------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>CITIC/CICI</td>
<td>China International Trust and Investment Corporation</td>
</tr>
<tr>
<td>CMEC/CMIC</td>
<td>China National Machinery and Equipment Import and Export Corporation</td>
</tr>
<tr>
<td>CNPC</td>
<td>China National Petroleum Corporation</td>
</tr>
<tr>
<td>COMPLANT</td>
<td>China National Complete Plant Import and Export Corporation</td>
</tr>
<tr>
<td>COVEC</td>
<td>China National Overseas Engineering Corporation</td>
</tr>
<tr>
<td>CPC</td>
<td>Communist Party of China</td>
</tr>
<tr>
<td>CPI</td>
<td>Centro de Promocao de Investimentos (Investment Promotion Centre)</td>
</tr>
<tr>
<td>CR-20</td>
<td>China Railway 20</td>
</tr>
<tr>
<td>CRBC</td>
<td>China Road and Bridge Cooperation</td>
</tr>
<tr>
<td>CREC</td>
<td>China Railway Engineering Corporation</td>
</tr>
<tr>
<td>CSSC</td>
<td>China State Shipbuilding Corporation</td>
</tr>
<tr>
<td>CTA</td>
<td>Confederação das Associações Económicas de Moçambique (Confederation of Business Associations)</td>
</tr>
<tr>
<td>DAC</td>
<td>Development Assistance Committee</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development</td>
</tr>
<tr>
<td>DRC</td>
<td>Democratic Republic of Congo</td>
</tr>
<tr>
<td>EAC</td>
<td>East African Community</td>
</tr>
<tr>
<td>EADB</td>
<td>East African Development Bank</td>
</tr>
<tr>
<td>ECCAS</td>
<td>Economic Community of Central African States</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>Economic Community of West African States</td>
</tr>
<tr>
<td>EGI</td>
<td>E-Government Infrastructure</td>
</tr>
<tr>
<td>ENANA</td>
<td>Empresa Nacional de Aeroportos e Navegacao Aerea (National Company for Airports and Air Navigation)</td>
</tr>
<tr>
<td>EPZA</td>
<td>Export Processing Zones Authority</td>
</tr>
<tr>
<td>ESAEN</td>
<td>Escola Superior de Altos Estudos e Negócios</td>
</tr>
<tr>
<td>EXIM Bank</td>
<td>Export-Import Bank</td>
</tr>
<tr>
<td>FADEPA</td>
<td>Fundo de Apoio ao Desenvolvimento à Pesca Artesanal (Fund for Assistance to the Fisheries and Industry and Agriculture)</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organization</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FMCG</td>
<td>Fast Moving Consumer Goods</td>
</tr>
<tr>
<td>FNLA</td>
<td>Frente Nacional de Libertação de Angola (National Front for the Liberation of Angola)</td>
</tr>
<tr>
<td>FOCAC</td>
<td>Forum on China-Africa Cooperation</td>
</tr>
<tr>
<td>FRELIMBO</td>
<td>Frente de Libertacao de Mocambique</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>Gécamines</td>
<td>La Générale des Carrières et des Mines</td>
</tr>
<tr>
<td>GRN</td>
<td>Gabinete de Reconstrução Nacional (Office for National Reconstruction)</td>
</tr>
<tr>
<td>GSA</td>
<td>Gabinete de Segurança Alimentar (Office of Food Security)</td>
</tr>
<tr>
<td>HCM</td>
<td>Hospital Central de Maputo (Central Hospital of Maputo)</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>HDI</td>
<td>Human Development Index</td>
</tr>
<tr>
<td>HIPC</td>
<td>Heavily Indebted Poor Country</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resource</td>
</tr>
<tr>
<td>IBE</td>
<td>Instituto de Bolsas de Estudo</td>
</tr>
<tr>
<td>ICBC</td>
<td>Industrial and Commercial Bank of China</td>
</tr>
<tr>
<td>ICP</td>
<td>International Cooperating Partners</td>
</tr>
<tr>
<td>ICT</td>
<td>Information, Communication and Technology</td>
</tr>
<tr>
<td>IDA</td>
<td>Instituto de Desenvolvimento Agrário (Institute for Agricultural Development)</td>
</tr>
<tr>
<td>IDF</td>
<td>Instituto de Investigação Florestal (Institute for Forestry Development)</td>
</tr>
<tr>
<td>IFI</td>
<td>International Financial Institution</td>
</tr>
<tr>
<td>IGAD</td>
<td>Intergovernmental Authority for Development</td>
</tr>
<tr>
<td>IIA</td>
<td>Instituto de Investigação Agronómica (Institute for Agrarian Research)</td>
</tr>
<tr>
<td>IIAAM</td>
<td>Instituto de Investigação Agrária de Moçambique</td>
</tr>
<tr>
<td>IITA</td>
<td>International Institute for Tropical Agriculture</td>
</tr>
<tr>
<td>IIIV</td>
<td>Instituto de Investigação Veterinária (Institute for Veterinary Research)</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>INABE</td>
<td>Instituto Nacional de Bolsas de Estado (Institute for Scholarships)</td>
</tr>
<tr>
<td>INCA</td>
<td>Instituto Nacional de Café de Angola (Institute for the Development of Coffee)</td>
</tr>
<tr>
<td>IPA</td>
<td>Instituto de Desenvolvimento da Pesca Artisanal (Artisan Fishing and Aquaculture Development Institute)</td>
</tr>
<tr>
<td>IPEX</td>
<td>Instituto Para a Promoção de Exportações (Institute for Export Promotion)</td>
</tr>
<tr>
<td>IPME</td>
<td>Instituto de la Pequeña y Mediana Empresa (Institute for Small and Medium Enterprises)</td>
</tr>
<tr>
<td>ITEL</td>
<td>Instituto Nacional das Telecomunicaçôens</td>
</tr>
<tr>
<td>IUCEA</td>
<td>Inter-University Council for East Africa</td>
</tr>
<tr>
<td>JTF</td>
<td>Joint Task Force</td>
</tr>
<tr>
<td>JV</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>LDC</td>
<td>Least Developed Country</td>
</tr>
<tr>
<td>LVFTZ</td>
<td>Lake Victoria Free Trade Zone</td>
</tr>
<tr>
<td>MA60</td>
<td>Modern Ark 60</td>
</tr>
<tr>
<td>MCC</td>
<td>China Metallurgical Construction Group</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
</tr>
<tr>
<td>MFA</td>
<td>Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>MNC</td>
<td>Multi-National Corporation</td>
</tr>
<tr>
<td>MOE</td>
<td>Ministry of Education</td>
</tr>
<tr>
<td>MOFCOM</td>
<td>Ministry of Commerce</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>MPTT</td>
<td>Ministère des Postes, Téléphones et Télécommunications (Ministry of Posts, Telephones and Telecommunications)</td>
</tr>
<tr>
<td>MPLA</td>
<td>Movimento Popular de Libertação de Angola (Popular Movement for the Liberation of Angola)</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro, Small and Medium Sized Enterprise</td>
</tr>
<tr>
<td>NBF</td>
<td>NEPAD Business Foundation</td>
</tr>
<tr>
<td>NBI</td>
<td>National Data Transmission Backbone Infrastructure</td>
</tr>
<tr>
<td>NEPAD</td>
<td>New Partnership for Africa’s Development</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
</tr>
<tr>
<td>NPA</td>
<td>National Planning Authorities</td>
</tr>
<tr>
<td>NRM</td>
<td>National Resistance Movement</td>
</tr>
<tr>
<td>OAU</td>
<td>Organisation for African Unity</td>
</tr>
<tr>
<td>OCPT</td>
<td>Office Congolais des Postes et Télécommunications (Congolese Office of Posts and Telecommunications)</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
</tr>
<tr>
<td>OPEC</td>
<td>Organisation of Petroleum Exporting Countries</td>
</tr>
<tr>
<td>PBC</td>
<td>People’s Bank of China</td>
</tr>
<tr>
<td>PDIC</td>
<td>Catumbela Industrial Development Zone</td>
</tr>
<tr>
<td>PIF</td>
<td>Futila Industrial Development Zone</td>
</tr>
<tr>
<td>PIV</td>
<td>Viana Industrial Development Zone</td>
</tr>
<tr>
<td>PNM</td>
<td>Programa Nacional de Mandioca (National Cassava Programme)</td>
</tr>
<tr>
<td>PPP</td>
<td>Public-Private Partnership</td>
</tr>
<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
</tr>
<tr>
<td>PRGF</td>
<td>Poverty Reduction and Growth Facility</td>
</tr>
<tr>
<td>PTA</td>
<td>Preferential Trade Area</td>
</tr>
<tr>
<td>REC</td>
<td>Regional Economic Community</td>
</tr>
<tr>
<td>RISDP</td>
<td>Regional Indicative Strategic Development Plan</td>
</tr>
<tr>
<td>ROC</td>
<td>Republic of China (Taiwan)</td>
</tr>
<tr>
<td>RTFP</td>
<td>Regional Trade Facilitation Programme</td>
</tr>
<tr>
<td>SACU</td>
<td>South African Customs Union</td>
</tr>
<tr>
<td>SADC</td>
<td>Southern African Development Community</td>
</tr>
<tr>
<td>SADCC</td>
<td>Southern African Development Coordination Conference</td>
</tr>
<tr>
<td>SAP</td>
<td>Structural Adjustment Programmes</td>
</tr>
<tr>
<td>SAPP</td>
<td>Southern African Power Pool</td>
</tr>
<tr>
<td>SBG</td>
<td>Standard Bank Group</td>
</tr>
<tr>
<td>SEZ</td>
<td>Special Economic Zones</td>
</tr>
<tr>
<td>Sinopec</td>
<td>China Petroleum &amp; Chemical Corporation</td>
</tr>
<tr>
<td>SIPO</td>
<td>Strategic Indicative Plan for the Organ</td>
</tr>
<tr>
<td>SOE</td>
<td>State-owned Enterprises</td>
</tr>
<tr>
<td>SONANGOL</td>
<td>Sociedade Nacional de Combustiveis de Angola</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Name</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>SSI</td>
<td>Sonangol-Sinopec International</td>
</tr>
<tr>
<td>SUCG CN</td>
<td>Shanghai Urban Construction Group</td>
</tr>
<tr>
<td>TAAG</td>
<td>Linhas Aereas de Angola (Angola Airlines)</td>
</tr>
<tr>
<td>TDM</td>
<td>Telecomunicações de Moçambique</td>
</tr>
<tr>
<td>TIC</td>
<td>Tanzania Investment Centre</td>
</tr>
<tr>
<td>TICAD</td>
<td>Tokyo International Conference on African Development</td>
</tr>
<tr>
<td>TNBC</td>
<td>Tanzania National Business Council</td>
</tr>
<tr>
<td>TRALAC</td>
<td>Trade Law Centre for Southern Africa</td>
</tr>
<tr>
<td>UDB</td>
<td>Uganda Development Bank</td>
</tr>
<tr>
<td>UEM</td>
<td>Eduardo Mondlane University</td>
</tr>
<tr>
<td>UIA</td>
<td>Uganda Investment Authority</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNITA</td>
<td>União Nacional pela Independência Total de Angola (National Union for the Total Independence of Angola)</td>
</tr>
<tr>
<td>UNSC</td>
<td>United Nations Security Council</td>
</tr>
<tr>
<td>URA</td>
<td>Uganda Revenue Authority</td>
</tr>
<tr>
<td>ZTE</td>
<td>Zhong Xing Telecommunication Equipment Company Limited</td>
</tr>
<tr>
<td>ZZNissan</td>
<td>Zhengzhou Nissan</td>
</tr>
</tbody>
</table>
List of figures

Graphs

Graph 3.1  Outlook of Angola’s trade with China (1998-2008) ........................................ 24
Graph 3.2  Composition of Angola’s imports from China in 2008 ......................................... 25
Graph 4.1  Outlook of the DRC’s trade with China (1998-2008) ........................................... 50
Graph 4.2  Composition of the DRC’s exports to China in 2008 ........................................... 50
Graph 4.3  Composition of the DRC’s top-20 exports (HS 4 level) to China (1998-2008) .......................................................................................... 51
Graph 4.4  Composition of the DRC’s top-20 imports (HS 4 level) from China (1998-2008) .......................................................................................... 51
Graph 5.1  Outlook of Mozambique’s Trade with China (1998-2008) ........................................ 78
Graph 5.2  Composition of Mozambique’s Exports to China in 2008 .......................................... 79
Graph 6.1  Outlook of Tanzania’s trade with China (1998-2008) ............................................. 110
Graph 7.1  Outlook of Uganda’s trade with China (1998-2008) ............................................. 133
Graph 7.2  Composition of Uganda’s top-20 exports (HS 4 level) to China 1998-2008 .......................................................................................... 134
Graph 7.3  Composition of Uganda’s top-20 imports (HS 4 level) from China 1998-2008 .......................................................................................... 147

Tables

Table 3.1  Angola’s trade with China 2006-2008 (US$ million) ............................................. 24
Table 3.2  List of prominent Sino-Angola road projects (2007-2009) .................................... 31
Table 4.1  The DRC’s trade with China 2006-2008 (US$ million) ........................................... 50
Table 4.2  Record of Chinese government scholarships for Congolese students 1985-2008 .......................................................................................... 61
Table 5.1  Mozambique’s Trade with China 2006-2008 (US$ million) .................................... 78
Table 5.2  Record of Mozambicans on Chinese Government Scholarships ............................ 89
Table 6.1  Tanzania’s trade with China 2006-2008 (US$ million) .......................................... 110
Table 7.1  Uganda’s trade with China 2006-2008 (US$ million) ............................................. 145
Table 8.1  Flights between East Africa and China (as of March 2009) ..................................... 182

Figures

Figure 3.1  Ango Ferro Railway .......................................................................................... 30
Executive Summary

This report investigates emerging trends, opportunities and challenges in China’s engagement with five African countries through FOCAC, namely Angola, the DRC, Mozambique, Tanzania and Uganda. The report also outlines China’s interaction with two African regional organisations; the EAC and SADC. Fieldwork for the study was carried out from January to August 2009. The aim of the research was to provide African stakeholders with accurate information and commentary on the implementation of the commitments made at the 2006 Beijing FOCAC summit in order to improve their preparedness ahead of FOCAC 2009. Based on the field research observations, country specific recommendations are provided seeking to improve the developmental benefits of each country’s relations with China.

Overall, the implementation of the Beijing Action Plan in the five countries is fairly advanced. In Angola, focus has been placed on communications infrastructure. In Sino-Congolese relations, road infrastructure and ICT are the areas which have received the most attention. In the case of Mozambique, the construction of public facilities has been the salient feature. Communications infrastructure and public facilities has been the most important characteristic of Sino-Tanzanian relations. In Uganda, focus has been on the construction of public facilities and an ICT backbone. Regarding China’s engagement with the EAC and SADC, it is noted that there has been very little formal engagement to date. It was suggested by officials of the two Secretariats that engagement with China would be greatly beneficial to the development of the two regions respectively.

In the concluding analysis, six issues are identified as pivotal to whether or not Sino-African relations post the 2009 FOCAC meeting will be beneficial for Africa’s peoples. The most important issue pertains to employment equity in the African countries, notably the recruitment of local workers, labour rights and skills development. Second, it is imperative that Sino-African MSME joint ventures be established in order to build African capacity and ensure technology transfer. Third, the language barrier is a major challenge across the board and it must therefore be ensured that Mandarin language training gain significant traction in African countries.

Fourth, coordination between the relevant African government departments and the Chinese Embassy should be improved and it is suggested that this could be done by means of appointing China coordinators in key African government departments. Fifth, it is recommended that African civil society be included to a greater extent in consultations between African leaders and Chinese government- and company representatives in order to prevent a popular backlash against the Chinese presence in Africa. Lastly, it is recommended that African countries should require that a greater share, if not all, of the building material used to construct buildings donated by the Chinese government should be sourced in African economies. It is anticipated that this approach, even if it implies that fewer buildings will be implemented, will generate greater developmental synergies in African countries. It is believed that these six issues should be taken into account by all African leaders in order to pave the way for a new Sino-African partnership, beneficial to all Africans.
1. Introduction

China's engagement with Africa has over the past decade grown to become a prominent feature in the international relations of the African continent. Trade between the two reached US$ 106.8 billion in 2008, and over the period, Chinese investments and the country's development aid to the continent have been increasing steadily. Chinese activities in Africa are highly diverse, ranging from government to government relations and large state owned companies (SOE) investing in Africa financed by China's policy banks, to private entrepreneurs entering African countries at their own initiative to pursue commercial activities. While most Chinese activities in Africa are yet to be assessed through structured research, the phenomenon is certainly of growing importance both for African countries and for China.

The Forum on China-Africa Cooperation (FOCAC) was initiated in 2000. According to the official website of the Forum, it is "a platform established by China and friendly African countries for collective consultation and dialogue and a cooperation mechanism between the developing countries, which falls into the category of South-South cooperation". High-level Ministerial Meetings within the FOCAC framework have been held in Beijing in 2000, in Addis Ababa in 2003 and in Beijing in 2006, and most recently in Sharm El Sheik, Egypt in November 2009.

At the Beijing Summit in 2006, a number of commitments were made and incorporated into the Beijing Action Plan (outlined further in section 2). These commitments cover cooperation in various sectors, including the spheres of economics, politics and international affairs. The Action plan also outlines concrete commitments in a variety of areas, including human development, technical assistance, and infrastructure.

Rhetorically, FOCAC is thus a framework aiming to further ‘win-win’ relations between China and the African countries with which it has diplomatic ties. It is however important to look beyond the rhetoric and examine how successful the implementation of the FOCAC pledges has actually been on the ground in African countries. This research project seeks to conduct such an assessment of the FOCAC commitments made to five African countries: Angola, the Democratic Republic of Congo (DRC), Mozambique, Tanzania and Uganda. The project also seeks to gauge China’s engagement with two African regional organisations: the East African Community (EAC) and the Southern African Development Community (SADC). Further aims are:

- To investigate emerging trends in China’s engagement with the African continent through the FOCAC process;
- To evaluate the immediate political, economic and social impacts of the implementation of the FOCAC commitments in the prioritised regions and countries;
• To gain an understanding of the opportunities and challenges for African policymakers and leaders following the roll-out of China’s FOCAC commitments; and

• To provide stakeholders with accurate information and commentary regarding China’s implementation of the 2006 FOCAC commitments. This information will feed into African stakeholders’ ability to better prepare and engage for FOCAC 2009.

1.1 Structure of the report

This report is comprised of ten chapters. The introductory chapter outlines the research question and the research methodology. The second chapter provides background on FOCAC and conceptual remarks that set the framework for the analysis.

The subsequent chapters focus on five case studies: Angola, the DRC, Mozambique, Tanzania and Uganda. For each case study, an introductory outline of each country’s relations with China is followed by an in-depth analysis and discussion around political cooperation, economic cooperation and cooperation in social development within the FOCAC framework. The analysis reviews emerging challenges, but also identifies opportunities for enhancing the respective countries’ relations with China. Each country case study includes an assessment of the political, social and economic impacts and emerging trends between China and the country in question. This is followed by recommendations to relevant African and Chinese stakeholders. The reader will note that the number of recommendations formulated for the two stakeholder groups varies according to the context, depending on the observations made in the field.

Moreover, chapters eight and nine give a brief overview of China’s engagement with two African regional organisations; the EAC and SADC secretariats respectively. Lastly, the concluding chapter consolidates the findings of the five countries and maps the way forward.

1.2 Research Methodology

There are many methodological avenues that can be pursued by researchers when conducting academic research on the FOCAC process. However, two in particular seem relevant for this research. The first approach involves studying policy documents, press releases and critically analysing public speeches made by Chinese and African leaders in relation to FOCAC. This method of studying FOCAC has for instance been pursued by Shelton and Paruk. The second approach implies an empirical bottom-up approach and involves studying FOCAC related developments in-country to gain insights on the ground. The research methodology used for this study is a merger of both approaches, combining analysis of official documents with empirical in-country investigations regarding the implementation of the Beijing Action Plan in African countries.
Field research in Angola (Luanda), Botswana (Gaborone), the People’s Republic of China (Beijing), the DRC (Kinshasa), Mozambique (Maputo), Tanzania (Dar es Salaam and Arusha) and Uganda (Kampala and Jinja) was carried out between January and August 2009. The research team for each country comprised of two to three team members covering the language capacities needed for each country (Mandarin Chinese and English, French or Portuguese).

In each country, a wide range of stakeholders were consulted, mainly African and Chinese government and private sector representatives, but also representatives from African and international civil society organisations. Site visits were also made to completed FOCAC projects and building sites of FOCAC projects still under construction. The findings from these visits are outlined in each country case study in this report.

Following completion of a draft version of this report, dissemination seminars were conducted in the DRC, Tanzania and Uganda (September and October 2009); at the EAC and SADC secretariats (September and October 2009) and at the FOCAC meeting in Egypt (November 2009). The draft version of the report was presented and distributed to African stakeholders during these events. Comments and corrections emanating from the seminars are incorporated in this final draft.
2. Background

FOCAC was conceptualised in 2000 to epitomise China-Africa ties. The importance of these relations had started to grow already in the mid-1990s, notably embodied by the visit of then President Jiang Zemin to six African countries in 1996. An institutional forerunner to FOCAC in the context of Africa is the Tokyo International Conference on African Development (TICAD), which was launched in 1993 as a vehicle for development cooperation and dialogue between Japan and African countries. In a similar vein, FOCAC is Beijing’s endeavour to formalise, institutionalise and strengthen China-Africa relations.

During the Forum’s inaugural meeting in Beijing from the 10th-12th October 2000, the Beijing Declaration of the Forum on China-Africa Cooperation was adopted. Following the meeting, the Programme for China-Africa Cooperation in Economic and Social Development was released and a Chinese follow-up committee was established, led by the African Department of the Chinese Ministry of Foreign Affairs, comprising representatives from 27 organisations; ministries, other state departments, administrative organs, banks as well as the Communist Party of China (CPC).

The second FOCAC Ministerial Meeting was held on the 15th and 16th December 2003 in Addis Ababa, Ethiopia. Following the meeting, the Addis Ababa Action Plan 2004-2006 was published, setting the direction for the coming three years of Sino-African cooperation.

The African continent’s prominent role in China’s foreign policy was stressed when the latter published its White Paper on China’s African Policy in January 2006. The document represents a milestone in China’s relations with the continent, detailing the Chinese government’s long-term strategy for its engagement with the African continent. Shortly after the release of the White Paper, the world’s eyes turned to Beijing as the city hosted the third FOCAC Ministerial Meeting and first high-level summit on the 4th and 5th November 2006. This landmark in Sino-African relations was attended by 41 African heads of state, as well as Chinese and African government officials largely representing foreign affairs and economic cooperation partners. Forty-eight African states were represented at the meeting.

FOCAC and African Opportunity

The Forum on China-Africa Co-operation (FOCAC) forms the central pillar in advancing China-Africa relations and is an arena for constructive diplomatic interaction. FOCAC provides the foundation for building a long-term “win-win” China-Africa relationship. The FOCAC process provides a unique diplomatic mechanism to promote dialogue between China and Africa, while at the same time facilitating the development of a common political and economic agenda which is intended to advance constructive South-South co-operation. FOCAC is also a mechanism for developing Sino-African co-operation and problem solving while providing an important framework for developing a common
development agenda in a rapidly globalising international system. The FOCAC deliberations have brought African and Chinese leaders closer together in crafting a shared vision for policy co-ordination, expanded commercial interaction and common prosperity. Through the FOCAC process, China has cancelled African debt, facilitated expanded market access and provided a wide range of new opportunities for positive engagement. FOCAC reflects the form and content of Sino-African relations while mapping a future for both sides to achieve common prosperity.

The third FOCAC Ministerial Summit in Beijing during November 2006 was the highest level and the largest meeting between Chinese and African leadership since diplomatic relations were opened in the 1950s. It brought together 1 700 delegates from China and Africa together in Beijing late in 2006 under the banner of “friendship, peace, co-operation and development.” The meeting confirmed China’s new strategic partnership with Africa and China’s role as a global power on the continent.

At the 2006 FOCAC meeting, Chinese Vice Premier Wu Yi outlined three proposals for the FOCAC process intended to take advantage of the potential for expanded China-Africa co-operation and interaction. Firstly, she called for a “new vitality” for the forum in order to position FOCAC as the lead organisation in advancing comprehensive China-Africa relations. Secondly, with a view to advancing new initiatives, China and Africa should fully exploit co-operation potential and take advantage of each other’s strengths to expand and upgrade co-operation. Lastly, Vice Premier Wu urged Chinese and African diplomats to strengthen co-ordination in order to better facilitate both bilateral and multilateral interaction.12

At the conclusion of FOCAC III, a declaration and an action plan for 2007-2009 was adopted by the Chinese and African leadership. The declaration refers to the establishment of a “new type of strategic partnership” between China and Africa, while the action plan provided a detailed road map for China-Africa co-operation until the FOCAC IV meeting. The action plan proposes co-operation in the fields of politics, economics, international affairs and social development. The China-Africa Business Conference finalised investment agreements with 11 African countries, valued at almost US$ 2 billion. Since the initiation of the FOCAC process in 2000, this forum has become one of the key multilateral diplomatic mechanisms in Africa.

At a related conference held in the Great Hall of the People, Premier Wen Jiabao proposed an accelerated trade programme aimed at increasing two-way trade to a total of US$ 100 billion by 2010. Trade between China and Africa totalled only US$10 billion in 2000, but had reached almost US$ 40 billion by the end of 2006. By 2009, China had become Africa’s third most important trade partner, after the US and France. The complementarity of the Chinese and African economies underpins the rapid growth in two-way trade with Africa exchanging raw materials for China’s manufactured products. Although the trade structure has raised questions, such as an OECD report warning of a “raw materials trap,” given the relative phases of economic development, the China-Africa trade relationship is considered largely unavoidable.13 The challenge for Africa is to turn raw material exploitation into a foundation for sustainable economic development over the long term. At the same time, the World Bank (WB) has emphasised the advantages for consumers arising from the wide
availability of low-cost Chinese manufactured products in Africa.\textsuperscript{14} In addition, China has become a key development donor and investor in Africa. The urgency and commitment displayed by Chinese corporations has impressed their African hosts and injected a new dynamism into Africa’s commercial processes.

At FOCAC III, President Hu addressed the theme of South-South co-operation in the context of globalisation and advancing technologies. China and Africa are linked by a common objective to advance the South-South Agenda. Hu firmly grounded China-Africa relations in the context of co-operation within the developing world and sought to provide a framework for advancing positive interaction on this basis. China and Africa are seeking a stronger voice for the developing world on the global stage and in international institutions such as the UN, WTO, IMF and World Bank. China is seen as a partner of Africa in the struggle to democratise international institutions and reshape global development agendas. Africa’s perception of China is informed by China’s historical commitment to Africa’s freedom struggle and a strong sentiment of liberation solidarity underpins the relationship.

Moreover, China’s successful development model, grounded in strong state management of economic liberalisation holds wide appeal in Africa, where states are seeking to escape the poverty trap. African states have been quick to respond to China’s fresh approach and agreements on a wide range of issues have been concluded. Some states, such as South Africa have suggested a common approach to maximise Africa’s benefits, but most Africa states are satisfied with a bilateral interaction and the rewards which flow from this. The potential for South-South co-operation has been recognised by the AU, where a high-level working group of the AU Commission has been set up to address the issue of closer China-Africa relations.

A central element of the China-Africa relationship is the principle of equal rights and respect through which Africa can negotiate with China as equals, seeking mutually beneficial outcomes. Political conditionalities demanded by Western donor nations hardly feature in China’s African intervention. Instead, the focus is on practical, realist and achievable objectives with a common development agenda. China’s commitment to develop Africa’s infrastructure, education, agriculture and economic development is interpreted as proof of China’s intentions to assist Africa over the longer term, rather than simply seek an exploitative relationship based on oil and mineral extraction.

Africa has welcomed China’s FOCAC commitments to increase aid to Africa and to promote conflict resolution and post-conflict peace-building in Africa. It is widely acknowledged that China’s intervention in Africa over the last few years has significantly altered the continent’s traditional dependency on the US and former colonial Western donors.\textsuperscript{15} Africa now has an alternative source of aid, trade and investment and the Chinese engagement methodology is considerably different from the West’s conditional engagement. China’s commitment to non-intervention in Africa’s domestic affairs and a determination to build partnerships based on equality and mutual respect are widely welcomed. Africa is not treated as a needy aid recipient, as Beijing rather seeks trade and investment partners on a continent predicted to have significant growth potential.
Advancing a Common FOCAC Vision

While addressing the opening ceremony of FOCAC III in Beijing, Ethiopian Foreign Minister Seyoum Mesfin stressed that the China-Africa relationship was grounded on a “firm foundation of trust and confidence” which serves as a basis for accelerated co-operation. The strength of the China-Africa relationship lies in China's historical contribution to Africa's anti-colonial struggle and Africa’s post-liberation effort to maintain sovereign independence. Djibouti’s President Ismail Omar Guelleh Sunday, echoed Mesfin’s sentiment, pointing out that “China has been with Africa since it fought for independence” and has since provided support and solidarity to Africa's economic and political development.

Algerian President Abdelaziz Bouteflika identified FOCAC as an “effective platform for enhancing mutual understanding” between China and Africa, while strengthening South-South co-operation. According to Bouteflika, the FOCAC process has helped to advance Sino-African understanding, a basis for common development and has made a significant contribution to promoting global peace. FOCAC also served as an effective mechanism to commonly confront the new challenges of globalisation and economic interdependence.\(^{16}\)

Prior to the FOCAC Summit, China had declared 2006 an “African Year” and sought to deepen and broaden political and economic links across the continent in a new initiative to strengthen South-South friendships. In January 2006, Foreign Minister Li Zhaoxing visited Cape Verde, Senegal, Mali, Liberia, Nigeria and Libya, consolidating relations with those countries and providing US$ 30 million dollars for construction projects in Liberia. President Hu Jintao followed with a visit in April to Morocco, Nigeria and Kenya. In Nigeria, Hu offered US$ 4 billion in assistance for construction, while China’s National Offshore Oil Corporation (CNOOC) concluded an investment of US$ 2,3 billion in an off-shore oilfield. In Kenya, he concluded an agreement for oil exploration rights, while offering US$ 7,5 million in aid and grants for malaria medicines, rice production and a sports stadium. Hu’s visit also included 28 accords with the African countries visited.

Premier Wen Jiabao conducted a visit to Egypt, Nigeria, Congo, Angola, South Africa, Tanzania and Uganda during June 2006. Wen provided Egypt with a US$ 50 million loan and signed 10 oil, natural-gas and telecommunications agreements, along with a US$10 million investment. While in Angola, Wen concluded a US$1,4 billion investment to develop off-shore oil fields. Despite the obvious commercial value of China’s engagement with the continent in “Africa’s Year,” the Sino-African relationship was advance and strengthened within the context of South-South co-operation and liberation solidarity.
FOCAC III Outcomes


At the FOCAC III Summit, leaders exchanged views on a number of regional and international issues, advancing consensus on key issues. The process was driven by a commitment to joint support and an effort to defend the interests of developing countries. The summit laid a solid foundation for the strengthening of a strategic partnership between China and Africa. Moreover, China committed itself to stand with African countries in advancing national and continental interests. The philosophical framework of the FOCAC process was based on “pragmatic co-operation” to strengthen the already strong China-Africa links and “equity and mutual benefit” with a common objective of economic development and prosperity. President Hu reconfirmed the importance of Africa in China’s foreign policy and global vision, while he outlined eight specific proposals to “forge a new type of China-Africa strategic partnership.” These included:

- China intended to double its assistance to Africa by 2009;
- China would provide US$ 3 billion in preferential loans and US$ 2 billion preferential buyer credits to Africa over the next three years;
- A China-Africa development fund, valued at US$ 5 billion, would be established to encourage Chinese companies to invest in Africa;
- The building of an AU conference centre to assist in the advancement in the objectives of African unity;
- Further debt cancellation of interest-free loans in the heavily indebted poor countries;
- Further opening of China’s market through an increase from 190 to 440 in the number of export products from the least developed countries receiving zero-tariff treatment;
- Establish a number of new trade and economic co-operation zones in Africa;
- Train 15 000 African professionals, build hospitals, malaria prevention centres, schools and double the number of Chinese scholarships offered to African students.

Speaking on behalf of the Southern African Development Community (SADC), Lesotho’s Prime Minister Pakalitha Mosisili referred to the Beijing Summit as “a landmark of hope” for Africa in developing relations with China. He promised a new effort by SADC to promote a more positive investment environment to attract Chinese business interest in Africa. UN Secretary General Kofi Annan welcomed China’s undertaking to increase aid to Africa and he admonished Africa to seek benefits from China’s successful development experience. Moreover, Annan identified the FOCAC process as a unique mechanism to advance South-South co-operation.

Ethiopian Foreign Minister Seyoum Mesfin confirmed Africa’s partnership with China in fighting
poverty and promoting development, while Egypt’s Foreign Minister Aboul Gheit described China-Africa interaction as important in promoting peace and security on the continent. Egyptian President Mubarak described the China-Africa strategic partnership as an arrangement based on common interests that would serve the long-term objectives of both China and Africa. World Bank Vice President for Africa, Gobind Nankani predicted that the new trade relationship being formed by China and Africa would give African economies a “major boost” over the next few years.\(^{21}\)

The key elements of the 2006 Beijing Declaration included the following:

- A China-Africa “strategic partnership” based on political equality and mutually beneficial commercial interaction;
- Enhanced South-South co-operation to advance co-ordinated and sustainable economic development;
- Reform of the UN to give greater representation to African countries;
- Support for greater African unity;
- A call to developed countries to increase support in achieving the UN’s Millennium Development Goals;
- An African commitment to the “one-China” policy;
- Improved high-level dialogue and cultural exchanges;
- An expansion of two-way trade and investment and the exploration of new avenues of co-operation;
- A commitment to consultation in order to deal with any challenges which may arise in China-Africa relations.\(^{22}\)

Thus the Beijing Declaration largely confirmed previous FOCAC undertakings, while at the same time proposing a broader framework for future co-operation. In the context of advancing a common global agenda within the framework of South-South co-operation, the following elements of the Beijing Declaration are particularly relevant:

- Enhanced dialogue through bilateral commissions, foreign ministries’ political consultation as well as commissions on economic and trade co-operation;
- Improved information sharing and pragmatic co-operation in areas of common interest;
- A strengthening of consultation and co-operation on international issues with a view to developing policy synergies,
- Reconfirming the central role of the UN in global affairs;
- Enhanced co-operation in advancing global peace and security through disarmament programmes, including the illicit trade in small arms and light weapons.\(^{23}\)
Within the framework of the 2006 FOCAC agreement, a solid foundation was laid to advance a comprehensive South-South Agenda, through which common political and economic goals could be achieved.

**Economic Co-operation**

A central element of FOCAC III was China’s renewed interest in expanding FDI to Africa. China’s portfolio of investments included natural resource extraction, construction, manufacturing, industrial processing and agriculture. Given that the Chinese government offers tax incentives, loans, credits and ready access to foreign exchange for enterprises undertaking FDI projects, China is set to become Africa’s leading foreign investor.\(^{24}\) In 2007, Chinese investors spent US$ 29.2 billion acquiring foreign companies, while investors from the rest of the world bought only US$ 21.5 billion in Chinese companies. This was the first time Chinese companies spent more on foreign assets than foreigners spent on Chinese acquisitions.\(^ {25}\) Charles Sanga, Tanzania’s Ambassador to China, responded by suggesting that Sino-African co-operation in resource development and infrastructure had created employment opportunities in Africa and higher incomes for African people.\(^ {26}\)

African countries have respond to China’s new investment capacity with incentives to attract capital. China has strengthened this trend with new investments in Africa, for example, in South Africa in October 2007, China’s largest bank, the state owned Industrial and Commercial Bank of China (ICBC) bought a 20 percent stake in Standard Bank for US$ 5.5 billion. This was the largest single FDI transaction in South Africa’s history and set the stage for increased Chinese FDI flows to the African continent. Given that technology transfers, skills transfers and job creation usually accompany FDI, Africa has opportunity to work towards increasing Chinese capital flows. The key to unlocking FDI lies in the Chinese experience which has relied on special economic zones with specific tax breaks and investment incentives available for foreign companies.

FDI to Africa doubled between 2004 and 2007 to almost US$ 40 billion, based on the drive to exploit new resources. However, Africa’s share of global FDI in 2006 was less than 3 percent. Nevertheless, long-term prospects for FDI to Africa remain positive because of continued demand for commodities. The expanding South-South investment flows within which China is expected to play a dominant role offers promise for African development. Despite the global financial crisis, recent improvements in economic growth trajectories and greater stability on the continent have improved Africa’s risk profile. However, to ensure longer term growth, Africa needs greater economic diversity and increased manufacturing, focusing on raw material beneficiation.

China’s FDI in Africa offers new prospect for economic development in the light of declining investment interest from the West. As Linsey Hilsum observed, “most European companies abandoned Sierra Leone long ago, but where Africa’s traditional business partners see only difficulty, the Chinese see opportunity... They are the new pioneers in Africa, and - seemingly unnoticed by aid planners and foreign ministries in Europe - they are changing the face of the continent.”\(^ {27}\) Western FDI in Africa has generally been short-term, risk averse and designed to maximise profit, but Chinese
state owned corporations are coming to Africa with a different business model. Chinese companies are willing to operate at lower profits and have much longer investment horizons. Thus Chinese companies are better able to deal with risks and offer a welcome alternative to the profit-focused Western business model.

Amid growing concern over the composition of Africa’s exports to China, analysts warn that African countries may be self-imposing a perpetuating commodity trade trap. In response, the Chinese government has given Africa’s least developed countries (LDCs) that have diplomatic relations with China preferential access to its market. As cited above, China announced in 2006 that it would extend the list of products that the respective African LDCs could export to China tariff-free from 190 to over 440. During a meeting with the FOCAC Ambassador of China’s Ministry of Foreign Affairs, the research team was informed that as of April 2009, the list comprised of 466 items. The implementation of the zero-tariff regime is assessed in each of the five case studies below. In addition, the research team was informed by the FOCAC Ambassador that China now has identified 14 countries where agricultural technology demonstration centres are to be set up, instead of 10 countries as originally announced.

Chinese investment in Africa holds the promise of job creation, while technology transfers from China can open new commercial opportunities on the continent. Moreover, China’s urgency in responding to opportunities in Africa is welcomed. As Johnny Sahr, Sierra Leone’s ambassador to Beijing has argued: “The Chinese are doing more than the G8 to make poverty history... If a G8 country had wanted to rebuild the stadium, we’d still be holding meetings. The Chinese just come and do it.”

The business-to-business contacts which are facilitated by FOCAC provide an excellent opportunity for Africa to boost Chinese inward FDI. Through this process, new commercial synergies can be identified and business processes developed for mutual benefit. In this context, the critical success factor is for African countries to develop an attractive investment environment, in the same way China has.

**Measuring the Impacts**

Over the longer term, the more specific and practical results of the FOCAC process are expected in the following areas:

- **Trade** - This will be advanced via the new Chinese trade zones to be established in Africa. A China-Africa Trade Corridor has been established in Shenzhen to facilitate African trade with China, while China is publishing an African products catalogue in support of African companies which are seeking to access the Chinese market. The China-Africa Joint Chamber of Commerce was set up to develop co-operation between business leaders in both China and Africa;

- **Aid projects** - By the end of 2005 China had undertaken over 700 aid related projects in Africa, offered more than 18 000 government scholarships, dispatched 15 000 medical practitioners to Africa and treated 170 million patients. Moreover, China undertook to construct 100 rural schools.
and 30 hospitals in Africa. Assistance to combat the spread of malaria amounted to US$ 37.5 million. Within the framework of FOCAC, China undertook to complete 176 turn-key projects in Africa relating to construction of schools, roads, hospitals and stadia in 42 African countries.

- **Agriculture** - Since 1960, China has implemented almost 200 co-operation programmes in over 40 African countries to build demonstration farms and agro-technology processes. During this period, China also dispatched more than 10 000 agro-technicians to train African farmers. In terms of the 2006 FOCAC undertakings, China has promised to continue support in this area.  

- **Debt cancellation** - By late 2006, China had cancelled debt totalling US$1.4 billion owed by the heavily indebted poor countries in Africa. FOCAC 2006 undertook further debt cancellation for African countries.

- **Loans** - China promised to provide US$ 3 billion in preferential loans and US$ 2 billion in export credits. China selected 30 programmes in 20 African countries for preferential loans, including Chad, Cameroon, Namibia and Mozambique;

- **Focus areas** - Besides the extractive sectors, new focus areas included tourism, finance and telecommunications.

- **Commerce facilitation** - A China-Africa Joint Chamber of Commerce was established to advance trade and investment interaction. The FOCAC process specifically encourages new Chinese investment in Africa.

- **Culture** - China concluded 65 cultural agreements with 45 African countries and completed 151 cultural exchanges. China has educational exchanges with 50 African countries. In terms of these exchanges, China has sent 530 teachers to 35 African countries to develop both mid-level and higher level education programmes. Further cultural exchanges form part of the FOCAC arrangements. China has offered to train school heads and teachers in China and continue government official training programmes. The establishment of Confucius Institutes in Africa, which include Chinese language tuition, is now underway.

- **Tourism** - China has granted approved destination status (ADS) to 26 African countries, with nine new members added to the list after the 2006 meeting - Algeria, Cape Verde, Cameroon, Gabon, Rwanda, Mali, Mozambique, Benin and Nigeria.

FOCAC III thus confirmed the priorities of the earlier meetings and provided an expanded and comprehensive agenda for future China-Africa interaction. A concerted African response to the FOCAC agenda offered new commercial opportunities for Africa to advance the continent’s development.
African Responses to FOCAC

At the FOCAC III Summit, Africa’s leadership provided compelling reasons for their commitment to the process and to advancing Sino-Africa relations more generally.34

- The Namibian Minister of Trade and Industry, Immanuel Ngatjizeko pointed out that “China’s economic rise and in particular its contribution to the increase in the global demand for resources such as aluminium, steel, nickel, copper, oil and gas has immensely contributed to Africa’s importance as a provider of these resources.” China’s spectacular economic growth is driving demand for commodities, which in turn boosts African economies and opens new opportunities for Africa to export more to China.

- The Burundian foreign minister, Antoinette Batumubwira, described FOCAC as allowing for African countries and China to “reinforce their existing co-operation and friendship.”

- Togolese President Faure Essozimna Gnassingbe viewed FOCAC as a “platform” for both China and Africa to build better co-operation. Moreover, because of China’s “unselfish co-operative attitude,” China has gained more influence in Africa, elevating the importance of historical links. He also suggested that “Africa’s future lies with China,” while African states strongly welcomed China’s efforts to protect developing countries at the UN. In terms of South-South co-operation, Gnassingbe suggested that “in building a fairer world for our people, China is a front-runner.”

- Tanzanian Foreign Minister Asha-Rose Migiro described FOCAC as the best way for China and Africa to “exchange views and work out common development programmes.” In addition, Migiro suggested that “equal participation in decision making” underpins the process, ensuring that both Chinese and African participants are equally involved in the drafting of FOCAC declarations and plans of action. As such, FOCAC was seen as a “model for South-South co-operation” through which developing countries could constructively participate in crafting and implementing a comprehensive development agenda.

- Navin Ramgoolam, the Mauritian Prime Minister, saw the FOCAC process as a mechanism to review and assess China-Africa relations while offering an opportunity to further advance positive interaction. Moreover, FOCAC provided for positive China-Africa interaction “based on mutual trust, independence and respect for each other’s sovereignty and territorial integrity.”

- The President of the Comores, Ahmed Abdallah Mohamed Sambi, described FOCAC as a model for South-South co-operation which illustrated China’s determination to “promote friendship and co-operation,” between China and Africa.

- Guinea-Bissau’s Prime Minister Carlos Gomes suggested that the FOCAC process has the potential to transform China into Africa’s “greatest investor” which in turn would assist African states in realising the Millennium Development Goals (MDGs).
President Festus Mogae of Botswana described FOCAC as an “ideal forum” for China and Africa to discuss trade and investment issues with a view to advancing mutual interests.

In his address to the Summit, Ethiopian Prime Minister Meles Zenawi challenged Western media reports that China is selling low-priced and poor-quality products in Africa. But as Zenawi pointed out, if African producers cannot compete in global markets, China’s products will become more popular, “this is globalisation.” At the same time, the wide availability of Chinese-made products in Africa has improved the quality of life for the African people, providing a range of products to low-income households which were not previously available. In response to accusation that China was exploiting Africa’s resources, Zenawi suggested that Africa had been selling commodities globally long before China became a key market. The only difference now is that China is buying more commodities, more often and at higher prices - a process which must obviously benefit African economies.

The President of Uganda, Yoweri Museveni, outlined eight positive factors promoting FOCAC and the China-Africa relationship in general. These were: China’s remarkable economic success serves as a model and inspiration to other developing countries; China’s economic progress offers new opportunities for beneficial engagement by developing countries; the unity of China, serves as an inspirational model to the balkanized African continent; Africa’s liberation struggles were strongly supported by China; China has for many years made a major contribution to the building of infrastructure on the African continent; China has displayed “real solidarity” with Africa by opening its markets to the least-developed African countries; the rise of China offers an alternative to the “unhealthy phenomenon of a uni-polar world ” and the FOCAC process provides a positive framework for strengthening South-South co-operation and progress.

At the conclusion of the Beijing Summit in 2006, President Denis Sassou-Nguesso of the Republic of Congo, described the FOCAC process as a key element in the development of China-Africa co-operation. Moreover, he pointed out that the documents agreed to in Beijing provided a solid foundation for China to expand its assistance to Africa in the context of NEPAD, the MDGs and the WTO Doha Round.

During the FOCAC Summit, China and Zambia signed a number of contracts, including a Memorandum of Understanding on the Chambishi Copper Smelter, a project intended to add value to Zambia’s copper and create jobs. Zambia’s President Levy Mwanawasa praised China’s efforts to build closer economic links and rejected suggestions that China’s involvement in Zambia was in any way a form of so-called “second-colonialism.” Instead, he contended that China’s involvement in Zambia had created jobs, helped reduce poverty and strengthened economic growth through a China-Zambia partnership based on “friendship and mutual respect.”
Lesotho’s Prime Minister Pakalith Mosisili described FOCAC as a “landmark full of hope” and speaking as the official representative of SADC, he thanked China on behalf of Africa for China’s long-standing contribution to the continent. Given that Africa constituted only 2.1 percent of China’s total trade volume, he called on China to use FOCAC as a mechanism to advance two-way trade for mutual benefit. In the area of inward FDI, Mosisili acknowledged that Africa needs to do more to attract foreign investors.

Foreign commentators on FOCAC III offered a number of insights. Jeffery Sachs, special advisor to former UN Secretary-General Kofi Annan, offered China’s rapid economic development as a model for Africa. Moreover, in Sach’s assessment, China’s technology and investment into Africa provides enormous potential for addressing Africa’s most pressing concerns. According to Sachs, China is perfectly positioned to assist Africa’s rural poor, given its own recent experience in transforming agriculture. In this context, China’s knowledge, technology and expertise in rice cultivation could triple Africa’s food output, and uplift the lives of millions of people. Moreover, China’s success in almost completely eradicating malaria from its own country, partly through the development of Chinese medicines, could be decisive in stemming the disease in Africa.

Other elements of the China development model which Africa should consider include transforming Africa’s coastal cities as export zones for food and agro-processing as well as the application of strict population growth policies in order to prevent the proliferation of poverty and hardship. Chinese investment into Africa should be welcomed as a mechanism to transform local economies and transfer China’s developmental knowledge and experience.

Importantly, Sachs rejected Western criticism of China’s African engagement pointing out that the global economic shift presently underway brought about by China’s economic growth is bound to cause some “misunderstandings and tensions.”

Outcomes of the FOCAC IV Ministerial Meeting - the road ahead

The fourth FOCAC Ministerial Meeting took place on the 8th-9th November 2009 in Sharm El Sheik, Egypt. Following the meeting, the 2010-2012 Sharm El Sheik Action Plan was released. The preparatory Senior Officials’ meeting attended by African and Chinese government officials was held in Cairo on the 18th and 19th October 2008. Interestingly, the meeting took place more than a year ahead of FOCAC 2009. Previously, senior officials’ meetings had been held only a few days prior to the ministerial meeting. This may signal a strengthened commitment from Beijing to give the preparatory process ahead of FOCAC more time in order to ensure that African stakeholders’ views are taken into account.

Indeed, according to Foreign Ministry representatives from several African countries interviewed by the research team ahead of FOCAC 2009, the themes for the ministerial meeting were only identified after discussions during the 2008 senior officials’ meeting. Following requests from the African
representatives present at the meeting, the themes were determined as infrastructure and agriculture, with special attention to regional linkages and food security respectively.

In terms of China’s engagement with African regional fora through FOCAC, it is still in an embryonic stage. Support for the African Union (AU) and for the New Partnership for Africa’s Development (NEPAD) was expressed in the 2000 Beijing Declaration (section 6), the 2003 Addis Ababa Action Plan (sections 2.2.2 and 3.2), in China’s African Policy (part I, V and VI) and in the 2006 Beijing Action Plan (section 2.5). The Beijing-based FOCAC Secretariat also signed a memorandum of understanding (MOU) with the NEPAD Secretariat in 2006. China’s engagement with the East African Community (EAC) and Southern African Development Community (SADC) secretariats respectively are discussed in chapter 8 below.

2.1 Conceptual remark: The role of the FOCAC meetings

The findings of this research undertaking confirm that the FOCAC ministerial meetings largely are formalities, setting the tone for future collaborative agreements. As a result, de facto development of African countries’ relations with China takes place in the ongoing bilateral dialogue and the preparatory meetings that are coordinated in each African country by the President’s office and the Ministry of Foreign Affairs. In China, the process is managed by the Ministry of Foreign Affairs and the Ministry of Commerce (MOFCOM).

The purpose of the recommendations formulated in this report was therefore twofold. First, they sought to provide African stakeholders with accurate information and advice ahead of FOCAC 2009 in order to increase the stakeholders’ preparedness in terms of shaping a strategic African position that reflects African priorities. Second, as a result of FOCAC being a long-term process, the recommendations are equally intended to provide guidance for African government representatives as they develop their relations with China in-country through the FOCAC process.
3. Angola

3.1 Introducing Sino-Angolan Relations

Angola’s relations with China were instigated in the early 1960s during the country’s struggle for independence from its colonial power, Portugal. In addition to allies in the Organisation for African Unity (OAU), China’s position on Angola was conflicted by the politics of the Cold War that started to manifest itself in African countries at the time. As a result, during this period China switched its allegiances between Angola’s three main liberation movements: the National Front for the Liberation of Angola (Frente Nacional de Libertação de Angola - FNLA); the National Union for the Total Independence of Angola (União Nacional pela Independência Total de Angola - UNITA); and the Popular Movement for the Liberation of Angola (Movimento Popular de Libertação de Angola - MPLA).39

China’s game of musical chairs came to a halt when the MPLA declared the independence of Angola in 1975, during which time it had been supporting MPLA’s rivals. As such, China initially refused to recognise the country’s independence. However, the MPLA and the Chinese Communist Party (CCP) established political relations in 1980, after which formal diplomatic ties between Angola and China were established on the 12th January 1983.40 Angola was still in a state of war at the time, fighting against UNITA insurgents. China’s prior history with UNITA remained rather awkward, in spite of its affirmation to shift allies. When the Angolan government raided the arsenals of UNITA guerrilla forces, they discovered Chinese manufactured artillery inside. As a result, relations with China were temporarily strained. In 1988 the two parties set up a Mixed Economic and Trade Commission, which stimulated a gradual increase of trade during the early 1990s. Angola’s President Eduardo Dos Santos then visited China in 1998 to further solidify bilateral ties.

Putting an end to the 27-year long civil war that broke out in 1975, Angola’s ceasefire agreement was signed in 2002 - two years after FOCAC was launched. FOCAC thus provided a tangible framework for enhancing the bilateral relations between Angola and China, which have grown much stronger in the new millennium. The intensity was triggered on the 21st March 2004, when China’s Export-Import (EXIM) Bank extended a US$ 2 billion oil-backed credit line to Angola. This was after lengthy negotiations with the International Monetary Fund (IMF) collapsed when Angola expressed its dissatisfaction with the policy reform programmes required as preconditions for financial aid. By September 2007 China doubled its credit line to Angola with an additional US$ 2 billion, bringing the total to US$ 4.5 billion and thus rendering it the largest foreign player in Angola’s post-war reconstruction.
3.2 Evaluating the Beijing Action Plan: Political Cooperation

The Angolan delegation to the 2006 FOCAC Summit in Beijing was led by Fernando da Piedade Dias, the then Prime Minister of the Republic of Angola. The position is now held by Antonio Paulo Kassoma, who was promoted on 30 September 2008 after a successful term in office as the governor of Huambo. Angola’s president José Eduardo dos Santos visited Beijing in December 2008 to seek China’s assurance of continuing financial support, in the midst of the global financial crisis.

A month after dos Santos’ trip to China, Chinese Minister of Commerce Chen Deming visited Angola. During his stay Chen held separate meetings with Angola’s Prime Minister Antonio Paulo Kassoma, Finance Minister José Pedro de Morais and Trade Minister Indalina Valente.

Chinese officials who have visited Angola since the Beijing Summit in 2006 include:

- Li Ruogu - President of China’s EXIM Bank (September 2007)
- He Guoqiang - senior leader of the Communist Party of China (July 2008)
- Chen Deming - Minister of Commerce (January 2009)
- Chen Yuan - CEO of the China Development Bank (March 2009)
- Jiang Zengwei - Vice-Minister of Trade (March 2009)

China has also received numerous high-level visits from Angolan officials, including the following:

- Francisco Higino Carneiro - Minister of Public Works (March 2007)
- Irene Alexandra da Silva Neto - Deputy Minister of External Affairs and Cooperation (March 2007)
- José Eduardo dos Santos - President of the Republic of Angola (December 2008)
- Assunção Afonso dos Anjos - Minister of External Affairs and Cooperation (December 2008)
- Severim de Morais - Minister of Finance (December 2008)
- Augusto Tomàs - Minister of Transport (December 2008)
- Francisco Higino Carneiro - Minister of Public Works (April 2009)
- José Botelho de Vasconcelos - Minister of Petroleum (June 2009)

Centre stage of China’s engagement of Angola, Chinese Ambassador Zhang Bolun and Economic and Commercial Consular Zou Chuanming manage the day-to-day affairs of China’s diplomacy from Luanda. Ambassador Zhang was appointed in mid-2008, taking over from Ambassador Zhang Beisan. The current ambassador was previously posted in Latin America. Both officials, Ambassador Zhang and Consular Zou, speak Spanish fluently. It is certainly not ideal, but is very useful nonetheless considering its close affinity to the Portuguese language and China’s lack of Portuguese-speaking candidates for these positions. In China, the Angolan Embassy in Beijing is led by Ambassador João Manuel Bernardo. Angola also has consular offices in Macau and Hong Kong.
3.3 Evaluating the Beijing Action Plan: Economic Cooperation

3.3.1 Agriculture

Before the civil war, Angola had been self-sufficient in all major food crops. Moreover, it was the world’s fourth largest coffee producer and a prominent exporter of banana, cotton, sisal and sugarcane. Production has since then dropped drastically to such an extent that Angola has become a major net importer of food and agricultural products. Given that peace has now been restored to the countryside, the government recognises the need to rapidly revive the country’s once prosperous agricultural sector.\textsuperscript{43}

Provisions to cultivate the agricultural sector are made in the country’s budget, which the Ministry of Finance allocates to the Ministry of Agriculture and Rural Development to implement specific programmes. Some of the programmes are financed by international donors and non-governmental organisations (NGOs). As outlined below, the Chinese government has also offered its financial support in this regard and has encouraged Chinese enterprises to follow suit.

To boost the capacity of the agricultural sector, fundamental infrastructure must first be installed. In 2007, the Ministry of Agriculture and Rural Development launched a national irrigation programme, scheduled to be completed in 2009, as one of its first priorities. In April 2007, China’s Sinohydro was contracted US$ 54 million to set up irrigation systems in four regions - Caxito (Bengo), Gandgelas (Huila), Luena (Moxico) and Waco-Kungo (Kwanza Sul).\textsuperscript{44} In 2008 Sinohydro completed the construction of the Gangelas hydroelectric dam and irrigation channel in Chibia, situated some 20 kilometres south of Lubango in Huila Province. The US$ 5 million project was funded by China’s EXIM Bank.

The irrigation channel covers an area of approximately 1 400 hectares of arable land and the dam stores a volume of 3.5 million cubic meters of water. The Chibia municipality is a small farming community, with an estimated population of 133,000 people. With nearly 60 farming associations and cooperatives in the municipality, there are plans underway to produce maize, massango, massambala, leguminous plants, vegetables and citrus fruits.\textsuperscript{45}

Angola’s farmers generally make use of minimal technology and mostly manual tools to irrigate their plantations. At present nearly 85 percent of the country’s labour force is employed in the agricultural sector - i.e. approximately 6.1 million out of a national labour force of 7.2 million.\textsuperscript{46} A study conducted by Netherlands-based Technical Centre for Agricultural and Rural Cooperation (CTA) revealed that 80 percent of Angola’s farm holders perform subsistence agriculture and cultivate on less than 5 percent of the country’s arable land.\textsuperscript{47} By increasing the country’s agricultural productivity the government plans to address various socio-economic issues, such as poverty alleviation, food security, improving livelihoods, and developing niche markets for export.\textsuperscript{48}

To achieve this, the Ministry of Agriculture and Rural Development is working closely with seven of its leading institutions:
At the opening of the national conference on the Agricultural Executive Programme in 28 April 2009, Prime Minister Kassoma said that Angola needs to generate agrarian research that responds to the needs of food production so as to guarantee the wellbeing of Angolan families. Perhaps to begin this process, Angola should strengthen the human resource, technical expertise and institutional capacities in the above-mentioned institutions. It was reported in April 2007 that some 60 Angolans were trained by the Chinese Academy of Agricultural Sciences in 2007. Although the details could not be obtained, it is worth mentioning because the shifting focus to the agricultural sector is unravelling a new side of Sino-Angolan relations.

Last year Angola's agricultural sector contributed a mere 9.2 percent to the country's GDP, just levelling at US$ 10 billion. As already mentioned, the agricultural sector accounts for 85 percent of the country's labour force, which is an alarming factor when juxtaposed with its productivity. Output may be deficient at the moment, but is likely to make a remarkable recovery considering the Ministry's plans to achieve food self-sufficiency by 2012. In support of this goal, in March 2009 the Chinese government granted US$ 1 billion to Angola for the development of its agricultural sector. Although it remains unknown at this stage what the project plan is for the new funding, there have been discussions on supporting Angola with rice production. Perhaps Angola may also consider lobbying the Chinese government to establish one of President Hu's pledged agricultural demonstration centres.

Although Angola's Ministry of Fisheries is separate from the Ministry of Agriculture and Rural Development, it is important to note in this section an example of Sino-Angolan cooperation that extends into fisheries. As part of the Ministry of Fisheries' "Renewal of Fleet" (renovação da frota de pesca) programme, Angola's Fund for Assistance to the Fisheries and Industry and Agriculture (Fundo de Apoio ao Desenvolvimento à Pesca Artesanal - FADEPA) and Artisan Fishing and Aquaculture Development Institute (Instituto de Desenvolvimento da Pesca Artisanal - IPA) are working closely together to distribute tools and resources to the country's fishing provinces of Bengo, Benguela, Cabinda, Luanda, Kwanza Sul and Zaire.
The cooperative aims to distribute 3000 boats in the maritime artisan fishing sector by 2010, thus replacing half of its existing stock. FADEPA has already received funding from China, Poland and Spain - of US$ 250 million, US$ 27.5 million and € 81 million (approximately US$ 110 million) respectively. In February 2009 it was reported that FADEPA received some Norwegian-made fishing equipment and 440 vessels, of which China provided 250 and Spain provided 190.52

Although the new ships have been well received by artisan fishermen, new emphasis must be placed on skills development and technology. Namibe province, for instance, recorded a drop in catches of nearly 2,000 tonnes for the first quarter of 2009 - from 7244 tonnes in 2008 to 5630 tonnes this year.53 Since the deficit may also be attributed to global environmental factors, there is an even greater need to explore efficient mechanisms to sustain the fishery sector. There are numerous small areas of water in the above-mentioned fishing areas, which could be ideal for fish breeding. With the right skills and technology, provided by China and/or other development partners, aqua farms would create professional employment and could steer the artisan fishing industry into the formal economy. Increased production levels will contribute towards food security, as well as potentially help diversify Angola’s exports to China.

3.3.2 Investment and Business Cooperation

Unfortunately the research team could not obtain official data on China’s year-on-year FDI in Angola. However, figures are provided for the counts of Chinese investments that are cited below.

Most of the major Chinese firms operating in Angola are members of the local Chinese business association, which was established in 2002. Nowadays the association receives more Chinese micro-, small- and medium sized enterprises (MSME), which have formed a quaint “China Town” in Luanda’s São Paulo district.54 In March 2006 another group of Chinese companies launched the Chamber of Commerce of Chinese Companies (CCCCA). It has 26 members and counting, including China International Water & Electric Corporation, China Petroleum & Chemical Corporation (Sinopec), China National Overseas Engineering Corporation (COVEC), China National Machinery & Equipment Import & Export Corporation (CMEC), China State Shipbuilding Corporation (CSSC), Jiangsu International, Huawei and Sinosteel Corporation.55

Chinese companies contracted to projects that are financed by China’s EXIM Bank are not required to register with Angola’s National Agency for Private Investment (Agência Nacional para o Investimento Privado - ANIP), because the Chinese government loans are not considered investments.56 Nonetheless, Angola has identified key priority sectors to align domestic and foreign investment with the national strategic plan of the government. Article 4 of the Law on Taxes and Customs Incentives for Private Investment57 cites them as follows: Agri-livestock production; manufacturing industries;58 fishing industry and by-products; civil construction; health and education; roadway, railway, seaport and airport infrastructure, telecommunications, energy and water; and heavy-duty equipment for loading and passengers.
ANIP promotes investment into Angola’s targeted industry sectors and development zones. The country is currently developing seven so-called industrial development zones in the following locations throughout the country:

- Viana - Luanda Province; aka P.I.V
- Catumbela - Benguela Province; aka P.D.I.C.
- Fútila / Cabinda - Cabinda Province; aka PIF
- Caálà / Huambo - Huambo Province
- Matala / Huila - Huila Province
- Capanda / Malange - Malange Province
- Soyo / Zaire - Zaire Province

The Viana Industrial Development Zone (PIV) spans over six thousand hectares on the outskirts of Luanda, about 20 kilometres from the city centre. It has convenient access to the country’s main points of transportation; namely the Luanda Port, the railway connecting Luanda to Malange, and the Quatro Fevereiro International Airport. The state plans to make PIV a special economic zone. Some companies that have already made significant investments in PIV include Coca-Cola and Zhengzhou Nissan, amongst others.

There are also plans to transform the Catumbela Industrial Development Zone into a special economic zone. It is situated just 10 kilometres from the Lobito Port and covers an area of 2107 hectares. Through the Benguela Railway, the zone will be linked to the Democratic Republic of Congo (DRC) and Zambia. The Futila Industrial Development Zone (PIF) is approximately 25 kilometres from Cabinda, which is a harbour town and also where most of the oil companies are based. It spans over 2345 hectares and existing investment has already amounted to US$ 36.7 million.

In addition to the official public works, the Drago Group is an Angolan private enterprise that plans to develop Angola Business Park, a project worth nearly US$ 700 million. Logistics stations will be created in all 18 provinces of the country, all equipped with a range of services, including factories, warehousing, hotels, apartments, supermarkets, offices, container parks, truck stations, heliports, and fuel stations. The Drago Group launched its first logistics station in Dundo - Lunda Norte Province - on April 4th, 2009. It will be built over a two year period at an estimated US$ 37 million. Huambo and Luanda will be the next two cities to receive logistics centres.

It so happens that the Chief Executive of the Drago Group was raised in China during the 1960s and 1970s, which he commends for the zeal he now has for business. Today he is very popular amongst Chinese residents in Angola and his project is receiving much support amongst fellow Angolans.

Most of the activity surrounding Chinese companies in Angola is financed through the credit line. As such, China actually has a trivial record of foreign direct investment in Angola. Nonetheless, in line with the pledges made at the FOCAC 2006 Ministerial Meeting and Summit, China has continued to expand its investment and business cooperation in Angola.
China’s Zhong Xing Telecommunication Equipment Company Limited (ZTE) first entered Angola in 2004 on a deal with Mundo Startel - Angola’s fixed line telecommunications utility. In October 2008 ZTE assumed the management of Movicel, Angola’s second mobile operator and a state owned enterprise. It has an estimated subscription of 2 million and its market is growing. Movicel’s popularity amongst the youth and the business sector is attributed to it supposedly being the first to provide all the newest services and technology. However, its success is based on efficient customer service and a strong marketing campaign.

China’s ICT firm Huawei Technologies is setting up the national backbone for Angola’s operators in wireless technology and fourth generation network. With funding from China’s EXIM Bank, the firm has already installed optical fibre cables in Luanda and is now busy in the other provinces. Working closely with Angola’s Ministry of Communications, Huawei has invested US$ 7 million to transform the former Instituto Nacional das Telecomunicações (ITEL) into Universidade de Telecomunicações, as well as build a new Telecom Technical Training Centre. The training centre is a model that the firm has already employed in five other African countries, namely Kenya, Nigeria, South Africa, Tunisia and Uganda. Over and above the training that Huawei’s Angolan recruits receive at home, diligent technicians are also sent either to China or to the regional branch in South Africa for two to three weeks for further training.

In addition to telecommunications, a significant investment has been made in the manufacturing of motor vehicles. In 2007 China’s Dongfeng and Japan’s Nissan invested US$ 30 million to establish a car manufacturing plant in Viana’s industrial zone - north of Luanda. From their joint venture with Angola’s CGS Automovel, operations at the Zhengzhou Nissan (ZZNissan) plant began in 2008. The plant is scheduled to produce 30,000 vehicles annually and provide over 300 jobs during its initial stage. The ZZNissan Hardbody is already prominently seen on the streets of Luanda.

There is also an increasing number of Chinese MSMEs in Angola, most of which are seeking minor business ventures and operating in retail. In the service sector there are a few Chinese logistics and freight forwarding companies, as well as Chinese restaurants in popular districts. Interestingly, a growing trend in Luanda is of Chinese-owned internet cafés. From the Millennium Declaration, countries have committed themselves to halving unemployment and poverty by 2014. Employment creation is one of the main incentives for a country to promote FDI. Yet, the Chinese MSMEs investing in Angola generally employ very few local staff. A census is required to measure the size of FDI made by Chinese MSMEs and entrepreneurs, as well as further studies to assess their impact on the immediate communities.

3.3.3 Trade

Trade is an essential component of the contemporary relations between Angola and China. Just ten years ago the bilateral trade volume was merely US$ 190 million. As displayed in graph 3.1, it has since then experienced unprecedented growth. Angola is now China’s largest trade partner in Africa and accounts for nearly one fifth of China’s trade with the entire continent.
Angola only really amplified its exports to China in the new millennium, a period during which China was simultaneously cementing its relations with African countries - hence the launch of FOCAC in 2000. Angola and China’s Mixed Economic and Trade Commission held a second meeting in 2001 to further enhance the economic diplomacy between the two countries. The third meeting took place in 2007, following the presentation of the Beijing Action Plan. Accordingly, trade between Angola and China has more than doubled since the last FOCAC Ministerial Meeting, from US$ 11.8 billion in 2006 to US$ 25.3 billion in 2008.

As displayed in table 3.1, exports to China have increased tremendously over the last three years. The volume has doubled from US$ 10.93 billion in 2006 to US$ 22.37 billion in 2008, but remains very resource-based. Crude oil accounts for 99.9 percent of its exports to China. As a result, Angola once held the position of being China’s top supplier of crude oil, even if just for a very brief period. During the first quarter of 2008 Angola exported 8.48 million metric tonnes of crude oil to China, exceeding Saudi Arabia’s export of 8.18 million tonnes during the same period. However, the new position was short lived as by the end of the year Angola again became China’s second largest supplier of crude oil, with a record sum of 29.9 million tonnes for 2008.

Table 3.1: Angola’s trade with China 2006-2008 (US$ Million)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>10 930.88</td>
<td>12 884.70</td>
<td>22 370.08</td>
</tr>
<tr>
<td>Imports</td>
<td>894.37</td>
<td>1 240.62</td>
<td>2 930.80</td>
</tr>
<tr>
<td>Total</td>
<td>11 825.25</td>
<td>14 125.32</td>
<td>25 300.87</td>
</tr>
</tbody>
</table>

Source: World Trade Atlas

© 2010 Centre for Chinese Studies, University of Stellenbosch; All rights reserved
Since Angola is heavily dependent on its oil revenue, the economy is extremely vulnerable to price shocks in the international market. Angola thus joined the Organisation of Petroleum Exporting Countries (OPEC) on 1 January 2007, as the twelfth member of the oil cartel. Even so, the country was hit hard by the global financial crisis in 2008, which perturbed commodity prices. Crude oil, for instance, plummeted from US$ 147 per barrel to US$ 36 per barrel during the second half of the year. For a country where oil is the currency, such a drastic fall could completely cripple the economy and jeopardise the financing of its national reconstruction and development.

With the aftershock of the global financial crisis now past, commodity prices are slowly recovering. On the 1st of January 1, 2009, Angola assumed the presidency of OPEC, putting the country’s Petroleum Minister José Botelho de Vasconcelos in the hot seat. At an OPEC meeting this July 2009 in Beijing, the minister announced that the cartel would seek to maintain the oil price between US$ 68 and US$ 71 per barrel. This is a precarious period for Angola’s economy as export earnings are forecast to drop significantly, especially with the added ambiguous setback of OPEC’s production quotas.

With infrastructure development being the top priority at the moment, the demand for construction material in Angola is at its ultimate high and local manufacturers and suppliers are overbooked with orders. Chinese companies operating in Angola generally import all input products from China, anything and everything from heavy iron rods to the smallest pins and bolts. Graph 3.2 displays the general composition of Angola’s main imports from China in 2008.

**Graph 3.2: Composition of Angola’s imports from China in 2008**

![Graph 3.2: Composition of Angola’s imports from China in 2008](source: World Trade Atlas)

Evidently construction-related machinery and material feature prominently, accounting for 45.4 percent of total imports from China that year at a value of US$ 1.3 billion. The increased exports certainly benefit Chinese suppliers and also reflect well on the country’s trade balance. Chinese companies in Angola claim the practice is only feasible for all parties, as they are most familiar with Chinese suppliers and thus are able to deliver more efficiently.
However, Angola’s choice of logistics for supply chain and procurement hold severe implications for the region. Much of the input material could be sourced elsewhere, preferably from within the region - namely the Southern African Development Community (SADC). South Africa, for instance, is an avid producer of construction material. The new route would reduce the travelling distance quite substantially, as well as promote regional integration by boosting intra-SADC trade figures.

Although imports of Chinese-manufactured fast moving consumer goods (FMCGs) do not rank on the top 20 list of the country’s imports from China, they do have a firm market share in the country since the “Made in China” stamp is a universally recognised brand. A growing number of local wholesalers procure goods from China and over one hundred Angolan merchants frequently travel to China and Dubai to source Chinese manufactured products. There is also a growing number of Chinese nationals in Angola that are running retail stores, much like the popularly dubbed “China Stores” around the rest of the continent.

Apart from Angola’s import of Chinese-manufactured FMCGs, there are significantly larger imports that can be seen on the streets of Angola’s capital. As displayed in Graph 3.2, Angola imported significant quantities of motor vehicles and motorcycles from China in 2008, accounting for 5 percent and 2 percent respectively. Last year Angola also imported US$ 63.1 million worth of transportation motor vehicles from China (World Trade Atlas 2009). This corresponds with the report that the Ministry of Transport imported 900 new buses for city operators in order to improve the public transportation system between Luanda’s inner city and the peripheral districts - namely Benfica, Cacuaco and Viana.

Six-hundred-and-thirty of the buses were imported from China, while the rest are Volvo brands that were manufactured in Brazil. The buses began operating their routes in October 2008. The country’s capital had previously only been served by candongueriros, which are blue and white-painted mini buses. Luanda’s peripheral districts are situated at an average radius of 20 kilometres from the inner city, yet the commute can take between two to four hours. The new buses carry five times the amount of customers than the candongueriros, thus alleviating some of the congestion in the city.

At the opening of the FOCAC 2006 Ministerial Meeting and Beijing Summit, President Hu Jintao announced eight steps to strengthen cooperation between African countries and the People’s Republic of China (PRC), the sixth step being to “[f]urther open up China’s market to Africa by increasing from 190 to over 440 the number of export items to China receiving zero-tariff treatment from the least developed countries in Africa having diplomatic ties with China.” To date Angola has not yet taken advantage of this provision, as it currently exports only six products to China - i.e. crude oil, diamonds, granite, copper waste, furniture parts, and aluminium scrap. Even so, it was mentioned above that crude oil accounts for 99.9 percent of its exports to China.

It will actually take years for Angola to exploit its advantageous access to the Chinese market. The Ministry of Trade and Industry announced its plans to strengthen the country’s institutional capacity and expertise to match its prospective industries with the market demands in targeted foreign
economies.\textsuperscript{70} However, developing an export market for one’s goods is no simple task. Other African countries are currently seeking to export goods to China, but experience non-tariff barriers. Refer for example to the case study on Uganda in this report. Angola’s potential export products would also need to meet international standards of safety and hygiene, as well as be competitive enough to make a profit.

In the meantime, current export earnings are fuelling support from the Chinese government. Angola’s large trade surplus is the catalyst to its oil-backed credit line and concessional loans from the Chinese government and the services of the Chinese public and private enterprises.

\textbf{3.3.4 Infrastructure Development}

Angola is currently implementing an ambitious national reconstruction and development programme, of which the Chinese government is a key partner. As outlined above, the majority of loans sourced from the Chinese government are invested in infrastructure development and construction, to which the projects are contracted to some of China’s biggest enterprises such as China Road and Bridge Cooperation (CRBC), China Railway 20 (\textit{China Ferrovia} 20), Huawei, Sinohydro, amongst many others. Herewith are some of the most prominent projects that are involving Chinese funding and/or enterprises.

\textbf{Electrical project in Luanda}

In January 2009, China National Machinery and Equipment Import and Export Corporation (CMEC/CMIC) signed a US$ 298 million contract for the “Electrification Project for Southern Suburbs of Luanda in Angola”.\textsuperscript{71} It entails building substations, transmission lines and power distribution facilities in the municipal district. The project will boost electricity supply in the capital city, which suffers from chronic power outages in certain areas up to four times a day and in other areas for periods longer than 48 hours at a time. CMEC has been actively involved in Angola’s electrification process for several years already, during which time it completed the installation of transmission lines and rehabilitation of the grid system in the greater Luanda area.\textsuperscript{72}

\textbf{Housing}

There is a pressing demand for new housing in Angola, where an estimated one third of the country’s population reside in the surrounding areas of Luanda. However, unlike many developing countries, the situation in Angola is not entirely a result of urbanisation. During the civil war there was massive migration into the city because of prevailing insurgent activity in the countryside and land mines that made many areas inhabitable. Security has now been restored since the 2002 peace accord; members of the insurgent groups and the countryside have been demilitarised, but there are still great disparities in the occupant density of various parts of Angola.
There are currently over 5 million people living in Luanda - a city that was originally built to house only 500,000 people. In the recent years, new suburbs such as Talatona have drawn many families out of the inner city, but nearly not enough. Angola's new National Urbanisation and Housing Programme was launched on the 13th April 2009. It has targeted the building of one million houses in designated areas over the next four years. A few days after the launch, the country's Minister of Public Works, Higino Carneiro, led a delegation to China to reinforce bilateral cooperation. Hence, there is a growing list of Chinese firms involved in Angola's housing projects:

**The Kilamba Kiaxi Housing Project**

In August 2008, China International Trust and Investment Corporation (CITIC/CICI) and the Angolan government launched a US$ 3.5 billion housing project spanning 880 hectares of land. In just eight weeks, two nine-storey buildings were erected - a record in Angola. Seven months later CITIC had erected nearly twenty structures, while simultaneously building an additional 200. This housing project will accommodate around 200,000 people. The company is building an entirely new district that contains 710 apartment buildings over 24 blocks, including 20,000 residential apartments and 246 business units. A total of 24 pre-schools, nine primary schools and eight high schools are planned around the town, all equipped with outdoor recreational sport fields. The area will gain two new electrical substations, 77 transformer stations, as well as water supply stations, a sewage treatment plant and infrastructure for drainage. The Kilamba Kiaxi Housing Project is the first phase of three for this contract signed between CITIC and Angola's government. The project shall be completed in 38 months, by October 2011. The details of the other two phases are still under negotiation.

The project team consists of 10,000 workers, of which approximately 4,000 are local. The Angolan workers go through CITIC's intense four week training programme. The lessons are given in Portuguese; some of the posters, safety procedures and hazard signs on site are also in Portuguese, but the modus operandi is still Mandarin. There are often two sets of interpreters in the office and in the training centre, from Portuguese to English then from English to Mandarin and vice versa. On site, however, the language barrier persists. Instructions are therefore not always clearly understood, which is a source of great frustration for the locals because their Chinese supervisors are thus reluctant to delegate specialised tasks (refer to section 3.6.2).

Like many major Chinese enterprises operating in Angola, CITIC is exempted from certain conditions of the labour law. This explains why certain Chinese enterprises are not required to maintain a low quota of expatriates on their workforce. Even so, it is extremely taxing to accommodate expatriate workers in Angola, especially in view of the country's capital being ranked the most expensive city in the world. Therefore, the Chinese firm plans to set up a technology school in Luanda to support the existing training programmes that they run on the construction site in Kilamba Kiaxi.
The Funda Residential Zone

In November 2008, China Nantong Holding Corporation started the construction of a US$ 300 million housing project for the Ministry of Defence in Luanda’s eastern district of Funda. The project covers an area of 30 hectares on which 2,000 apartments and several hundred villas will be built in 3 phases. The compound will include pre-primary, primary and middle schools, shops, swimming pools, health centres, sport facilities, street gardens and greeneries. The new residential zone will restore security to the lifestyle of military service, by providing physical infrastructure towards a solid support system for the military servants and their immediate families. This is the largest housing project that the country’s Ministry of Defence has ever endeavoured; it also is demonstrative of continued military cooperation between both countries. Even though the civil war has long ended, the arms race persists worldwide, in which case China would only be glad to stock Angolan arsenals.

New Dundo City

In early May 2009, it was reported that Pan-China Construction Ltd was developing the new Dundo City, in the north-east of Lunda Norte Province. The new city will have nearly 200,000 new residences, over an area of five million square kilometres and 500 hectares. The new housing will meet the growing demand for housing in the province, especially now that the area is attracting much activity surrounding the construction of the new 12.8 megawatt hydroelectric dam in the province.

Ango-Ferro 2000

As for rail networks, Ango-Ferro 2000 is the most important project worth mentioning. It involves the rehabilitation of 3100 kilometres (km) of railway, 8000 km of extensions, 36 bridges, and rehabilitation and construction of 100 stations and 150 new substations. The project, contracted to China Railway 20 (China Ferrovia 20, CR-20), may be the single largest infrastructure project that has been awarded to a Chinese company in Angola.

Displayed in Figure 1, the project involves three railway lines. The route of Luanda Railway is from Luanda to Malanje. The route of the Benguela Railway is from Benguela - Huambo - Luena - Luau. The route of the Moçâmedes Railway is from Namibe (formerly Moçâmedes) - Lubango - Menongue.
Angola Railway, stretching over 450 km of rail, was completed last year. It was formerly handed over to the Angolan government in April 2009. Benguela Railway is the longest of three, stretching over 1343 km of rail and cutting across four provinces. At the border the railway tracks continue across the Democratic Republic of Congo (DRC) and into Zambia, where it continues out of Africa’s east coast from Tanzania’s Tazara Railway. During the Zambian President’s visit to Angola in 2008, the late Levy Mwanawasa travelled to Benguela and expressed enthusiasm for the rehabilitation of the railway.80 As a land-locked country, Zambia’s existing sea points are primarily on the east coast - i.e. Dar es Salaam (Tanzania) and Durban (South Africa).

CR-20 began working on the Benguela Railway in June 2005 but was delayed temporarily due to financial constraints. Operations resumed in 2008 shortly after the Hong Kong-based China International Fund (CIF) poured US$ 330 million into the project, which brings the estimated total investment in the Benguela railway project to US$ 1.8 billion.81 Only thirty percent of the track has been laid so far, but the equipment lays a 25 meter track per section, which adds up to 2 kilometres of line per day. The rehabilitation of Maçâmedes Railway started in 2006 and is expected to be completed by 2010. It stretches over 950 km of rail.82

CR-20 has a total staff of 8,000 workers on the Ango-Ferro project, of which approximately 3,500 are Angolans. However, the local workers are difficult to retain for various reasons, but most predominantly due to the nomadic aspect of the working conditions. The Chinese firm consistently hires and trains hundreds of locals at the same rate that it loses staff every couple of months, because many of the locals stop coming to work once their work stations reach further than 100 kilometres from their homes. The Chinese workers generally reside in temporary accommodation and on camp sites along the railway track, which the locals are very seldom willing to do.83 Nonetheless, some locals have been employed in inter-related service sectors. A sleeper and gravel factory was set up in Liangongo, which is over 70 km east of Luena - Mexico’s provincial capital.84 Also, two factories were built in Cubai and Huambo to build the rail lines, which are all made of concrete instead of wood. The next factory will be set up in Benguela.85
Still on the subject of internal linkages, Angola has been steadfast in restoring and developing over 10,400 km of the country's road networks. Herewith are some of the prominent projects reported in the media that involved Chinese funding and/or enterprises.

Table 3.2: List of prominent Sino-Angola road projects (2007-2009)

<table>
<thead>
<tr>
<th>Project</th>
<th>US$ Million</th>
<th>Year awarded</th>
<th>Creditor</th>
<th>Contractor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road links in Cabinda and Zaire provinces</td>
<td>3</td>
<td>2007</td>
<td>China EXIM Bank</td>
<td></td>
</tr>
<tr>
<td>Cunene Bridge</td>
<td>30</td>
<td>2007</td>
<td>China EXIM Bank</td>
<td></td>
</tr>
<tr>
<td>City streets of Caxito (Bengo), Uige and Negage (Uige)</td>
<td>56</td>
<td>2008</td>
<td>China EXIM Bank</td>
<td></td>
</tr>
<tr>
<td>Road, electricity and water systems</td>
<td>135</td>
<td>2008</td>
<td>China EXIM Bank</td>
<td></td>
</tr>
<tr>
<td>National roads:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uíge/Quinzala / Damba / Maquela do Zombo / Negage to Bungo</td>
<td>79.6</td>
<td>2008</td>
<td>-</td>
<td>Sinohydro&lt;sup&gt;90&lt;/sup&gt; and CRBC&lt;sup&gt;91&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

Source: As per corresponding endnotes in table

In addition to the above, China's involvement in infrastructure development also includes the construction of sports facilities in anticipation of Angola's hosting of the African Nations Cup (CAN) that is scheduled for January 2010. Four new soccer stadiums are being built by Shanghai Urban Construction Group (SUCG CN) and Sinohydro in Benguela, Cabinda, Luanda and Lubango. The new stadium in Luanda is situated in the city's Camama district, some 20 kilometres away from the inner city. The Camama stadium is the biggest of all four, with a capacity for 50 thousand spectators. SUCG CN has 1,500 people working on the construction team to complete the work on time, especially since this stadium will be hosting the opening and closing ceremonies of CAN 2010.<sup>92</sup> The stadium in Benguela has a capacity for 35 thousand seats, while the remaining two stadiums can seat 20 thousand spectators. All the construction is scheduled to be completed in October 2009.<sup>93</sup>

Evidently, the Chinese government and Chinese enterprises are key players in Angola's course of reconstruction and development. Policy-makers are certain that the enormous activity surrounding infrastructure development is creating employment in the country, thus sustaining the livelihoods of millions of people. However, critics are more concerned about the sustainability of the infrastructure. They argue that the prominence of Chinese workers inhibits Angola's human resource development, as they claim too few locals are hired and those on the workforce only perform menial tasks. As a result, when the time comes for maintenance of the infrastructure the locals will be incapable of rising to the occasion. Hence, the current model is creating a relationship of dependence.
In response to the above, a local politician argued that unrealistic expectations are put on the Chinese government and its enterprises. The respondent argued there are other international construction and civil engineering firms working in Angola, from which the locals could learn from and develop new skills. If language is so much of an impediment, there are three very prominent Portuguese firms in Angola currently working on contracts of similar magnitude as the Chinese enterprises, namely *Teixeira Duarte, Soares da Costa* and *Motal Engil*. Ideally, these companies would be more suitable candidates to host construction/engineering skills development and training programmes. The general consensus is that the Chinese firms, with their expatriate workforce, exert themselves for much longer hours and deliver much faster than most of the other companies operating in Angola.

### 3.3.5 Cooperation in Energy and Resources

Sonangol-Sinopec International (SSI) is the main project leading Sino-Angolan cooperation in energy and resources. Angola’s *Sociedade Nacional de Combustiveis de Angola* (Sonangol), the state-owned oil company, holds 45 percent of the joint-venture and China’s China Petroleum & Chemical Corporation (Sinopec) holds 55 percent. After its official launch in March 2006, SSI secured a 20 percent stake in Angola’s block 15, then secured stakes in blocks 17 and 18 in June 2006. The two other blocks have an estimated collective reserve of 4 billion barrels totalling the value of US$ 100 million, which would boost oil production by 100,000 barrels per day after they came on stream in 2007. Sinopec’s shareholding in blocks 15, 17 and 18 are 20 percent, 27.5 percent and 40 percent respectively.

SSI once also had interest in developing a new oil and gas refinery in Lobito - dubbed Sonaref. The holding company initially estimated to invest US$ 3.5 billion to set up the refinery. However, the negotiations collapsed in March 2007, after which Sonangol announced its “Angolanisation” campaign and its plans to venture on the project independently. Sonangol is pumping US$ 8 billion into developing Sonaref. However, this noticeable increase is mostly due to the escalating costs of building materials and construction services. The objective of the new campaign is to promote Angola’s self-sufficient production of petroleum products - i.e. diesel and petrol. For an oil-exporting country, Angola bears the frustrating irony of importing nearly 60 percent of its transport and heating fuels.

According to the new Head of Sonaref, Anabela Fonseca, the idea of a second refinery in Angola was first suggested in the 1990s and it is now finally becoming a reality. Preliminary work at the Lobito refinery has already begun, including the construction of temporary accommodation for the workers, parking facilities and the construction of heavy-haul roads from the site to the Lobito port. Moreover, Sonangol’s Chief Executive Manuel Vicente announced that the construction of the liquefied natural gas plant in Soyo is underway. The oil company is also rolling out plans to expand the retail network, which will address fuel shortages and long queues at petrol stations in the country.
3.3.6 Cooperation in Science and Technology, Information, Air and Maritime Transport

Sino-Angolan cooperation in civil aviation sector consists primarily of the direct routes that have been recently established, as well as capacity building through science and technology. Angola has one international airport and 17 provincial airports. The state-owned national air company, Angola Airlines (Linhas Aereas de Angola - TAAG), provides domestic and international flights. On 23 October 2008 TAAG launched a new route, flying direct from Luanda to Beijing and then to China’s southern city of Guangzhou. The flights are scheduled for Tuesdays, Thursdays and Saturdays, which then return back to Angola the next day. Air China and Angola’s Ministry of Communications signed an agreement in December 2008 for the airline to commence daily flights between China and Angola. So far, only China’s Hainan Airlines has followed suit. On 25 May 2009 Hainan Airlines launched its new China-Angola route, flying from Beijing to Luanda via Dubai. It carries two flights per week that leave Beijing on Mondays and Thursdays, and then also return on the next day.

Over recent years Angola’s international airport, Quarto de Fevereiro International Airport, has been receiving far more traffic than its facilities are equipped to handle. The National Company for Airports and Air Navigation (Empresa Nacional de Aeroportos e Navegacao Aerea - ENANA) is investing US$ 74 million towards the renovation and modernisation of the airport. The project is being carried out by a Portuguese firm - Somague. On the other hand, there is another airport project pending in Luanda, which is being managed by the Office for National Reconstruction (Gabinete de Reconstrução Nacional - GRN) and has supposedly been contracted to a Chinese firm. This new international airport will be situated in Luanda’s Viana district, where work is underway in a large designated area. Although the area has been barricaded for nearly four years already, no details of the project have been released to date.

In January 2008 a Chinese-made commuter plane was inaugurated at Luanda’s international airport - Quarto de Fevereiro. The Modern Ark 60 (MA60) seats between 48 - 60 passengers and is ideal for regional routes, as it requires a runway of only 1,000 meters for takeoff and landing. The demonstration flight from Luanda-Lubango-Luanda was attended by Sun Zhiwei, Deputy Managing Director of China National Aero-Technology Import and Export Corporation (CATIC).

3.4 Evaluating the Beijing Action Plan: Cooperation in Social Development

Bilateral cooperation in social development is a significant component of Sino-Angolan relations, incorporating elements of aid towards education, medical care and public health, Human resource development and exchanges.
3.4.1 Development Assistance and Debt Relief

As previously mentioned, Angola’s oil-backed loans from the Chinese government were provided by China Construction Bank (CCB) and China’s EXIM Bank. Angola’s Ministry of Finance has been minimally involved, as the funds are disbursed directly to Chinese enterprises that have won government tenders for projects in Angola.

For the US$ 2 billion concessional loan that was granted in March 2004, the funds were disbursed in two phases of US$ 1 billion each and are payable over a 12 year period. The first half of the loan was released by the end of the year already, in December 2004. Towards the end of 2007 Angola had used nearly US$ 837 million of the loan. During EXIM Bank President Li Ruogu’s visit to Angola in September 2007, he announced in a meeting with President dos Santos that China’s EXIM would provide an additional US$ 2 billion loan agreement to finance public investments. Already mentioned above, in March 2009 China also provided a US$ 1 billion loan to go towards agricultural development.

It is worth mentioning that the diplomatic connection with China has enabled Angola to establish relations with players from Hong Kong, which has a semi-autonomous status as a special administration of the People’s Republic of China. Angola has received significant loans from the Hong Kong-based China International Fund (CIF), which are all managed by Angola’s Office for National Reconstruction (Gabinete de Reconstrução Nacional - GRN).

Regarding debt relief, a bilateral agreement was signed in 2007 from which China cancelled RMB 50 million (approximately US$ 7 million) of debt owned by the Angolan government. Only a minor amount of debt relief has occurred since then. At a meeting held on 18 January 2009 between the Chinese Minister of Commerce Chen Deming and the Angolan Prime Minister Antonio Kassoma, Chen announced that China’s debt relief towards Angola had reached RMB 67.38 million to date, which is approximately US$ 10 million.

Western institutions have been very critical of China’s aid to Angola, accusing it of compromising the efforts of the traditional international financial institutions (IFIs) and sidelining the practices of the donor community. The International Monetary Fund (IMF) and the World Bank Group attach conditionalities to their loans and aid packages. The conditionalities entail policy reform programmes on fiscal management and principles of governance, which Angola considers to be blatant interference in the domestic affairs of a sovereign state and a threat to Angola’s autonomy (political and economic).

The IFIs insist on attaching conditionalities to safeguard their commercial interests, but also to reduce corruption, promote good governance and transparency, as well as ensure the sound distribution of state revenue to people. China’s development assistance to Angola, on the other hand, is not contingent upon the same terms and conditions. Yet, China continues to extend its credit line and disburse concessional loans to Angola on a fairly regular basis.
Economists are equally concerned about Angola’s capability to service all of its loans and China’s role in increasing the country’s indebtedness. Furthermore, there is Angola’s over-reliance on its oil production to pay off the loans. Owing to the global financial crisis, Angola’s policy-makers now recognise the fragility of the country’s wealth and the urgent need to diversify its economy. As such, it is crucial that massive investments be made in self-sustaining revenue generating industries (refer to section 3.6.4).

3.4.2 Human Resource Development

Generally Chinese cooperation in Human resource development involves the training of professionals in China, where they attend a series of workshops and lectures for periods of between two week and two months on average, depending on the specialty. African can receive training in China in the fields of trade, informatics, agriculture, medical botany, distance learning, vocational education, nursery education, economic management, and military administration to journalism, culture and tourism and even low-interest loan provision. The training programmes are generally carried out by institutions that specialize in African studies, such as those at Beijing University and Zhejiang Normal University, amongst many others. Several technical colleges and universities are co-opted for their specialties and scientific disciplines.106

This is still a new area of cooperation between Angola and China. Shortly after the Beijing Summit, in April 2007 the Chinese government sent a MOFCOM delegation to Angola to visit the country and negotiate opportunities for Human resource development. The Chinese delegation reportedly met with 15 of Angola’s key ministries to discuss research activities, training topics, training methods, and participant organisations.107 To this effect, apparently some 200 Angolan officials and professionals were trained in China during the course of 2007 and 2008, primarily in agriculture and industry.108 However, the identities of the individuals, the association they represented, the programmes they were enrolled in, and their applicability in their current workplace are unknown. Until all this information is available, one would not be able to assess the merit of Sino-Angolan cooperation in human resource development.

3.4.3 Education

According to the provisions of the Beijing Action Plan, the Chinese government is funding the construction of one primary school in Bengo, two secondary schools in Benguela and Kwanzu Sul respectively, as well as the renovation of one primary school in Luanda.109 Chinese construction firms feature prominently in Angola’s education sector. In addition to the above mentioned projects, there are several other package deals between the two governments.

From loans provided by the Chinese government Golden Nest Angola Lda, for instance, has in the past four years built a total of 11 schools in Angola - i.e. four junior schools were built in Luanda’s districts of Cacuaco, Panguila and Viana, and six science and technology colleges were built in
Luanda’s Cacuao, Cazenga, Pangila, Sambizanga and Viana districts and also in Lobito. The Chinese firm also renovated the Agricultural College in Malanje. Another Chinese firm, Sinohydro, was awarded a US$ 69 million project to build four secondary schools over the period 07/08 - i.e. two schools in Huambo and another two in Huíla. In July 2007, China’s Sinomach began working on a US$ 93 million contract to build the following:

- Four colleges - in Luanda, Bengo, Cabinda and Namibe;
- Five management and administration institutes - in Benguela, Namibe, Zaire and two in Luanda;
- Six secondary schools - two each in Luanda, Benguela and Namibe.

Still in education, the Chinese government also gives scholarships to Angolan students. According to the Institute for Scholarships (Instituto Nacional de Bolsas de Estado - INABE), the number of students on Chinese scholarships initially averaged at six annually, but it has risen recently due to its growing popularity. So far just over 50 Angolan students have been granted Chinese government scholarships. This year alone there are 23 students receiving scholarships, which is a significant rise from the 2008 record of 15 students under the programme. Judging by the trend, INABE foresees that as long as there is continued funding there will be growing interest amongst Angolan youth to study in China.

3.4.4 Medical Care and Public Health

Angola’s greatest difficulty in medical care and public health is its poignant lack of medical doctors. According to the Angolan Minister of Health, Dr. Anastácio Rubam Sicáto, of the 57 thousand medical workers in the country, less than two thousand are doctors. The rest and overwhelming majority consist of nurses and technicians. As such many patients have to receive treatment abroad through the Ministry’s National Medical Association.

Luanda’s Central Hospital, which contains an anti-malaria centre, was financed by the Chinese government prior to the FOCAC 2006 Ministerial Meeting. After 15 months of construction, the hospital was inaugurated in February 2006. It accommodates 100 patients and cost an estimated US$ 8 million to build. It offers speciality services such as laryngology, dermatology, neurology, ophthalmology and physiotherapy. In June 2006 Premier Wen Jiabao visited the hospital while he was in Angola and appraised it as a symbol of growing friendship between the two countries. Due to Angola’s tropical location, malaria infections are very high in the country and it is the main cause of deaths incurred by illness. Re-infections can occur several times over if not treated adequately, and generally lead to death in extreme cases. To assist in combating the ailment, the Chinese government donated anti-malaria medication to Angola’s Ministry of Health in 2008 and donated an additional RMB 2 million worth (approximately US$ 440 million) on 9 April 2009.

Improving medical care and infrastructure is of great importance to the Angolan government, especially in order to restore the public health system. As such, Chinese enterprises have also been
upgrading existing medical facilities on behalf of the Ministry of Health. During the period 2006/2008 Sinohydro, for instance, embarked on a US$ 148.7 million project to expand and renovate four regional hospitals around the country - i.e. in Benguela, Huambo, Lubango and Malange.\(^\text{117}\) In April 2007 Sinohydro also processed the procurement of 86 ambulances for Angola's Ministry of Health with funding from the Chinese government.

In 2008 both countries signed an agreement to send Chinese medical doctors to Angola, but the programme was postponed until adequate housing could be secured. With this issue now resolved, Angola is expecting 18 Chinese medical doctors during the third quarter of 2009. They will be based at Luanda Central Hospital, in Kilamba Kiaxi district. Some of the physicians will provide new treatments at the hospital - in urology, acupuncture and cardiology. Twenty houses are being built within the hospital's area to accommodate the physicians.\(^\text{118}\) Until the programme is actually operating, it would be presumptuous to assess its effectiveness and efficiency. For insight on this matter from the experience of another Lusophone country, kindly refer the case study of Mozambique (chapter 5).

### 3.5 Political, Social and Economic Impact of FOCAC process

#### 3.5.1 Cementing Sino-Angolan Relations

The impact of China in Angola is a heated topic of discussion amongst economists, policy makers and civil society organisations. In academic circles China's relations with Angola have already made quite an impression, particularly in prompting much debate over the notions of an “Angolan Model” or “Angola Mode” to China's concessional barter deals. However, any evaluation of China's impact on Angola must be placed in context, especially noting that Angola has really only been at peace since 2002. Also, one must bear in mind that it has not yet even been five years since the historic moment in 2004 when China granted its first US$ 2 billion credit line loan to Angola.

While hosting Chinese Minister of Commerce Chen Deming this past January 2009, Angolan Minister of Finance Severim de Morais announced that Beijing’s credit line has helped to fund 125 contracts towards the country's reconstruction and development.\(^\text{119}\) China's current involvement in Angola is considerably large at the moment, but it will change with time. Chinese people working in Angola have very little or no knowledge of the country prior to their arrival, which is generally the case also for Chinese businesses and entrepreneurs. If Angola is interested in attracting Chinese FDI it must market itself as a suitable business environment. However Chinese prospective investors will only see value in investing if they are more familiar with the consumer dynamics and market demands, which both require an element of cultural awareness.
3.5.2 Visible service delivery of infrastructure

The most visible impact of the FOCAC process in Angola is in service delivery of major infrastructure. A local politician commented that unlike traditional donors and western institutions, the impact of China’s involvement in Angola is very visible. The Chinese government has financed public investments, from which Chinese enterprises have either restored or built new roads, railway lines, schools, estates and telecommunications networks. All the new schools, for instance, empower Angola to meet the United Nations’ Millennium Development Goal (MDG) of universal primary education. The upgrading of roads and railways has re-established internal linkages, which will reduce transportation costs and improve market access. One local academic commented that Angola’s strong relations with China have now prompted many other countries into making new attempts at improving their relations with the country as well.

3.5.3 Mounting traffic at logistical points cause bottlenecks

Angola’s ambitious plans for national reconstruction and development have literally transformed the country into what could be the biggest construction site on the continent. There are massive renovations taking place in all sectors of the economy and countless new pieces of infrastructure are being developed in all parts of the country. Angola is, however, in no condition to produce most of the input products that are required for this process and must thus rely on importing construction material and machinery. Since a significant amount of the activity is taking place in Luanda, the city’s customs authorities are completely overwhelmed and the port is congested. The Luanda port handles 1,500 tonnes of goods per day, which is daunting considering most Chinese vessels carry nearly 20 times more tonnage. On average there are over 30 ships anchored outside the Luanda port and the Chinese ships each take approximately seven to ten days to offload. Chinese enterprises that are working on major projects, under the auspices of the GRN, receive some logistical support so that their productivity is not compromised by delays. The GRN commands immediate submission and cooperation from quasi-state agencies for full access to all resources required for its projects. CITIC, for instance, has thus had a much smoother experience importing material than most companies in Angola. In spite of a five month backlog at the Luanda port, CITIC has managed to offload 11 vessels over a six-month period (an average of two vessels per month). Port officials have forecast that Luanda’s port will process approximately 6.6 million tonnes of cargo this year, which is a 10 percent increase from 2008. In essence, the congestion at the port is a result of increasing trade between Angola and China.

3.5.4 The implications of Chinese expatriates for Angola’s Human Resources

Angola is short of qualified professionals in construction and civil engineering, as an entire generation of prospects immigrated and/or were lost during the civil war. To compensate for this, skills have been
imported to perform tasks and foreign companies have been contracted to implement major projects. However, it would be sensible to invest in Human resource development to reduce the country's outsourcing of professionals.

In addition to the Angolans that have recently and/or are currently receiving scientific education in tertiary institutions, there is an immediate need to enhance the competence of the unskilled masses of the population. Angola’s unemployment rate stands at between 35 - 40 percent, with the majority of the people involved in the informal sector. As such, there are serious concerns that Angola may in future also be dependent on Chinese contractors to service and maintain the infrastructure that is currently being established.

### 3.5.5 Cynicism over Sino-Angolan relations

Angola’s relations with China are widely criticised for three main reasons, being its lack of transparency coupled with the magnitude of the funds involved and swift pace at which their bilateral ties have intensified. Angola functions on a rigid top-down approach, which is unsurprising considering the circumstances. Angola is recovering from a protracted civil war that destroyed physical infrastructure, systems of public administration and demoralised its population. Certain analysts are thus of the opinion that the country needs a stern and visionary leadership to steer its reconstruction and development.

Critics, however, have been vocal about the risks to good governance and democracy being undertaken. Some local respondents also expressed concerns, which are further complicated by the overpowering position of the GRN and its autonomy from other Ministries. The GRN is widely criticised by Western institutions for its lack of transparency and guarded management style; they caution that such an environment is not conducive to good governance and warn that it would thus be difficult to hold the GRN accountable for serving national interests. However, the GRN was established in 2005, during a period when institutional bottlenecks and red-tape impeded on service delivery and the execution of projects. It was initially set up to manage the major projects funded by China’s concessional loans. Nowadays, the GRN manages most of Angola’s large investment projects, and reports exclusively to the Presidency. From the data provided in this report, evidence suggests that this approach may actually be the reason for the expedited bilateral negotiations and the swift implementation of FOCAC related projects pertaining to Angola’s national reconstruction and development.

### 3.6 Recommendations for Angolan stakeholders

China is recognised in Angola as a useful and effective alternative to the West in terms of both political and economic support. Based on a complementarity of economies (oil for manufactured products and construction), China and Angola have built a strong bilateral relationship. Increased oil exports to China enabled Angola to significantly increase revenue, which in turn helped eliminate the
fiscal deficit, lower inflation and stabilise the exchange rate. Consumers have benefited from the wide availability of low-cost Chinese manufactured products and local economies have been boosted by the influx of Chinese imports. China’s investment in basic infrastructure is producing a positive impact on the standard of living with more and more ordinary citizens enjoying greater access to improved transport and other facilities. In the cities of Luanda, Huambo and Benguela the building of schools, hospitals, roads and power supply systems by Chinese companies is widely welcomed and are producing a positive impact on social stability and local economic development.

3.6.1 Implement specific and practical policy reforms to maximise the benefits of relations with China for the longer term

A reliance on oil exports to China is a distinctly short-term approach, with limited economic prospect over the longer term. The challenge for Angola, as well as for other African countries, is to develop comprehensive national development strategies and a clear vision for sustainable development which should form the foundation for constructive engagement with China. These include:

- An improved investment environment to promote business development in all sectors of the economy and not only in the oil industry.
- Improved systems of political and corporate governance.
- More effective financial and market regulation.
- An improved education system, especially business management.
- Strengthened judiciary and law enforcement process.

Remedying widespread rent seeking behaviour is an urgent priority and a necessary condition to improve overall economic development. Corruption undermines normal commercial activity is preventing poverty reduction and economic development.

3.6.2 Increase employment of locals on projects contracted to Chinese companies

Angola should develop marketing programmes and data-capturing schemes to streamline the recruitment process of locals for joint projects. China should be encouraged to focus in developing programmes and procedures to use more local labour.

On account of the success of the voters’ registration scheme in 2008, the majority of Angola’s adult population are captured on the national system. This will enable the formation of cooperatives and associations to which individuals can subscribe for vocational skills that will feed into capacity building for industries. The Ministry of Public Administration, Employment and Social Security needs innovative means for fast-tracking skills development, for which having recurring employment is key as one builds upon already acquired work experience.
A task team should be put together to manage the recruitment process, working closely with the Ministry of Public Works, the Ministry of Urbanisation and Housing and the GRN. Once the system is functioning, one could even streamline individuals with previous experience of working with Chinese companies to similar projects where one could make the most of their cultural affinity.

3.6.3 Develop local competence in Mandarin Chinese

Angola needs its own team of Mandarin translators and interpreters to ensure the accurate transmission of all communication, safeguarding the integrity of its national interests during bilateral negotiations and discourse.

With China’s growing strategic importance to Angola, it is sensible for Angola to develop more competence in Mandarin Chinese. By virtue of the intensified bilateral agreements between both countries and status of China’s contributions to Angola’s reconstruction and development, there is good reason to believe that both countries are cultivating the foundation for long-standing cooperation. In addition to the Angolan students that are learning Mandarin during their studies in China, Angola should place new emphasises in bridging the language barrier it has with China. Policy-makers would certainly benefit from such an initiative, as an understanding of the language would aid the promotion of its national interest during negotiations. For all official meetings between the two parties, Angola’s representatives should ideally have their own interpreters and translators at hand. One could also recognise the value of this in other levels of cooperation.

3.6.4 Build medical expertise for combating malaria

Angola should steer China’s cooperation in medical care and public health towards building medical expertise for combating malaria. Given China’s experience in this context, FOCAC could be mobilised as the institutional framework for a major programme to eradicate malaria across Africa.

China’s donation of anti-malaria medication is a valuable programme for Angola, which alleviates the plight of malaria in the country. However, the scheme is unsustainable. Angola is situated along a tropical belt where malaria thrives all year round and will thus need endless supplies of anti-malaria medication until a vaccine is developed. To take a step beyond the anti-malaria centre in Luanda’s Central Hospital, China could empower Angolan doctors and scientists with the tools and resources that are necessary to manufacture the medicine locally.

3.6.5 Boost manufacturing sector with Sino-Angolan joint ventures

Angola should encourage Chinese enterprises to set up joint ventures (JVs) in the seven designated industrial development zones. JVs would help to build skills and assist in creating a manufacturing base which would in turn contribute to sustainable development.
Angola’s economy is dominated by one main activity; the extraction of mineral resources, primarily oil and diamonds. Even for these two minerals, there is insufficient processing of the raw material in Angola before export to foreign markets. Nevertheless, Angola does plan to diversify its economy. However, this requires a significant amount of investment to build new industries from nothing. There is very little investor confidence in Angola, due to the high of corruption and risks of operating in a harsh business climate. Although this usually deters most prospective investors, this is not the case with China.

The China-Africa Development Fund (CAD Fund) is financing business ventures on behalf of Chinese entrepreneurs and enterprises seeking to set up operations in Africa. However, Angola must regulate and limit the activity of all Chinese FDI in the industrial development zones. In light of the prevalence of Chinese FMCG products in Angola, the Chinese JVs must actually stimulate industrial activity and not buffer the warehousing of Chinese imported goods for sale into the local market.

### 3.6.6 Raise cultural awareness to encourage mutual understanding

*The Chinese government should consider opening a Confucius Institute in Angola to cultivate a better understanding of China and its culture.*

There is an element of exclusivity in Angola’s relations with China. Chinese people working in Angola have very little or no knowledge of the country prior to their arrival. Amongst the general population there is also minimal interaction between the Angolans and Chinese people outside of work. Some effort should thus be put into building a solid foundation for sustaining the longevity of bilateral ties, based on mutual understanding and appreciation for the two countries’ cultures and languages.

There are thousands of Chinese citizens working in Angola, some in very harsh conditions and others isolated at base camps of construction sites. Many locals were under the impression that the Chinese workers were contracted to work against their will and suspected they were convicted criminals serving their prison sentences in Angola by way of manual labour. Such a position is an indication of a severe disconnect between locals and the Chinese workers. Nonetheless, it is consistent with the view that both parties need to raise cultural awareness to improve understanding and sustain the longevity of sound bilateral relations.
4. The Democratic Republic of Congo (DRC)

4.1 Introducing Sino-Congolese relations

In October 1960, the newly independent Republic of the Congo-Leopoldville recognised the Republic of China (ROC, or Taiwan). In February 1961, Kinshasa recognised the People’s Republic of China (PRC), only to again recognise ROC in September the same year. In November 1972, relations were again established between the then Republic of Zaire and the People’s Republic of China, and have remained intact since.

Between 1961 and 1972, when the Democratic Republic of the Congo-Leopoldville/Zaire recognised Taiwan, the Chinese government under the leadership of Mao Zedong provided material support to rebels based inside and outside of the country’s borders, seeking to oust the US-backed government. Although Mobutu, the then Zaire’s long-term President (1965-1997) and close US ally, did not have particularly close relationships with China, he visited the country in 1973, 1974, 1980, 1982 and 1994. From 1978 to 1995, during the Mobutu years, eight Chinese leaders visited Zaire.

After bilateral relations had been established in 1972, the DRC received a number of donations from the Chinese government. A farm producing both crops and livestock was established in N’Djili, one of Kinshasa’s suburbs, in the 1970s. An agricultural institute in China’s Hebei province supported the project financially and sent agricultural experts to the farm. This project is still in operation and is outlined further in section 3.3.1.

A Chinese industrial initiative taken in the 1970s was a sugar factory built in Kisangani. It was, however, destroyed during the civil war. Moreover, two well-known buildings in the capital Kinshasa are well-known symbolic donations from the Chinese government. First, the country’s National Assembly building was built between 1975 and 1979. The donation was worth US$ 42 million at the time. Second, the Martyr’s Stadium with capacity for 80,000 spectators was completed in 1994.

The company China-Congo Telecom was set up in June 2000 as the Chinese company ZTE and the Congolese government signed a contract creating a joint venture between ZTE and the Ministry of Post and Communication of the Congo. The joint venture has had access to RMB 80 million in concessional finance from China EXIM Bank. It was however reported in April 2009 that ZTE was looking to sell its 51 percent stake in China-Congo Telecom and that South Africa’s MTN had proposed US$ 200 million to buy the stake.
Moreover, the N'Djili Sino-Congolese Friendship Hospital is a donation from the Chinese Government, built by China Jiangsu Construction Development Company. Construction of the hospital started in 2004 and it was inaugurated and handed over to the Congolese government in June 2006.

The inaugural FOCAC Ministerial Meeting was held in Beijing in 2000 in the midst of the devastating 1998-2003 Congolese civil war. At the time, Laurent Kabila had ousted Mobutu from power and given the country its current name. The meeting was attended by a Congolese delegation. Shortly afterwards, in January 2001, Laurent Kabila was assassinated and succeeded by his son Joseph Kabila, who became the country’s elected president in 2006.

To further contextualise FOCAC in relation to the DRC, when the 2006 Summit was held on the 4th-5th November, the country had just held its first democratic elections since 1965. Even though the elections had been held already in July 2006, the election results were disputed until after the FOCAC meeting in November. At the time, the country was thus in a state of brittle peace, in which it still remains, particularly given the precarious situation in the country’s eastern parts. A delegation from the DRC attended the FOCAC 2006 Summit however, although President Kabila did not attend.

Lastly, given that the DRC is still in a fragile post-conflict state, it has not yet been awarded Approved Destination Status (ADS) by China. Tourism between China and the DRC is therefore yet to be developed.

4.2 Evaluating the Beijing Action Plan: Political Cooperation

The Beijing Action Plan stipulates that the Chinese and African countries are to “continue the momentum of high-level visit and dialogue”. In the case of the DRC, relations with China have developed rapidly since the FOCAC Summit in 2006. Prior to 2006, China was present in the DRC as a partner, but a great deal of the activities in Sino-Congolese bilateral relations has gained momentum only after 2006 when the country’s elections were held.

A number of official visits have taken place between China and the DRC since FOCAC 2006. In January 2008, Chinese Foreign Minister Yang Jiechi visited Kinshasa. Deputy Foreign Minister Zhai Jun visited Kinshasa on the 23rd March 2009. The most recent official visit made by a high-ranking Chinese official to the DRC was on the 27th-28th May 2009 when Deputy Minister Zhong Shan headed a Chinese government delegation for trade and economy to Kinshasa to the 8th Session of Sino-Congo Joint Commission of Trade and Economy. Minister Zhong met with Mr. Raymond Tshibanda, Congo’s Minister of International and Regional Cooperation. The Congolese Defence Minister Chikez Diemu visited China in July 2007, where he met with his Chinese counterpart Cao Gangchuan. In August 2008, President Kabila attended the opening ceremony of the Beijing Olympics. Ambassador Wu Zexian heads the Chinese Embassy in Kinshasa. Having spent an important part of his diplomatic career in France, he was posted to the DRC in 2007 as one of Beijing’s more seasoned diplomats. It has been suggested that he is part of the Chinese MFA’s ‘dream team’ that is sent to
African countries where China has important interests. Wu has a track record of being open to engagement and collaboration, which has certainly been useful given the enormous attention devoted to the Sicomines barter deal by the Congolese opposition and civil society, the diplomatic community, domestic and international media as well as international organisations (outlined further in the section on infrastructure below).

In terms of the importance attached by China to its mission to the DRC, it is worth mentioning that the Chinese Embassy in Kinshasa is currently finalising the construction of the Economic Counsellor’s new office located next to the Congolese Ministry of Foreign Affairs. The new bold building includes large representation and office areas as well as accommodation for the Consulate personnel. The construction of this new building certainly indicates that the Chinese government envisages bright future relations with the DRC.\(^{139}\)

As outlined in the section on energy and resources below, there is a significant presence of Chinese entrepreneurs in Katanga province, although the global economic downturn and falling raw material prices has led to a drastic reduction in activities. Jansson et al note that even though many of these Chinese entrepreneurs would like to have contact with the Chinese Embassy to a greater extent than occurs today, there are currently no plans to establish a Chinese consulate in Katanga’s province capital Lubumbashi.\(^{140}\) Given that there is a substantial presence of Chinese entrepreneurs in Katanga, it is recommended that the Chinese Ministry of Foreign Affairs opens up a consulate in Lubumbashi to assist with coordination between Chinese entrepreneurs, Congolese authorities and Congolese civil society.

Sino-Congolese cooperation is heavily focused on the President’s office and the key actors around the President. The relationship with China is important to President Kabila, whose 2006 electoral campaign was built on the programme les Cinq Chantiers (the five building sites), namely infrastructure, health and education, water and electricity, accommodation and employment.\(^ {141}\) Ahead of the presidential elections in 2011, President Kabila needs to deliver on his electoral promises. The current and potential Chinese infrastructure investments in the country are therefore crucial in order for the Presidency to have deliverables to show the electorate.

The Prime Minister’s office and the Ministry of Foreign Affairs (MFA) are also important actors in Sino-Congolese relations. A follow-up committee for FOCAC led by the MFA meets three times a year. The committee comprises of 30 members; five representatives for the Ministry of Foreign Affairs and representatives of the Ministry of Planning, the Ministry of Agriculture, the Ministry of Transport, the Ministry of Primary and Secondary Education, the Ministry of Mines, the Ministry of Energy, the Ministry of Tertiary Education and Research as well as representatives for the Congolese Central Bank, the National Electricity Company, the Congolese Ministry of Posts, Telephones and Telecommunications (OCPT) and the Régie de distribution d’eau, the public sector company responsible for water distribution. According to a very well informed respondent in the Ministry of Foreign Affairs, the work of the committee is functioning well, particularly since the Presidency places great emphasis on Sino-Congolese relations.\(^ {142}\)
Moreover, as will be outlined in the sections below, Chinese activities in the DRC are mostly concentrated in infrastructure and resource extraction. As a result, the Ministry of Infrastructure, Public Works and Reconstruction and the Ministry of Mines are key actors in Sino-Congolese relations. Within the Ministry of Infrastructure, two special agencies were formed in August 2008 to manage Chinese-funded infrastructure projects. The Bureau for Coordination and Monitoring of the Sino-Congolese Programme (BCPSC) and the Congolese Agency for Major Construction Works (ACGT) are the two organisations specifically tasked with taking the implementation of Sino-Congolese projects further.

Lastly, in terms of political cooperation, section 2.5.2 of the Beijing Action Plan states that China will “take an active part in UN peace-keeping operations in Africa”. In the DRC, China has since 2003 contributed with ten peace-keeping teams to the United Nations peacekeeping force in the DRC, known under its acronym MONUC (Mission de l'Organisation des Nations Unies en République Démocratique du Congo). The ninth team, dispatched in 2008, was stationed in Bukavu. The tenth team of 218 members from China’s Lanzhou province arrived in July 2009 for an eight-month mission.

4.3 Evaluating the Beijing Action Plan: Economic Cooperation

The vast Democratic Republic of the Congo largely lacks transport infrastructure and is in need of development assistance in virtually all areas. Social infrastructure is deficient, particularly in the war torn eastern parts of the country where large numbers of people are internally displaced. In terms of national priority sectors, economic sectors with particular potential in the country are the agriculture and mining sectors. Several well informed Congolese respondents working within agriculture and rural development confirmed that infrastructure is a factor that particularly hampers development at the moment. As mentioned, priority areas for the Presidency are infrastructure, health and education, water and electricity, accommodation and employment (les Cinq Chantiers).

4.3.1 Agriculture

By means of the Beijing Action Plan, China committed to “[s]end 100 senior experts in agricultural technologies to Africa and set up in Africa 10 demonstration centres of agricultural technology” (section 3.1.3). As discussed in chapter two, the number of agricultural demonstration centres has subsequently been increased to 14. In the DRC, the projects committed to by the Chinese government after the FOCAC 2006 summit did not include an agricultural demonstration centre. As outlined in the introduction, however, with the help of an agricultural institute in China’s Hebei province, a farm producing both crops and livestock was established in the 1970s in N’Djili, one of Kinshasa’s suburbs. The Chinese agricultural institute supported the project in two ways; financially and by sending agricultural experts to the farm. The experts were called home, during the DRC’s 1998-2003 civil war; however, production continued on a smaller scale.
Following the end of the war, the Chinese agricultural team returned, production was again scaled up and the farm remains in operation. However, the farm now has a smaller land area to their disposal since the size of the allocated land has decreased with the new government. During a research visit to the farm in March 2009, the CCS research team was told that the farm generates its income mainly by selling crops locally. However, it still receives some support from the agricultural institute in Hebei province. The farm has a number of Congolese employees, which continuously receives training from the Chinese agricultural experts based on the farm. The Chinese experts are also responsible for a similar farm project in Brazzaville, the capital of the Republic of Congo, located across the Congo River from Kinshasa.\(^{149}\)

As will be shown below, implementation of the Beijing Action Plan in the DRC has focused largely on road- and telecommunication infrastructure and to an extent mineral extraction. However, there are interesting synergies between the agriculture and infrastructure sectors in the DRC, given that the challenge in terms of food security in the country is intimately related to the lack of infrastructure. The almost total absence of roads in the vast country makes it difficult to transport agricultural produce from rural to urban areas (goods have to be transported either via aircraft or on the Congo River). Thus, if it is implemented as envisaged, it is anticipated that the comprehensive Chinese infrastructure development programme (outlined in section 4.3.5) will contribute greatly to the improvement of food security in the DRC.

In 2007, a memorandum of understanding (MOU) was signed between the Congolese Ministry of Agriculture, Fisheries and Livestock farming and ZTE, the Chinese telecoms provider.\(^{150}\) The MOU pertained to a US$ 1 billion large-scale agricultural project by means of which 3 million hectares of land in Equateur, Bandundu, Orientale and Kasaï Occidental provinces would be used for development of an oil palm plantation. Observers have been questioning why a telecommunications company would be interested in investing in agriculture. Beyond the potential profits, the research team has not been able to ascertain any particular reason for ZTE to invest in the agricultural sector.

In March 2009, a delegation from ZTE visited Kinshasa and met with the Congolese Ministry of Agriculture, Fisheries and Livestock Farming, and other relevant actors. A very well informed observer noted in interviews with the research team that the Chinese delegation had not been concrete in their plans for the investment. Maize and palm oil had both been mentioned as potential crops, but according to the respondent, the discussions never got down to specifics. As of November 2009, concrete implementation of the MOU was yet to be seen.\(^{151}\)

Large scale oil palm plantations such as the one envisaged in this case is, for several reasons, not the ultimate choice in terms of fostering long-term development for the DRC. Firstly, large-scale plantations are problematic since they lead to large land areas becoming inaccessible to the local population whose only source of income is small-scale farming. Secondly, given that the prices of palm oil are fairly low compared to other natural resources such as oil for example, the salaries that can be offered to workers at such large-scale plantations may not be fair wages.
Lastly, oil palm is a monoculture which is generally a challenge to biodiversity. Fitzherbert *et al* note that "oil palm is a particularly poor substitute for either primary or degraded forests, and whereas any conversion of natural forest is inevitably damaging to biodiversity, oil palm plantations support even fewer forest species than do most other agricultural options". When implemented on a large scale, it often contributes to large-scale deforestation, even though in some cases oil palm plantations are established in already deforested areas.

Nonetheless, if established and run in a sustainable manner, oil palm plantations can contribute greatly to the livelihoods of rural populations. The DRC should therefore require that Chinese companies interested in investing in the Congolese agricultural sector should do this by means of establishing so-called outgrower schemes.

The outgrower scheme is a small-scale industrial model which involves local Congolese smallholder farmers from the onset of the project. The ownership of the land would stay in the hands of the farmers, who would be provided with inputs (seeds, fertilisers, pesticides etc) from the Chinese investor, the prices of which would be fixed in a contract between the two parties. The inputs would be provided at affordable prices given that the Chinese investor would be able to purchase it in large quantities. The Congolese farmers would receive technical support from the Chinese investor throughout the lifespan of the project, which would ensure that appropriate technology transfer takes place. The Chinese investor would subsequently buy the Congolese small-scale farmers' produce for further export. The price would also be fixed in the contract between the two parties.

Provided that the local farmers receive the necessary support and high-quality input, their output is likely to be good and the profitability of such a venture could therefore be adequate. This would mean that as the Chinese partner sells the produce on the international market, it can still make a good profit (even compared to the profits that could potentially be generated by a large-scale oil palm plantation).

The use of the outgrower model would be beneficial for food security, since the individual farmer has the option to adjust the share between palm oil and food crops, planted on her or his land for purposes of sustaining her or his family. With such a model, an important share of the profit also remains with the local producer, which would not be the case if a large-scale plantation is established.

If pursued by the Congolese Ministry of Agriculture, Fisheries and Livestock Farming this approach could increase the potential for Chinese investment, such as the one from ZTE currently in the pipeline, to improve the food security of rural Congolese communities.

### 4.3.2 Investment and business cooperation

The Beijing Action Plan states that China and Africa will "give continued encouragement and support for mutual investment, explore new areas and forms of expanded cooperation in investment and take concrete steps to ensure the sound growth of investment" (section 3.2.1). As a general remark, in the context of the DRC, this is a fairly challenging pledge to implement given the country's structural weaknesses. The private sector is small and undeveloped and as a result, business exchanges between the DRC and China are not as developed as in the countries studied in this report. However,
there certainly are a number of Chinese companies active in the DRC. These are found mostly in the construction and mineral extraction sectors, and their operations are outlined in further detail in the infrastructure and energy and resources sections below.

China’s development projects pledged to the DRC by means of the bilateral framework in 2008 include a mineral water factory to be constructed in Kinshasa. The tendering process for the investment, worth US$ 60 million, was to start in China in March 2009.  

There is also a large group of Chinese small-scale traders active in Kinshasa, both in the city centre and in the city’s cités (townships). The research team visited a number of these traders in one of Kinshasa’s cités in March 2009, who stated that even though competition is tough, there is still margin to run a profitable small scale business in the cité. Contrary to popular perception about an existing Chinese ‘grand strategy for Africa’, there is no comprehensive data over the size of this group or the exact nature of their activities since these traders enter the country in an uncoordinated fashion to set up business ventures where they identify a market.

Given that there is little information available regarding the activities of the small-scale traders, it is difficult to assess the impact on the local economy. It is however likely that the impact is twofold, as is the case in many parts of Africa; positive since the traders import and sell affordable consumer goods that may not otherwise have been available to the Congolese populace; and negative since Chinese traders, often very competitive and hard-working, may crowd out local Congolese traders.  

Alden notes that “it is the emergence of Chinese small-scale retailers across parts of rural Africa which has both brought new goods closer to the population and, concurrently, threatened to undermine established retailers”.

4.3.3 Trade

Trade is an important part of the Beijing Action Plan. The parties noted that over the coming three years, they would “continue to work to create favourable conditions to grow China-Africa trade in a more balanced manner” (section 3.3). As indicated by graph 4.1 below, trade between the DRC and China has certainly grown since 2006, however not in a particularly balanced manner.
Graph 4.1: Outlook of the DRC’s trade with China (1998-2008)

Source: World Trade Atlas

Table 4.1: The DRC’s trade with China 2006-2008 (US$ Million)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>368.46</td>
<td>460.25</td>
<td>1,578.58</td>
</tr>
<tr>
<td>Imports</td>
<td>68.77</td>
<td>92.96</td>
<td>231.76</td>
</tr>
<tr>
<td>Total</td>
<td>437.23</td>
<td>553.20</td>
<td>1,810.35</td>
</tr>
</tbody>
</table>

Source: World Trade Atlas

As shown in graph 4.1 and table 4.1, increase in the DRC’s exports to China are far greater than in its imports from China, and this is dominated by the export of cobalt and copper as shown by graph 4.2.

Graph 4.2: Composition of the DRC’s exports to China in 2008

Source: World Trade Atlas
As shown by graph 4.3, the DRC’s exports to China comprise of raw materials and have over the last ten years come to be increasingly dominated by copper and cobalt ores, particularly the latter.

**Graph 4.3: Composition of the DRC’s top-20 exports (HS 4 level) to China (1998-2008)**

![Graph 4.3](image)

*Source: World Trade Atlas data/CCS analysis*

The breakdown of Congolese top-20 imports from China, as illustrated in graph 4.4, indicates that the composition of the DRC’s imports from China does not differ greatly from the general African trade profile with China. Manufactured goods such as electrical appliances, vehicles, textiles, machinery and pharmaceutical products have been dominating the DRC’s imports from China over the past decade. As the value of imports has increased, particularly since 2004, the share of electrical appliances and vehicles has increased.

**Graph 4.4: Composition of the DRC’s top-20 imports (HS 4 level) from China (1998-2008)**

![Graph 4.4](image)

*Source: World Trade Atlas data/CCS analysis*
By means of the Beijing Action Plan (section 3.3) it was pledged that 466 export products from the least developed countries in Africa would receive zero tariff treatment when imported to China. However, for African countries to be able to harness this, a burgeoning private sector is necessary. As mentioned, the Congolese private sector comprises mostly companies active in mining, telecommunications and construction. The manufacturing sector is particularly weak. A representative from the National Agency for the Promotion of Investment confirmed, among other respondents, that as a result of the country’s low manufacturing capacity, the tax exemption quotas implemented by the Beijing Action Plan have not had any significant effect. This is a result of the fact that the Congolese economy has little to no industrial capacity, which is intimately related to issues of governance. For example, the DRC’s business environment is ranked as the worst in the world by the World Bank’s Doing Business 2009 report.

It is evident that the pledge in the Beijing Action Plan to “continue to work to create favourable conditions to grow China-Africa trade in a more balanced manner” (section 3.3) has not been fulfilled in the case of the DRC. However, given the extremely challenging Congolese business environment, it is not to be expected that FOCAC, or collaboration with any of the DRC’s other external partners for that matter, could rapidly rectify these challenges.

### 4.3.4 Finance

The Beijing Action Plan states that “the two sides decided to push continuously for relevant cooperation and support business exchanges between commercial banks from both sides to enhance China-Africa economic cooperation” (3.4.1). Several large-scale infrastructure undertakings are currently completed, underway or under negotiation in the DRC, financed by Chinese policy banks or commercial banks. These are outlined in the specific infrastructure section below. In July 2008, the Congolese government and China Development Bank (CDB) signed a cooperation agreement. As outlined in the infrastructure section below, negotiations are currently ongoing for CDB to finance infrastructure refurbishment in Kinshasa.

Furthermore, it was pledged (section 3.4.2) that “China will encourage its financial institutions to set up more branches in Africa”. In October 2007 China’s Industrial and Commercial Bank of China Limited (ICBC) bought a 20 percent stake in South Africa’s Standard Bank. Through its subsidiary Stanbic, Standard Bank has offices in 17 African countries, including the DRC with branches in Kinshasa and Lubumbashi.

### 4.3.5 Infrastructure development

Infrastructure is one of the sectors of the Beijing Action Plan where the most activity has been seen in the DRC since 2006. The pledges to “keep infrastructure building, particularly transportation, telecommunications, water conservancy and power generation facilities, as a key area for cooperation” (section 3.5.1) and to “give continued encouragement and support to Chinese companies in participating in Africa’s infrastructure development” (section 3.5.2) have certainly been fulfilled, as outlined below.
The Sicomines barter deal

Closely aligned to the pledge in section 3.6.2 of the Beijing Action Plan, “China gives high priority to helping African countries turn their advantages in energy and resources into development strengths”, is the Sicomines barter deal struck on the 22nd April 2008. The contract, most certainly one of the most well known and controversial agreements that has taken place in the framework of the Beijing Action Plan, creates a 68/32 joint venture between Sinohydro, China Railway Engineering Corporation (CREC) on the one side and the Congolese parastatal Gécamines on the other. While all Chinese, Congolese and international stakeholders agree that large-scale infrastructure refurbishment is necessary for the DRC and that a barter deal is a good way to go about providing these, the structure, conditions and details of the contract has been hotly debated in the year that has passed since the agreement was signed.

The basic idea of the agreement is that the Sino-Congolese joint venture would provide the DRC with China EXIM Bank financed mining- transport and social infrastructure in exchange for access to mineral resources. The actual value of the listed infrastructure projects has been debated, but as the deal was originally announced, Congolese authorities claimed that the value was US$ 9 billion, of which US$ 6 billion would go towards transport- and social infrastructure and US$ 3 billion towards mining infrastructure in the allocated concessions. Critics have argued that these estimations were not necessarily based on correct data, and that the mining concessions in Dima, Dikuluwe and Mashamba in Katanga province may contain minerals worth a far higher value than US$ 9 billion, depending of course on raw material prices.\textsuperscript{161}

The allocated concessions contain 10.6 million tons of copper and 626,619 tons of cobalt. Of these, 427,000 tons of cobalt and 6.8 million tons of copper are confirmed mineral deposits, while the remaining 200,000 tons of cobalt and 3.8 million tons of copper are probable findings to be confirmed in a feasibility study that was due by the end of 2009. The concessions will come into production at the very earliest in 2013. These were evaluated in a feasibility study which was due at the end of 2009.\textsuperscript{162}

As mentioned, the Sicomines barter deal has been widely debated since its announcement. This is a lengthy debate with many details that are not fully covered in the overview below.\textsuperscript{163} In essence, the critique formulated both by Congolese and international actors has pertained to the transparency of the negotiation process, the fairness of the deal (mainly the concessionality of the loan and actual value of mineral concessions and infrastructure investments), as well as to issues of debt sustainability.

The International Monetary Fund (IMF) has argued that in order for the IMF and the World Bank to be able to go ahead with a new three-year Poverty Reduction and Growth Facility (PRGF) programme\textsuperscript{164} which would eventually make way for substantial debt relief for the debt-laden country, the Sicomines contract has to be re-negotiated so that it is not structured as government debt. The IMF is not willing to proceed with a multi-billion debt relief programme only to see the DRC contract new debt with China. The Chinese and Congolese stakeholders have argued that the financing provided by China
EXIM Bank for the Sicomines joint venture is not to be seen as government debt since it is mineral backed and taken on by a joint venture. There are, however, certain clauses in the original contract (articles 10.3, 13.2 and 13.3.3) which state that the Congolese state guarantees the repayment of the loan.\textsuperscript{165}

As of August 2009, the latest development was that the deal has been amended in order to meet the IMF’s requirements. Initially, the Chinese party had requested that the Congolese state would guarantee the repayment of the infrastructure investments in case the profits from the mining project would not be sufficient. This guarantee has now been removed and the agreement is now considered to be an entirely commercial contract. Moreover, three billion of the originally announced six billion of infrastructure investments have been put on hold for the time being. The DRC will now most likely be able to shortly go ahead with a new PRGF programme.\textsuperscript{166}

The solution that has now been met in terms of this issue is probably the most conducive to Congolese development. The DRC is in dire need of both debt relief and infrastructure development, but the financing has to be structured so that the country is not indebted further. The mineral-versus-infrastructure barter agreement \textit{per se} is a good way for a mineral-rich country such as the DRC to fund much-needed infrastructure refurbishment. However, it is imperative that the agreements are structured wisely so that the recipient Congolese economy benefits as much as the partner, in this case China.

In order for this to come about, three factors are important to consider. First, it is imperative to ensure that the Congolese delegations that negotiate agreements with Chinese stakeholders have the necessary capacity to do so. It is highly recommended that Congolese scholarship recipients that return to the DRC upon graduation from Chinese universities are leveraged to participate in this process, given that they have the language skills, cultural know-how and are highly educated. The research team experienced during the field work that this already takes place to an extent.

Second, it is important to ensure that the delegations that negotiate with China indeed represent public interest. This can be ensured for example by including representatives from civil society. Third, it is imperative to ensure in the negotiation process that the agreements outline exactly how Congolese ownership of the infrastructure provided is to be ensured, including the capacity to maintain the investments.

While the debate has been running high around the Sicomines deal, the initial stages of the infrastructure investments are already in implementation. A delegation from China EXIM Bank’s Paris office visited Kinshasa during the last week of March 2009,\textsuperscript{167} and the Congolese government has undertaken noticeable measures to implement the Sicomines project. In August 2008, two agencies under the DRC’s Ministry of Infrastructure were set up specifically to manage the Sino-Congolese infrastructure programme. The Congolese Agency for Major Construction Works (AGGT) is the contracting authority for the infrastructure projects and the Bureau for Coordination and Monitoring of
the Sino-Congolese Programme (BCPSC) is the agency that will coordinate all infrastructure and mining activities pertaining to the deal.

Under the supervision of these two agencies, initial infrastructure projects to the value of US$ 340.4 million are currently (first half of 2009) being implemented by the two Chinese partners to the deal; China Railway Engineering Corporation (CREC) and Sinohydro. This includes the following projects.168

- Refurbishment of Tourism Avenue, Kinshasa (contractor CREC, project cost US$ 24.4 million);
- Refurbishment of Lutendele road, Kinshasa (CREC, US$ 21 million);
- Refurbishment of the road between Beni and Niania, Oriental province (Sinohydro, US$ 57 million);
- Refurbishment of the road between Lubumbashi and Kasomeno in the south-eastern Katanga province (CREC, US$ 138 million);
- Construction of the new central hospital in Kinshasa (project cost US$ 99.87 million). The 18 month process could finally start on the 30th March 2009 after six months delay in vacating the land.169

According to representatives of the Congolese Agency for Major Construction Works, the total value of infrastructure projects to be undertaken in 2009 is US$ 750 million. Over the next four years, infrastructure investments to the value of US$ 3 billion are planned (US$ 1 billion in 2010, US$ 750 million in 2011 and US$ 500 million in 2012), provided that the deal goes ahead as planned.170 It remains to be seen how the above outlined developments in August 2009, where US$ 3 billion of the infrastructure investments were put on hold, will affect these plans.

**Case study: Sinohydro and CREC**

As outlined above, Sinohydro and CREC are the two Chinese parties to the large Sicomines barter deal. Besides their involvement in the Sicomines joint venture however, both companies have already been active for several years in the DRC as contractors for the African and Western funding agencies as well as the Congolese government.

Sinohydro has particularly been active as a contractor for World Bank funded road projects. In 2002, they built a road between Matadi and Kimpesi, which they later refurbished in 2004. The same year, they built the road between Beni and Niania. The road is now to be refurbished, but this time within the framework of the Sicomines agreement (outlined above). In 2005, Sinohydro built a road in Kikwit, Bandundu province, and in 2008, a bridge was built, also in Bandundu. The African Development Bank and Sinohydro signed a contract in 2008 for two road projects to be finished in 2010, still in Bandundu province.171
Most kinois are aware of the fact that CREC has been carrying out refurbishment work on Kinshasa’s artery, le Boulevard du 30 Juin. It is less well known, however, that the work was not financed by Chinese funds, but by the City of Kinshasa and the Congolese government.\textsuperscript{172}

**Case study: China Jiangsu Construction Development Company**

China Jiangsu Construction Development Company is the contractor for several important construction projects implemented in Kinshasa on behalf of the Chinese government. In 2006, they completed the Sino-Congolese friendship hospital in N’Djili (discussed in the section on health care below). They are currently working on the following projects: the Economic Counsellor’s new office located next to the Congolese Ministry of Foreign Affairs; one of the schools donated to FOCAC, currently under construction in a cite (township) in the Ngiri-Ngiri area; and a private apartment block.\textsuperscript{173}

**Other road infrastructure projects**

Other current or planned road infrastructure projects that have been carried out over the 2006-2009 period include the following:

- Refurbishment of the road between Lubumbashi and Kasumbalesa was carried out by CREC between March and November 2008, totalling 72 km of road.\textsuperscript{174}

- Refurbishment of the road between Bukavu and the Kavumu Airport in South Kivu province is currently being carried out, financed by a donation from the Chinese government and implemented by China Communications Construction Company (CCCC).\textsuperscript{175}

- Refurbishment of the port in Kalémie and the airport of Lubumbashi which has been requested by the Congolese government. The value of these projects would be worth US$ 7 million each, and a Chinese mission is currently about to evaluate the costs more exactly, according to Ambassador Wu, who also stated that these projects could become a part of the 2009 development projects within the bilateral framework which will be announced mid-year.\textsuperscript{176}

- The Sino-Congolese Programme managed by the ACGT will potentially include a few projects that do not form a part of the Sicomines agreement but that will be structured according to similar barter principles. The BCPSC and the ACGT are currently in negotiations with Sinosure to fund the refurbishment of Kinshasa’s Avenue de l’Université. The loans would be paid back in nickel and chrome concessions and negotiations with the prospective contractor for the project, China Guanggong Provincial ChangDa Highway Engineering Corporation (CGCD), was underway at the time of the field research.\textsuperscript{177}

- At the time of the field research, the BCPSC and the ACGT were negotiating also with China Development Bank (CDB) to fund the construction of a highway from Kinshasa’s central station to N’Djili Kinshasa Airport and the modernisation of the airport. The contractor would be China
Communications Construction Company (CCCC) and the loans would be paid back through copper and cobalt extracted from concessions in Kolwezi and Potopoto in the Katanga province.178

**Telecommunications**

In terms of telecommunication infrastructure, the Chinese companies Huawei and China International Telecommunication Construction Corporation (CITCC) are currently implementing the first phases of two ICT projects funded by China EXIM Bank concessional loans. Both projects are implemented on behalf of the Congolese Ministry of Posts, Telephones and Telecommunications (MPTT) and were in the pipeline the whole of 2008, but were delayed as a result of various administrative blockages and other petty problems. According to a very well informed Chinese observer, these delays were mostly caused by middle-level bureaucrats rather than by high-ranking officials.179

First, in December 2008, Huawei started work on an eight month project worth US$ 32 million to construct a local fibre optic network in Kinshasa. This project will subsequently be extended to all the capitals of DRC’s ten provinces (Bandundu, Lubumbashi, Kisangani, Matadi, Bukavu, Goma, Mbuji-Mayi, Kananga, Mbandaka and Kindu) according to a memorandum of understanding (MOU) signed by MPTT and China EXIM Bank. The only funds released to date are the US$ 32 million for the first phase, but if implemented as planned, the total value of the project would be US$ 260 million.180

Second, in March 2009, work on a national optical transmission network project was launched by China International Telecommunication Construction Corporation (CITCC). The first phase will link Kinshasa to Moanda, where there is a connection point to the Atlantic underwater fibre-optic cable. Work on the first phase will be completed in eight months and the phase is worth US$ 31.9 million. Similar to the fibre-optic cable agreement, an MOU has already been signed by MPTT and China EXIM Bank to extend the optical transmission network across the country; from Kinshasa to Lubumbashi, along Lake Tanganyika to Kalémie and Uvira over to Kisangani, along the Congo River to Mbandaka and back to Kinshasa. The estimated total cost of the project would be US$ 350 million, however, only the first US$ 31.9 million have been released to date.181

**4.3.6 Energy and Resources**

The Beijing Action Plan states that China and the African countries agreed to “give encouragement and support to their enterprises in conducting, under the principle of reciprocity, mutual benefit and common development, joint exploration and rational exploitation of energy and other resources” (section 3.6.1). The DRC’s resource base is exceptionally diversified and rich; copper, cobalt, timber, diamonds, gold, coltan, tin, zinc and oil among others. Chinese activities are largely focused on copper and cobalt smelting and export; trading in copper, cobalt and diamonds; and to some extent also mining (further outlined below).
Firstly however, it can be noted that in terms of forestry, there is no known Chinese activity at present. The only concession that has been held by a Chinese company was awarded in 2005, covered 188,672 hectares and was located in Ingende in the Équateur province. As part of the agreement, the Chinese company, *La Nouvelle Société de bois Yang Shushan*, had pledged to build a hydroelectric power plant on the Ruki River and a power transmission line between Bandundu and Mbandaka. However, the Inter-Ministerial Commission responsible for the review of logging titles cancelled the concession as it announced its results in October 2008 as it has been issued in violation of the 2002 moratorium on the issuing of new forestry titles.\(^1\)

In terms of mining, there are two major strands to Chinese activities. Firstly, and most well-known, is the Sicomines barter deal, outlined above. Secondly, mining concessions are also held by a number of micro-, small- and medium sized Chinese companies. These are often held in joint ventures with Congolese actors that may have the mining rights but no capital to explore the concession. These concessions are located mainly in Katanga province but also in North Kivu and South Kivu provinces. Jansson *et al* note that most of these companies are still in exploration phases and have not yet started extractive operations.\(^2\) It is difficult to ascertain exactly how many Chinese companies are in possession of mining concessions in the DRC. In an estimation made by the trade union association *La Nouvelle Dynamique Syndicale*, 21 Chinese companies are listed as involved in joint ventures with the Congolese state-owned mining company Gécamines.\(^3\) It is not clear how the global economic downturn and the falling raw material prices have affected the operations of these actors.

Prior to the global economic downturn, a large group of private Chinese entrepreneurs were active in the DRC’s south eastern Katanga province in copper- and cobalt smelting, trading and service related activities. A few economic actors of Chinese nationality run *comptoirs* (entities trading in minerals)\(^4\) for example in Goma, the capital of the North Kivu province. Prior to the global economic downturn, around 5,000 Chinese were residing in Lubumbashi, capital of Katanga province.

Estimations of the number of processing companies ran by Chinese nationals prior to the crisis range from 12 to 70 companies.\(^5\) However, falling raw material prices hit the sector hard and many of the Chinese entrepreneurs were forced out of business and had left the country by the end of 2008. At the time of writing, some of the Chinese processing plants in Lubumbashi have resumed operation on a small scale, however, most of them remain dormant. Jansson *et al* note that few or none of the Chinese private actors operating in the DRC’s mining sector has any support from the Chinese government or policy banks - they are purely private ventures seeking market opportunities.\(^6\)

The Congolese developmental paradox is well-known: the country is one of the world’s richest in terms of natural resource endowments, yet it is also one of the poorest and most war-torn. The complexities around how the DRC should best manage its resources in order to ensure long-term developmental benefits are important.\(^7\) As mentioned above, there are two main kinds of Chinese investment in the sector: the large scale, state-directed China EXIM Bank investment seen in the Sicomines barter deal (outlined in section 4.3.5) and the above outlined small scale entrepreneurial activities seen in
Katanga province. The Sicomines barter deal and how it should be structured in order to be beneficial to the DRC has been discussed in section 4.3.5.

The small scale entrepreneurial activities in Katanga are of a highly disaggregated nature. As outlined in section 4.2, there is not much contact between the Chinese Embassy in Kinshasa and these Chinese actors, and in terms of engagement to ensure that these operations contribute to long-term development in the region, it is recommended that the Katanga provincial authorities should engage with the Chinese Chamber of Commerce active in Katanga’s provincial capital Lubumbashi\textsuperscript{189} to ensure that all Chinese operations in and around Lubumbashi employ adequate labour standards.

Given that many of the Chinese entrepreneurs in Katanga perceive that they are being subjected to irregular treatment by Congolese officials demanding bribes,\textsuperscript{190} such engagement could favourably take place by means of an ethnic Chinese intermediary according to the principles of guanxi, which means that Chinese actors prefer to interact with persons that they can relate to and trust.\textsuperscript{191} As mentioned in section 4.2, given that there is a substantial presence of Chinese entrepreneurs in Katanga, it is furthermore recommended that the Chinese Ministry of Foreign Affairs opens up a consulate in Lubumbashi to assist with coordination between Chinese entrepreneurs, Congolese authorities and Congolese civil society.

4.4 Evaluating the Beijing Action Plan: Cooperation in Social Development

4.4.1 Development assistance

Part of the Chinese government’s pledges in the Beijing Action Plan was to “provide development assistance to African countries to the best of its ability and by 2009 double the size of its assistance to African countries in 2006” (section 5.1.2). Since no data is available regarding the exact value of development assistance from China to the DRC in 2006, it is not possible to quantify exactly whether or not development assistance has been doubled during the period covered by the Beijing Action Plan. However, development assistance from China to the DRC has over the period been provided on a number of areas, notably in terms of infrastructure but also in areas such as education and health care among others. Please refer to each specific section for an outline of developments on each of these areas since 2006.

China furthermore pledged to “[p]rovide US$ 3 billion of preferential loans and US$ 2 billion preferential export buyer’s credit to African countries in the next three years” (section 5.1.2). As outlined in each relevant section of this chapter, the DRC has received a great deal of concessional finance since 2006, notably in infrastructure and telecommunications. Of these agreements, the most well known is the Sicomines barter deal, facilitated by the FOCAC framework.
4.4.2 Human Resource development

As pledged in the Beijing Action Plan, China would during 2006-2009 “continue to provide specific training of professionals and management personnel for African countries in response to their needs” (section 5.2.2). In the DRC, training of officials has certainly taken place since FOCAC 2006. However, despite consultations with a number of respondents notably from the Congolese Ministries of Health and Ministry of Foreign Affairs as well as the Chinese Embassy, the research team has not been able to ascertain detailed information on a number of individuals trained or the focus of the training.192

In interviews with the research team, respondents from the Congolese Ministry of Health argued that bureaucratic capacity building for the health sector, notably improving e-health and Human resource development for administrative personnel, is often forgotten by the DRC’s development partners, not just China. According to the respondents, at least 20% of resources devoted by donors to health care should go towards capacity building in the local bureaucracy. It was further suggested that this is an area where China could indeed have important positive long-term impact in terms of strengthening the health sector.193 Interestingly, a practically identical suggestion was made by respondents from the Ugandan Ministry of Health (outlined in chapter 7).

Given that this suggestion was independently put forward by two Ministries of Health in two different countries, there should be important scope to get buy-in from the Chinese side. It is therefore recommended that the DRC requests that assistance to the country in terms of human resources be directed towards bureaucratic capacity building in the health sector.

4.4.3 Education

By means of the Beijing Action Plan (section 5.4), the two parties pledged to “expand China-Africa cooperation in education on the basis on existing sound cooperation”. China would do this more specifically through its pledge to “[h]elp African countries set up 100 rural schools in the next three years” and “[i]ncrease the number of Chinese government scholarships to African students”.

In the DRC, a post-conflict country with little to no educational capacity, this is certainly a pressing need to address. In terms of the pledged rural schools, the DRC has received three. Two are located in Kisangani in the eastern DRC, and one in Kinshasa, in Ngiri-Ngiri area. All three are currently under construction.194 The CCS research team visited the site in the cité (township) in Ngiri-Ngiri where the contractor China Jiangsu is currently building the school.

For the two schools in Kisangani, the agreement was that the DRC would carry out the part of the work that implied levelling the ground and providing electricity and water. However, due to capacity restraints, the Congolese side approached the Chinese Embassy with a request for the Chinese contractor to carry out this part of the work too. According to a representative for the Ministry of Foreign Affairs, the Chinese party accepted in February 2009.195
The Chinese government scholarships, covering five years of full time study in China, are awarded annually to Congolese students. Between 1985 and 2003, 5-8 students received the scholarship annually. From 2004 to 2006, eleven students were sent annually. In 2007, the number increased to 23, and in 2008 it reached 32.\textsuperscript{196} During the time period covered by the Beijing Action Plan, the number of scholarships awarded has thus almost tripled.

**Table 4.2: Record of Chinese government scholarships for Congolese students 1985-2008**

<table>
<thead>
<tr>
<th>Year</th>
<th>Scholarships</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-2003</td>
<td>5-8</td>
</tr>
<tr>
<td>2004-2006</td>
<td>11</td>
</tr>
<tr>
<td>2007</td>
<td>23</td>
</tr>
<tr>
<td>2008</td>
<td>32</td>
</tr>
</tbody>
</table>

Source: Congolese students’ association, Beijing

Even though the schools constructed and the scholarships provided are of great help to the individuals involved, these are small tokens in the greater scheme of things, particularly given the massive attention devoted by China to Congolese infrastructure development. This is not necessarily negative however, since China’s comparative advantage as a partner to the DRC may lie in infrastructure development. This is discussed further below in the section on political, social and economic impact of FOCAC.

### 4.4.4 Medical care and public health

In terms of health care, there is an enormous need in all areas in the DRC. Respondents interviewed by the research team argued that an important problem for the Congolese health sector is that the government prioritises other areas over that of health, notably military related expenses.\textsuperscript{197}

The Beijing Action Plan includes a number of pledges in the area of health care. Notably, China pledged to “provide RMB 200 million of grant for providing anti-malaria drugs to African countries and building 30 demonstration centres for prevention and treatment of malaria in the next three years” (section 5.5.3). Since 2006, China has donated three batches of malaria medication to the DRC, in 2007, 2008 and 2009 respectively. According to Ambassador Wu, after the first batch of medication had arrived in 2007, it took the Ministry of Health six months to pick it up.\textsuperscript{198} One of the reasons for this might be that, as argued by a number of well informed Congolese respondents, the Chinese medication donated did not meet Congolese quality requirements.\textsuperscript{199}

Budget has been allocated for a malaria research centre to be constructed in the DRC, but the centre has however not been established as of yet. Many different explanations were given by different respondents regarding the delay in implementation of the centre. For example, one well informed
respondent noted that the delay was a result of a strike at the Sino-Congolese Friendship Hospital in N'Djili where the clinic was to be located. Respondents at the hospital in Ngiri-Ngiri argued that the strike only affected parts of their operations and that they had not heard of plans to establish a malaria research centre at the hospital. A representative for the Ministry of Health stated that a committee comprising representatives from MFA, the Ministry of Infrastructure and the Chinese Embassy was currently tasked with finding a suitable site for the clinic and that the delay in constructing the clinic has nothing to do with the strike at the hospital. This indicates that there have been clear communication challenges in this regard, and it is recommended that the Congolese party ensures that such collaboration is improved substantially in order for initiatives extended by the Chinese side under the FOCAC umbrella to be implemented promptly.

In section 5.5.1 of the Beijing Action Plan, the African countries expressed their appreciation for “the dedicated assistance provided by Chinese medical teams and pledged to provide proper working and living conditions for them”. The Chinese side pledged to “[c]ontinue to send and send new and additional medical teams to Africa in the next three years on the basis of China’s own capacity and the need of African countries” (section 5.5.3). In the DRC, Chinese medical teams have been active since 1973. Currently, a Chinese medical team operates at the Sino-Congolese Friendship Hospital located in N'Djili, Kinshasa.

The team comprises 18 members divided into four sub-teams that are stationed in the country for a period of two years each. They originate from the Hebei Province, which is paying for all the expenses of the team. The DRC only pays for the team members’ plane tickets when they go home for holiday. Their living conditions, visited by the research team in February 2009, were simple but adequate given local living standards, although the accommodation suffered the same electricity and water cuts as the rest of Kinshasa.

Generally, Sino-Congolese cooperation in terms of health care is not as developed as cooperation in infrastructure for example. As outlined further in the recommendations section, this is not necessarily negative, given that the DRC’s other development partners such as the United States operate sizeable health care programmes in the country. As outlined above, malaria prevention has been the focus of Chinese efforts made on the area of health to date. The DRC could learn important lessons from China since it has important experience from its domestic fight against malaria. It is therefore recommended that the DRC’s requests to China in terms of health care should focus on malaria prevention.

4.5 Political, social and economic impact of FOCAC

It is a challenge to conduct a comprehensive assessment of the economic and social impact of FOCAC and the Beijing Action Plan in the DRC. While the projects provided by means of the Beijing Action Plan certainly are appreciated, the DRC’s developmental needs are enormous and the challenges complex. A great deal of the Congolese respondents interviewed in the DRC argued that
since the needs are so great in the DRC, China could help with “everything”. Like all developmental assistance efforts, it is not necessarily the case that China’s projects will have the intended impact. Certainly, this is difficult to quantify only one or two years after implementation.

Having said this, it is clear that since the FOCAC Summit and the DRC’s first post-conflict elections, both milestones that occurred in 2006, China has definitely stepped up as an active development partner of the DRC. Popular attention devoted to the topic has of course focused mostly on the Sicomines barter deal, however as outlined in this chapter, China’s engagement with the DRC is both broader and deeper than that.

Given the important number of Chinese projects implemented in the DRC since 2006, it could be argued that implementation of the Beijing Action Plan has been successful, although the efforts are clearly slanted towards road- and telecommunication infrastructure. However, this may not necessarily be a problem, given the immense need for infrastructure construction in the country and the important presence of other, traditional donors in the DRC with great expertise in ‘softer’ issues such as healthcare and capacity building. On the contrary, such division of labour may even be conducive to foster development in the country.

Certainly, the cash-strapped Congolese government and its representatives appreciate the Chinese comprehensive approach to infrastructure refurbishment. In interviews with Congolese, Chinese and Western respondents in the DRC, it was agreed that China is indeed the only actor that can provide the massive funding needed to thoroughly refurbish the war torn country’s infrastructure. A vast majority of the Congolese government respondents consulted argued that China’s approach is new and welcome since it is based on principles of mutual understanding. However, key stakeholders argued pragmatically that the country’s different development partners have complementary roles. Where China assists with infrastructure and offers an alternative South-South partnership, the country’s traditional partners, notably the IMF and the World Bank, provide crucial advice in terms of issues of macroeconomic stability.

Politically, the debate around the Sicomines barter deal shows that China’s emergence as an alternative developmental partner to the DRC certainly has stirred the pot and given the Congolese Presidency leverage vis-à-vis the traditional donors. It will therefore be highly interesting to follow how the discussions around China’s role in the Congo will develop going forward, particularly now that the value and guarantee structure of the Sicomines contract has been amended according to IMF’s requests.

It is also important to note that despite the enormous attention around the Sicomines deal, very few of the projects have been implemented as of yet, as outlined above. The perceptions held by many of the Congolese stakeholders interviewed for this study is largely based on the Sicomines agreement and these perceptions are likely to change when it is possible to evaluate the implementation of the deal.

In terms of social impact, it can be noted that concerns have been raised in relation to the activities of Chinese entrepreneurs in Katanga province. It has been reported that Chinese, as well as Indian,
processing plants remunerate and treat their workers far worse than their Western counterparts, and that non-listed mining and processing companies, among which many Chinese companies are found, purchase cobalt and copper ores extracted by child workers in Katanga’s mines. These are serious allegations and more structured research is needed to explore these issues further.

Jansson et al tentatively observe that company size seems to be an important variable determining operational behaviour among Chinese companies in the DRC’s mining sector, given that larger companies have greater capacity to provide a safe working environment and acceptable salaries. In this context, it is important to take into consideration the disaggregated nature of China’s engagement with the DRC, where the Chinese Embassy is not in control, or even aware, of what all Chinese nationals are doing in the country.

Lastly, in relation to the common complaint from African stakeholders that Chinese companies operating on the continent do not employ sufficient number of local workers but use their own Chinese workers, an interesting remark was made by a Congolese translator in a Chinese construction company operating in the DRC. He argued that, contrary to common perception, Chinese companies find that once they receive training, Congolese workers show great talent. The respondent noted that it is preferable to use local labour not just for cost reasons, but also since it facilitates local operations. However, he argued, Chinese companies choose deliberately not to replace expatriate workers with local workers too quickly or in excessive numbers without having ensured that the local workers have received the appropriate training first, since their experience is that this may substantially reduce the pace both of the implementation of the project itself and of technology transfer.

4.6 Recommendations for Congolese stakeholders

4.6.1 Technology transfer should be the focus for Sino-Congolese relations

A majority of respondents interviewed for this study expressed that technology transfer must be the focus of Sino-Congolese relations, without which, it was frequently argued, the collaboration with China will have little to no positive impact on the DRC. This should notably be done through training of Congolese professionals in the areas of engineering and health.

It is imperative that the training component for Congolese workers formally included in the Sicomines barter contract be implemented. This is first and foremost the responsibility of the Bureau for Coordination and Monitoring of the Sino-Congolese Programme (BCPSC). Moreover, one respondent suggested that China, as part of their development aid, could build and run manufacturing plants in the DRC where Congolese workers and managers would be trained. Upon completion of the training, the factory would be run by the Congolese staff alone. Another suggestion brought forward by the respondents was that training for health professionals would also be of great benefit to Congolese development.
4.6.2 Sino-Congolese collaboration on infrastructure also beneficial to health and food security

The focus on infrastructure in Sino-Congolese relations has positive impact also on health and food security. Instead of diverting the Chinese developmental efforts into too many areas, it is therefore recommended that collaboration with China should cover mainly infrastructure.

Several respondents expressed that rural development is a priority they perceive to be set aside in the Sino-Congolese relationship. In terms of the means available to further rural development, agriculture and infrastructure were identified as the most important by the respondents. Given that infrastructure has been identified in this chapter as the area where the Beijing Action Plan has been the most thoroughly implemented, whereas agriculture is an area that has received comparatively little attention, it is recommended that greater emphasis should be put on infrastructure. Thus, instead of diverting the Chinese developmental efforts into too many areas, it is recommended that Congolese stakeholders should narrow down their requests from China to cover mainly infrastructure. Improved rural infrastructure will also facilitate the rural population’s access to health care.

4.6.3 Engage civil society to improve transparency

The Congolese government should ensure that the consulting process around the development of Sino-Congolese relations is broadened to include representatives from civil society.

In relation to the Sicomines barter deal, a great deal of criticism has been raised by civil society and other relevant stakeholders pertaining to the transparency in the negotiations. Congolese civil society representatives argued in interviews with the research team that they are not at all included in the Sino-Congolese engagement process, since the latter is heavily centred on the Congolese Presidency. This is seen as a problem in terms of how agreements are met and how developmental priorities are determined. Representatives for the Chinese government in the DRC will however, for protocol reasons, not engage with civil society since they perceive the Congolese government, notably the Presidency, as their legitimate counterpart. It is therefore up to the Congolese government and its representatives to broaden the consulting process around the development of Sino-Congolese relations to include representatives from civil society, since they could play an important and positive role in assisting with project planning and implementation. A number of respondents argued, however, that opaque negotiations are a problem for Congolese civil society not just in relation to China, but also in terms of traditional donors such as the IMF and the World Bank.

4.6.4 Ensure cultural and technical capacity in negotiations with China

It is imperative to ensure that the Congolese delegations that negotiate agreements with Chinese stakeholders have the necessary cultural, technical and legal capacity to do so.
Given the criticism directed by Congolese and international stakeholders to the Sicomines agreement and the process through which that deal was conceived, three factors are important to consider. First, it is imperative to ensure that the Congolese delegations that negotiate agreements with Chinese stakeholders have the necessary capacity to do so. It is highly recommended that Congolese scholarship recipients that return to the DRC upon graduation from Chinese universities are leveraged to participate in this process, given that they have the language skills, cultural know-how and are highly educated. Second, it is important to ensure that the delegations that negotiate with China indeed represent public interest. Third, it is imperative to ensure in the negotiation process that the agreements met outline exactly how Congolese ownership of the infrastructure provided is to be ensured, including the capacity to maintain the investments.

4.6.5 Appoint a point person to manage Sino-Congolese health cooperation

During the field research, communication challenges were identified in terms of health related collaboration between China and the DRC. It is therefore recommended that in order to improve the developmental impact of Chinese health care assistance, a point person should be appointed within the Congolese Ministry of Health to coordinate these issues.

As shown in the section on health care, there have been clear communication challenges in terms of the identification of a site to construct the malaria research centre. While the research team cannot identify exactly where the challenge lies, it is recommended that the Congolese stakeholders assume responsibility for the process to ensure that the opportunities offered by China are indeed seized. This could be made for example by appointing a point person within the Congolese Ministry of Health who will coordinate issues of health care in Sino-Congolese relations; liaise with other relevant Congolese stakeholders as well as with the Chinese Embassy. The point person would also be responsible for ensuring that Chinese medication donated to the DRC meets Congolese quality standards.

4.6.6 Focus HR development on managerial capacity in the health sector

Chinese human resource assistance to the DRC should focus on improving managerial capacity and e-health in the health sector through the provision of training for administrative personnel.

It was argued by respondents from the Congolese Ministry of Health that managerial capacity building for the health sector, notably improving e-health and human resource development for administrative personnel, should be the priority for Sino-Congolese relations in terms of health care. A practically identical suggestion was made by respondents from the Ugandan Ministry of Health. Given that this suggestion was independently put forward by two Ministries of Health in two different countries, there should be important scope to get buy-in from the Chinese side. It is therefore recommended that the DRC requests that assistance to the country in terms of human resources be directed towards managerial capacity building in the health sector.
4.6.7 Katanga should engage on labour rights via Chinese intermediary

Katanga provincial authorities should engage with the Chinese Chamber of Commerce active in Katanga’s provincial capital Lubumbashi via a Chinese French-speaking intermediary and/or a Congolese Mandarin speaking intermediary to ensure that all Chinese operations in Lubumbashi’s mining sector employ adequate labour standards.

Given the substantial presence of Chinese entrepreneurs in the mining sector in and around Lubumbashi, it is recommended that the Katanga provincial authorities should engage with the Chinese Chamber of Commerce active in Katanga’s provincial capital Lubumbashi to ensure that all Chinese operations in and around Lubumbashi employ adequate labour standards. Given that many of the Chinese entrepreneurs in Katanga perceive that they are being subjected to irregular treatment by Congolese officials demanding bribes, such engagement could favourably take place by means of an ethnic Chinese intermediary according to the principles of guanxi, which means that Chinese actors prefer to interact with persons that they can relate to and trust. It was also suggested by a number of respondents that a Congolese Mandarin speaking intermediary could also contribute greatly to dialogue in this regard.209

4.6.8 Focus Sino-Congolese health care cooperation on malaria prevention

It is recommended that the DRC’s requests to China in terms of health care should focus on malaria prevention given that China has important experience on the area and malaria is an important health hazard in the DRC.

In terms of Chinese assistance in the health sector, malaria prevention has been the focus of efforts to date. The DRC could learn important lessons from China on the area since the latter has important experience from its own domestic fight against malaria. It is therefore recommended that the DRC’s requests to China in terms of health care should focus on malaria prevention: training of Congolese health care personnel, provision of medication and the construction of the pledged malaria research centre.

4.6.9 Utilise outgrower schemes for Chinese investment in oil palm production

Congolese Ministry of Agriculture, Fisheries and Livestock Farming should require that Chinese companies interested in investing in oil palm plantations in the country should do this by means of establishing so called outgrower schemes.

Large-scale oil palm plantations such as the one envisaged for the investment by China’s ZTE is, for a number of reasons outlined in section 4.3.1, not the ultimate choice in terms of fostering long-term development for the DRC. Nonetheless, oil palm plantations can, if established and run in a sustainable manner, contribute greatly to the livelihoods of rural populations. The Congolese Ministry of Agriculture, Fisheries and Livestock Farming should therefore require that Chinese companies
interested in investing in oil palm plantations in the country should do this by means of establishing so-called outgrower schemes. Provided that the local farmers receive the necessary support and high-quality input, their output is likely to be good and the profitability of such a venture could therefore be adequate. The use of the outgrower model would be beneficial for food security, since the individual farmer has the option to adjust the share between palm oil and food crops, planted on her or his land for purposes of sustaining her or his family. With such a model, an important share of the profit also remains with the local producer, which would not be the case if a large-scale plantation is established.

4.7 Recommendations for Chinese stakeholders

4.7.1 Open a Chinese consulate in Lubumbashi

*It is recommended that the Chinese Ministry of Foreign Affairs opens up a consulate in Lubumbashi to assist with coordination between Chinese entrepreneurs, Congolese authorities and Congolese civil society.*

There is a significant presence of Chinese entrepreneurs in the mining sector of the Katanga province. These stakeholders have expressed that they would like to have contact with the Chinese Embassy to a greater extent than occurs today in order to assist in the challenging Congolese business environment. Further, Congolese civil society groups have expressed that it is difficult for them to engage with Chinese companies. It is therefore recommended that the Chinese Ministry of Foreign Affairs opens up a consulate in Lubumbashi to assist with coordination between Chinese entrepreneurs, Congolese authorities and Congolese civil society.

4.7.2 Participate actively in efforts to coordinate development aid

*The Chinese Embassy should participate in Kinshasa’s donor coordination activities to fine-tune the division of labour where China focuses mainly on infrastructure while other development partners focus on ‘soft issues’ such as health care and education.*

Despite the fact that China does not regard itself as a donor, and has signed onto the Paris Declaration only as a recipient, it is clear that in the DRC it plays the role of a very powerful development partner with important means to help the DRC on its development trajectory. The Chinese Embassy already participates in some of Kinshasa’s donor coordination activities, however, it would be of great use if the division of labour identified in recommendation 4.6.1, where China focuses on collaboration and partnering in terms of infrastructure, could be made explicit and fine tuned in dialogue with other donors in order to maximise developmental impact. In general, FOCAC should refocus China’s aid efforts to increase synergies with other donors since this would be significantly beneficial to both Africa and China over the long-term.
4.7.3 Educate Congolese students in China only in subjects not available in the DRC

It was suggested in interviews with Congolese stakeholders that Congolese students should be awarded Chinese government scholarships for higher education only to pursue studies in subjects that are not available in Congolese universities.

The respondents cited two main reasons as to why Congolese students should be awarded Chinese government scholarships to pursue studies in China only if their subjects are not available at Congolese universities. First, it was argued that the best use of the scholarships is to teach Congolese students advanced science and technology subjects that are not available in the DRC. Second, subjects like political science or health should according to the respondents be taught in the DRC so that the student upon graduation is able to fully grasp and work in the Congolese environment.
5. Mozambique

5.1 Introducing Sino-Mozambican Relations

From the 1930s until 1975, the Chinese community in Mozambique comprised of a small community of affluent Chinese migrants who settled in Mozambique, mostly farmers and entrepreneurs. This small community remained isolated amongst the locals. They operated their own businesses and their children attended a Chinese school in Maputo. After the liberation struggle, most of the community members immigrated to South Africa and Portugal, leaving behind all property and most possessions.210

Mozambique’s relations with PRC only started to intensify in the early 1960s during the period of the liberation struggle. China offered its support for the then liberation movement Frente de Libertacao de Mocambique (FRELIMO)211 in the form of political solidarity and military cooperation. Prior to independence Samora Machel, the former president of the FRELIMO party, applied for official diplomatic relations with China. A few days after independence, on 28 June 1975, then President Samora Machel received letters of accreditation from Mozambique’s first Chinese ambassador which formalised diplomatic ties between the two countries.212

During the 1980s and 1990s Sino-Mozambican cooperation was displayed through the provision of a line of credit to purchase equipment, raw materials and consumer goods. Following the launch of FOCAC in 2000, China increased its presence in Mozambique through loans, foreign direct investment, technical cooperation, contract projects and direct grants for public works. In 2001, China and Mozambique signed a general Trade Agreement as well as an Agreement on the Promotion and Reciprocal Protection of Investment. A Joint Commission for Technical, Economic and Trade Activities was also established during the same year.

Overall, according to Mozambique’s Investment Promotion Centre (Centro de Promocao de Investimentos - CPI), from 1990 (the year China started to invest in Mozambique) to 2007, Chinese investment in Mozambique amounted to US$ 148 million. During this 17-year period, US$ 69 million worth of investments came in after 2003. Also, over 40 Chinese companies registered with CPI during this period and provided an estimated 11 214 jobs.213 As outlined further below, Chinese investors in Mozambique operate in various sectors, including agricultural processing, manufactory and construction.

Analysts claim that the Chinese government is investing in a network of friends who will give it the political support it needs in international arenas. Yet political cooperation is indeed an important issue for the Chinese and Mozambican governments and their respective ruling parties, and this forms a strong foundation for mutual trust. These sentiments resonated in a statement made by Mozambique’s
former President Joaquim Alberto Chissano, also the former President of the Mozambique’s ruling party Liberation Front Party:

“The friendship, unity and cooperation between the Mozambique Liberation Front Party and the Chinese Communist Party, other political forces and institutions and individuals will guarantee success in our striving for peace, and for the realization of rights in political, economic, social and cultural development.”\(^{214}\)

Quite uniquely, in 2004 Chissano became the honorary chairman of the Mozambique Association for Promotion of Peaceful Reunification of China. The position is currently held by the country’s current President, Armando Guebuza, while the Premier Luisa Dias Diogo, and the Speaker of Parliament Eduardo Joaquim Mulembwe became honorary advisors of this overseas Chinese organisation in 2006.\(^{215}\) This symbolic support has been rather timely help to the Chinese government, especially between 2000 and 2008 - the period during which Taiwan had a leader with strong ambitions for the nation’s independence.

Accordingly, FOCAC is facilitating cooperation and reinforcing allegiances based on national interests. A symbol of their growing friendship is perceived in China’s contribution to Mozambique’s state offices that are anchored around Maputo, i.e. the office of the Ministry of Foreign Affairs and Co-operation, the Joaquim Chissano International Conference Centre and the National Parliament building. As a side note, Maputo has sister city partnership with the Chinese city of Shanghai.

Mozambique’s former Ambassador to China, Jose Morais, affirms that both countries have a history of mutual confidence, which is evident by the invaluable contributions that surface from their high level dialogue and diplomatic engagement. Nearly ten years ago, the notion of a China-Africa forum was conceived over a friendly lunch between some African diplomats and Chinese government officials. Interestingly, Mozambique’s then ambassador to China - José Morais - was amongst the African diplomats who took an active role in drafting its mandate. This meeting triggered the subsequent launch of FOCAC in 2000, which has become an important vehicle for enhancing Mozambique’s relations with China.\(^{216}\)

### 5.2 Evaluating the Beijing Action Plan: Political Cooperation

Providing local representation of China’s engagement of Mozambique, Chinese Ambassador Tian Guangfeng and Economic and Commercial Counsellor Liu Xiaohui manage the day-to-day affairs from their offices in Maputo. Ambassador Tian graduated with a linguistic major in Portuguese, he has been working in Portuguese-speaking countries for nearly 30 years. In Portugal, he was the special negotiator on Macau issues for some years. He then arrived in Mozambique, almost immediately after finishing his term as ambassador in Guinea Bissau. Since his deployment to Mozambique in 2007, his strategic vision and leadership style have been invaluable to cementing Sino-Mozambican relations. In China, the Mozambican Embassy is led by Ambassador Antonio Inacio Junior. He was previously the Director for Asia and Middle East in the country’s Ministry of Foreign Affairs and Cooperation.
Mozambique’s delegation to the FOCAC 2006 Ministerial Meeting and Summit was led by Armando Emilio Guebuza - President of the Republic of Mozambique. Since the Beijing Summit, both countries continue to enhance their friendship and mutual cooperation, which is demonstrated in principle by their frequency of high-level visits and cooperation in bilateral relations. This trend was highlighted by Chinese President Hu Jintao’s subsequent visit to Mozambique in February 2007, as part of his eight nation tour of Africa. 217

Other Chinese officials who have visited Mozambique since the Beijing Summit in 2006 include:

- Li Zhaoxing—Minister of Foreign Affairs, (Feb. 2007)
- Fu Ziyng - Assistant Minister of Commerce (September 2007)
- Chen Xiaohong - Deputy Minister of Health (March 2007)
- Wang Gang - Minister of Science and Technology (January 2008)
- Wang Shichun—Director of Department of Foreign Aid, MOFCOM (April 2008)
- Xiong Shengwen—Deputy Governor of Jiangxi Province (October 2008)
- Jiang Zengwei - Deputy Minister of Commerce (March 2009)

China has also received numerous high-level visits for Mozambican officials, including the following:

- Armando Emilio Guebuza - President of the Republic of Mozambique (November 2006, August 2008 for the Opening Ceremony of the Olympic Games)
- Alcinda Abreu - Minister of Foreign Affairs and Cooperation (August 2006)
- Aiuba Cuereneia - Minister for Planning and Development (April 2007)
- Fernando Sumbana - Minister for Tourism (November 2007)
- Felicio Zacarias - Minister of Public Housing (October 2007)
- David Simango - Minister of Youth and Sports (October 2007, August 2008 for the Opening Ceremony of the Olympic Games)
- António Fernando - Minister of Industry and Trade (April 2008)
- Eduardo Joaquim Mulembwe - President of the Assembly (July 2008)
- Esperança Machavele - Minister of Justice (2008)
- Eduardo Koloma - Deputy Minister of Foreign Affairs and Co-operation (September 2008)
- Filipe Nyussi - Minister of Defence (May 2009) 218

These high-level mutual visits help to maintain communication channels between dignitaries; they facilitate dialogue and can also fast-track the decision-making process and negotiations, especially on implementing relevant projects. They provide a platform for building and/or sustaining collective
mechanisms that strengthen bilateral cooperation. In September 2007, for instance, China and Mozambique held the third meeting of their joint Commission for Technical, Economic and Trade Activities at which time Mozambique’s Deputy Minister of Foreign Affairs Eduardo Koloma and China’s Assistant Minister of Commerce signed an agreement to strengthen bilateral cooperation for the period 2008/2009. During Koloma’s visit to China the following year, the Mozambican delegation was then received by China's Assistant Foreign Minister Zhai Jun and Vice Minister Zhang Yesui.

5.3 Evaluating the Beijing Action Plan: Economic Cooperation

5.3.1 Agriculture

During President Hu’s visit to Mozambique in 2007, he announced on the 9th of February that Mozambique would be the first African country to receive one of the 14 special agricultural technology demonstration centres in Africa. The Chinese government subsequently pledged RMB 55 million towards its establishment. The centre will be based in Boane, just some 20 km south west of Maputo. When the implementation agreement was finally reached in 2008, the Instituto de Investigação Agrária de Moçambique (IIAM) made 52 hectares of land available for the project.

During the time that the research team visited the site in February 2009, the land was manually being cleared of weed and debris, in anticipation of the heavy machinery and equipment that was on the way from China. After a bidding process at MOFCOM in October 2007, Lianfeng Farm of Hubei Province was selected to implement the centre in Mozambique. A total of 10 Chinese technicians will be overseeing the construction of the demonstration centre. The project leader, Mr. Shao Jiayun, previously worked in Nigeria at the International Institute for Tropical Agriculture (IITA) as an expert for a South-South Cooperation project under the Food and Agriculture Organization (FAO) for three years. Mr. Shao is one of two agricultural technicians that have already arrived in Maputo to supervise this preliminary and preparatory phase of the project. Seven more expert technicians, with different specializations, will join the team later to coordinate training programmes.

Although the centre’s design was proposed by China, Mozambican stakeholders apparently tabled specific requests. According to the initial design, the centre would have cost an estimated RMB 4 million (approximately US$ 580,000), but the budget was reduced significantly after some functions were removed. The contract was signed by both parties on the 18th February 2009, detailing the final design and implementation timeline. Considering the structural changes in the Ministry of Agriculture, the project is actually being managed by Mozambique’s Ministry of Science and Technology - with Minister Venâncio Massingue being personally involved.

The Chinese agricultural technicians envisage that the agricultural demonstration centre will stand to be a viable training centre for local farmers within the next three to five years so that a transformation of the sector will be visible in ten years time. Its most valuable contribution will be at a grassroots level, from which the new farming practices could significantly increase the country's agricultural productivity.
At the site, the Centre has access to water and electricity on the municipal grids. For irrigation, a pump station will be built along the Pequenos Lebombos River that is just two kilometres away. In spite of the progress thus far, it will be another three to five months before the first crops are planted. Once the land is cleared, offices and accommodation must first be built on site before the remaining technicians can come from China. The technicians will also bring various seeds from China for trials in the Mozambican climate, e.g. maize, rice, vegetables and fruit.

In the future, Mr. Shao argues that animal husbandry, crop farming and horticulture could also be very suitable for this area. This agricultural demonstration centre is a learning experience for both the Chinese and Mozambican stakeholders. According to the IIAM Director General, Calisto Bias, the institute has had minimal experience in agricultural cooperative initiatives and will thus be studying the new agricultural demonstration centre in Boane very carefully.227

Other stakeholders of Sino-Mozambican cooperation in agriculture include provincial organisations and private individuals. Sister provinces Hubei (in China) and Gaza (in Mozambique) have a commercial farm project in the pipeline. A team of agricultural technicians are currently working over 300 hectares of land, demonstrating their skills and techniques to local farmers of the community. Most of the local farmers in the immediate vicinity all cultivate on one main plantation that is over 100,000 hectares in size. The Chinese group sowed their first seeds in October 2007, which produced a good harvest the following year. However, the cotton yields were not as successful as the rice. They suspect wild birds to be the main factor undermining cotton production. In 2009, the farm entered a contract with the Gaza provincial government to supply rice seeds to a consortium of farmers from the local community. All the seeds would be gathered from the harvest of one of the experimental farms; this specific plantation covers just over 1,000 hectares.228

In spite of ODA and increased FDI, Mozambique is still battling with a major food crisis that has over half a million people in the central and southern regions without food and even more malnourished. The poor conditions are often attributed to bad weather conditions, particularly the tropical cyclones and the imminent flooding along the Zambezi River. Even so, Mozambique's agricultural sector is terribly under-utilised.

According to Dr Fernando Songane, Proagri Coordinator at the Ministry of Agriculture, most of the country's farmers generally have only small scale operations of one to two hectares each. These farmers represent nearly 99 percent of Mozambique's agricultural production, but their yields are very low. Therefore an agricultural demonstration centre which will bring expertise in the areas of seed development, multiplication and farming methods has great potential to increase yield.

More Chinese enterprises are already taking in interest in Mozambique's agricultural sector. In November 2008, the Chinese government provided a US$ 18 million loan to fund a range of agricultural projects in the Zambezi Valley.229 Although the region has already been earmarked as the country's future centre for rice production, the Ministry of Agriculture is also considering prospects for other cash crops.230
Raising agricultural production in Mozambique is critical for the country’s food security, as well as the surrounding region. Hence, many farmers who previously had successful businesses in neighbouring Zimbabwe have immigrated into Mozambique, Zambia and Botswana. The new funding from the Chinese government could be used to import much needed agricultural tools and equipment. Yet, almost a year has passed since the loan agreement was signed and there is still very little information on progress thus far.

5.3.2 Investment and Business Cooperation

In 2008, China became Mozambique’s second largest foreign investor, up from sixth place the previous year. South Africa remains Mozambique’s largest foreign investor - US$ 136 million in 2008; during the same year China invested US$ 76.8 million. By assuming this important position, China has become Mozambique’s second main development partner, which has the potential to significantly impact on Mozambique’s course of industrialisation. The focus of Chinese FDI in Mozambique is primarily in the mineral, agricultural and retail sectors. These are only slightly aligned to the priority sectors that Mozambique has identified for development:

- Food processing and agro-industries;
- Textile and clothing industries (currently do not face any quota restrictions);
- Soaps and oils;
- Chemical industry;
- Metallurgy (downstream of Mozal, and other products);
- Metal working industry (construction material, heavy equipment, furniture, structures, tools and parts); and
- Packaging industry (wooden boxes, glass bottles, corrugated board, flexible packaging).

The sharp rise in Chinese FDI in Mozambique can be accredited to the Centro de Promoção de Investimento Desenvolvimento e Comercio China (CPIDCC). The CPIDCC was established in 1999 by the Chinese Ministry of Foreign Trade and Economic Cooperation, cooperatively with Anhui Province. It is one of the eleven investment promotion centres that the Chinese government decided to set up in Africa. In October 2000, the Chinese Ministry of Foreign Trade and Economic Cooperation assigned Anhui Foreign Economic Construction (Group) Co. Ltd (AFECC) to establish the centre in Mozambique.

The CPIDCC invested US$ 12 million in the initiative, which has now become the midwife of most Chinese FDI in Mozambique. Based in a 16-storey building that was built by AFECC, the CPIDCC is conveniently located across the road from the national CPI that is the country’s official investment promotion centre under the mandate of Mozambique’s Ministry of Planning and Development. In this building there is also a hotel, a restaurant and a supermarket; its multiple services have made the
Oriental Plaza the default choice of Chinese and other Asian business people.\textsuperscript{234} The CPIDCC and CPI work closely to facilitate trade and investment between both countries. Their services include market research, the processing of visa applications and liaising with provincial departments to locate sites for fixed operations.\textsuperscript{235}

Under the auspices of the Macau Forum (\textit{Forum para a Cooperacao Economica e Comercial entre a China e os Países de Lingua Portuguesa}), established in 2003, a trade and investment fair was held at Maputo’s Joaquim Chissano Conference Centre on 19 April 2007. Mozambique’s Prime Minister Luísa Dias Diogo, who spoke during the opening and closing ceremonies, announced that the event demonstrated win-win cooperation.\textsuperscript{236}

Drawing inspiration from the event, Mozambique’s Minister of Industry and Trade António Fernando led a delegation to China in April 2008, where they met with the China Council for Promotion of International Trade (CCPIT) to encourage similar initiatives with mainland China. Amongst the delegates were João José Macaringue, President of the Institute for Export Promotion (\textit{Instituto Para a Promoção de Exportações - IPEX}) and representatives from the CPI.

Minister Fernando expressed to the CCPIT Mozambique’s aspirations to establish a free trade zone that would attract Chinese FDI. He announced that Mozambique planned to import more Chinese agricultural technology to improve the country’s agriculture production and develop more value added goods; Fernando also invited Chinese enterprises and technicians to exhibit their agricultural machinery in Mozambique and encouraged them to teach Mozambicans how to operate them.\textsuperscript{237}

Industry players joined efforts and welcomed a business delegation from Hubei province in February 2009. The Chinese delegation represented 35 enterprises and held a trade and investment exhibition in Maputo that was tailored to the agricultural sector.\textsuperscript{238} It was later reported that from the 40 Mozambican businesses that attended the two-day trade fair, many of the Chinese enterprises identified suitable prospective business ventures.\textsuperscript{239}

Providing a platform for local companies to engage with prospective investors has become a prominent function of the Confederation of Business Associations (\textit{Confederação das Associações Económicas de Moçambique - CTA}), which was also instrumental in the organisation of the trade fair. Established in 1996, the CTA is the country’s largest non-governmental business organisation, representing 63 associations. On the back of strengthening Sino-Mozambique relations, the CTA plans to roll out more initiatives that will encourage Chinese FDI in Mozambique.\textsuperscript{240}

In late March 2009, MOFCOM and the financial division of the Macau government co-sponsored a trade fair in Maputo. MOFCOM’s Deputy Minister Jiang Zangwei led a delegation of over 30 Chinese enterprises, from the Mainland and Macau.\textsuperscript{241}

Up until the 2008 global financial crisis, the majority of African countries recorded a 5 percent annual growth rate in the last half decade. Mozambique’s growth rate in 2008 was 6.5 percent, a steady drop from 7 percent in 2007 and 8.5 percent in 2006. However, since the country still relies heavily on ODA from the donor community, only new industrialisation can foster sustainable economic growth. Chinese
enterprises recognise African countries as suitable candidates for FDI primarily because there are fewer established players and the market remains significantly untapped to date. Even so, economists are wary about the risks, making it difficult for enterprises to secure financial support for new business ventures in Africa. To sidetrack this and facilitate Chinese FDI in Africa, the Chinese government launched the CADFund.

The CADFund has already identified a few projects in Mozambique, one being the establishment of a cement factory by a company from Shandong province (refer to section 5.3.5 on Energy and Resources). Analysts anticipate that as Chinese enterprises become more familiar with the CADFund, their ventures will stimulate the business environment in countries like Mozambique. The Ministry of Industry and Commerce is thus already in the process of establishing an Institute for Small and Medium Enterprises (Instituto de la Pequeña y Mediana Empresa - IPME).

Once the management is appointed, the institute will start to promote foreign investment in the MSME sector to encourage entrepreneurship and sustainable employment. The country’s industrial parks will also offer an incubating environment for the investors, particularly those in the textiles and garment sectors. Local cotton produce will be used to manufacture textile, but fabrics will be imported to manufacture the garments. Other targeted sectors include graphics, metals, chemicals and agricultural industrialisation.

To boost more Chinese FDI into Mozambique’s MSMEs sector, the country has bid to establish one of China’s trade and economic cooperation zones. With new emphasis on promoting joint-ventures, Mozambique aims to tap into Chinese human and capital resources to develop new areas of industrial development. Such an initiative has enormous potential to boost Mozambique’s manufacturing sector and simultaneously create sustainable employment. Mozambique should be firm about its intentions for the zone. Its focus should not be on facilitating the packaging of raw materials for export into the Chinese market, as is the case/trend for exporting timber and wood.

Mozambique should enforce guidelines and place restrictions on the activities of Chinese investors, to ensure that they focus on processing raw material and value-added goods for local consumption and export. Currently there is only one industrial free zone in Mozambique that is fully operational. The Beluluane Industrial Park and Free Zone, stretching over 700 hectares of land, is a partnership between the Mozambican government and Chiefton Moçambique. It is strategically positioned some 16 km outside Maputo City and 20 km from the Port of Maputo. It is close to the Maputo Corridor, linking Mozambique to Swaziland and South Africa’s N4 highway, which goes straight into the epicentre of South Africa’s economic hub - the Gauteng province. The Beluluane Industrial Park and Free Zone is known for housing the MOZAL 1 and 2 plants, as well as several MOZAL suppliers. Mozambique is in the process of setting up two new industrial parks - i.e. in Dondo (Sofala province) to cover the central corridor and in Nacala (Nampula province), to cover the northern corridor.

In finance, there are new developments in the banking sector. The Bank of China has signed a cooperation agreement with Mozambique’s Banco Internacional de Mocambique (Millennium BIM) to

© 2010 Centre for Chinese Studies, University of Stellenbosch; All rights reserved
facilitate the bank transfers by individuals and companies between both countries, Macau and Hong Kong.\textsuperscript{247} The Chinese bank also signed a memorandum of understanding (MOU) with Moza Banco.\textsuperscript{248}

5.3.3 Trade

From the very modest trade volume of US$ 13 million in 1998, bilateral trade between Mozambique and China has increased rapidly over the past ten years (see Graph 5.1). China has rapidly become Mozambique’s third largest trade partner, after South Africa and Portugal.

Graph 5.1: Outlook of Mozambique’s Trade with China (1998-2008)

By 2008, the trade volume reached US$ 422 million, an increase of 48 percent compared to the previous year.\textsuperscript{249} Sino-Mozambican trade is increasing rapidly, as displayed in Table 5.1. In spite of the remarkable growth in Mozambique’s exports to China, it has had minimal effect on curbing the negative trade balance. The cost of Mozambique’s imports from China exceeds export earnings by 114 percent.

Table 5.1: Mozambique’s Trade with China 2006-2008 (US$ Million)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>79.69</td>
<td>123.88</td>
<td>134.42</td>
</tr>
<tr>
<td>Imports</td>
<td>127.97</td>
<td>160.39</td>
<td>288.36</td>
</tr>
<tr>
<td>Total</td>
<td>207.66</td>
<td>284.27</td>
<td>422.78</td>
</tr>
</tbody>
</table>

Mozambique’s main exports are unprocessed natural resources and minerals. As illustrated in Graph 5.2, rough wood (mostly timber) accounted for 69 percent of Mozambique’s exports in 2008.
Agricultural products account for 12 percent of export earnings, while the country’s infamous fisheries only generated a mere US$ 30,000 in 2008. Interestingly, mineral resources are a significant export to China - i.e. chromium, titanium, other ores and precious stones.

**Graph 5.2: Composition of Mozambique’s Exports to China in 2008**

As a least developed country, Mozambique is entitled to export 466 items to China tariff-free. Besides the increasing trade volume, at this stage the special treatment has done very little to diversify Mozambique’s exports to China. In fact, it may take a few years for the country to efficiently produce some of the items on the list, taking into account international industry standards and the actual profit margins after subtracting the cost of production. Moreover, once Mozambique is producing sufficient quantities for export, it will face competition from the other global players, in the Chinese market.

Looking closely at Sino-Mozambique trade between 2006 and 2008, the only significant growth in export volumes was of wood and chromium ore. During 2006/2009, wood exports, rough and sliced, increased by 82 percent. Chromium ore, which was insignificant a few years ago, is now the country’s largest mineral export to China - generating US$ 12.3 million in 2008.

In contrast, Mozambique’s main imports from China consist of construction material and related machinery, motorcycles, motor vehicles and manufactured goods - including electronics, bags, footwear and white goods. The current position of Mozambique’s trade with China is characteristic of Sino-African trade patterns that can be observed across the continent, to which critics have been very vocal about its lacking sustainability. However, the fact remains that realism dictates that a country’s national interests will determine its economic diplomacy. Therefore in relation to Sino-Mozambican trade, it is in Mozambique’s national interest to break the chain of exporting primary commodities.

Steering the country’s economic policy towards China is Sérgio Carlos Macamo, the National Director of International Relations in the Ministry of Industry and Commerce. Drawing from his experience as the Ministry’s former Director General, Macamo’s new focus is to harmonise the country’s output and gaps with provisions from its most favourable foreign partners. The key sectors that are priority for development are outlined above, in section 5.3.2 on investment and business cooperation. Even so,
China has become the de facto manufacturing hub of the world, which leaves its main trading partners with very few options for comparative and competitive advantage. Nevertheless, there is much potential for Chinese investment in Mozambique.

5.3.4 Infrastructure Development

There are two main channels of cooperation with the Chinese government in infrastructure development: the financing of the projects; and the provision of civil engineering and construction services to carry out the projects. These two are generally inter-related as Chinese enterprises almost exclusively carry out infrastructure development projects that are funded by the Chinese government. Moreover, there have been several instances where Chinese enterprises have also worked on projects where the funding was provided by alternative sources. Nonetheless, a common thread in this industry across the continent has been the contentious debate surrounding the excessive deployment of Chinese workers involved in the implementation of the infrastructure development projects.

As per the Chinese Government’s pledge to encourage and support Chinese companies to participate in Africa’s infrastructure development, the involvement of its engineering and construction companies entails the construction and/or renovation of government buildings and public facilities. Herewith are some of the most prominent projects that are involving Chinese funding and/or enterprises.

The Auditor-General’s office

The funding for the Auditor-General’s new office came from a concessional loan that was provided by the Chinese government. The US$ 40 million project was contracted to China National Complete Plant Import and Export Corporation (Complant Ltd) and Nanjing Construção CCM Lda in November 2008. On site, there are nearly 100 Chinese labourers working alongside some 250 Mozambicans. Construction began in November 2008 and it is estimated that it will take two years to complete the work.

With its initial entry in the Mozambican market in early 1996 as Nanjing Construção CCM Lda, the Mozambican leg has since then registered Construção CCM locally and operates like most multi-national corporations (MNCs). The Chinese company is now a well-established player in Mozambique’s civil engineering and construction sector. One of its most prominent works has been the construction of the offices of the Irish Embassy in Maputo, for which the Irish Ambassador personally requested its services, based on its good reputation and track record.

Construção CCM Lda currently has eight other projects in Mozambique. Complant Ltd also has other projects in the country that are funded by the Chinese government, including a housing project for 150 sets of affordable houses and four other projects in Maputo alone - i.e. justice centre, criminal courts, a jail and an anti-corruption centre. Building the physical infrastructure for the country’s judiciary is an ambitious way to establish respect for the country’s constitution, but it is also a necessary instrument to instil prestige and an appreciation for the rule of law.
Maputo International Airport

The project to expand and renovate Maputo airport is financed by a concessional loan of US$ 75 million that was provided by China’s EXIM Bank. The country’s airports company, Aeroportos de Moçambique (ADM), contracted the project in 2006 to China’s Anhui Foreign Economic Construction Corporation (AFECC). The project entails the construction of a cargo depot, the construction of a VIP presidential terminal, and the expansion and modernisation of passenger terminals.

The cargo depot, situated two kilometres away from the main airport building, is already complete and fully operating. The VIP Presidential terminal, which is the project’s second phase, has been affected by some administrative restraints and has thus been delayed. Nonetheless, an appropriate site has already been identified and barricaded. Work on the final phase, the expansion and modernisation of the passenger terminals, will commence later.

Originally built in the 1960s, the airport was designed to manage a capacity of 60,000 passengers per year. The project is forecast to boost its capacity to 600,000 passengers per year. ADM Chairman Manuel Veterano announced that AFECC would also be building a new control tower at Maputo International Airport. During the final phase, AFECC will expand and renovate the existing terminal for domestic travellers, as well as build a new international terminal, apron, a duty free area, access roads and extra car park areas. The whole project is scheduled to be completed by 2010.

The National Soccer Stadium

In November 2008, China signed off US$ 22 million towards the construction of Mozambique’s new national stadium. This funding came on top of the US$ 50 million it had already disbursed towards the project. The new soccer stadium is an historic event for Mozambique, almost as much as it is a recreational treat. Mozambique currently has only one major stadium in the country. A local soccer fan remarked that the existing stadium is so terribly run down that most people have generally no interest in watching the games live in its arena.

The new national stadium, situated Maputo’s Zimpeto district, will be the first to be built after independence and will have a capacity of 42,000 seats. The stadium may not be ready before the 2010 FIFA World Cup games in neighbouring South Africa from 11th June to 11th July, as the project team has envisaged it will reach the half way mark only in November 2009. Even so, once the stadium is finished its pristine facilities will certainly make the country proud to host future international games and practice camps.

This project, contracted to AFECC, had been temporarily delayed in the beginning because of a change in location. Nonetheless, the first team of Chinese workers arrived in April 2008. After building sufficient lodging facilities and offices, the project was officially launched in October 2008. The project team consists of over 600 men, who are working around the clock on 12 hour shifts. Two hundred of the workers are Chinese - including 60 technicians, 20 engineers, ten managers, four cooks and two translators. Most of the Chinese staff reside on the premises, in double rooms that are impressively
equipped with laptops and Wi-Fi connectivity. Their living conditions are far better than those reflected in popular media for the simple reason that they work in an urban area where utilities services are readily available.

The construction of the stadium was selected from a ‘wish list’ that the Mozambican government drafted for the attention of its Chinese counterpart. Interestingly, on the short list the Mozambican government apparently sought the construction of a power station as its first choice. However, the final negotiations revealed that the concessional loan would go towards the construction of a stadium because Mozambique currently lacks one of international standard.

The Chicamba Water System project

China Henan International Corporation Group (CHICO) is building an integrated water supply system in Chicamba - situated in Mozambique’s central province of Manica. It will supply water into areas of Chimoio, Gondola, Mania, Messic and Bandula. The US$ 44.7 million project is co-funded by the governments of Mozambique and the Netherlands. The spokesperson for the Mozambican Ministry of Public Works and Housing announced that CHICO would be building a new water treatment station, as well as reconstructing and expanding the existing water collection unit at the Chicamba dam. Six water storage tanks will also be built - in Chicamba, Chimoio, Manica, Gondola, Messica and Bandula - each with the capacity of 10,000 cubic metres.

Chimoio, the provincial capital, will have the largest tank. The town’s current water supply rate to the population is only ten percent. The new project is expected to increase the rate to 60 percent in 2010 and 75 percent in 2015, pumping water 24 hours per day, instead of the current 16 hours worth of circulation. The project will thus improve conditions of living, in terms of sanitation and healthcare by providing improved access to clean water.

China invests in Mozambique’s telecommunications

The state-run telecommunications company, Telecomunicações de Moçambique (TDM), announced in August 2008 that it was negotiating a US$ 25 million funding concession with China. The deal would expand TDM’s current coverage, from 82 districts into more of the country’s 128 districts ahead of the 2010 FIFA World Cup in South Africa. TDM will focus on expanding the fibre-optic network to the provincial capitals - namely Tete, Pemba and Lichinga. Mozambique is also ready to licence new operators in the fixed phone network, which will put an end to TDM’s monopoly. Mozambique has only 78,000 fixed line subscribers, compared to 3.3 million cellular phone subscribers.

Refurbishment of Maputo’s water supply system

In October 2008, China Metallurgical Construction Group (MCC) finished working on the Maputo’s water system, at an estimated cost of US$ 145 million. MCC refurbished and expanded the water supply system, increasing Maputo’s water production capacity from 6,000 to 10,000 cubic meters per
hour. MCC built five new storage tanks, each with a 35,000 cubic meter capacity, and three new pressure towers with a total capacity of 1,100 cubic meters.

Maputo’s water distribution network has been extended by 540 km and 446 new water supply fountains have been installed. The immediate impact of the project is that 1.5 million people in Maputo now have access to piped water, which is double the previous number. This project, which has significantly transformed water distribution in the Maputo municipality, demonstrates China’s support of much needed infrastructure development that addresses various social ills.

From the above, it is clear that infrastructure development is a central part of Sino-Mozambican relations, especially considering it only accounts for projects being implemented since the 2006 FOCAC Ministerial Meeting and Summit.

5.3.5 Energy and Resources

Mozambique may not be known as a country that is richly endowed with mineral resources and natural commodities, but it may still run the risk of becoming excessively natural resource-dependent like many African countries. It was previously established in graph 5.2 that Mozambique’s main exports to China are natural commodities - i.e. wood (69 percent), agricultural products (19 percent), and minerals (12 percent). Nonetheless, the Ministry of Planning and Development is concerned that Mozambique’s prospects of discovering viable oil reserves in the Northern Rovuma basin could make it susceptible to falling into a commodity trade trap.

Furthermore, there is also the prominence of the aluminium, forestry and gas sectors in the country’s economy. Policy-makers must thus take pre-emptive measures to counter any ramifications of the so-called ‘resource curse’, which continues to instigate social instability in countries such Nigeria and Sudan. Mozambique will thus need to pool investments into secondary industries in order to ensure value add before export. As such, the National Directorate of Industry, which falls under the Ministry of Industry and Commerce, is marketing seven core proposals for mineral processing; a cement factory, a coking plant, an aluminium smelter, a bio fuel plant, a steel mill, a ferro alloy plant and a charcoal production unit.

One Chinese company has already shown interest in establishing cement factories in Maputo and Nacala, especially considering there is currently only one local producer of cement in the country. Cimentos de Moçambique, with an estimated market share of 85 percent, has a limited production capacity of 800,000 tonnes annually. Judging by the country’s cement consumption over the last ten years, from 313,000 tonnes in 1998 to just over one million tonnes in 2008, the domestic demand should double in the next five years to an estimated 2 million tonnes. Without a significant increase in the domestic production of cement, by the year 2013 nearly 69 percent of the cement consumed in Mozambique will need to be imported. A new cement factory could satisfy Mozambique’s growing demand, but the significance of its ownership being Chinese remains questionable.
According to the Chinese embassy in Maputo, several Chinese entrepreneurs have been conducting surveys in certain parts of the country in search of potential mineral reserves but nothing promising has come of it yet. The cement factory, however, has enormous potential. *Cimentos de Moçambique* is a government enterprise that provides employment for its workers and generates income for the state. Although competition could be exactly what it needs to streamline its operations, market liberalisation has not always produced those results in African economies.

Furthermore, the coupling of this factor with competition from a Chinese enterprise is disconcerting. Chinese companies involved in infrastructure development projects already import all their input products from Chinese suppliers in China. Once the ‘Chinese’ cement factory has opened in Mozambique, the Chinese companies are most likely to switch their preferences of cement suppliers. If the new investment is managed meticulously by Mozambican authorities, then the cement factory would benefit all parties. However, there is also the possibility of a ‘win-lose’ situation.

China is now Mozambique’s second largest investor and also a significant donor of concessional loans that are financing major infrastructure projects. Suppose the new cement factory undercuts *Cimentos de Moçambique* after a period of time and then dominates the market share. The government enterprise may foreclose, alluding to its *de facto* acquisition by a Chinese enterprise. With its newfound monopoly status, the owners of the cement manufacturing plant would be in a suitable position to streamline the company’s activities towards trade and warehousing. This situation is only hypothetical, but is the ongoing experience of the textile industry in many African countries.

This does not mean to suggest that Mozambique (and other African countries) close their borders to FDI. Quite the contrary, African countries need FDI. However, FDI must be managed to ensure the sustainable development of African economies. The only way to circumvent the scenario painted above is to encourage JVs between domestic and foreign actors. In this specific case, *Cimentos de Moçambique* would be the ideal candidate to represent the state if there were no private enterprises available for a JV. This way at least, the Chinese investor would be sure to have an active partner, instead of one that just claims royalties.

The Chinese government’s energy and resource interests in Mozambique, on the other hand, are very different from its widely reported and alleged extractive interests of the continent. Its investments in this sector primarily seek to develop infrastructure in Mozambique, in order to meet domestic needs.

In May 2006, China’s EXIM Bank signed an MOU expressing interest to finance a hydroelectric power plant at Mpanda Nkuwa worth US$ 2.3 billion. The 1,300 megawatt hydro-electric plant will be situated 70 km north of the Cahora Bassa dam. The power generated will be distributed around the country and a transmission line to Maputo is already included in the loan package. In its distribution of power across the country only time will tell whether the power will actually provide electricity for people’s homes, or if it will be channelled into processing plants for mineral resources. However this MOU expired and since June 2009, there has been no new agreement signed.
Mozambique’s Public Works and Housing Minister Felicio Zacarias claims the project would also help control the flood incidents and drought periods in that part of the country. Furthermore, the majority of the power generated will be exported to SADC countries. In May 2009, Mozambique agreed to increase its energy exports to neighbouring Botswana until 2013. According to Botswana’s Minerals, Energy and Water Affairs Minister Ponatshego Kedikilwe, Mozambique would increase its exports from the current 70 megawatts to 120 megawatts. The decision is based largely on forecast shortages, considering South Africa’s own energy shortages and reduced exports to neighbouring countries ahead of its hosting of the 2010 FIFA World Cup.

5.3.6 Infrastructure Priority Projects

Seven key Mozambican government departments meet annually to determine progress on Sino-Mozambican relations, prospects for improved relations and specific projects where China could contribute to the country’s overall economic development. Officials think of two levels of China’s interaction with Mozambique. Some of China’s activities are classified as “political projects,” such as the Chinese construction of government offices and facilities. Mozambique’s new foreign ministry building, built by China offers five star conference facilities and luxurious office space, but makes no clear, or tangible impact on the country’s critical and urgent development needs. A number of other government buildings, including a new justice ministry, are under construction by Chinese companies. While these projects clearly cement the Sino-Mozambican friendship and facilitate comfortable dialogue, the impact on development priorities is negligible.

Some Mozambican officials are now pushing for more constructive interaction, what are referred to as “economic projects,” with China which would contribute directly and significantly to the country’s sustainable development. In this context, the following projects are under consideration:

- A major dam building programme to provide a comprehensive irrigation network for increased agricultural production across the country.
- Power generation is becoming an urgent priority. (Officials have identified 16 rivers which could be used both for electricity generation and irrigation).
- Plans to increase agricultural output and improve levels of food security are under consideration. New seeds, mechanised farming techniques and increased application of fertilisers are considered important in this context.
- New coal fields in Tete Province offer prospects for supplying coal-fired power stations, or export opportunities.
- Prospects for developing a new deep water port and special economic zone at Nacala are under investigation. New developments in this region would accelerate development generally in the north of the country.
• The expansion of the country’s road and rail system would contribute significantly to long-term development prospects. The recent completion of a major bridge over the Zambeze River offers new opportunity for stronger transport links between the north and south of the country.

• Numerous infrastructure projects, including water supply systems and inner city developments are under consideration.

• The urgent need to develop a manufacturing sector is recognised and strategies to promote this are under consideration.

• Transforming the timber industry into furniture manufacturing for export to China would prove to be a major job creator and income generator.

National planning is underway, but given the extent of poverty and difficult conditions in many parts of the country, priorities are difficult to identify and pursue. The development challenge in Mozambique is vast and complex, without any easy answers. Financing and debt management are obstacles to any new initiative as the government attempts to meet the demands of poverty alleviation and globalisation. In terms of China’s FOCAC process, many synergies with Mozambique’s development needs are identifiable. Thus an expansion of Mozambique’s economic relationship with China offers significant opportunity for a mutually beneficial commercial gain. However, Mozambique’s management of this process to ensure that national interests are protected and advanced is a vital concern. A process which advances China’s economic interests and narrow elite enrichment in Mozambique is neither sustainable, nor welcome as part of a national development agenda.

5.4 Evaluating the Beijing Action Plan: Cooperation in Social Development

5.4.1 Development Assistance and Debt Relief

At the end of a 16 year long civil war (1977-1992), Mozambique was officially classified as one of the world’s least developed countries by the United Nations Development Programme (UNDP). During the years that followed, and especially after its first democratic elections in 1994, international donors and NGOs pledged an enormous amount of support to the country to boost its economy. Until this day, Mozambique remains highly dependent on foreign aid and ODA. In 2004, ODA accounted for 20.8 percent of the GDP and 84.3 percent of central government expenditures.270

Since the data on China’s aid and development assistance is not available in public domain, it is very difficult to quantify the magnitude of its contributions to Mozambique. Nonetheless, the scope of its development assistance covers various areas - i.e. finance, infrastructure development, education and healthcare. Amongst others, these areas of cooperation and development assistance are addressed throughout this report.
At the FOCAC Ministerial Conference in 2006, China pledged to continue its efforts to financially support African countries, especially by reducing and cancelling the debt owned by Africa’s heavily indebted poor countries (HIPCs) and LDCs. In 2001, the Chinese Government had cancelled US$ 22 million worth of debt owned by Mozambique. An additional US$ 30 million was subsequently written off in 2007 during President Hu’s visit to Mozambique. This is a very positive feature of China’s development assistance to Mozambique, as it alleviates the country’s burden of having to deal with mounting indebtedness.

5.4.2 Human Resource development

One of the main tools of cooperation in social development is in improving human resources. Therefore, based on the success of the China-Africa Inter-governmental Human Resources Development Plan, the Chinese Government pledged to train 15,000 professionals from African countries during the period 2007/2009. By the end of 2008, 438 Mozambican professionals were trained in various fields. Since the selection process of these individuals is unclear, it is equally difficult to identify the supposed ‘graduates’ of the training programmes. Nevertheless, the training of African professionals is an essential instrument to elevating the quality of human resources in African countries, but only if the said African country can identify the gaps and thus prescribe which areas to focus on.

5.4.3 Education

From the mandate of Aires Bonificao Aly, Mozambique’s Minister of Education and Culture, the country’s Institute of Languages has been tasked with establishing a Confucius Institute (CI) at its premises. Although this decision was made in early 2007, it has proved to be quite a challenge to implement. Due to miscommunication with the Chinese Embassy in Maputo and other interfering variables, Mozambique’s Institute of Languages struggled to follow the correct procedure for establishing a CI.

With or without the title of “Confucius”, the Institute of Languages is determined to have Mandarin Chinese language courses at its establishment. Due to much frustration caused by the lack of progress, the Institute of Languages has recruited a teacher from the community of Chinese expats in Maputo. The first classes, scheduled to commence during the second half of the year, have been marketed primarily to the corporate sector and the human resource division and departments of planning and cooperation within key ministries - e.g. Ministry of Foreign Affairs and Cooperation, Ministry of Public Works and Housing, Ministry of Sciences and Technology, Ministry of Agriculture, and Ministry of Defence.

According to José Dinis, Director of the Institute of Languages, the teacher received her training at the Beijing Language and Culture University (BLCU), which is considered China’s top language teaching university. A local Chinese businessman supplied Dinis with some study material, also published by
BLCU. However, all the material is in English and Mandarin Chinese. This means that all the students wishing to enrol for Mandarin classes will need to be familiar with English first.

The Institute of Languages has been operating since 1979. It is a training centre that offers language courses in English, French, Japanese and Portuguese. English is a compulsory subject in secondary schools, so nearly 90 percent of the students at the Institute are enrolled for English classes - including teachers, interpreters and translators. The French classes are smaller, but still in great demand. Portuguese classes are available to the public and packages are arranged for the corporate sector, especially to cater for the expat community in Maputo. The Japanese language course is the most recent addition to the Institute’s portfolio. An exploratory workshop was held in 2007 to determine if there was sufficient interest in Japanese and Mandarin Chinese. Dinis commends the due diligence of the Japanese Embassy in Maputo for its support, in providing funding and the teacher. Some 15 students are currently enrolled from the inaugurating class in 2008.

As for progress with the Mandarin classes, it appears there has been some misunderstanding of the protocol for setting up a Confucius Institute and its mandate. In addition to being a base for teaching the Mandarin Chinese language, CI is also a medium of social cooperation for people all around the world to experience Chinese culture. There are also certain benefits in establishing an official Confucius Institute:

- The Chinese government will fund the establishment of the institute and at least 3 years’ annual budget of US$ 100,000;
- The Mandarin teacher and assistants are made available by the Chinese government;
- The various cultural programmes, language curriculum and course material are provided; and
- One would be part of a global network of Confucius Institutes.

Government officials and academia recognise the importance of bridging the language barrier, hence the interest in establishing a CI in the country. In addition, Eduardo Mondlane University (UEM) also plans to launch a Chinese course in its Department of Languages under the Faculty of Arts and Social Sciences.275 Dr Antonio Bernardo, Director of the UEM’s International Relations Office, announced that the university is also attempting to establish a CI. Since the Head of the Department of Language, Joao Gomes da Silva, has only recently been appointed, he could offer no comment on how the process was progressing.276

Mozambique’s largest private university, Universidade Politécnica, will during the course of 2009 begin a Chinese course at its newly founded Centre for Asian Studies (Centro de Estudos Asiáticos - CEA). The CEA was established in August 2008. It is one of three organisations under the University’s Escola Superior de Altos Estudos e Negócios (ESAEN). Rafica Abdul Razac, Director of ESAEN, has appointed a Mozambican national who is fluent in Portuguese, Mandarin, English and French to teach the language course. Apart from offering practical language courses, CEA plans to establish a
consultancy segment to its portfolio. Once it has developed a database of networks throughout Asia, the CEA will perform market intelligence for prospective Asian investors.\textsuperscript{277}

With the number of Chinese expats working in Mozambique and their families relocating with them, the Chinese community in Maputo is growing rapidly and already appears well established. The SINOMOZ Language Training Centre is an example of one of the new privately-run facilities that Chinese business people are establishing in Maputo.

Mozambique’s scholarship programme was previously managed by the Department of Scholarships within Mozambique’s Ministry of Education and Culture. The department was responsible for all scholarship programmes in the country, for studies abroad and in domestic institutions. With increased funding and capacity building, 2008 saw the launch of the Institute for Scholarships (\textit{Instituto de Bolsas de Estudo} - IBE). The institute still falls under the Ministry of Education and Culture, but is based at its own premises. IBE manages scholarship programmes funded by over a dozen countries and organisations. The top six countries are Portugal, Algeria, Russia, China, India and Cuba, which in total provide approximately 400 scholarships to Mozambican students every year.

The Chinese government scholarship programme in Mozambique began in 2003. The scholarship package for each student includes funding for one return ticket, tuition, study material, accommodation and a modest allowance. During the students’ first year in China they learn Mandarin Chinese, familiarise themselves with the culture and lifestyle as well as learn a bit about China’s history. Afterwards, the students go their separate ways into various universities across the country to attend their respective courses.

\textbf{Table 5.2: Record of Mozambicans on Chinese Government Scholarships}

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SCHOLARSHIPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>2</td>
</tr>
<tr>
<td>2004</td>
<td>1</td>
</tr>
<tr>
<td>2005</td>
<td>1</td>
</tr>
<tr>
<td>2006</td>
<td>12</td>
</tr>
<tr>
<td>2007</td>
<td>35</td>
</tr>
<tr>
<td>2008</td>
<td>22</td>
</tr>
<tr>
<td>2009</td>
<td>20</td>
</tr>
</tbody>
</table>

\textit{Source: Institute of Scholarships}\textsuperscript{278}

The increase in the scholarships since 2006 is noticeable. There has certainly been more funding available for the scholarships, especially since the PRC’s declaration in 2006 to double the number of scholarships to African students from the then 2,000 per year to 4,000 per year by 2009. Note that the following year, in 2007, the scholarships to Mozambican students nearly tripled. Twenty students have already been identified for 2009. Since their academic courses begin in September, the students depart for China during the month of August.
The Ministry of Education and Culture and IBE make recommendations of the study areas according to the country’s priority sectors. The scholarships are then advertised online (www.mec.gov.mz) and marketed at various schools and universities around the country.

The IBE makes use of the following criteria to award scholarships:

- Applicants must preferably be below the age of 24;
- Applicants must have an excellent academic record to prove merit;
- Preference is given to female applicants, i.e. three out of every five scholarships are given to women; and
- The applicant must prove his/her financial debility.

The provincial departments of the Ministry of Education and Culture assist in coordinating the applications made in their respective regions. For the students that receive the scholarships, additional support is provided during their study abroad and when they return to Mozambique. Each student receives US$ 100 per month, which is distributed through Mozambique’s Embassy in Beijing. Upon their return to Mozambique, IBE circulates a memo of the students’ qualifications to all government departments, parastatals and the private sector to fast-track their employment. Apparently, Mozambican nationals studying in China always return home after completing their studies; but this is also a general trend for those studying in other countries as well.

Also in the field of education, the Chinese government pledged to build 200 schools in Africa’s rural communities as part of FOCAC’s 2006 Beijing Action Plan. Mozambique has received two of those schools, as well as an arts school and another school through the Macau Forum. The Chinese government has budgeted RMB 5 million (roughly US$ 700,000) for each of the schools, which is a budget significantly higher than the US$ 100,000 contribution the Japanese government recently made towards the construction of a school in Mozambique. In this case, perhaps it refutes the argument that Chinese companies work within exaggerated budget cuts that compromise the quality of their service. In addition to the classrooms and offices, the Chinese government funding will go towards the building of a hall, recreational facilities and landscaping.

The only difficulty thus far has been the identification of appropriate locations for the schools, but only because both parties were considering placing the schools in Maputo. In fact, the schools promised under the FOCAC agreement are supposed to be situated in rural areas, where there is a pressing need for improved educational facilities in order raise the enrolment and literacy rates in those communities.

5.4.4 Medical Care and Public Health

In the field of medical care and public health, establishing an anti-malaria centre in Mozambique has not been a smooth process. The delays have been the main problem thus far; and the delays were caused by controversy surrounding the suggested locations. Mozambican authorities had indicated
that the anti-malaria centre could simply be placed in an existing medical facility, namely Hospital Psiquiátrico de Infulene. However, the suggestion was rejected by the Chinese side on the grounds of unsuitability, considering the hospital is known to treat patients who are mentally ill. This case demonstrates how simple cultural differences interfered with the bilateral decision-making process. There is a stigma attached to mental diseases in China, where such patients suffer much scorn. This is not an image the Chinese government was willing to associate with its generous grant of an anti-malaria centre. And so both parties are currently exploring alternative locations.

As for the distribution of the anti-malaria drugs, Chinese Ambassador Tian announced a year after the FOCAC 2006 Ministerial Meeting that China would supply Mozambique with approximately US$ 700,000 worth of medication for the period 2008/2010. Although annual donations on anti-malaria medication across Africa make a positive contribution, this helps China to subsidise its pharmaceutical companies, it is thus not a sustainable model for African countries. As suggested in the case study of Angola above, Mozambique should also consider building medicinal expertise in the local manufacturing of anti-malaria medication.

The deployment of Chinese medical teams to Africa is not an arrangement exclusive to FOCAC, as this has been an active programme of the People’s Republic of China since before Mozambique’s independence. Nonetheless, it is only recently that the practice has been receiving a lot of attention, especially since in March 2009 the medal of “Most Influential Chinese in the World” went to a doctor who is member of a Chinese medical team. In most African countries, Chinese medical teams continue to work in rural communities under very difficult circumstances - e.g. minimal medicinal infrastructure or utilities. Therefore in comparison, the medical teams in Mozambique were relatively well accommodated, as outlined below.

The Chinese government has been sending medical teams to Mozambique since 1976. Altogether there have already been 17 teams in Mozambique, each on two-year terms. The latest dispatch of Chinese medical doctors arrived in Maputo on 20 September 2008. The team of twelve doctors are accompanied by one chef and one interpreter. Their working hours are from 07h00 to 15h00, excluding weekends and public holidays. They have been dispatched to work at the Central Hospital of Maputo (HCM) and at Mavalane General Hospital. The Chinese doctors work alongside Mozambican doctors as well as other medical teams from Cuba and South Korea.

In a situation where foreign doctors are recruited to share their expertise with Mozambican doctors, the language barrier is a major setback. The official language in this case is Portuguese, which is not a popular foreign language in China. In principle, all members of the medical team have to attend intense six-month Portuguese language courses in China, but many of them still depend on the interpreter who is an invaluable asset to the medical team.

An aspiring doctor herself, the interpreter previously worked at the Centre for Health in China before she was dispatched to Mozambique. Although a culture shock was expected, as an intermediary she finds it most difficult to bridge the differing work ethic and medical professionalism. CHM is the biggest
hospital in Maputo, but in her opinion is not big enough, nor is it staffed adequately to handle the number of patients the doctors receive on a daily basis. Furthermore, the doctors remarked that judging by the unsanitary conditions they have observed around the city, the spread and frequency of certain illnesses is predictable. They therefore suggested that the government invest in public toilets and in more visible campaigns to raise healthcare and sanitation awareness, especially through mediums other than television.

A flaw in the model employed by the Chinese medical team is that the interpreter can only physically work in one room at a time, which means that 11 other doctors are effectively under-utilised because they simply cannot verbalise their medical procedures during their teaching. The only remedy so far is to have local interns from Eduardo Mondlane University observe their operations, after which they log the procedures for records and document the reports for future studies.

The most frequent cases coming through the doors of HCM are either related to HIV/AIDS, malaria or victims of motor accidents. There are people who wait for several days before they receive any medical assistance and others who wait several months before they are operated on. The Chinese doctors remarked that due to the protracted waiting periods, they have already witnessed many patients die without treatment, but this is also partly a result of the conditions at the hospital. At HCM, which is no exception in many developing countries, many of the local doctors also have their own ‘private practices’ after hours that only affluent families can afford. Effectively, few patients are being treated during the day at a time when the consultation is being subsidised by the state.

The Chinese medical team reside in four apartments in a building just across the street from the hospital. The apartments are modestly furnished, but even so with television sets in each room. Dr Hu Youzhi, the head of the medical team, is an anaesthetist. Since they only have one chef, all the other doctors convene at his apartment for their daily meals.

Chinese medical doctors are generally well respected in Mozambique, especially Dr Jiang Yongsheng, who has an acclaimed position in the country. Dr Jiang arrived in Mozambique during the 1990s as part of a medical team, but then joined the Mozambican Military Hospital after serving his two-year term. He is known as the personal doctor to the former President Chissano during his term in office, as well as to the current President Guebuza. Amongst average Mozambicans, Dr Jiang is also well respected in Maputo especially for his outstanding acupuncture skills. As Chairman of the Mozambique Association for Promotion of Peaceful Reunification of China, Dr Jiang has invited the above-mentioned state presidents as honorary Chairmen of the association. Evidently, this kind of ‘medical diplomacy’ helps to cement Sino-Mozambican relations.

5.4.5 Tourism

At the FOCAC 2006 Ministerial Meeting, it was announced that Mozambique became the thirteenth African country to be awarded approved destination status (ADS) for Chinese tourists. Furthermore, through the CPIDCC there are an increasing number of Chinese business tourists prospecting
opportunities in Mozambique. Since there are currently no direct flights between Mozambique and China travellers must take connecting flights, most of which generally fly transit via South Africa’s OR Tambo International Airport in Johannesburg where there are direct flights to Beijing, Hong Kong and Shanghai.

5.4.6 People-to-People, Youth and Women Exchanges

The bilateral cooperation in social development also entails areas of people-to-people, youth and women exchanges. Critics question the relevance of some of these programmes and claim that the money could be better utilised elsewhere. As part of the youth exchanges, for instance, the Chinese government invited 500 African youth on a ten-day tour of China. Apart from being an expensive public relations campaign, the intention is to foster mutual understanding amongst African and Chinese youth.

At the 2008 China-Africa youth exchange, some 182 young men and women from 38 African countries were hosted by representatives of China’s youth while they visited three of the country’s largest cities - i.e. Beijing, Hangzhou, Shanghai and Zhengzhou. Members of the Mozambican delegation, who were from the country’s Ministry of Youth and Sports, commented that the trip had given them a new appreciation for their country’s relations with China. Although the media plays an important role in reporting news and influencing opinion, Mozambique is still very susceptible to western media and its alleged Sino-pessimism.

To curb the negative effect of this, the country has thus signed an agreement with the Information Office of the State Council of China, pledging to access its news on China from Chinese sources. The objective of this initiative is to strengthen mutual understanding by eliminating the interference of outside parties, which supposedly carry their agendas.

5.5 Political, Social and Economic Impact of the FOCAC process

5.5.1 Internationalising in Africa

Historically, Chinese companies (private and public) have been operating in Africa for a relatively short period of time compared to other major international players. In fact, most of these major players have an established market share in many African countries, where they also operate through their respective branches and representative office in-country. However, for the projects that the Chinese companies are contracted to carry out in African countries, they have competed in China through a tendering process. Upon completion of a project, most of the Chinese companies then close all their operations and return back to China.

However, the companies that have worked in certain countries have built invaluable networks and experience, thus their institutional knowledge gives them a competitive advantage in China. Moreover,
some Chinese companies have developed alternative business streams in the African country that keep them busy long after they have completed their contracts from the Chinese government.

In Mozambique’s case, this business model of internationalising in Africa is used by AFECC and CCM, who operate from their respective offices in Maputo. As such, they have implemented most of the Chinese government funded projects since the early 1990s, as well as work on other projects. Considering their work is primarily in construction and civil engineering, they also have geographical expertise in a country where such information is not always readily available.

### 5.5.2 Revision to workforce regulations

With a population of 22 million and the labour force accounting for half the size, Mozambique’s unemployment rate is an estimated 21 percent. Even so, the ratio of expatriate versus local workers in Chinese infrastructure projects in the country had not been a major issue in Mozambique until more infrastructure development projects were contracted to Chinese enterprises, whose practices are often criticised by labour unions and civil society groups around the world.\(^{281}\)

To address this issue in Mozambique, in 2008 the Ministry of Public Works and Housing made an amendment to the country’s Labour Law and instituted a new act dictating that all companies must employ an equivalent of 10 local workers for each foreign worker on their the labour force.\(^{282}\) Although this certainly provides the policy space to hold Chinese enterprises accountable, Mozambique will likely face institutional challenges in enforcing this new law as the task of implementing and regulating it will be taxing. The relevant stakeholders that should ideally be involved in this process are as follows:

- Ministry of Labour - it approves the employment of foreign workers;
- Ministry of Interior - it issues the work permits and temporary residence permits;
- Ministry of Public Works and Housing - it oversees the contracts of major infrastructure development projects; and
- Mozambican labour unions - those that represent local workers in the construction industry.

The Mozambican authorities would need to audit the workforces of all relevant companies to appraise their adherence to the local labour law. The authorities would subsequently then need to provide instructions to each of the culpable ones detailing timelines by which all errors must be rectified. All companies that fail to meet these terms and conditions would ultimately face prosecution in Mozambique.

Essentially, this new law serves the national interest of Mozambique. By enforcing affirmative action on the nationalities of the workforce, Mozambique is ensuring employment for its citizens. More importantly, the law provides a platform that will stimulate skills development and technology transfer. With regard to Sino-Mozambican relations the timing of this legislation is also very opportune,
considering Mozambique's intentions to recruit more Chinese FDI and possibly set up a special economic and trade cooperation zone to cater for them.

5.5.3 Mandarin translation of the labour law

Several managers working for Chinese companies remarked that they had previously been very concerned about their limitations in understanding Mozambique’s regulations, especially with regard to labour laws and societal practices. Mozambique’s legal system is also based on the Portuguese civil law system and customary law, which are both generally unfamiliar to Chinese companies. To address this issue, in 2007 Mozambique published a Mandarin Chinese version of its 209-page Labour Law. The great influx of Chinese companies contracted on infrastructure development projects meant a Mandarin translation of the document had become absolutely necessary to facilitate ease of reference and ensure adequate comprehension.

Some Chinese project managers commended this initiative and mentioned that the Labour Law is now an effective tool for dispute settlement, as both parties have access to the law in a language they can easily understand. In the process, more local workers are learning about Mozambique’s Labour Law almost just as much as the Chinese workers. Interestingly, one Chinese manager remarked that he was impressed by certain articles in the Labour Law that offer protection for workers from the employers by stipulating workers’ rights, such as a minimum wage, working hours and leave. As such, the manager advised Chinese companies overseas should learn from their experience in order to improve their project management now that Chinese workers are becoming more vocal about their own rights and interests, especially working in a foreign country that is so far from home.

5.5.4 Sino-Mozambican Best Practice recommendations for African countries

In response to the growing Chinese commercial engagement, Mozambique has developed a range of management tools and processes which provide guidance for Africa’s best practice interaction with China. The key features of Mozambique’s effort to effectively manage China’s engagement include:

- Improved communication with Chinese entrepreneurs by translating Mozambique’s labour laws into Mandarin Chinese.
- Legislation requires that Chinese companies employ Mozambican workers. In larger companies, a higher percentage of local workers are required to be employed.
- Chinese companies are strongly encouraged to train local staff and ensure skills transfers on all projects. (The focus is to ensure that maintenance activities are well managed, once Chinese companies complete their work.)
- In an effort to create jobs and develop a beneficiation strategy, Chinese companies are required by law to add value to timber before export to China. Strict quotas on timber exports are also applied in an effort to promote the sustainability of this sector in Mozambique. (Fieldwork
investigations and comments by NGOs suggest that there are problems with implementing beneficiation and quota’s, but processes are being improved. In the agriculture sector, the focus is on encouraging China to develop agro-processing with a view to increasing exports to the Chinese market.

- A Private Sector Working Group (consisting of local company managers and entrepreneurs) are working with relevant government departments to improve investment conditions and encourage joint venture activities with Chinese enterprises. Mozambique has established a SMME Institute to develop small business in co-operation with foreign investors.

- Mozambique has established a Quality Institute to ensure quality standards for all imported items, including manufactured products from China. (A key focus of the institute’s activity is on checking labelling and ensuring that products conform to written guarantees and accompanying documentation).

- Customs procedures have been improved to stop counterfeit products from China, or any other destination, reaching Mozambican wholesalers and retailers.

- Mozambique’s Export Promotion Centre is focussing on increasing exports to China, given that through FOCAC, China now allows tariff free access to the Chinese consumer market for a wide range of Mozambican products.

- Mozambique’s Investment Promotion Centre (Centro de Promocao de Investimentos - CPI) offers detailed, published information to potential Chinese investors in Mandarin Chinese.

- The CPI investment promotion team regularly visits China to provide information on new opportunities in Mozambique.

- CPI staff includes personnel fluent in Mandarin Chinese (A CPI employee, Danubio Lado was a recent beneficiary of a scholarship to China and now plays a key role in improving communication with includes Chinese entrepreneurs in Mozambique).

- The CPI has developed a detailed investment strategy aimed at encouraging new investments in key sectors of the economy. A recent success in this context Seven Star Steel of China, Africa Star Steel of South Africa and a group of Mozambican companies concluding a US$ 50 million joint venture to open a steel pipe manufacturing plant in the Belulane free trade zone outside Maputo.

- The programmes of the CPI are complemented by Mozambique’s Ministry of Industry and Trade’s efforts to improve the overall investment climate in the country with a view to attracting increased Chinese and foreign investment generally. Supported by GTZ, the German NGO, the ministry is implementing a comprehensive strategy to improve the country’s overall investment climate. The strategy is based on the World Bank’s (WB) advisory for improving inward FDI potential.
Mozambique’s government departments have an active exchange programme with China which allows officials to be exposed to China with a view to improving two way communication and interaction.

The framework for developing a best practice engagement model, as outlined above, is in place and key government departments are improving management of China’s Mozambican footprint. Given, Mozambique’s comprehensive focus on China, prospects for a stronger mutually beneficial relationship are promising. NGOs, academics and media representatives are generally critical of China’s engagement with Mozambique, suggesting that labour regulations and legislation is neither rigorously applied by Chinese entrepreneurs, nor adequately enforced by Mozambican authorities. The range of criticisms identified by researchers include: illegal behaviour and lack of respect for human rights; China’s perceived ‘scramble for Africa’s raw materials’; poor relations with local workers; Chinese strategies in Africa; Chinese investment patterns and Chinese cultural influences. The onus is on Mozambique to ensure that legislation is effectively applied and transgressions appropriately punished in order to produce a constructive win-win relationship.

5.6 Recommendations for Mozambican stakeholders

The FOCAC process offers significant opportunity for an expanded and constructive Sino-Mozambique relationship. Where Mozambique is able to prioritise its development agenda and attract Chinese investment and engagement, prospects for sustainable development will be enhanced.

5.6.1 Develop Mozambique’s agricultural sector

Developing Mozambique’s agriculture sector should be a long-term priority for Mozambique within the FOCAC framework.

Established agricultural projects in Tete and Zambezia Provinces offer prospect for significant increases in food production and enhanced food security strategies. Chinese plans to increase rice production from the present 100 000 tonnes to over 500 000 tonnes could be decisive in addressing hunger and poverty in the north of the country. In this context, the priority should be on domestic consumption and not export to China. An expanded Chinese involvement in agro-processing where value is added should be the priority for job creation and export earnings.

5.6.2 Expand the water supply and management system

Given China’s experience in the construction of water supply and management systems in China itself, as well as in Asian and other African countries, this should be prioritised in Sino-Mozambican interaction at FOCAC.

The widespread and abundant supply of water in Mozambique offers a unique opportunity for comprehensive networks of irrigation systems in the fertile northern provinces of the country. Chinese
agricultural activities have already identified the vast potential for rice and vegetable growing. An irrigation system based on the Zambeze, Licunga and Lurio Rivers could provide significant new opportunity for increased agricultural production in Tete, Zambezia and Nampula provinces. Transformation of the agricultural sector in Mozambique could offer positive spin-offs for increased food security throughout the SADC region.

5.6.3 Develop Mozambique’s road and rail network

The development of Mozambique’s road and rail network, along with a process to harmonise regional transport networks offers significant opportunity for both national and regional development.

Numerous successful road and rail building networks carried out by Chinese companies in China itself, as well as other parts of the world offer significant opportunity for Mozambique. Present difficulties in transporting food from the north of the country could be overcome by a comprehensive transport system. A reliable land transport link between the north and south of the country would advance product mobility and contribute to national development. Improved transport links between mineral rich Tete province and the port of Nacala (via Malawi as the shortest route) offers new opportunity for economic development and job creation.

5.6.4 Expand Mozambique’s energy supply with a focus on hydro power

Mozambique has 16 rivers which could potentially supply electricity nationally and regionally. China’s proven dam building capacity in Africa could be mobilised through FOCAC to contribute to hydro power generation across the country.

The lack of energy is widely recognised as a major impediment to economic development in Mozambique. Inadequate supply and periodic black-outs regularly undermines production and frustrates citizens. The significant potential for hydro power generation in Mozambique could be harnessed via the FOCAC process to provide a foundation for economic development across the country. Increased energy supply offers opportunity for national development, along with a significant export opportunity to South Africa, the regional economic powerhouse. South Africa’s energy supply shortages suggest that a major electricity consumer is available to take up excess generation capacity in Mozambique itself.

5.6.5 Implement a human resource development strategy

Mozambique should use FOCAC to require Chinese companies operating in the domestic market to implement skills development and mentorship programmes.

Bearing in mind that the Chinese government has already pledged to support human resource development in Africa, Mozambique should develop concrete goals and a national action plan in this regard. In addition to the training of Mozambican professionals in China, there is an opportunity to leverage the Chinese companies that are currently operating in the country. The new labour policy,
increasing the number of locals on the workforce, is an opportune platform to empowering the local workforce. Further guidelines in human resource development strategy should prescribe the positions of the local workforce, especially in middle management and technical areas.

Judging by the ratio (1:10), each foreign staff could be paired with a local apprentice. The focus should be shifted away from implementation to emphasise coaching and training during the project period. To accommodate this initiative, project timelines will need to be extended accordingly. Where circumstances permit, for protracted projects especially, one may also consider phasing out the involvement of some foreign staff.

By placing the responsibility on each foreign worker, companies will find it easier to implement the empowerment scheme and the effectiveness of the training programme can be monitored. Apprentices could be identified from labour unions and industry associations. Local private enterprises could also be co-opted through special agreements and joint-ventures, in order to involve their staff. The golden rule is that each foreign worker must have a local apprentice. If a company finds value in having any foreign national working in Mozambique, it must pair him/her with a local apprentice.

5.6.6 Leverage the graduates from the Chinese government scholarships

Mozambican graduates from Chinese government scholarships should be recruited into strategic positions. Through FOCAC, Africa and China should plan for the maximum utilisation of human resources, within China’s offer to train Africans.

The language barrier between Mozambican and Chinese stakeholders is an immense hurdle, which disturbs dialogue and often leads to miscommunication. The Chinese stakeholders’ effort to communicate in Portuguese and/or English should be reciprocated. The Mozambican graduates from Chinese government scholarships are a significant resource to the country. Having lived in China amongst Chinese people, they understand the culture and also speak Mandarin. As recently returned graduates, these Mozambican nationals are naturally in search of employment. They should be recruited into key positions where their newfound education can be utilised, as well as where their linguistic competence is in great demand. The Institute for Scholarships apparently circulates memos to market the graduates that go through its programme, from which new recruits and apprentices could be identified.

5.6.7 Strengthen Mozambican customs to protect domestic manufacturing

Customs procedures should be improved to ensure that imports do not undercut Mozambique’s attempts for industrialisation. Mozambique should use the FOCAC process to advance processes and procedures which will help protect local industry.

Mozambique is a porous market, with high occurrence of smuggling and import of counterfeit products. The country needs to upgrade its customs clearance system, especially the tools and technology used to process goods. This is an area for potential cooperation with the Chinese government, as China has
sophisticated control systems that scrutinise the traffic of goods into its own market. Human resources are an element that is critical to the effective modernisation of Mozambique’s customs agency.

The customs agency should prepare intensive training programmes to promote efficient productivity, as well as perform auditing systems and employ disciplinary measures to ensure absolute professionalism when tackling issues of corruption and bribes.

5.6.8 Cut through the red tape of allocating land for projects

The success of FOCAC partly depends on appropriate responses from Africa to ensure project implementation. Mozambican authorities should streamline the land tenure process to fast-track the allocation of sites for projects.

It was mentioned on numerous occasions that many projects have been delayed primarily because the Mozambican authorities could not confirm an appropriate site for a particular project. Chinese stakeholders asserted that in spite of their commitment to honour the eight policy measures presented by President Hu, they cannot proceed without the effective cooperation of the Mozambican stakeholders. More preparation could certainly be put into the proposals and final decisions, especially in consultation with industry experts and technocrats. As such, perhaps the greater issue here is of human resources on the Mozambican side. Nonetheless, it should be mentioned that the protracted and repeated delays are problematic to service delivery and cooperation.

5.6.9 Focus on malaria centres

Mozambique, as well as other African countries, should encourage FOCAC to emphasise the struggle against malaria in Africa. Given that China has been successful in addressing this problem in its own country, it has much to offer Africa in this regard.

Regrettably, there have been delays in building a malaria research centre in Mozambique, but efforts to mobilise Chinese support to address the challenge of malaria should be strengthened. A Chinese lead in a continental-wide anti-malaria campaign could be decisive in ridding the continent of this scourge. The urgent need for Africa to address health issues makes China a welcome partner in combating malaria. FOCAC could form the institutional framework for increased Sino-African cooperation in healthcare and would be a significant positive contribution to addressing this major issue in Africa.
6. Tanzania

6.1 Introducing Sino-Tanzanian relations

Situated on the east coast of Africa, Tanzania provides the perfect staging ground for China's engagement with the rest of the continent. China established diplomatic relations with Tanganyika (1961) and Zanzibar (1963) as each state gained independence. Subsequently, on 26 April 1964, the very day Tanganyika and Zanzibar were united, China recognised Tanzania. After independence, Tanzania's capital Dar es Salaam became the headquarters for several liberation movements recognized by the fledging Organization of African Unity (OAU).290

As a major external supporter of these liberation struggles, China developed strong relations with Tanzania during the Cold War. President Nyerere was very active in nourishing political relations with China and visited the PRC five times during his presidency, with numerous other visits thereafter. The two countries have maintained extensive political, economic, military and cultural relations. However, though fiercely non-aligned, Tanzania successfully exploited Cold War rivalries and received assistance from both protagonists.291

In June 1964 the two governments signed an agreement on economic and technical cooperation, according to which China agreed to provide economic and technical assistance to Tanzania to the value of US$ 28 million in the form of an interest-free loan payable over ten years. During a visit to China in 1965, President Nyerere signed the Sino-Tanzanian Friendship Treaty and in 1967 the Sino-Tanzanian Joint Shipping Corporation was established to facilitate transport between the two countries. In 1969, China agreed to fund the famous Tazara Railway with a 30-year US$ 400 million interest free loan. Running between Dar es Salaam and Kapiri Mposhi in Zambia, it was completed with Chinese finance in 1976.292

In the late 1970s, China retreated to a great extent from the African continent and relations between Tanzania and China were put on the backburner while the World Bank and IMF engaged Tanzania in its structural adjustment programmes (SAP). However, by the early to mid 1990s, as China's economic reform and liberalization programme under Deng Xiaoping began to take effect, China began to re-engage with Africa in general, and thus also with Tanzania.

Ever since the establishment of diplomatic relations between Tanzania and China, increasing numbers of Chinese have taken up residence in Tanzania. Some Tanzanian Chinese have learnt Swahili, and there is generally very little anti-Chinese sentiment in the country.

In terms of the number of Chinese currently living in Tanzania, estimations vary greatly. A representative of the Chinese Embassy in Dar es Salaam informed the research team that according to the Chinese Embassy's estimations, around 5,000 Chinese currently reside in Tanzania.293
Chinese national based in Dar es Salaam and very active in the expatriate community put the figure at 40,000 Chinese in Dar es Salaam alone, with a total of 60,000 in the whole of Tanzania. The respondent explained to the research team that the majority originate in Fujian and Liaoning provinces. Another very well informed observer with links to the Tanzanian government estimated that the number is not less than 50,000 and explained that many Chinese do not report their presence to the Chinese Embassy in Tanzania, which according to the respondent could explain why the figure provided by the Embassy in Dar es Salaam was so low.

African workers interviewed by the research team commented that the Chinese contractors, traders and their families generally kept to themselves, lived together typically in clusters and did not generally socialise or interact with the locals. Despite this, some African traders built relationships with the resident Chinese and learnt how to access and source cheaper goods directly from China. In some cases, this resulted in African and Chinese traders aggregating their requirements and securing better pricing for both parties. Both Chinese and African traders would find themselves competing with African traders who have also sourced goods directly from China.

In an interview with a Chinese trader who had established business in Dar Es Salaam three years ago, it was explained that the local Tanzanians were eager to learn new skills, however due to the complexity of the task and the language barrier, the time taken to teach the person was too long, thus affecting work productivity. According to the respondent, this is a common challenge for Chinese managers, and they are therefore inclined to give only simple tasks to local labourers.

6.2 Evaluating the Beijing Action Plan: Political Cooperation

A theme that emerges strongly from the field research is that China enjoys strong and longstanding social, political and economic relations with Tanzania. This feature is not, however, a result of strong personal relations between individuals, but rather a result of an institutional memory that is difficult to pin down. Tanzania’s government institutions are not necessarily strong in terms of general institutional capacity, and very few of the individuals involved in forging Tanzania’s relations with China survive to this day. Only a handful of the respondents consulted could trace their careers or involvement in relations between the two countries beyond two decades; however, the vast majority of people consulted referred to the history of relations between their countries in ‘romantic’ terms. The impact of these perceptions is as difficult to quantify as it is to emulate, but nonetheless represents a crucial and interesting aspect of relations between the two countries.

Relations between China and Tanzania, as is the case in many African countries, continue to be most effective at the highest political level. Despite the long history of engagement between Tanzania and China, interaction generally appears to be extremely formal. Despite the key role of personal relations and patronage in African politics generally, the research team found no evidence of personal relations playing a role in relations between the two countries. One retired Tanzanian government official lamented that Tanzania could in fact make much more effective use of former civil servants and their
knowledge and personal connections in China. One senior Tanzanian official suggested that Sino-
Tanzanian relations could indeed be improved so as to “translate FOCAC into the type of people-to-
people engagement”.301

The Prime Minister’s Office is the focal point for Sino-Tanzanian relations. While the Ministry of
Foreign Affairs and International Cooperation is tasked with the coordination of the practicalities of the relationship, an informed insider speaking on condition of strict anonymity explained that this has been problematic as “the Ministry of Foreign Affairs doesn’t have the capacity and other ministries do not view the Ministry of Foreign Affairs as a full or equal partner”.303 In fact, the Department of Asia and Australasia responsible for China within the Ministry of Foreign Affairs and International Cooperation, has only three personnel for the East Asian Pacific region.304

Another senior official explained to the research team that the President and Prime Minister’s offices provide only very broad guidelines towards Sino-Tanzanian relations and that it is then up to the separate government departments to work out the details.305 This situation results in a lack of co-
ordination and communication amongst departments and often different departments are not aware of visiting Chinese officials until the last minute. This does not facilitate any proactive planning, so officials are not adequately informed to make decisions resulting in a level of frustration for the Chinese officials and thus not adequately leveraging the visit to Tanzania’s benefit.

However, issues of capacity aside, competition between government institutions presents an important impediment to efficient relations, several candid respondents confided.306 Several senior government officials explained that Chinese officials, both public and private, usually prefer to deal with more senior government officials rather than their direct counterparts.307 Such conduct appears to be attributed to bureaucratic systems that the Chinese officials perceive as extremely slow and generally ineffective. As a result, Chinese officials find it more expedient to sidetrack formal channels and shun protocol by directing the Embassy in Dar es Salaam to contact the relevant Tanzanian ministry or government institution directly rather than pursue formal channels through the Ministry of Foreign Affairs.308

It was also argued in interviews with the research team that some senior government officials within the formal channels of the Ministry of Foreign Affairs lack in-depth knowledge and experience in dealing with Chinese officials and their counterparts. Increasing their knowledge on China, Chinese protocol, culture and language would promote greater understanding of their counterparts so they can engage more effectively. This will guide and encourage Chinese officials to have more constructive dialogue and co-operation with the relevant government officials of the Ministry of Foreign Affairs.

In terms of Tanzanian FOCAC follow-up mechanisms, the research team could not establish with certainty the existence of such a mechanism. A senior official in one of the key Tanzanian ministries explained that there is continuous follow-up on the FOCAC commitments and bilateral relations between the two countries, while another senior government insider suggested that this had certainly not always been the case and pondered the degree to which the situation has improved.310
In this context, it is suggested that Sino-Tanzanian relations and communication could be greatly improved if commitments would be followed up regularly by Tanzanian government officials through for example visits to the construction sites of FOCAC projects. This information could subsequently be used to make informed decisions based on thorough investigation. These findings should be distributed through formalised communication channels to all the various departments so that they are all updated on the latest progress. In this manner, all Tanzanian stakeholders would be informed and prepared for discussions with the Chinese, and proactive strategies can thus be implemented by both parties to ensure commitments are delivered as originally intended.

It was suggested that the Chinese Government has always been very clear about the need for a focal point within government. While Chinese Government representatives are normally well prepared for meetings and often have considerable authority within clear mandates allowing them to act decisively, the mandates of Tanzanian officials are limited and often unclear forcing them to constantly consult their superiors.

According to one Tanzanian official interviewed, the 17 project proposals that at the time of the field research had been submitted recently to Beijing by the Tanzanian government had been selected more or less at random. No particular criteria had been set out and no feasibility studies or grand strategy had been taken into consideration. The official suggested that in fact, all relevant ministries and government departments should be involved in the process of developing such proposals, and the procedure should indeed include a greater deal of cost-benefit analysis.

Indeed, Tanzanian President Kikwete has extensive experience in different key ministries and is regarded as a very effective administrator. Several government respondents explained that he has introduced strict procedures to address the challenge of coordination within his government, making it mandatory for the appropriate representatives of relevant ministries to attend meetings in preparation for overseas visits and submit briefs in advance of the meeting. However, one respondent suggested that arriving at a consensus continues to be a challenge, given that issues of capacity and internal political struggles impede the effective prioritization of requests and the development and implementation of comprehensive engagement strategies.

In terms of official visits between the two countries, it can be mentioned that President Jakaya Kikwete first visited China in June 2001 as Foreign Minister. As President, he subsequently visited China in November 2006 and April 2008. During the April visit, President Hu Jintao put forward a four-point proposal to further the bilateral cooperation which included deepening cooperation in the United Nations and in other multilateral institutions and an increase in contact on major international issues such as international development cooperation, the UN Millennium Development Goals, multilateral trade mechanism and climate change.

Recent visits to Tanzania by senior Chinese leaders include the Member of the Political Bureau of the CPC Central Committee Li Changchun in November 2005 and Premier Wen Jiabao who visited in June 2006. While in Tanzania, Premier Wen signed five agreements boosting diplomatic relations.
between the two countries as well as assisting in the development of Tanzania's health, agriculture, transport and communications sectors.³¹⁸ During President Hu Jintao's visit to Tanzania in February 2009, he finalised deals with President Kikwete totalling US$ 21.9 million.³¹⁹ President Hu furthermore announced that China had been "impressed by Tanzania's role in the search for peace and conflict resolution in neighbouring countries and throughout Africa", particularly during President Kikwete's time as chairman of the African Union.³²⁰

Tanzania's voting in the UN Security Council has mostly been in line with, or at least supportive of, China's position. In the face of vehement opposition by China to have Myanmar included in the permanent agenda of the UN Security Council as a threat to international peace and security in the UN Security Council (UNSC) on the 15th of September 2006, Tanzania abstained.

While Tanzania voted in favour of Resolution 1706 in August 2006, authorizing the deployment of a robust UN peacekeeping force to provide protection for the people of Darfur emphasizing the importance of diplomatic engagement between the Security Council and Khartoum, China abstained.

In July 2008, Tanzania supported China's veto of a US-sponsored Security Council resolution to impose sanctions on Zimbabwe. Despite the Tanzanian government's stern criticism of the Mugabe regime, Tanzania's UN ambassador Augustine Mahiga exhorted that "[t]he political option should take precedence over the punitive option".³²¹

In terms of people-to-people exchanges, no programmes catering specifically for exchanges between women in China and Tanzania were identified by the research team. However, the exchange of Chinese volunteers and Tanzanian students in addition to the 5,000-50,000 Chinese nationals residing in Tanzania, supported by over 45 flights a week between the two countries (as outlined in section 6.4.5), provides a very solid platform for people-to-people exchange between the two countries.

6.3 Evaluating the Beijing Action Plan: Economic Cooperation

Tanzania remains one of the poorest countries in the world, ranking 164 out of 177 according to UNDP's Human Development Index (HDI).³²² The country's economy is heavily dependent on agriculture, which comprises 85 percent of its exports and employs 80 percent of the work force. Tourism is an important source of foreign capital and mining is a sector of growing economic importance, although current commercial operations are limited to the extraction of gold, diamonds and gemstones. Potentially large deposits of nickel, tin, copper, platinum and cobalt are currently being explored.³²³

6.3.1 Agriculture

Premier Wen Jiabao announced during his June 2006 visit that one of the 14 agricultural demonstration centres promised to Africa in the Beijing Action Plan would be located in Tanzania.³²⁴ As of in March 2009, the site for the Centre had been selected but no further progress had been made. The research team could not ascertain the reasons why the construction and hand-over of the
agricultural demonstration centre had been delayed, but it is recommended that the Tanzanian side
take ownership of the process so as to harness this and other opportunities offered by China.325

During President Hu’s 2009 visit to Tanzania, an agreement was signed where US$ 17.5 million in
agricultural cooperation activities was promised.326 This significant pledge indicates that China
recognises the importance and the impact of improving agricultural technologies and processes in
Tanzania. Agriculture is a key national development priority for Tanzania, and the country can learn
from China in terms of leveraging agricultural technologies (seeds, fertilisers, equipment and
processes) to help improve the livelihoods of its citizens. However, Tanzanian government officials in
the relevant ministries remain extremely tight lipped on the details of this agreement, suggesting
nothing firm has been established as of yet.327

Through the deployment of agricultural demonstrations centres and the use of agricultural experts to
increase knowledge and skills transfer, new and upgraded types of foods and vegetables can also be
tested and new skills promoted. This will help to promote a more balanced diet for Tanzanians and
through the improved use of technologies, land can be more effectively utilised. This will help to
alleviate poverty especially in the rural areas amongst smallholder farmers. A Chinese diplomatic
official explained in an interview with the research team that China has stepped up cooperation
extending applicable technologies and human resources in line with pledges of the Beijing Action
Plan. In fulfilment of the 100 agricultural experts promised to Africa under the Beijing Action Plan,
China has sent three agricultural experts in agricultural machinery, agricultural economics and
irrigation to work in the Tanzanian Ministry of Agriculture and Food Security Cooperatives, in response
to a request from the Tanzanian government.328

While one senior Tanzanian government official and a Chinese government representative intimated
there are challenges associated with the availability of surveyed land and long processes required in
accessing land that hinder investment in agriculture, another senior Tanzanian government official
argued there are no problems for international investors to secure land for agricultural development in
the country.329 In an interview with the Tanzania Investment Centre (TIC) it was stated that foreign
investors “want to invest here but the current laws are putting them away”.330 Despite this critique
however, Chinese actors had already leased agricultural land in Tanzania prior to the implementation
of the Beijing Action Plan.331

6.3.2 Investment and business cooperation

According to UNDP, Tanzania has enormous potential as a destination for Asian FDI once it becomes
a more fully-fledged market economy.332 The key sectors where the Tanzanian government is
currently promoting investment are tourism, infrastructure, extractive industries and agriculture. The
Investment Promotion Department of the Tanzanian Investment Centre (TIC)333 is responsible for
investment promotion and organises regular missions to Asia, including China, and receives visiting
delегations. It can be noted that in order to acquire a Tanzanian investment license, a minimum
investment of US$ 300,000 in land, building, machinery, furniture or working equipment is required.
Furthermore, the prospective investor can employ up to a maximum of five expatriate workers for which a special skills work permit must be applied for.

The Tanzanian government is currently very interested in establishing a Chinese special economic zone (SEZ). This ambition coincides very neatly with China's strategic industrial plan to establish five preferential trade- and industrial zones in Africa, an initiative which was included in the Beijing Action Plan. A financing and infrastructure component of these zones will be categorized as foreign aid by the Ministry of Commerce at the next FOCAC summit to be held in November 2009 in Sharm El Sheikh. Located in Dar es Salaam, the SEZ would be linked by rail line to Zambia's Copper Belt, and would be a strategic trans-shipment hub on Africa's east coast. To date, seven Chinese SEZs have been formally proclaimed; in Zambia, Mauritius, Egypt, Algeria, Ethiopia and two in Nigeria.

A Special Economic Zones Act was passed by the Tanzanian parliament in 2006, as a prerequisite for the establishment of a SEZ Authority. The first initiative that was subsequently implemented to this effect was the Benjamin William Mkapa special economic zone (BWM-SEZ) in Mabibo, Dar es Salaam. Tanzania could draw from its experience in establishing this Zone as it seeks to develop a Chinese SEZ.

The BWM-SEZ was funded by a US$ 24 million investment by the Tanzanian government and had just become operational at the time of the field research, however, no investment had yet been made. The Tanzanian Export Processing Zones Authority (EPZA) provides basic infrastructure such as water, electricity and roads to the Zone which is to house a total of 21 factories, preferably export oriented manufacturing plants. Chinese investment in this SEZ should be encouraged through the FOCAC process. In particular, investment in the Zone should be focused on the manufacturing of products specified on the list of 466 products that will receive zero tariff treatment upon import to China, as specified in the Beijing Action Plan.

In April 2008, the Chinese President Hu Jintao and Tanzanian president Mr Jakaya Kikwete met and discussed the possibility of Chinese investment in a SEZ in Tanzania. This would be in line with the Tanzanian strategy entitled the ‘Mini Tiger Plan 2020’, aimed at fast-tracking economic growth and poverty reduction. The Plan seeks to increase investment in manufacturing, targeting both export oriented- and domestic markets. Subsequent to the discussions between the two Presidents, two proposals for the establishment of a SEZ were submitted to CDB in August 2008. However, no decision has been made on either proposal to date.

The first proposal outlines the establishment of an industrial zone called Mbegani-Bagamoyo which would be based 7 km south of Bagamoyo and 60 km north of Dar es Salaam. The project would include the construction of an international airport, a deep sea port and satellite communications, and the total value of the investment would be US$ 2 billion. The second proposal requested Chinese assistance to create an economic zone at Kigoma which would stimulate trade. Kigoma is one of the busiest ports on Lake Tanganyika with a functioning railway connection and a direct link to the seaport in Dar es Salaam. Road connections for Kigoma are poor however and the bay is suffering from silt
caused by soil erosion. Chinese investment in infrastructure refurbishment would therefore be a welcome feature in Kigoma.

Another measure undertaken by MOFCOM to facilitate greater Chinese investment in Tanzania has been the establishment of a Chinese Centre for Investment Promotion in Tanzania (one out of ten in Africa). This centre assists Chinese businessmen to set up operations in Tanzania by introducing newcomers to the network of Chinese traders and familiarising them with the various government structures and business facilities. Interestingly, when the research team visited this centre it was also being utilised as a distribution centre for Chinese goods for traders.

Such introductory services for Chinese business seem to be of great use in Tanzania. A Chinese wholesale trader complained in an interview with the research team that he found Tanzanian government departments slow and unresponsive, which according to the respondent often resulted in Chinese entrepreneurs being discouraged from investing in Tanzania and to rather consider other African countries.

Another institution that helps facilitate Chinese investment into Africa is the China-Africa Business Council, established in 2005 as a joint initiative between China and UNDP to support Chinese private sector investment in Tanzania, Cameroon, Ghana, Mozambique, Nigeria and South Africa. In March 2009, when the research team visited the Tanzania Business Council, they were in the final stages of concluding a MOU to represent the China-African Business Council in Tanzania.

According to an informed respondent consulted by the research team, the number of Chinese trade delegations from central and provincial government level visiting Tanzania is increasing rapidly. In April 2008, Tanzania hosted the largest delegation to date comprising of more than 150 people. According to the respondent, the most recent Chinese delegation to visit Tanzania arrived in October 2008 to study Tanzania’s petroleum sector.

Broadman et al argues that although there are no reliable figures available, Tanzania is probably among the primary recipients of Chinese FDI. In recent years, there has been a proliferation of small scale Chinese traders dealing in a wide range of consumer goods and the number of Chinese companies moving into Tanzania continues to grow rapidly. Many Chinese MSMEs active in Tanzania started out by establishing themselves as traders and then gradually move into investment as they identify and explore business opportunities. Other Chinese investors come to Tanzania directly from China, often assisted by friends, family members or existing business connections in Tanzania.

Burke and Corkin note that with over 40 Chinese-funded enterprises in Tanzania specialising in cooperation-oriented projects and programs, there are more than 85 enterprises registered in Tanzania with Chinese investment for labour contracts and services. They further note that a growing number of Chinese entrepreneurs are involved in the service sector including restaurant, health and construction.

A senior Tanzanian government official interviewed by the research team suggested that approximately 90 percent of the foreign construction firms currently active in Tanzania are Chinese.
Although joint ventures between Chinese and Tanzanian companies are not frequently found, in certain areas such as broadcasting and mineral extraction (notably tanzanite), foreign investors are obliged by law to establish joint ventures with Tanzanian business actors. In 2006, a number of fully-fledged Sino-Tanzanian joint ventures were in operation. This practice ensures that the local population benefits through job creation, skills transfer and economic and business co-operation.

A common entry strategy for Chinese companies seems to be to first enter Tanzania as traders before moving onto other economic activities. According to respondents from the Tanzania Investment Centre (TIC) interviewed by the research team, this strategy is no different to other international investors who secure import licences and then trade on them to test the market and accumulate start-up capital. The officials interviewed described Chinese companies as generally extremely competitive. They further suggested that Chinese investors in Tanzania “mix well”, integrating better than other investors into the local community, and cited examples of Chinese speaking Swahili. It was also suggested that the Chinese are different to other investors in that once they make up their mind to invest, things happen very quickly; they set goals and work hard towards implementing them.

An interesting case in point is the healthcare sector. The leader of the Chinese medical team in Tanzania informed the research team that Chinese medical doctors sent to Tanzania by means of the Sino-Tanzanian bilateral framework often share their knowledge, skills and experience by teaching local Tanzanian doctors the practicalities and know-how of Chinese traditional medicine. The basics of this type of traditional treatment are similar to the practises of the African traditional sangoma. According to the respondent, this kind of skills transfer has resulted in local Tanzanians getting to more affordable healthcare, thereby also alleviating queues at the local hospital.

Given the similarities in background and development experiences of the two countries, it was also suggested that China is making a “major contribution in technology transfer”. Burke et al note that in sectors such as construction, agricultural processing and manufacturing, Chinese technology is considerably cheaper and usually considerably more straight-forward than technology from the West, which often is beyond the reach of Tanzanians in terms of cost and accessibility.

### 6.3.3 Trade

China’s trade with Tanzania has grown rapidly over the past decade, from US$ 79.7 million in 1998 to US$ 1 billion in 2008, as shown in graph 6.1 below. Despite the Chinese Government’s initiative to remove tariffs on the importation of 466 items from selected developing countries, China’s trade surplus with Tanzania has been increasing rapidly since FOCAC 2006, as shown in table 6.1. Tanzania’s imports from China almost doubled from US$ 596 in 2007 to US$ 940 million in 2008, while the African country’s exports to China dropped from US$ 199 million in 2007 to US$ 132 million in 2008. Increased Sino-African dialogue within the FOCAC process to resolve the problem of growing trade imbalances is becoming an urgent priority.
Graph 6.1: Outlook of Tanzania’s trade with China (1998-2008)

Source: World Trade Atlas data

Table 6.1: Tanzania’s trade with China 2006-2008 (US$ million)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>151.78</td>
<td>199.46</td>
<td>131.66</td>
</tr>
<tr>
<td>Imports</td>
<td>382.98</td>
<td>595.85</td>
<td>940.26</td>
</tr>
<tr>
<td>Total</td>
<td>534.76</td>
<td>795.31</td>
<td>1071.92</td>
</tr>
</tbody>
</table>

Source: World Trade Atlas data

The majority of Tanzania’s exports to China comprise metal ores, especially precious metals, and copper in addition to timber and agricultural products. It is also very interesting to note that during 2008, there was also a strong increase in demand for capital goods including earth moving equipment, hand tools, machinery, building materials along with agricultural tools and fertilizers.

Large quantities of Chinese-made consumer goods are being imported into Tanzania. While access to affordable consumer goods is of clear benefit to consumers, they result in direct and indirect competition between China and Tanzania, particularly in the area of textiles. Kaplinsky et al stress that China also competes with Tanzania in third markets. The research team discussed third market competition with a very well informed observer, who suggested that Chinese imports indeed impact on Tanzania’s fledging manufacturing sector which was already struggling to be competitive in regional and international markets.

According to the respondent, these challenges are due to very high “mediation and utility costs”, associated with shortcomings in infrastructure, lack of skilled labour, Tanzania’s taxation regime and corruption. Infringements on intellectual property rights because of the importation of counterfeit goods have also been an issue. In August 2008, China’s Special Envoy on African Affairs Liu Guijin
expressed regret that counterfeit products from China are entering Tanzania, affecting local producers and undermining the credibility of Chinese products.\textsuperscript{356}

As minerals comprise a relatively small percentage of Tanzania exports, it is imperative that other value added manufacturing services are identified to reduce Tanzania’s growing trade deficit and to become competitive with other products. Chinese investment in a special economic zone together with investment in infrastructure may help to alleviate this challenge.

In 2008, scoping studies were conducted by Japanese researchers on behalf of the Tanzanian government to evaluate the potential of SEZ’s to attract investors to Tanzania. The aim was to identify areas where value added activities in areas other than in manufacturing could be developed in different parts of the country. These would include opportunities such as a deep sea port in Mwara to improve the infrastructure of southern Tanzania. Tree-, soya bean-, bamboo- and bio fuel plantations were also identified as potential opportunities. These are opportunities that the Tanzanian government could propose to the Chinese government ahead of FOCAC to help reduce the trade deficit, create employment and encourage knowledge and skills transfer.\textsuperscript{357}

6.3.4 Finance

Sino-Tanzanian cooperation in the finance sector has seen a fair amount of development since 2006. During his visit to China in April 2008, the Tanzanian President Kikwete requested Chinese assistance to support the development of infrastructure and agriculture with a strong emphasis on financing towards agricultural technologies (specifically seeds, fertilisers, irrigation techniques and agricultural equipment).\textsuperscript{358} During his February 2009 visit to Tanzania, President Hu Jintao agreed in principle to strengthen relations between their two countries in the area of finance with particular attention on agriculture, processing industry, mining and related infrastructure. It was reported after the visit that an agricultural development bank would be established, although no formal statements were made until the following month when CDB chairman Chen Yuan signed an agreement with Professor Benno Ndulu, governor of the Bank of Tanzania, to establish a framework agreement on development finance cooperation between China and Tanzania.\textsuperscript{359}

The agreement outlined cooperation in the form of technical and financial support, including feasibility studies on the extension of loans to Chinese entrepreneurs in Tanzania as well as other financing programmes in Tanzania. At the time of the field research, the terms of reference for a consultant were being prepared for feasibility studies to be carried out in this regard, one with the Tanzanian Development Bank and one pertaining to the establishment of an agricultural development bank.\textsuperscript{360}

The feasibility study will make recommendations on the appropriate structure and size of the bank. A senior government official suggested to the research team that the bank’s capital is expected to be above US$ 100 million.\textsuperscript{361}

Another informed observer suggested that China is expected to contribute approximately 30 percent of the capital while the Tanzanian government will provide the remaining 70 percent.\textsuperscript{362} Interestingly, a
recent report by the Agriculture Working Group of the Tanzania National Business Council (TNBC) suggested that a minimum initial capital of US$ 500 million will be required to kick-start such an initiative. While an informed Tanzanian respondent suggested to the research team that one of the primary challenges to the success of agricultural development banks is insider trading with government officials providing loans to themselves and acquaintances, the governor of the Bank of Tanzania has made public assurances that all projects are to be “executed competitively.”

However, the research team identified some doubts regarding the likeliness of the agricultural development actually being established. One very well informed retired Tanzanian government official suggested in interviews with the research team that “the agricultural bank had been in the pipeline for at least 15 years.”

In addition to the agricultural development bank, other programmes are to be considered, including joint ventures with reputable Chinese enterprises recommended by CDB. While one well placed foreign observer believes China stands to gain nothing but good faith from the deal, a senior Tanzanian government official suggested that the project may yield high returns, albeit with higher risk at a time when returns from the EU and North America are very low as a result of the international economic crisis.

Furthermore, there is indirect Chinese presence in a number of financial initiatives in Tanzania. It can be noted that since December 1945, China has been a member of the World Bank Group which is very active in Tanzania with 26 projects worth a total of more than US$ 2 billion in all major sectors of the economy as of March 2009. Chinese companies have secured a large number of infrastructure development contracts with the World Bank in Tanzania; however, three Chinese construction companies currently operating in Tanzania (China Road and Bridge Corporation, China State Construction Corporation and China Geo-Engineering Corporation) were recently blacklisted by the World Bank due to their fraudulent and corrupt practices in the Philippines. While they will be allowed to complete current projects, they are to be disqualified from bidding for some eight projects valued at US$ 400.8 million currently in the pipeline.

Moreover, China joined the African Development Bank (AfDB) and the ADF in 1985. In 2008, the Export-Import Bank of China and the China Development Bank (CDB) both established formal relations with the AfDB, which is currently funding an important number of projects in Tanzania, focused on power sanitation, agriculture and education.

Further indirect links between China and Tanzania in the finance area can be mentioned. The People’s Bank of China (PBC) is the only non-African investor in the Preferential Trade Area (PTA) Bank. China has a 12.3 percent share in the PTA Bank which had an asset base of US$ 353 million in 2007 and has significant investments in a cement plant, beverages, tourism and telecommunications in Tanzania. The Tanzanian Minister of Finance, Mustafa Mkulo, is on the PTA board of governors along with the Governor of the PBC and two Chinese executive directors.
accordance with the Beijing Action Plan, the China Development Bank extended a US$ 50 million credit line to the PTA in 2008 for telecommunication projects in member states, including Tanzania.\textsuperscript{375}

Moreover, during Premier Wen Jiabao’s visit to Tanzania in 2006, CDB signed an agreement with the East African Development Bank (EADB) to finance development projects.\textsuperscript{376} Indirect Sino-Tanzanian financial links were further strengthened in July 2007 when CDB invested US$ 3 billion to buy a 3.1 percent stake of the British Barclays Bank, which has 24 branches and 8 sales centres across Tanzania.\textsuperscript{377} According to the agreement, CDB may take up to an 8 percent stake in Barclays in the future and is free to buy additional shares in the open market, with a shareholding limit of 10 percent.\textsuperscript{378}

Later in 2007, the Industrial and Commercial Bank of China (ICBC) acquired a 20 percent stake, valued at approximately US$ 5.5 billion, in South Africa’s Standard Bank which through its subsidiary Stanbic has a presence in 16 African countries, including Tanzania.\textsuperscript{379}

Whilst all these financial options offer many opportunities for Tanzania, it is imperative that there is access to capital through these financing vehicles to MSMEs. It is suggested that the Tanzanian government should arrange a variety of trade workshops, business training courses as well as coaching and mentorship programmes for both African and Chinese entrepreneurs. Relevant stakeholders would thus be made aware of available financial facilities and how to harness them to create new businesses, generate employment and increase economic cooperation between China and Tanzania.

6.3.5 Infrastructure development

Inadequate infrastructure remains one of the primary challenges to development in Tanzania. Thus, China’s traditional focus on infrastructure in its development aid efforts to the African continent is well in line with Tanzanian needs. Burke and Corkin note that China has indeed engaged in a broad range of infrastructural development projects in Tanzania, including buildings, road, rail, bridges, harbours, water and irrigation, and continues to make a tangible contribution to development while consolidating its presence in Tanzania.\textsuperscript{380} Foster \textit{et al} suggests Chinese contractors have been particularly successful in the road and water sectors.\textsuperscript{381}

Although Tanzania’s construction industry is relatively large, the role of local companies remains limited simply because they lack the capacity for large scale projects.\textsuperscript{382} According to one senior Tanzanian government official interviewed by the research team, local companies continue to dominate small and medium sized projects, while Chinese companies now dominate the market for larger projects. As a result, there is very little direct competition between Chinese and local construction companies.\textsuperscript{383} Given that the majority of such large contracts are not joint ventures, there is limited co-operation between local and Chinese companies, which hampers skills and technology transfer from Chinese to Tanzanian companies. There is also limited outsourcing of smaller project sections to local contractors.
In terms of large scale infrastructure undertakings, it can be noted that Hong Kong based China Sonangol International Holding has entered into an agreement with the Tanzanian government to develop Terminal III at the Julius Nyerere International Airport. It has been reported that China Development Bank (CDB) may extend support in the form of equity participation or other forms of financing to this project. Media reports alleged that oil exploration rights were provided in exchange for this assistance, giving rise to accusations of serious irregularities relating to the Government handling of the award process. However, such reports are obviously very difficult to substantiate and none of the government officials consulted made any comments on the issue.

At any rate, it is important that the agreement pertaining to the refurbishment of the airport is structured fairly. It is recommended that advisors with the necessary technical and commercial expertise be involved in the negotiations. Moreover, given the speculations of potential irregularities, it would be constructive to include representatives from civil society in the process to ensure transparency and make certain that the deal is structured such that it represents public interest. Furthermore, knowledge and skills transfer must be ensured and the responsibility for the maintenance of the airport must be clearly stated in the agreement.

It can also be noted that the governments of China and Tanzania jointly own and operate a shipping company called Sinotaship, established in 2001. The joint venture is operating successfully and two new vessels are currently being procured, a 54,000 ton vessel and a 37,000 ton boat. Senior government officials within the Ministry of Infrastructure Development expressed satisfaction with the collaboration process in interviews with the research team.

6.3.6 Energy and Resources

China has also shown a growing interest in the mining belt of central-southern Africa, comprising Zambia, Tanzania, and Mozambique. Tanzania also has nickel deposits and large proven deposits of uranium. While there are some coal deposits, no substantial oil deposits have been found although extensive exploration is ongoing in Tanzania. In May 2009, it was reported that Hong Kong-based firm China Sonangol International Holding received three oil exploration rights in Rukwa in southwestern Tanzania along the border with the DRC. Moreover, according to one Tanzanian official interviewed, 17 project proposals had at the time of the field research been submitted recently to Beijing by the Tanzanian government. Various energy and resource infrastructure projects were included in the proposal.
6.4 Evaluating the Beijing Action Plan: Cooperation in Social Development

6.4.1 Development assistance

Despite the fact that 34 percent of Tanzania’s GDP is comprised of donor aid, it is among the few African countries to have parameters for assessing the types of aid it is prepared to accept. And aid from China has always been acceptable. In the early years of ties with Africa, China concentrated its aid on only a few countries including Tanzania, Algeria, Ghana, Congo-Brazzaville and Mali. As Angola, Sudan, Zambia and Ethiopia have also begun to receive significant levels of assistance from China, particular emphasis continues to be placed on Tanzania as the “most constant ally” and its strategic location as an Indian Ocean gateway to mineral-rich southern Africa.

Foster et al note that as one of the major recipients of China's aid to Africa, Tanzania has received more than 100 cooperation projects and programs totalling over US$ 2 billion since the early 1960s.

It is difficult to determine changes in the level of development assistance China provides to Tanzania in view of the discretion surrounding these figures; however, Beijing’s assistance has certainly not been reduced and China has already cancelled Tanzania’s debt in line with the undertakings of the Beijing Action Plan to cancel the government’s interest free loans contracted by HIPCs and LDCs.

6.4.2 Human Resource development

Respondents from the Ministry of Agriculture explained to the research team that there is a great need for capacity building in the Tanzanian agriculture sector. China appears indeed to be genuinely interested in this task and has stepped up cooperation, extending applicable technologies and human resources in line with commitments made under the Beijing Action Plan. The Chinese Ambassador in Tanzania stated in an interview with the research team that the Chinese government had dispatched three agricultural experts (in agricultural machinery, agricultural economics and irrigation) to work in the Tanzanian Ministry of Agriculture.

It is recommended that Tanzania should encourage China, through the FOCAC process, to examine ways to formalise connections between the Tanzanian science and research institutions and China’s highly developed system of scientific academies with particular attention to the expansion and improvement of support for science and technology within the new 15 year Medium to Long-Term Science and Technology Development Plan. For example, China’s focus on developing private sector investment in research could readily be extended to Africa particularly in the area of extractive industries. Tanzania should request that China’s focus in developing private sector investment in science and technology research should also include Tanzanian science and research experts in the areas of oil exploration. Research collaboration in these areas will help build capacity and encourage effective participation in the international science and technology sectors.
6.4.3 Education

In 1962 and 1992 respectively, the two countries signed two cultural cooperation agreements to facilitate the exchange of students. Well over 600 Tanzanian students have studied in China since relations were established between the two countries, with more than 70 new Tanzanian students going to study in China in 2008. Many of the Tanzanian graduates from Chinese universities are fluent in Mandarin and are currently working with Chinese businesses in Tanzania, notably construction companies. It can also be noted that Mandarin is currently being taught at the University of Dar Es Salaam.

Tanzanian graduates with degrees from Chinese universities and competency in Mandarin Chinese are valuable assets to the Tanzanian economy. Not only can they help bridge the gap in language and culture but through their experience they can assist government in devising proactive strategies to achieve more effective Sino-Tanzanian engagement.

In fulfilment of the Beijing Action Plan, the Chinese government offered to build three primary schools comprising classrooms, library, toilets, and special rooms for girls in addition to playgrounds for approximately 300 students. The value of the schools is estimated to be around US$ 750,000 each. Several architectural plans were presented to the Tanzanian government which then selected the plans they considered appropriate. According to a senior official within the Ministry of Education (MOE) consulted by the research team, sites were thereafter selected in full consultation with all relevant stakeholders. According to the respondent, the sites selected and the criteria used are the following:

a) Kiteto Council, Mayara Region in northern Tanzania, which lags behind the rest of the country on most human development indicators. It is a pastoralist area where school drop-out rates are extraordinarily high;

b) Pwani Region within the Bagamoyo council on the coast which is a disadvantaged area; and

c) The centre of the capital city of Zanzibar which, according to an informed respondent, was selected for political reasons.

According to the respondent from the MOE, the Chinese side expects a “small contribution”, either from central and local Tanzanian government, to the process of building the schools. This contribution, which according to the respondent aims to “create ownership” of the schools, can be made either in cash or kind in the form of land, or building materials. The schools were originally to be built within six months, but the there have been some delays in consulting and coordinating all the stakeholders, and the Tanzanian contributions are yet to be secured. According to a senior Chinese government official consulted by the research team, the machinery, workers and tools are already in Tanzania and ready to commence construction once the Tanzanian government has finalised consultation with all the stakeholders.
There is a serious shortage of teachers in Tanzania. Approximately 52,000 additional teachers are needed in the country at present and in an interview with the research team, the above mentioned official from the Ministry of Education wondered if China could possibly help to address this challenge particularly in the areas of mathematics and science. Other possible areas of assistance mentioned could be the provision of teaching materials and establishing teacher resource centres. Indeed, according to a senior Chinese government official, a framework agreement established under the Beijing Action Plan is already in place for China to deploy volunteers to Tanzania, especially in the area of education.

6.4.4 Medical care and public health

Health is a key aspect of Sino-Tanzanian relations. Since 1968, China has dispatched medical teams to western Tanzania comprising approximately 24 medical doctors at any one time. According to an informed respondent, the members of the medical team come from Shandong Province in eastern China for two years at the time. Around 1,000 Chinese medical officials have been dispatched to Tanzania since the inception of the programme. Substantial quantities of equipment and medicine have also been supplied through this program.

In addition to the tangible medical benefits to the people of Tanzania, the programme has provided an invaluable opportunity for skills transfer between Chinese and Tanzanian medical personnel in addition to people-to-people exchange. As noted in section 6.3.2, a number of Chinese doctors involved in these exchanges have since established their own private practices in Tanzania, offering both Chinese and Western medicine.

A case study on Chinese traditional medicine in Tanzania revealed that perceptions of Chinese medicine having ‘rapid effects’ has attracted Tanzanians to Chinese clinics. According to the report, Tanzanian patients find Chinese medicine effective because of the way the Chinese provide the care, the manner in which Chinese drugs are marketed and consumed, and the therapeutic effects of skilfully administered treatment that combines Chinese and Western medicine. The Tanzanian patients appreciate the brevity of the visits and their low costs. As a result, the Tanzanian Ministry of Health and Ministry of Commerce began, in the mid-1990s, issuing licences for private traditional Chinese medicine enterprises.

The broader developmental impact of Chinese clinics is still to be measured. However, as Chinese medicine is shown to be relatively easily accepted by Tanzanian locals, it can be extended into remote rural areas by training Tanzanian doctors or by encouraging Chinese practitioners of traditional medicine to move into these areas. This could also make an interesting case study for other African countries to consider.

Furthermore, it was announced during Premier Wen Jiabao’s visit to Tanzania in June 2006 that the Chinese government would explore the possibility of setting up a joint-venture factory of anti-malaria drugs with Tanzania. According to a respondent consulted by the research team, China currently
supplies malaria drugs on request following negotiations between the relevant Tanzanian ministries, however there appears to have been no further developments on the planned factory for anti-malaria drugs. As a result of China’s promise to deliver 10 hospitals in Africa in accordance with the Beijing Action Plan, Tanzania is now set to receive a hospital specializing in cardiology as requested by the Tanzanian government. A senior Chinese medical official explained to the research team that the anti-malaria training and treatment centre promised during Premier Wen’s visit in 2006 is to be contained within the cardiology hospital.

According to other senior Chinese government sources, the design of the cardiology hospital has been completed, but there has been a six month delay in executing construction as a result of the Tanzanian Governments’ inability to provide living quarters for the Chinese personnel. It has also been reported that Tanzania has expressed a desire to co-operate with China to use Chinese traditional medicine to treat HIV/AIDS. Given China’s impressive contribution to health care in Africa over the last thirty years, expanded cooperation in this area would be advantageous for Tanzania.

6.4.5 Tourism

Tanzania has been granted Approved Destination Status (ADS) by the Chinese Government; however, an informed observer noted in an interview with the research team that Chinese tourism in Tanzania has been very low to date. The majority of registered Chinese tourists visiting the African country have in fact been business people. The number of flights from East Africa to China has increased greatly over recent years with four airlines currently offering a total of 45 flights each week through connecting flights in neighbouring countries.

The Tanzanian tourism department could harness the FOCAC process and work with relevant Chinese actors to develop a tailored programme to encourage Chinese business and leisure tourists to visit Tanzania. This could include a variety of initiatives, such as sponsoring groups of Chinese travel agents to conduct an experiential tour to Tanzania, or through exchange programs for travel professionals. From this, business and leisure packages can be designed specifically to cater for groups of Chinese tourists. This may include catering for the Chinese diet, utilising Chinese tour guides, printing and making available brochures and websites in Chinese.

Moreover, the Tanzanian government needs to assess whether visas will be required for Chinese visitors and re-evaluate the flight availability between the two countries to accommodate future growth. Tourism conferences can be considered, while joint ventures with travel operators should be encouraged by both the Tanzanian and Chinese governments.

6.5 Political, social and economic impact of FOCAC

As outlined in this chapter, an important number of the pledges made in the Beijing Action Plan have been implemented in Tanzania, although many are still in the planning and implementation stages.
Indeed, the primary challenge identified in terms of the implementation of the FOCAC commitments relate to issues of capacity and coordination within the Tanzanian government. Chinese respondents explained that local Tanzanian government institutions are usually extremely slow to respond to requests and queries.

The Chinese respondents also argued that there had been disputes with local government institutions over the supply of infrastructure such as water, electricity, roads and telecommunications facilities that are necessary to implement and run development projects. The challenges experienced with the bureaucratic processes required to secure land were also cited as impediments.

In a number of interviews the research team was told that Chinese officials active in Tanzania, both government officials and company representatives, often bypass junior Tanzanian government officers, going straight to senior officials to speed up decisions and the delivery of services. Thus, the primary challenges to the effective implementation of the Beijing Action Plan appear to be on the Tanzanian side, as a result of problems with capacity and organisation.

One informed respondent argued that despite the depth of engagement between the two countries, knowledge and interest in China amongst many Tanzanians remains very limited.414 The majority of Tanzanian’s continue to focus on the West, overlooking opportunities to take advantage of the potential China presents. Indeed, the exchange of students and medical personnel, and perhaps more especially the growing interaction between Chinese and Tanzanian entrepreneurs, may be characterised as informal and have made a tremendous contribution to relations between the two countries. However, key developments in China’s engagement with Tanzania continue to be shaped by top level meetings between senior leaders, and the effects of Sino-Tanzanian relations and FOCAC are yet to be clearly reflected at lower levels of the public and private sector. Various forms of exchanges to increase interaction between the two countries should be harnessed further through the FOCAC process.

As outlined, Chinese companies are currently investing in construction and mineral exploration in Tanzania. If implemented correctly with the employment of local Tanzanian labour, this may eventually lead to skills development and technology transfers in these sectors. In terms of developments in scientific and technological cooperation, they have to date been limited to the pending construction of an agricultural demonstration centre and anti-malaria training facility.

6.6 Recommendations for Tanzanian stakeholders

6.6.1 Structure the Sino-Tanzanian engagement process

*The President and Prime Minister’s offices need to clearly communicate the mandate for Sino-Tanzanian relations and share it with all relevant Tanzanian and Chinese government departments and officials.*
The President’s and Prime Minister’s offices need to clearly communicate the mandate for Sino-Tanzanian relations and share it with all relevant Tanzanian government departments and officials. It must be clear to all that the Department of Asia and Australasia within the Ministry of Foreign Affairs and International Cooperation is the coordination point for Sino-Tanzanian engagement. The organisational structure and communication process must also be clearly communicated to the Chinese Embassy in Dar es Salaam. This will enable effective prioritisation of requests and the development and implementation of comprehensive engagement strategies.

6.6.2 Establish a Tanzanian FOCAC monitoring committee

A formalised FOCAC follow up mechanism should be established in Tanzania, coordinated by the Department of Asia and Australasia within the Ministry of Foreign Affairs and International Cooperation.

This committee should be coordinated by the Department of Asia and Australasia within the Ministry of Foreign Affairs and International Cooperation and comprise of representatives from the ministries, government departments, civil society organisations, public sector organisations and investment and finance promotion agencies. They should meet regularly and discuss the progress of various initiatives, the challenges experienced and the opportunities that arise. They should also discuss upcoming events to ensure there is consensus and co-ordination between the various stakeholders.

6.6.3 Utilise the FOCAC process to address growing trade imbalances

The Tanzanian government should request that the Chinese government assist in alleviating supply side constraints and address the challenges associated with lack of market access for Tanzanian products in China.

Given that the items on the zero tariff treatment list announced during FOCAC 2006 are not Tanzania’s most important export products, the list should be scrutinised together with the Chinese government officials to ensure greater impact on Tanzanian export volumes. Furthermore, specifications on export standards such as packaging requirements, hygiene standards and ingredients need to be more detailed so that non-tariff barriers are avoided when exporting to China.

6.6.4 Build capacity in the Ministry of Foreign Affairs and International Cooperation

Additional personnel experienced in Asia-Africa relations should be recruited to the Department of Asia and Australasia within the Ministry of Foreign Affairs and International Cooperation to strengthen capacity.

It is suggested that additional personnel experienced in Asia-Africa relations should be recruited to the East Asian Pacific Department to alleviate the current workload and issues of human capacity. Where necessary, it is recommended that experienced technical and commercial advisors are utilised when negotiating contracts to ensure capacity building within government departments as well as ensuring
the best agreement is met. Personnel from the Department of Asia and Australasia should furthermore attend specific courses and workshops to enhance their understanding of Chinese culture, language and Chinese protocol so that they may better engage with their Chinese counterparts.

6.6.5 Facilitate access to capital and financing options for Tanzanians

The Tanzanian government must work together with both local and Chinese financial institutions to ensure that Tanzanian MSME’s have greater access to long term capital and are empowered with the necessary skills to take advantage of these facilities.

It is imperative that the various financing options and investment vehicles made available to Tanzanian stakeholders by means of the FOCAC framework facilitate access to capital for MSME’s. It is suggested that government needs to implement a variety of trade workshops, business training courses as well as mentorship programmes. It is anticipated that such measures would improve both African and Chinese entrepreneurs and investors’ awareness of such facilities and how to harness it to create new businesses, create employment and increase economic cooperation between China and Tanzania.

6.6.6 Increase opportunities for skills and technology transfer

Increasing skills and technology transfer to Tanzanians from Chinese companies should be facilitated through the FOCAC framework.

Tanzania should propose ways in which the FOCAC process can facilitate the transfer of skills and technology from China either through joint ventures or greater subcontracting to local enterprises. Ways in which to increase procurement of local input in terms of both material and labour must also be considered. An example would be to include such clauses in contracts with Chinese companies contracted to do work in Tanzania. Tanzania could look to implement some of the technology transfer policies China applied domestically that had an immediate positive effect. These were specifically in the areas of agricultural technology such as water-saving irrigation techniques, soil fertilization technology, livestock breeding projects, technologies to store and process grains, utilising new fertilizers and updating equipment for agro-products processing. Skills could be transferred to Tanzanian farmers through agricultural training farms and through on-the-job training.

6.6.7 Utilise the necessary expertise when negotiating contracts

In negotiations for large-scale infrastructure contracts, it is important that all relevant stakeholders are involved to ensure transparency in the negotiations and that the finance deal does not indebt Tanzania any further.

In the negotiations ahead of the construction of Terminal III at the Julius Nyerere International Airport by China Sonangol International Holding Limited, it is important that all relevant stakeholders are involved to ensure transparency in the negotiations and that the agreement is structured so that a fair
deal is reached. This may require the use of advisors who have technical and commercial expertise. Given the media speculation of potential irregularities, it would be constructive to include representatives from civil society to ensure the deal is structured such that it represents public interest. Furthermore, knowledge and skills transfer must be ensured and the responsibility for the maintenance of the airport must be clearly stated in the contract.

6.6.8 Formalise linkages between African and Chinese science and research institutions

*Tanzania should encourage China to formalise connections with African science and research institutions.*

Tanzania should encourage China, through the FOCAC process, to examine ways to formalise connections between Tanzanian science and research institutions and China’s highly developed system of scientific academies. Particular attention should be placed on the expansion, improvement and support for science and technology particularly in the area of extractive industries. Tanzania should request that China’s focus in developing private sector investment in science and technology research should also include Tanzanian science and research experts in the areas of oil exploration.

6.6.9 Focus Tanzanian engagement with China on specific critical sectors

*Engagement with China should be focused on sectors where there is a critical need and Tanzania’s commercial advantage can be leveraged and where China is competent.*

Such sectors are:

- **Agriculture** - Over the last few years, China has provided US$ 500 million for the development of small farms. Given that over 80 percent of Tanzanians are engaged in agriculture, Chinese support in this context could be decisive in strengthening food security and tackling poverty across the country.

- **Transport** - Tanzania is presently seeking to improve road transport with a view to building an effective national communication network. China’s proven track record in building roads across the continent is viewed as a major positive factor to facilitate key road projects, such as links to the Mafia Island Airport.

- **Energy** - A major improvement in electricity supply is a priority for Tanzania, given the urgent need to ensure power availability and reduce black-outs. A reliable electricity supply is regarded as a key in ensuring long-term growth and prosperity.

- **Water management** - Improving water supply and management to both the cities and agricultural projects is now a major concern. Expanding the Morogoro supply system has been identified as a process which would have a positive impact on many Tanzanians.
- Malaria treatment Centres - Tanzania is working closely with the Research Triangle Institute (RTI) in combating malaria. Improved co-operation with China in this context could be decisive in meeting the challenge of malaria which is now responsible for more infant deaths than any other disease in Tanzania.

- Investment - Tanzania is seeking to improve its overall investment environment to attract Chinese (and other) investors. FDI is considered critical in addressing economic problems and providing a platform for sustainable development over the longer term.

6.7 Recommendations for Chinese stakeholders

6.7.1 Facilitate Tanzanian stakeholders’ access to capital

*Chinese banks operating in Africa should facilitate greater access to long term capital for Tanzanian small- and medium sized companies.*

During the field research, the research team identified that increased access to long term capital for Tanzanian small- and medium sized companies would be greatly beneficial to Tanzanian development. It is recommended that Chinese banks operating in Africa should extend credit directly to Tanzanian companies as opposed to intermediaries, since this would require reducing the amounts dispersed. This is anticipated to engender greater commitments to the loan section of the bank, but also to facilitate greater people-to-people interaction between China and Tanzania. The Bank of Tanzania and the China Development Bank should agree to cooperate in developing financial institutions that can assist with providing credit for the majority and the poor. This should be in the form of medium and long term financing.
7. Uganda

7.1 Introducing Sino-Ugandan relations

Diplomatic relations between China and Uganda were established on the 18th October 1962, nine days after Uganda received independence from the United Kingdom. An important milestone in Sino-African relations generally and in Sino-Ugandan relations particularly came in 1971 when Uganda supported China’s resumption of a seat in the United Nations (UN). Previous donations to Uganda from the Chinese government include the Mandela Stadium and the Ministry of Foreign Affairs (MFA) offices in Kampala.

The first Chinese migrant entrepreneurs to start businesses in Uganda were restaurant owners who arrived in the late 1980s and the early 1990s from both mainland China and Taiwan. As China’s open-door policy initiated by Deng Xiaoping in the late 1970s was reinforced and deepened in the 1990s, Chinese state-owned enterprises (SOEs) started entering Uganda. The restructuring of the Chinese economy led to cutbacks in the country’s SOEs between 1996 and 2000, and many retrenched employees of these companies stayed on in Uganda to set up their own businesses, largely as traders or owners of small scale factories producing goods such as footwear, plastic, paper and ice-cream.

The number of Chinese companies operating in Uganda has since grown, as discussed in section 7.3.2 below. In terms of Chinese nationals currently residing in Uganda, the number is estimated to be 8,000-10,000. However, since many of them travel back and forth to China, the number is closer to 2,000-4,000 at any one time.

Bilateral trade between the two countries is currently standing at US$ 247 million (2008). This number has increased rapidly over the past decade from a very low base. In 1998, the value of Sino-Ugandan bilateral trade amounted to a mere US$ 11 million. For further analysis of Sino-Ugandan trade patterns, refer to section 7.3.3.

7.2 Evaluating the Beijing Action Plan: Political Cooperation

An indication of the importance attached by the Ugandan leadership to the relation between China and the country was that the Ugandan delegation to the Summit was headed by President Yoweri Museveni, who met with President Hu Jintao on the eve of the commencement of the Summit. The same day, he also met Li Ruogu, President of China EXIM Bank. Ugandan officials also met with Chinese vice Premier Zeng Peiyan on the sidelines of the Summit.

A Ugandan delegation also attended the 2nd Conference of Chinese and African Entrepreneurs that was held in Beijing on the 5th November 2006, on the sidelines of the FOCAC Summit. Besides Uganda, the high-level conference was attended by Egypt, Ethiopia, South Africa, Nigeria, Kenya,
Uganda, Ghana, Zambia, Seychelles, Lesotho and Cape Verde. During the closing ceremony of the event, 14 agreements worth a total of US$ 1.9 billion were signed between 11 Chinese enterprises and African governments and firms. The agreements covered infrastructure, telecommunications, energy-and resources development, finance and insurance. Although the research team has not been able to ascertain any exact data regarding the proportion of the deals signed that involved Ugandan companies, it is anticipated that the outcomes of the conference benefited Ugandan business.

FOCAC 2006 also proved to be the starting point for the intensified exchange of official visits between the two countries. In terms of Chinese leaders who have visited Uganda since 2006, the initial visit was paid by Premier Wen Jiabao in June 2006 ahead of the FOCAC Summit. On the 23rd November 2006, Chen Yuan, Governor of CDB, met with President Museveni in Uganda. In 2007, Chinese visits to Uganda included a delegation of ten headed by the Director for Foreign Aid of the Chinese Ministry of Commerce and a delegation of twelve from the Chinese Ministry of Commerce to discuss the implementation of the eight measures announced by President Hu Jintao during the 2006 FOCAC Summit.

Although military exchanges were not specifically mentioned as an aim of the Beijing Action Plan, it can be mentioned that in September 2007, the Chinese Defence Minister Cao Gangchuan met with the Commander of the Armed Forces of Uganda Aronda Nyakairima, pledging to promote the military ties between the two armed forces.

In April 2008, a good-will delegation of the Communist Party of China (CPC) left Beijing to visit Uganda at the invitation of Uganda's ruling party, the National Resistance Movement (NRM). Also in April 2008, Hu Deping, Chairman of the China-Africa Business Council, visited Uganda. Most recently, in January 2009, the Chinese Minister of Foreign Affairs Yang Jiechi arrived in the country for a two-day state visit. During the visit, a number of pledges were made, one of which was to donate a small amount (less than RMB 1 million) to the Ugandan MFA to improve coordination between the Chinese and Ugandan Ministries of Foreign Affairs, thus to practically improve cooperation between the two parties.

Moreover, a number of Ugandan delegations have visited China over the time period covered by the Beijing Action Plan. NRM's Secretary General and the Ugandan Minister for Security visited the CPC leadership in 2007. Also in 2007, a study group from the NRM, a delegation from the Ugandan Ministry of Defence, a delegation from Uganda Investment Authority (UIA) and the Ugandan delegation to the AfDB visited Beijing. A delegation of twenty Ugandan officials from various government departments also visited their Chinese counterparts in that year. President Museveni attended the opening ceremony of the Beijing Olympics in 2008, in which 35 Ugandan athletics participated.

The large number of visits indicates that high-level political relations between the two countries are indeed in good shape. In Uganda, as in many other African countries, political power is centred on the presidency and the relations between the Chinese leadership and the Museveni presidency are certainly strong. During a visit to Germany in June, Museveni assured the German President Horst
Kohler that China is not a threat to Africa, stating that “African leaders have identified their priorities and are capable of protecting the continent’s interests”. 429 Strong relationships between African elites and the Chinese leadership will however not automatically translate into developmental progress for the average African,430 which is why each activity initiated under the FOCAC umbrella must be practical and tailored to fit the actual needs of the specific societal sector at hand. This is the aim of the recommendations made in this report.

The challenge of translating Sino-Ugandan government-to-government relations into developmental progress was discussed with a number of respondents. It was argued that China has a clear preference for bilateral government-to-government engagement while Uganda’s Western partners, notably the EU, pursue multilateral engagement focusing on the Ugandan people rather than the Ugandan elites. It was argued that it would be beneficial if China could engage to a greater extent with other donors active in Uganda to increase aid effectiveness and synergies for Uganda’s economic development.431

At the time of the field research (February 2009) the Chinese Embassy, headed by Ambassador Sun Heping and Economic Counsellor Zhang Aiming had, according to Ambassador Sun, approached the National Planning Authorities (NPA) requesting a list of proposed Ugandan priorities ahead of the FOCAC 2009 meeting. The Chinese Embassy was at the time however yet to receive a response from the NPA.432 While this may be a result of the NPA changing leadership just at the time of the field research,433 it may also be an indication that the communication and collaboration between the Chinese Embassy and the Ugandan government department responsible for planning of initiatives such as FOCAC (the NPA and the MFA) could be substantially improved and expanded to ensure that Ugandan developmental priorities are taken into consideration in preparation for the next FOCAC meeting.

7.3 Evaluating the Beijing Action Plan: Economic Cooperation

This section aims to assess whether economic cooperation facilitated by FOCAC and the Beijing Action Plan has managed to reach relevant priority areas for Uganda. According to the country’s 2006-2010 Competitiveness and Investment Climate Strategy,434 these are to enhance productivity and competitiveness in the areas of agriculture (notably coffee and fisheries), manufacturing, service, tourism, infrastructure (particularly energy, roads, railways and the development of business parks), trade- and investment competitiveness (particularly through the development of the East African Common Market).435

Uganda’s economic growth was 6.6 percent in 2006, 8.6 percent in 2007 and 6.9 percent in 2008.436 In 2007, growth could be attributed mainly to the construction, manufacturing and electricity sectors. The construction sector was expected to grow by 17 percent in 2008. In the agricultural sector, cotton and cocoa showed the highest growth rates of about 19 percent and 79 percent respectively in 2007.437
Furthermore, in terms of trade, Uganda has particular potential since the country is geographically positioned to be a hub for East- and Central Africa. According to a representative for the Uganda Export Promotion Board, re-exports (i.e. goods imported to Uganda that are subsequently exported further in the region) is Uganda’s fastest growing export.\textsuperscript{438} In a similar vein, Burke et al note that “an estimated 80 million people in the region consume goods transported through Kampala - approximately 10 percent of sub Saharan Africa’s total population”.\textsuperscript{439}

In relation to China, the Ugandan government has specifically set out to stimulate Chinese investment in the following sectors; manufacturing, agro processing, transport infrastructure, information- and communication technology, energy, mining, textile manufacturing, oil related activities (exploration refinery and transportation), tourism infrastructure and automobile assembly.\textsuperscript{440} It can be noted that these priorities correspond to the focus areas outlined in the 2006-2010 Competitiveness and Investment Climate Strategy, as outlined above.

The sections below assess which of Uganda’s priority areas have been covered by the Beijing Action Plan and general Sino-Ugandan cooperation since 2006, and to what degree the projects implemented have been useful from a Ugandan development perspective.

### 7.3.1 Agriculture

Uganda is a fertile country with great development potential in the area of agriculture. Indeed, agriculture is already the most important sector of the Ugandan economy, employing 80 percent of the country’s labour force and accounting for 29 percent of the country’s GDP.\textsuperscript{441} However, there are currently important gaps in terms of Ugandan agro processing capacity. As a result, the country’s agricultural potential does currently not necessarily translate into developmental progress for the country. Consequently, it is an important priority for the Ugandan government to promote value added activities in agriculture. Indeed, as mentioned, agricultural is a top priority for the country’s Poverty and Education Action Plan and the Ugandan 2006-2010 Competitiveness and Investment Climate Strategy (CICS), stressing specifically the planting of commercial crops and the improvement of local farmer’s access to technology and markets.\textsuperscript{442}

In line with this, a clear theme emerging from the field research is that according to a wide variety of respondents both from government departments and from the private sector, agriculture is the number one area where China could have the most developmental impact in Uganda. Fish farming was suggested to be an area with important potential, particularly the species Nile perch and Tilapia.

More specifically, many respondents mentioned that there is a lack of agro processing capacity in the country, which means that Ugandan agricultural products are mainly exported unprocessed. Moreover, much of the surplus produce is wasted since there is no capacity to process it. In the case of fruit for example, the two main options in terms of processing are to preserve or dry the produce, both of which do not take place today to the extent that it could.\textsuperscript{443} Another challenge is the lack of infrastructure capacity in terms of transporting goods from rural areas.
Under these circumstances, it was suggested that Chinese actors certainly have technological capacities that could be of great use in the Ugandan context. For example, several respondents mentioned that Chinese assistance in the area of agriculture could take place by means of the establishment of Sino-Ugandan joint ventures focusing on the processing of fruit (notably mango and pineapple) or coffee. Given the liberal Ugandan investment regime (outlined in section 3.2 below), the establishment of such joint ventures should definitely be feasible and should be encouraged by means of the FOCAC process.

Certainly, the need to develop Uganda’s agricultural sector is recognised in the Beijing Action Plan, where a general pledge to intensify agricultural cooperation during 2006-2009 was made (section 3.1). Also, the fact that agriculture and food security was one of the two themes of FOCAC 2009 (along with infrastructure) could be promising for future developments in the area.

Following the FOCAC summit in 2006, the first agriculture-focused activity within the Sino-Ugandan framework took place in July 2007 as Ugandan agricultural experts travelled to Beijing to attend the International Agro-Tech Extension Seminar for Africa. The seminar included lectures on genetically modified cotton and seed production technologies and the use of water-saving and biological technologies in agriculture.444

One of the more recent developments in terms of Uganda’s agriculture sector came in June 2009 during a visit to Kampala of a delegation from the Industrial and Commercial Bank of China (ICBC) led by Chairman Jiang Jianqin. It was then announced that ICBC is seeking to invest in Uganda’s agriculture and extractive sectors.445

Moreover, as stipulated in the Beijing Action Plan, agricultural cooperation between China and Africa after FOCAC 2006 was specifically to be increased by means of 100 senior Chinese experts on agricultural technologies to be sent to Africa and ten agricultural demonstration centres with special features to be established between 2006 and 2009. The number of agricultural demonstration centres pledged was subsequently increased to 14.446 In Uganda, the most important development in terms of agriculture since FOCAC 2006 has been that the country was allocated one of these agricultural demonstration centres. The Centre is currently about to be constructed in Kajansi near Entebbe. The process of conceptualising the focus of the centre’s activities (as outlined in the case study below) has been successful in Uganda and may hold important lessons for other African countries.

Case study: The conceptualisation of Uganda’s aquaculture demonstration centre

The Ugandan agricultural demonstration centre is to be established in the form of a centre for aquaculture which will focus on generating knowledge for fish farmers, fishermen and researchers. A number of Chinese personnel will be active at the centre for four years to start with. The Centre will have a series of ponds with a variety of species. One of the research areas that the aquaculture centre will focus on at is whether sea food varieties such as the Nile perch can be successfully bred in an aquaculture centre.447
The choice to establish a Centre especially focused on aquaculture in Uganda is suitable given that, as noted above, several respondents mentioned fish farming as one of the areas where they would like to see Chinese assistance to the country. The process of establishing the Centre started as a Chinese delegation of agricultural experts was dispatched to conduct a feasibility study in May 2007, shortly after FOCAC 2006. Following the visit and discussion between the Ugandan and Chinese parties, fishery was identified as a priority area which should be the focus for the Centre’s activities.\textsuperscript{448}

Subsequently, in June 2008, a second Chinese delegation comprising of fishery experts was dispatched to conduct a second feasibility study. It was thereafter decided that the aquaculture demonstration centre would be established in Kajansi near Entebbe. The Chinese government has assigned Phoenix Group, a company from China’s Sichuan province, to build the aquaculture demonstration centre. The estimated building time is 12 months from the start of construction, which at the time of the field research was estimated to be in March or April 2009.\textsuperscript{449}

As mentioned, the establishment of the aquaculture demonstration centre is very well in line with the priorities outlined by a wide variety of Ugandan respondents from government departments and the private sector in interviews with the CCS. If the research efforts of the centre are successful and the skills of local Ugandan fishermen and fish farmers are enhanced as envisaged, the activities of the Centre has the potential to yield substantial commercial and developmental results, for example through increasing the capacity for large-scale farming of Nile perch and Tilapia.

The consultation process that preceded the decision to specifically establish the aquaculture demonstration centre in Uganda may provide a useful example for other African countries in terms of how to ensure that FOCAC projects in the agriculture field really benefit the countries’ needs.

### 7.3.2 Investment and business cooperation

In terms of investments, the 2006 Beijing Action Plan stipulates that mutual investment between China and African countries is to be further encouraged (section 3.2.1). Correspondingly, one of the Ugandan government’s current priorities is to improve the operational environment for foreign companies active in the country; simplify the registration procedure and establish a reliable system with all necessary financial, infrastructure and legal protection facilities.\textsuperscript{450} As a result, Uganda is a highly liberalised economy and regulations for foreign companies operating in the country are limited.\textsuperscript{451}

According to Chinese private sector representatives interviewed by the research team, Chinese businesses are currently faring very well in Uganda, operating mainly in IT, construction, manufacturing (paper and plastics), assembly plants, services (ranging from travel agencies to well drilling), trade-, retail and wholesale of consumer goods, as well as within the restaurant and hotel sector.\textsuperscript{452}

There is however a lack of data on the number of Chinese companies investing in Uganda. Respondents for the Uganda Investment Authority (UIA) argued that FOCAC has played an important
role in opening up for private sector exchanges between Uganda and China. Since FOCAC 2006, a great number of Chinese companies have shown interest in investing in the country and many have registered companies in Uganda.\textsuperscript{453} However, UIA have to date not had the possibility to do a structured follow up on the companies registered to retrieve data regarding which companies remain dormant and which are active. It is therefore difficult to appreciate the value of Chinese investments made in Uganda.\textsuperscript{454}

A very well placed member of the Chinese business community in Kampala noted in an interview with the research team that most Chinese businessmen active in the city prefer to engage in wholesale trade rather than retail given their lack of English language skills and knowledge of local culture.\textsuperscript{455} However, the research team was not able to ascertain any data regarding the share of Chinese traders engaging in retail and wholesale respectively.

Informed Ugandan and Chinese respondents consulted by the research team were clear in their perception that private sector cooperation drives Sino-Ugandan relations and that the role of FOCAC is to open up and facilitate private sector exchanges. Indeed, several Chinese representatives operating medium- and large sized companies in Uganda agreed in interviews with the research team that they perceive Uganda as a comparatively good place to do business and that the FOCAC process, where the two governments officially stress the need to open up for business engagement, is seen as helpful.

In terms of the FOCAC ministerial meetings \textit{per se}, several private sector representatives interviewed for the study perceived FOCAC as a strictly government-to-government event, and argued that it would be of great value if private sector representatives from African companies could be included in the consultation process. None of the respondents were aware of the 2\textsuperscript{nd} Conference of Chinese and African Entrepreneurs that was held in Beijing in 2006 on the sidelines of the FOCAC Summit.\textsuperscript{456} As mentioned in section 2, there was Ugandan participation at the Conference, however, the research team has not been able to ascertain detailed information about the companies involved or the agreements signed.

While it would be of great use to have a more important number of African companies from a wide variety of African countries represented at high level entrepreneurial conferences at the sidelines of the FOCAC Summits, it must be noted that such conferences take place far away from the reality of African and Chinese MSMEs active in African economies. It is therefore suggested that under the FOCAC umbrella, as part of China’s relations with each African country or each African regional organisation, annual or bi-annual conferences for African and Chinese entrepreneurs active in each African country or region could be organised to create synergies for the Sino-African business community. This is of particularly great importance given that trade in processed goods, locally owned investment and technology transfer are important keys to sustainable development of African economies.
Notwithstanding the current absence of formal consultation fora, the private sector respondents interviewed argued that the FOCAC process has indeed been very useful for opening up of business opportunities between China and Uganda. It is however difficult to quantify how and to what extent FOCAC specifically has played a role in this process since the development of private sector exchanges between Uganda and China certainly depends on a number of factors other than FOCAC, notably the liberal investment regime, the country’s position as a regional trading hub, its stable political environment and last but not least the logic of the globalised economy.

The Lake Victoria Free Trade Zone (LVFTZ)

It was also pledged in the Beijing Action Plan (section 3.2.6) that China would “encourage, in the next three years, well-established Chinese companies to set up three to five overseas economic and trade cooperation zones in African countries where conditions permit.”\(^457\) None of these designated zones are to be located in Uganda. However, a potential free trade zone in Uganda which would have significant Chinese investment is the autonomous Sseesamirembe Eco-City which has been underway since 2005 in Uganda’s Rakai District. However, despite President Museveni’s official approval of the Zone in February 2005, it is as a result of the controversies surrounding the project still far from getting off the ground, according to well informed observers.\(^458\)

Although the project is far from being implemented, the discussion around its establishment has had an impact on perceptions of Sino-Ugandan relations. Hence, for contextualising purposes, the developments around the Sseesamirembe Eco-City are outlined below.

Officially named the Lake Victoria Free Trade Zone (LVFTZ), the Zone is an entirely private venture which, if implemented, would be Africa’s largest tax-free economic zone of 200 square miles. Once completed, the zone would house up to 500,000 people that would move to the area to conduct business.\(^459\)

The owners of Kagera Eco-Cities, the company responsible for the development of the zone, are high-ranking members of a religious grouping, the Sserulanda Spiritual Foundation of Sseesamirembe in the Rakai district. Following accusations of the Sserulanda being a cult, a probe into the activities of the group was instigated in April 2008.\(^460\) The findings of the probe committee are yet to be presented.\(^461\) A great deal of resistance to the project has been seen, causing delays in its implementation. As a result of these delays, local companies have been hesitant to start pursuing business with companies registered in the LVFTZ.

In terms of Chinese investment in the LVFTZ, it was announced in September 2008 that the Chinese company Paradise International Investment would invest US$ 1.5 billion in the Ssesamirembe Eco-City. If implemented, this would amount to the single largest private investment in East Africa to date. Key projects of the investment would include an airport, reportedly bigger than Entebbe airport (also the airport for the capital Kampala), an international China-Africa Friendship University, an
international finance centre, a port, the Lake Victoria Casino Hotel, roads and telecom infrastructure, an agricultural training centre as well as residential areas.\textsuperscript{462}

A memorandum of understanding for the investment was signed on the 12\textsuperscript{th} August 2008. A delegation of ten was reportedly sent by the Ugandan President Museveni to Beijing for the signing ceremony. By means of the investment, Paradise Investment would obtain a majority share in the management of the zone, and the company has reportedly already drawn up a five-year plan for the development of the area.\textsuperscript{463}

In August 2008, a delegation from Paradise International Investment visited Rakai. After the visit, the delegation was reportedly to return to China and encourage other Chinese companies to set up businesses in the FTZ. In total, around 40 Chinese companies are expected to establish businesses in the Zone.\textsuperscript{464}

On the 3\textsuperscript{rd} January 2009, Zhang Aiming, Economic Counsellor at the Chinese Embassy in Kampala, led a delegation of three officials to the area, visiting the proposed free-trade zone’s central business district at Mweyanjale. The aim of the visit was reportedly to meet the local Rakai stakeholders before the multi-billion dollar project kicks off. In terms of the public concerns regarding the LVFTZ, representatives of Paradise Investment have stated that they do not know of any controversies surrounding the Ssesamirembe Eco-City.\textsuperscript{465}

In terms of developmental impact, the LVFTZ would of course hold important potential if it was implemented as envisaged. This, however, remains to be seen.

7.3.3 Trade

One of the aims set out in the Beijing Action Plan was to “grow China-Africa trade in a more balanced manner” (section 3.3). It was also pledged in the Action Plan that China would “further open up its markets to Africa, increase from 190 to over 440 the number of export items to China eligible for zero-tariff treatment from the least developed countries in Africa”. Amongst these products are farm products, stone materials, ores, leather, textiles and garments, machinery and electronic products, and wooden furniture.\textsuperscript{466}

During FOCAC 2006, Chinese Premier Wen Jiabao promised that China would increase imports from Uganda as an effort to bolster bilateral trade, stating that “China encourages Chinese enterprises to invest in Uganda and expand cooperation with Ugandan counterparts in the fields of agriculture, water conservancy and infrastructure construction”.\textsuperscript{467}

As shown in graph 7.1 and 7.2 below, over the period covered by the Beijing Action Plan, aggregated trade between Uganda and China has increased from US$ 156 million in 2006 to US$ 247 million in 2008, representing a 58.3 percent increase.
Graph 7.1:  Outlook of Uganda’s trade with China (1998-2008)

As illustrated in graph 7.1 and table 7.1, the trade balance is however skewed, with Chinese exports to Uganda being far greater than its imports from Uganda. In 2008, Uganda imported Chinese goods to a value of US$ 230 million and exported US$ 17 million worth of goods to China.

Table 7.1:  Uganda’s trade with China 2006-2008 (US$ million)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>17.70</td>
<td>19.85</td>
<td>17.11</td>
</tr>
<tr>
<td>Imports</td>
<td>137.85</td>
<td>202.45</td>
<td>229.94</td>
</tr>
<tr>
<td>Total</td>
<td>155.55</td>
<td>222.30</td>
<td>247.04</td>
</tr>
</tbody>
</table>

As a matter of fact, since FOCAC 2006, the value of China’s imports from Uganda has decreased. In 2006, Ugandan goods worth US$ 17.7 million were imported by China. In 2007, the number increased slightly to US$ 19.85 million in 2007, however, imports decreased again in 2008 with a total value of US$ 17.11 million. This decrease was attributed by a majority of respondents to Uganda’s weak manufacturing capacity. This challenge and possible solutions are discussed at further length below in this section.

In terms of the breakdown of items imported to Uganda from China, it comprises largely of manufactured goods; electrical appliances, shoes, clothing, vehicles, vehicle parts and textiles. These goods are imported to Uganda by both Ugandan and Chinese business actors. The value of electrical appliances & machinery imported to Uganda from China has seen a great increase between
2006 and 2009. In 2006, the value of imports in that product group was US$ 12.87 million. In 2007, trade spiked at US$ 65.15 million to decrease to US$ 45.52 million in 2008. Accordingly, the share of electrical appliances and machinery in Uganda’s import profile with China has increased greatly since 2006, as shown by the graph below.

Graph 7.2: Composition of Uganda’s top-20 imports (HS4 level) from China 1998-2008

Source: World Trade Atlas data, CCS analysis

Also in terms of Ugandan imports of Chinese-made footwear and clothes, the value has increased remarkably over the period. From the US$ 26.57 million of imported Chinese clothing and footwear recorded in 2005, the values increased during 2006 by 60.3 percent to US$ 42.59 million. The values thereafter remained fairly constant over 2007 and 2008 (US$ 44.56 million and US$ 49.23 million respectively). It can also be noted that in 2008 Uganda imported Chinese aircrafts for the first time to the value of US$ 8.1 million.

Uganda’s exports to China largely comprise of leather hides, cotton, oil seeds and ores. Since 2006, a notable increase in Chinese imports of Ugandan leather products can be noted. Certainly, this can be partly attributed to the removal of Chinese import taxes on leather hides implemented by means of the Beijing Action Plan (section 3.3), which was confirmed by respondents active in the leather hide export industry in interviews with the research team. The export of oil seeds has also increased since 2006, from US$ 0.52 million that year to US$ 1.49 million in 2008. Moreover, a notable decrease in the export of Ugandan cotton to China can be seen over the period.
Considering the current imbalance of trade between China and Uganda, both in terms of value and composition, the aim set out in the Beijing Action Plan to “grow China-Africa trade in a more balanced manner” has not been met in the case of Uganda. It has often been argued that the import of Chinese manufactured goods creates crowding-out problems for Ugandan traders and hampers the development of Ugandan manufacturing. This is frequently put in relation with capacity problems in the Ugandan manufacturing sector, and can be related to Kaplinsky et al’s discussion around complementary and competitive impacts of China’s direct and indirect trade links with Africa. On a methodological note, it is important to stress that in order to conduct a comprehensive analysis of how China’s export oriented economy impacts on the development of a competitive Ugandan manufacturing sector, in-depth quantitative and qualitative analysis is needed. The aim of this study was not to conduct such comprehensive analysis, but to seek to understand, in discussions with Ugandan stakeholders, the role that the Beijing Action Plan has played in terms of these dynamics and if solutions to these problems could potentially be identified by means of the FOCAC framework. A general feature of Sino-African relations is that increased access to affordable Chinese consumer goods in domestic African markets has improved the African consumer’s purchasing power. By means of access to imported Chinese goods, African consumers can now access goods they could not previously afford. This development comes, however, with unprecedented competition for domestic African manufacturing. The research team noted that in this context, two factors are important to consider; firstly, capacity of Ugandan manufacturers; and secondly, purchasing power of Ugandan consumers.
Ugandan manufacturing capacity

Respondents from relevant government departments confirmed that there are indeed important challenges pertaining to the Ugandan manufacturing sector’s readiness to compete, both in terms of domestic competition with imported Chinese consumer goods in the Ugandan market, and in terms of exports of Ugandan goods to China.473

The quota of 466 products eligible for zero-tariff treatment as per the Beijing Action Plan (section 3.3) has had little impact in terms of boosting Ugandan export volumes to China. According to informed respondents, there is great interest in China for Ugandan products (for example leather hides, coffee, arts & crafts, sesame seed and soy beans) and the quality of Ugandan export goods is indeed perceived as satisfactory by the Chinese market. According to several well informed respondents, the impediment to substantial growth in Ugandan export volumes to China is instead to be found in supply capacity. Particularly in terms of supplying the quantities demanded, but also in terms of the ability to manage requirements for packaging, shelf life and hygiene standards for large quantities of goods and meeting consumer taste.

Entrepreneurial individuals have however certainly seized the opportunity provided by the tax exemption quotas. For example, the CCS research team visited a successful Chinese-owned factory producing leather hides which had been set up shortly after the 2006 announcement of the expanded tax exemption quotas. While the destination of the main share of the factory’s exports was Europe, Italy in particular, an important share of the factory’s exports was destined to China.

It is suggested that such initiatives could be encouraged further. It is particularly important that the establishment of joint ventures with Ugandan entrepreneurs be facilitated so that local business capacity is increased. For example, seed funds for business ventures in Uganda focused on manufacturing and value added activities could be provided by means of the FOCAC framework. At the time of the field research, negotiations were ongoing between China Development Bank (CDB) and Uganda Development Bank (UDB) for the provision of such seed funds (for a full account, please refer to section 7.3.4). However, such facilities could be expanded significantly, and requirements should be put in place to ensure significant participation of local Ugandan economic actors in these joint ventures.

Ugandan purchasing power and the quality of Chinese goods

The second factor identified to play a role in terms of how China’s export oriented economy impacts on the development of a competitive Ugandan manufacturing sector is the purchasing power of Ugandan consumers.

The affordability of Chinese goods available in the Ugandan market speaks well to Ugandan consumers with limited purchasing power and lacking consumer awareness. As mentioned, it is often argued that these affordable products are substandard. This issue is intimately related to the structure
of the globalised economy where the Chinese export oriented economy has to an extent become ‘the factory of the world’. While it would be desirable, the Chinese government does not necessarily have the capacity to control the quality of all the goods that leave China. The complexities involved are important, and the ability of policy measures deriving from the FOCAC framework alone to thoroughly address the issue is limited. Eventually, as the purchasing power and consumer education of African consumers grows, demand for higher quality goods is likely to increase.

**Customs collaboration**

The Beijing Action Plan pledges to “[s]trengthen cooperation in customs, taxation, inspection and quarantine to facilitate healthy and orderly growth of China-Africa trade” (section 3.3). In relation to this, several respondents suggested that issues of Chinese-made counterfeit versions of local Ugandan brand products must be taken seriously in the development of Sino-Ugandan relations. The Ugandan consumer’s low purchasing power makes the manufacturing and sale of counterfeit Ugandan products lucrative, causing vast problems for local brand-owners and manufacturers. One Ugandan respondent showed the research team Chinese-made counterfeit versions of the company’s main product. The respondent told the research team that until the source of the problem had been unveiled, this illegal practice had resulted in a significant drop in sales over a period of time. It was argued that this is a challenge that must be dealt with by the Ugandan customs.

The CCS team discussed the challenge of lacking Uganda customs capacity with a number of Ugandan respondents. While it was acknowledged that very significant quantities of money are currently being collected on the taxation of Chinese products entering Uganda, it was argued that an estimated up to 50% of Chinese exports may still be evading customs procedures. While acknowledging that China has donated scanners to Ugandan customs in 2007 which is of great help in the everyday work of scanning imported goods, it was argued that Chinese customs authorities could be more responsive in terms of responding to requests to double check individuals’ export licences, cross check statements given by Chinese importers as well as other issues that need to be resolved on a daily basis between the two parties.

In comparison, a respondent from the Uganda Revenue Authority (URA) stated that Indian customs officials are more receptive, which may of course be related to language issues. According to the URA respondent, improved trade conditions in a globalised world require openness and collaboration, and that it would help greatly if this could be improved from the Chinese side. It was noted that a number of Ugandan customs officials visited China in 2009 to advance dialogue on customs issues, however, to date it remains an issue of discussion.

**Trade disputes**

The Beijing Action Plan further pledges to “properly address, in a spirit of mutual understanding and accommodation, trade disputes and frictions through bilateral and multilateral friendly consultations”
A related example was given by a prominent member of Kampala’s business community who explained to the research team that one of his suppliers in Guangzhou sometime back had suddenly stopped sending the goods that his company was paying for. In the legal battle to get the US$ 55,000 back, the respondent had received very limited assistance from the Chinese Embassy in Kampala, which the respondent argued had complicated matters.

Furthermore, the respondent noted that this is a problem not just for larger business actors like the company in question but also for small businesses, which may be even harder hit by similar kinds of challenges as a result of their size. It would according to the respondent be of great benefit for Sino-Ugandan relations if the Ugandan Embassy could put much more emphasis into helping Ugandan traders who find themselves in similar predicaments. If there were mechanisms to deal with these problems efficiently, this would boost the business community’s confidence in China as a trading partner. The respondent argued that this is hugely important since a country’s business community acts as de facto Ambassadors for their countries and their behaviour will affect how people from other countries perceive their country.

7.3.4 Finance

As President Museveni met with the China Development Bank (CDB) Governor Mr. Chen Yuan in Uganda in November 2006, Mr. Chen disclosed that his bank was ready to share experience with the East African Development Bank and Uganda Development Bank, particularly in terms of financing of the energy, transport, irrigation, manufacturing and mining sectors.479

Furthermore, Museveni’s meeting during FOCAC in November 2006 with Li Ruogu, President of China EXIM Bank, also proved successful and Uganda has since been able to proceed with the first component of an EXIM Bank financed US$ 106 million national fibre optic transmission backbone project (outlined further in section 7.3.5).

Finally and most recently, the Chinese Minister of Foreign Affairs, Yang Jiechi, and Sam Kutesa, Ugandan Minister of Foreign Affairs, signed four grant and loan agreements in January 2009 worth about US$ 75.8 million. The largest share of the loan will be utilized in the follow-up phases of the below mentioned national fibre optic transmission backbone project. The funds will also be used for economic and technical cooperation between the two governments, the construction of a hospital and a government office block, procurement of engineering equipment for Kampala City Council, as well as a grant to the Ministry of Foreign Affairs (these projects are detailed in the relevant sections of this chapter).480

The Uganda Development Bank (UDB) was at the time of the field research in negotiations with CDB to extend a US$ 10 million credit line to the bank. According to a UDB respondent, 40 percent of this amount would be used as finance for Ugandan traders (a minimum of US$ 200,000 per project financed) and 60 percent would be used as project based credit lines for companies operating in Uganda (production of goods such as flour, coffee, tea, flowers, biscuits and also service enterprises
such as hotels). Of the latter, 1/3 is to be reserved for Chinese-owned operations. These negotiations had at the time of the research however been in the pipeline for almost two years, and it remains to be seen when a deal will eventually be struck.\textsuperscript{481}

The Chinese business community in Uganda certainly has skills and experience that could help develop the Ugandan business actors. These skills have to be transferred however, and the best way of ensuring this would be to facilitate the establishment of Sino-Ugandan joint ventures in the MSME sector, notably in terms of manufacturing, trade and agro processing (the latter was discussed in section 7.3.1 above).

A practical way for Uganda to further this agenda could be to ensure that the terms of credit lines, such as the one outlined above from CDB to UDB, require that a certain percentage, if not all, of such credit lines that are extended to Sino-Ugandan joint ventures in small-scale industry/manufacturing, wholesale and/or retail of consumer goods and agro processing. It is imperative that the Ugandan partners to such joint ventures are indeed active in the operation, and not merely dormant formal partners.

This could be seen as a bold or even restrictive move given Uganda’s currently liberal investment regime, where no Ugandan ownership is required for companies to operate in Uganda. However, while private Chinese and other foreign direct investment could continue to operate under the current liberal regulatory regime, it is recommended that credit lines extended to Uganda by means of the FOCAC framework (such as the above discussed CDB credit line currently under negotiation) apply slightly stricter conditions so as to ensure that local industrial capacity and economic know-how is strengthened.

During a visit to Kampala in June 2009 to discuss investment opportunities in Uganda with President Museveni, the chairman of the Industrial and Commercial Bank of China (ICBC) Jiang Jianqing stated that ICBC is looking into opportunities to invest in agriculture in Uganda as well as in oil refining and oil pipeline construction. During the same meeting, President Museveni also suggested that ICBC could look into investing in mining and infrastructure projects in the country.\textsuperscript{482} In a similar vein as the suggestions above, it is recommended that Uganda in future negotiations with ICBC for credit lines ensure that such investment mainly takes place by means of joint ventures with active Ugandan partners.

Lastly, it can be mentioned that Ugandan government officials consulted for this study noted that loans from China can be difficult to manage given that most banks in Uganda are foreign owned and controlled. It is therefore recommended that loans from China to Uganda should be channelled through UDB.

7.3.5 Infrastructure development

Infrastructure is a pressing developmental need in most African countries, and Uganda is no exception. Ugandan officials interviewed for the study emphasised that improving the transport
network is considered vital for longer term economic growth. Currently, the poor Ugandan road- and rail network leading to high transport costs are impediments for entrepreneurs seeking to set up and run businesses in the country, which in turn pushes up price levels.483

In the Beijing Action Plan, infrastructure, “particularly transportation, telecommunications, water conservancy and power generation facilities”, is identified as a key area of cooperation (section 3.5). In Uganda, a number of projects have been undertaken in the area since FOCAC 2006.

Most notably, a large scale telecommunications project in four phases is currently under implementation. The overall aim of the project is to connect all Ugandan ministries to one single wide area network, establish a government data centre and connect 28 of Uganda’s districts to the ICT backbone. The total cost for the first three phases of the project is US$ 106 million, which will be provided through China EXIM Bank concessional loans and implemented over three years. Phase four, which will cover the northern parts of Uganda, will be financed mainly by China but also by the World Bank and other donors.484

The first phase, worth US$ 30 million, was implemented by Huawei and completed in June 2008. It encompassed establishing e-government infrastructure (EGI) and national data transmission backbone infrastructure (NBI). More specifically, this involved connecting Ugandan government ministries to an e-government network including video conferencing facilities, as well as connecting the municipalities of Kampala, Entebbe, Bombo, Mukono and Jinja to the national ICT backbone. 183 km of fibre optic cable was laid during the first phase.485

During Chinese Foreign Minister Yang’s visit in January 2009, an agreement to start work on the second phase of this project was signed. At the time of the field research, the final approval from the Chinese government was still pending. The Ugandan parliament has approved of both the second and third phases of the project, which will connect another 20 of Uganda’s municipalities in a similar fashion in the first phase, and set up a government data centre. The implementation of these two phases (financed by China EXIM Bank concessional loans of US$ 61 million and US$ 15 million respectively) is currently being planned.

Internet capacity in Uganda is currently severely constrained, which is an important impediment to private sector development. The roll-out of fibre optic cable on land therefore has great potential to improve e-infrastructure. Currently, the use of the Huawei constructed ICT backbone is limited to government departments, but its utility and development impact is expected to increase as it is expanded outside government buildings to provide internet capacity also to businesses and households. At the time of the field research, a process was ongoing to find a suitable company that can manage the process of extending the use of the ICT backbone also to the private sector.486

Further, in terms of Ugandan infrastructure needs, it can be noted that road capacity in central Kampala is severely constrained since the city’s road system has not been developed at the rate with which the number of vehicles in the city and the intensity of vehicle usage has been increasing. The city centre is therefore blocked by traffic jams during large parts of the day, which hampers economic
activity greatly. During Foreign Minister Yang’s visit in January 2009, a US$ 10 million concessional loan agreement to finance a road and sanitation project in Kampala was signed. The project is to be managed by the Kampala City Council. Although the scope of this particular initiative is fairly modest, any efforts by the Chinese government to improve road capacity in Kampala are expected to have a positive developmental impact and should be encouraged by the Ugandan side.

A prominent feature in China’s relations with African countries is the custom to donate buildings to African capitals; parliaments, senate buildings, foreign ministry buildings, sports stadiums, congress buildings and other public facilities. While these structures are of great symbolic value for the Chinese government’s endeavour to improve China’s image in African countries, the extent to which these buildings have a positive developmental impact for African peoples is debatable.

In the case of Uganda, the Beijing Action Plan has facilitated a number of projects in this regard. The Chinese government has announced that it is to finance new government buildings in Kampala; offices for the President, the Prime Minister and the Vice President. This project, worth US$ 20 million according to a representative for the Ministry of Finance, was being tendered for in China at the time of the field research and construction was to start in the second half of 2009. These offices are expected to be of great use for the Ugandan elites working for the President, the Prime Minister and the Vice President. However, it is argued that Uganda should rather request that if China wants to donate public facility buildings to the country, which of course is a welcome initiative, it would be suitable to donate facilities that are of greater use to the broader Ugandan populace and that thus may have greater developmental impact. For example, a Sino-Ugandan Entrepreneurial Centre in Kampala could be greatly beneficial for Ugandan private sector development. At such an Entrepreneurial Centre, the Uganda Investment Authorities, the Uganda Export Promotion Board, Chinese entrepreneurs active in the country and the Ugandan business community in collaboration with the Chinese Embassy could work to facilitate the establishment of Sino-Ugandan joint ventures in manufacturing and agro processing (as outlined in section 7.3.4 above), and also to safeguard the continuous growth of such operations over time.

7.3.6 Energy and Resources

In terms of energy and resources, it was agreed in the Beijing Action Plan that China and Africa would pursue “joint exploration and rational exploitation of energy and other resources through diversified forms of cooperation” (section 3.6.1). Ugandan officials consulted for this study also emphasised that electricity supply is a key priority for the country’s development over the next few years. Uganda has great potential in terms of natural resources. Exploration for oil in the Lake Albert area in western Uganda is currently in its early stages, expectations from Ugandan authorities are high and it is estimated that fields discovered thus far in the area may contain more than one billion barrels. Estimated production could eventually reach 150,000 barrels per day. In February 2009, it was reported that China National Petroleum Corporation (CNPC) and Sinopec, two of China’s ‘big three’
state-owned oil companies, were among ten companies shortlisted to become Tullow Oil’s partner in oil exploration in the Lake Albert area, as it is seeking to sell part of its stakes in the field.\textsuperscript{490} Moreover, as mentioned above, an ICBC delegation stated during a visit to Kampala in June 2009 that the bank is looking into opportunities to invest in oil refining and oil pipeline construction in Uganda.\textsuperscript{491}

Uganda has significant mineral resources, for example gold, zinc, iron ore, copper and diamonds. The Ugandan government has made efforts to incentivise investors through for example writing off certain capital expenditures in full. The sector remains underdeveloped however, and no significant Chinese investment has been seen to date. However, Chinese companies have been encouraged to invest by Ugandan authorities\textsuperscript{492} and Chinese participation in the Ugandan natural resources sector may thus increase in the near future. This means that Uganda has a golden opportunity to ensure that Ugandan participation and beneficiation is secured from the onset. It is recommended that joint ventures with active Ugandan partners (as outlined in section 7.3.4) be the dominant form of organisation in terms of Sino-Ugandan collaboration in the natural resources field.

Given the economic significance of natural resources to African economies, important agreements pertaining to the sector will often be negotiated at the highest possible political level, which in most African countries equals the presidency. It is recommended that the team from the presidency to negotiate deals with potential Chinese investors includes experts with the necessary technical and legal competency as well as members fluent in Mandarin Chinese. In this way, Uganda will greatly increase the likeliness of the country negotiating fair deals with Chinese investors in the natural resources sector.

7.4 Evaluating the Beijing Action Plan: Cooperation in Social Development

7.4.1 Development assistance and debt relief

One of the Chinese President Hu Jintao’s more famous remarks from the FOCAC Summit in 2006 was the pledge to double China’s development assistance to African countries between 2006 and 2009.\textsuperscript{493} Given that an accurate figure of the exact value of China’s previous development assistance to Uganda has not been published, it is difficult to evaluate whether this pledge has been fulfilled in the case of Uganda.

Moreover, correct estimations of the levels of China’s development aid to Uganda are difficult to make given the bundled nature of Chinese development aid, which makes it difficult to distinguish between aid, trade and investment.\textsuperscript{494} The section below outlines the development aid related assistance provided since 2006, however, for the reasons mentioned above, no attempt is made to quantify whether or not aid has doubled.

The Beijing Action Plan further stipulates that the Chinese government would “[c]ancel government interest free loans that had become due by the end of 2005 contracted by HIPC[s] and LDCs in Africa
with diplomatic ties with China” (section 5.1.2). Since FOCAC 2006, US$ 17 million (the equivalent of 3 billion Ugandan shillings) of Ugandan debt to China has been cancelled. This took place in 2007 as a delegation led by the Chinese Vice Minister of Commerce Fu Ziying held discussions with the Ugandan Ministry of Finance Planning and Economic Development. Moreover, in 2007, a grant agreement of US$ 6.8 million was signed.\textsuperscript{495} Debt relief is an efficient way for China to aid African economies, on the condition that the funds that should have gone towards debt repayments are indeed allocated to social spending. This, however, is the responsibility of Uganda’s leadership.

### 7.4.2 Human Resource development

Training of African officials is an important component of China’s development assistance to Africa. By means of the Beijing Action Plan, the Chinese government pledged to “continue to provide specific training of professionals and management personnel for African countries in response to their needs” (section 5.2.2). An emerging theme from the research team’s interviews with stakeholders from a selection of Ugandan government departments is that China is seen as an able partner for Uganda particularly in terms of health care and agriculture. Indeed, for purposes of assessing if the training provided matches Uganda’s needs in terms of human resource development, it can be noted that most of the training provided falls within those two areas.

Around 250 Ugandan officials and professionals received training in China in 2007 and 2008, mostly over periods of 1-2 months.\textsuperscript{496} The areas in which training were provided included agriculture, fishing, bamboo cultivation, urban health, hospital management, education and technology. Another 110 Ugandan professionals will be trained, mostly in fisheries, during 2009. This will according to Zhang Aiming, Economic Counsellor at the Chinese Embassy in Kampala, complete the quota promised by the Chinese government to Uganda.\textsuperscript{497}

It is argued that China, given its experience in the fight against malaria, has great potential to assist African countries in general and Uganda in particular in this regard. Specific examples of such assistance can be mentioned. For example, from the 26\textsuperscript{th}-29\textsuperscript{th} November 2006, five Chinese malaria experts were dispatched to Uganda to train 48 Ugandan medical workers.\textsuperscript{498} Moreover, in October 2007, 20 Ugandan officials from local governments, hospitals, prisons and disease prevention centres attended a malaria control training course in Wuxi, Jiangsu Province.

Given the number of areas in which Uganda could use Chinese assistance to develop human resources, it is recommended that Uganda focuses its request in this regard to mainly cover health care. This is discussed at further length in section 7.4.4 below. Agriculture is also a very important priority area for the Sino-Ugandan relation going forward, however, it is recommended that collaboration in the agriculture sector rather focuses on the establishment of Sino-Ugandan joint ventures in agro processing, as outlined in sections 7.3.1 and 7.3.4 above.
7.4.3 Education

In 2007, 40 Ugandan students were awarded Chinese government scholarships to pursue five years of full time study in China. In 2008, the number of students awarded bursaries was 31. According to Ambassador Sun, around 60 percent of Ugandan students stay in China after graduation and start working for multinational companies after graduation, while around 40 percent of them return to Uganda. It was argued by a number of respondents that one factor affecting Ugandan students’ decision to return to Uganda upon graduation is how their Chinese degrees are perceived. Reportedly, they are not as highly regarded as European or American degrees.

Moreover, several Ugandan respondents argued that the developmental impact of the bursaries would be greater if Ugandan students would instead be encouraged to study in Uganda, thus increasing the likeliness of the students remaining in Uganda upon graduation. It is however likely that the Chinese government scholarships are likely to remain scholarships for study in China for the time being. On that note, other respondents argued that Ugandan graduates that remain in China often create synergies for the home economy, since they mostly engage in trade related activities or work for Chinese companies with links to Africa.

It is crucial that Uganda harness the skills acquired by Ugandan graduates in China. The best way of doing so is to boost the ‘pull-factors’ of the home economy. Prospective Ugandan employers - companies and government departments alike - must be made aware of the value of Chinese degrees. This could be made by means of the creation of a permanent Centre for Chinese Scholarships where Ugandan graduates from Chinese universities can receive assistance in terms of translating their degrees, theses, certificates from Chinese internships etc, as well as approaching prospective Ugandan employers. The Centre could also function as an agency for Ugandan companies looking for suitable candidates.

It would be important that the Ugandan students selected to go to China on a Chinese government scholarship be introduced to the activities of the Centre before leaving to China, so that they already at the onset of their studies are aware of the support available to them at home. The students can subsequently continuously meet with the Centre during their studies as they visit Uganda on holiday. With the assistance of the Centre, they can thus develop their contacts with the local Ugandan economy and employers already during their studies, which is expected to facilitate their successful integration into the home economy upon graduation. A suitable model for Uganda to draw on in this case is the Mozambican Institute for Scholarships (refer to chapter 5).

Moreover, in the Beijing Action Plan (section 5.4.4), the Chinese government pledged to “[h]elp African countries set up 100 rural schools in the next three years”. In a bilateral agreement signed on the 18th September 2007, it was stipulated that Uganda would receive two of these rural schools and that they would be located in Sembabule and Kanungu districts respectively. Both schools were finalised and delivered to the Ugandan government in May 2009.499 In Sembabule district, Jiang Xi International Company has been the contractor for the construction. In Kanungu, Ershisan Ye Construction Group...
has been the responsible contractor. The latter has also built the State House and the President’s house in Kampala.

The school in Kanungu was designed by a Ugandan engineer, a graduate from Harvard University, and the construction was completed within six months. The school was financed by a US$ 700,000 donation from the Chinese government. This amount was considered sufficient to construct a proper school building given the fact that all of the building material was sourced from China, except cement which was purchased locally. The cost of the building material would according to an informed Chinese respondent have been six to seven times the price if it would have been purchased in Uganda. All of the labour used for the construction was hired locally, except for 18 Chinese technicians.500

The practice of sourcing building material from China is a recurring and highly criticised theme in terms of Chinese engagement with Africa generally. Projects financed by China EXIM Bank have to source 50 percent or more of their building material from China according to EXIM Bank regulations: “[e]quipments, materials, technology or services needed for the project should be procured from China ahead of other countries. In principle, no less than 50% of the procurements shall come from China”.501

For private Chinese companies operating in Africa with no connection to the Chinese government and no access to funds from China EXIM Bank, the practice of sourcing building material from China is solely related to the much more competitive prices in the home market. The latter is also applicable to the Chinese companies contracted to build the schools donated by means of the FOCAC framework. As indicated in one of the CCS’ interviews with a respondent for one of these companies, it would not have been possible to build the school within the allocated budget if all the building material had not been sourced from China.502 All things considered, this results in a situation where little to no building material is sourced on the African continent, neither from the country in question nor from the neighbouring African economies.

In this context, two main arguments can be made. Firstly, it could be argued that the most important thing is to ensure that schools, hospitals and roads are built to the greatest extent possible in African countries. From this point of view, the question of where the building material is sourced would be irrelevant since the end goal is to maximise the value of each Yuan donated by the Chinese government.

It could also be argued that in order for each Chinese Yuan donated to get the maximum sustainable long term development impact, it would be more beneficial if the material would be locally sourced, either in the African country in question or from the neighbouring African economies. Even though the process of using more expensive building material would mean that only a third or a quarter of the number of schools, roads or hospitals currently built would be implemented, the developmental effects may be greater given the broader economic synergies such a modus operandi could create. Although the economic causal chains are more complicated and requires more research, such an approach
may also counter the risk that the FOCAC process creates an increased African dependency on China for the supply of building materials.

Given that the former approach (sourcing the building material from China in order to get maximum quantitative output) has to date been used in the majority of cases across the continent, it would be interesting to see what the developmental impacts would be if Uganda insisted that the latter approach (building fewer schools/hospitals/roads but sourcing the material locally/regionally in Africa) should be used for Chinese infrastructure donations to Uganda in the near future. The recommendation given in this study is therefore that Uganda, and other African countries for that matter, should require that an increased share (80-100 percent) of the building material used in Chinese infrastructure projects in each African country should be sourced locally or from the neighbouring countries.

The Beijing Action Plan moreover stipulates that the Chinese government would “[e]stablish Confucius Institutes in African countries to meet their needs in the teaching of the Chinese language” (section 5.4.4). In Uganda, no Confucius Institute has been established as of yet, although there is a great need in the country for Ugandan professionals with the necessary Mandarin language proficiency and knowledge of Chinese culture. The research team learnt that a professor at Makerere University has made an application to establish a Confucius Institute, which was turned down by the Chinese Embassy with the motivation that he had applied in his individual capacity. The research team experienced that there is an apparent lack of knowledge among the Chinese diplomats in Uganda in terms of the required procedures for the establishment of Confucius Institutes, which may be one of the reasons why the Ugandan application was not successful.

Given that communication was identified during the field research as a major challenge for every day Sino-Ugandan relations, particularly for Ugandan business actors trading with China, and given the fact that China’s importance as a partner for Uganda is likely to grow over the years to come, it is imperative that Mandarin language training in the country gets a head start as soon as possible. Increased knowledge of Mandarin Chinese among Ugandan university students, civil servants and private sector actors will be crucial in order to ensure that Uganda’s interests are sufficiently met as the Sino-Ugandan relationship develops further. The Cameroonian Confucius Institute, based at the University of Yaoundé II, could for example be a successful model to draw on for Uganda in terms of how to reach out with Mandarin language training to a variety of constituencies.

It is recommended that this be made one of the priorities for Uganda as Sino-Ugandan relations develop further. It is also recommended that the Chinese Embassy in Uganda strengthens its capacity in terms of informing interested Ugandan stakeholders of the procedures required to establish a Confucius Institute.

7.4.4 Medical care and public health

Health care is one of the cornerstones of China’s assistance to Africa. Accordingly, pledges in terms of health care formed an important part of the 2006 Beijing Action Plan. In terms of Chinese medical
teams active in Africa, the Chinese side pledged to “[c]ontinue to send and send new and additional medical teams to Africa in the next three years” (section 5.5.3) while the African side pledged to “provide proper working and living conditions for them” (section 5.5.1).

In Uganda, a medical team from Yunnan province comprising eight members including an interpreter and a cook is active in Jinja, two hour’s drive from Kampala. The CCS research team noted during a visit in February 2009 that the medical team’s living conditions are very simple. The team shares a house with communal bathroom and kitchen. Compared to local standards, the medical team’s accommodation may be judged as appropriate. However it can also be seen as too simple given that they are foreign professionals who sometimes receive visits from their families.

In discussions with the research team, the members of the medical team noted that while they are indeed especially selected highly qualified professionals who travelled to Uganda to make a difference in the spirit of humanitarianism and international solidarity, they perceive that their utility of their qualifications are not necessarily being maximised in their day-to-day work in Uganda as a result of language barriers and cultural differences. Also, they had noted that the local Ugandan population were not necessarily aware that the mission of the Chinese medical team was to make a difference and that this is the reason why they had chosen to live in Africa for two years and leave their families behind.505

Generally, each Chinese medical team operating in African countries has one member that works with interpretation. Given the above mentioned complaints, this is clearly not sufficient in the Ugandan context. It would of course be ideal if a greater number of interpreters could be put to the medical team’s disposal, however, this would incur significant extra costs. It is therefore argued that the most cost effective way of improving the developmental impact of the medical team’s work in Uganda would be to conduct appropriate language training for the members of the medical team.

Given that each African country receiving the medical team has the best competency to teach the country’s official language to foreigners, it should be the responsibility of the recipient country to ensure that such training takes place. The training could, however, be co-funded by the Chinese government. For example, one week of intensive language training, focusing on medical vocabulary, could be provided upon arrival in the African country, followed by training one afternoon per week throughout the team’s stay.

Furthermore, by means of the Beijing Action Plan, Beijing pledged to build demonstration centres for prevention and treatment of malaria in African countries. The choice to focus on malaria among the many diseases plaguing the African continent is interesting given that China has important experience from its own fight against malaria and has great knowledge to draw on in this regard. In Uganda specifically, malaria is a very important health hazard.506

In Uganda, the anti-malaria research centre donated by means of the FOCAC framework is housed by the Infectious Diseases Institute in Mulago hospital in Kampala. The cost to establish the Centre was reportedly US$ 400,000 and it was inaugurated on the 15th May 2008.507 A bilateral agreement signed
on the 8th November 2007 stipulated that the Chinese government would provide equipment and medication for the centre, as well as dispatching four Chinese malaria control experts to train 31 Ugandans for two weeks. This training was implemented in three separate groups; laboratory technicians, clinical medical workers and malaria prevention- and control personnel. In terms of the developmental impact of the malaria research centre established, it is likely to be important given the enormous need in Uganda for assistance in the fight against malaria. However, it has not been in use long enough for its impact to be quantifiable.

Moreover, as outlined in section 4.2 on human development above, five Chinese malaria experts were dispatched to Uganda on the 26th-29th November 2006, shortly after the FOCAC Summit, to train 48 Ugandan medical workers. Also, in October 2007, 20 Ugandan officials from local governments, hospitals, prisons and disease prevention centres attended a malaria control training course in Wuxi, Jiangsu Province.

The Chinese government has also donated malaria medication worth approximately US$ 250,000 to Uganda. The drug, named ARCO, is a new type of anti-malaria medicine of which only one tablet is given to the patient. After successful testing procedures, it was approved for usage by the Ugandan Drug Authority in May 2009. Generally many African patients, particularly in rural areas, are illiterate and struggle to take their medication according to the often written instructions given at the time of prescription. They thus run the risk of stopping their medication too early, thereby developing resistance towards certain medicines. A malaria treatment which involves only one tablet would be highly suitable in these circumstances, and it is therefore argued that ARCO could be a model that China could introduce in its work across the African continent.

Moreover, in the 2006 Beijing Action Plan, the Chinese Government also pledged to “[a]ssist African countries in building 30 hospitals” (section 5.5.3). Uganda is to receive one of these hospitals, which is to be located in Naguru, Kampala, and finalised in 2011. During Foreign Minister Yang’s visit to Uganda in January, an economic and technical agreement was signed outlining the costs for the hospital construction. At the time of the field research, MOFCOM was preparing for the bidding process in China. The Chinese medical team currently based in Jinja will relocate to the hospital in Naguru upon its completion.

While material support such as hospitals, clinics and medication as well as human resource capacity building through training in China are appreciated features of China’s assistance to Uganda’s health sector, well-placed respondents suggested that generally, bureaucratic capacity building (such as human resources and e-health systems) for the Ugandan health system would be of great value in terms of assuring long-term capacity building. The respondents remarked that this request applies to all Uganda’s development partners, not just China. This concern was echoed in interviews with Congolese officials (as outlined in chapter 4). Given that this request was expressed so strongly, it is recommended that it be taken into account in the further development of Sino-Ugandan relations.
7.4.5 Tourism

The Beijing Action Plan states that Africa “welcomes more visits by Chinese tourists and encourages more African tourists to travel to China” (section 5.7.2). For Uganda, tourism is an economic sector with great growth prospective given its tropical climate and exotic wildlife. The country was granted Approved Destination Status (ADS) in 2003 for inbound Chinese tourism. Potentially large numbers of Chinese tourists may thus potentially choose to spend their holidays in Uganda.

Given that the country’s manufacturing sector is struggling to compete with Chinese imports, the tourism sector is, along with agriculture, of great economic importance to Uganda in terms of job creation (as outlined in section 7.3.3). If Uganda could manage to attract Chinese investors that would set up Mandarin Chinese information web sites and provide package deals with Chinese guides, Chinese hotels and restaurants, the development potential would be important. It would be desirable that such businesses be set up as joint ventures between Chinese and Ugandan business actors, as mentioned in section 7.3.4.

According to a very well placed respondent within the Ugandan Ministry of Tourism, Trade and Industry, greater numbers of Chinese tourists had been expected to Uganda than has been seen to date. The respondent recognised that further marketing exposure of Uganda as a destination in China was probably needed, along with surveys for Chinese consumer taste. This, however, was acknowledged by the respondent as something that has to be driven largely by the private sector, although it can be facilitated by the FOCAC framework, and also through ensuring that visa procedures are proceeding smoothly.

According to a Chinese respondent working with travel arrangements for Chinese business travellers to Uganda, visas to Uganda are expensive and time consuming to get. The respondent from the Ministry of Tourism, Trade and Industry was not aware of any such problems, and suggested that such impediments to exchanges must promptly be done away with. It is recommended that the Ugandan embassy in Beijing ensures that visa procedures proceed smoothly so as to facilitate the development of Chinese tourism to Uganda.

In terms of transport between the two countries, there are no direct flights available. However, daily flights are available to Beijing via Dubai and Addis Ababa, and several flights per week are available to Hong Kong via Nairobi and to Guangzhou via Bangkok.

In terms of the broader Africa-Asia tourism agenda, it can be noted that on the 15th-27th June 2009, Uganda hosted the 5th Africa-Asia Business Forum (AABF). The conference, organised by the UN, the World Bank and Japan’s Ministry of Foreign Affairs, brought together private sector representatives and top officials from 65 countries in Africa and Asia as well as representatives of international organizations to “review, examine and assess the existing strategies in Africa for sustainable tourism.” Although the AADF does not focus solely on tourism between Uganda and China, it certainly has the potential to boost relations in this regard.
7.5 Political, social and economic impact of FOCAC

As this chapter has outlined, relations between China and Uganda have indeed deepened greatly both in terms of political, social and economic cooperation over the nine years that have passed since the instigation of FOCAC in 2000. Many Ugandan and Chinese stakeholders consulted in-country for this study noted that FOCAC is still a very new institutional framework compared to other institutional frameworks such as the Lomé Convention which has been in place for several decades. However, nine years is a significant time period, particularly given the rapid increase in the various forms of Chinese interaction with Uganda. It is therefore appropriate to assess the impact of FOCAC in the country to date.

When discussing the implementation and impact of the Beijing Action Plan in Uganda, an emerging theme is that there is a difference between the parts that pertain to government engagement (projects implemented by the two governments) and private sector engagement.

7.5.1 Government level engagement

In terms of the FOCAC pledges to be implemented in collaboration between the Chinese and Ugandan governments, as well as other projects facilitated by the Beijing Action Plan, implementation has been largely satisfactory. In general, successful implementation depends to a great extent on the commitment of the individual Ugandan and Chinese officials involved. Although it was mentioned in some of the interviews that misunderstandings arising from communication problems between Chinese and Ugandan government representatives do occur, the research team’s overall observation is that in the case of Uganda, the cooperation experience seems to have been positive and relatively productive.

As outlined in the relevant sections above, most projects pledged are completed or currently under implementation. Cooperation between Ugandan and Chinese government representatives has worked satisfactorily in terms of finding sites for construction projects such as schools and hospitals. Collaboration within the FOCAC framework has covered most of Uganda’s national priority sectors (outlined in section 7.3), albeit to a varying extent. Particularly the areas of health care, education and ICT have received much support by means of the FOCAC framework. More still remains to be done on the priority area of agriculture, where little has been done as yet in the country besides the planned agricultural demonstration centre. However, more is expected to take place in the agriculture sector in the future, starting from the 2009 FOCAC ministerial meeting, which had agriculture and food security as its main themes along with infrastructure development.

All in all, as mentioned above, it is difficult to ascertain the extent to which these donations and the training provided are likely to have the desired positive long-term developmental impact. The most important aim of all development assistance efforts is of course to foster self-reliance, and the Chinese
approach with a mix of donations, loans and training may turn out to be suitable in this regard, however, it is too early to make a decisive assessment at this stage.

7.5.2 Private sector engagement

As noted in the relevant section above, private sector engagement, particularly trade, plays an important role indeed in Sino-Ugandan relations. While most private sector representatives consulted agreed that FOCAC has indeed been useful in terms of boosting private sector exchanges, a fair amount of friction was also identified, notably from the Ugandan side. This emanated largely from cultural distance and communication problems between Ugandan businessmen, Chinese traders in Uganda and suppliers in China.

As noted in sections 7.3.2 and 7.3.3, practical problems in interaction between the parties, as well as issues of counterfeit goods certainly affect both the profitability and developmental potential of the exchanges themselves, but also the perception of China and the Chinese in Uganda. One private sector representative interviewed by the research team argued that Chinese private sector actors active in Uganda rarely come to ask for advice in terms of understanding the Ugandan business environment or to build up partnerships. This is certainly an area where there is room for great improvement over the coming three years of the FOCAC framework.

7.6 Recommendations for Ugandan stakeholders

7.6.1 Ensure that agro processing is prioritised

The provision of seed funds for Sino-Ugandan joint ventures in agro processing with Ugandan ownership and local beneficiation should be the number one priority for the Sino-Ugandan relationship going forward.

As outlined in section 7.3.1, agriculture and agro processing is the Ugandan economic sector with the greatest growth potential. According to a vast majority of Ugandan respondents, agriculture should be the number one priority for the Sino-Ugandan relationship going forward. Chinese actors certainly have technological capacities that could be of great use in the Ugandan context. This should notably take place by means of the establishment of Sino-Ugandan joint ventures focusing on the processing of fruit (notably mango and pineapple) or coffee. In order to ensure that local industrial capacity and economic know-how is strengthened, it is imperative that the Ugandan partners to such joint ventures are indeed active in the operation, and not merely dormant formal partners.

7.6.2 Establish a Centre for Chinese Scholarships in Kampala

A Centre for Chinese Scholarships should be established in Kampala to help integrate Ugandan graduates with Chinese degrees into the Ugandan economy so as to encourage the students to return home upon graduation.
It was noted by several respondents that Chinese development assistance in the form of scholarship for higher studies in China risks being largely wasted if the graduates do not return to Uganda after graduation. The graduates' choice to remain in China may be personal, however, as noted in section 7.4.3, Chinese degrees are often not as highly regarded in Uganda as degrees obtained in Europe or in North America. In order to counter this, it is recommended that efforts are made to boost the ‘pull-factors’ of the home economy. This could be made by means of the creation of a permanent Centre for Chinese Scholarships where Ugandan graduates from Chinese universities can receive assistance and that Ugandan employers can contact when they look for suitable candidates. A suitable model for Uganda to draw on in this case is the Mozambican Institute for Scholarships (refer to chapter 5).

7.6.3 Focus Chinese HR development on malaria prevention

*It is recommended that Uganda focuses its requests in terms of human resource development to mainly cover health care, notably focusing on the fight against malaria.*

Given that malaria is an important developmental challenge in Uganda, it is very important that the Chinese experience in this regard is harnessed. An important proportion of the human resource development for Ugandan officials provided by China to date has focused on developing skills for the fight against malaria among Ugandan health care officials. It is recommended that Uganda continuously focuses its requests for Chinese assistance in terms of human resource development on strengthening skills among Ugandan health care workers in terms of the fight against malaria. This could include large scale provision of the anti-malaria drug ARCO which requires only one tablet per patient and which would therefore be suitable in rural areas where many patients are illiterate and struggle to take their medication according to the often written instructions given at the time of prescription.

7.6.4 Strengthen the managerial capacity of Uganda’s health system

*Uganda should require that health care assistance from China should focus on building managerial capacity; improving human resources and furthering e-health issues.*

Representatives of the Ugandan ministry of health recognised that China has been providing valuable assistance to Uganda in the form of hospitals, medical staff, training of Ugandan medical and administrative staff as well as the provision of medication. However, an additional suggestion identified was that it would be beneficial for long-term capacity building of the national health systems if the collaboration with China could focus to a greater extent on building managerial capacity; improving human resources (more training of administrative staff) and furthering e-health issues (providing equipment and training for the digitalisation of health care systems). Ahead of FOCAC 2009, this is something that should be suggested by Ugandan stakeholders to the Chinese side.
7.6.5 Establish annual Sino-Ugandan FOCAC business conference

Annual business conferences for Ugandan and Chinese entrepreneurs active in Uganda should be organised in Kampala under the FOCAC umbrella to create synergies for the Sino-Ugandan business community.

While it would be of great use to have a greater number of African companies from a wide variety of African countries represented at high level entrepreneurial conferences at the sidelines of the FOCAC Summits, such conferences take place far away from the reality of African and Chinese MSMEs active in African economies. It is therefore suggested that under the FOCAC umbrella, as part of China’s relations with each African country or each African regional organisation, annual or bi-annual conferences for African and Chinese entrepreneurs active in each African country or region could be organised to create synergies for the Sino-African business community. This is of particularly great importance given that trade in processed goods, locally owned investment and technology transfer are important keys to sustainable development of African economies. In Uganda, these conferences could be arranged with FOCAC funds and co-hosted by the Chinese Embassy, the Uganda Investment Authorities (the UIA) and local Ugandan and Chinese chambers of commerce. It is believed that similar processes would be beneficial in other African countries.

7.6.6 Further Sino-Ugandan JVs to strengthen Ugandan manufacturing capacity

Ensure that a certain percentage, if not all, of Chinese credit lines extended to provide seed funding in Uganda are extended to Sino-Ugandan joint ventures so as to strengthen Sino-Ugandan manufacturing capacity.

The Chinese business community in Uganda certainly has skills and experience that could help develop Ugandan business actors. These skills have to be transferred however, and the best way of ensuring this would be to facilitate the establishment of Sino-Ugandan joint ventures in the MSME sector, notably in terms of manufacturing, trade and agro processing. A practical way for Uganda to further this agenda could be to ensure that a certain percentage, if not all, of Chinese credit lines extended to provide seed funding in Uganda are extended to Sino-Ugandan joint ventures within industry/manufacturing, wholesale and/or retail of consumer goods and agro processing. In order to ensure that local industrial capacity and economic know-how is strengthened, it is imperative that the Ugandan partners to such joint ventures are indeed active in the operation, and not just dormant formal partners.

7.6.7 Establish a Sino-Ugandan Entrepreneurial Centre in Kampala

Uganda should require that the next public building donated by China to Uganda should be a Sino-Ugandan Entrepreneurial Centre in Kampala which could be the hub of activities in terms of facilitating the work of Sino-Ugandan joint ventures.
Uganda should request that if China wants to donate public facility buildings to the country, which of course is a welcome initiative, it would be suitable to donate facilities that are of greater use to the broader Ugandan populace and that thus may have greater developmental impact. For example, a Sino-Ugandan Entrepreneurial Centre in Kampala could be greatly beneficial for Ugandan private sector development. At such an Entrepreneurial Centre, the Uganda Investment Authorities, the Uganda Export Promotion Board, Chinese entrepreneurs active in the country and the Ugandan business community in collaboration with the Chinese Embassy could work to facilitate the establishment of Sino-Ugandan joint ventures in manufacturing and agro processing (as outlined in section 7.3.4 above), and also to safeguard the continuous growth of such operations over time.

7.6.8 Chinese investment in resources sector to take place in Sino-Ugandan JVs

In order to ensure that Sino-Ugandan joint ventures be the main form of organisation as resource extraction gains momentum in Uganda, it is essential to ensure that the members of the team that will negotiate deals with potential Chinese investors has the necessary expertise.

It is recommended that joint ventures with active Ugandan partners (as outlined in section 7.3.4) be the dominant form of organisation in terms of Sino-Ugandan collaboration in the natural resources field. It is imperative that such Sino-Ugandan joint ventures facilitate appropriate skills transfer to the Ugandan partners in terms of effective resource management. Given the economic significance of natural resources to African economies, important agreements pertaining to the sector will often be negotiated at the highest possible political level, which in most African countries equals the presidency. It is recommended that the team from the presidency that will negotiate deals with potential Chinese includes experts with the necessary technical and legal competency as well as members fluent in Mandarin Chinese. In this way, Uganda will greatly increase the likeliness of the country negotiating fair deals with Chinese companies in the natural resources sector.

7.6.9 Source the material for FOCAC-donated buildings in Uganda

Uganda should require that 80 to 100 percent of the building material used in Chinese infrastructure projects in the country should be sourced either in Uganda or from the neighbouring African countries.

In order for each Chinese Yuan donated to provide maximum impacts towards sustainable long term development, it would be beneficial if the building material used to construct buildings donated by means of the FOCAC framework would be sourced either within Uganda or from the neighbouring African economies. Even though the process of using more expensive building material would mean that only a third or a quarter of the number of schools, roads or hospitals currently built would be implemented, the developmental effects may be greater given the broader economic synergies such a modus operandi would create.
7.6.10 Launch Mandarin language training

In order to ensure that Uganda’s interests are sufficiently met as the Sino-Ugandan relationship develops further, it is imperative that a Ugandan Confucius Institute providing Mandarin language training is launched as soon as possible.

In Uganda, no Confucius Institute has been established as of yet, although there is a great need in the country for Ugandan professionals with the necessary Mandarin language proficiency and knowledge of Chinese culture. During the field research, communication was identified as a major challenge in terms of ensuring that Uganda’s interests are sufficiently met as the Sino-Ugandan relationship develops further, particularly for Ugandan business actors trading with China. Given that China’s importance as a partner for Uganda is likely to grow over the years to come, it is imperative that Mandarin language training for the country’s university students, civil servants and private sector actors gets a head start as soon as possible. It is also recommended that the Chinese Embassy in Uganda strengthens its capacity in terms of informing interested Ugandan stakeholders of the procedures required to establish a Confucius Institute.

7.6.11 Provide English language training for the Chinese medical team

The most cost effective way of improving the developmental impact of the Chinese medical team’s work in Uganda would be to provide appropriate English language training for the members of the medical team.

The Chinese medical team operating in Jinja, Uganda, argued that their capacity is not fully utilised given language barriers and cultural challenges. It is argued that the most cost effective way of improving the developmental impact of the medical team’s work in Uganda would be to provide English language training for the members of the medical team. For example, one week of intensive language training, focusing on medical vocabulary, could be provided upon arrival in the African country, followed by training one afternoon per week throughout the team’s stay. Although being the responsibility of the African host country, the training could however be co-funded with the Chinese government.

7.7 Recommendations for Chinese stakeholders

7.7.1 Assist Ugandan commercial actors as they trade with China

The Chinese Embassy in Kampala should assist Ugandan traders with direction and perhaps even hands-on advice in case they enter into dispute with their suppliers in China.

While it must be acknowledged (as discussed in section 7.3.3) that Sino-Ugandan trade is a highly disaggregated phenomenon over which the Chinese and Ugandan governments exercise limited control, it heavily influences local perceptions of China. It should therefore be in the Chinese
government’s interest to alleviate negative externalities emanating from trade to the greatest extent possible. Drawing on the examples raised in section 7.3.3, a concrete suggestion springing from interviews conducted by the CCS team is that the Chinese Embassy in Kampala should assist Ugandan traders with direction and perhaps even hands-on advice in case they enter into dispute with their suppliers in China.

7.7.2 Chinese customs improve collaboration with Ugandan counterparts

The Chinese customs authorities should improve their availability for their Ugandan counterparts so that trade related issues can be solved more swiftly than is currently the case.

A respondent from the Ugandan customs authorities expressed that the collaborative ties with Chinese customs authorities are not as developed as the relationships they have with for example Indian or South African customs authorities. Often, in order to stop the imports of counterfeit goods, the Ugandan customs authorities need to double check export licenses held by foreign individuals. The respondent expressed that they often have trouble establishing a working contact with the Chinese side and that it would be beneficial if this collaboration could be strengthened further.

7.7.3 Engage to a greater extent with Uganda’s other development partners

It was recommended by a number of Ugandan respondents that it would be beneficial if China could engage to a greater extent with other donors active in Uganda. It is anticipated that this could increase aid effectiveness and create synergies for Uganda’s economic development.

A number of respondents argued that China has a clear preference for bilateral government-to-government engagement. They noted that Uganda’s Western partners, notably the EU, pursues a multilateral engagement strategy focusing on the Ugandan people rather than the Ugandan elites. It was argued that it would be beneficial if China could engage to a greater extent with other donors active in Uganda to increase aid effectiveness and create synergies for Uganda’s economic development.
8. The East African Community (EAC)

The East African Community (EAC) was established in July 2000 when the founding treaty, ratified in November 1999 by Kenya, Uganda and Tanzania, entered into force. Rwanda and Burundi joined the organisation in July 2007. The organisation's headquarters are located in Arusha, Tanzania.\textsuperscript{517}

The main purpose of establishing the EAC was to strengthen regional cooperation, infrastructure and development via full political, economic and cultural integration of the member states. The EAC also cooperates in political matters including defence, security, foreign affairs and judicial matters. The EAC established a customs union in 2005 and is currently working toward setting up a Common Market by 2010. A monetary union is to be in place by 2012 and the ultimate goal is to establish a political federation (the East African Federation) by 2013.\textsuperscript{518}

According to a senior EAC secretariat official interviewed by the research team, the EAC suffers many of the same challenges other regional economic communities face relating to shortages of capacity.\textsuperscript{519}

These challenges are furthermore often compounded by the fact that the multilateral institutions are regularly used as platforms for politicking between the member states. Tensions across the region are casting doubt on the possibility of the establishment of a political federation anytime soon. These tensions are due partly to differences over issues relating to identification and rights of residence to East African citizens and the recent handling of the territorial dispute between Kenya and Tanzania. This was for example raised during the April 2009 Summit of the EAC Heads of State in Arusha.\textsuperscript{520}

8.1 Chinese engagement with EAC

8.1.1 Political cooperation

As noted in for example in the case study on Uganda above, engagement between China and the EAC’s individual member states is increasing rapidly. However, despite the EAC’s growing interest in expanding the number of development partners, little formal engagement between China and the EAC has taken place to date, apart from a limited number of high level delegations.

In discussions with EAC secretariat officials, it was suggested that China’s engagement with Africa could be harnessed more effectively if it, in addition to existing bilateral frameworks, could be channelled through regional organisations such as the EAC. While the AU Commission’s broader coordination role remains pivotal in advancing the African agenda in relation to China, the regional economic communities (REC) offer opportunity for China to deepen engagement with the different African regions. Also, it has been noted that China’s interest in RECs such as the EAC has been reinforced by the desire to reduce the myriad of institutional challenges encountered in bilateral relations with African countries.\textsuperscript{521}
The mandate of the Chinese Ambassador to Tanzania is restricted to the Government of Tanzania and does not include representation to the EAC as an organisation. On the 31st of August 2009 the EAC Secretary General, Ambassador Juma Mwapachu, held a meeting in Arusha with the Ambassador of the People’s Republic of China to the United Republic of Tanzania, His Excellency Liu Xinsheng. Ambassador Mwapachu informed the Chinese Ambassador that the EAC remains very interested in partnering with China in regional economic ventures, particularly in investment promotion and infrastructure development, given that infrastructure development was an issue with important regional dimensions. The Chinese Ambassador assured the Secretary General of China’s firm support to the EAC regional integration agenda.

Moreover, an EAC ministerial delegation led by the Chairperson of the EAC Council of Ministers visited China in May 2008 to discuss collaboration on political and economic affairs. During the visit, the EAC delegation stated that they were looking to learn from the Chinese experience in infrastructure development and attract partnership and support.

Japan’s cooperation with the EAC has been mentioned as a model that China could potentially adopt. Citing an MOU between the Government of Japan and the EAC, senior officials of the EAC Secretariat explained to the research team that Japan has deployed a representative as an observer to the EAC Secretariat. They also pointed out that Japan had been invited to attend a meeting of the EAC Partnership Fund, a basket fund which provides financial support for the member states without conditionalities or earmarking. This can be compared to budget support at the national level. It was suggested that China should be invited to join the Fund since this could facilitate identification of investment opportunities for Chinese companies, and also for EAC member states to identify capable Chinese companies.

Japan’s engagement with the EAC takes place through the framework of the Tokyo International Conference on African Development (TICAD) forum from Ambassadorial to Ministerial level. A central element of the TICAD process is African ownership, which ensures that focus for the collaboration is African development and poverty reduction. Increased African ownership of the FOCAC process would go a long way to enhancing FOCAC’s direct and indirect impact on Africa’s overall economic development. It was thus suggested that China could also consider a similar mode of engagement and channel engagement through FOCAC as the model employed by Japan.

Furthermore, the EAC secretariat officials cited an example of an EAC-US Trade and Investment Agreement that covers a broad range of issues including trade, investment and quality control. It was mentioned that India is also interested in signing a similar agreement. The EAC Secretariat officials noted that they would like to encourage China to consider a similar mode of cooperation with the regional body.
8.1.2 Economic cooperation

EAC secretariat officials interviewed by the research team conceded that the transformation of the agriculture sector in East Africa is an important challenge. It was suggested that the EAC needs to open up more to commercial farming enterprises and that China could play an important role in this regard. It was noted that Saudi Arabia has invested significantly in the EAC in the production of food, but that Chinese investors have done relatively little to date. It is noted that there is great potential for the expansion of Chinese agricultural activities within the EAC member states. The EAC secretariat should therefore focus on providing guidance in terms of the requirements for development of agricultural activities in the member states.

Moreover, the agrochemicals sector has important potential in East Africa. There is a serious shortage of fertilizers in the region and an EAC Secretariat official suggested that the production of fertilizers and other agricultural inputs could be an attractive opportunity for Chinese investors. However, uncertainty exists concerning the most appropriate vehicle to leverage this opportunity.

Infrastructure is a challenge for regional integration and market access in the EAC. The EAC secretariat officials interviewed for this study were aware of significant Chinese involvement in infrastructural development in the region. They expressed that they would like to see China commit to assistance in terms of upgrading road, rail, ports, maritime transport systems on Lake Victoria and other navigable lakes in the region and energy infrastructure to facilitate the movement of goods and people within the EAC region.

Despite recent findings to the contrary, the respondents expressed concern over the excessive use of Chinese labour at the expense of local labour. It was suggested that Chinese enterprises do little to nothing to develop skills and transfer technology to the local population. In many cases this is untrue, but this information is not widely available. It was suggested that EAC member countries should actively seek labour partnerships with China to ensure a greater use of local labour and increase skills transfer. Chinese technology is relatively low-cost and adaptable to African countries at their present level of industrialisation. The EAC could encourage China to incorporate aspects of labour law, skills and technology transfer into a cooperation agreement similar to the EAC-US Trade and Investment agreement.

In terms of trade between the EAC and China, the respondents expressed concern over the infringement of intellectual property rights and the high number of Chinese counterfeit goods being exported to the region. It was suggested that more should be done regarding quality inspection to regulate the quality of Chinese exports imported to the EAC. They argued that the imports of Chinese goods have had a negative impact on the East African manufacturing industry. The respondents suggested that while the capacity of the EAC is currently being improved, it continues to lack the capacity to appropriately monitor the imports of Chinese goods. The officials were apparently unaware of the two x-ray machines supplied by the Chinese government to the Ugandan Customs Authorities to
scan shipping containers, as well as other assistance provided to target counterfeited goods (outlined further in the case study on Uganda). \(^{534}\)

Senior officials within the EAC Secretariat expressed great interest in finance from China and generally saw more value in private Chinese investment as opposed to aid from traditional development partners with conditions and restrictions. The officials consulted appeared to have a limited knowledge of CDB and CADFund and were especially interested to learn more about the prospects for accessing Chinese finance through FOCAC. \(^{535}\) It is suggested that the EAC secretariat should identify specific projects where it would be appropriate to request funding from CADFund. Furthermore, the EAC secretariat should encourage, through the implementation of financial incentives for Chinese and local financial institutions to make capital more accessible to local African MSMEs.

In the energy field, it can be noted that the EAC is currently developing an institution to manage the development of alternative sources of energy. The institution will coordinate opportunities provided by the donor community in this regard. The institution is still being conceptualised, however, once it is established it is recommended that it conducts a regional inventory of current and potential resources and engages with China in order to identify potential investors for new and renewable energy projects.

Such investments could favourably take place through public-private partnerships (PPP) and Sino-African joint ventures. The senior officials consulted noted that the EAC is indeed looking to China to provide appropriate alternative energy services and technology. \(^{536}\)

### 8.1.3 Cooperation in Social Development

Regarding human resource development, it is recommended that the EAC Secretariat should identify which specific skills are required in the member states in order to create a competitive regional economy. The EAC Secretariat should subsequently encourage both the Chinese government and Chinese companies to play an active role in developing the relevant skills in EAC member states. This could take place for example through organising training courses and on-the-job training for African employees of Chinese companies.

In the area of cultural exchanges, it can be noted that there have been a considerable number of people-to-people exchanges on social, political and economic issues between EAC member states and China over the past several decades. While a great deal has been done on cultural exchange through the arts with Kiswahili being taught at Beijing University and Mandarin being taught in several EAC member states, including Nairobi University and the Language Institute at Makerere University, there are currently no initiatives underway for social or cultural exchange with the EAC itself. Expanded Mandarin language training programmes would be beneficial to improving communication between the EAC Secretariat and China.

In terms of development aid, China has been heavily involved in the implementation of aid and development initiatives across the region (see for example the case study on Uganda above), and the
EAC Secretariat would be very well positioned to assist in the coordination of such exercises. The senior EAC Secretariat officials interviewed stressed the need for a regional approach to development, financing and cooperation. They argued that Chinese development aid across the EAC member countries is currently not sufficiently synchronised within the region resulting in lack of coordination and waste of resources.\(^{537}\)

Apparently unaware that China’s ‘aid’ broadly corresponds to the DAC definition observed by traditional donors, though undoubtedly wider and more ambiguous,\(^{538}\) senior EAC secretariat officials suggested that African countries should invariably own development aid programmes in accordance with the Paris Declaration on Aid. The EAC secretariat has coordinated aid projects with donors such as the World Bank and DFID which has allocated US$ 20 million to the EAC over a five year period. They suggested that China could consider a similar approach.\(^{539}\) It is recommended that the EAC Secretariat approaches China with a suggestion that they could help coordinate Chinese development efforts in the region.

The EAC secretariat officials interviewed acknowledged that a large number of East African students have visited China for studies and suggested that more be done to encourage Chinese students to study in Africa. It was also noted that there are some Chinese students at African Universities, but the numbers are extremely limited. The Inter-University Council for East Africa (IUCEA) is a human capacity development coordinating agency established to harmonise the quality of education across East Africa. IUCEA has collaboration agreements with Germany and the Ford Foundation, and the respondents wondered if it would be possible for the IUCEA to establish a similar agreement with a similar Chinese institution.\(^{540}\)

The respondents also suggested that it could be useful to establish a relationship between the EAC and the Chinese Academy of Sciences (CAS) to develop human resources, since CAS research for development has increasingly focused on helping personnel in developing countries build capacity to undertake research through scientific cooperation in technology transfer, basic science, and high-technology cooperation, including biotechnology.\(^{541}\) The EAC’s specific requests and proposals with regard to education could be easily encapsulated within the existing FOCAC framework and would offer significant new opportunity for positive engagement with China.

In the health sector, it can be noted that over US$ 15 million is being contributed by a number of European, especially Scandinavian, countries on the issue of Avian influenza. The EAC is also receiving significant financial support from European donors for the fight against malaria. In this context, the EAC respondents suggested there is still room for Chinese support and involvement in the health sector.\(^{542}\) Most notably, given China’s success in almost completely eradicating malaria domestically, China could make a very significant contribution to the fight against malaria in the EAC region.

China already has significant experience and involvement in combating malaria across the African continent, as outlined in the case studies above. The EAC Secretariat could co-ordinate the
implementation of malaria eradication initiatives with the Chinese government that will benefit all member states. This may include initiatives such as the establishment of joint research and training facilities in dedicated centres of excellence across the member states focusing specifically on proactive strategies in the treatment of malaria.

Moreover, the EAC Secretariat should request assistance from the Chinese government to build the necessary ICT infrastructure to provide updated and accurate health information. The EAC Secretariat should also harmonise pharmaceutical standards so that Chinese traditional malaria medication can be increasingly prescribed by East African health care professionals.

In 2008, the EAC established the Lake Victoria Basin Commission, an institution focusing on environment and agriculture. The EAC is currently focused on the protection of Lake Victoria and the Nile River Basin. However, it was acknowledged that the EAC could be more proactive in terms of environmental protection and management. Given that China has enormous experience dealing with environmental challenges including issues such as seawater encroachment and soil depletion, it was suggested that the Chinese government could perhaps assist in this regard, for example in terms of the protection of the natural environment around the Lake Victoria Basin.

Furthermore, the EAC is now developing a climate change and environment law, a process that China could possibly consider assisting with. Recent regulations implemented in China concerning Chinese engagement in the Southeast Asian timber industry could also be explored for their applicability to East Africa. The EAC should commission research to be conducted in South East Asia looking at the best practices and lessons learned in the timber industry.

In terms of tourism, it can be noted that Tanzania and Uganda already have Approved Destination Status (ADS) for Chinese tourism, but more can be done to look at how to attract Chinese tourists to the region. The EAC is currently promoting tourism in the region including the implementation of a single visa status for the EAC which could be given ADS by China. 54 international flights a week currently connect China with the EAC member states, as outlined in the below table.

### Table 8.1: Flights between East Africa and China (as of March 2009)

<table>
<thead>
<tr>
<th>Airlines:</th>
<th>Beijing</th>
<th>Guangzhou</th>
<th>Hong Kong</th>
<th>Shanghai</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emirates Airways</td>
<td>Daily</td>
<td>None</td>
<td>Daily</td>
<td>Daily</td>
<td>21</td>
</tr>
<tr>
<td>Ethiopian Airways</td>
<td>Mon, Wed, Fri, Sat</td>
<td>Tue, Wed, Thu, Sat, Sun</td>
<td>Mon, Wed, Fri</td>
<td>None</td>
<td>12</td>
</tr>
<tr>
<td>Qatar Airways</td>
<td>Mon, Wed, Thu, Sun</td>
<td>Mon, Wed, Thu, Sat, Sun</td>
<td>Daily</td>
<td>None</td>
<td>16</td>
</tr>
<tr>
<td>Kenya Airways</td>
<td>None</td>
<td>Mon, Thu, Fri</td>
<td>Wed, Sat</td>
<td>None</td>
<td>5</td>
</tr>
</tbody>
</table>

*Source: Emirates Airways, Ethiopian Airways, Qatar Airways, Kenya Airways*
There is a significant lack of airline infrastructure in East Africa. There is a desire for national carriers such as Kenya Airways to operate at an intrastate level instead of the current situation where they only operate on an interstate level. It is believed this change would increase competition and reduce the price of air travel, thus fostering tourism. The EAC Secretariat officials interviewed wondered if Chinese investors might not be interested to enter this sector.\(^{546}\)

Apart from a longstanding MOU between Xinhua News Agency and the EAC Secretariat on the exchange of news and information services (although it was suggested that the agreement may be due for review) very little has been done on the issue of news media exchanges between China and the EAC. It was acknowledged that there are a large number of Chinese correspondents in the region and some Mandarin broadcasting stations active in Kenya and Tanzania. However, several senior members of the EAC Secretariat suggested that China could be more proactive in providing information and establishing a more informed understanding of their engagement with Africa. It is estimated that accurate reporting will greatly enhance understanding between Chinese and African communities.\(^{547}\)

### 8.1.4 Prospects for EAC-China Relations

EAC officials are keen to engage with China and expand both political and commercial co-operation. A central concern throughout the EAC is the urgent need to address poverty and underdevelopment. China’s recent success in alleviating poverty in China itself is widely admired in the EAC. Many EAC officials are hoping that China’s experience in fighting poverty can be transferred to East Africa. To this end, the EAC is seeking a “true partnership” with China which would facilitate both trade and investment for mutual benefit. At the same time, EAC officials complain that their relatively weak economic position inhibits their ability to negotiate with China and ensure agreements which are fully beneficial to African interests. A further difficulty is the lack of detailed development and project plans which could be provided to potential Chinese investors. This is compounded by a failure within the EAC to identify suitable projects and to finalise planning processes.

**Priorities for the EAC include:**

- Improving communications with China to enhance diplomatic interaction.
- Facilitating increased Chinese investment in the region. In this context, improving the overall investment climate in the EAC region has been highlighted.
- Improved Mandarin Chinese language capacity within the EAC has been identified as the key to improved communications with China. China’s assistance in providing language training would be welcomed.
- Mechanisms for engaging China, such as focused seminars, workshops and conferences have been identified as a means to expand positive interaction.
- The EAC’s interaction with Japan through the TICAD process is considered to be a potential model for an expanded and augmented engagement with China.
EAC officials are enthusiastic about the potential for more Chinese engagement in the East African region and the implications of this process. China's possible involvement in major road, rail and energy projects would have a significantly positive impact on all member countries. Encouraging China's increased involvement and effectively managing this process are the twin challenges for the EAC in mapping the way forward with Beijing.548

8.2 Recommendations for EAC stakeholders

8.2.1 Extend an invitation to China to join the EAC Partnership Fund

In order to facilitate China's formal engagement with the EAC, the EAC should extend an invitation to China to join the EAC Partnership Fund.

The Partnership Fund is a basket fund through which donor organisations can support the EAC member states' investment priorities. This will offer the EAC an opportunity to formally engage China, facilitate the channelling of new funding and the establishment of Sino-African joint ventures. This process could be facilitated by the FOCAC framework.

8.2.2 Deploy a Chinese diplomatic representative to the EAC

The establishment of formal relations with the EAC, possibly through the deployment of a Chinese diplomatic representative to the EAC secretariat, would be helpful in advancing EAC-China relations.

A Chinese diplomat should be allocated to manage Sino-EAC relations. An example of such an arrangement is that China’s Ambassador to Botswana was appointed China’s representative to the Southern African Development Community (SADC) in 2005. It is recommended that the same, or a similar, procedure should be followed in the case of the EAC Secretariat.

8.2.3 Encourage CADFund investment in East Africa

The EAC should encourage direct involvement by Chinese investors in the region and increase efforts to facilitate CADFund engagement in both public and private sectors across East Africa.

It is recommended that the EAC secretariat should develop specific and bankable projects and approach the CADFund for funding of these projects. Furthermore, the EAC Secretariat should set up and coordinate regional information bureaus to provide business associations with information about the CADFund and its financing options. Generally, the EAC secretariat should ensure that Chinese financial institutions operating in Africa make capital accessible to local African MSMEs. It is also of great importance to build capacity in the local African private sector so that there are capable investors which could be the recipients of CADFund finance.
8.2.4 Establish a Sino-EAC trade and investment agreement

The EAC should explore the possibility of establishing a trade and investment agreement with China through which issues relating to trade, investment and quality control can be addressed.

The EAC should approach China with the example of the EAC-US Trade and Investment Agreement that covers a broad range of issues including trade, investment and quality control. It is recommended that the EAC Secretariat could encourage China to consider a similar mode of cooperation and incorporate aspects of labour law, skills and technology transfer into the agreement. The EAC Secretariat should encourage the Chinese Ambassador to Tanzania to sign it in person demonstrating the importance that China attributes to the initiative.

8.2.5 Contracts with Chinese companies should include the use of local labour

The EAC should make it mandatory for Chinese companies operating in the member states to make greater use of local labour in order to ensure technology transfer and skills development.

In order to ensure that Chinese companies operating in Africa utilise local workers, specific clauses pertaining to the employment and on-the-job training of local African workers should be built into contracts with Chinese companies. Moreover, aspects of labour law as well as skills and technology transfer should be incorporated into trade and investment agreements concluded at a regional level with China.

8.2.6 Arrange workshops to improve mutual Sino-EAC understanding

Collaboration between the EAC and China can be improved through a series of workshops where key East African and Chinese stakeholders can discuss key challenges and opportunities.

It is recommended that a series of workshops be arranged in Arusha, enabling key policymakers from both Africa and China to discuss with their counterparts key challenges to regional integration in Africa and how best to overcome these. It will also enable key stakeholders to build networks and direct relationships with their counterparts in ministries and government departments, which will facilitate improved co-operation between the EAC and Chinese government officials.

8.2.7 Establish a sub-committee for FOCAC-EAC relations

It is recommended that the EAC establish an EAC-FOCAC sub-committee that would involve academics and policymakers from all the member states. The Committee would formulate an EAC position on China and the role of FOCAC within the EAC.

An EAC-FOCAC sub-committee should be established to formulate an EAC position on China and the role of FOCAC. It should also address the opportunities and challenges of the EAC’s relations with China and together with key stakeholders craft a strategy regarding how to best leverage the FOCAC
process. This strategy should form the basis for a regional plan for development supported by China through FOCAC. A side-meeting should be convened during FOCAC 2009 in Sharm El Sheikh to present this strategy and communicate the EAC’s position on China.

8.2.8 Implement joint initiatives to eradicate malaria

The EAC should seek China’s assistance in terms of the fight against malaria in the region. The EAC secretariat should play a pivotal role in terms of identifying needs in this regard in the member states and coordinating cooperation with China in this area.

Given that China has been successful in its own domestic fight against malaria, the EAC could learn a great deal from China’s experience. It is therefore recommended that the EAC should seek China’s assistance in terms of the fight against malaria in the region. The EAC secretariat should play a pivotal role in terms of identifying needs in this regard in the member states and coordinating cooperation with China in this area. Coordinated by the EAC secretariat, China could establish joint research and training facilities across the member states focusing specifically on the treatment of malaria. The EAC Secretariat should moreover assist in harmonising pharmaceutical standards so that Chinese traditional medication for the treatment of malaria can be utilised safely by East African health professionals.

8.2.9 Request assistance from China in developing HR in the EAC region

There is significant potential for China to contribute to HR development in the EAC region to create a competitive regional economy. The EAC secretariat should identify the region’s needs in this regard and coordinate with China to select suitable training initiatives.

The EAC Secretariat should encourage both the Chinese government and Chinese private companies active in the region to play an active role in developing HR skills in the member states. The Secretariat should identify the region’s needs in this regard and coordinate with China to select suitable training initiatives. This process can be facilitated through FOCAC. It is also recommended that certificates for the training provided to East African professionals by means of the FOCAC framework should be issued and recognised across the EAC region. The EAC secretariat should also implement incentives for Chinese companies to invest in HR development, such as subsidies when training local African workers, particularly in sectors that are of national priority, such as construction, ICT and science and technology.

8.2.10 Request that Chinese airline experts assist in training of East African pilots

The EAC should request that China could get involved in the rehabilitation of East Africa’s aviations schools. Such efforts have the potential to greatly improve training in the East African air transport sector.
It is recommended that the EAC requests that Chinese airline experts assist in the rehabilitation of aviation schools in the region including the East African School of Aviation in Kenya, the Tanzanian Civil Aviation Training Centre and East African Civil Aviation Academy in Soroti, Uganda. Such pilot training could be incorporated in the FOCAC process and it is estimated that this would greatly improve training in the East African air transport sector.

8.2.11 Chinese media to provide information to EAC media about Sino-African relations

*It is estimated that increased Chinese reporting in East African media on Sino-African relations will greatly enhance understanding between Chinese and African communities.*

It would be beneficial if the longstanding MOU between Xinhua News Agency and the EAC Secretariat on the exchange of news and information services could be reviewed. It is also recommended that the EAC consider ways to increase exchanges between East African- and Chinese media. In this way, the East African populace would be able to learn more about Chinese perspectives on Sino-African relations, a development which is estimated to foster greater understanding between Chinese and African communities in East Africa.

8.2.12 EAC secretariat to coordinate amendments to list of tariff free items

*It is recommended that the EAC should play a coordinating role in terms of approaching the Chinese government with suggested amendments to the list of 466 items that can be exported to China duty free. The list should be amended to include manufactured goods from the EAC region.*

It was mentioned by the EAC officials consulted for this study that the list of 466 African export items that can be imported to China duty free has not a significantly positive impact on African exports. It is therefore recommended that the EAC should coordinate amendments to the list to include manufactured goods from the EAC region. The EAC could then approach the Chinese government ahead of FOCAC 2009 with the suggested additions to the list.

8.2.13 EAC to help coordinate Chinese development aid

*The EAC Secretariat should assist in coordinating Chinese development aid to the EAC region.*

The EAC Secretariat is very well positioned to assist in the coordination of Chinese development aid to the EAC countries in order to increase efficiency in terms of conceptualisation and implementation of Chinese aid projects.

8.2.14 Approach Chinese investors to improve capacity of EAC airports

*It is recommended that the EAC secretariat approach Chinese investors to assist in the refurbishment and expansion of airports in the EAC region to improve the potential for business and leisure travel.*
At present, the capacity of the airports of the EAC region varies greatly, which hampers interregional travel. It is therefore recommended that the EAC secretariat approach Chinese investors to assist in the refurbishment and expansion of airports in the EAC region to improve the potential for business and leisure travel.

8.2.15 Establish research exchanges in agriculture, science and technology

The EAC secretariat should approach Chinese universities to further research exchanges, notably in the key areas of agriculture, science and technology.

It was suggested by the EAC officials interviewed for this study that Chinese academics could add great value to scientific institutions in East Africa. It is therefore recommended that Chinese scientific institutions should be approached to participate in research exchanges with East African universities, notably in the areas of agriculture, science and technology.
9. The Southern African Development Community (SADC)

The Southern African Development Community (SADC) was established in 1980. The organisation was originally named the Southern African Development Coordination Conference (SADCC) and its main aim was to coordinate development projects and lessen economic dependence on South Africa, then governed by the apartheid regime. In 1992, the organisation was transformed into a formal development community (SADC) as the founding Declaration and Treaty was signed at a high level summit in Windhoek, Namibia. In its work, the SADC Secretariat liaises extensively with other regional organisations such as the EAC, the Economic Community of West African States (ECOWAS) and the AU. At the time of writing, the SADC comprises 15 member states, namely: Angola, Botswana, the DRC, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.

A senior SADC Secretariat official acknowledged in interviews with the research team that SADC’s overarching goals to integrate the markets of the region and unify its security regimes have to date been put on the back-burner as more immediate concerns in terms of socio economic development have taken precedence. The respondent argued that SADC at present remains focused on the task of guiding the development process in the member states, focusing on issues of economic growth, security and human development.

In recent years, the SADC institutional structures have been amended in order to facilitate the implementation of the SADC Common Agenda, which includes socioeconomic development, poverty alleviation, the promotion of democratic values and the maintenance of peace and security. The latest adopted policy document pertaining to SADC’s cooperation with its International Cooperation Partners (ICP) is the Windhoek Declaration, adopted on the 27th April 2006.

The research team noted that during the restructuring process preceding the adopting of the Declaration, the SADC secretariat had focused on consolidating the cooperation with existing ICPs, as opposed to developing cooperation with new ICPs such as China. To date, no formal directive has been issued to engage with China. SADC’s current ICPs include Austria, Canada, Denmark, Finland, France, Germany, the Netherlands, Sweden, Switzerland, UK and the US. SADC also engages with multilateral ICP’s such as the European Commission, the European Investment Bank, AfDB, the World Bank and UNDP.

SADC’s cooperation with its ICPs is primarily guided at ministerial level where high-level directives are formulated. Subsequently, the joint SADC-ICP task force (JTF) operates as a link between the top decision makers and the multi stakeholder thematic groups. The latter comprise of representatives.
from the Secretariat, the ICPs, civil society and implementing agencies and focus on specific areas of activity such as infrastructure, agriculture and education. The thematic groups meet in annual or biannual ad hoc meetings. The secretariat’s role in terms of SADC’s collaboration with its ICPs is to improve coordination, dialogue and communication.

9.1 Chinese engagement with SADC

9.1.1 Political cooperation

All SADC member states, except Swaziland, have diplomatic relations with PRC. It is however anticipated that the Swazi non-recognition of China is unlikely to have any significant bearing on the level of potential Chinese engagement with the SADC Secretariat.

Several of the respondents from the SADC Secretariat consulted for this study were not familiar with the FOCAC Commitments and the Beijing Action Plan. A senior official commented that although China is very active in bilateral relations with SADC member states and provides development assistance in various areas, there is very limited interaction between China and the SADC Secretariat. Indeed, in terms of social development, little to no Sino-SADC collaborative activity has been seen to date.

Hitherto, China’s Ambassadors to the respective SADC member states have not engaged to any significant extent with SADC as an organisation. Thus, to date Chinese engagement with the SADC Secretariat engagement has mostly been in the form of ad hoc responses to tenders by private Chinese companies. Several of the respondents consulted expressed that it would indeed be beneficial if China’s role as a partner for the SADC secretariat’s development endeavours could be expanded.552

SADC has however been invited to attend the FOCAC summits as an observer together with the African Union and other regional economic communities. It is recommended that SADC, by means of the FOCAC framework, should initiate formal engagement with China by extending an invitation to China to become a SADC ICP and an active member of the Joint SADC-ICP Task Force (JTF).

In order to be in line with protocol, development of relations between China and the SADC secretariat would, according to a senior SADC official, first have to be discussed with the heads of the thematic groups. Subsequently, a directive would have to come from the SADC Executive Secretary before collaboration could be taken forward.553

In early 2005, the Chinese Ambassador to Botswana was also appointed as China’s representative to SADC. This is an interesting development, given that the same procedure has not been followed in the case of EAC, as outlined above. The research team did not consult with the Chinese Ambassador to Botswana on this matter, however, this indicates that China indeed places importance on following developments pertaining to SADC.
Lastly, in terms of security related matters, it was noted during the field research that although China is playing an increasingly active role in peacekeeping in Africa, SADC has to date not engaged directly with Beijing on this issue. It was nevertheless argued in an interview with the research team that China’s increasing contribution to African peacekeeping implies that the prospects for SADC-China interaction on security related issues are good.\textsuperscript{554}

\subsection*{9.1.2 Economic cooperation}

According to a senior official interviewed, the SADC secretariat has identified 71 infrastructure projects that they would like to implement across the region. The projects largely pertain to transport and energy. The viability of a number of these projects is currently being investigated through feasibility studies. Once the feasibility studies are completed, ICPs will be approached for funding.\textsuperscript{555}

Moreover, the SADC Secretariat has identified the need to strengthen public-private partnerships (PPP) in the provision of infrastructure. A large component of the SADC Regional Indicative Strategic Development Plan (RISDP), implemented in March 2001, focuses on the pursuit and maintenance of PPPs. The SADC secretariat aims to finance over 400 strategic projects that are currently underway across 23 identified sectors in the member states by means of PPPs. These are projects where Chinese involvement could be facilitated through the FOCAC process.

Representatives for SADC and for the NEPAD Business Foundation (NBF) recognised in interviews with the research team that one of the major impediments to private sector investment in infrastructure in the SADC region is the lack of marketing of completed feasibility studies.\textsuperscript{556} It is recommended that proposed projects be unpacked further in order to become bankable and attract funders such as China. However, before China can get involved, a formal agreement establishing China as a SADC ICP has to be established.

In July 2008, SADC and NEPAD held a Regional Infrastructure Projects conference. According to the NBF representative interviewed by the research team, there are a variety of projects that represent immediate bankable investment and financing opportunities for the Chinese government as well as private sector involvement including the following:\textsuperscript{557}

\begin{itemize}
  \item The South African government’s plans to spend more than ZAR 400 billion (US$ 40 billion) on infrastructure by 2010, focused mainly on airports, energy, ports, rail and roads;
  \item The Zambian National Road Fund Agency has developed a 10 year programme for the expansion, upgrading and maintenance of roads to a total cost of US$ 1.6 billion. This initiative would include the construction of tolled highways using PPPs;
  \item Tanzania is currently developing a blueprint for the expansion and modernisation of the port infrastructure of Dar es Salaam. The feasibility study is under way and implementation is scheduled to begin in the next six to 18 months;
\end{itemize}
The reduction of non-tariff barriers is imperative for the facilitation of cross border movement in the SADC region. With support from donor-financed programmes, including the Regional Trade Facilitation Programme (RTFP) itself, initiatives to establish so called one-stop border posts can be facilitated.

In terms of energy infrastructure, it can be mentioned that the SADC region is currently operating with a very limited power generating capacity of around 55,000 MW. The Southern African Power Pool (SAPP) has estimated that South Africa alone would need more than half of the 102,871 MW of capacity needed for SADC by 2025. Moreover, cables with high-voltage capacity would be required when the proposed transmission lines within SADC are built to connect Zambia and the DRC with South Africa on the one hand, and with Angola, Namibia and Botswana on the other. Other envisaged transmission lines will link Zambia with Tanzania and Kenya, while a separate line will link Mozambique with both South Africa and Malawi. The region would require about US$ 43 billion to fund the regional energy generation projects.

In this context, it is interesting to note that China Electricity Council International (CEC), during the SADC power sector investors’ discussion held in Zambia in July 2009, expressed an interest to share its energy expertise with South Africa and its neighbours to help SADC increase its power generation capacity. CEC stated that the transaction will, however, be based on a commercial transaction and not aid. No further details were released at the time but it is suggested that this project should be facilitated through the FOCAC process.

9.1.3 Prospects for SADC-China Relations

SADC has begun a broad dialogue with China, intended to identify areas for co-operation and expanded interaction. China’s significant contribution to economic development across the continent is recognised and it is hoped that China will be able to play a key role in building the SADC economies. Road and rail harmonisation across the region is identified as a key vehicle for economic growth which would benefit all member states. As a first step towards building a comprehensive framework for long-term interaction, the EAC is considering increased dialogue with key Chinese think-tanks which could open the door to expanded official contacts. SADC officials have suggested the following priorities for relations with China in the context of the FOCAC process:

- The establishment of a focused dialogue and expanded diplomatic exchange with Beijing within the FOCAC process.
- A prioritisation of SADC projects which would be suitable for Chinese participation. Energy and water management projects are considered ideal for Chinese involvement.
- An exchange of officials to improve communication and broaden prospects for co-operation.
- Swaziland's current diplomatic relations with Taiwan is a cause for concern, but not considered a major impediment to expanded SADC links with China.
China is known to be reluctant to accelerate engagement with African regional organisations unless planning, management and decision making is significantly improved. However, SADC officials are optimistic about expanded co-operation with Beijing and view an enhanced SADC-China partnership as an important element in building a stronger economic development process in the region. For SADC, the challenge is to mobilise China’s support for major projects which can unlock the region’s potential. At the same time, SADC needs to clearly articulate and document bankable projects which will attract suitable Chinese investments.

9.2 Recommendations for SADC stakeholders

9.2.1 Issue a formal directive for increased Sino-SADC interaction

The SADC Secretariat should develop a specific Sino-SADC cooperation framework. A formal directive for increased SADC-China interaction should subsequently be issued by the Executive Secretary and communicated throughout the SADC Secretariat.

SADC member states should focus debate on the role China can play in promoting SADC’s development and integration agendas. Given China’s engagement in Southern Africa at the bilateral level, there is opportunity to expand and consolidate projects which could significantly strengthen the SADC integration agenda. The SADC Secretariat should therefore develop a specific Sino-SADC cooperation framework. A formal directive for increased SADC-China interaction should subsequently be issued by the Executive Secretary and communicated throughout the SADC Secretariat.

9.2.2 Establish a committee to deal specifically with FOCAC-SADC relations

SADC should establish a FOCAC-SADC sub-committee that would involve academics and policymakers from the member states in recurring round table consultations to discuss the role of FOCAC within SADC and formulate a SADC position on China.

The FOCAC-SADC sub-committee should address the opportunities and challenges of Sino-SADC relations. It should coordinate the formulation of a comprehensive SADC policy toward China that should be presented at FOCAC 2009. This could form the basis for a regional development plan which could be supported by China through FOCAC. The Committee should then provide actionable and realistic recommendations to relevant SADC policymakers in terms of how to best leverage the FOCAC process. Further, a side-meeting should be convened during FOCAC 2009 in Sharm El Sheikh to communicate SADC’s position on China.

9.2.3 Extend an invitation to China to become a SADC ICP

Utilising the FOCAC process, the SADC Secretariat should extend an invitation to China to become a formal development partner and register as an International Cooperating Partner (ICP).
The formal registration of China as a SADC ICP would provide the institutional framework for increased interaction between SADC and China. The Windhoek Declaration should provide the guideline for China’s contribution to SADC’s economic development and regional integration, and guide long-term planning and interaction.

9.2.4 Invite China to the joint SADC-ICP task force

The SADC Secretariat should invite China to become an active member of the joint SADC-ICP task force (JTF) in order to involve China in SADC’s collaborative work with the ICPs.

If China became an active member of the joint SADC-ICP task force (JTF), it would be more closely involved in the operational link between the top decision makers and the thematic groups (eg infrastructure, agriculture, education etc) working on the ground to help ensure effective utilization of resources and implementation. It is believed that China could have great value to add in this regard.

9.2.5 Complement the member states’ bilateral agendas with a multilateral approach

Given that individual SADC member states are the ultimate authority within SADC, the member states should be encouraged to complement their bilateral relations with China with a multilateral approach. This would give Sino-SADC relations increased form and structure.

It has been noted that China to date has mainly engaged with SADC member states on a bilateral basis. It is recommended that the SADC member states should push for increased Chinese engagement with SADC in their bilateral negotiations with China. It is anticipated that this would give Sino-SADC relations increased form and structure. Furthermore, the upcoming Fourth FOCAC ministerial meeting will have a stronger regional focus based on projects that promote regional integration and strengthen development prospects.

9.2.6 Ensure SADC ownership of Chinese development projects

The SADC Secretariat must ensure that it has the necessary skills and expertise to assist its member states in the task of establishing ownership of the development projects pledged by means of the FOCAC framework.

While significant Chinese infrastructure investment is currently made across the SADC region, major project constraints remain and need to be addressed, including weak capacity of the project owners in the recipient countries and information asymmetry before and during the project implementation. The SADC secretariats should assist the SADC member states in terms of monitoring project implementation and ensuring that the respective countries have ownership of the projects. All contractual agreements involving Chinese companies should include details in terms of long term maintenance of the infrastructure development at hand. Where the SADC secretariat lacks the necessary skills to perform this task, experts from the member states must be commissioned to assist.
9.2.7 Present a list of development projects to the Chinese government for financing

The SADC secretariat should present a list of proposed development projects to the Chinese government. All projects must have completed feasibility studies.

A list of bankable development projects should be presented to the Chinese government for financing. This could be made for example during a joint conference hosted by NEPAD and SADC where SADC’s list of proposed development projects are presented. Chinese government- and private sector representatives would be invited to the conference to consider investment opportunities in various development projects. This will provide Chinese investors with an understanding of the formal procedures of other funding agencies as well as provide practical insights that will facilitate entry into existing project cycles.

9.2.8 Make capacity building within the SADC secretariat a FOCAC priority

Building capacity within the SADC Secretariat and improving communication within and amongst the thematic groups was been identified by the research team as an important need. SADC should propose that China incorporate a human resource development pledge to SADC in the 2009 FOCAC Action Plan.

It is suggested that SADC should propose that China incorporate a human resource development pledge to SADC in the 2009 FOCAC Action Plan. This should pertain particularly to capacity building within the SADC Secretariat and improvement of communication within and amongst the thematic groups. Moreover, based on lessons learnt from government officials in other countries, Mandarin language training for selected SADC officials would be helpful in unlocking a positive and productive Sino-SADC relationship over the long-term.

9.2.9 Build capacity for the SADC secretariat in terms of agriculture

Given that food security is an important challenge for the SADC region, collaboration between the SADC secretariat and Chinese experts should be established on the area of agriculture.

A dialogue between SADC secretariat officials and Chinese agricultural experts should be established to ascertain what the main challenges for the region are in terms of food security and how the SADC secretariat can best assist in meeting these challenges. It is believed that China, given its experience in domestic poverty alleviation, can add great value in this regard.
Conclusion

10. Conclusion - whither FOCAC?

10.1 A FOCAC Assessment

Stakeholder interviews suggest that the FOCAC process is welcomed throughout Africa. China’s FOCAC-aid packages are relatively easy to negotiate and offer African states many new opportunities for rewarding project development. Moreover, African leaders have embraced China’s enthusiastic approach and ability to get the job done. Increased African raw material exports to China clearly benefit national economies. The International Monetary Fund (IMF) has reported that Africa’s generally positive growth rate is partly due to increased commodity demand from China. African analysts suggest that “the impact of trade and bilateral relations between China and Africa have been immensely beneficial.” Raphael Kaplinsky’s research on China-Africa trade suggests that China is driving up the demand for oil, gas and other primary products which has “positive direct and indirect benefits on resource-exporting African economies.”

As the Chinese economy grows and the Chinese middle class expands, the range of export opportunities to China will become enormous. In effect, China’s economic growth offers new opportunities to the whole world. Success in this context will be driven by the ingenuity and resourcefulness of African exporters. The World Bank has confirmed that China’s growing trade with Africa has given the continent a “major boost.” The process of increased trade holds significant benefits for both sides over the longer term.

Chinese investments in Africa clearly benefit local economies and create new commercial opportunities in local markets, while the regulation of investments for maximum benefit is the responsibility of national governments. Specifically, China’s investments in hydrocarbons, mining, infrastructure and telecommunications are beneficial for Africa’s development. Chinese investments will over time promote the establishment of small enterprises in Africa and concomitant employment opportunities. The IMF estimates that Africa’s growth overall was close to 6 percent (before the global financial crisis), the highest in 30 years, due in large part to China’s growing investment. Moreover, China’s investment drive is providing an encouragement for the development of local economies.

Chinese exports to Africa benefit consumers who cannot afford higher cost imports from other parts of the world. Suggestions that Chinese imports undermine local manufacturing are exaggerated, as in most cases there is little evidence of competitive manufacturing capacity. Chinese construction companies are active across the continent, filling the gap left by the other donors who gave up financing infrastructure years ago. Obviously, this is a major benefit for African countries which require infrastructure for sustainable development. China’s willingness and ability to build roads and railway lines in Africa provides a solid foundation for future development and benefits the population as a whole. The same is true for China’s involvement in developing Africa’s communications networks.
Chinese agricultural and technical assistance is limited, but makes a very positive contribution in many African countries. China’s own experience in transforming agriculture and increasing production is a positive model for Africa. Beijing’s support for Africa in multilateral institutions helps drive the continent’s development agenda and keeps international attention focussed on African needs.

### 10.2 Maximising FOCAC Benefits

The central challenge for African governments is to ensure that interaction with China is both politically and economically mutually beneficial. While China bases its policy on friendship and historical solidarity and seeks a “win-win” relationship with Africa, the management of relationships to achieve this is not undemanding. The key to advancing a China-Africa “win-win” relationship is to ensure both international and national co-operation for mutual benefit.

Developing a win-win relationship demands that Africa maximise rewards from any relationship with China (or with any external actor). Ensuring a constructive and rewarding partnership with China suggests that relations should be advanced on two levels: the continental/regional level and the national level. At the continental/regional, the focus of Sino-African engagement should be:

- AU prioritisation of areas where China’s assistance is most needed;
- Increased symmetry between FOCAC and NEPAD;
- Closer Sino-African collaboration on Africa’s development agenda;
- Focus on co-operative action to advance the MDGs;
- SADC, EAC and other REC prioritisation of needs;
- Closer policy synchronisation on the global economic reform agenda;

The above considerations should inform and guide Africa’s broad participation in the FOCAC process.

At the national level, it is up to African governments to maximise the benefits of China’s involvement. The process of ensuring a win-win relationship with China should include the following:

- Appropriate investment laws;
- Effective tendering processes;
- Improved corporate governance;
- Stronger anti-corruption legislation;
- Increased accountability for revenue sales;
- Joint-venture (JV) options;
- Local procurement;
- Support for local SMMEs;
• Job creation opportunities;
• Technology transfers;
• Skills enhancement programmes;
• Transparent commercial transactions;
• An investment code (such as the Sullivan code for US businesses);\textsuperscript{569}
• Beneficiation processes.

African states can collectively or individually negotiate better deals with China to ensure more local labour, or more technology transfers.\textsuperscript{570} A FOCAC engagement with China underpinned by the above factors would strengthen Africa’s national responses to China and better promote a rewarding interaction for local economies and ordinary citizens. Akwe Amosu has suggested that:

To maximise the benefits of the Chinese windfall, Africa needs to deepen its commitment to better governance and cut a more advantageous deal with Beijing. Moreover, African non-governmental stakeholders need to be empowered and encouraged to hold both the Chinese and their own governments to account. Ultimately this will improve both the quality of African governance and Africa’s relationship with China.\textsuperscript{571}

A comprehensive approach to inward foreign investment (from China, or elsewhere) implemented by African governments would go a long way to ensuring a constructive win-win relationship. Ineffective African governance and a lack of commercial regulation, will inevitably allow for a poor result from any foreign involvement option. African nations need to be more steadfast in pursuing their national interests and achieving long-term goals. Few African countries, for example took full advantage of the AGOA framework and market penetration of African products in the US remains low. At the same time, where comprehensive legislation to regulate investment exists, implementation and punishments, where appropriate need to be prioritised. Our research has shown that some African governments have crafted legal and regulatory frameworks to moderate the negative impacts of China’s engagement, but in many cases there is only partial and limited implementation.

South Africa’s former President Thabo Mbeki warned of “an unequal relationship” between Africa and China. Africa needs to ensure a mutually beneficial outcome in its dealings with China and build local capacity to meet this challenge. As many observers have pointed out, China has a clear strategy for Africa, but Africa has no strategy for China. Greater co-ordination at the AU could ensure that African values, interests and developmental objectives are factored into interaction with China.\textsuperscript{572} Hany Besada argues that the China-Africa relationship should be carefully managed “at ministerial level” to ensure a mutually beneficial outcome.\textsuperscript{573} The onus is on individual African countries and African institutions to provide appropriate regulatory frameworks and good governance.
10.3 Opportunities for Engaging China through FOCAC

Given the impressive growth of the Chinese economy and the prospects for continued growth into the future, Africa’s challenge is to effectively engage China and to seek opportunities for profiting from interaction with the world’s fastest growing market. Our research has identified numerous country-specific suggestions and recommendations which could guide Africa’s effective engagement with the FOCAC process. Increased trade with China, with an emphasis on African exports to China, would be the initial starting point. Most economists would agree that trade brings mutual benefits to participants, even when not completely in balance. “Growth through trade” rather than through aid should be the guiding philosophy of Africa’s response to increased globalisation. The growing Chinese market offers numerous opportunities for effective engagement by African entrepreneurs in a wide variety of areas.

- Agriculture - increased exports of agricultural products to China (citrus fruits, beef, fruit juices and wine have been identified) offer new prospects, while the production of new plant species and flowers from Africa in China itself is an opportunity. China’s 2004 intake of 63 million tons of meat has climbed far higher than the 37 million tons consumed in the US annually. China is now importing vast quantities of grain and soybeans;

- Mining and quarrying - prospecting and the application of new technologies (South African companies are already active in this context);

- Manufacturing industries - JVs in tobacco processing, leather goods and lumber offer opportunities;

- Tourism - Chinese tourism to Africa holds enormous potential (There are now 8 993 travel agencies in China employing 33.35 million people);

- Foreign trade companies specialising in specific trading ventures offer many new opportunities;

- FDI from China - China’s overseas direct investment is now over US$ 40 billion (mainly telecommunications, construction and petrochemicals);

- There is potential for increased exports in all these areas: ores, slag and ash; iron and steel; copper; organic chemicals; wood pulp; aluminium; wool; machinery and mechanical appliances; fish; building materials; paper; inorganic chemicals and electrical machinery.

- Africa is ideally suited to take advantage of China’s growing demand for commodities, given the continent’s reserves of raw materials. China’s demand for Africa's raw materials has produced a significant price increase, highly beneficial to African producers. In terms of steel consumption, for example, China now uses twice that of the US: 258 million tons to 104 in 2003. China now leads the world in the use of aluminium and copper. China’s demand for commodities will increase dramatically over the next ten years as urbanisation takes off. China’s share of global raw material consumption is expected to rise to almost 40 percent - good news for African producers;
China's growing demand for African oil (Africa's oil output now totals approximately 3.4 million barrels per day and is set to increase to 6 million by 2010) provides a solid foundation for strengthened trade relations. China has displaced Japan as the world's second largest consumer of petroleum, with consumption expected to rise to over 10 million barrels per day by 2015. Over 30 percent of that consumption is likely to be based on imports from African producers;

- China has signed over 30 investment protection agreements with African countries, confirming the potential for significant Chinese investment on the continent;

China's WTO accession provides significant market opportunities across a wide range of possible areas. China's "Go West" economic development initiative opens numerous possibilities for new trade and investment options in the vast and still to be developed Western regions of China. South African trade officials have suggested that Africa should "stop trying to compete with China at what it does best - producing cheap goods for export - and find other ways to compete instead."

Whatever the challenges of the China-Africa relationship, there is enormous space to produce a positive, win-win outcome. FOCAC provides the forum to negotiate a win-win formula for China-Africa relations and to build a quality long-term relationship. A comprehensive and determined response from Africa can prevent the "unequal relationship" which former President Mbeki has alluded to. Through FOCAC, Africa can help to shape the Sino-African agenda and build a common foundation for mutual development.

10.4 African Debate on the FOCAC Process

African countries are generally positive about the FOCAC process, but there is extensive debate in Africa with regard to the form, content and future of FOCAC. Seven separate African responses are discernable within this debate. Firstly, a number of African countries are "completely satisfied" with FOCAC. They see FOCAC as a very positive process which offers numerous opportunities for the constructive development of Sino-African relations. Moreover, the aid projects which China provides are considered appropriate, effective and "most welcome." This group see no need to add to, or change the FOCAC agenda. They are happy to allow China to drive the agenda and come up with new proposals for co-operation. A second group is seeking a broadened African contribution to develop the FOCAC agenda. This group is advocating increased communication, at both high-level and technical-level, to expand and refine a common agenda. Enhanced Sino-African interaction would, they argue, benefit FOCAC planning, management and implementation. Moreover, Africa would be in a better position to "pick and choose" from the list of Chinese aid projects and development initiatives.

A third group of African states have adopted a more inward, self-sufficient approach, arguing that Africa should limit interaction with China and with all external powers. For this group, Africa's relations with external powers are inevitably neo-colonial in character and content, making it difficult for Africa to shape the agenda, or benefit significantly from the process. Africans should rather rely on their own
strengths, develop their own economies through regional integration and counter globalisation on the bases of strengthened African unity and co-operation. The fourth African group favours “African solutions” with Chinese support and co-operation. This group fears a longer term dependency on China and is rather seeking to mobilise China, through FOCAC, to give support to an African development agenda. Africa should plan and shape both economic and political programmes independently and then mobilise China (and other external actors) to support financing and implementation.

The fifth group wants the AU to take the lead in developing a common African approach and then engaging China through a specific AU-FOCAC process. This would include an independent AU-FOCAC secretariat devoted entirely to developing and managing Sino-African interaction. The AU would set common African objectives, identify and prioritise development projects for Chinese support. The AU would counsel African governments individually and develop common African positions on key Sino-African issues. Thus the central driving force of the FOCAC process would be a comprehensive and dynamic AU-FOCAC interaction.

A sixth African perspective argues in favour of a merger of FOCAC with NEPAD to advance continent-wide economic development. NEPAD is seen as an African conceived development agenda, crafted by Africans for Africa. A merger between FOCAC and NEPAD is thus seen as the ideal option for Africa’s long-term economic development. Given China’s strengths in terms of construction and infrastructure development, NEPAD’s objectives would be rapidly achieved by a Chinese commitment to help drive NEPAD’s agenda. Moreover, as NEPAD is an African initiative, a FOCAC-NEPAD merge would dispel any suggestion that China is pursing, by design or inadvertently, a neo-colonial agenda in Africa.

A seventh more Machiavellian African approach argues in favour of forcing foreign powers to “compete for African resources” through the various Africa-external power dialogues and interactions. This approach would maximise Africa’s benefits as African states would reward the highest bidder and develop only those processes of diplomatic interaction which promote external competition and clear African benefits. However, the dangers of this approach would be to provoke a potential “new cold war” as external powers compete for space in Africa. None of the seven perspectives dominate African thinking, or group formation in Africa-FOCAC interaction. Thus the African approach to FOCAC is expected to remain fragmented, unorganised and contested.

The FOCAC Secretariat attached to China’s Ministry of Foreign Affairs is widely regarded as doing a good job on organising meetings of African ambassadors in Beijing and providing a comprehensive “follow-up” on FOCAC implementation activities. The FOCAC Secretariat sees FOCAC as a process intended to support China’s efforts to “seek fair competition in Africa in an era of globalisation.” Moreover, China often has to balance “unrealistic expectations” on the part of both the West and Africa. China can “do more, but only in accordance with its own capacity.” Over time, as the Chinese economy grows further, China’s contribution to Africa will expand accordingly.
The FOCAC Secretariat is seeking expanded African input and co-operation in a number of areas. These include increased investment co-operation to provide a positive investment environment for Chinese entrepreneurs. Africa should open their economies more to investors and provide comprehensive investment protection in order to attract increased interest from China. Furthermore, Africans should provide more information on investment opportunities to attract new capital transfers. Increased input from Africa in advancing a China-Africa business-to-business dialogue would significantly enhance commercial interaction within the FOCAC framework. Expanding the Sino-African trade and investment process, under the support and guidance of FOCAC, is viewed as a key longer term objective. Thus FOCAC is not only a “dialogue platform” for political interaction but also serves as facilitator for commercial expansion.

According to the Secretariat, a key factor in advancing FOCAC would be expanded and enhanced inputs from Africa in terms of new proposals, new ideas and constructive contributions to advancing the FOCAC agenda. Much of the research and fieldwork investigation in this report has been aimed at developing specific recommendations and proposals to that end. Without an African FOCAC secretariat, individual African countries should co-ordinate inputs and develop joint proposals. Moreover, African regional organisations should offer suggestions and proposals to develop a regionally-based vision for longer term interaction with the FOCAC process. Given the relatively short history of FOCAC, China is seeking to strengthen engagement with Africa at all levels, enhance dialogue and build a mutually beneficial process of “pragmatic communication.”

The purpose of “pragmatic communication” is to engage in study and investigation of African conditions to “explore new possibilities” for mutually beneficial engagement. It is hoped that this study contributes to this pragmatic communication and helps to build a positive Sino-African relationship, which is measured by progress towards achieving the MDGs. In this process, China can learn from the West, but are essentially seeking a new form of engagement with Africa which is based on China’s own interpretations, conditions, capacity and interests: in effect, a China-Africa relationship based on “Chinese characteristics” and not an imitation of the West’s approach.

Officials at China’s Foreign Ministry identify China’s comparative advantage in its own recent development experience and its similar level of development which offer similar possible solutions. China is “not afraid” to come to Africa and help Africans overcome their difficulties. This is in sharp contrast to the West, which tends to focus on capital transfer as the key to all developmental problems. Chinese companies are more than willing to adapt to local conditions and experience the hardships of working in Africa. At the same time, China is seeking “workable conditions” and a “favourable climate” for Chinese commercial ventures in Africa to advance trade and investment. The long-term challenge is for a Sino-African process which promotes “common prosperity” for both sides in an ever increasing globalised world. The key to unlock Africa’s future leading to an attraction of significant Chinese investment is “economic and social stability.” A stable and positive environment would attract Chinese investors and traders, opening the way for expansion of African growth and opportunity.
China is well aware of the problems in Africa, but can provide no instant or easy solutions. The long-term process of Sino-African interaction is intended to produce a win-win outcome for both sides. The FOCAC process provides the foundation for win-win negotiations and mutual prosperity.

Chinese officials point out that the problems in Africa are an “international responsibility” and not the responsibility of China exclusively. Peace and security issues should be addressed by African regional organisations, the AU and the UN. China can support and contribute to this process at all levels. However, China’s contribution can only be within its ability and capacity as a developing country itself. China has a limited ability to affect major political and economic outcomes in Africa. FOCAC is intended to advance positive Sino-African diplomacy and provide a framework for China’s contribution to African problem solving.

Moreover, FOCAC should be seen as a long-term process through which both China and Africa will derive specific and numerous benefits. The FOCAC Secretariat has a significant task in co-ordinating the various Chinese government departments responsible for implementing different aspects of the FOCAC agreement. But the depth of Chinese commitment to FOCAC, as evidenced by the broad range of government departments involved in the process, is testimony to China’s attention to this process. Moreover, the involvement of numerous government departments offers opportunity for relationship enhancement in a wide variety of interaction.

China is enthusiastic about the FOCAC process and determined to ensure that it is a success. Chinese officials at the FOCAC Secretariat are seen to be well organised and committed to the implementation of FOCAC undertakings, while at the same time ensuring the long-term future of the process. However, Africa has no effective follow-up mechanism and can’t build a constructive relationship within the FOCAC framework. Our research suggests that individual African countries should prioritise FOCAC within foreign ministry decision making processes to ensure an appropriate response to China. Some African diplomats argue that the AU Commission should engage China on FOCAC. Moreover, stronger FOCAC-SADC and FOCAC-EAC relationships would advance greater Chinese involvement in regional projects. Although FOCAC is a multilateral forum, most of the outputs of this process are distinctly bilateral. A stronger FOCAC linkage with regional organisations, such as SADC, EAC, ECOWAS etc. would produce a bigger impact on regional economic growth and development.

African stakeholders complain that accurate data on China’s FOCAC activities is not widely available. For example, there was no certainty on the number of schools built by China in term of FOCAC promises. Monitoring progress on FOCAC is thus difficult for African decision makers. Although China gives periodic report-backs on progress, more information sharing would sharpen and enhance the process. Moreover, expanded communication in this context would enable Africans to provide more timely and useful comment on progress. This would also strengthen possibilities for greater synthesis with NEPAD and individual African development agendas. There is a perception among African ambassadors that China “will deliver,” but an increased exchange of more technical and detailed information would benefit the FOCAC implementation process. Moreover, the enormous goodwill
generated by transparent fulfilment of FOCAC promises will have a very positive spill-over effect for China.

There is widespread consensus among African diplomats that China’s bilateral interaction with the continent has been very effective. China has been highly receptive to the specific development needs of various African countries and has been able to provide positive contributions in many cases. However, African ambassadors have argued in favour of a more “continental approach” to broaden and strengthen FOCAC. A continental approach would mean a stronger FOCAC-AU engagement and enhanced FOCAC-regional organisations interaction. The expected outcome would be a more effective developmental process favouring regional economic growth and the enhancement of economies of scale. A closer interaction with both the objectives and methodology of NEPAD would enhance FOCAC’s ability to strengthen Africa’s development agenda.

The longer term vision for Africa is a continental development approach where railways and roads criss-cross the entire continent, rather than limited country-specific transport systems. Country-specific transport systems resemble the colonial approach in that they are usually intended to transport specific raw materials from the source to a port for export to the colonial power. China could effectively undermine any accusation of imitating a colonial approach if it began to develop a regionally-based, or continentally-based, African transport system. This would promote economic growth more generally for Africa and allow African economies to grow and diversify.

Some African voices have suggested that the FOCAC-African senior officials meetings are “too structured” and do not allow for candid discussion on issues of difference. At this technical level, Sino-African relations could be significantly enhanced through expanded interaction and more functional communication. This would allow African countries to raise specific issues and help to develop focussed and relevant proposals. More effective technical co-operation would also be important in driving the higher levels of diplomatic and political interaction. The feasibility of proposals and projects could be decided at the technical level and would enhance successful outcomes at higher levels of interaction.

Comment on the FOCAC-Africa foreign ministers’ meetings suggest that they are not conducive to constructive and detailed interaction and are thus not very effective in driving the FOCAC agenda. An approach based on a “workshop model” where issues can be unpacked, debated and refined is proposed as an improvement. The central objective of this approach would be to develop what some Africans call a “true China-Africa partnership” for mutual benefit. This would of course require a much stronger preparation and commitment from Africa’s side to develop and enhance the FOCAC process.

With a view to strengthening and empowering Africa through FOCAC, African representatives have proposed a number of new initiatives. These include greater commercial interaction with China through joint ventures (JVs). JVs offer Africa an opportunity to mobilise and help direct China’s strengths and competitive advantages in engaging Africa. Rather than seeking to counter Chinese competition, China’s involvement in Africa should be embraced through a constructive and mutually
beneficial JV approach. The ICBC-Standard Bank JV stands as an example of a merge of appropriate commercial competitive advantages which will benefit the continent as a whole. South Africa seeks to promote this model with African countries providing the hands-on experience and market knowledge, with China contributing new skills and capital.

African “complaints” about China’s commercial focus and business acumen produce no positive outcome for Africa. Africa should rather seek a partnership with China in developing a common approach which would benefit both sides. African representatives are also increasingly favouring a greater African effort to engage the Chinese market. The expanding Chinese market offers new opportunities for African producers and investors, while China is “open to new ideas” and welcomes commercial engagements from all parts of the world. There is a strong sentiment that African companies should “stop complaining” and rather seek JVs in Africa and new innovative market entry strategies in China.

FOCAC is a diplomatic process of engagement between developing countries which offers Africa an opportunity to “accept, or reject” different aspects of China’s engagement with the continent. African voices have suggested that within FOCAC China is “willing to listen” to Africa, but Africa “must be specific about what it wants.” African representatives have advised their governments to “be specific and unified” in seeing to build the FOCAC agenda. China’s goodwill at the conference table must be matched by Africa’s ability to articulate its goals and dreams. This requires increased preparations on Africa’s part which could be assisted by a second track process. NGOs could contribute to Africa’s preparations for FOCAC meetings and help to identify priorities and specific projects. China-Africa friendship associations and think-tank coalitions could play a very important and positive role in advancing the process. African interaction and co-ordination with Western donor agencies could help Africa to “maximise benefits” from an informal partnership with China to develop Africa.

African co-ordination of Western and Chinese engagement is important to maximise positive outcomes. Some African representatives are seeking an expansion of Chinese investment zones and industrial parks in Africa to provide focussed development areas. These specific development areas would be intended to attract Chinese investments, be supported by Chinese technical training and technology transfers. Moreover, to maximise Africa’s development potential, China should open its markets to African products providing special incentives for Chinese consumers to appreciate Africa’s offerings.

10.5 Africa and the FOCAC Agenda

China has signed bilateral agreements with a number of African countries encouraging and protecting investments. Chinese investment in Africa over the next few years is expected to increase very significantly. Chinese companies have advantages over competitors in Africa because of the strong backing they receive from their government. China’s investment focus in future is expected to be increasingly on raw material extraction and transportation. Continued growth of the Chinese economy
will increase the demand for raw materials, many of which will be sourced in Africa. In support of this process, the Chinese government has initiated a new programme to encourage companies to expand their operations overseas. MOFTEC has suggested that there are good opportunities for new commercial ventures in a number of African countries. China’s commitment to advance trade and investment in Africa offers promise for the future because Africa can obviously not base its economic development on aid and external assistance.

African representatives offer self-criticisms, pointing out that they are often “too slow” and uncoordinated in their responses to Chinese initiatives. Increased dialogue and interaction among African countries is required to advance the FOCAC process and to ensure a win-win outcome in the long-term. An increased sharing of information, ideas and objectives among African countries is required to build the process. Africa is seeking greater Chinese co-ordination with African development priorities, both nationally and regionally to support development. Africa is supporting China’s rise and Africa looks to China for effective support and investment which will support “Africa’s rise.” At the same time, Africa’s rise is promoting accelerated external interest in the continent and a new interest in economic interaction. However, as MOFA officials point out, this is not a “new Cold War” (ideological contest), but rather “cold competition” (economic contest) and an integral component of the West’s economic system of free markets and global economic integration.

Outside of the process of expanded political and economic interaction through FOCAC, African representatives have referred to assistance priorities which can contribute significantly to Africa’s longer term success. These priorities include targeted investments which create jobs in Africa and stimulate domestic economies. The establishment of industrial parks in Egypt for example, offer numerous opportunities for developing the local economy. Technology transfers to Africa could be very effective in advancing development in specific economic sectors. China’s willingness to offer training to Africans is useful in this context. However, the training programmes need to be appropriate for African conditions and requirements. For some African diplomats, the emphasis should be on “what we (Africa) want from China.” Africa’s list of requirements needs extensive debate and strong cooperation to clearly articulate aims and objectives.

The FOCAC process has a high possibility of success, given that China is willing to listen to African requests. A strong second-track process could help African states identify and develop proposals for FOCAC. This study seeks to contribute to that end by identifying specific proposals which could drive the FOCAC agenda to Africa’s long-term interest. China-Africa friendship associations, civil society and think-tanks should be mobilised to develop the FOCAC agenda. Moreover, a process to harmonise Chinese development support with Western aid would maximise benefits for Africa and advance development agendas. African governments should be specific and unified in advancing and expanding the FOCAC agenda as there are numerous possibilities for broader Sino-African interaction. Thus FOCAC should be more than a process of repackaging existing bilateral arrangements, but rather an expansion of multilateral opportunity and international co-operation.
The Sino-African Forum is widely regarded as an extremely valuable process for African diplomacy. At the same time, the process could be strengthened significantly if Africa increased its ownership of the process through more direct involvement in advancing FOCAC objectives. Africa benefits significantly from regular and structured interaction with Beijing building on past interactions and identifying new opportunities. Moreover, Chinese aid to Africa is extremely important to many African countries. Aid which is specifically identified as important includes medical assistance, agricultural management, construction and debt relief. China’s promise to implement decisions reached at earlier meetings has been widely welcomed.

There are clear indications that many African countries have benefited from the FOCAC process over the last few years. The momentum of two-way trade is certain to accelerate in the years ahead given the evident complementarity of the Chinese and African economies. At the same time, African diplomats have stressed that African states must be more focused in identifying products which can be sold in China. The strong growth of the Chinese market offers opportunity for African producers if they can identify opportunity. Growing opportunities for investments in Africa are expected to be attractive to Chinese enterprises, while the massive potential for increased commercial engagement with China cannot be ignored.

10.6 The 2009 FOCAC Meeting

Following the conclusion of the fourth Forum on China Africa Cooperation (FOCAC), it is timely to assess what the impact of the FOCAC process has been in African countries to date. This study has sought to examine the implementation of China’s FOCAC commitments to five African countries (Angola, the DRC, Mozambique, Tanzania and Uganda) and two regional economic communities (EAC and SADC). Drawing on the observations from the case studies, this conclusion seeks to identify and illustrate emerging trends in China’s engagement with the African continent and discuss which direction the collaboration within the FOCAC framework is likely to take going forward.

Will FOCAC post-2009 be a framework used by the Chinese Ministry of Foreign Affairs to nurture strong relations with African elites in order to further Chinese interests on the African continent, or will African leaders have the determination and capacity to take ownership of the process and shape FOCAC so that it can bring tangible benefits to the citizens of each African country involved in the diplomatic exercise?

Indeed, FOCAC has now acquired considerable maturity. The attention devoted to the 2006 FOCAC Summit in Beijing raised worldwide awareness of the Forum. Since 2006, the interest for China’s engagement with Africa has increased exponentially, particularly in policy circles both in Africa and the West. The 2009 FOCAC meeting followed by the release of the elaborate Sharm el Sheikh Action Plan was certainly a powerful indicator that in the minds of the African and Chinese leaders, Sino-African relations are forging ahead.
10.7 Key challenges for Sino-African relations going forward

The field research conducted for this study indicates that China’s relations with the five case study countries are indeed fairly developed, with many ambitious projects implemented to date. However, a number of recurring challenges for African policymakers and leaders in terms of relations with China were identified across the case study countries. It is believed that the manner in which these six key challenges are dealt with will largely determine whether or not Sino-African relations will be beneficial for the African continent going forward.

10.7.1 Labour rights and the development of workers’ skills

Labour issues comprise the foremost challenge in terms of the long term effects of Chinese development aid and the presence of Chinese companies in African countries. While the research team interviewed a great number of Chinese companies in the five countries which indeed employ and train local workers, complaints are commonly voiced by African civil society groups and population at large about Chinese companies bringing Chinese labour to work on infrastructure projects in African countries. Moreover, objections are often raised regarding the treatment of African workers in Chinese companies operating on the continent. While it is acknowledged that these reports may to a degree be anecdotal evidence with little substance, there is no doubt that there is room for great improvement in this regard.

Fair employment of African workers and continuous development of these workers’ skills are indeed key issues that should be pushed during FOCAC and the highest level of Sino-African consultations. This would certainly require more effort from the Chinese side given that it is, over the short term, more efficient to bring Chinese workers to work without language barriers on machinery they are already familiar with.

There is undoubtedly a trade-off in this regard, and it is recommended that African leaders should take a reformist approach in terms of this issue. As is the case with all foreign companies operating in Africa, a few expatriate workers will for management purposes have to follow the Chinese company in question. However, the terms under which local labour is to be employed and trained could be specified and standardised to a substantially greater degree than is the case today. This is something that representatives for African countries have to take into account ahead of FOCAC 2009.

A practical suggestion in this regard draws on the Mozambican experience where the translation to Mandarin of the country’s labour law has received positive response from Chinese companies. It is therefore recommended that crucial African legal documentation, particularly pertaining to workers’ rights, should be made available in Mandarin.
10.7.2 The establishment of joint ventures to build capacity and transfer technology

Related to the matter of skills development in local workers is the issue of capacity building among African entrepreneurs. As outlined in the country case studies, it is strongly recommended that the establishment of small and medium sized Sino-African joint ventures with at least 50 percent ownership of an active African partner should be encouraged in all economic sectors (for example agro processing, manufacturing, construction and mineral extraction). Certainly, where seed funds provided by Chinese policy banks (such as CDB) are involved, this should be made a mandatory requirement. Such joint ventures are expected to build skills and assist in building a local African manufacturing base and thus contribute to sustainable development.

10.7.3 The language barrier

Chinese communities in African countries are generally perceived as entrepreneurial and hard working, but also as closed, secretive and uninterested in interaction with local African populations. It is argued that the challenges in terms of communication between the Chinese community and the local African population are largely due to the language barrier.

It is, however, not only the African populace that struggle to communicate with the Chinese community. African government- and company representatives also find interaction with their Chinese counterparts to be a challenge in terms of safeguarding the integrity of its national interests during bilateral negotiations and discourse. Also the Chinese medical teams consulted by the research team in the case study countries expressed that it is indeed difficult for them to work efficiently as medical professionals because of the language barrier.

It is therefore unavoidable that language and cultural skills have to be improved greatly on both sides going forward. African students, civil servants and private sector representatives must have access to adequate and affordable Mandarin language training. Likewise, Chinese professionals operating in Africa must have access to the appropriate language training and information on local culture. Moreover, the skills of African graduates with degrees from Chinese universities must be harnessed to a much greater degree than is the case at present. It is highly recommended that African leaders take this into account in the development of Sino-African relations going forward.

10.7.4 The appointment of China coordinators in key government departments

A recurring theme identified across the five country case studies is that, to a varying degree, red tape and inefficiencies in African government departments delay the implementation of Chinese development projects pledged to African countries. It may for example be the identification of a site for a hospital or simple administrative procedures that delay the process. These delays are often caused at middle level rather than at the top management levels. To a degree, this is identified to be a result of a trial and error process, given that both Chinese and African actors are learning in the Sino-African relationship and may still have limited experience and capacity. To facilitate Sino-African collaboration,
it is recommended that specific China coordinators should be appointed in key African government departments such as the ministries of health, education and infrastructure/public works to manage, promote and oversee relevant issues.

10.7.5 The role of civil society

A contentious issue in Sino-African relations is the role of civil society. Whereas civil society in African countries certainly could develop a great deal and be significantly more empowered, it has an important societal role to play. It has not escaped the attention of these actors and the African populace that civil society is mostly not included in Sino-African consultations, given that these are heavily centred upon state actors. In order to build sustainable relations with China going forward, African leaders must ensure that civil society be included in the consultation process.

There are two main reasons for this. First and foremost, this is imperative since civil society has a crucial and positive contribution to make to the development of their countries. It is admittedly not sustainable that state actors alone drive the FOCAC process given that the onus of development sits on a natural balance where state and non-state actors coexist. Second, an equally important factor is that African citizens will very soon grow tired of China as an actor in their countries if civil society is not incorporated in the Sino-African consultation process. While it is acknowledged that civil society in China does not play the same role as it does in Africa, African leaders must do their best to bridge this gap in order to avoid resentment and even backlash against Chinese engagement in their countries.

10.7.6 The use of building material ‘Made in Africa’

The practice of sourcing building material from China is a recurring and highly criticised theme in China’s engagement with Africa generally. In terms of buildings donated by means of the FOCAC framework, the allocation of budgets for specific projects (e.g. schools, hospitals, anti-malaria centres, etc), is set by the Chinese government and is fixed irrespective of the differing costs of implementation in each country. The Chinese companies responsible for implementation of the projects may therefore be obliged to source all the building material in China in order to be able to implement the projects. All things considered, this results in a situation where little to no building material is sourced on the African continent, neither from the country in question nor from the neighbouring African economies.

It is recommended that African leaders should require that building material used for FOCAC projects should be purchased in the African country in question or in the neighbouring countries. Even though the process of using often much more expensive building material from Africa would mean that only a third or a quarter of the number of schools, roads or hospitals currently built would be implemented, the developmental effects may be greater given the broader economic synergies such a modus operandi would create. Such an approach may also counter the risk that the FOCAC process creates an increased African dependency on China for the supply of building materials.
10.8 Concluding remark - FOCAC at crossroads

This research undertaking has examined the implementation of China's FOCAC commitments in five African countries. While the implementation has been satisfactory in many ways, the six key challenges outlined above are identified as the stumbling blocks that will largely decide to what extent FOCAC will be a developmental success for Africa going forward. It is believed that these six issues should be taken into account by all African leaders in their work to further shape Sino-African relations.

As emphasised many times before, the onus is now upon African stakeholders - both government and civil society - to ensure that these issues are resolved satisfactorily. The specific recommendations formulated in the report strive to provide an African perspective to the further development of the FOCAC framework, which, if formulated in an equitable manner, has the potential to pave the way for a new Sino-African partnership, beneficial to all Africans.
Profile of the Centre for Chinese Studies

The Centre for Chinese Studies (CCS) is the first academic institution devoted to the study of China in Africa. The Centre promotes the exchange of knowledge, ideas and experiences between China and Africa.

As Africa's interaction with China increases, the need for greater analysis and understanding between our two regions and peoples grows. This involves evaluating China's developmental role in Africa that is felt in various capacities ranging from trade and investment to humanitarian assistance. The Centre conducts analysis of China-related research to stakeholders in Government, business, academia and NGO communities.

The Centre presents courses to academic and business audiences at Stellenbosch University and other local universities and plays host to visiting academics within the China Forum that provides a platform for discussion and debate on China-Africa related subjects. The CCS thus serves as the foremost knowledge bridge between China and the African continent.
Endnotes


2 For an overview of the diverse nature of China’s engagement with Africa, refer for example to:


6 The Beijing declaration of the Forum on China-Africa Cooperation is a available on http://www.fmprc.gov.cn/eng/wija/hywj/hywj1157833.htm

7 The Programme for China-Africa Cooperation in Economic and Social Development is available on http://www.fmprc.gov.cn/eng/wjzl/hywj/hywj1157834.htm


10 China's African Policy is available on http://www.focac.org/eng/zgdfzzc/t463748.htm


“UN Chief Hails Decision to Double Aid to Africa,” Chinadaily, at http://www.chinadaily.com.cn/china


Ibid., p. 72.

See “Agricultural Co-operation,” Beijing Summit, at http://www/english.focacsummit.org/


Comments of the African leaders are recorded in the Beijing Summit of the Forum on China-Africa Co-operation, Documents and Speeches, Vol. III, 4-5 November 2006.

Quoted in “Zambian President Says China’s Assistance to Africa not a Second Colonialism,” People’s Daily Online, at http://english.peopledaily.com


The Sharm El Sheikh Action Plan is available on http://www.focac.org/eng/zxxx/t626387.htm


Interview with a representative of Ministry of Foreign Affairs - Asia and Oceania, 05.03.2009, Luanda.


Interview with a representative of the Ministry of Planning, 10.03.2009, Luanda.


Interview, 10.03.2009, Luanda.


According to ANIP’s Tax Incentive Law (referred to above), the manufacturing sector incorporates the following:
The final product must incorporate at least 25% national raw materials and materials, or 30% of value-added, or equipment and production process must enable technological advancement and the upgrade of respective industry, (namely, sectors of Agri-industry, Manufacture of composts and fertilizers and foodstuffs industry, Textiles and clothing manufacture, Exploration and manufacture of lumber, Woodwork and furniture, Construction materials, Manufacture of packaging, Metallurgy and heavy engineering, Manufacture of machinery and equipment, tools and accessories, Cellulose and paper-pulp industry, Manufacture of tires and inner tubes, Milling of maize, cassava and wheat, Milk and dairy products, Artifacts and fishing, Husking and roasting of coffee, Manufacture of footwear, Industries for the manufacture of mineral products, IT and telecommunications equipment).


Interview with a representative of Drago Group, 09.03.2009, Luanda.


Interview with a representative of Huawei Technologies, 11.03.2009, Luanda.


Interview, 28.02.2009, Luanda.


Interview with a representative of CMEC, 09.03.2009, Luanda.

Interview with a representative of Centro de Estudos Estrategicos de Angola (CEEA - Strategic Studies Centre of Angola), March 2009, Luanda.

Interview with a representative of CITIC, 06.03.2009, Luanda

Ibid.

Ibid.

Ibid.


Interview with a representative of CR-20, 10.03.2009, Luanda.


Interview with a representative of CR-20, 10.03.2009, Luanda.


Ibid.

Ibid.


Interview, 08.03.2009, Luanda.


Ibid.


108 Interview with a representative of the Economic Counsellor’s Office, Embassy of the People’s Republic of China in Angola, 09.03.2009, Luanda.

109 Interview, Ministry of Foreign Affairs - Asia and Oceania, 05.03.2009, Luanda.

110 Interview, Golden Nest Lda, 08.05.2009, Luanda.


112 Interview, Instituto Nacional de Bolsas de Estado, 10.03.2009, Luanda.


116 Interview with the Chinese Ambassador to Angola, 10.03.2009, Luanda.


120 Interview with a local Angolan politician, 10.03.2009, Luanda.


122 Ibid.


124 Interview with a representative of Drago Group, 09.03.2009, Luanda.

125 The country was firstly named Republic of the Congo-Leopoldville (1960) and secondly Democratic Republic of the Congo-Leopoldville (1964). In 1971 Mobutu named the country Zaire, and lastly Laurent Kabila gave the country its current name in 1997.


128 Interview with the Chinese Ambassador to the DRC, Wu Zexian. 23.02.2009, Kinshasa.


130 Interview with the Chinese Ambassador to the DRC, Wu Zexian. 23.02.2009, Kinshasa.


139 A CCS research team visited the building site in Kinshasa 24.02.2009.


141 For more info, please refer to http://www.cinqchantiers-rdc.com/home.php

142 Interview, 05.03.2009, Kinshasa.


144 Interview with the FOCAC Ambassador, Chinese Ministry of Foreign Affairs, 24.04.2009, Beijing

145 Interviews with Congolese and Chinese government officials, 23.02.2009 to 05.03.2009, Kinshasa.

146 Interview, 03.03.2009, Kinshasa.

147 Interviews with a well informed observer, 25.02.2009 and 28.10.2009, and telephone interview 05.05.2009.


The raw data, indicated in HS4 code, has in the analysis been grouped into categories according to product chapters and broader categories.

Interview with a senior representative of the National Agency for the Promotion of Investment, 27.02.2009, Kinshasa.

Interview with a well informed respondent, the Congolese Central Bank, 29.09.2009, Kinshasa.


Interview with a senior representative of the Bureau for Coordination and Monitoring of the Sino-Congolese Programme (BCPSC), 03.03.2009, Kinshasa.


Ibid

Please refer to the above cited references for a full account of the situation


- For more info on the HIPC program, please see www.worldbank.org/hipc

© 2010 Centre for Chinese Studies, University of Stellenbosch; All rights reserved
Interviews with very well informed Congolese and Western observers, September-October 2009 and February-March 2009, Kinshasa.


Cinq Chantiers webpage (2009). Exim Bank pour le renforcement de la coopération entre la Chine et la RDC. Published on 27.03.2009, accessed on 05.04.2009 from http://www.cinqchantiers-rdc.com/article.php3?id_article=1502&var_recherche=exim

Interviews with representatives for the Bureau for Coordination and Monitoring of the Sino-Congolese Programme (23.02.2009 and 03.03.2009) and the Congolese Agency for Major Construction Works (ACGT), 02.03.2009, Kinshasa.


Interview with representatives for the Congolese Agency for Major Construction Works (ACGT), 02.03.2009, Kinshasa.

Interview with a well informed observer, 26.02.2009, Kinshasa.


Interview with very well informed observers, 24.02.2009, Kinshasa.


Interview with Wu Zexian, Chinese Ambassador to the DRC, 23.02.2009, Kinshasa.

Interview with representatives of the Congolese Agency for Major Construction Works (ACGT), 02.03.2009, Kinshasa.

Interview with representatives of the Bureau for Coordination and Monitoring of the Sino-Congolese Programme (BCPSC), 26.03.2009 and 03.03.2009.

Interview with representatives of the Congolese Agency for Major Construction Works (ACGT), 02.03.2009, Kinshasa.

Interviews with representatives of the Bureau for Coordination and Monitoring of the Sino-Congolese Programme (BCPSC), 26.03.2009 and 03.03.2009.

Interview, 23.02.2009, Kinshasa.
Interview with representatives of the Congolese Ministry of Posts, Telephones and Telecommunications, 04.03.2009, Kinshasa.

181 Interview with representatives of the Congolese Ministry of Posts, Telephones and Telecommunications, 04.03.2009, Kinshasa.


185 See further in Garrett, Nicholas (2007). “The Extractive Industries Transparency Initiative (EITI) & Artisanal and Small-Scale Mining (ASM)*”. October: EITI.

186 Interview with an expert within the Congolese bureaucracy with very good insight into the mining sector, 29.09.2008, Kinshasa;

-Interviews with several Chinese company representatives in the Lubumbashi area, 9-13 September 2008, Lubumbashi.


193 Interview with representatives of the Ministry of Health, 27.02.2009, Kinshasa.

194 Interview with the Chinese Ambassador to the DRC, Wu Zexian. 23.02.2009, Kinshasa.

195 Interview, 24.02.2009, Kinshasa.

196 Interview with a representative of a Congolese students' association, 13.11.2008, Beijing.

197 Interview with representatives of the Ministry of Health, 27.02.2009, Kinshasa.

198 Interview, 23.02.2009, Kinshasa.

Interviews, 24.02.2009, Kinshasa.

Interview, 27.02.2009, Kinshasa.


Interview with members of the current Chinese medical team, 24.02.2009, Kinshasa.

Informal conversations, 8-13 September 2008, Lubumbashi.


Interview, 24.02.2009, Kinshasa.


Interviews, 29.10.2009, Kinshasa.


Interview, 14.02.2009, Maputo

FRELIMO was founded in 1962 as a liberation movement. As in many other African countries, it subsequently became a political party after independence.


Interview with Dr. Jiang Yongsheng, Chairman of the Mozambique Association for Promotion of Peaceful Reunification of China, 14.02.2009, Maputo.

Interview with former Mozambican Ambassador to China, Jose Morais, 13.02.2009, Maputo.

In early 2007, Chinese President Hu Jintao visited Cameroon, Liberia, Mozambique, Namibia, South Africa, the Seychelles, Sudan and Zambia.


© 2010 Centre for Chinese Studies, University of Stellenbosch; All rights reserved

Paragraph 221: Although the Beijing Action Plan refers to only 10 centres, the number increased to 14 after all bilateral protocols with all African counterparts, as discussed in chapter 2.


Paragraph 223: Interview with Mr. Shao Jiayun, 13.02.2009, Maputo.


Paragraph 225: Mozambique’s Agricultural Minister Erasmo Muhate, who was appointed on 27th March 2007, was dismissed from service on 11th December 2007. This government office is still undergoing renovations from the catastrophic fire that occurred in May 2007 during the former Minister’s short term in office. The current Minister of Agriculture, Soares Nhaca was brought in from his former position of Deputy Minister of Labour. Before his move to Maputo, Nhaca served at governor of Manica province and previously as the general secretary of Mozambique’s main trade union federation, the Mozambique Workers’ Organisation (Organização dos Trabalhadores de Moçambique - OTM).

Paragraph 226: Interview with Mr Shao Jiayun, 13.02.2009, Maputo.

Paragraph 227: Interview with Mr. Calisto Bias, Director-General of IIAM, 20.02. 2009, Maputo.

Paragraph 228: Interview with Project Manager Mr Luo Haoping, 18.02. 2009, Maputo.


Paragraph 231: Interview with a representative of Centro de Promoção de Investimentos (CPI), 18.02.2009, Maputo.

Paragraph 232: The Mozal aluminum smelter is run by BHP Billiton, which has a 47.1 % stake in the JV. It is situated 17 kilometers from Maputo. See further: BHP Billiton homepage (2009). “About Mozal”. Accessed 03.09.2009 from http://www.bhpbilliton.com/bb/ourBusinesses/aluminium/mozal/aboutMozal.jsp


Paragraph 234: Interview with a representative for AFECC, 16.02.2009, Maputo.

Paragraph 235: Interview with a representative for CPIDCC, 18.02.2009, Maputo.


In 2006 the Chinese government pledged to encourage well-established Chinese companies to set up three to five overseas economic and trade cooperation zones in African countries. As of April 2009, four special economic zones had been set up in Egypt, Mauritius, Nigeria and Zambia respectively. Source: Interview with a representative of the Ministry of Foreign Affairs of the People’s Republic of China, 24.04.2009.


Moza Banco, which opened in June 2008, is joint venture between Mocambique Capitais (a group of 218 Mozambican businesses) and Stanley Ho’s Macao-based Geocapital. Caitais owns a majority share of 51 percent, whilst Geocapital controls the remaining 49 percent.


Interview with Mr. Liu Xiaohui, the Economic and Commercial Consular at the Chinese Embassy in Mozambique, 12.02.2009, Maputo.

Interview, 17.02.2009, Maputo.


Interview with a representative of AFECC, 16.02.2009, Maputo.


Interview with a representative of AFECC, 16.02.2009, Maputo.

Ibid.

Interview with a representative of the Ministry of Foreign Affairs and Cooperation, 19.02.2009, Maputo.


264 Interview, 12.02.2009, Maputo.


267 Ibid.


273 Interview, 18.02.2009, Maputo.

274 Interview with a representative of Hanban, 30.04.2009, Beijing.

275 In 2009, UEM’s Department of Languages launched the first Arabic course in Mozambique.

276 Interview, Eduardo Mondlane University, 15.02.2009, Maputo.

277 Interview, Universidade Politécnica, 16.02.2009, Maputo.

278 Interview with a representative of Instituto de Bolsas de Estudo, Ministério do Educação e Cultura, 17.02.2009, Maputo.

279 Interview, 12.02.2009, Maputo.


282 Interview with a representative of Centro de Promoção de Investimentos (CPI), 18.02.2009, Maputo.

284 Interview, 16.02.2009, Maputo.


286 Interviews with CPI staff 11.12.2009. Maputo

287 Interview with senior staff, Mozambican Ministry of Industry and Trade. 11.12.2009. Maputo


289 See Jao Feijo’s paper entitled “Mozambican perspectives on China in Africa - a study from the discourses published in a Mozambican weblog.”


291 For detailed accounts of China’s historical relations with Tanzania see for example:


293 Interview, 23.03.2009, Dar es Salaam.

294 Interview, 20.03.2009, Dar es Salaam.

295 Interview, 27.03.2009, Dar es Salaam.

296 Interview with a Tanzanian construction worker, 23.03.2009, Dar es Salaam.

297 Interview with a senior official of the Tanzania Investment Promotion Agency, 23.03.2009, Dar es Salaam.

298 Interview with a Chinese trader, 20.03.2009, Dar es Salaam.


300 Interview, 27.03.2009, Dar es Salaam.

301 Interview, 27.03.2009, Dar es Salaam.

302 Interviews, 20.03.2009 and 27.03.2009, Dar es Salaam.
Interview, 27.03.2009, Dar es Salaam.

Interview, 19.03.2009, Dar es Salaam.

Interview, 26.03.2009, Dar es Salaam.

Interviews, 26.03.2009 and 27.03.2009, Dar es Salaam.

Meeting, 16.03.2009, Arusha.

Interview, 27.03.2009, Dar es Salaam.

Interview, 23.03.2009, Dar es Salaam.

Interviews, 23.03.2009 and 27.03.2009, Dar es Salaam.

Interview, 27.03.2009, Dar es Salaam.

Interview, 26.03.2009, Dar es Salaam.

Interview, 27.03.2009, Dar es Salaam.

Interviews, 26.03.2009 and 27.03.2009, Dar es Salaam.

Interview, 27.03.2009, Dar es Salaam.

Interview, 26.03.2009, Dar es Salaam.

Interview, 27.03.2009, Dar es Salaam.

Interview, 27.03.2009, Dar es Salaam.

Interview, 26.03.2009, Dar es Salaam.

Interview, 23.03.2009, Dar es Salaam.

Interviews, 26.03.2009 and 27.03.2009, Dar es Salaam.

Interview, 27.03.2009, Dar es Salaam.

Interview, 23.03.2009, Dar es Salaam.

Interview, 27.03.2009, Dar es Salaam.

Interview, 26.03.2009, Dar es Salaam.

Interview, 27.03.2009, Dar es Salaam.

Interview, 26.03.2009, Dar es Salaam.

Interview, 27.03.2009, Dar es Salaam.

Interview, 27.03.2009, Dar es Salaam.

Interview, 26.03.2009, Dar es Salaam.

Interviews, 26.03.2009 and 27.03.2009, Dar es Salaam.

Interview, 27.03.2009, Dar es Salaam.

Interview, 26.03.2009, Dar es Salaam.


Wen Jiabao also visited Egypt, Ghana, the Republic of Congo, Angola, South Africa and Uganda.

Interview, 19.03.2009, Dar es Salaam.


Interview, 23.03.2009, Dar es Salaam.
The largest Tanzanian agriculture project undertaken with Chinese assistance to date is the Mbarali state farm which was equipped with a rice mill and a hydro-electric station and handed over to the Tanzanian government in October 1977. Also, one of Tanzania’s largest sisal farms, located 300 kilometres southwest of Dar es Salaam in the Morogoro region, is owned by China State Farm Agribusiness Corporation. The 7,000 hectare farm was established in 2000 with a US$ 1.2 million investment. In June 2002, the Tanzanian Ministry of Agriculture and the Sisal Association described it as the best managed sisal farm in Tanzania. Reportedly, the farm stimulates the local economy given that the 300-400 employees of the farm earn US $30 per month which is the highest level in the region. The first harvest in 2004 produced 300 tonnes of sisal fibre and when fully operational, the farm is expected to produce up to 28,000 tons annually representing approximately 25 percent of Tanzania’s entire sisal yield.

See further in:


333 Refer to www.tic.co.tz


337 Interview with a senior official of the EPZA, 25.03.2009, Dar es Salaam. The research team also visited the BWM-SEZ on 26.03.2009.


339 Visit to the Chinese Centre for Investment Promotion, 20.03.2009, Dar es Salaam.

340 Interview, 23.03.2009, Dar es Salaam.


See also:


342 Refer to [http://www.tnbctz.com](http://www.tnbctz.com)

343 Interview, 20.03.2009, Dar es Salaam.

344 Interview, 20.03.2009, Dar es Salaam.


347 Interview, 20.03.2009, Dar es Salaam.


349 Interview with two senior representatives for the Tanzania Investment Centre (TIC), 20.03.2009, Dar es Salaam.

350 Interview with the leader of the Chinese medical team, 25.03.2009, Dar es Salaam.

351 Interview with a senior representative for the Tanzania Investment Centre (TIC), 20.03.2009, Dar es Salaam.


355 Interview, 25.03.2009, Dar es Salaam.


357 Interview, 20.03.2009, Dar es Salaam.

358 Interview, 26.03.2009, Dar es Salaam.

359 Interview with a senior representative of the Bank of Tanzania, 26.03.2009, Dar es Salaam.


360 Ibid.

361 Interview, 26.03.2009, Dar es Salaam.

362 Interview, 25.03.2009, Dar es Salaam.


364 Interview, 25.03.2009, Dar es Salaam.


366 Interviews, 25.03.2009 and 27.03.2009, Dar es Salaam.


368 Interview, 25.03.2009, Dar es Salaam.

369 Interview, 26.03.2009, Dar es Salaam.


373 The PTA Bank was formerly known as the Eastern and Southern African Trade and Development Bank. It was established on the 6th November 1985 following the Treaty of 1981 establishing the Preferential Trade Area (PTA), which since been transformed into the Common Market for Eastern and Southern Africa (COMESA). For further info, refer to:


- Stanbic Bank homepage (2009). “Tanzania”. Accessed 09.09.2009 from [http://www.stanbicbank.co.tz/SBIC/Frontdoor_07_02/0,2493,9949033_9957887_0,00.html](http://www.stanbicbank.co.tz/SBIC/Frontdoor_07_02/0,2493,9949033_9957887_0,00.html)


Interview, 19.03.2009, Dar es Salaam.


Interview, 19.03.2009, Dar es Salaam.


China Sonangol International Holding Ltd. has a 30 per cent shareholding in SonAir of Angola.


394. Interview, 23.03.2009, Dar es Salaam.

395. Interview, 23.03.2009, Dar es Salaam.


399. Interview, 26.03.2009, Dar es Salaam.

400. Interview, 26.03.2009, Dar es Salaam.

401. Interview, 26.03.2009, Dar es Salaam.

402. Interview, 23.03.2009, Dar es Salaam.

403. Interview, 26.03.2009, Dar es Salaam.

404. Interview, 23.03.2009, Dar es Salaam.

405. Interview, 25.03.2009, Dar es Salaam.


409 Interview, 23.03.2009, Dar es Salaam.

410 Interview, 23.03.2009, Dar es Salaam.

411 Interviews, 23.03.2009, Dar es Salaam.


413 Interview, 20.03.2009, Dar es Salaam.

414 Interview, 26.03.2009, Dar es Salaam.


417 Interviews with well placed members of the Chinese community in Kampala, 02.02.2009 and 03.02.2009.

418 Interview with a well informed Ugandan respondent, 01.02.2009.


Interview with an official in the Ugandan Ministry of Finance, 06.02.2009, Kampala.


Seminar discussion, 22.10.2009, Kampala.

Interview, 04.02.2009, Kampala.

The research team met with the newly appointed head of the NPA on 04.02.2009 in Kampala.


Interview, 09.02.2009, Kampala.


Interview with a high ranking Ugandan government official, 04.03.2009, Kampala.

See also for example:


443 Interviews, 01.02.2009 to 09.02.2009, Kampala.


446 Interview with the FOCAC Ambassador, Chinese Ministry of Foreign Affairs, 24.04.2009, Beijing

447 Interviews with a high ranking Ugandan government official, 09.03.2009, Kampala; and with Zhang Aiming, Chinese Economic and Business Counsellor. 04.02.2009, Kampala.

448 Ibid

449 Ibid


451 Interview with representatives of the Uganda Investment Authorities, 02.02.2009, Kampala.

See also:


452 Interviews, 01.02.2009 to 09.02.2009, Kampala.


454 Interview, 02.02.2009, Kampala.

455 Interview, 03.02.2009, Kampala.


Interview with an informed observer, 02.01.2009, Kampala;


Interviews with Chinese and Ugandan respondents, 01.02.2009 to 09.02.2009, Kampala.

The raw data, indicated in HS4 code, has in the analysis been grouped into categories according to product chapters and broader categories.

Interview, 06.02.2009, Jinja.


Interviews, 01.02.2009 to 09.02.2009, Kampala.

Interview, 03.02.2009, Kampala.

Interview, 03.02.2009, Kampala and seminar discussion, 22.10.2009, Kampala.


Interview, 03.02.2009, Kampala.

Seminar discussion, 22.10.2009, Kampala.


Interview with a very well informed respondent, 05.02.2009, Kampala.


Interview with a very well informed Ugandan respondent, 05.02.2009, Kampala.


Interview with a very well informed Ugandan respondent, 05.02.2009, Kampala.


Interview with a very well informed Chinese respondent, 06.02.2009, Kampala and e-mail correspondence with a very well informed observer, 23.04.2009.

Interview, 06.02.2009, Kampala.
Seminar discussion, 22.09.2009, Kampala.

Interview with a very well informed observer, 04.02.2009, Kampala.


-Speech at the Great Hall of the People, 05.11.2009, Beijing.


-Interview with an official in the Ugandan Ministry of Finance, 06.02.2009, Kampala.

-Interview with Sun Heping, Chinese Ambassador to Uganda, 04.02.2009, Kampala.

-Interview, 04.02.2009, Kampala. The research team has, however, not been able to ascertain the exact size of that quota.


-Interview with a representative of Ershisan Ye Construction Group, 05.02.2009, Kampala.


-Interview with a representative of Ershisan Ye Construction Group, 05.02.2009, Kampala.

-Interview with a well informed respondent, 02.02.2009, Kampala.

Interview with the Chinese medical team, 02.06.2009, Jinja.


Interviews with Sun Heping, the Chinese Ambassador to Uganda; and with Zhang Aiming, Chinese Economic and Business Counsellor. 04.02.2009, Kampala.

Refer for example to http://www.visituganda.com/

Interview, 03.02.2009, Kampala.


See for example:


Interview, 05.02.2009, Kampala.


Interview, 16.03.2009, Arusha.


Interviews, 16.03.2009, Arusha.


Refer to www.ticad.net

Interviews, 16.03.2009, Arusha.

Interviews, 16.03.2009, Arusha.

Interviews, 16.03.2009, Arusha.

Interviews with senior EAC Secretariat officials, 16.03.2009, Arusha.

Interviews, 16.03.2009, Arusha.


Interviews, 16.03.2009, Arusha.


Interviews, 16.03.2009, Arusha.

Interviews, 16.03.2009, Arusha.

Interviews, 16.03.2009, Arusha.

Interviews, 16.03.2009, Arusha.


Interviews, 16.03.2009, Arusha.


Interviews, 16.03.2009, Arusha.


Jie, T. and Nianfeng, L. (1995) "Some problems of ecological environmental geology in arid and semiarid areas of China” in Environmental Geology, Volume 26, Number 1, July.


Interview with a senior travel agent from Emirates Airways, 17.03.2009, Arusha. Interview with a senior travel agent from Ethiopian Airways, 17.03.2009, Arusha. Interview with a senior travel agent from Qatar Airways, 17.03.2009, Arusha. Interview with a senior travel agent from Kenya Airways, 17.03.2009, Arusha.

Interviews, 16.03.2009, Arusha.


Founding members of SADCC were Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, the United Republic of Tanzania, Zambia and Zimbabwe.


Interview, 06.08.2009, Gaborone.

Interviews, 06.08.2009, Gaborone.

Interview, 06.08.2009, Gaborone.

Interview, 06.08.2009, Gaborone.

Interview, 06.08.2009, Gaborone.

Interview with a representative of NBF, 09.04.2009, Lusaka and a senior SADC secretariat official, 06.08.2009, Gaborone.

Interview with NBF representative, 09.04.2009, Lusaka. The projects are outlined further in:


Interviews with African ambassadors in Beijing, carried out over the period 12 to 23 January 2008.

Interviews with FOCAC Secretariat, China’s Ministry of Foreign Affairs, Beijing 16 - 17 January 2008.


585 Interview with Ambassador Zhong Jianhua, *ibid*.

