

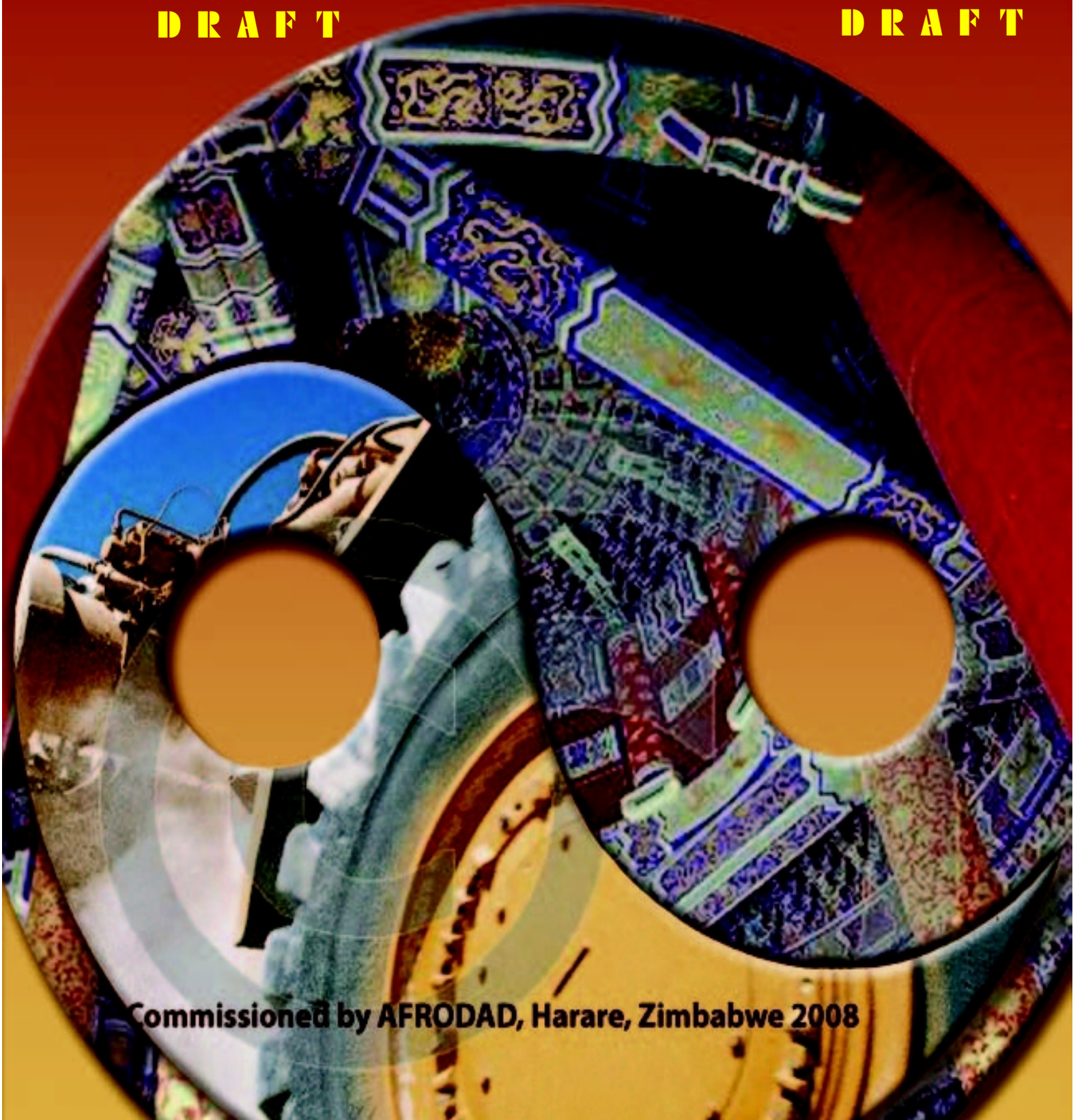
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Mapping Chinese Development Assistance in Africa:

A synthesis analysis of Angola
Mozambique, Zambia and Zimbabwe

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FOREWORD

China's economic relations with Africa have elicited mixed reactions especially with regard to the motivations for this engagement and the implications it has on for example governance reform and sustainable development in African countries. China-Africa relations have become the subject of much speculation and controversy in recent years. In January 2006, China announced its desire to increase co-operation with African countries by issuing China's African Policy to guide relations with the continent by continuing what it calls a "non interventionist and non ideological strategy."

China's 21st century entry into the continent is as much political as it is economic. China is seeking to be recognized as a major global power. While the expansion of China into Africa has been welcomed by a number of African countries as a less intrusive source of finance, traditional donors and civil society groups argue that the impact could flaw efforts to develop international consensus on reform, accountability and transparency, regulated export credit agency projects that may slide Africa into a new debt trap and environmental degradation. This study adds yet another perspective to the discussion regarding China's presence in Africa.

AFRODAD in collaboration with Diakonia, Christian Aid and Norwegian church Aid commissioned research in Angola, Mozambique, Zambia and Zimbabwe in March 2007 with the sole objective of wanting to unpack issues and stimulate debate around this topic with regard to official development assistance from China. Although others have viewed Beijing's engagement with Africa from the need to secure access to oil and natural resources alone, we do here concentrate on identifying the convergences and divergences between the international development agenda and the Chinese African policy and its impact on matters of economic governance in the continent. Necessary Policy recommendations for the countries are also made. The focus is on identification of the positive aspects of the relations and proposes ways of consolidated such while at the same time highlighting the negative factors that need to be discarded.

In conclusion, the Sino –Africa idea by China seems to be driven by the need for new markets and investment opportunities; resource security; the need for symbolic diplomacy, development assistance and co-operation; and forging strategic partnerships in Africa. For most African countries, China seems to be an alternative to the Western economic prescriptions that are marred by aid conditionalities and foreign interference that seem to threaten national sovereignty. China's non-interference policy on governance and human rights issues seems to be one of the more attracting factors than anything else. However, the question of getting indebted to China in the long process raises serious questions on how accountable and transparent the cooperation is.

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LIST OF ACRONYMS

ADB	African Development Bank
BOOT	Built Own Operate Transfer
BOP	Balance of Payments
BOT	Built Operate Transfer
BoZ	Bank of Zambia
CATIC	China National Aero-Technology Import and Export Corporation
CDB	China Development Bank
CG	Consultative Group
CSOs	Civil Society Organisations
CIRR	Commercial Interest Reference Rate
COMESA	Common Market for East and Southern Africa
DAU	Department for Issues on Asia
DDF	District Development Fund
ESAP	Economic and Structural Adjustment Programme
ETC	Economic and Technical Cooperation
EXIM	Export – Import
FDI	Foreign Direct Investment
FNDP	Fifth National Development Plan
FOCA	Forum on China-Africa Cooperation
GDP	Gross Domestic Product
GDP	Gross Domestic Product
GoM	Government of Mozambique
GOZ	Government of Zimbabwe
GRZ	Government of the Republic of Zambia
HIPCs	Heavily Indebted Poor Countries
IDBZ	Infrastructure Development Bank of Zimbabwe
IDC	Industrial Development Cooperation
LIBOR	London Inter-Bank Offered Rate
MDGs	Millennium Development Goals
MERP	Millennium Economic Recovery Programme
MOFNP	Ministry of Finance and National Planning
MPD	Ministry of Planning and Development
NANGOs	National Association of Non-Governmental Organisations
NCDP	National Commission for Development Planning
NEDPP	National Economic Development Priority Programme
NERP	National Economic Recovery Programme

NGO	Non-Governmental Organisation
NTB	National Tender Board
ODA	Official Developmental Assistance
OECD	Organisation on Economic Co-operation and Development
PAAPs	Poverty Alleviation Action Programmes
PARPA	Action Plan for Reduction of Absolute Poverty
PDC	Provincial Development Committee
PEMD	Planning and Economic Management Department
PPPs	Public Private Partnerships
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
RMBY	Renminbi Yuan
SACU	Southern African Customs Union
SADC	Southern Africa Development Cooperation
SSA	Sub-Saharan Africa
UNDP	United Nations Development Programme
USD	United States Dollar
WB	World Bank
ZCBC	Zimbabwe-China Business Council
ZEDS	Zimbabwe Economic Development Strategy
ZIMPREST	Zimbabwe Programme for Economic and Social Transformation
ZISCO	Zimbabwe Iron and Steel Company

African countries – especially those highly dependant on foreign aid – have found themselves at an increasing disadvantage because there are few policy alternatives for them at the international money lending markets. The traditional donors mainly from Western Europe and the United States of America have been able to impose policy consensus on the African debtor countries. The so called China's grand re-entrance into Africa is marked by Chinese direct investment, both concessional and commercial loans to over 20 African countries, and is significant in such resource rich countries as Angola and Zambia, raising controversial debate on Africa's development path and its relations with donors.

Because donors such as World Bank insist on imposing lending conditionalities, Chinese aid flows, which de-emphasize the internal political dynamics of partner countries are seen to come at 'no conditionality' to the African countries. Some western donors have raised objections warning that it is irresponsible. Criticisms on China's expanding economic presence in Africa claim that it encourages a lack of transparency, creates new unsustainable debt and only promotes China's commercial self interest. China's official aid target for 2009 according to the Africa Policy Paper is set to reach US\$ 5 billion.

In this study, the nature, coordination and management of China's aid to four African countries – Zimbabwe, Zambia, Mozambique and Angola- have been underscored. The study reveals the historical ties and foreign commercial interests that motivate Chinese cooperation in these countries as well as the process of negotiating and implementing Chinese aid contracts. The key institutions involved in aid coordination and regulatory framework are also described.

Civil society organizations (CSOs) consistently pursue government's processes to adhere to transparent and broader accountability practices. In the case of the countries under study, local and international CSOs have highlighted the potential effects and shortcomings of Chinese aid and particularly called for higher transparency practices. Some of the fears they express are disquieting, especially the environmental consequences associated with the Chinese extractive industries.

However, China's aid agenda is an open opportunity for Africa. Most of the Chinese aid in the four countries is in the form of concessional loans advanced by the Chinese Export – Import Bank (Exim Bank), the country's biggest official lender to Africa. Each of the four countries has received massive lending from the bank. Chinese loans are in effect competing with those from the World Bank, and have the advantage of being cheap, effective and free of heavy conditionalities. All Exim financed projects have to be implemented by Chinese Companies.

African countries can take advantage of the opportunities offered by Chinese development cooperation to gain better leverage and support its development agenda. In this report, a number of recommendations emerge in this regard. For instance, it would be disingenuous for Africa to bask in the China's rising profile in the global economy but fail to use it as a counterweight to demand more space in the international economic bodies or on its own strengthen the south to south development cooperation.

It should also be noted that China is looking at Africa from a much long term approach that better integrates business and the political history of the continent. Africa represents an enormous market and urgently needs infrastructure development – which is one of China's main concentration in their aid relations. As a result, their relation is expected to achieve lasting impact in the continent, and transform the commercial engagement between the region and the Asian economic giant. To maximize aid benefits, Africa needs to respond with adequate economic policies and regulatory mechanisms for Chinese aid. Well researched negotiation benchmarks based on comprehensive analysis of Chinese strategic interests in the continent as well as priorities for knowledge and technological transfer to accelerate the African private sector should be instituted.

The discourse on whether Chinese aid in Africa is irresponsible or not, conceals the realities of all donors' agenda in their delivery of foreign assistance. It sets up western aid as ideologically and morally better. This is no longer helpful to Africa. In fact, suggesting that China has just suddenly discovered Africa for its own motives is not only selfish and opportunistic but ignores the longer history of Chinese solidarity with Africa particularly during its struggle against colonialism.

PART 1: INTRODUCTION

1.0 Mapping Chinese Development Assistance in Africa

AFRODAD has commissioned four country case studies to critically evaluate the growing role and impact of China on Africa's development agenda. Following completion of research in Zambia, Zimbabwe, Angola, and Mozambique, a synthesis document of the findings is to be used for public campaign and dialogue with civil society organizations and governments in the countries concerned with a purpose of un packing/demystifying the official development assistance from the people's republic of China.

1.1 Study Objectives and methodology

The data presented in this report includes a description of the nature and scope of Chinese Development Assistance in the four countries, and makes an assessment of the impact of Chinese assistance. It is important to stress that Chinese assistance under the framework of South-South cooperation, goes beyond the concept of aid/ODA as defined by traditional donors, and also includes various types of economic and political coepration, such as aid, loans, export credits, trade and investments, some of it equivalent to the ODA concept, other not. China does not have a clear definition of aid, and it is therefore difficult to separate aid from other types of cooperation. The study therefore takes abroad approach to development assistance. The study concludes by proposing some key recommendations for future Sino-African relations.

Both primary and secondary data sources were used in the study. Publicized government policies and acts of law were the main sources of secondary data. Internet resources and other publications including newspapers were also used. Part of the resulting secondary source information was corroborated in fieldwork through interviews and structured questionnaires. Other information was derived from key stakeholders including Government Ministries, representatives of the private sector and civil society organisations.

1.2 Background

China is one of the fastest growing economies in the world. In the period 1993 to 2004, China's annual gross domestic product (GDP) growth averaged 9.9%. In 2005, the figure hit 10%, annual inflation stood at 3.8% and per capita GDP averaged US\$1,740. According to the World Bank Group, China is the fourth largest world economy after the United States, Japan and Germany. Many Asian countries, including China, had common features with Africa; all were colonized and experienced conflicts.

According to Morais, Chinese cooperation with Africa takes these historical factors into consideration in ways crafted to win its friendliness and support in global trade and diplomacy. Nevertheless, Chinese indirect communication and trade with Africa commenced over 3000 years ago as seen from the archaeological finds of Chinese ceramics in

various parts of Africa as far apart as Timbuktu in West Africa to the great Zimbabwe ruins and the Mozambique Channel in Southern Africa (Obiorah Ndubisi in Manji, F. and Marks S. (eds) 2007:35).

The reasons for Chinese interest in Africa are many. The country seeks resources and raw materials to sustain growing demand. It also seeks markets for its intermediate and finished goods. A long-term strategic partnership is critical for sustained trade relations as well as extended labour markets and investment opportunities.

Africa's historical engagement with China is rooted in a shared historical experience against colonialism and struggle for national liberation and independence. Prof. Zeng Qiang of the Institute of Asian and African Studies divides this relationship into three distinctive periods:

The first episode is from 1949 to 1979, which focused on support to liberation or independence struggle and establishment of diplomatic missions, economic reconstruction and consolidation of national independence. China provided assistance to the liberation or independence struggle and aid towards economic re-construction and consolidation of national independence while African countries provided support to China in international diplomacy; allowed China to establish diplomatic missions and therefore, the political factor and ideology dominant in explaining Africa-China relationship in the period.

The second episode is from 1979 to 1999, which marks the period of profound changes in both Africa and China. In Africa, this was the period of International Monetary Fund and World Bank sponsored structural adjustment and liberalisation programmes as well as adoption of multi party democratic system while China was emerging from social chaos and economic crisis arising from the great Cultural Revolution. China adopted an "Open Door" policy economic reforms, which put economic development at the centre of national development strategy and ideology on the sidelines. In 1991, a "Going Out" policy was initiated which put Africa as a major policy target area.

The Africa-China relationship continued on the traditional basis of friendship with a particular focus on economic and political cooperation. The economic cooperation became more diversified from the provision of traditional aid to preferential loans, contract bidding for construction and direct investment in Africa. Africa became more supportive of the One China policy and supported China's diplomatic engagement at a multilateral level.

The third and present episode runs from 1999 to date. The main pre-occupation of African countries at the turn of the new millennium became wealth creation (and poverty reduction), peace and stability, promotion of economic development and achievement of the Millennium Development Goals.

African countries worked together for a common purpose, which saw the creation of a New Partnership for African Development (NEPAD) and the African Union (AU) that replaced the Organisation of African Unity in 2002 as a way of solidifying its strategy for common economic development effort.

China in the meantime has been recording fast economic growth and assumed more international responsibilities and became concerned with consolidating its efforts in a world dominated by western developed countries. This saw the introduction of the Forum on China-Africa Cooperation (FOCAC) in 2000 as a basis of new relationship between Africa and China based on principles of political equality, mutual trust, economic win-win cooperation and cultural exchange. FOCAC thus serves as a platform for collective dialogue, consultation and coordination.

In 2006, China formulated its African Policy Paper where China-Africa bilateral cooperation focused in the following areas:

- Political which covers high-level visits, exchanges between legislative bodies, political parties and local governments, and cooperation in international affairs.
- Economic which covers trade, investment, finance, agriculture, infrastructure, natural resources, tourism, debt relief, investment and multilateral cooperation.
- Human resource development with a focus on education, science, cultural, health, technology, media, administrative, consular, environment, disaster mitigation, humanitarian cooperation and people-to-people exchange.
- Peace and security with a focus on military, conflict settlement/peace keeping, judicial and police.

China, at the 2006 FOCAC meeting, further announced a number of measures to enhance African development in various areas. In the area of aid, it pledged doubling assistance by 2009, the provision of US\$3 billion of preferential loans and US\$2 billion of preferential buyers' credits, the creation of US\$5 billion Africa-China development fund, and Cancellation of debt owed by the heavily indebted least developed countries. In the area of construction, China pledged to build a conference centre for the African Union and build 100 rural schools. In the area of trade, China pledged to open up of Chinese markets from 190 to over 440 zero rated products from least developed countries, establish trade and economic cooperation zones and other measures for the promotion of cooperation, and establish 10 special agriculture technology demonstration centres.

Finally, in the area of human resource development, China pledged to train 15,000 African professionals, send 100 senior agricultural experts to Africa, build 30 hospitals, donate RMB 300 million for anti-malaria activities, build 30 malaria prevention and treatment centres, and dispatching 300 youth volunteers, and increase Chinese government scholarships from 2,000 to 4,000 a year by 2009.

A study by the Centre for Global Development points out that the rise in China Export-Import (EXIM) bank is a potentially important trend for African development by providing a new source of capital, especially for much-needed infrastructure investment. The growing operations of Chinese official banks also present a number of challenges to policymakers to mitigate the impact of Chinese lending practices on efforts to promote better governance, standards, and debt sustainability.

Naidu and Davies (2006) examined critically China's acquisition of and investment in Africa's natural resource sector and the short to medium term political, economic, social and environmental implications. Their findings show that China's engagement with Africa is full of contradictions. For example, African producers have been marginalized and displaced from the market because of the influx of Chinese goods. At the same time, as consumers, these same individuals have gained because of the affordability of Chinese goods. However, as China entrenches itself within production of high-tech goods, these same consumers will not be able to afford to purchase such goods as their livelihoods would be eroded by Chinese goods.

The development assistance and co-operation that is extended by Beijing to African governments, as part of its overall commercial engagement is one of the reasons why China has increased its investment in Africa. Furthermore, through its investment in Africa and acquisition of key energy and commodity assets, China seeks to leverage its investments to extract itself from international commodity market pricing. China's long-term strategy is to secure commodity assets at source, thus bypassing international market pricing. It may even consider establishing its own commodity exchanges — already having done so by setting up a diamond exchange in Shanghai to rival that in Antwerp. Thus the price that China pays for specific commodities will be negotiated at source with recipient governments rather than the price determined by the "market".

This is the underlying factor of China's strategic engagement of African commodity and energy endowed economies.

Thus, China's foray into Africa's natural resource sector will continue to expand in the medium term. Since China is strategically excluded from the Middle East region for its energy needs, Africa is rapidly becoming China's commercial sphere of influence. China now obtains roughly a third of its energy imports from the African continent.

Chinese state owned enterprises, answerable to political stakeholders rather than private shareholders enjoy a comparative advantage over foreign multinationals when investing in African economies because of the strong, no-strings attached political relations fostered by their government.

Yet another study by Kaplinsky and Morris (2006) addresses the impact of China on Sub-Saharan Africa by focusing on the trade channel and examines the indirect and competitive impact of China's participation in third-country export markets. They observe that China's economic expansion has significant implications for Sub Sahara Africa's industry and growth. Indirectly, it excludes outward-oriented regional producers from global markets, and directly it squeezes locally focused producers. At existing exchange rates and with existing cost structures, the Sub Sahara Africa exporters of manufacturers will find it very difficult to compete without high degrees of preferences in external markets.

Although Europe has long been Africa's largest trading partner, Africa- China trade is substantially growing. In 1995, it stood at US \$4 billion and in only ten years, it has grown to US \$40 billion. Trade agreements between Africa and China is forecasted to drive it to US\$ 100 billion by 2010, and with such leaps, will illustrate Africa's higher capacity in global trade and the possibility of breaking off from its poverty trap if it used her resources more strategically. This is remarkably significant, also taking into account the US\$ 5 billion aid commitment in e. (Chidaushe, M. in Manji F., and Marks S. (eds) 2007: 115)

For most African countries, China seems to be an alternative to the Western economic prescriptions that are marred by aid conditionalities and unnecessary foreign interference that seem to continuously disrupt their national sovereignty. China's non-interference policy in the governance and human rights issues of these countries seems to be one of the more attracting factors than anything else. However, the question of getting indebted to China raises citizenry questions over the accountability and transparency of the cooperation. This study looks in part into such dynamics and how they impact on future sustainable development in the continent.

The four countries studied are among the poorest yet fastest growing economies in Africa except for Zimbabwe. Although China first opened trading and diplomatic ties with Egypt, countries like Angola, Mozambique, Zambia and Zimbabwe developed deeper political links to Communist China during their struggles for independence.

Angola has enjoyed a period of sustained peace since April 2002 and is preparing for legislative elections in 2008—the first since 1992. From having one of the most protracted conflicts in Africa, it is quickly becoming one of the most successful economies in sub-Saharan Africa.

Fuelled by record-high international oil prices and robust growth in both the oil and non-oil sector, Angola has experienced exceptionally high growth rates in recent years. In 2006, real GDP reached 18.6 percent with the IMF projections for 2007 and 2008 at 23.4 and 26.6 percent respectively and further decline in inflation.

Alongside this is a contradictory worsening of social indicators and growing inequalities of national income distribution. Statistics show that in the region, Angola has one of the worst records of public spending on education and health. The effects of the past war remain manifest in a severely degraded and destroyed physical and social infrastructure, a key sector targeted by Chinese aid. Efforts to implement the neoliberal policy prescriptions of the international financial institutions have not improved the country's debt situation.

After 16 years of armed conflict, Mozambique has been experiencing rapid economic recovery, with real economic growth rates averaging 8%. Mozambique is highly dependent on foreign aid and official development assistance (ODA) amounted to 20.8% of GDP in 2004. ODA makes up 84.3% of central government development expenditures. However, the country is still one of the poorest in the world, ranking in the hundredth sixtieth eighth place (168), of a total of 177 countries on the Human Development Index.

Zambia is one of the least developed countries in the world, despite its endowment with mineral wealth. Over the period, 1994 to 2004 the real GDP growth averaged 3.0%. In 2005, real GDP growth stood at 5.2%, annual inflation was recorded at 15.9% and per capita real GDP was US\$82. Recently China wrote off Zambia's debt on the TAZARA railway line, the symbolic signature of Chinese aid in the region.

In spite of Zimbabwe's endowment with natural resources, it currently faces a number of economic challenges. These include contraction in national output, persistent hyperinflation, high unemployment, increasing poverty levels, acute shortages of foreign currency and leakages of foreign exchange, food shortages and price distortions. The declared and undeclared sanctions against Zimbabwe by Western Countries have worsened the situation.

In the final analysis, something needs to be said about aid flows from China in comparison to the OECD countries. Despite the spectacular increase of Chinese investment and aid in Africa over the past few years, its current magnitude remains limited compared to OECD countries. Total ODA from all donor countries to Sub Sahara Africa was over US \$ 30 billion in 2005 and FDI flows of about US \$ 18 billion. Chinese FDI to Sub-Saharan Africa was about US \$ 419 million in 2006 – remaining a relatively small fraction of total FDI to the region (Oya; 2008).

1.3 Historical ties and the rise of diplomatic relations with China

The People's Republic of China has assisted many African countries dating back to the days of the liberation struggle. Countries like Zimbabwe, Angola and Mozambique received moral and material support from the People's Republic of China during the days of the liberation struggle. These countries received arms supplies and other materials for use in the armed struggle. Besides materials, China provided some of the countries with military training on guerrilla warfare against imperialist rule.

China and Mozambique have established ties since the early 1960s. At that time, China provided political assistance to Frelimo in its struggle for the independence of Mozambique. The relationship was limited to military cooperation and political solidarity. A few years before independence, the president of Frelimo Party, Mr Samora Machel, applied for a diplomatic relationship with China. On 28 June 1975, three days after independence was declared, President Samora Machel received letters of accreditation from the first Chinese ambassador in the country formalizing diplomatic ties.

China has also displayed strong interest and commitment to engaging Mozambique as a trade partner, as a consumer market for its goods and services, and as a supplier of much needed natural resources. Mozambique on the other hand has similar history of collaboration with China during its struggle for independence.

Another country, Angola is one of the African countries with an extensive interaction with the Chinese state. The relations that the Peoples Republic of China established with Angola date back to the fight for national independence through the first financial assistance and military training in the 1960s and '70s. From the year 2000, the countries renewed their relations - Angola seeking reprieve from Western aid conditionalities, and China seeking oil. In the case of Angola, a significant portion of the MPLA guerrillas were trained in China and so were the first guerrilla leaders of UNITA.

On June 25, 2001, the President of the Republic of Angola, José Eduardo dos Santos, wrote to the IMF negotiating for additional funding in view of the conclusion of a period of monitoring of the economic program of the Angolan government. Parts of the IMF's recommendations were adopted by the Angolan government but the IMF was of the opinion that there remained a lot to be done on the transparency, accountability and management of public goods. This led Angola to turn to China for economic assistance. According to Chinese sources, in 2004, business between Angola and China was valued USD 4.9 billion but this had risen to USD 11 billion in 2006.

China has been extending assistance to Zambia prior to and after the latter attained independence in 1964. Economic cooperation between the two countries later became more diversified from the provision of traditional aid to preferential loans, contract bidding for construction and direct investment (Burke et al, 2007: 153-176). China assumed more international responsibilities in the 1980s and became concerned with consolidating its efforts in a continent dominated by western developed countries making Zambia one of the pillars of its diplomacy and economic partnership.

This background together with the nuanced relation between some African countries and the western donors has led to China being a natural landing spot for seeking assistance. The sanctions by Western Countries against Zimbabwe have worsened the situation in Zimbabwe as donor assistance from key multilateral organisations such as the World Bank and International Monetary Fund and other bilateral agencies has either been scaled down or withdrawn altogether. In the face of mounting economic challenges- contraction in national output, persistent hyperinflation, high unemployment, increasing poverty levels, acute shortages of foreign currency and leakages of foreign exchange, food shortages and price distortions - discovered a saviour in its 'looking east' policy, especially from China. (Karumbidza J. B in Manji F. and Marks S. (eds) 2007: 87)

Since its independence from Britain in 1980, the relationship between Zimbabwe and China broadened further not only in the field of diplomacy but also in economic and social cooperation. The Chinese government emphasised win-win cooperation. The economic cooperation between Zimbabwe and the People's Republic of China, manifests itself in the form of Trade, Foreign Direct Investment and Development cooperation among other means. The People's Republic of China and Zimbabwe are also engaged in a number of socio-cultural exchanges.

Sino-African relations are both political and economic. As indicated earlier, relationship between countries like Zimbabwe, Angola, Zambia and Mozambique; and the People's Republic of China dates back to the days of the liberation struggle and continues to date.

In diplomatic circles, these countries supported the one China policy whereby Taiwan is recognized as part of the People's Republic of China and also fully recognized the People's Republic of China as a full market economy within the framework of trade regime proceedings. In this regard, the countries attach great importance to the development of bilateral relationship and to nurture fair trading atmosphere for enterprises through their joint efforts. The policy of the People's Republic of China of non-interference in the internal affairs of other countries appease its strategic interest in some of its beleaguered African trading allies, but the approach could well be informed by China's similar experience in the past when it faced international isolation after emerging from colonialism.

Additionally, the People's Republic of China's demand for African products especially raw materials, and the availability of markets in the populous country for its finished products, are key incentives behind the Sino-African relations.

China's rising profile in Africa has raised heated debate amongst many scholars on African development. Majorly, it is accused of propping pariah states in the continent for its 'no conditionality' aid program. The notion that China's diplomacy and aid relations in Africa favour dictatorial regimes is fast getting challenged as recent studies point to the direct opposite view.

In what Kleine and Small (2008) and Gill and Reilly (2007) have referred to as Chinese new foreign policy practices rather than doctrine, China does not provide uncritical aid, at least not any more to unpopular regimes facing a fragile future. Instead, it is putting effort to demonstrate that it is a responsible power. According to the writers, China has over the past year voted to impose and then tighten sanctions on Iran, it has supported the deployment of United Nations – African Union forces in Darfur (Sudan) and early in the year, was forceful in her condemnation of brutal government crackdown in Myanmar. This is despite the fact that China buys two thirds of Sudan's oil exports.

In other words, China's greater cooperation with these countries is showing willingness to engage them to become more acceptable to the international community. However, as expected, Chinese economic interest remains paramount in these relationships even if it may not share some of the western views on human rights and democracy. However, in the future, China's closeness to Africa can also be an important part in finding a solution to some of the continent's simmering political problems.

2.0 Chinese Aid in Context

2.1 Motivations of Chinese Aid to Africa

Africa is the most resource laden continent with every primary product required for industry including an eighth of the global oil production requirement per day. Up to 85% of new oil reserves are found in Africa. Chinese imports of raw materials from Africa has risen substantially. It imports oil, minerals and other raw materials from the continent and is destination to about 13% of Africa's log exports. Other primary products exported from Africa is increasingly headed to the country. Chinese engagement in the agriculture sector is expected to lead to an increase in exports of resources like skins, hides and tobacco (from Zambia) as well as other agricultural raw materials from different trading countries with China (Corkin, 2007; Manji and Marks 2007 and Edinger, Herman and Jansson, 2008).

China has invested nearly US\$170 million in the mining sector in Zambia, focusing primarily, but not only, on copper. It is to build a US\$ 200 million copper smelter at Chambeshi mine with a capacity to produce 150,000 tons a year.

Currently, China derives a quarter of its oil from Africa through its oil interests in countries like Algeria, Angola, Chad, Sudan and Nigeria. The general agreements on enhancing Chinese-Angolan cooperation in the oil and gas as well as other mineral resource sectors is put at about US \$ 9 billion (Manji and Marks: 2007). Angola's ministries of Petroleum and Geology and Mining and China's National Commission for Development and Reform have entered into various long term agreements on technical aid. In 2006, Angola overtook Saudi Arabia as China's greatest source of oil supplying 15% of PRC oil imports. (Sautman and Hairo: 2007).

Chinese firms secure many contracts on projects financed by China's soft loans in Africa. One analyst characterises this as the "indirect conditionalities" of Chinese assistance. Chinese contractors now control up to 30% of the market in many African countries (Corkin and Burke: 2008). In addition, the products and services that Chinese companies offer, especially in telecommunications and construction, are considerably less expensive than those of European corporate thus enhancing their competitiveness in these sectors.

Africa is increasingly an important market for Chinese exports and a good incubator for Chinese state owned Multinational Corporations. In fact according to Chinese own trade data, most African economies already import more from China than they export from it. In the construction sector, Angola is a particularly favorable market for Chinese companies. Angola needs significant outside investment, and there is relatively little competition. As a result, Chinese firms have found profitable deals (Campos and Vines: 2008).

Remarkably important to China in its engagement with Africa has been the diplomatic leverage that the relations earn it. The Forum on China-Africa cooperation (FOCAC) is set to emerge as a crucial architecture in coordinated multilateral engagement aimed at facilitating Chinese ascendancy to international influence. Within the context of periodic Sino-African summits, Beijing's diplomatic strategy is to manage its interests in Economic Partnership Agreements (EPAs) and strengthen its diplomatic capacity to direct external investment to Africa in tandem with Africa's coordinated structures like NEPAD, Common Market of Eastern and Southern Africa (COMESA), Southern Africa Development Community and the East African Community.

The political and diplomatic relations between Zimbabwe and the People's Republic of China that date back to the days of the liberation struggles, facilitate smooth engagement between the two countries. This history, coupled with Zimbabwe's isolation from the international community has resulted into the implementation of a number of commercial deals between the two countries. In this way, the People's Republic of China is filling the development-financing gap created by Western Countries in line with the imposed sanctions on Zimbabwe.

2.2 Coordination and management of Chinese Aid

It is the responsibility of African governments to monitor Chinese aid and businesses by ensuring that there are good coordination and management infrastructure that engage with it. The different countries under the study exhibited various institutional framework to do this. They are considered below;

Criteria of Chinese aid

The Government of the People's Republic of China's basic criteria for funding project through concessional loans is as follows:

- The project should be approved by both the Chinese Government and the Government of the borrowing country
- The project should be technically feasible and can generate favourable economic returns.
- The project should be of good social benefits.
- Chinese enterprises should be selected as contractor/exporter ahead of other countries.
- Equipments, materials, technology or services needed for the project should be procured from the People's Republic of China ahead of other countries. In principle, no less than 50% of the procurements come from the People's Republic of China.

The concessional loans availed by the Government of the People's Republic of China have the following terms:

- Management Fee is calculated on the basis of the total amount of the Loan and paid in one lump sum before the first draw down;
- Commitment Fee is calculated on the basis of the withdrawn amount of the Loan and paid on interest collection dates; and
- Repayments are made semi-annually on 21 March and 21 September of every year after the grace period.

The Buyer's Credit Loans for developing countries have the following terms and conditions:

- The borrower should be a foreign importer, or the importer's bank, or Ministry of Finance or other authorized Government institutions of the importing country, and should be acknowledged by Exim Bank of China. The borrower should also have reliable credit standing, and should be capable of repaying all the principals and paying the accrued interests and related fees and charges of the loan as prescribed in the agreed repayment schedule.
- In the event that the borrower is not the Ministry of Finance, a Government guarantee may be required if the balance sheet of the borrowing institution is not satisfactory.
- The commercial contract that seeks for Export Buyer's Credit should be examined and approved by the Exim Bank of China, and should satisfy the following requirements:
- The value of the commercial contract should be more than US\$2 million. The loan is US\$ denominated, however, other currencies acceptable to the Chinese Government can be applied;
- The portion of the Chinese content of exported goods should be no less than 50% of the total value.
- The cash payment (down payment) made by the importer to the Chinese exporter should not be less than 15% of the total contract value or 20% in the case of ship export contract. Due to the bilateral relations that exist between the two countries, the Government of Zimbabwe successfully negotiated for a 10% for the US\$200 Million Buyer's Credit Loan.
- Subject to the credit policy of the Bank, the borrower is required to provide a repayment guarantee, and when necessary, a sovereign guarantee of the importing country should be provided.

- Whether it is necessary to apply for export credit insurance should be decided by the Bank in accordance with the country risk of the borrower
- Loan amount - Generally, the Export Buyer's Credit provided by the Exim Bank of China for an export project of goods or services shall not exceed 85% of the total contract value, and 80% in the case of a ship export contract.
- Maturity Period - The maximum maturity period is 15 years from the date of the first disbursement of the loan to the last repayment date as stipulated in the loan agreement;

Chinese credit provides the financing for a group of public investment projects that includes projects in the transport, agriculture, social communication, electricity and water, education, public works and health sectors (of total value of a little more than 1.1 billion USD) but another 1 billion USD has been guaranteed after the initial funding is exhausted.

The main sectors of engagement have been construction and public works such as the following sectors of Chinese presence;

- China National Construction & Agricultural Machinery
- China National Electronics Import & Export Corporation (CAMCO)
- China National Machinery and Equipment Import, Export Corporation (CMEC)
- China Machine-Building International Corporation (CMIC)
- China National Machinery & Equipment Corporation (Group) (CNMEC)
- China Road and Bridge Corporation (CRBC)
- Huawei (HUAWEI)
- China Jiangsu International Economic-Technical Cooperation Corporation (JIANGSU)
- Norinco (NORINCO)
- Alcatel Shanghai Bell (SHANGHAI BELL)
- Ship Building China (SHIP BUILDING)
- SINOHYDRO Corporation Ltd (SINOHYDRO)

Coordinating Chinese Aid in Africa

In the first instance, the 2006 China –Africa Cooperation summit (FOCAL) announced aid preferences for Africa including duty free treatment for imports, concessional loans and grants. The preferential scheme is well fitted to the export capacity of the benefiting African economies and contributes to the improvement of bilateral trade deficits between the countries (Edinger, Herman and Jansson: 2008).

For the People's Republic of China, the State Council, which is the highest executive organ of the state administration, is essentially the oversight body that oversees all aid programs of the Chinese state. It decides on the portion of national budget that is designated to foreign aid at the beginning of the budgetary year. The Ministry of Finance is responsible for drawing up the foreign aid budget in consultation with the Ministry of Commerce.

The Ministry of Commerce and more specifically, the Department of Aid to Foreign Countries coordinates China foreign aid policy including inter-government agreements, and reviewing requests from the Ministry of foreign affairs on foreign aid fund. Other relevant institutions are the respective ministries and local embassies in Africa that are tasked with monitoring implementation of aid that falls under their jurisdiction and expertise (Davis, Edinger, Tay and Naidu: 2008)

A number of different bodies can also play a role in the management of the various projects after the implementation begins. In addition to the local embassies (or the economic counsellor's office), in the case of EXIM bank loans, obviously the bank maintains a close eye on the projects supported in the recipient countries.

The Exim bank has rolled out concessional loans to all the four countries in the study. Essentially, the debtor country is represented by its Finance Minister who must negotiate a minimum of RMB 20 million (US\$ 2.4 million) in loan. The loan interest rate and grace period are separately negotiated. Loans are given for infrastructure, social and industrial projects. The Exim bank loans require that Chinese contractors must be awarded the infrastructure contracts financed by the loans.

In terms of Chinese aid coordination in Zambia, the country announced in 2007 that communication between the respective legislative bodies constitutes an important part of China-Zambian relations (Burke, Corkin, and Tay 2007: 156). The Zambian National Assembly, often seen as a rubberstamp of the presidency, constitutes an in-depth element in the negotiation of bilateral ties and aid coordination for the partner countries. Once initiated, the issue of aid is then referred to the appropriate government body. It has also been suggested in several literature that the various ministries make very little inputs into the policy formulation and design, simply implementing policies developed by the presidency. This is also the case with Zimbabwe, Angola and Mozambique.

However, the Zambian Development Agency (ZDA) is the lead government institution dealing with economic relations with China. The agency was established by the ministry of Commerce, Trade and Industry in order to create a better environment for Zambian businesses and to promote investment.

It was intended to be the focal point of the government development strategies for trade and investment. Other Zambian institutions engaged with the Chinese government and Private Chinese investors are the Ministries of Foreign Affairs, Minerals and Mines, Commerce, Trade and Industry, Finance and Works and Supply.

The ZDA receives investment delegations and issues licences. It also provides information on relevant rules, regulations and secondary permits such as immigration permits, manufacturing licences, environmental impact assessments and aftercare, including advice on taxation and land issues. The Private Sector Development Fund in Zambia has also been proposed as an additional mechanism for local commercial engagement with Chinese companies in Zambia (Burke, Corkin, and Tay: 2007)

In Angola, the bulk of Chinese financial assistance is reserved for key public investment projects in infrastructure, telecommunications, and agro-businesses under the Angolan government's National Reconstruction Program. The China Construction Bank (CCB) and China's Exim Bank provided the first funding for infrastructure development in 2002. Since CCB and Exim Bank funding was provided directly to Chinese firms, the Angolan Ministry of Finance had little input in these arrangements (Campos and Vines 2008: 5).

Financial relations between China and Angola grew in late 2003, when a "framework agreement" for new economic and commercial cooperation was signed by the Angolan Ministry of Finance and the Chinese Ministry of Trade. The following year, the first \$2-billion financing package in concessional loan, payable over 12 years, for public investment projects was approved. At the time, project proposals identified as priorities by the respective Angolan ministries were put forward to the *Grupo de Trabalho Conjunto*, a joint committee of the Ministry of Finance and the Chinese Ministry for Foreign and Commercial Affairs for review and funding.

However, the coordination of Chinese aid soon moved to a special office under the Angolan presidency. In 2005, China International Fund Ltd. (CIF) a private institution, extended \$2.9 billion to assist Angola's postwar reconstruction effort. The President formed a new institution - Angola's Reconstruction Office, *Gabinete de Reconstrução Nacional* (GRN), which is exclusively accountable to him to manage large investment projects and ensure rapid infrastructure reconstruction. According to Campos and Vines (2008) and Corkin (2007), the GRN was also created on the assumption that the ministries would not have the organizational and technical capacity to manage the large inflows of money directed to the GRN. However, delays in some of the projects have forced the Angolan government to use some of its own funds to finance Chinese firms to ensure their completion.

Chinese bilateral aid to Zimbabwe and Mozambique has been pitched along similar institutions for coordination. As such, important visits by leaders of the various countries have preceded aid announcements and other trade agreements. China and Mozambique signed Trade Agreement and Agreement on the Promotion and Reciprocal Protection of Investment and set up a Joint Economic and Trade Commission in 2001. It continues to fund several projects in Mozambique in line with the country's Poverty Reduction Strategy Paper, PAPRA.

2.3 Conditional or Free Aid: Types and Nature of Chinese Aid to Africa¹

This study identified four main modes of Chinese aid delivery to the four countries. These are grant aid, interest free loans, concessional loans and debt relief. The estimates of the ratio of grants to loans are varied from country to country. In most of the countries, Chinese development assistance has been in the form of Concessional Loans.

The Chinese Exim Bank often extends concessional loans to its African borrowers. Concessional loans are extended to the Governments of developing countries by the Chinese Government in the context of friendship and co-operation. Such loans do not attract any interest and are usually for the social sectors such as hospitals, schools and sporting facilities. The loans are aimed at promoting economic development as well as boosting economic cooperation between developing countries and the People's Republic of China in the areas of infrastructure (energy, transportation & telecommunication), industrial (manufacturing & mining) and Social welfare (health-care & housing).

Chinese Export Buyer's Credit facility is meant for creditworthy foreign borrowers to support the export of Chinese capital goods and services overseas including construction projects. With a competitive interest rate and a longer repayment period, the Export Buyer's Credit can facilitate foreign importers to make prompt payment to Chinese exporters for the exported products and services. The operations generally follow the Arrangement on Guidelines for Officially Supported Export Credits as developed by Organisation on Economic Co-operation and Development (OECD).

Export Buyer's Credit is mainly extended to finance the export of Chinese capital goods such as mechanic and electronic products and complete sets of equipment. It is also available for financing the export of Chinese-built ships, high and new-tech products & services, and overseas construction projects contracted by Chinese companies.

Credit by China's Exim Bank, guaranteed by the National Bank of Angola, and secured by Angola's oil production constitute Chinese highest form of aid to Angola. A total of USD \$2 billion has been extended to Angola. The credit agreements also provide for the engagement of Chinese technical assistance.

Civil construction works and reinstallation of the electricity supply network going on at the present moment are being done mostly by Chinese workers.

The Government of Zimbabwe gets developmental aid from the People's Republic of China through various processes and procedures. Besides discussions in Joint Commission meetings that tend to identify areas of cooperation, some projects can be initiated at the level of the Heads of State of the two countries. The Government of Zimbabwe and the People's Republic of China convene Joint Commission meetings bi-annually. The Zimbabwe Seventh Session of the – China Joint Commission was held on 30 October 2006, in Beijing, the People's Republic of China. The Zimbabwe's Minister of Foreign Affairs and the Minister of Commerce in the People's Republic of China are Co-Chairs of the Joint Commission meetings. The Joint Commission meetings normally focus on further strengthening economic cooperation between the two countries in areas such as agriculture, mining, trade and investment, dam construction, telecommunications, tourism and human resources development.

The cooperation may be in the form of foreign direct investment and joint ventures among others. The Zimbabwe/China Taskforce is chaired by the Ministry of Foreign Affairs, which also prioritise the projects across all sectors of the economy that are to be financed through Chinese Developmental assistance in line with national developmental priorities. The prioritised projects and the proposed form of cooperation are considered by Cabinet for approval. Another organ, the Zimbabwe/China Joint Investment Committee is comprised of members from both the Government of Zimbabwe and the People's Republic of China. The Joint Investment Committee closely works with the Embassies of the two countries in coordinating implementation of the projects.

Finally, the Government of Zimbabwe facilitates Chinese investment through Public Private Partnerships (PPPs), Joint Ventures, Built Operate Transfer (BOT) and Built Own Operate Transfer (BOOT) as articulated in both its fiscal and monetary policies. In this regard, key infrastructure projects can be rehabilitated through strategic partnership with investors from the People's Republic of China.

China has signed 27 framework agreements with African governments regarding concessional loans. The Framework Agreement with Zimbabwe spells out areas of cooperation and the modalities of settling Zimbabwe's existing and future debts with export proceeds of tobacco, cotton and minerals like Copper, platinum, gold and diamonds.

Chinese development assistance in Zimbabwe has been in the form of Concessional Loans, Export Credit (including Buyer's and Seller's Credits) and Grants.

The Government of Zimbabwe facilitates Chinese investment through Public Private Partnerships (PPPs), Joint Ventures, Built Operate Transfer (BOT) and Built Own Operate Transfer (BOOT) as articulated in both its published fiscal and monetary policies. In this regard, key infrastructure projects can be rehabilitated through strategic partnership with investors from the People's Republic of China.

The Government of Zimbabwe has benefited from many concessional loans extended by the Government of the People's Republic of China in 2001 and 2006. In 2001, the Ministry of Water benefited from the concessional loan and acquired equipment worth US\$8 million for the District Development Fund (DDF). DDF develop, upgrade and maintain roads through out the country among other mandates. Recently in 2006, Zimbabwe Farmers Development Company also benefited from Chinese concessional loan and acquired various agricultural equipment & tools and graders. The agriculture equipment and tools worth about US\$25 million have been sold on loan basis to A1 and A2 farmers through banks.

The China Development Bank (CDB) and Infrastructure Development of Zimbabwe (IDBZ) are in the process of furthering bank-to-bank cooperation between Zimbabwe and the People's Republic of China through provision of Lines of Credit by CDB to the IDBZ, project co-financing, with CDB contributing towards the foreign currency requirements of projects and IDBZ the local financing; and capacity-building, which would entail IDBZ staff training by CDB, including staff secondments and attachments.

The interest free loans were availed towards the construction of the Zimbabwe's National Sports Stadium in Harare. The National Sports Stadium was constructed by a Chinese Company and later refurbished and maintained also by a Chinese company in 2006 using grants availed by the People's Republic of China to Zimbabwe. This appears to be a typical feature of Chinese loans; they are tied to technical assistance and/or use of Chinese equipment.

In August 2006, the Government of China extended a US\$200 Million Buyer's Credit Loan Facility to the Government of Zimbabwe for the procurement of fertilizers, agrochemicals, agriculture equipment and tools, irrigation and other equipment and animal health products. In line with the Land Reform Programme, the US\$200 Million Buyer's Credit Loan Facility was to enhance agriculture productivity through mechanisation. The Zimbabwean manufacturing sector also benefited from Buyer's Credit Loans extended by the Government of the People's Republic of China in the form of loans amounting to about US\$17.9 and US\$20 million respectively in 1997 to Industrial Development Corporation (IDC) and ZISCO Steel.

Chinese ODA has come to Zambia in three forms: grants, loans, and economic and technical cooperation ETC) agreements.

Over the period from 1967 to 2006, the loans have amounted to RMBY 1,413.79 million plus US\$ 42.1 million while grants accounted for RMBY 17.1 million plus US\$3.3 million in addition to 4,500 tonnes of maize in kind. The magnitude of Economic and Technical Assistance has been high.

During the 1980s to 1990s China assisted Mozambique with small bilateral credits (Government to Government) for importing equipment, raw-materials and several goods for consumption. These credits resulted in a debt estimated at about US\$ 20 million (National Treasure, 2006) recently cancelled in February, 2007.

There were other commercial credits with China amounting to USD 7.7 million. These commercial credits were also cancelled by China at 90%, in 2002; the remaining 10% (USD 771.5 thousand) were immediately repaid at once by the Government of Mozambique (National Treasure, 2006).

Currently, the Government of Zimbabwe attracts Investors through NEDPP. The development assistance of the Government of the People's Republic of China is handled within the context of the NEDPP Framework. Under normal circumstances, the Ministry of Finance coordinates developmental assistance. However, some Ministries go it alone and negotiate for assistance directly from the People's Republic of China.

The main Chinese development assistance instrument to Angola is in the form of commodity-secured loans. The Republic of Angola, through the Ministry of Finance, has negotiated loans from the Exim Bank of China. The guarantor of the loans is the National Bank of Angola. The credits are to be directed to public investment projects. Intermediate goods are to be imports from the relevant companies in China. The value of the first phase of the credit is a maximum of USD\$1 billion. The guarantee is strengthened by a commitment to adjust the quantities in the oil supplied to China. Currently, 23% percent of Angola's exports, mainly crude oil, are to China.

The opening of credit lines led to an influx of Chinese direct investment requests in 2004. During the period between September 1 2004 and September 30 2006, twenty Chinese private investment projects were approved with a total value of about US\$ 30.5 million.

Finally, debt relief is, alongside low-interest loans and large-scale infrastructure projects is one of the main types of aid to the countries cited in this study and, therefore, an incentive to develop and nurture close ties with them. The exact amount of bilateral debt that has actually been cancelled to date is difficult to approximate. China's debt relief in Africa has been mostly the cancellation of interest free loans, and to a lesser extent, the write-off of concessional loans. By relieving these governments of the principal (and interest) payments of preferential loans, these effectively are converted into grant aid.

During his visit to Mozambique in early 2007, Chinese President Hu Jintao visited announced the cancellation of all of Mozambique's debt to China, a total of \$ 20 million (Davies, Edinger, Tay and Naidu 2008: 12).

At the same time, it was announced that Zambia's government-to-government debt was cancelled including the debt incurred for the Tazara railway line amounting to US \$ 200 million. However, loans involving non-government institutions were not included in the cancellation. At the time, Chinese loan repayment accounted about 1/3 of Zambia's bilateral installment (ibid: 47 and Burke, Corkin, and Tay 2007: 169).

Non-repayable grants in the form of donations have been part of Chinese support to its African partners for humanitarian purposes. Chinese grants to the Government of Zimbabwe, for example, was high during years of drought beginning in 1992 as indicated in the table 7 (annexed). Other grants were availed specifically for the purchase of office equipment for government ministries, agriculture equipment especially irrigation, sports and rural development (solar projects) among others. All equipment financed under these grants is imported from the People's Republic of China.

Conditionality of Aid

Overall there is a perception that Chinese aid is easy going. The non-conditionalities aside, in the view of some African bureaucrats, China makes things happen. The following quotation is paraphrased from a perspective of a Sierra Leonean ambassador to Beijing to explain why China has been able to dominate the African business arena;

“The Chinese are doing more than the G8 in making 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. They don't hold meetings about environment impact assessment, human rights, bad governance and good governance. I am not saying it is right, just that Chinese investment is succeeding because they don't set high benchmarks.” (Karumbidza J.B in Manji and Marks (eds) 2007: 88)

What this statement also means is that the transaction cost of China's aid is not expensive. It does not include the long drawn costly studies and complicated procedures associated with Western aid. This view is reiterated by Li Xiaoyin (2006) in looking at an overview of China's foreign aid.

The People's Republic of China does not tie its developmental assistance conditions such as the upholding of human rights, democracy and evidence of good governance, such as fighting corruption but tries to tailor its developmental aid to 'social benefits for the country such as poverty reduction and spending on social services on health and education'.

Definitely the Chinese policy of 'non interference in the internal affairs of partner countries' is criticised because it justifies her doing business with pariah states and countries seen to be under dictatorship regimes.

In Angola, the Chinese provide funding for strategic post conflict infrastructure projects that Western donors do not fund. Chinese financing is seen to offer better conditions than commercial loans, lower interest rates, and longer repayment time. Non-Chinese credit lines that Angola secured in 2004 demanded higher guarantees of oil, with no grace period and with high interest rates. Chinese financing was provided when concessional funding was not available for Angola.

Relations between the international financial institutions and Angola had been poor for years. The recurrent episodes of hyperinflation and stabilization had prevented any lasting accord with the IMF. Relations with the World Bank were also limited to emergency and humanitarian assistance projects in the absence of an agreed framework with the IMF. At the end of the war in 2002, the IMF and many Western donors wanted Angola to negotiate a staff-monitored program (SMP) and show good performance for three trimesters before being eligible to receive financial support. An SMP would give credibility to Angola's economic policies and open the way for a donor conference to raise funds to rebuild the country.

However, the Angolan government felt it could not agree to IMF conditionalities, and after multiple rounds of consultations they announced that they would no longer seek to conclude an IMF agreement. This was not the first time as agreement with the IMF had collapsed several times previously during cycles of high commodity prices. When the Angolan government's 2000 negotiations with the IMF failed to reach a financing agreement, Angola opted to negotiate directly with crediting countries and successfully reduced its external debt by about US\$ 1.3 billion with countries like Russia, Portugal, Poland, Hungary and Germany.

In the four countries studied, it was learnt that the only conditionality attached to Chinese developmental assistance - of grants and interest free loans - is that the supply contractors for the projects should be Chinese companies. Although the practice of tied loans by donor countries has long been abandoned by most donors, who now provide for international competitive bidding of loan-funded projects to ensure that the beneficiary obtain the best value of money, in the case of developmental assistance from the People's Republic of China, the Chinese Government determines the suppliers and contractors that should be engaged by the beneficiary countries like Zimbabwe and Angola.

Nevertheless, the notion that Chinese aid to Africa is irresponsible, merely because it places little interest in the internal political dynamics of the country, than the principle of non interference in their sovereignty is irresponsible is very misleading. It is clear though that respect for state sovereignty remains the bedrock of many of China's key alliances in Africa but these alliances are not only important economically, it is also an important hedge against a possible breach in the relations between the countries involved and the West.

In fact, as an emerging economic power, it would be reckless to imagine that China would have no interest in the political stability of Africa and the protection of its business interests by legitimate governments. As such, Ikenberry (2008) observed that China 'has found non interference increasingly unhelpful as it learns the perils of tacitly entrusting its business interests to repressive governments'. The writer goes further to illustrate

"Beijing has also recently scaled back its support for Mugabe's government (seen by many scholars as repressive), even in the absence of strong international pressure to do so. Chinese officials have complained that the economic situation in Zimbabwe is the worst in the world and Chinese deals with the Zimbabwean government over power stations, railways and coal mining are a headache. China even announced that it would substantially reduce development aid to Zimbabwe". (Ikenberry 2008: 47-48)

In the past, western donors traditionally made the provision of technical expertise a main condition of their development aid. This came in the form of human resources and the procurement of equipment and machinery. Critics even claimed that up to 60% of aid to developing countries was tied to technical expertise - consultants and procuring machinery and spare parts from the donor country. This has not changed a lot with Chinese aid to Africa.

"In many cases, the Chinese even import Chinese casual labourers, leaving the majority of locals in the cold although Africa has an abundance of unskilled labour which could immensely benefit from these projects...and therefore contribute towards the achievement of MDS... In Angola, the construction of a major highway has brought in more than 700 Chinese workers and in Zambia, the Chinese population grew from 300 in 1991 to 3,000 in 2006 as the number of Chinese projects increased" (Chidaushe M. in Manji and Marks (eds) 2007:114).

This has other pertinent problems. Inadequate Chinese labour standards are reported across the countries studied, with allegations of overworking, underpaying workers and not adhering to health and safety standards.

The fact that Chinese aid has less strings attached to governance performances means also that CSOs are not able to hold them accountable, and in this context, governments will silence any opposition to Chinese aid although open displeasures about the poor quality and flooding of Chinese products and other complaints can be heard from time to time. (Manji and Marks 2007)

Chinese assistance to Mozambique is, like all assistance to Africa, based on the 'mutual benefit' approach. This is clearly an innovative approach. It is mainly project-based financing, which is negotiated at the highest levels of public administration. It is widely perceived as untied aid, lacking the traditional political and economic conditions that typically feature with Western donors. Chinese aid presence in Mozambique is composed of loans, technical agreements, and direct investments in trade and services. A significant proportion flows to infrastructure, with particular attention to rehabilitation of roads and bridges and public buildings.

Although it is not captured in much of the literature on Africa - China relations, China vehemently pursues the 'one-china' policy with all the countries that it has strategic long-term partnerships with. However China does provide assistance to countries that do not abide by the one China policy. Any country that engages with China can not engage with Taiwan. The penalty for violating this political conditionality is not clear. At the same time, Chinese aid to Africa is allowed in conditions that allow repatriation of profits and the use of Chinese labour. Like in the above case, it is not clear yet what the case would be if these conditions were not observed by the partners.

China is also using debt relief as part of its aid packages to Africa. Since 2000, it has taken significant steps to cancel the bilateral debt owed by 31 African countries. In 2000, it wrote off US\$ 1.27 billion in debt and forgave another US\$ 750 million in 2003 (Edinger, Herman and Jansson 2008: 15).

Above all, it would be important to underscore the fact that African countries trading with China are not new playing fields for mercantile experiments. China's aid to Africa ought not to be a matter of competition with the West or a substitution of it. As a means of support to development and reform in the continent, China's aid should be regarded as a new strategic partnership for Africa which can be effective in transforming the continent.

2.4 Debt Management and Chinese Aid

Zambia's debt to China stood at US\$217 million as of December 12, 2006, making China the highest Non-Paris Club creditor to the country. Zambia's indebtedness to China is concentrated in two areas; loans with respect to the TAZARA project at 36.5% (recently cancelled according to media reports) and the China National Aero-Technology Import and Export Corporation (CATIC), 27.9%.

The debt to CATIC involved the purchase of planes and Earthmoving equipment. However, US\$2 million was used to service the CATIC loan from the grant of US\$6 million provided by the Chinese Government during the Zambian Presidential visit to China in November 2003.

The Chinese government signed a protocol with the Zambia government on partial debt remittances in July 24, 2001. The objective of the protocol is to support the country's efforts in developing its national economy and reduction of its debt burden. Moreover, Zambia was exempted from paying 12 batches of interest free loans which matured before December 31, 1999 in the total amount of RMB 174 million, £7,000 and US\$9 million. Zambia has since requested for a complete debt cancellation as a way of reducing Zambia's debt burden and supporting the country's development efforts. In 2007, China cancelled Zambian foreign debt amounting about US\$ 200 million (Davies, Edinger, Tay and Naidu: 2008). Cancellation of debt owed by the heavily indebted least developed countries is one of the announcements made by China to enhance African development.

The Government of Zimbabwe is currently in arrears, both with multilateral and bilateral creditors due to shortages of foreign currency. As at October 2007, Zimbabwe's international debt amounted to 4.1 billion including arrears. Total arrears amounted to US\$2.7 of which US\$1.2 billion is with multilateral creditors while the remaining US\$1.5 is for bilateral creditors. Chinese loans are flexible in terms of loan repayment schedules. In fact the Government of People's Republic of China insists on production of a credible repayment plan before any loan advancements to Zimbabwe. In addition, they are also keen to verify the viability of the projects being financed. Following the imposition of sanctions by the Western countries on Zimbabwe, the People's Republic of China is an alternative source of assistance.

The major part of Angola's external debt is commercial and bi-lateral. It is estimated that half of this debt is to public sector. The stock of medium and long term external debt stood at approximately US\$ 7.6 billion in December 2006. In 2006, there was a significant improvement in the ratio of external debt stock due to high oil prices and increasing oil exports to China. Given the need to diversify sources of financing, the Angolan government has taken steps to strengthen its relationship with the Paris Club. In late 2006 and early 2007, Angola paid the bulk of its principal interest estimated at around \$2.5 billion to Paris Club creditors. In November 2007, the issue of overdue interest arrears of about \$1.8 billion was also resolved with the government pledging to repay the outstanding amount in three tranches by 2010.

The agreement with the Paris Club clears the way for the normalization of Angola's relations with the rest of the world. This is already evident with the World Bank doubling its funds to Angola in 2007 and Spain pledging \$600 million for Angola's reconstruction in late November 2007. Other donors such as France, Italy, and Germany have also taken a recent interest in Angola and have shown that they are now ready to expand their credit lines. (Campos and Vines: 2008).

During the 1980s to 1990s China assisted Mozambique with small bilateral credits for importing equipment, raw-materials and several goods for consumption. These credits resulted in a debt estimated at about US\$ 20 million. This debt was recently cancelled in full by China in February, 2007, during the visit of the Chinese president, Hu Jintao, to Mozambique. Previously, commercial credits with China amounting to US\$ 7.7 million were also cancelled in 2002.

2.5 China Comes Big: Chinese Sectoral Financing

The Chinese aid engagement in the four countries, on the main, covers the following sectors in line with China's Africa Policy Paper: Agriculture, Mining, Manufacturing, Construction, Communication and Transport; and Health. According to the China's Africa's Policy Paper:

"China-Africa cooperation will step up aid in transportation, communication, water conservancy, electricity and other infrastructures.... Efforts will be made to strengthen technology and management cooperation focusing on capacity building of African Nations" (Corkin 2007)

China has demonstrated interest in engaging the petroleum value chain in Angola. Sonangol Sinopec International (SSI), a Chinese firm is exploring in different oil blocks with reserves up to 3.2 billion barrels of oil. Chinese investment in the rehabilitation of infrastructure also rose to more than USD 4.5 billion. Other sectors of interest to the Chinese include diamonds. Angolan company, Endiama-EP and China International Fund Limited has entered into a partnership and established a branch in Hong Kong - Endiama China International Holding Limited to prospect, research, produce and market cut diamonds including jewelry. New reports indicate that the joint venture agreement has since been annulled by the Angola Council of Ministers. Sino-Angolan cooperation has led to the rebuilding of National roads, the building of a new airport in the outskirts of Luanda and other major infrastructure development projects in the country.

Chinese aid presence in Mozambique is composed of loans and technical agreements, and direct investments in trade and services. A significant proportion flows to infrastructure, with particular attention to rehabilitation of roads and bridges and public buildings. It is mainly project-based financing.

Chinese assistance to Zambia has been mainly loans and, to a lesser extent, grants in the form of cash and materials. The Chinese engagement covers the sectors of agriculture, mining, manufacturing, construction, communications, transport, and health. After the 2006 Beijing Action Plan (FOCAC), China established a Special Economic Zone (SEZ) in the Zambian Chambishi mines, the first in five such facilities planned for Africa. The Special Economic Zones benefits from substantial infrastructure investment and development assistance. They focus on strategic industries and provide liberalised investment environment. The Zambian Mining hub, with an investment commitment of about US \$ 1 billion is expected to become a positive economic growth node in the country. Commodities in the region of interest to Chinese investors besides copper include cobalt, diamond, gold, tin and uranium (Davies, Edinger, Tay and Naidu 2008: 26).

Prior to the liberalisation and privatisation drive of 1991, China implemented several public projects in Zambia financed in the main by loans from China such as Tanzania-Zambia Railways (TAZARA), construction of roads, New Government Complex, Mulungushi Textile Mill, and construction of houses in Ndola, provision of short-wave transmitters, scholarships and Medical doctors. After privatisation, China opened a branch of the Bank of China and a Trade and Commercial Centre in Lusaka. It also acquired the Chambishi Copper Mine, thereby transforming its status from a buyer to a producer. China has further opened a cotton ginnery in Eastern Province of Zambia as a response to Zambia Government's encouragement of rural development.

In Angola, the Benguela Railway is a flagship reconstruction project to be undertaken by Chinese companies. China is also expected to build a US\$ 3 billion oil refinery in Angola in a joint venture Sonangol-Sinopec International (SSI) between Angola's state owned Sonangol and China's Sinopec. Additionally Chinese financial and technical assistance has kick-started over 100 projects in the areas of energy, water, health, education, telecommunications, fisheries, and public works (Campos and Vines; 2008). The bulk of Chinese financial assistance in Angola is reserved for key public investment projects in infrastructure, telecommunications, and agro-businesses under the Angolan government's National Reconstruction Program. The China Construction Bank (CCB) and China's Exim Bank provided the first funding for infrastructure development in the country in 2002.

Chinese aid in Zimbabwe focuses on the development of infrastructure mainly roads, stadiums and dams and the health sector. Over 2001 and 2006, the Government of Zimbabwe benefited from many concessional loans extended by the Government of the People's Republic of China.

The Ministry of Water received a concessional loan and acquired equipment worth US\$ 8 million for the District Development Fund (DDF). In 2006, Zimbabwe Farmers Development Company also benefited from Chinese concessional loan and acquired various agricultural equipment & tools and graders.

2.6 Systemic Issues on Chinese Aid to Africa

Regulatory Framework

In Zimbabwe, the Zimbabwe's Ministry of Economic Development is responsible for formulating national development plans, which are inclined on the National Vision and Mission. These programmes highlight national development projects that require funding. It is therefore logical for investors to be directed to consider such projects. Currently, the Government of Zimbabwe attracts Investors through NEDPP. The development assistance of the Government of the People's Republic of China is handled within the context of the NEDPP Framework and in future the upcoming Zimbabwe Economic Development Strategy (ZEDS).

The Investment Promotion Centre undertakes the approval of FDI in Zimbabwe under the existing law on investment and investment regulation. The Investment Code, which guides investment by both locals and foreign investors governs the implementation of projects financed under Chinese ODA in Zimbabwe. Infrastructure projects, especially public works, are decided and managed in the Ministry of public works. The planning, authorization and monitoring of extraction of natural resources is in the hands of Ministry of Minerals Resources.

The Government of Zimbabwe and the People's Republic of China have a Development Cooperation Framework Agreement. The Framework Agreement spells out areas of cooperation and the modalities of settling Zimbabwe's existing and future debts with export proceeds of tobacco, cotton and minerals. Both parties agree to identify other products in the future.

The Government of Zimbabwe and the People's Republic of China convene Joint Commission meetings bi-annually. The Joint Commission meetings normally focus on further strengthening economic cooperation between the two countries in areas such as Agriculture, Mining, Trade and Investment, Telecommunications, Dam Construction, Tourism and Human Resources Development. The cooperation may be in the form of Foreign Direct Investment and Joint Ventures among others.

Analysts point out that Chinese development assistance is interfering with the regulatory frameworks put in place by the Government of Zimbabwe. The strong bilateral relations between the two countries has seen the introduction of preferential treatment to Chinese investors.

A good example is that of the Zimbabwe's Investment Code which clearly states that no foreign investor is allowed to enter into retail or transport business. However, there are a number of Chinese and Indian retail shops in the country's major cities. The Government of Zimbabwe once introduced a quota to Chinese imports which was later repealed. Government is of the view that Chinese Investors should set up manufacturing firms that create more employment and technology transfer. However, this is not being implemented; instead the Chinese are bringing containers full of manufactured products and are not setting up industries in Zimbabwe.

For Mozambique, the government has been taking action to strengthen its leadership role in coordinating development assistance. Currently there is an on-going process of developing an Aid and Cooperation Policy along with its strategy. While the Ministry of Foreign Affairs and Cooperation (MINEC) is formally in charge of coordinating development assistance, the Ministry of Planning and Development (MPD) is responsible for day-to-day coordination within the PARPA. An ODA database, which had been developed by external partners in 2006, is being handed over to the Government.

The external partners' move towards budget support has also contributed to establishing a formal structure for regular government-development partner dialogue. The MPD National Director and the chair of the PAP co-chair a joint steering committee, which meets monthly to discuss budget support issues. This committee includes the Troika plus group, consisting of the previous, present and future chairs of the PAP4, plus the EC and the World Bank. An economist working group, a PAF coordination group and sector working groups (about 22), chaired by development partners, meet regularly and ensure regular dialogue with central and line ministries.

The World Bank and UNDP have been co-chairing the Development Partners Group (DPG), a wider external partners group, beyond the PAP. MPD co-chairs Joint and Mid-Year Government-Donor Reviews to assess PARPA implementation; and GoM has chosen the Joint and Mid-Year Reviews as the main instrument to garner external partner support, replacing the traditional pledging approach of Consultative Group (CG) meetings.

However the Mozambican Parliament is not engaged in discussing external funding needs and priorities. The Parliament exercise only non-executive powers, does not have direct involvement in negotiations with donors and can only engage in discussion of general budget proposals where borrowing limits are already foreseen but must approve it to give mandate to the Government to execute it. Sometimes the budget needs are based on PRSP priorities.

Foreign and domestic investments in Mozambique are regulated by the Law on investment. According to Bila and Shambal, currently most sectors of the national economy are fully open to foreign investment, with foreigners benefiting from a number of facilities as nationals. Foreigners are allowed to fully repatriate profits. They also benefit from access to capital, and low business set up costs. Nevertheless, measures are in place to reduce bureaucracy; new licensing regulation was introduced in 1998 simplifying procedures, and a unique attendance office was created. Additionally, very recently a new labour law was drafted and submitted aimed at making the labour market more flexible and reduce labour related cost factors.

In Zambia, most of the bilateral partners have endorsed a Memorandum of Understanding (MOU) for Support to the Government of the Republic of Zambia (GRZ), initially entered into in April 2005. The MOU sets out basic arrangements underlying this programmatic support and clarifies the responsibilities of all parties. It also commits all Signatories to a process of dialogue based upon mutual trust and accountability. Such dialogue will, amongst other arrangements, be conducted through two bi-annual Joint Review meetings. In terms of goals, the signatories of the MOU have agreed to attain the highest degree of alignment with budgetary and accountability systems to increase the predictability of aid flows and reduce the administrative burden the government.

The Zambian Bureau of Standards (ZBS) is responsible for the maintenance of quality of products on the Zambian market. All kind of merchandise enters the Zambian market without a stamp of authority from ZBS. This problem is not only unique to supplies from China but also supplies from other countries. While smuggling could be part of the problem, the ZBS and other regulatory agencies such as the Immigration Departments need to put their act together in order to enforce and ensure adherence to laws and regulations as well as safe guarding national interests.

Other concerns have been expressed over Chinese investments in non oil sectors in Zambia that seem to implicate them on application of harsh labour regimes. Nevertheless, Zambian regulatory authorities have exercised due diligence in some instances. For example, although China invested US\$200 million in a mine in Kabwe, Zambian authorities ordered the mine shut due to non compliance with environmental laws. The mine had threatened health and safety of the community (Edinger et al: 2008).

A framework agreement for economic and commercial cooperation was signed between Angola's Ministry of Finance and the Chinese Ministry of Trade in late 2003.

The framework for private investment in Angola is hampered by the excessive bureaucracy at the Public Administration. Recently an accord was reached between Banco de Fomento Angola (BFA), the Chamber of Commerce and Industry of Angola and the Chinese authorities for the BFA to serve as the liaison entity between Angolan and the Chinese companies. The National Private Investment Agency (ANIP) has the principal role to attract Chinese investments and coordinate the process with the State institutions. The BFA has also signed a protocol with International Commercial Association for Lusophone countries (ACIMIL), with the objective of publicizing, promoting and facilitating commercial relations and new business opportunities between Chinese and Angolan businessmen.

The accords of economic, commercial and military cooperation with China are decided at the executive levels of Government, through the Office of National Reconstruction, *Gabinete de Reconstrução Nacional* (GRN). The GRN monitors Chinese funded projects and is exclusively accountable to the Angolan presidency. The GRN was set up in 2005 to manage large investment projects and ensure rapid infrastructure reconstruction prior to national elections in Angola. The Council of Ministers reserves some oversight mandate over investment agreements.

For China, such central system of aid administration is familiar. The existence of the GRN accelerated Chinese negotiation for large projects in Angola since it directly acts for the presidency. This may have been a factor in Chinese further negotiation for oil backed loans to Angola that followed the establishment of GRN. From 2002 credit line of US \$ 2 billion, Chinese aid to the country had scaled to about US \$ 9 billion in 2007 modeled along an innovative barter system whereby the low interest loans are secured with oil as collateral. (Corkin 2007, Manji and Marks 2007: 21). This has made China one of the biggest players in Angola's post war reconstruction process in exchange of Angola's oil in a new aid model so called 'Angola Model'.

Alignment of Chinese Aid to National planning

The Zimbabwe's Ministry of Economic Development is responsible for formulating national development plans, which are inclined on the National Vision and Mission. Currently, the Government of Zimbabwe attracts Investors through NEDPP. NEDPP is a short – term programme formulated in 2006 to lay the foundation of the Zimbabwe Economic Development Strategy (ZEDS). The development assistance of the Government of the People's Republic of China is handled within the context of the NEDPP Framework. The specific objectives of the NEDPP revolve around the reduction of inflation, stabilisation of the currency, ensuring food security, increasing output and productivity, generation of foreign exchange, enhancement of expenditure and revenue management, removal of price distortions and effective policy coordination and implementation.

The development strategy of Angola focuses on five strategic pillars: the Development of Systems and Instruments to aid the preparation of economic policy, Institutional Development, Human Development, Infrastructure Development, and Economic Development. Within the human development pillar issues of education, health, and professional training, food security and nutrition, as well as water and sanitation are addressed.

The Government of Mozambique's poverty reduction objectives, targets and strategies are articulated in a long-term vision, known as the Agenda 2025 to which, a Government's *Five-year Programme* is anchored. This framework provides the set of guidelines and mid-term development objectives that constitute a broad, platform for other policy statements. This Five Year Programme is operationalised by the *Action Plan for the Reduction of Absolute Poverty* (PARPA, the PRSP equivalent). The first PARPA ran from 2001 to 2005.

A review of PARPA I, according to the Government of Mozambique (in PARPA II) reveals that the country has experienced accelerated economic growth rates. However, the recorded growth was somehow not consistent as, exports did not grow, the formal sector remains weak, the market forces and the private sector were not capable enough to promote a sustained and integrated agricultural production growth in relation to other economic sectors. There was no reduction of real interest rates, nor increase of bank financing to the economy, slowing down the industrialization process in the country and integration in SADC region.

PARPA II is the continuation of PARPA I efforts to ensure the achievement of poverty reduction objectives as set out in Agenda 2025, Millennium Development Goals (MDGs), NEPAD, 2005 – 2009 Government Five Year Plan, sector strategic plans and other relevant instruments. It shares the same priorities with PARPA I in the areas of human capital development through education and health. It also prioritizes improved governance, development of basic infrastructures and agriculture, rural development, and better macroeconomic and financial management. However, it differs from PARPA I because its priorities include greater integration of national economy and an increase in productivity. Additionally, PARPA II gives special attention to district based development, creation of a favourable environment to grow the nation's productive sector, improvement of the financial system and measures to help small and medium-size enterprises flourish in the formal sector, and the development of both the internal revenue collection system and the methods of allocating budgetary funds.

Zambia's Fifth National Development Plan (FNDP) has a broad-based, pro-poor growth focus.

In that regard, the focus of expenditure is expected to be on infrastructure (particularly, roads development), agricultural development, education, health, water and sanitation, and public order and safety. Zambian authorities anticipate that the country's poverty program, spelt out in the FNDP, will be largely externally supported through the poverty reduction budget support framework.

The establishment of the Zambia-China Economic and Trade Cooperation Zone is expected to provide job opportunities and help to improve the living standards of many Zambians. The Trade Zone with a total investment of over US\$ 800million is expected to create 6,000 jobs².

Overall national planning is coordinated by the MoFNP through the Planning and Economic Management Division (PEMD). Planning individual activities, projects or programmes is the responsibility of the line ministries. PEMD is charged with the responsibility to coordinate the development of the long-term national vision, integration of sector development programmes and strategies into national development plans and programmes, and linking the budget to the macroeconomic framework. While the law is clear as it pertains to the role and mandate of MoFNP with regard to resource mobilisation, management and utilisation, it is somewhat obscure as it relates to planning functions. This has resulted in duplicity of efforts and inconsistencies in policy pronouncements.

Aid Management and Coordination

In Zambia, development assistance is normally coordinated by the Ministry of Finance but sometimes government Ministries go it alone to negotiate for developmental assistance with the People's Republic of China, only involving the Ministry of Finance when payments are required. In this regard, the Ministry of Finance becomes overwhelmed by the down payments required before the contract is activated. Therefore, many projects fail to take-off as the Ministry of Finance is not able to raise the down payment as a result of shortages of foreign currency.

The authority to manage aid in Zambia is provided for in the Public Finance Act 2004 in so far as aid constitutes part of government revenue and expenditure. The Act spells out that loans, grants and donations should be managed through the public accounts management system. The Loans and Guarantees (Authorisation) Act Chapter 366 of the Laws of Zambia provide power to the Minister responsible for Finance to raise loans from time to time in the Republic and elsewhere on behalf of the government as he may deem fit. Grants and loans are governed by the legal provisions of the national budget, which give powers to the Minister of Finance and National Planning for its management. The law views loans, grants and donations to constitute part of government revenue and should be managed through the public accounts management system.

Whereas the responsibility for financial and economic management of aid in Zambia is clear, this is not the case with respect to national planning. The authority to plan lacks a legal framework to integrate the two processes.

Aid coordination among donors and line ministries is the responsibility of MoFNP through the Economic and Technical Cooperation Department in close collaboration with the Department of Development Cooperation and International Organisations (DDCIO) in the Ministry of Foreign Affairs and other line ministries/government agencies. In this, the DDCIO plays a diplomatic role while ETC plays a technical one in the sense that DDCIO is the first line of engagement or contact with donors and other organisations outside the country through a network of embassies and missions abroad, but once a willing donor has been identified and the mode of engagement shifts to ETC who are expected to handle the technical negotiations. It is also the body charged with aid coordination. Effective aid coordination requires close links between the plan documents, the Fifth National Development Plan, the budget, inclusive of the MTEF and donor funding.

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Local Procurement and Tender Procedures for Chinese Investments

Zimbabwe's local procurement and tender procedures are governed by the Procurement Act. The Procurement Act is also applicable in the case of Built Operate Own Transfer (BOOT) or Built Operate Transfer (BOT) contracts. Complementary to the Procurement Act is the Statutory Instrument 171 of 2002 which outlines the procurement regulations. The State Procurement Board invites tenders through newspaper advertisements or the Government Gazette and a Procurement Committee for the procuring entity evaluate the tenders focusing on the tenderer's capability to perform the contract satisfactorily. The State Procurement Board, after considering the procuring entity's recommendations, shall direct which tender is to be accepted. The aforesaid Procurement Act and Regulations also governs procurement and tender procedures in the case of foreign contractors.

With respect to Chinese Investments, special consideration may be considered given the strong bilateral relations that exist between the two countries even though they will be competing among themselves. In such cases, recommendations from the Government of the People's Republic of China and the Embassies of the two countries play a pivotal role in selecting the Chinese company to implement the contract. In essence, even with high degree of transparency in the procurement and tender procedures, this means that political considerations would come to play in so far as Chinese funded projects are concerned. Sometimes, local bureaucratic delays can also negatively affect the effective implementation of a project, hence Chinese upper hand on projects financed from Exim loans.

In Mozambique, measures have been put to reduce bureaucracy; ease licensing regulation and make the labour market more flexible. The country has also engaged in strong international advertisement for investors to get to Mozambique. The Investment Promotion Centre undertakes the approval of FDI under existing law on investment and investment regulation. The Ministry of public works decides on the infrastructure projects while the Ministry of Minerals Resources undertakes the planning, authorization and monitoring of extraction of natural resources.

With regard to public works, Mozambique authorities advocate for a non-preferential procurement policies. Most of the contracts in the country are usually open to international competitive bidding, and sometimes these tenders favour companies from the funding agency's home country.

In Zambia, the National Tender Board (NTB) forms the centre of the government procurement in the country.

The Zambia National Tender Board Act 349 provides authority to the Tender Board to regulate and control the procurement of goods and services for the government and parastatal bodies, including formulation of rules and regulations governing the procurement of goods and services. Most institutions, if not all, have procurement departments or units in addition to the National Tender Board. Clear rules and guidelines have been formulated on how to conduct public procurement in addition to the Finance subsidiary Regulation on 15 public stores. For each unit and level, limits have been set beyond which open tenders must be called and lower level request the next upper level to administer the procurement or tender process.

The NTB has an inspectorate unit whose responsibility is to monitor all contracts placed by the Board, any government ministry/department or any parastatal body to ensure that they are in compliance with the rules or regulations made under the Act with the exception of the defence forces or security intelligence service. The Zambian Bureau of Standards (ZBS) is responsible for the maintenance of quality of products on the Zambian market. However the enforcement of some of these laws and guidelines are weak.

Many of the government's institutions involved in monitoring procurements lack the capacity to deal with the range of issues involved with china's engagement, especially because they are inadequately resourced but find the relations between their countries and china to be very close. The Custom department of Zambia is another example of an institution that faces difficulty in classifying some of the imported goods. The ministry of Commerce in Zambia has experienced significant challenges due to a lack of capacity in enforcing laws and standards (Burke, Corkin, and Tay; 2007, 156).

3.0 Chinese Development Cooperation and the Role of Non-state Actors

Civil Society Organizations (CSOs) have a crucial role to play in ensuring that the boom of Africa's new trade with China is managed in a manner that contributes to the eradication of poverty as well as sustainable economic growth and development. In almost all the four African countries, the relationship between CSOs and the state is less than facilitative for this role. The institutional and legislative framework governing CSOs and the enforcement capacity of the state is designed to deter CSO input into the discourse on Chinese assistance. CSO interests are dismissed as placing 'democracy' ahead of 'development'

Zambian government policy on CSOs is not clear and lacks a governing regulatory framework for engagement. However, Parliamentary privileges allow the National Assembly through its Committees to engage with citizens. Still, Chinese development assistance to Zambia has in the main been a government-to-government affair pursued as a pure commercial undertaking. Further, the nature of the relationship is mostly shrouded in secrecy, further inhibiting CSO participation.

While welcoming Chinese investment in Zambia, CSOs have voiced concern over poor working conditions of Zambian workers and non compliance with environmental safety regulations. Further concern exists on the proliferation of Chinese casual labourers and petty trading by Chinese investors which displaces Zambian local workers and small scale traders.

The operations of all CSOs in Zimbabwe are governed by the Private Voluntary Organisations Act. The Ministry of Public Service, Labour and Social Welfare register and monitor CSOs providing humanitarian and developmental assistance in Zimbabwe. In the view of Zimbabwean law, the participation of CSOs is required to emphasise humanitarian assistance as complementary efforts to Government mandate.

According to Burke, Corkin, and Tay (2007), relations of Zimbabwe civil society to Chinese aid is affected by their poor capacity. The trade unions are weak, mostly under resourced, poorly organised and prone to corruption. As such, they do not engage much with the Chinese businesses. The media on the other hand is also tightly controlled by government and is rarely critical of the Chinese presence in the country.

The National Association of Non-Government Organisations (NANGO) confirms that Chinese ODA in Zimbabwe is channelled through Government with no noticeable inflows of development assistance through NGOs. Whilst NANGO applauded the Government for the indigenisation drive, they feel that Zimbabwe has opened up so much to the Chinese and preferential treatment awarded to the Chinese by Government is against the country's current affirmative action and indigenization policy.

NANGO estimates that 30-40% of the shops are now being run by the Chinese. NANGO is of the view that the sprouting of Chinese shops in the country's major cities is contributing to the informalisation of the economy. According to NANGO, the informal sector is not environmentally conscious.

Angola's CSOs continue to have problematic relations with the government. In a famous presidential statement in Angola that "Democracy and human rights do not fill the stomach", the government made it clear that tensions with the civil society sector continue to cloud its bilateral relations with China.

Angolan CSOs have reportedly raised concerns over limited transparency in the use of Chinese funds and urge greater disclosure on Chinese investments especially from the GRN which manages many of the larger Chinese infrastructure projects. According to the NGO Global Witness, there are fundamental questions on the procurement procedures governing Chinese construction tenders in Angola and the overriding authority of the Executive in aid management (Corkin, 2007; 3).

CSOs point out that companies from western countries in general are more thorough in corporate social responsibility issues than their Chinese counterparts. Chinese companies flout local labor regulations. Nevertheless, stakeholders agree that Chinese firms offer high and competitive expertise. In the Housing Construction and Public Works, for example, Chinese companies exhibit low costs, high technical competence and rapid completion of projects.

In other studies, CSOs contend that Chinese projects do not expressly prioritize reduced unemployment as a development goal. Though public investment projects are aimed at improving infrastructure, which will eventually stimulate domestic and foreign direct investment, the Chinese contracts are not in themselves employment-generating. They cite lack of evidence of technology transfer with most sub-contracted firms being Chinese. Regrettably, some of the CSOs that point out these shortcomings face blanket condemnation as groups that are anti development and exploitation of natural resources by foreign companies, much in the same breath as the militant *garimpeiros* of Angola and the Movement for the Emancipation of Niger Delta in Nigeria (Rocha J. in Manji F. and Marks S. (eds) 2007: 32). This can hardly be helpful.

Acknowledging that Chinese economic interest in Africa is still emerging, CSOs in Mozambique noted that discussion on Chinese capital and issues, impact analyses or other kind of comprehensive studies are rare or non-existent. Recent studies available are a kind of impact prognostic of the projects themselves. Only specific Government sectors have contact with Chinese capital issues. CSOs have minimal if any awareness of Chinese capital related issues.

The few with an interest and understanding of the issues are most often influenced by the emerging discussion at international level.

According to interviews conducted with the Mozambique Debt Group for this study, to date there is no involvement of CSOs in any kind of activities related to Chinese investment in the country. Some minimal engagement on related labour issues has been observed from trade unions. Other analysts state that Chinese investments in Mozambique have been implicated in environmental protection offences, workers' rights violations and tax evasion practices. Generally there is the feeling of weak surveillance within Government institutions of donor projects in the country.

Generally, Chinese investments in Africa have come under severe scrutiny from many NGOs. Chinese extractive industry face criticism for encouraging displacements and human rights abuses especially in oil producing areas. Human Rights watch has raised issues with recent Chinese investments in Angola, reporting that Angolan troops stationed in the oil rich Cabinda area torture civilians to control their movements; regular mine accidents in Zambia have come under scornful assessments while environment activists in Mozambique have also opposed Chinese timber buyers who get tropical hardwoods from Mozambique's semi-arid forests. In the same vein, a proposed dam in Mozambique, Mphanda Nkuwa has been criticised for weak social and environmental assessment with fears that it has potential negative impacts for the Zambezi delta (Lemos A., Ribeiro D. and Chan-Fishel M. in Manji F. and Marks S. (eds) 2007: 67, 147).

Local and international NGOs engaged in the debate have attracted the attention of the Chinese bodies involved in the delivery of development assistance. As well, China is also increasingly aware that the recognition of good environmental standards and compliance with other international business practices would cultivate a good international image for its companies. As such in April 2007, the Exim bank released a code of environmental code of conduct for Chinese companies undertaking projects financed by the Bank (Burke, Corkin, and Tay 2007: 182)

Some authors have suggested that CSOs must come forth to lead in the area of research and knowledge management regarding the new businesses of China in Africa. They should lead informed dialogue between the international community, the African countries and the business interests in these countries to drive the new investments for the purpose of enhancing sustainable development, peace and stability of the continent.

4.0 Opportunities and challenges

For some of the studied countries, foreign debt portfolio is improving. The significant improvement in the ratio of Angola's external debt stock is explained in part by high oil prices and China's ever increasing consumption.

China and Zambia signed a protocol on remitting partial debt in 2001 with the aim of supporting Zambia's efforts in developing its national economy and reducing the debt burden. However, a substantial amount of Chinese loans to Zambia still require reconciliation.

Observers suggest that China has encroached the traditional domain of influence and control of the African economies by IFIs through their less stringent lending terms. The traditional control of domestic policy and affairs of the debtor nations is undermined by flexible Chinese loaning terms. This is both a challenge and an opportunity. On the one hand it makes Chinese aid more attractive and beneficial in the short term to the huge infrastructural needs of the continent, even creating a renewed interest in African markets but on the other hand can threaten the sustainability of these developments within regimes that repress fundamental freedoms and human rights.

Chinese capital in the continent, especially the financial assistance, is an important opportunity for topping up resources and financing poverty reduction strategies, especially infrastructure projects. The Export Credit arrangement under the mutual benefit approach ostensibly allows recipient countries to exploit untapped resources thereby accelerating growth. To benefit from opportunities pushed by Chinese capital emergence, countries require clear programmatic visions and strategy for Chinese financing.

New standards pertaining to labour and employment conditions, tax regulations, environmental standards, and export standards are required. These would also require increased collaboration between inter-governmental agencies (i.e. finance, planning, standards, procurement) to reduce incidences of corruption and improve implementation modalities.

Another challenge relates to the need for more analysis, information disclosure and transparency on Chinese development assistance and its impact on the African continent.

But also African governments have the opportunity to undertake further research around China's engagement with their respective economies and regions so that they can maximise their benefits. More information should be shared amongst the governments on their relations with China to facilitate beneficial relations. This framework can be driven by a continental interlocutor such as the NEPAD secretariat. If well implemented, this would result in greater development impact from China's involvement in African economies. This can also be a recommendation.

5.0 Conclusions and Recommendations

Chinese involvement in Africa seems to be of major benefit to the continent. On a positive note, it appears to have led to huge investments with some good impacts. China is assisting African countries to rebuild their infrastructure and provide support to sectors like agriculture, water, health and education. Increased exports of raw materials to China have also earned them much needed foreign exchange revenue. However, the Chinese windfall has ignored necessary reforms in administrative and governance systems of African countries that would enhance policy making autonomy and better oversight over development assistance. Although important distinctions exist in Chinese model of foreign investment and infrastructure loans lauded as a model of development that takes seriously developing state aspirations ignored by the West, African countries have failed to exploit this apparent alternative.

China is perceived as different in that it provides some investments of direct benefit beyond elite circles (such as access to a broad range of cheaper consumer goods); does not insist that Africa's political economy steer a required course; and contributes to Africa's talent pool rather draining it.

China's assistance to Africa is linked to commodity production; mostly raw materials and minerals like oil and diamonds. The concessional loans also provide opportunities to Chinese companies and immigrant labor. The Chinese have also entered high value-added sectors like telecommunications (networks, equipments and exploration), and also capital equipment for the electricity sector and for hospitals. In return for those commodities, China shares its knowledge in the areas of infrastructure, construction, and public works.

The political and diplomatic relations between Africa and the People's Republic of China date back to the days of the liberation struggles in the continent. This history makes the People's Republic of China a natural alternative in the face of conditionality laden development financing by Western Countries.

China boasts that its relationship with Africa is based on a win-win formula, gained on an equal partnership and reinforced with its historical solidarity with the continent in the common struggle against colonialism. In return, Africa's trade with China has increased tremendously although the balance of trade still favours China. There remain reasonable doubts that Chinese aid offers meaningful, widespread and long term benefits to ordinary citizens of recipient countries. African trading partners with China must still make the necessary institutional and governance reforms to transform Chinese investments into maximum benefits for their countries.

In actual sense, China's trade benefits in Africa do not give it the incentive to go against the liberal international order, especially the overall system dense with multilateral rules and institutions. According to Ikenberry (2008), not only is China on its way to becoming a formidable global power, it is also aware that integrating into the globalised capitalist system; WTO and other multilateral economic institutions, is healthy for its prosperity. As such, it also wants the protections that the system's rules and institutions provide (Ibid: 32)

This view dilutes the fears expressed by many scholars whose main question about Chinese ties to Africa is whether it is meant to overthrow the existing western dominated world order. In other words, if the rise of China is equivalent to a declining hegemony to the western order, represented by United States and other multilateral economic institutions like the World Bank and IMF that have been very active in African economies. This is hopeless and short-sighted. Although China has been using its growing influence to reshape certain rules and institutions that run African governments, the ascendance of Sino-African relations, if managed properly, should assist in the development of the countries involved without any hostile opposition to the relative balance in global power system.

China's engagement of the continent can be leveraged positively to offer significant development opportunities for the uplifting of African economies. However the African countries need a coherent understanding of the main determinants of China's strategies. China's investment in the countries in this study takes care of China's foreign commercial policy projection. African countries should therefore make necessary policy responses and regulatory frameworks comparable to the People's Republic of China foreign commercial policies in these states. These should be key to enabling environment in terms of local private sector growth and skills and technology transfer that will contribute to long term benefit for those countries. This will maximise and reinforce more broad based benefits for engagement.

Chinese rise should find room for more African countries at the table of key global economic and political institutions, bringing emerging countries into the governance of the international order. Even if it is not the four countries discussed in this study, Zimbabwe, Angola, Zambia and Mozambique, African countries such as South Africa and Nigeria can together play substantive roles in these international institutions than is presently the case. Less formal bodies, including the G-20 can provide alternative avenues for this representation.

In conclusion, China has offered a number of African countries an alternative from the Paris Club. However, it is not obvious that China recognizes that her medium term interest may not be in the best interests of African countries in terms of stability and sustainability. Nevertheless, it is

also imperative that these countries maintain strategies for other sources of development financing even as they secure new aid from China. But the strength of China's position with respect to many of its African partners – even those that can be considered as pariah states – is a reality and an opportunity. It can still balance its defensive insistence on solidarity with these countries with greater role as a broker between them and the international community for sustained international understanding and development.

PART 3 COUNTRY NOTES

ANGOLA

The economic and social situation in Angola could be characterized by high gross domestic product (GDP) growth and declining inflation, seemingly contradictory worsening of social indicators and growing inequalities of national income distribution; severely degrade or destroyed physical and social infrastructure; corruption in public institutions; lack of trust in the relation between policy making and materialization of structural reforms; and increasing external public debt. In most cases, efforts to put the economy back on track resulted in inadequate policies, partial reforms, government inefficiencies, and lack of transparency.

Key observations regarding the Chinese aid to Angola include:

- § China's commodity-secured aid instrument cannot be described as unaligned to Angola's development priorities.
- § It is not, however, a remedy for all of Angola's ills, the most glaring being unemployment. Though public investment projects are aimed at improving infrastructure, which will eventually stimulate domestic and foreign direct investment, they are not in themselves employment-generating.
- § The Chinese have entered other value-adding industries such as telecommunications (networks, equipments and exploration), but also equipment for the electricity sector and for hospitals.
- § There is also no evidence of technology transfer, as most sub-contracted firms are Chinese.
- § The main danger accompanying Chinese aid is the concentration of resources in a single sector; namely oil.

The Social, Demographic and Economic Situation of Angola

On paper, the Angolan economy appears robust. Inflation has been falling; it was 31% in 2004 and was pegged at 12% in 2006. It is the second highest oil producer, after Nigeria; contributing 22% of total oil production in Sub-Saharan Africa (BP, 2006). The value of public and private investments have doubled, construction grew by 30% in 2006 alone.³ However, despite this, Angola only ranks 76th among world economies; whereas, South Africa and Nigeria rank 28th and 49th, respectively (World Bank, 2007).

One of the reasons for this is that the structure of the Angolan economy has not changed over time. Its main source of revenue is from petroleum and refined oil products (57% of GDP in 2006). Commercial banks, insurance, and telecommunication contribute approximately 15% to GDP, and fisheries and agriculture contribute 8%. Transformed industry and construction contribute about 4% each.⁴ For

the most part, the above industries are capital-intensive, leaving a significant gap in terms of sectors, which create employment.

Coupled with the lack of employment opportunities, massive population movements were mainly due to armed conflict that at its end (with a cease fire on the 4th of April 2002); there were 4 million internally displaced people. Migration movements were mainly to provincial capital cities and coastal regions. This situation generated various phenomena like: excessive utilization load of existing social equipment; bad utilization of the same equipment by populations with non-urban habits and lifestyle; increasing pressure on the job market; and an increase in poverty levels. Government capacity to anticipate this situation was inadequate.

Population concentration in Angola is linked to urbanization. In 1975, 17.8 per cent the people were residing in urban areas, and in 2000, it had risen to 34.2 per cent. Estimations indicate that in 2015, there will be 44.1 per cent of the people in urban areas. However, in preparing population samples for two surveys, Multiple Indicators Survey (*MICS*), the national statistics institute (INE) of Angola, assumed that 42 per cent of the people lived in urban areas in 1996, and 60 per cent, in 2001. In terms of population density, Luanda is the fourth largest city in Africa. The excessive concentration of the population in Luanda translates in a series of shortages and problems related to the lack of infrastructures and basic services to meet the demands of a rapidly growing population.

Statistics show that in the region, Angola has one of the worst records of public spending on education and health. During 1997-2001, government allocated only 3.3 per cent on average, of its expenditures to health, compared to that of SADC 7.2 per cent. Public investment to the educational system has been chronically below the necessity, and the average government spending in the sector over the period 1997 to 2001, has been 4.7 per cent, when that of 14 SADC countries has been 16.7 per cent.

The main factors causing the stagnation and recession of the Angolan economy were inadequate and inconsistent economic policies and the civil war. At the beginning of the five year period 1991-95, the Angolan economy was still showing signs of a paralysis and underutilization of existing production capacities. The dependency in relation to oil sector increased such that foreign exchange and fiscal revenue collection from oil were over 90 per cent and more than 75 per cent, respectively. External debt had already exceeded 8 billion US dollars and inflation was reducing the purchasing power of the people.

From 1987 to 1991, the Government of Angola had attempted a number of reform programmes, but all yielded disappointing results. Macroeconomic indicators like inflation, budget deficits and unemployment increased. Expectations generated from 1987, with the adoption of

Program of Economic and Finance Sanity (SEF), were frustrated. The objectives of each of the approved programs like SEF in August 1987, Program for Economic Recovery (PRE in January 1989), the Government Action Program (PAG, August 1990) and the National Plan de 1991, were always postponed, showing the lack of political commitment with their implementation.

In the social and economic program for the year 2000, the government considered that the consistency between monetary exchange policies could be ensured by quantification of the variation target of international net reserves of the central bank. This quantification of exchange rate policy was expressed in the objective of variation of the net reserves of the central bank. This is how the government wanted to ensure consistency between monetary and exchange rate policy. The support of the IMF in this field, had no resistance at the beginning, the problems had to do with budget policy particularly in the transparency of the state revenue and expenditure.

In summary, the economic and social situation in Angola could be characterized by high gross domestic product (GDP) growth and declining inflation, seemingly contradictory worsening of social indicators and growing inequalities of national income distribution; severely degrade or destroyed physical and social infrastructure; corruption in public institutions; lack of trust in the relation between policy making and materialization of structural reforms; and increasing external public debt.

Angola has emerged as one of China's top trading partner. In the post conflict Angola, human rights problems are still prevalent in the country but it recently concluded US\$2 billion aid deal in the country and won Shell's 50% shares in Block 18 of the country's offshore oil mines.

Mozambique

Mozambique is highly dependent on foreign aid. Official development assistance (ODA) amounted to 20.8% of GDP in 2004. It accounted for all of capital gross formation, as almost total investment expenditures are financed by foreign aid (MPD, 2006). ODA makes up 84.3% of central government expenditures. Such reliance on foreign aid challenges the feasibility of poverty reduction strategies. In addition to the challenges associated with implementation, the Government of Mozambique must content with the predictability of aid flows and the transaction costs associated with it.

China and Mozambique have established ties since the early 1960s. At that time, China politically assisted Frelimo movement struggling for independence of the country. The relationship was limited to military cooperation and political solidarity. A few before independence, the president of Frelimo Party, Mr Samora Machel, applied for a diplomatic relationship with China.

On 28 June 1975, three days after independence was declared, President Samora Machel received letters of accreditation from the first Chinese ambassador in the country formalizing diplomatic ties.

Mozambique and China intensified political cooperation, trade and economic cooperation also started to gain space. There were bilateral agreements for technical cooperation in Agricultural, Education, Health, and Light Industry. According to official records by the Embassy of China in Mozambique, by 2004, trade flows between these two countries reached USD 120 million, meaning 66.9% increase in relation to the year 2003. In 2004 China exported to Mozambique goods and services amounting USD 75.15 million and imports from Mozambique valued amounting USD 44.29 million.

ZAMBIA

Zambia is one of the least developed countries in the world, despite its rich mineral wealth. The country's total population was recorded at 9.9 million in 2000, projected to have reached 11.1 million by 2005. Over the period, 1994 to 2004 the real GDP growth averaged 3.0%. In 2005 growth in the real GDP stood at 5.2% while annual inflation was recorded at 15.9% and per capita real GDP of US\$82. Formal sector employment averaged 0.5 million over the period 1993 to 2004.

The historical relationship between China and Zambia dates back to the pre-independence period when the present day Zambia was then a protectorate of Great Britain. At the time the relationship was in the form of Chinese assistance to one of the opposition parties, which comprised of financial and material assistance.

Zimbabwe

In spite of Zimbabwe's endowment with natural resources, it currently faces a number of economic challenges. These include contraction in national output, persistent hyperinflation, high unemployment, increasing poverty levels, acute shortages of foreign currency and leakages of foreign exchange, food shortages and price distortions. The declared and undeclared sanctions against Zimbabwe by Western Countries have worsened the situation in Zimbabwe.

China's policy of non-interference in the internal affairs of other countries and Zimbabwe's "Look East Policy" has strengthened the ties between Zimbabwe and Eastern countries especially the People's Republic of China. Additionally, the People's Republic of China's demand for Zimbabwe's products especially raw materials coupled with the availability of the markets for its finished products in Zimbabwe summarizes the incentives behind the Sino-Zimbabwe's relationships.

ANNEX OF TABLES**Sectoral Areas of Chinese Investment****Transport**

- § Support to the road network

Agriculture

- § Acquisition of agricultural machinery
- § Irrigation (Caxito, Ganguelas Waco-Kungo)
- § Acquisition of equipment for MECANAGRO

Social Communication

- § Construction and furnishing of Production Centre for TPA-Camama

Electricity and water

- § Rehabilitation and Expansion of Electricity supply to Luanda-phase II
- § Sub-stations and LT 220 Viana-Luanda Sul Cazenga
- § Reconstruction LT of 60 KV and Sub-substation Quifangondo-Mabubas
- § Strengthen Water Supply System-Huambo
- § Construction of 3ª. LT 220 KV Cambambe-Luanda
- § Construction of LT 220 KV Capanda-Lucala-Ndalatando
- § Rehabilitation of Water Supply System-Luanda
- § Rehabilitation Water Supply System-Caxito, Catete and Uíge

Education

- § Construction and furnishing of 2 Mid-Level Agrarian Institutes-Huambo and Bié
- § Reconstruction and furnishing of the Middle level Agricultural Institute of Késsua
- § Construction and furnishing of 1 Polytechnic Institute in Sumbe
- § Construction and furnishing of 2 Middle Level Agriculture Institutes in North Kwanza and South Kwanza
- § Construction and furnishing of 4 Polytechnic Institute in Luanda and 2 in Benguela
- § Construction and furnishing of 3 Secondary Schools in Luanda and 1 in Benguela
- § Construction and furnishing of 2 Secondary Schools in Malange

- § Construction and furnishing of 1 Polytechnic Institute and 1 Secondary School in Huíla

Public Works

- § Rehabilitation of the road Quifangondo-Caxito-Uíge-Negage

Health

- § Rehabilitation and furnishing of the Regional Hospital of Benguela
- § Construction and furnishing of 3 Health Centers in Malange
- § Rehabilitation and furnishing of the Regional Hospital of Malange
- § Rehabilitation and furnishing of two Military Hospitals (North Kwanza and South Kwanza)
- § Rehabilitation and furnishing of 2 Health Centers in North Kwanza
- § Construction and furnishing of the Regional Hospital of Lubango
- § Construction and furnishing of 1 Military Hospital in Namibe
- § Construction of the Regional Hospital of Huambo and acquisition of 86 ambulances
- § Construction and furnishing of 1 Health Centre in Huambo

Education

- § Construction and furnishing of 4 Secondary Schools, in Huambo (2) and in Huíla (2), 3 Polytechnic Institutes in Huambo, Huíla and Bié, 4 Administration and Management Institutes in Huambo, Bié, Kwando Kubango and Cunene
- § Construction and furnishing of 4 Polytechnic Institutes em Luanda, Bengo, Cabinda and Namibe, of 5 Administration and Management Institutes in Luanda (2), Benguela (1), Zaire (1) and Namibe (1) and of 6 Secondary Schools in Luanda (2), Benguela (2) and Namibe (2)
- § Construction and furnishing of 3 Polytechnic Institutes in South Lunda, North Lunda and Uíge, of 1 Middle Level Agrarian Institute in Uíge, of 2 Administration and Management Institutes in Uíge and in Moxico and of 1 Secondary Schools in Uíge

AFRODAD

Health

- § Construction and furnishing of 3 Municipal Hospitals in Huambo, Huila and Benguela, 2 Health Centers in Benguela and 2 Health Centers in Huila

Public Works

- § Conclusion of University Campus Faculties
- § Construction of Court of Justice

Fisheries Supply of 25 boats of 30m and 1000 canoes of 4.15m

- § Supply of 5 patrol boats of 46.9m, 10 prawn fishing boats of 33.88m and 2000 canoes;
- § Supply of 10 ships for fishing in the line of 33.56m, 1 boat of 49m, 1 storage boat of 89.86m, 5 patrol ships in fiber glass of 29.7m and 1 towing ship of 34m.

Post and Telephone

- § Construction of new generation network (NGN) for the provinces of Bengo, Bié, North Kwanza, South Kwanza, Luanda, Malange and Moxico (Project 1)
- § Construction of new generation network (NGN) for the provinces of Benguela, North Kwanza, Cunene, Huambo, Uíge and Zaire (Project 2)
- § Construction of new generation network (NGN) for the provinces of Bié, Huambo, Huila and Luanda (including optic transmission network, IP, VSAT, network intelligent/Project 3)
- § Construction of network of new generation (NGN) for the Provinces Huambo, Huila and Luanda (project 4)

Agriculture

- § Phase II of the Irrigation Project of (Caxito, Ganguelas, Luena and Waco-Kungo)

Power and Water

- § Rehabilitation and expansion of MT/BT networks of Luanda city

TABLE 1**MACROECONOMIC STABILIZATION
INDICATORS OF ANGOLA****(Values in million dollars unless otherwise stated)**

VARIABLES	2004	2005	2006
Oil Fiscal Revenue/GDP (%)	29,7	32,7	43,2
Total Fiscal Revenue/GDP (%)	38,6	40	59
Fiscal Deficit (% GDP)	1,1	8,5	16,7
Public External Debt	8863,8	10247,2	15115,3
Diamond growth rate (%)	0,6	16,2	30,9
Construction growth rate (%)	14	16,9	30
Public Investment	387,7	850,4	1499,2
Private Investment	6090,9	6253,8	11385,5
Oil Price (usd/barrel)	36,9	50,6	61,4

SOURCES: Ministry of Finance, Budget Execution Report. Law n° 13/06 of December 29 of (Law of OGE for 2007) – Republic Diary, Series I, n° 157 of December 29 of 2006. National Bank of Angola, Monetary Execution Reports. Ministry of Planning, Government General Program Execution Reports. Global Economic Prospects 2007, World Bank.

**Table 2 STRUCTURE OF THE ANGOLAN
ECONOMY** (Percentage values)

ECONOMIC SECTOR	Mid97/00	2001	2002	2003	2004	2005	2006
Agriculture and Fisheries	8,4	8,3	8,1	8,4	9,7	8,6	7,8
Oil and refined products	52,5	52,3	54,7	49,4	51,9	56,3	57,1
Diamonds and others	6,1	6,3	4,8	4,6	3,1	2,9	2,3
Transformed Industry	4,2	4	3,8	3,9	4,8	4,1	4,9
Energy and Water	0	0	0	0	0,2	0,1	0,1
Construction	4	3,7	3,5	3,6	4,7	4,1	4,4
Commercial, banks, insurance, telecommunication	16,2	15,8	14,3	14,5	13,8	14,9	15,2
Non-merchandise services	8,6	9,5	10,7	15,4	12	9	8,2
GDP	100	100	100	100	100	100	100

Table 3: Stock of External Debt (31.12.06, millions of USD)

DEBT CATEGORY	BALANCE EXCLUDING SERVICING	CAPITAL SERVICING	INTEREST SERVICING	END PERIOD STOCK
1.COMMERCIAL	3.405	399	93	3.897
BANKS	3.230	11	7	3.248
COMPANIES	175	388	86	649
2.BILATERAL	2.889	338	93	3.320
3.MULTILATERAL	379	0	0	379
TOTAL	6.673	737	186	7.596

Table 4 - Chinese Engagement in Zambia

Year	Type	Amount
1967	Economic and technical cooperation	RMBY 41.36 million
1968	Loan, construction of TAZARA	RMBY 484 million
1974	Economic and technical cooperation	RMBY 100 million
1979	Loan, 12 locomotives	RMBY 5.58 million
1986	Loan, TAZARA spare parts	RMBY 5 million
1987	Loan, assorted spares and road rehabilitation	RMBY 50 million
1988	Economic and technical cooperation	RMBY 50 million
1990	Economic and technical cooperation	RMBY 30 million
1992	Loan	TMBY 30 million
1993	Economic and technical cooperation	RMBY 50 million
1995	Grant, Cash, relief food & general goods	US\$1.2 million
1996	Grant, implements & sports goods	RMBY 3 million
Loan, New Government Complex		US\$8 million
1997	Economic and technical cooperation	RMBY 30 million
Loans		RMBY 50.6

Table 5**CHINESE INDUSTRY IN ANGOLA**

Transforming Industry	<ul style="list-style-type: none"> ▪ Agir Huang-Mecanical & Electrical Company, Ltd ▪ Lucky Man Angola Development, Ltd ▪ Preseana Tian He-Indústria, Comércio Geral, Importação and Exportação S.A.S.L.- Sociedade Angolan de Siderurgia ▪ Yewhing (Angola)-Comércio and Indústria, Ltd
Construction	<ul style="list-style-type: none"> ▪ Ancon Construtora, Ltd ▪ Baroque- Construction and Empreendimentos, Ltd ▪ China Road and Bridge Corporation (Branch) ▪ China State Construction Engineering Corporation ▪ Gaki-Soc. De Empreendimentos, Ltd ▪ Gotica Construction, Ltd ▪ Guangde Internacional Group, Ltd
Immobile Activities, Rentals and Service Delivery Companies	<ul style="list-style-type: none"> ▪ BGP-Geophysical, Ltd ▪ China Yideli (Angola) Co. Ltd
Transport, Storage and Communicationss	<ul style="list-style-type: none"> ▪ Chinangol, Ltd ▪ Huawei ▪ Preseana Tian He-Ind. Commerce de Imp. and Exp., Ltd
Wholesale and retail commercial; Automobile Repairs	<ul style="list-style-type: none"> ▪ Soniamar, Ltd ▪ Trusvest-Comércio Geral, Importação and Exportação, Ltd
Fishing	<ul style="list-style-type: none"> ▪ Yanming Angola, SA

Table 6: Recent Lending Agreements with Mozambique

Year	Funding Agreement Description	Amount	Repayment period
2001	Specific projects must be submitted and discussed with the Government of China.	USD 3.9 million	2011 - 2021
2002	Funds utilized in building the Joaquim Chissano Conference Centre and the new Building of the Ministry of Foreign Affairs.	USD 3.9 million	2013 - 2022
2003	Funds utilized in purchasing Police equipment.	USD 3.9 million	2013 - 2022
2004	Funds for building 150 houses for low-income people in Zimpeto, Surroundings of Maputo.	USD 3.9 million	2015 - 2025

Table 7: Chinese Grants to Zimbabwe

Year	Value RMBY (million)	Purpose
1992	5.00	Donated maize to the Government of Zimbabwe during the 1992 drought
1995	2.00	Drilling of 22 boreholes in Masvingo
1996	10.00	
	4.5	Purchase of tractors
	2.00	Utilised to finance Chinese Coaches to Zimbabwe for the various sporting disciplines and the provision of sports equipment from China.
	3.5	Development of infrastructure at Valley dam to the tune of 95%.
1998	5.00	Purchase of office equipment
1999	2.00	Purchase of office equipment
1999	2.00	Purchase of agro-equipment

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(Footnotes)

1

Details for this section are available in the annex

2

See www.chinatradeinformation.net

3

See Annex 2, Table 1.

4

See Annex 2, Table 2.