

Empirical Analysis of China-Africa Economic and Trade Cooperation for Good or Bad: A Case of Tanzania

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Abstract

This study investigates China-Africa Economic and Trade ties taking Tanzania as the case study and the specific objective is to identify the main drivers for the bilateral trade and the benefits of the ties. The study draws theoretical framework from Realism, Dependency and Marxist theories of Imperialism. The dependency theory explains underdevelopment while the Marxist explains dominant state expansion. This study mainly employs descriptive research with some elements of quantitative approaches to assess China-Tanzania economic and trade ties. Data is drawn from industrial annual reports, magazines and websites. Other sources are Tanzania Investment Centre (TIC) and Business Registration and Licensing Agency of Tanzania (BRELA). The scope of the study is limited to 1990-2010. Likewise, this study employs exploratory research as it attempts to understand the nature of China's activities in Tanzania.

The findings of the study show that engagement of China in Tanzania poses both opportunities and challenges. The nature of China's investment in Tanzania has been capital intensive and been mostly directed to strategic industries, particularly manufacturing sector the leading sector in which Chinese investors have injected more projects, followed by construction, agricultural, tourism and services sectors among others. Similarly, the study finds that the imported commodities and goods from China has been affordable to most of low income earners hence increases consumers choice and contribution to Tanzania Economic growth. However, the negative effects cannot be neglected; the investments have led into the influx of low quality products that do not meet market standards. Therefore this

study recommends that the government should ensure that the partnership with China is for a *win-win* situation.

Key words: ***China, Economic, Trade, Africa and Tanzania***

JEL: B14, E22, F13, O13, P52

1.0 Introduction

This study investigates China-Africa Economic and Trade ties taking Tanzania as the case study, and the specific objective is to identify the main drivers for the bilateral trade and the benefits of the ties.

China has been implementing economic reform measures opening up to the outside world since 1980s. These reform measures were initiated by patriarch leader, the late Deng Xiaoping in 1980s and carried forward by Jiang Zemin and now they are implemented by President Hu Jintao. The large economic transformation taking place in China requires large amount of natural resources which are not readily available in the country. Africa, a very resource-abundant continent is now of the greatest interest to China hence the basis for economic and diplomatic ties, Van der Wath, (2004:75). As a result of this interest in Africa, direct Investments in infrastructure, market, businesses and tourism from China are significant parts of the Sino- African relationship. In 1992 a two-way trade between China and Africa stood at \$ 1 bn. In the first 11 months of 2010, China- Africa trade volume reached \$114.81bn, a 43.5% year-on-year increase (Information office of the state council, 2010).

Today China has achieved tremendous social and economic progress for its people in various spheres including agriculture, industry, science and technology, and national defense and is now widely acknowledged as world manufacturing powerhouse as well as technological and economic giant and for the past 23 years China has been enjoying an average annual economic growth rate of about 9%. In 2010, China ranked the second largest economy in the world after US (Information office of the state council, 2010).

Her emergence as a global economic power introduces new opportunities and challenges to the developing world, the People`s Republic of China is not new to Africa and this has raised many arguments regarding the implications to and the future of the African continent. Some believe the presence of China in Africa is an opportunity for African`s growth and development such as an increase in trade with China which might be of beneficial to African industries (Van der Wath, 2004 and Draper, 2006). This argument is supported by Alden, (2005a:6), who argue that China investment in Africa can be of utmost important especially when it is accompanied by skills transfer and technology.

Others believe that this relationship is a threat to Africa`s growth and development, considering that trade between China and Africa is in favor of China (Taylor, 2004). The influx of Chinese manufactured goods with low quality in African markets might have a negative effect on Africa labour market (Draper, 2006).

Having discussed the various views on China-Africa Economic, Trade and Diplomatic ties, the focus of this study is to make an analysis of the nature and implication of China-Tanzania relations since 1990, with the focus of assessing whether this relationship is mutually beneficial to both countries or has negative impact on Tanzania. More specifically this study analyzes activities in Agriculture, manufacturing, construction, tourism, service, natural resource, transport and telecom and how they contribute to job creation. The results provide an insight of China`s involvement in Tanzania as it attempts to answer the following research questions;-

- What are the economic implications (job creation) of Chinese investment in and trade with Tanzania? and
- What is the nature of China`s investment in and trade with Tanzania?

The rest part of the paper is arranged as follows. Section two covers the China-Africa overview, Section three review of the literature; Section four present Theoretical frameworks, while section five presents the research methodology. Section six deals with empirical results and findings and the last section covers summary and conclusion.

2.0 Recent Development of China-Africa Cooperation

According to Signe Andersen, (2008), the beginning of China`s interest in and policy toward Africa began in 1955 when a meeting of representatives from 29 African and Asian nations was held in Bandung, Indonesia. The meeting increased the China-Africa relations and marked the beginning of Chinese appreciation of the role of the Third World in combating adversaries and winning international recognition and support.

China`s involvement in Africa over the past decade is one of the recent utmost significant developments in the region (Jean-Claude Maswana, 2007). From the 1970`s a large economic transformation has been taking place in China leading to increased growth rates of African countries as result of China-driven commodity prices. Due to the increased involvement over the last decade, China has become one of Africa`s most important partners for trade and economic cooperation. Direct Investment in infrastructure, market businesses and tourism from China are significant part of the Sino- African relationship. In 1992 a two-way trade between China and Africa stood at \$ 1 bn. In the first 11 months of 2010, China- Africa trade volume reached \$114.81bn, a 43.5% year-on-year increase (Information office of the state council, 2010).

According to the World Bank report, (2007), the China-Africa traded goods changed from clothing, footwear and light manufactured goods that China exported to Africa during the 1980s and 1990s, to higher technology exports, like electronic goods and machinery, which now account for close to 50 percent of its exports while she imports oil, iron ore, cotton, diamonds, and other natural resources and primary goods from Africa. Guixan, (2006) argue that the African countries without much oil or many raw materials to export, trade with China is less mutually complementary, which results in a rise in their trade deficit, this is complimented by the report of Jean-Claude Maswana, (2007), which say that non-commodity exports from Africa to China are insignificant, accounting for less than 10 percent of African exports.

.....“These exports—which include textiles and apparel, processed food, and small manufactured goods—tend to be technologically simple and are either intermediate inputs, as in the case of textiles, or finished consumer goods”.

(Jean-Claude Maswana, 2007, pg 6).

According to Information office of the state council, 2010, China`s largest African investment and trading partners are as follows:-

Zambia: FDI exceeded \$1 billion in 2010, with copper mining and agriculture. The focus of Chinese investment which Beijing claims has created over 150,000 jobs

Zimbabwe: China Development Bank invested up to \$10 billion in Zimbabwe`s mining and agricultural sectors, according to Tapiwa Mashakada, the country`s minister of economic planning and investment.

Sudan: China purchases 60 per cent of Sudan`s oil exports and 71 per cent of all Sudanese exports. China has also pledged to invest in Sudan`s infrastructure, air and seaports.

Algeria: Chinese investments in Algeria reached \$1 billion by the end of 2010. Fifty large-scale Chinese companies operate in Algeria, with oil as the main target, and six major oil projects are currently on stream.

Nigeria: Chinese investment exceeded \$ 7 billion by the end of 2010, and main investment was oil production, other major investments were agriculture and steel processing. Since 2006 Chinese oil companies have announced \$16 billion of investments in Nigeria's oil and gas.

Kenya: China invested heavily in Kenya's ports and was part of a \$22 billion project announced by the Kenyan government in April 2008 that included a railway line and a motorway linking neighboring Ethiopia, Southern Sudan and Rwanda to the port at Lamu. Also China invested in hydro and wind power project

Tanzania: Chinese direct investment exceeded \$ 200 million by the end of 2010, with investments in agriculture, pharmaceuticals, mining, construction and a number of transport infrastructure projects.

South Africa: China is a major consumer of South Africa natural resources, importing more than \$6.5 billion of South Africa raw materials in 2009. Also China invested in South African manufacturing, mining, banking, railways, telecommunication and energy.

Chinese Government released its first official Africa Policy in January 2006, which among other things encourages and supports Chinese enterprises' investment and business in Africa and will continue to provide preferential loans and buyers' credits (China's African Policy, 2006). On this basis the new infrastructure projects, including dam construction projects in Ghana and Mozambique and a communication satellite in Nigeria were announced by Chinese Government. In Nigeria the project was launched in May 2007 and it "is expected to offer telecommunications, broadcasting, and broadband multimedia services for Africa throughout the next 15 years" (Jean-Claude Maswana, 2007). Gill and Reilly, (2007), point out that the Chinese government promotes business ties with Africa by providing information, coordination mechanisms and financial assistance for Chinese companies and investors in Africa. According Jean-Claude Maswana, (2007), Chinese construction firms operating in Africa receive export credit for feasibility studies, government guarantees for bank loans, export credits for financing the operational cost of projects, and lines of credit for capital goods and machinery. This kind of support from Chinese Government is listed by Chinese firms as the second most important factor in their decision to invest in Africa, following the pursuit of new markets.

Following the deepening of globalization countries have seen the need of defining and re-defining their open policy (foreign policy) in order to keep their self-interest at the utmost level to safeguard the national interests and to achieve its goals within international relations milieu. It is from open policy that a country indicates how will act with respect to other countries in terms of economically, socially, politically and militarily and how it behaves with non-state actors. China's open policy has put emphasis on cooperation with Africa. The Government of China initiated the China-Africa Cooperation Forum to promote cooperation with African countries. The 1st China – Africa Co-operation Forum was held in Beijing in 2000. The government of China committed itself among others, setting aside a special fund to support and encourage investments in Africa. China has since March, 2007 set aside the China – Africa Development Fund (CAD FUND). The fund encourages and supports Chinese entrepreneurs to invest in Africa. The first phase of funding is USD 1 billion and will gradually reach USD 5 billion. The fund will exist for 50 years, giving preference to imports from Africa. After the Addis Ababa meeting 18 African countries including Tanzania were granted duty free

market access for 187 products in 2006 and the list was expanded to 440 items in 2008 and 4720 in January, 2010 with a view to expanding and balancing bilateral trade and optimizing trade structure, making its investment and Trade Centres in Africa a success; Since 1995, China established eleven (11) such centres in Africa (Ilana Botha, 2006).

In Tanzania, the Chinese Investment and Trade Promotion Centre was established in Dar es Salaam in March 2000, establishing a China – African Joint Business Council in collaboration with Chambers of Commerce of African countries and promoting the establishment of a China –Africa Product Exhibition Centre in Beijing. In November 2006, the Third Conference on China – Africa Cooperation (FOCAC) was held in Beijing. The Chinese Government committed herself to: provide 3 billion U.S dollars of preferential loans and 2 billion U.S. dollars of preferential buyer's credits to Africa in the next three years, set up a China-Africa development fund which will reach 5 billion U.S. dollars to encourage Chinese companies to invest in Africa and provide support to them and to further open up China's market to Africa. Furthermore China promised to increase the number of Chinese government scholarships to African students to reach 4,000 per year in 2009, and cancel African debt and set up 10 special agricultural technology demonstration centers in Africa.

2.1 China-Tanzania Overview

Tanzania and China have been enjoying cordial and continued friendship that lasts for more than 40 years. The strong bond of friendship is founded on solid principles of mutual respect laid down by the founding fathers of the two nations – the late Mao Zedong and the Late Mwalimu Julius K. Nyerere. The existing friendship has been translating into increased bilateral trade and economic cooperation. The economic and open market policies of the two countries have opened more trade and economic cooperation where trade between Tanzania and China has been growing very fast since 2004 because of its open market policy and the market access granted to developing countries including Tanzania. The volume of trade increased from Tshs. 263,549 million in 2004 to Tshs 2,130,948 million in 2008 which is about eight-folds increase for the past seven years (table 1). In 2010 China ranked number one Tanzania's trading partner with the largest trade volume from the rest of other trading partners (see table 1 and figure 1). However from 2004-2010 trade balance between the two countries remained in favor of China. China occupies about 7.5% share of the Tanzania's total export. Tanzania's import from China occupies about 6.0% share of the country's total import. From 1990-2010, China ranked number six with a registered 324 projects worth of \$745.61 million of total investments creating employment of more than 57183 jobs.

The increased trade has been further enhanced as a result of the Sino-Africa Cooperation arrangement that was introduced by the Chinese Government in 2003 to African LDC countries including Tanzania. During the fourth ministerial conference of the Sino- Africa Cooperation Forum held in November 2009, in Sharm el-Sheikh, Egypt the Government of the People's Republic of China decided, among others, to establish multifunctional logistics centres in four African countries to facilitate the promotion of trade and investment and the first of the four centres is to be established in Tanzania.

Similarly, China greatly contributed to the development programmes in various sectors of Tanzania's economy; consistently and generously provided assistance in the form of soft loans and grants for the implementation of various development projects. Such projects, which benefited and bear a hallmark of Sino-Tanzania economic cooperation include among others,

the joint Tanzania-China Friendship Textile Company, The National Stadium and Tanzania-Zambia Railway Authority.

3.0 Literature Review

China-Africa economic ties have a long history as explained in the background section. The review of the literature on this relation is based on driving forces for China involvement in and its implication for Africa.

The China-Africa relations have been the subject of voluminous scholars, those who believe in economic and trade interaction as central point that forces China involvement in Africa; (Taylor, 2005:4) pointing out the economic, trade and trade related issue as the major factors for China involvement in Africa. The argument is supported by Mooney, (2005) who argues that China's rapidly growing economy has necessitated the increased demand for raw materials hence increased China involvement in Africa. Also Shelton (2001) and Cornelissen et al (2000:615) point out that China's foreign policy for Africa is confined itself in increasing economic interaction, thus her politics and ideology are of less concern in this circumstance. The need for raw materials and market potentials has been pointed out by Van der Wath, (2004), Alden, (2005a), Shelton, (2001:119) and Muekalia 2004:11, they argue that the need for energy and markets for goods has forced China to increase its involvement in Africa. Diplomatic relations are other driving forces for China's involvement in Africa. Taylor, (2005:4), Van der Wath, (2004), Cornelissen et al (2000:615) Alden, (2005a), and Muekalia 2004:11. point out that economic and diplomatic support are the main target considering their activities in Africa which for most years has been concentrated in the areas of economic and diplomacy.

Implications of China involvement in Africa is seen in different approaches, some scholars see this as an opportunity for Africa to grow (good) while others see it as a threat to Africa's growth (bad). In general opinion the involvement of China in Africa can be mostly beneficial to Southern Africa countries considering the abundant resources these countries have. Van der Wath (2004), argues that, South Africa can benefit from this relationship due to its geographical and strategically advantage on mining, tourism, raw materials among others. Similarly, Tanzania has the same natural resources and geographical advantage of being the gateway of more than seven countries. Shinn et al (2005), points out these relations should be seen as an opportunity rather than a threat following the study findings of Chinese assistance the Horn of Africa which show to have contributed to the betterment of this part of Africa. Also Draper, (2006) supported this argument by showing that exports of food to China may be beneficial to Southern Africa. Alden, (2005), support these ties by pointing out those Chinese investments should be welcomed especially those with skills transfer as they can help reduce investments from western countries that come with condition. The study by Muekalia (2004), finds that there is likely increase in agricultural productivity following the adoption of Chinese technology.

As stated in the first paragraph of this section, there are some scholars who see China's involvement in Africa as a threat. The current situation shows the trade between China and Africa is in favor of China except for oil exports to China, thus this threatens local manufacturers and labour markets as the shutting down of some industries goes hand in hand with laying down some workers whose spillover effect are very big considering the extended family culture in Africa (Draper, 2006 and Alden, 2005). There are evidence where Chinese investments have caused threat in Africa by selling the goods at price below the costs of production so as to penetrate into the market (Shinn et al 2005:7), this can also be evidenced

in Tanzania where the Chinese products with low quality have flooded the market and worse enough there is been a tendency for some Chinese traders to involve themselves in petty trade that can be done by local traders. Another threat is unemployment to locals where Chinese labour is employed in those projects funded by their Government as well as to some manufacturing projects (Alden, 2005).

In the view of these arguments, China's involvement in African states is based on country's endowment in natural resources, raw materials, market for their goods and geographical locations.

4.0 Theoretical Framework

Though many theories like International relations (Marxism, liberalism and Realism) and Global political Economy (Critical theory-Marxism, liberalism and Non Economic Nationalism), can be used to guide this study some of them cannot be applied hence they are dropped in the discussion. Instead the study draws its theoretical framework from Realism, Dependency and Marxist theory of Imperialism. According to Milios, (2007), the dependency theory explains underdevelopment while the Marxist explains dominant state expansion. In other words, Marxist theories explain why imperialism occurs, while dependency theories explain its consequences. This observation needs due consideration in the framework of this study. The involvement of China in Africa is explained by the realism theory, which puts forward the national interest and security over ideology, social reconstructions and moral concern.

According to Morgenthau (1973:5), the main reasons behind any state in the international system are to achieve the national interests defined in terms of power. Thus considering that states are inherently self-interested entities this makes them to gain merits in terms of balance of power. Morgenthau, (1973:5) further argues that national interest is defined in terms of power, thus its definition and how is used or applied depend on current culture and political milieu. This argument is complimented by Zhao, (1996:2) who states that, "China foreign policy and external behavior are seen as responsive to the changing dynamics of the international environment". This argument may be applicable considering the abundant natural resources in Africa and especially the "energy security concept" where energy is now used as strategically objective for a state to gain power. It is from this concern that the states such as China whose their behavior is explained by realism theory see the need of routing their major trade partner to Africa so as to secure energy supply (Heller, 2003). Moreover, Heller (2003), points out that though realism theory considers states as the main player in the international system, however, the role of non-state actors is not neglected in realism theory such that they may utilize or take advantage of the existing platform organized by International organization to express their concern and standing on international matters including economic benefits through organization channel. In this context the China's involvement in Africa may not be to integrate their political and economic interest in Africa rather it may be the ambition or desire to become more economically and diplomatically strong.

In view of the above realism theory, the Economic Nationalism is suitably partnered with political realism in this conceptual framework. Nakano, (2004a:222) points out that the national well being of any state is the key argument for the power, thus for any state to develop there is a need for her to organize and mobilize its policies such trade policy, monetary policy and other policies which assist in market creation.

Though people may argue that Economic nationalism is similar to mercantilism and protection, there is a difference between them as the Economic National stretches to free trade autonomy, national unity and maximization of power, while mercantilism looks about the autarky point in trade basing on protectionism. For the case of China, Chen Zhimin, (2005:52) explains national unity, economic development and independence as the main Chinese national priorities; however, economic development is regarded as the major one as it comprises other priorities.

Another theory that this study has used is the dependency theory which lies on the prediction that the resources flows from underdeveloped and poor countries to the developed country which makes the latter to develop at the expense of the other country. This relationship violates the principle of zero-sum game. The argument put forth is that International trade is meant to increase wealth to all countries involved hence economic growth which is beneficial to all countries though at some point it's not true that the benefits can be shared equally due to the fact that countries have different resource endowments, technology and other factors. Jean-Claude Maswana, (2007), argues that Karl Marx pointed out that, capitalism is inherently contradictory in its creation of two primary classes—the capitalists who own the means of production and the proletariat who must sell their labor to survive. Basing on Karl max, accumulation of wealth in one country is a burden to another country the argument extended to dependency theory.

Dos Santos, (1970), points out that dependency theory explains the interdependent relationship which is exploitative in nature; while some economies (developed) expanded and become self sustaining, others (underdeveloped) may do so in a very limited manner which in turn may affect their intermediate development positively or negatively. This situation may requires poor and underdeveloped countries to provide natural resources, labour and markets among others, while the developed countries perpetuate this relationship by providing human resource development, media control, banking, politics and at some points exerting economic sanctions and embargo.

In this view, the Frank, (1972), argues that dependency is not about the external relationship between dependent countries and developed countries or capitalism economy, rather it is a far-profound ideological and psychological expression in a form of assimilation of the capitalist countries and inferiority complexes. This observation is complimented by Milios, (2007), who says that two opposite poles of one and same process make up development and underdevelopment, in which the development of others countries (capitalist economy) may be the pinch and cause of poverty and underdevelopment of dependent countries.

The dependency theory states that “the poverty of the countries in the periphery is not because they are not integrated into the world system, or not 'fully' integrated as is often argued by free market economists, but because of how they are integrated into the system”. This framework of the relationship forces the poor and underdeveloped countries to focus on supply of raw materials, agricultural commodities, minerals and labor while the metropolis supply manufactured goods, obsolescent technologies and capital, thus the flow of goods,

money and services from metropolis to poor and underdeveloped the determined by the economic interest of the developed and not interest of poor and marginalized countries.

The current globalization has forced the dependency to take place under the auspice of World Trade Organization and the Breton-woods Institutions, in which the multilateral trading system and rules are set and regulated. Since at multilateral level, it is difficult for interests of each developed country to be fulfilled, the nature of dependency has gone far to include bilateral arrangements where the capitalist countries try to maneuver their interests in specific countries where they think they can get raw materials and resources required for the better living of their countries (metropolis). Werner and Trefler (1997) as cited in Jean-Claude Maswana, (2007, pg 4) argued that

“.....together with the removal of Keynesian state regulation, the rising integration of world markets has brought with it a disintegration of the production process, in which manufacturing or services activity abroad is combined with that performed at home”

This has made big companies from western countries to outsource raw materials from Africa and markets for their manufactured goods. Similarly, the increasing investment in different projects has led to the splitting of production processes across countries as a result the changes in capital-labour relationship. It is from this explanation that China has come to represent a remarkable position within the center-periphery framework. That is, China does not fit the theoretically constructed pattern of either a center or a periphery nation, particularly in its relations with Africa (Jean-Claude Maswana, 2007)

5.0 Research Methodology and data source

This study mainly employs descriptive research with some elements of quantitative approaches to asses China-Tanzania economic and trade ties. Data is drawn from various sources including industrial annual reports, magazines and website. Other sources are Tanzania Investment Centre (TIC) and Business Registration and Licencing Agency of Tanzania (BRELA). The scope of the study is limited to 1990-2010. However, this study also employs exploratory as it attempts to understand the nature and activities of China in Africa particularly in Tanzania.

6.0 Findings and Discussion

The economic implications of Chinese investment in and trade with Tanzania show that the trade between Tanzania and China has been tremendously increasing from 1990-2010 though it has been in favor of China (table 1) ,the increase of trade is attributed to China`s demand of raw materials to feed the manufacturing sector. The influx of Chinese goods in Tanzania`s market has positive effects in terms of price and it has increased consumer choice, which is very crucial for Tanzania economic welfare and growth. Similarly, the affordability of Chinese goods and consumable products in Tanzania market is positive in terms of increased purchasing power for most low income earners in the country. However while the manufacturing sector has been identified as among the top five priority sectors under National Strategy for Economic Growth and Poverty Reduction Phase II famously known in

Swahili as MKUKUTA II and the Five Year Development Plan, Chinese imports may be a threat to the country's economic growth.

In terms of Investment, this is relatively sparse and it's not much economical viable as it is being determined by state rather than market demand. This observation is supported by the findings of this study where investment in Tanzania has been made in strategic industries so as to take the available preferential markets of African Growth Opportunity Act (EPA), Economic Partnership Agreement (EPA), and Generalized System of Preference (GSP) among other. This study finds China to have invested more capital in manufacturing sector worth USD 525.9 million followed by Agriculture with investments worth USD 54.8 million. The investment in manufacturing is benefiting from preferential arrangement of exporting duty free-quota free goods (DF-QF) to EU and US under EBA and AGOA respectively. The findings are similar to the study conducted by (Ilana Botha, 2006), who points out that Chinese investments are in very strategic industries.

Different from other studies, this study finds that though Chinese investments are capital intensive, there has been an employment creation which in turn contributes well to the economic growth and reduces the income poverty. as Table 3 and figure 1) shows that the manufacturing sector projects lead in job creation having created 49967 employment opportunities, followed by Construction with 2398 jobs and the tourism which created 1133 jobs. However, on the other hand the study finds that in the long run the dependency of imported goods from China might have a negative effect on Tanzania Economic growth as she might be a victim of "resource curse" where Chinese takes raw materials and bring finished goods thus making manufacturing sector growth impossible.

In terms of nature of China's investment in and trade with Tanzania, the study finds that China has invested in 324 projects in eight sectors in the country whose total value is USD 745.61 million, and contributed the creation of 57,183 jobs (table 3), manufacturing being the leading sector, followed by construction, agricultural, tourism, transport, services, natural resources and telecom. The nature of the investments is attributed to strategic and geographical location where Tanzania provides a gateway to expanded markets of the East African Community and the Southern African Development Community (SADC) with a combined population of about 200 million people. Other reasons are the preferential markets, including AGOA which is offered by the US, where products must qualify from the originating criteria and this is achieved through investing in the region

As concluding remarks this study supports the argument by Tull, (2006), that there is no concrete evidence that the relationship between China and Tanzania would bring more development than the long-term involvement of western countries, as the development from this relationship should come from good policies that Tanzania is putting forward.

7.0 Conclusion and Recommendation

To conclude, the major findings of this study relate to the empirical studies where the engagement of China in Africa economies pose both opportunities and challenges that need to be addressed in Policies. Therefore this study recommends;-

- ✓ Policy, rules and regulations should be observed when granting investment permit from China, as some of them may come as investors but ending up engaging themselves in petty business that can be done by local traders.
- ✓ The business environment in Tanzania should be rapidly improved to include macro-economic stability, security and good governance to enable more investors to come in;

- ✓ The government should ensure the partnership with China is for a win- win situation. Tanzania has Natural resources that need to be developed and exploited for the benefit of both parties.
- ✓ Need of rehabilitating Dar es Salaam port infrastructures including modernizing port security especially in handling the cargo that are getting in the country through this port.

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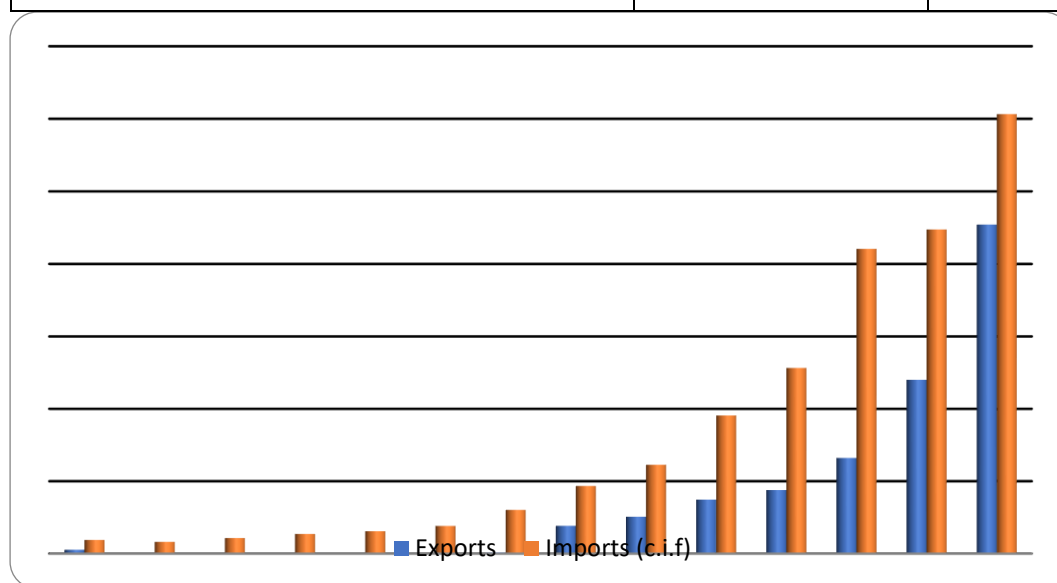
Appendix:**Table1: Trade statistics between Tanzania and China (2004 - 2010 in million Tshs.)**

YEAR	2004	2005	2006	2007	2008	2009	2010
Exports to China	76,742	101,838	149,327	175,720	264,276	491,920	908,359
% to Tanzania total export	5.3	5.7	6.9	7.0	8.0	13.1	17.5
Imports from China	186,807	245,399	381,692	512,891	841,637	895,038	1,222,589
% to Tanzania total imports	6.9	6.8	6.9	7.1	9.5	10.6	11.0
Balance of Trade	(110,065)	(133,561)	(232,365)	(337,063)	(577,358)	(403,115)	(314,230)
Volume of Trade	263,549	347,237	531,019	688,618	1,105,916	1,386,961	2,130,948
Tanzania total Export	1,447,125	1,767,377	2,155,153	2,496,830	3,293,456	3,753,260	5,191,161
Tanzania total import	2,725,460	3,629,291	5,516,589	7,256,825	8,839,817	8,446,727	11,118,541

Source: TRA Trade Statistics

Table 2: Investments with Chinese interest from 1990 -December 2010

Sector	Jobs	Value \$"000" Mill
Agriculture	2281	54.8
Construction	2398.8	91.0
Manufacturing	49967.52	525.9
Natural Resources	286	7.1
Transport	618	20.0
Service	451	11.9
Tourism	1133.25	22.6
Telecom	47	2.6

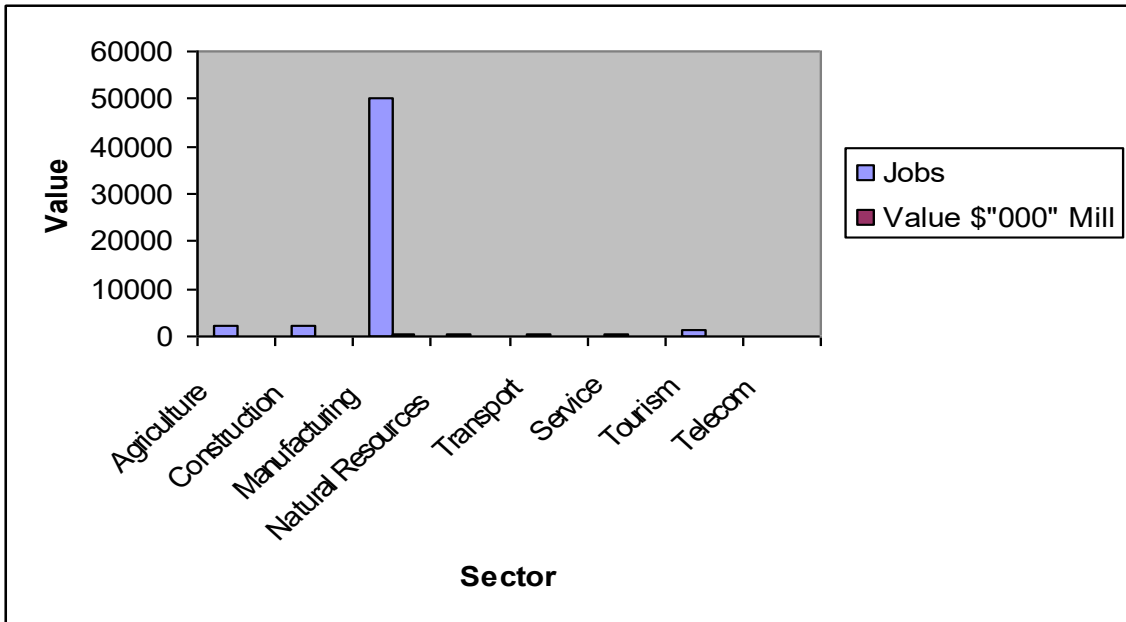


Source: Tanzania Investment centre, 2010

Table 3: Job creation and Amount of Investment to Tanzania from China

Source: Tanzania Investment centre, 2010

Figure1: Job creation and Amount of Investment to Tanzania from China



Source: Tanzania Investment centre, 2010