China-Africa Economic Cooperation: Chinese Companies' Contributions to African Development - The Cases of Mozambique and Angola

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Received: July 12, 2013 Accepted: July 27, 2013 Online Published: August 8, 2013

doi:10.5430/rwe.v4n2p61 URL: http://dx.doi.org/10.5430/rwe.v4n2p61

Abstract

Currently Africa is experiencing a massive presence of Chinese firms driven by Chinese demand for resources. However, in today's world is impossible to discuss FDI without China. This paper states that China's connection with FDI is due to its demand for natural resources, mainly oil, minerals, timber, etc to respond the local demand. Currently, these resources are found in Africa with uncountable resources yet to be exploited due to the shortage of capital, technology, skills, education and institution framework. This paper highlights the tangible benefits of Mozambique and Angola from China. The results show that China's massive engagement with these countries is due to their unfinished natural diversified resources. We stress that Sino-Africa Cooperation, has two FDI facets; the first lies in the fact that China sees FDI as a source for capital formation; secondly; Africa sees FDI as a means to development and promote economic growth in the region.

Keywords: FDI, technology transfer, development, economic growth, infrastructures

> ***"We continue hearing the accusations from western media that China is colonizing Africa, therefore, I wonder this motivation. Are they trying to compare China with the old western colonialist powers? It is clear for all of us what was done by the old colony in Africa, when they used their army and lies to occupy African land, in order to expropriate its natural resources and sell the natives as slaves.*** (Note 1)***"***

1. Introduction

China has recently become a remarkable partner of African countries with its engagement in strategic sectors of these countries to spur economic growth and infrastructure development. China's involvement has raised fallacies around the scope of China's massive engagement in the continent. On one side, China is seen as neo-colonialist to African countries and on the other, is seen as driven by the abundance of natural resources which are crucial to China's development. Concerns about China's involvement in Africa have been undergoing in different spheres, some they question the massive investment in African countries in both economic and political dimensions. The significant growing of this emerging economy giant on Africa territory has led to the creation of opportunities for both private and public Chinese sectors to get started in business as well as enabling opportunity and favorable environment for local firms and governments. Sino-Africa relation has grown significantly since 1990 and in the last few years, China has emerged as a source of foreign direct investment in the continent. The relative most significant for imports and exports of Sino-Africa relationship has increased substantially.

China's engagement in Africa deserves a scrupulous understanding in the context of Africa priority and needs in order to enable an independent and sustainable environment in the decision making of policies leading to promote economic growth and development based on the creation of modern infrastructures. This paper does not intend to give credibility or question Sino-Africa long term relationship, but aims at coming up with tangible evidences based on the current situation of some selected African countries with the main focus in Mozambique which is our country in the study. On the other hand, this paper tries to explore the advantages and disadvantages of this relationship, and of course, we believe that there are more advantages rather than disadvantages to the extent that, there are visible results on gains in both sides. To some extent, for Africa, generating sustainable growth and development is the most pressing challenge but in China, continuing to search for minerals and natural resources to feed its industry is a must to accommodate the huge demand for commodities. However, this paper tries to explore the fact that China is seen as a new colonizer to Africa or imperialist power. This opinion dualism may harm the credibility of China's best intention in Africa. Believing that there is a bad hand from outsiders qualifying China with non credible attributes related to its presence in Africa, evidences within this paper will prove right or wrong the discrepancy of understanding China's performance in Africa. This approach permits the assumption that the whole world is looking at Africa as the future market to invest due to its unfinished curse of natural resource wealth. China is the only country in the world that bets on spreading its presence in terms of investments in Africa. On the other hand, as pointed out by (Naidu, & Mbazima, 2008), China's spectacular growth rates mean that the thriving economy requires raw and other natural resources to sustain its impressive performance. Africa's growing relations with China as (Calisto Juma, 2008) stated, are often explained by the countrie's demand for its natural resources and the shift to Africa is because China serves as an economic role model for the continent. However, China is the startling example of how a region can rise from poverty within a generation and becomes a dominant player in the global scene.

It is in this view that more comprehensive analysis of China's engagement in Africa is needed in order to enlighten the complexity and nature of its massive presence in the rich continent, Africa, although it is possible to draw a conclusion by analyzing (Carmody, & Owusu. 2007) that Africa is identified as a continent ensuring access to critical natural resources, particularly oil and natural gas to maintain China's economic growth. On the other hand, Africa is a continent that may permit China to recycle its massive foreign exchange reserves into profitable investments overseas. Many researchers based on empirical studies have stressed that these strategies crafted by China, were to enable Chinese multinational companies to seek markets for their products. These are among others, different views on the Chinese presence in Africa, but yet with visible results at least in terms of the creation of infrastructures. According to (Carmody, R & Owusu. Y, 2007), current Chinese aid is concentrated in the productive sectors of physical infrastructures, industry and agriculture.

The two views above suggest us to reflect the fact that, within this relationship between China and Africa there are some lessons to be learned from china not by crafting the same economic strategy for development and economic growth which has led China to move from extreme poverty to a prominent country in three decades, but to learn from this experience and try to accommodate and adequate these economic policies to African realities. Although improvements in economic policies are needed to enhance macroeconomic performance and attain the minimum growth rate required to meet the millennium development goals set by the United Nations (Dupasquier, C & Osakwe, P 2006), yet the local conditions and needs have to be considered and respected when implementing such policies and may never be driven by the amount of aid or proposed investments by the outsiders. Given the interest of this paper, the following section will be emphasizing Africa's traditional comparative advantage and China's booming demand for energy and natural resources to fill its industrial growth which is mainly mineral, petroleum and timber. At this point, we have reserved the next chapter to analyze the contributions of Chinese companies to Africa development and economic growth with focus on Mozambique as well as, possible benefits that may occur from this relationship. Therefore, this paper was divided as follows: Section 2 presents the benefits and contribution of Chinese companies in Africa with a case study of Mozambique. Section 3 is about Chinese public sector engagement in Africa highlighting the so called "Angola Model"; Section 4 discusses Chinese Technology as a means to develop Africa; Section 5 is dedicated to determinants of Chinese FDI to Africa; Section 6 analyzes the data evidences on infrastructures and the promotion of development and economic growth in Mozambique; Section 7 SWOT Analysis of Sino-Africa Cooperation with specific adjustments to Mozambique. The last Section comes up with discussions and some concluding remarks.

2. The Tangible Benefits of African Countries from China: The Example of Mozambique

China's relations with Africa are prior to 1960's period of first African countries' independence also known as the year of Africa. The most prominent example to date is the Tanzania railway that the Chinese government built in the 1960's between Tanzania and Zambia, as part of its ideological strategy to counter Moscow's influence in East Africa (Naidu & Mbazima 2008). China's relations with Africa both Chinese policy making and ideology in the view of (Ravalion, 2009) have given way to the pragmatic pursuit of economic advancement, the so called "exporting revolution" to the black continent in the 1950's and early 1960's. China had substantial pre-existing political capital in Africa accounting 62% of China's overseas development assistance going to Africa between 1956 and1987. These evidences open a way for us to analyze the benefits that may have occurred from China to Africa in a period of five decades up to now. However, the current chapter is reserved for exploring the tangible benefits of African countries from China, not excluding the private sectors of local companies which play an important role in the creation of jobs and development promotion in these countries. This development strategy for the continent if firmly grounded in agricultural and rural development can bring a larger and more sustained impact on poverty, this is seen as the core point by (Christiaensen & Demery, 2007). The next table comes up with a real picture of capital flight and FDI in some selected African countries in the period of 1970-1996. The table intends to illustrate Africa's FDI inflows in millions USD before the trip to Africa made by the former president Jiang Zemin, to analyze the possible significant changes with the Chinese massive engagement in Africa after 1996. This table from the (United Nations Conference on Trade and Development, 2005) invites us to observe the FDI inflows in 30 African countries.

Table 1. Capital flight and FDI in selected African countries, 1970-1996

CAPITAL FLIGHT AND FDI IN SELECTED AFRICAN COUNTRIES, 1970–1996

	Cumulative flight* (Millions of 1996 dollars)	FDI inflows (Millions of dollars)
Angola	17 033	3 103
Benin	-3 457	394
Burkina Faso	1 266	90
Burundi	819	34
Cameroon	13 099	1 097
Central African Republic	250	90
Congo, Dem. Rep. of	10 099	566
Congo	459	1 095
Côte d'Ivoire	23 371	1 837
Ethiopia	5 523	187
Gabon	2 989	258
Ghana	407	942
Guinea	343	155
Kenya	815	743
Madagascar	1 649	183
Malawi	705	217
Mali	-1 204	198
Mauritania	1 131	97
Mauritius	-268	293
Mozambique	5 311	274
Niger	-3 153	364
Nigeria	86 762	15 658
Rwanda	2 116	233
Senegal	-7 278	379
Seychelles	567	351
Sierra Leone	1 473	8
Sudan	6 983	165
Tanzania, United Republic of	1 699	473
Uganda	2 155	398
Zambia	10 624	1 101

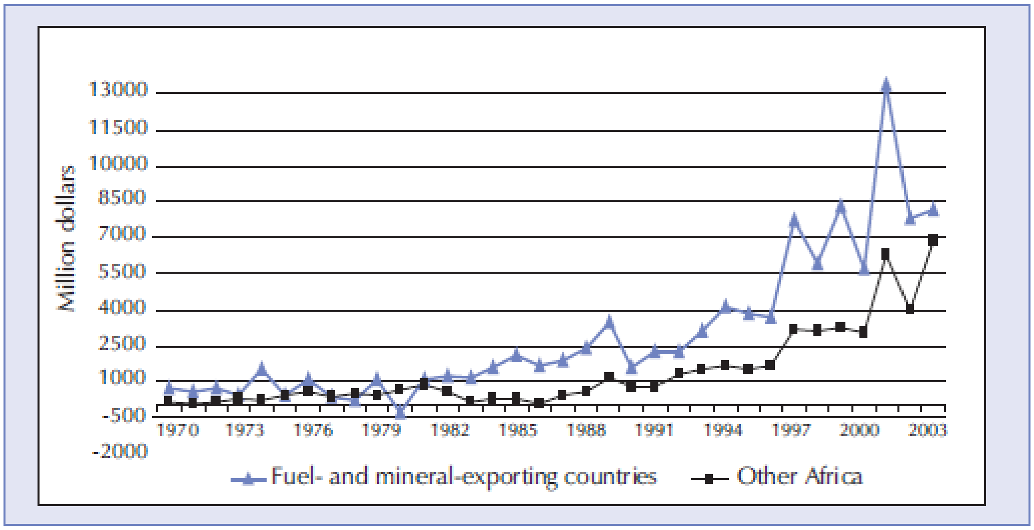
Source: UNCTAD, 2005

Note: Correlation ratio is 0.96.

* Capital flight is measured here as the change in debt adjusted for cross-currency exchange rate fluctuations (taking into account the fact that a country's debt is dominated in various currencies), direct foreign investment, the current account balance plus changes in stock of international reserves and net trade misinvoicing. Nominal values of capital flight are deflated to real values using the US producer price index (base 1996=100) and the accumulated stock of capital flight is computed by imputing interest earnings to past capital flight using US Treasury Bill rate.

The country with smallest FDI inflows is Sierra Leone probably due to the fact that was in a civil war which took place in the period of 1991 to 2002. The civil war started when the Revolutionary United Front (RUF), with support from the Special Forces of Charles Taylor's National Patriotic Front of Liberia (NPFL), intervened in Sierra Leone in an attempt to overthrow the Joseph Momoh government. We can assume that the poor inflows to Sierra Leone was a consequence of reluctant fear from investors to move to this country due to political instability, compared to Burundi which is the second country with less FDI inflows. Burundian civil war between Tutsi and Hutu tribes lasted from 1993 to 2005. These are a few examples among others that deserved to be included to explain the poor record of FDI, but we will stress on Chinese massive engagement in Africa from the end of the above analyzed period. However, since we intend to analyze the booming period of 1996 former president Zemin to Africa, it is crucial to observe the evidences presented in the following graphic with FDI inflows to Africa fuel and mineral exporting countries, (see Figure 1) by (UNCTAD, 2009).

FDI INFLOWS TO AFRICAN FUEL- AND MINERAL-EXPORTING COUNTRIES COMPARED TO OTHER AFRICA, 1970 AND 2003



Source: UNCTAD secretariat computations based on UNCTAD FDI/TNC database.
Note: Fuel- and mineral-exporting countries as defined by the World Bank: Algeria, Angola, Botswana, Cameroon, Central African Republic, Egypt, Ghana, Guinea, Kenya, Libya, Mauritania, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, South Africa, Sudan, Togo, Zambia, Zimbabwe.

Figure 1. FDI inflows to African fuel- and mineral exporting countries compared to other Africa, 1970 and 2003

From this figure, it is possible to see that the demand for fuel and minerals increases from the 90's, the period which Chinese government and companies have intensified their engagement in Africa, although the graphic does not show which countries these resources were exported.

The former president Jiang Zemin 1996 tour to Africa comprised an established agenda of five point proposal, emphasizing reliable friendship, sovereign equality, non-intervention, mutually beneficial, development and international cooperation strengthening the sustainability dimension of bilateral and regional trade agreements, by developing commitments to sustainable development and encouraging the use of sustainability impact assessments. It is within these agreements that the majority of African countries has benefited from Chinese government FDI and aid. The agreement mechanisms allowed the massive Chinese private sector to seek business opportunity in Africa in order to respond the local demand for fuel and mineral resources in mainland China. Thanks to Chinese government involvement, Chinese companies are better positioned to make short term losses for long-term gains. However, China's deepening massive involvement in Africa has raised sensitivities around the nature of the relationship. For pessimists China represents a terrifying threat while for optimists it is a tantalizing opportunity. China's engagements in Africa are purely extractive or have a development impact (Naidu & Mbazima, 2008). These concerns from the above quote as well as questions raised by pessimists, will find a space for discussion on this section based on each country Chinese FDI realization. Current Chinese aid and FDI are concentrated in the productive sectors of physical infrastructures, industry and agriculture, although Africa has never been a major recipient of FDI flows and is still behind other regions of the world (Dupasquier, & Osakwe, 2006). We believe that with China's engagement in Africa the pictures will change to a long-run relationship and will serve as a model which will "invite" other countries to have Africa as a main destination for investments, even though investors see Africa as a continent of war, political and economic instability, a continent with corruption and summarizing Africa as a continent of problems. For China, this doesn't seem to be a threat given its interest in the continent. For example, Chinese state has encouraged investments in agriculture, fisheries. In Gabon, Mozambique and Namibia joint ventures have been the main entry in fish processing and in Zimbabwe, Zambia and Tanzania, agricultural land was the link with Chinese companies. In fact, there are several examples of Chinese funds to create infrastructures like sport stadiums in Gambia, Mali and Sierra Leone, a considerable number of government buildings in Mozambique, Angola, Uganda, and Djibouti, road construction in Kenya and Ethiopia, and dam projects in Ghana and Ethiopia. The African Union has its huge building called AU Conference Centre located in Addis Ababa agreement signed at the 2006 Forum on China-African Co-operation (FOCAC) Summit. Thanks to Chinese government, the African Union has the most modern infrastructure ever built. This means that China has invested in 54 African countries all together by building this Africa Centre, where the problems of the continent are discussed and solved. China has become the biggest partner of Africa with billion USD investments. For example in 2012, Africa received from China 40 billion USD and Mozambique within 5 years benefited with an amount of 3 billion USD. There are more than 50 companies operating in Mozambique from small, medium to big companies. On the other hand, in 2012, Mozambique received from China 72 millions USD from a total of 500 million necessary to build a bridge that will link the capital Maputo with Katembe bay also located in Maputo, agreement signed in 2010 in Shanghai on a project called Maputo-Shanghai Twin cities.

In regard to this massive and intensive Chinese presence in Africa, China–Africa development fund reached billions of dollars, a situation that encouraged Chinese companies to invest in Africa and provide support to the continent; increasing the preferential zero tariff treatment of more than 440 from 190 products. The agricultural technology demonstration centers were also a part of the Chinese strategy in Africa. Recently, the number of Chinese government scholarships has been tripled only for African students due to several government agreements. Former Chinese Premier Wen Jia bao, stated in June 2006 tour to six African countries that 900 projects of economic and social development in Africa had been completed. These examples and many others may also be shown in graphic that represents the exports to China from African countries. However, the graphic below, explains exactly the stressed tour of former president Zemin to Africa in 1996. The exports of diamonds to China were as high as 80% in 1996 and rose to nearly a 100% in 2005. Our previous assumption of Chinese presence in these transactions is now accurate in the following Figure 2.

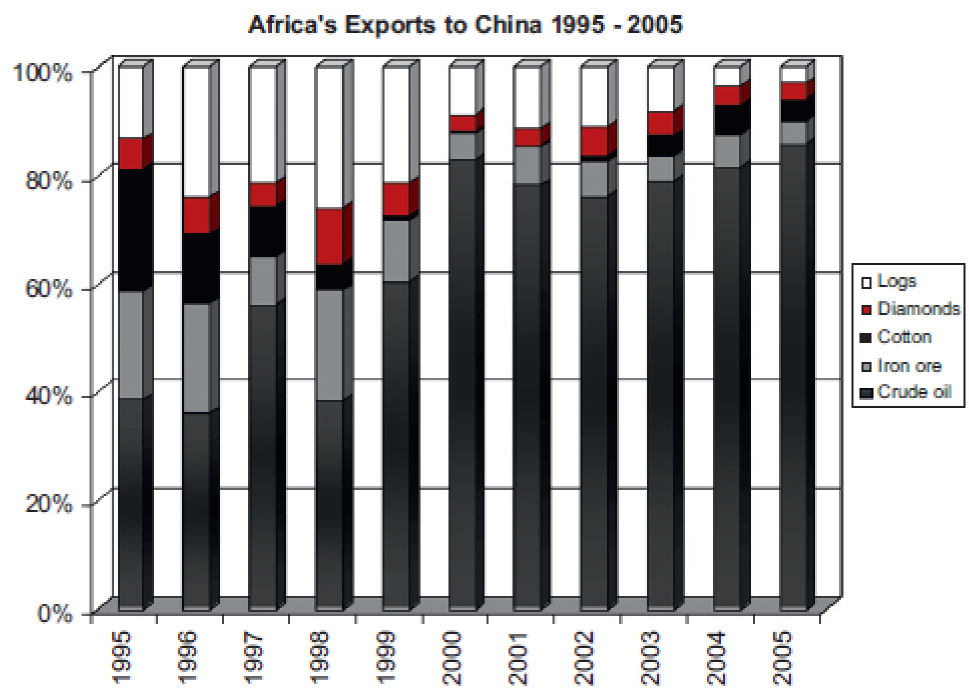


Figure 2. Africa’s exports to China 1995 - 2005

Source: Naidu, S & Mbazima, D (2008) quoting World Atlas Data in Tralac Data analysis

The figure represents the exports of African natural resources, mainly crude oil from Sudan, Angola, Libya, etc., Diamonds from Angola, Botswana, Zimbabwe, Sierra Leone; cotton from Mozambique, Zimbabwe iron and logs. With these evidences shown in graphic two above, it is easy to understand the real picture of China’s engagement in Africa and, the speed with which these accomplishments have taken place with a positive significance for the African governments and population at the lowest level. At this lowest level, poverty incidence tended to be lower where the manufacturing sector was relatively labor intensive with a creation of jobs around the location of Chinese companies

Export-led-manufacturing sector plays a role to reduce poverty in these countries where Chinese companies are located by absorbing surplus labor from rural areas. Most African population with a focus of Mozambique is located in rural areas developing small agriculture activities and currently with the Chinese investments, they are better off with agro-technology and modern techniques to produce a high scale using skilled tools based on the new technology. The south of Mozambique specifically the Gaza province and the north, the Niassa province there are several Chinese agriculture technology projects undergoing.

3. The Angola Model: A Win-Win Partnership

3.1 A Brief Diplomatic and Politic Relationship

The relationship between China and Angola is not recent as it seems to be. It is a relationship of five decades which started when the Chinese government provided support to three major Angolan nationalists fighting against colonialism namely: the Popular Movement for the Liberation of Angola (Movimento Popular de Libertação de Angola - MPLA), the National Union for the Total Independence of Angola (União Nacional para a Independência Total de Angola - UNITA), and the National Front for the Liberation of Angola (Frente Nacional para Libertação de Angola - FNLA). During the 1960's, China increased substantially the amount of aid to some African countries in an effort to maintain its influence over those African countries, amid fierce competition with the Soviet Union and the US. As the result of both the upgrading of Soviet military capabilities in 1957 and of the shift of Chinese leaders to the left, China's African policy was shaped by Leninist ideology. China's support and promotion of revolutions in Africa was consistent with its topmost objectives at that moment, which was the destruction of the US (ATA, 2009). However, it was in this context that the relationship between China and Angola has emerged. Although, initially China refused to recognize Angola's independence, (CAMPOS, & VINES, 2008) state that the formal diplomatic relations between Beijing and Luanda were established in 1983 but the first trade agreement was signed in 1984, and a Joint Economic and Trade Commission were created in 1988. However, in 1990, two years later after the commission was created, the government of Angola considers the diplomatic relationship with Taiwan. According to (CONDE, J. 2009), this approach did no take place due to the efforts made in China with the Angolan government to maintain China's recognition and ensure oil supply in exchange for increasing cooperation and commercial collaboration.

3.2 Infrastructures for Natural Resources

In the beginning of twenty first century, the relationship between China and Angola benefited with a set of favorable reasons to increase the bilateral cooperation, having crude oil as a common denominator to Sino-Angola interests (MARIA R., 2009) stated in her study that the cooperation between China and Angola emerged due to the difficulties and barriers raised by Breton Woods's institutions when Angola was seeking financing, mainly due to conditionality principles. In 2004, as pointed by (Rotberg, 2008), Angola suddenly broke off negotiations with the IMF, characterizing its conditions as "humiliating" and announced that China's Eximbank had agreed to give Angola a USD 2 billion line of credit to be repaid over twelve years with an interest rate based on the London Inter-Bank Offered Rate (LIBOR) plus 1.5 percent. Angolan government thought it was attached to oil supply and the Chinese credit line was more advantageous than that of the IMF: it was a long term business with attractive interest rates without interference to political conditions to access the funds and, besides capital, it also brought other opportunities with it such as business, trade, technology, and knowledge as confirmed by (CONDE, J. 2009). At this point, China has emerged as the right partner, a country having huge financial reserves, with public companies exclusively supported by the government. In economic perspective we may highlight three main distinguished areas in Sino-Angola relationship: The first is external trade; Second FDI, and last but not the least, we find public constructions financed by China's credit particularly by EximBank.

The rapid post-conflict reconstruction has then become the government's priority, a situation that has made China to play an important role in assisting these efforts. China's presence in Angola's determination has been in financial and technical assistance which has reached over 100 projects in the areas of energy, water, health, education, telecommunication, fisheries, and public works. For (CAMPOS & VINES, 2008), these projects are guaranteed by a deal structure known as "Angola Model" or "resources for infrastructures" whereby repayment of the loan for infrastructure development is made in terms of natural resources. Thus, according to (Asche & Schuller, 2008), the Angola Model requires careful coordination between the various participants. In addition to the two governments, a Chinese company is needed for creating the infrastructure, and another one is required for extracting the resources. To gain access to these minerals, China has loaned billions of dollars to African countries for infrastructure development in exchange for resources, the so-called "Angola model" with no conditionality attached as referred previously. This approach (Foster et al, 2009) of China through Eximbank is used in countries that cannot provide adequate financial guarantees to back their loan commitments and allows them to package natural resources exploitation and infrastructure development. So far, Chinese loans have been the largest estimated at more than US$ 10 billion. As we referred to in our previous explanation, China's EXIM Bank has played a leading role in the provision of Chinese loans to Angola. China's EXIM Bank is the leading main Chinese Bank in the provision of concessional loans to African countries. Yet, the shares from 60 to 80% of projects are farmed out to Chinese enterprises selected in China by Exim Bank and the Ministry of Commerce and sanctioned by the beneficiary government. One of the key Chinese-funded projects is the reconstruction of the 1,300 kilometers railway from the west coast city of Benguela to the mineral-rich area on Angola's eastern border with the Democratic Republic of Congo (Meidan, 2006).

4. Chinese Technology as a Means to Develop Africa

Actually is nearly inevitable to mention the transfer of technology when the discussed issue is a Sino-Africa relationship and Chinese engagement in Africa. The continent believes that China is also willing to give assistance in technology and skills transfer. On one hand, it is true that Africa looks at FDI as a source to create economic growth and infrastructure development but on the other, China looks at this relationship as an opportunity to help Africa with technology and capital to deal with these unexplored natural resources not excluding China's needs of responding the demand of raw material in Asian markets, including its local market. Yes or not, at least 10 agricultural technology demonstration centers are undergoing. However, in the view of (Carmody, & Owusu, 2007) the Chinese model of development that is currently on offer is based on sophisticated technology appropriate to African countries' low cost and expertise in poverty alleviation and SMME-small, micro and medium-sized enterprise development. This model would allow African countries to have cheap access to new technologies and skills by enhancing local technological capabilities and their ability to compete in world markets. But there is a concern that may be raised from the process and the way through which the transfer of technology occurs in the local companies, because there would be positive or negative consequences during the implementation. It is complex (Archibugi & Piotrobelli, 2003) to understand about whether this technology transfer could be desirable or undesirable to Africa, since technology is not instantaneous and costlessly accessible to any firm: a firm does not simply select the preferred option from the freely available international technology shelf, as there may be obstacles and difficulties in obtaining the desired technology. Technological innovation ambitions and policies have to be adapted to levels of development and educational bases. Difference in institutional capabilities need to be taken into consideration. In developing countries such as African countries, with low income, where the institutional capabilities are limited, policies should focus on basic investment, in technology infrastructures and demonstration operation of basic innovation which can contribute to improvements in welfare, education and agriculture. This is something that Africa is willing to gain from China to a sustained economic growth and creation of more infrastructures. This process is so important for establishing a dynamic technology sector and for promoting technology-led development which goes beyond meeting the need to survive (Jean, E, 2004).

A deep analysis of the above argument invites this research paper to suggest the specific policies and ambitions on technological innovation to the local reality. The models of Economic growth of developing countries such as African countries should not strictly be based on the strategies and policies of other countries, running the risk of implementing inappropriate policies which differ totally with the reality, except sectors like agriculture and trade. It is so crucial to adopt different strategies based on knowledge management from internal and external perspective in order to enable mechanisms for a firm's or country good performance.

This paper would rather suggest Chinese firms operating in Africa to set up local unities or subsidiaries or by forming collaborative arrangements with local firms, universities or other research institutions without focusing only on exports to China. This kind of setup will enable the firms operating under difficult resources and conditions in Africa to access knowledge globally which at times is based on local background. Internal efforts can accelerate firms' absorption and adaptation of foreign knowledge of local innovation and thus, enhance their benefits from accessing foreign knowledge. The use of digital technology and accessing demand of international communities is a worthwhile core point to overcome the barriers of market smallness which put the firms in a difficult situation in terms of PPP-Purchasing Power Parity (Jing, L. et al. 2009). On the other hand, they state that Research & Development efforts don't only have a direct impact on product innovation but also can enhance absorptive capacity, which helps firms to recognize, absorb, and adapt useful foreign knowledge embedded in internal channels such as innovation clusters and exporting.

Developing Africa based on technology is also crucial in the education sector. Currently private Chinese companies offer scholarships to Africans as a means of technology transfer. Africa in its agreement has to emphasize on the training of human capital to help the continent gap in background education and technology management. However, the next chapter will focus on FDI determinants that drive Chinese government and companies to move to Africa.

5. Determinants of Chinese FDI to Africa

A large numbers of studies have been conducted to identify the determinants of FDI inflows but no consensus views have emerged in the sense that there is no widely accepted set of explanatory variables that can be regarded as the true determinants of FDI. (Moosa, I, 2005), in his study, points that Chakrabarti attributes the lack of consensus to the wide differences in perspective, methodologies, sample collection and analytical tools.

One of the most important traditional FDI determinants is the size of the national market and natural resources. The economic determinants related to large markets, trade barriers and non-tradable services are still at work and account for a large share of worldwide FDI flows. Most governments have increasingly adopted measures of liberalizing the legal and regulatory framework for FDI and establishing mechanisms for the settlement of investment disputes to attract FDI, as a means to achieve their economic development goals. African market is smaller if compared to other regions of the world. However, most probably the important traditional FDI determinants to Africa will be the abundance of natural resources not yet exploited massively. As mentioned within this paper, China seeks for natural resources mainly oil and minerals to respond the huge demand of its market. In this regard, Chinese massive presence in Africa suggests that, the main determinants of FDI in Africa are natural resources. In turn, African countries are keen on attracting FDI and FDI is the key to solving Africa’s economic problems. Africa has to work harder to improve the problems of scarcity of resources such as capital, entrepreneurship, access to foreign markets, efficient management techniques, technology transfer and innovation, and employment creation. On the way to attract a considerable number of FDI, African countries design and implement policies, build institutions and sign investment agreements, as for example the cases of Mozambique and Angola which are the main focus of this paper. These benefits of FDI to African countries are difficult to assess but will differ from sector to sector depending on capability of workers, firm size, and the level of competitiveness of domestic industries. To this extent, it seems that Africa does not strictly need to depend on such absorptive capacity to enhance competition among domestic companies to the fact that currently, the agreements are based on exploitation of resources and technology transfer. Perhaps the absorptive capacity required from local companies is not included in FDI agreement, unless there is a joint venture with Chinese companies. With these unfinished natural resources, China will remain the number one Africa’s partner due to its interest mentioned several times within this paper and in turn, in Africa, the needs for developing the continent, absorb managerial techniques and promote economic growth based on FDI will always remain. However, in this relationship, Africa expects that the provision of efficient credit and financial services of the Chinese financial system greatly facilitates technology transfer and induce spillover efficiency. With this technology and spillover efficiency, Africa would benefit a lot and the local companies would compete at the same level. This would allow the African countries to export to China processed raw material such as timber which mainly is exported to China without any processing mechanisms and likely this situation puts Africa as a looser business partner. Yet, in many sectors, Africa will continue winning if policy makers design policies and strategies that are a better fit to the needs and conditions of the continent such as allowing free trade, lower taxes, fight against corruption which is high in Africa and improve infrastructures.

6. Evidences on Infrastructures and the Promotion of Development and Economic Growth in Mozambique

The rhythm of Chinese FDI to Mozambique has increased from 500.000 US dollars in 2004 to 12 million US dollars in the middle of 2007, a situation that made China to move from the 26th to 6th biggest investors in Mozambique. However, China imports from Mozambique mainly agriculture products, fishery, wood and exports manufactured products and machinery. Currently there are ongoing interests in natural gas and metallurgical coal exports to China. This picture has contributed to triplicate the amount of bilateral trade agreement from 70 million USD to 210 million USD, a position which puts China as the third Mozambique’s trade partner between 2004 to 2006 behind South Africa and Portugal. The country has benefited from Chinese loans without conditionality. This kind of loans has been the main entrance of Chinese investments in Mozambique. Mostly construction companies are responsible for the rehabilitation and creation of public infrastructures. The Chinese company Henan International is responsible for the majority of the road projects rehabilitation which aims to link the main provinces, capitals and districts. The Chinese company China Grains & Oil Group has built in the center of Mozambique in the city of Beira the soybeans processing manufacture evaluated in 10 million US dollars. In regard to the infrastructure creation, China is engaged in an ongoing agriculture project based on Zambeze River and has also financed a huge project for the construction of Mpanda Nkuwa, in Tete province, a project which was previously rejected by the World Bank and International Monetary Fund estimated at 2.3 million USD. The amount was transferred to Maputo through Eximbank (Export and Import Bank of China). The potential of Mozambique in Agriculture especially in rice and soybean production is the most attractive sector in China and currently in energy sector with huge unfinished discovery of trillion reserves of natural gas and coal. All the Chinese investments in these sectors are guaranteed through a commitment to “One China Policy” which is necessary to maintain Taiwan isolated by Chinese partners in the rest of the world. However, Chinese engagement in Mozambique emphasizes a policy of noninterference on internal political and economic issues. As for the year of 2012, more than 160 million dollars have been transferred to Mozambique by Chinese government for investments in different sectors of economic development.

Although we have mentioned that Chinese investments in Mozambique are driven by agriculture, forestry products, fishery and energy, on the other hand, information and technology sector looks at Mozambique as an opportunity yet to be explored. In regard to this business opportunity, Lenovo a company that has bought personal computer units from IBM is in the process of setting up a company for assembly computers. Mozambique has gained from China an industrial park, built in Maputo Province a “copy paste” of those created in China when it opened for foreign direct investments.

Around 30 of more than 50 Chinese companies in total are currently based in Maputo where they conduct work funded not only by Chinese policy banks but also by the World Bank, Mozambican government and private enterprises. China Henan International Cooperation Group (CHICO) has carried out a number of infrastructure projects in the country (Jansson, & Kiala, 2009). However, as mentioned above in 2007, the civil construction company has constructed a 154 km road between Muxungwe and Inchope at a project cost of US$ 3.7 million. Respecting Chinese investment rules in Africa, in September 2008 this Chinese company was also awarded the tender to build 200 km of tarred road between Chitima and Mágoé in Tete province through transferring an amount by Eximbank.

The creation of infrastructures in Tete is a must for the government if we look at the current picture of minerals discovery and the entrance of different multinationals from all around the world. “Day after day”. Mozambique especially Tete is awarded with minerals discovery announcements by these multinationals. There are concerns that this province runs a risk to disappear as a place to live in, thanks to its potential in natural resources.

This paper has mentioned in its previous chapters about Chinese FDI determinants to Africa. These determinants that move China to Africa are essentially, natural resources from different sectors. On one hand, China is seeking for mineral resources in exchange for infrastructure creation as for instance, in Angola, China is engaged massively in building infrastructures due to its destruction during the civil war that has recently ended. On the other, we find China demanding for agriculture products, fishery and forestry to explore wood in Mozambique. The potential of Mozambique in agriculture has made Mozambique government to grant Wambao Africa Agriculture development group to explore a 20 hectare land in a period of 50 years. It is in this regard that the Chinese company has reinforced the country with agriculture technology aiming at spurring production, productivity and food security. This investment previews technology transfer, agriculture training skills. The mechanism is possible thanks to technology machinery parks built by this Chinese company and will therefore bring back Gaza province located in the south of the country as a reference for agriculture in Mozambique and in Africa.

The political and economic relationship between China and Mozambique was reinforced by the former Chinese president Hu Jintao in 2007 during his visit to Mozambique with one of the objectives which has increased from 190 to 442, the number of Mozambican products benefiting from free export taxes to China. However, with this increase of Mozambican products in China, the two countries have increased trade volume to 1.1 billion US dollars from January to October 2012, an amount that corresponds to 46% compared to the same period of 2011. On the other hand, the entrance of China National Petroleum Corporation (CNPC) in Mozambique natural Gas improves the perspective of this industry.

Chinese investments in Mozambique have been improving the welfare of the country’s citizens. In October 2008, China Metallurgical Construction Group (MCC) concluded the refurbishment and expansion work on Maputo city water supply system at an estimated project cost of US$ 145 million. The project has reportedly increased the capacity of Maputo’s water system from 6,000 to 10,000 cubic meters per hour, increasing the number of people with access to piped water to 1.5 million. Beira and Quelimane also benefit from the same project (Jansson, & Kiala, 2009).

Chinese civil construction sector through China Geo-Engineering Corporation was engaged in 2009 on constructing the bridge named *Ponte da Unidade Nacional* over the Rovuma River connecting Mozambique and Tanzania, 720 meters long.

Mozambique has massively benefited with modern infrastructures created by Chinese companies through loans from China EXIM Bank. We are talking about infrastructures like the new modernized international airport of Maputo, a project of 75 million US dollars concessional loans from EXIM Bank which increased its capacity to 600 thousand passengers.

China has loaned Mozambique with an amount of approximately US$2. 7 billion for different construction projects. These loans are basically for the rehabilitation of roads, and public buildings payable in the medium term of approximately 10 years with amortization rates of 0.75 per cent to 1 per cent. Chinese credit enabled the construction of infrastructures such as the building of Mozambique parliament, Zimpeto football stadium, National Park of Beleluane in Maputo province, Justice Ministry in Maputo, Home Affairs Ministry in Maputo, Joaquim Chissano International conference center, and attorney general building among other infrastructures already built by Chinese companies. All these facilities listed in this chapter somehow better off Mozambique citizens and contribute to economic growth.

6.1 Mozambique Amazing Discovery of Natural Resources

Chinese investments in Mozambique have started to be notorious ever since Mozambique has announced the discovery of minerals. These minerals are basically Gas, metallurgical coal, graphite, marble, tantalite in the north and center side of Mozambique, in Cabo Delgado province and Tete provinces respectively, gold everywhere in the country with an abundance in the center province in Manica and other precious minerals.

Currently, Mozambique enjoys a very suitable environment for investments and this is a must for this research paper to congratulate and recognize the job and effort done by the government regarding the maintenance of political and macroeconomic stability which deepens the internal market in the current framework of natural resources exploitation that will accelerate the development through a strong economic growth with an inclusive equilibrium. Such inclusive equilibrium has to be possible through wealth redistribution among population to decrease the poverty from the gains of foreign investments which are supported by the "theory of Economic Growth of W. Arthur Lewis. The advantage of economic growth is not that the wealth increases happiness but that it increases the range of human choice. Wealth would increase happiness if it increased resources more than it increased wants, but it does not necessarily do this (W. Arthur Lewis, 1954, p. 420). There is some evidence that economic growth results from alertness in seeking out and seizing economic opportunities. However, Mozambique has a key element to reduce the poverty in the country but not necessarily looking at minerals. Economic growth permits us to have more services. This is the point. Economic growth may be particularly important in Mozambique society where political aspirations are currently in excess of mineral resources, since growth may forestall what might prove to be unbearable social tension. Moreover, Mozambique has agriculture as basic and rich sector and the country needs to bet on it. The efforts on agriculture have just restarted with a loan of 150 million US dollars from the World Bank to Mozambique. The first 50 million US dollars are allocated to support the operation of government policy development and the remaining 100 million US dollars will be used to create development integrated poles designed to improve the performance of companies and owners of small parcel of land in Zambeze valley and Nacala corridor. More efforts were made by the government in an earlier investment conference for agriculture held in April in Maputo.

The Italian multinational petroleum company, ENI has recently announced in Mozambique to have increased the estimate of natural gas in the Rovuma watershed in Cabo Delgado province. The reserves of natural gas in this region are estimated 5 trillion to reach 80 trillion cubic feet. ENI operates in block four with 70% of total shares where Portugal Galp Energy leads the share in all blocks, followed by Kogas from South Korea and by Mozambique National Hydrocarbon Company. Block one where the multinational Anadarko operates there is 65 trillion cubic feet of natural gas. Earlier March 2013, ENI has announced the celebration of contract with China National Petroleum Corporation to sell its 20% shares in Rovuma watershed. With this contract many Chinese companies operating in the energy sector will express their interest in investing massively in mineral resources.

The strong potential of Tete province is determinant to persuade Chinese companies to get started in business in Mozambique. A buffer with enormous amounts of high-quality iron has just been discovered in Massamba, in the District of Chiúta in the province of Tete. Activities are taking place in an advanced stage in order to allow its exploitation in mid-2016. The first discovery of this metal is estimated at 482 million tons.

7. SWOT Analysis on Sino-Africa Cooperation: The Case of Mozambique

The SWOT analysis on this Sino-Mozambique cooperation intends to show evidences concerning the positive or negative consequences of what has been made so far in regard to the development of this country. From this analysis, we can suggest a lesson to be learned, suggest efficient measures to improve this relationship on the basis of a win-win situation which will lead to the development and economic growth of both parts. However, the following is the Swot analysis based on UNCTD (United Nations Conference on Trade and Development) document with adequate adjustments to Sino-Mozambique cooperation.

The Sino-Africa Cooperation SWOT: Mozambique

Strengths	Weakness
● Promote high level education and background skills; ● Strong cultural ties among Chinese and Africans; ● Promote Economic growth in Africa especially in Mozambique and ease the concerns from Chinese markets on the shortage of natural resources; ● Improve infrastructures in Africa to facilitate services ● Improve trade balance on both sides	● Poor facilities to Chinese firms to operate in Africa; ● Weak brands in the region; ● Deficits in top managerial Know-how; ● FDI moves for profit and Africa seeking FDI for Africa development and economic growth ● Lack of skilled Mozambique people to deal with Chinese technology
Opportunities	**Threats**
● Large market with diversified natural resources not yet explored; ● Tax exemptions and policies to seek for investments; ● A potential free trade region ● The Chinese have a huge opportunity to create multinationals	● Ambiguity in interpretation of Mozambique laws; ● Shares benefiting the local citizens; ● Illegal entrance of Chinese to Mozambican territory; ● Partial development only in the area where are located the natural resources. ● Strong and deplorable corruption

Based on this Swot analysis, we therefore conclude that within this cooperation there are mutual benefits given the intentions of China's engagement in Africa and in turn, Africa especially Mozambique is seeking development of infrastructures. The SWOT analysis drawn above is not limited in those few points presented due to its subjective empirical opinions from different spheres, the optimists and from the pessimists. However, from here it is possible to observe the advantages and disadvantages around Sino-Africa cooperation, although we assume previously that the negative impact is insignificant if compared to the positive impact in Africa gained from China's performance in the region.

8. Conclusions

China's massive engagement in Africa has deserved much attention from different spheres of all around the world. There are optimists who see Sino-Africa cooperation as an opportunity for Africa to solve its problems such as; the lack of capital formation, shortage of infrastructure development; the help to promote economic growth, improvement of institutional framework, improvement of managerial techniques and skills as well as solving background education issues. But on the other hand, there are pessimists with unforgivable criticism around this cooperation. The criticism lies in the argument that China is massively colonizing Africa and exploiting its resources with no mutual benefits. These are the same concerns that are raised by both Mozambicans and Angolans. On the side of Mozambique, this skepticism lies in the presence of massive illegal Chinese exploring maritime resources mainly Shrimps, sharks and high quality fish on Mozambique sea. The illegality of Chinese in Mozambique extends in illegal logging and smuggling timber which result in forestry devastation. It is been recently reported in the north province of Mozambique, a total devastation of first class timber by some Chinese in connection to the local population. But analyzing one of the points of our SWOT analysis regarding the weakness on Mozambique law's interpretation by Chinese businessmen, this picture of illegality practiced by the Chinese would change a lot if the government bets on putting the law available to Chinese investors written in Chinese. The everyday reported situation by the local media involving Chinese people with connivance with local citizens is in most cases due to lack of knowledge of Mozambique laws. But on the other hand, the illegality is practiced with the connivance of government leaders thanks to their political influence in the country.

In Angola although infrastructures have some tangible benefits, there are some media and local citizen reports in the civil construction sector regarding a massive presence of unskilled Chinese people who account for 70% in this sector. Angolans demand for more inclusive policies on infrastructure construction.

This paper explored the tangible benefits of African countries with the focus to Mozambique and Angola from both Chinese government and companies, showing the advantages and disadvantages of this massive Chinese presence in Africa based on SWOT analysis and evidences of what has been done so far in these countries.

Evidences shown within this paper stress the building of physical infrastructures by Chinese counterpart in different countries of Africa with emphasis in Angola and Mozambique which is the purpose of this paper. However, the paper emphasizes and highlights that the highest and important moment of this cooperation, took place when the former president Jiang Zemin in 1996 had his tour to Africa with established agenda of five points proposal, emphasizing reliable friendship, sovereign equality, non-intervention, mutually benefits, development and international cooperation, strengthening the sustainability dimension of bilateral and regional trade agreements by developing commitments to sustainable development as well as, by encouraging the use of sustainability impact assessments. This position concerning five point proposal was also recently stressed during the eighteenth congress of the Communist Party (CPC) which has elected Xi Jinping as new general-secretary. On the other hand, the interest in African countries has also been intensified in the election of Xi Jinping as new China's president. African countries namely Congo, South Africa and Tanzania were the first choice of the new leader since he was elected president. This strategy shows and stresses at Beijing's strong interest in Africa.

Even with this new leadership, Chinese policies in Africa seems that will continue to be based on the former president, Jiang Zemin 1996 tour to Africa, on one hand, but on the other, it seems that this massive move to that continent and growing relations with it, is often explained by China's demand for its natural resources and the shift to Mozambique and Angola lies with the fact that China serves as an economic role model for these two countries. Thus, recent agreements by China and Mozambique based on infrastructures for natural resources mainly wood, fishery and gas suggest that the so called "Angola Model" has been crafted in Mozambique. China is the startling example of how a region can rise from poverty within a generation and becomes a dominant player in the global scene. However, this paper has suggested an adequate economic and development model for Africa based on the conditions and real needs of the continent without importing the successful Chinese economic model in total because countries differ in geographic location and demands for development. If this happens, may lead to malfunction of institutions framework, and allow Africa's permanent consultation from China. This consultation is welcome to Africa if it occurs as a win-win situation like it seems to be to Mozambique and Angola. The continent and specifically Mozambique are currently demanding for technology transfer to enable Africa and the country to create their own transforming industry of natural resources. As for example, there is a need in the oil sector to help Mozambique and Angola to develop a production and exploration chain of their crude oil becoming a potential producer of refined products. This would be possible by generating a positive externality in the form of technology transfer, including advanced technology, management methods from Chinese companies in Africa and this would serve as an input in the production of firm-specific capital, increasing the productivity of all other factors. Nevertheless, the empirical evidence of technology transfer to Africa is still ambiguous although we have mentioned within this paper that some African countries like Angola and Mozambique have benefited by the creation of technology centers for agriculture. For example, at least 10 agricultural technology demonstration centers have been built in some African countries. A Chinese development model that is currently on offer is based on sophisticated technology appropriate to African countries' low cost and expertise in poverty alleviation but still not significant.

The data on Sino-Africa cooperation represents several infrastructures built in Africa by the Chinese counterpart. We have highlighted the African Union Center building called AU Conference Centre located in Addis Ababa, Ethiopia, requested at the 2006 Forum on China-African Co-operation (FOCAC) Summit. Thanks to Chinese government, the African Union has one of the most modern infrastructures ever built. This means that China has invested in 54 African countries all together by building this Africa Centre. China has become the biggest partner of Africa with billions of dollar investments. We are talking about recent examples such as the funding of sport stadiums in Gambia, Mali, Mozambique (the most modern ever built located in the capital Maputo) and Sierra Leone; government buildings in Mozambique, such as the building of Mozambique parliament, Zimpeto football stadium, National Park of Beleluane in Maputo province, Justice Ministry in Maputo, Home Affairs Ministry in Maputo, Joaquim Chissano International conference center, and attorney general building among other infrastructures already built by Chinese companies. Angola, Kenya and Ethiopia, are benefiting with roads construction and dam projects in Ghana. With all these evidences on infrastructures, the paper suggests that there are many benefits of this cooperation on both sides. We exclude so far, the opinion of pessimists mainly western which is based mostly on empirical evidences and assumption with no academic support. This accusation lies on possible competitive advantage in Africa which has created a new terminology for this Sino-Africa cooperation, the so called neocolonialism.

The reason why this paper has chosen Angola and Mozambique lies to their similarity in History. Both countries have been Portugal colony and in their fight against colonialism had military and financial support from China. However, the similarities of these countries suggest us to advice Mozambique government to strongly adopt "Angola Model" because of its lack of capital return to China's loans and investments. Mozambique would have many difficulties to return the Chinese credit even though the interest rates are low. Therefore, "Angola Model" has to be adopted but with a strong supervision on the policies and on its implementation.

For individual reflection, the concluding remarks end with a quote highlighted in the preamble of this paper from the Chairman of the Department for Africa of Home Affairs Ministry, Lu Shaye.

"We continue hearing the accusations from western media that China is colonizing Africa, therefore, I wonder this motivation. Are they trying to compare China with the old western colonialist powers? It is clear for all of us what was done by the old colony to Africa, when they used their army and lies to occupy African land, in order to expropriate its natural resources and sell the natives as slaves."…This is not the kind of Administration that Beijing is taking…"

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Note

Note 1. Chairman of the Department for Africa of Home Affairs Ministry, Lu Shaye. *In Jornal Noticias, Saturday, January 26, 2013.*