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Xai-Xai Chinese rice farm and Mozambican internal political dynamics: A complex relation

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Introduction

The Chinese commitment to support African countries in boosting agricultural development is, amongst others, one the main promises made by the Asian giant to Africa. This commitment can be traced back to the first Forum on China–Africa Cooperation (FOCAC) held in Beijing in October 2000, and it was reiterated in the subsequent agreements (Addis-Ababa in 2003, Beijing in 2006, Sharm El Sheikh in 2009 and Beijing 2012) (FOCAC 2006a, 2006b, FOCAC 2009). Agricultural development is a primary concern for the majority African states, particularly considering the food scarcity in the continent. It is estimated that in 2010 some 218 million people in Africa were struggling daily with hunger, a figure corresponding at the time to about 30 percent of the continent's total population (Garrity et al. 2010: 198).

Among the key measures taken by the Chinese government targeting the African agriculture sector are the construction of thirty agricultural demonstration centres in the same number of countries; the establishment of a special programme of food security in collaboration with the Food and Agriculture Organization (FAO) with a budget of US$30 million; the deployment of thousands of Chinese agricultural experts and the training of African counterparts (FOCAC 2009). In addition, the China-Africa Development Fund (CAD Fund) has adopted the agricultural sector as a priority intervention area[1].

Mozambique is one of the poorest African countries and its agricultural production is in crisis due to a variety of factors[2]. Prominent amongst these was the devastation caused by the collapse of the economic system following Mozambique's independence in 1975. This was mostly due to the mass exodus of Portuguese settlers (who composed most of the qualified workforce), the devastating civil war that followed (1976-1992) and the poor policy-making made during the

'Marxist-Leninist' period (1977-1990). Today, like many other countries, Mozambique is counting on external support in the recovery of its agriculture sector and increases its production and productivity.

The purpose of this chapter is twofold: to map out and characterise the aid provided by the Chinese state, cooperation and investment in Mozambican agriculture since the early days of independence; and secondly, analyse the relations between Chinese investment and the local political of accumulation by looking at the case of Hubei Lianfeng Mozambique Co, LDA (HLMO, CO, LDA) in Gaza province[3], a state-owned Chinese agricultural company which between 2007 and 2012 was farming rice on the Ponela section of the Xai-Xai irrigation system. I argue that like any other foreign investment in Mozambique, Chinese investment, is being primarily appropriated by local political elites for their own benefit. In fact, the arrival of the Chinese rice farm in Xai-Xai— the first and most significant Chinese investment into rice production in Mozambique after FOCAC 2000 —presented an opportunity to the local elites to direct it for their own benefit. This case illustrates the new Sino-Africa policy which according Bräutigam (2010) emphasizes 'mutually-beneficial agricultural co-operation', instead of being based on political or ideological motivations, which in the past have proven their unsustainability. In short, Xai-Xai the benefits of the project seem to have accrued to the local elite as opposed to the ordinary people.

From 'ideological' aid to a 'mix of aid and business'

Frelimo, the former 'Marxist-Leninist' party that has governed Mozambique since its independence, has a long history of cooperation with China, which supported the liberation movement during the ten-year war against the Portuguese empire (see Taylor 2005; Henriksen 1978). In order to provide a comprehensive picture of the Chinese presence in Mozambican agriculture, it is necessary to distinguish between aid (bilateral or multilateral cooperation) and investment projects (by state owned and private enterprises).

In terms of bilateral cooperation, Mozambique and China have engaged in agricultural cooperation since the early days of the country's independence in 1975. At that time, Mozambique, like other African socialist countries, benefited from Chinese aid. According to Bräutigam (2010), in this period Chinese cooperation was motivated by notions of 'solidarity' as well as by 'ideology'. One of the most popular types of solidarity aid projects in the agriculture sector was the establishment of state farms by the Chinese government in Africa (Eadie and Grizzell 1979: 224, Bräutigam and Ekman 2012). In Mozambique, the best-known example is the Moamba farm in south, where vegetables (primarily potatoes) and maize were cultivated. Mozambican authorities considered this farm an important symbol of China's commitment to the country and was among one of the places visited in 1979 by the Chinese delegation headed by Li Sien-nien, then the vice-prime minister (A Voz da Revolução 1979). In addition to Moamba State farm, the Chinese helped to develop the Matama State farm in Niassa (originally established by the Portuguese during colonial rule) northern Mozambique (Bräutigam and Ekman 2012)[4]. In 1984, corn, beans, potatoes, wheat, sunflower, garden vegetables, soybeans, and bananas were the main products produced at the Matama State farm. At the time there were ten Chinese citizens working there as agronomist-engineers and mechanics (Foreign Broadcast Information Services 1984).

Apparently Matama State Farm collapsed mainly due to the civil war, which forced Chinese agricultural engineers to flee in 1985, leaving behind agricultural equipment (Mail and Guardian 1997). The same is true of Moamba state farm, which went into decline mostly due to the effects of the civil war. Nonetheless, given that the projects were ideological driven, it is questionable whether the farms would have been able to succeed even in the absence of civil war (see Bräutigam 2010, Bräutigam and Xiaoyang 2009). Another argument in support of this point is related to the complete failure of Frelimo's agrarian policies, which during the Marxist-Leninist period gave high priority to the state's large and heavily mechanized farms.

The present framework for bilateral cooperation in agriculture is based on a Memorandum of Understanding (MoU) signed between the two countries during the visit of former Prime Minister of Mozambique, Pascoal Mocumbi, to China in 2002. According to its provisions, this MoU was valid for a period of five years (2002-2007) and was to be automatically renewed if there were no changes to report from either side. This MoU established cooperation in various areas, namely forestry, rice production, biotechnology, crops and livestock, processing, disease, pest control and research (Ministério da Agricultura 2002).

In order to solve the crisis in the agriculture sector Mozambique borrowed from the China Exim Bank with the aim of rehabilitating and developing important agricultural infrastructure in regions considered critical to boosting the agriculture sector. These regions are Chokwe, in Gaza province (southern Mozambique) Zambezi Valley, Zambezi province (central Mozambique), and Nguri and Chipembe, in Cabo Delgado province (northern Mozambique).

A $50 million concessional loan from China Exim bank, targeting several agricultural projects, stand out among these loans. The first U$30 million, placed under the management of the

Gabinete do Plano de Desenvolvimento da Região do Zambeze (GPZ)[5], was used to build three agro-processing factories (cotton, rice and maize) in the provinces of Manica, Zambezia and Tete, respectively (Ministério da Agricultura 2010). The remaining US$20 million was used to import agricultural equipment from China. The loan also aimed to help improve local farmers' production, with the intention of fuelling factories (ibid). Yet, because of the inability of the Zambezi valley farmers to acquire the necessary equipment, officials decided to place available funds at the disposal of all Mozambican farmers with the capacity to buy the requisite materials. As a senior Ministry of Agriculture (MINAG) official explains:

> [As you know] it is a concessional credit, so the GPZ couldn't give it for free to the farmers. According to the parameters defined by GPZ, many of our brothers from Zambezi Valley were not eligible. It was necessary to pay 40 percent as the first tranche. First, the opportunity was given to the Zambezi Valley farmers, but the equipment was not sold so it was exposed to the the rain and sun. This coincided with the process of restructuring the GPZ and it was decided that the equipment could not be left abandoned, so it was decided to sell it to the farmers of other regions: Moamba, Nampula, Chokwe - all over the country' (Interview, Ministério da Agricultura, 3 August 2012).

It should also be mentioned that the three agro-processing factories were built by China Engineering Co., Ltd. (CAMCE). The cotton processing factory in Guro district (Manica province) and the maize agro-process factory in Ulongué (Tete province) were completed in 2012 and are presently managed by *Instituto de Algodão de Moçambique* (IAM) and *Instituto de Cereais of Moçambique* (ICM), both public institutions. It is important to stress that this concessional fund was channeled to Mozambique through MozaBanco, a bank created in 2008 by the Macanese businessman Stanley Ho through is holding group Geocapital and the Portuguese politician António d'Almeida Santos in association with a small number of Mozambican political figures close to Frelimo, namely, Prakash Ratilal (see Alves 2012)[6]. Although the circumstances surrounding the choice of MozaBanco to implement this loan remain obscure, the GPZ reported that it had signed an agreement with Geocapital in 2005 in order to develop several socio-economic projects in the Zambezi Valley (Gabinete do Plano de Desenvolvimento da Região do Zambeze 2005).

In 2012 Mozambique signed another long-term credit line from China Exim Bank of US$60 million to develop an agricultural project in Chokwe, one of the most important agriculture regions in the country. Named Chokwe Agro-Processing Complex, the project aims to develop several projects, primarily a processing, packaging and conservation unit; a cattle breeding and processing farm; rice processing factories (cost US$ 16.6 million); rehabilitating the irrigation system and establishing an irrigation maintenance unit (US$ 41.7 million) and agricultural service centres (US$1.7 million) (Ministério da Agricultura 2012).

In addition, it is important to note that in 2011 Mozambican authorities were negotiating two loans of US$25 million and US$12 million, respectively, with China Exim Bank in order to rehabilitate the Chipembe and Nguri dams in Cabo Delgado province to boost its the agriculture sector (Governo de Moçambique 2011)[7]. According to a key informant at MINAG, at the time this chapter was written the Mozambican government was still in negotiation with the Chinese and prospects seem promising[8].

The current dynamics of Chinese-Mozambican cooperation should be considered with reference to FOCAC measures. Mozambique was granted one of the thirty Agricultural Technology Demonstration Centres established in Africa in the framework of FOCAC, with the main objective of transferring Chinese technology to boost the agriculture and livestock sectors. Mozambique was the first country to receive this type of Chinese aid in Africa.

The cost of the Agricultural Technology Demonstration Centre of Umbeluzi (CITTAU) (located in Boane, southern Mozambique) was estimated at CNY 40 million (approximately US$6 million) (Durán and Chichava 2012). Construction started in 2008 with technical assistance from the government of Hubei province. CITTAU is managed by HLMO Co., LDA, the same company that was managed the Ponela rice farm in Xai-Xai irrigation scheme[9]. The CITTAU was officially inaugurated in July 2011 by the Mozambican president; and it launched its first training course in Chinese agrarian technologies in July 2012. According to the Ministério da Ciência e Tecnologia (Ministry of Science and Technology) thirty local farmers from the course (Ministério da Ciência e Tecnologia 2012). One of the main objectives of CITTAU is to take advantage of Chinese technology to increase Mozambican rice production from estimates of two to three tonnes a year to nine to ten (Durán and Chichava 2012). In addition to rice varieties, some others varieties of cotton, maize, and rice are also being tested (ibid). As is evident in these examples, China-Mozambique interactions in this area surpass bilateral agreements, loans or grants and, as a result, various institutions have become involved.

Patterns and trends of Chinese investment in the Mozambican agricultural sector

In order to provide a comprehensive view of Chinese investments in the agricultural sector, this section presents a synthesis of all Chinese investments approved by *Centro de Promoção de Investimentos* (CPI), the public agency responsible for promoting private investment in Mozambique. The data used for this purpose includes projects approved between 2000 and 2010. However not all private investments are channeled through CPI, only those seeking fiscal incentives. It is also not possible to confirm through the CIP data whether a project actually got off the ground. Despite these shortcomings, the CPI database is the only reliable database which can be used to examine patterns and trends in private investment in Mozambique.

Table 1.Chinese investment in Mozambique's agriculture sector (2000-2010)

Investor	**Objective**	**Year**	**Province**	**Intended Jobs Created**	**IDE ($)**	**Total ($)**
Exploração, Transformação e Comércio de Madeira	Wood exploration and commerce	2001	Cabo Delgado	1803	400 000	63699600
União dos Trabalhadores de África (UTA)	Wood exploration and commerce	2003	Cabo Delgado	150	1000000	1000000
China Grains and Oils Group Corporation Africa (CGOG Africa) (a)	Planting, distribution, processing and trade in agricultural products; forest cutting, distribution, processing; relevant trade; tourism and transport.	2005	Sofala	150	5500000	6 000 000
Biworld International Limited	Purchase and sale of timber, sale of various kinds of industrial machinery and agricultural, import and export.	2006	Tete	215	200 000	2000 000
Xin Jian Companhia	*	2006	Zambézia	200	195 000	200 000
Hubei Liafeng Mozambique	Import and marketing of industrial machinery and equipment, agricultural fertilizers and other agricultural chemicals; Development of agricultural activities, namely the production of all sorts of grains, legumes and vegetables, farming of small animals, among others.	2007	Gaza	6	1200000	1200000
Weng Chen Liao	*	2009	Sofala	60	60 000	60 000
Sunway International Mozambique LDA	Production and industrial processing of peanuts and sesame	2010	Nampula	50	500 000	500 000

Source: Centro de Promoção de Investimentos(2011)

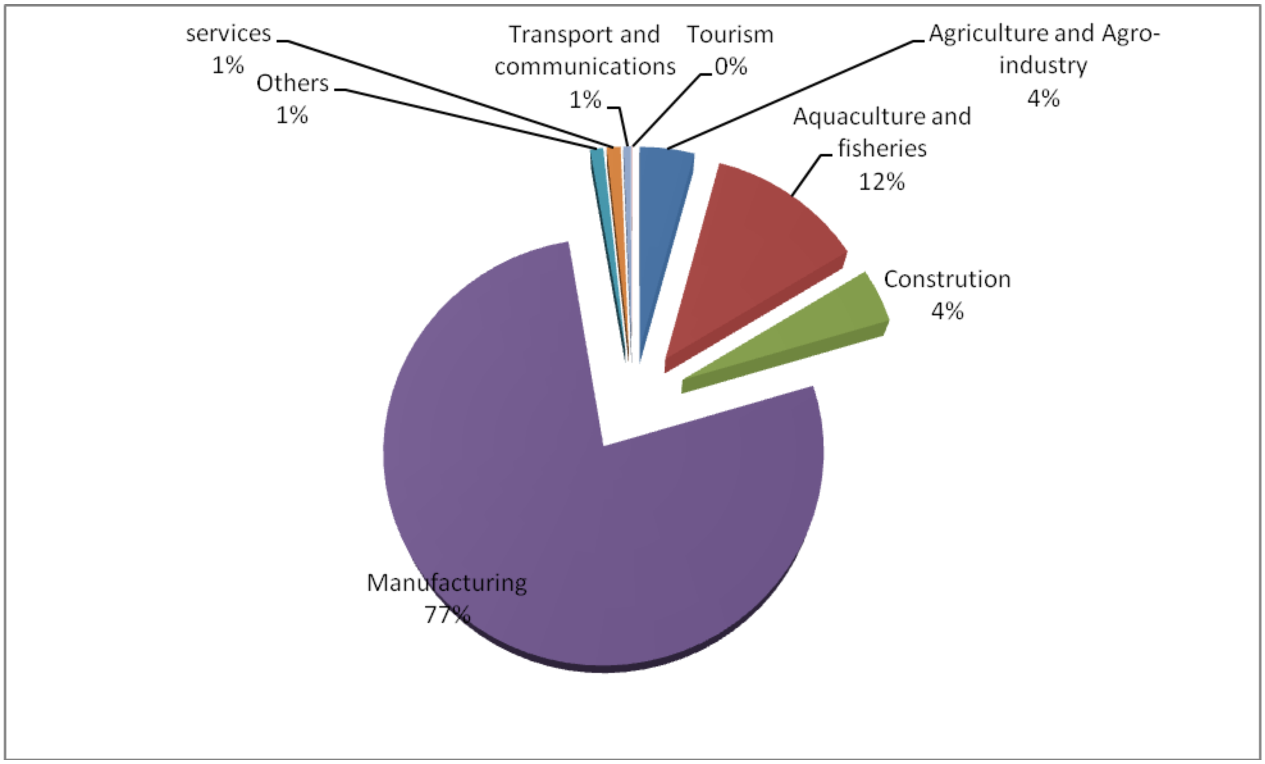
* Uknown.

What is perhaps most interesting about this data is the fact that, the majority of Chinese companies have invested in timber, not in food crops. It is also important to note that the Wen Cheng Liao Company and China Grains and Oils Group Corporation Africa (CGOG Africa) — a subsidiary of China Grains and Oils Group Corporation (CGOG), a state owned enterprise— projects failed due to reasons that are unclear (Centro de Promoção de Investimentos 2009). In 2009 the Mozambican government suspended the approval of all large land concessions in order to carry out an inventory, leading to the Wen Cheng Liao Company not being able to carry through their investments. (Centro de Promoção de Investimentos 2009).

The China Grains and Oils Group Corporation Africa (CGOG Africa) was planning a joint venture with a Mozambican enterprise, Aruangua Agro-Industrial, Limitada. This enterprise is owned by a local businessman with close ties to the Frelimo party, and the project was planned to be one of the largest Chinese investments in agriculture in the country. The project, however, never materialized for reasons that remain undisclosed. CGOG Africa was among a list of eleven investments projects listed as on hold in 2008. Among several explanations advanced for the failure of this project, potential accounts include the withdrawal of investors, lack of clarity on sectoral regulations, lack of financial liquidity and investors' financial dependence (Centro de Promoção de Investimentos 2009). In 2008 CGOG Africa surrendered its stake in the joint venture to China BegbuLisheng Chemical Technology Development Co. Ltd (Boletim da República 2008).

According to CPI data, between 2000 and 2010 agriculture, agro-industry and construction were the sectors that received the least investment, accounting for only 4 percent; the majority of Chinese investment targeted the manufacturing sector (77 percent), followed by aquaculture and fisheries (12 percent). Investment in aquaculture and fisheries is important to note particularly because it constitutes one of the sectors prioritized by the Mozambican government in its fight against food insecurity (see Governo de Mocambique 2011a).

Graph 1. Chinese FDI by sector (2000-2010)



Source: Centro de Promoção de Investimento (2011)

The pattern evident here is not dissimilar from other non-Chinese FDI investments in the agriculture sector. Indeed, between 2000 and 2010, although agriculture and natural resources were the sectors that attracted the most investment, the largest part of the FDI in agriculture was concentrated on forestry (67 percent) and biofuel production (18 percent) (Mandlate and Castel-Branco 2012).

Nonetheless, recent developments point to dramatic changes in patterns and trends in Chinese investment in agriculture in Mozambique, with an increasing number of companies looking to invest in this sector. According to some sources, the CPI approved two new big investments in 2012. The first project, Agricola CCM, features an investment of $50 million in agriculture and livestock in Barué, Manica Province (Zambezi Valley) (email, personal communication, 17 July 2012). Barué is considered by GPZ as the location with the most potential in the Zambezi Valley to develop livestock. The Agrícola CCM is an enterprise created by CCM Construções Limitada, a joint venture between Nanjing Construction Group and John Kachamilla, a former minister of Ministry of Mineral Resources (Boletim da República 2011).

The second project is headed by China Wanbao Oil and Grain Co Ltd, which took over the Hubei Lianfeng rice concession in the Ponela block in Xai-Xai. In addition to China Wanbao Oil and Grain Co Ltd, the Lianhe Africa Agriculture Development Co. Ltd. (another company based in Hubei) is also planning to invest in food production (Dúran and Chichava 2012).

In addition to rice, Mozambique is one of the main destinations of Chinese investment in cotton in Africa. In fact, China-Africa Cotton Moçambique Ltd. (CACM) plans to invest US$ 20 million in cotton growing and cotton processing in the provinces of Manica, Sofala and Inhambane. CACM is the result of an association between Chipata Cotton Company Moçambique and China-Africa Cotton Development Ltd. This company also purchased the *Companhia Nacional de Algodão* (CNA), a former French cotton production company[10]. In 2011, CACM inaugurated its cotton processing factory in Beira, the capital of Sofala province. China-Africa Cotton Development Ltd. is also operating in other African countries, namely Zambia, Malawi, Zimbabwe and Tanzania (China-Africa Cotton Development Limited 2010).

The next section will analyse the China Wanbao Oil and Grain Co Ltd. This choice is justified by the fact that this is the biggest Chinese investment in Mozambican agriculture and is currently at an advanced stage of implementation.

From Hubei Lianfeng Company to Wanbao Grain and Oil Investment Limited: delivering on FOCAC promises?

The initial contacts between Chinese and Mozambican representatives from the respective provincial governments of Hubei and Gaza started in 2005. An initial agreement was signed in 2007, shortly thereafter replaced by a new one in 2008, valid for a period of five years (Direcção Provincial de Agricultura de Gaza 2008). As a result of this bilateral agreement, a rice production project was established in the Ponela block in Xai-Xai irrigation System by Moçambique Lianfeng Desenvolvimento de Agricultura Co., Limitada (also referred as Hubei Lianfeng Mozambique Co, Lda, HLMO, CO, LDA). Lianfeng Overseas Agricultural Development Co. Ltd, a state-owned enterprise, is the parent company of this enterprise[11]. According to CPI data, the Project was costed at $1.2 million and is currently carried out in an area of only 300 hectares. It was expected, however, that this area may would increase to 10,000 hectares. Under the Gaza and Hubei governments' agreement, there was also a proposal to develop horticultural production in Moamba, in Maputo province (Direcção Provincial de Agricultura de Gaza 2008).

During the period 2008-2009 a group of Chinese scientists from the Chinese Academy of Agricultural Sciences (CAAS) visited Xai-Xai to perform some yield tests, with the support of the Bill and Melinda Gates Foundation (BMGF) under its 'Green Super Rice Programme' (Bräutigam and Ekman 2012: 7, Chinese Academy of Agricultural Sciences 2009). Thirty varieties of Chinese hybrid rice and one Mozambican variety, called 'Limpopo rice', were tested with success. The yields of the Chinese rice varied between7.64-10.26t/ha while the average of the Mozambican rice variety was 7.61t/ha (Chinese Academy of Agricultural Sciences 2009: 5). Besides Mozambique and other Asian countries, CAAS is developing similar research projects in two other African countries (Nigeria and Uganda) and a number of Asian states, with the continued support of BMFG. In Nigeria the rice tested poorly because of 'the poor water management and land preparation', and in Uganda they were not implemented due to unknown reasons. In Africa, only tests in Mozambique had favorable results (ibid.).

Under the Hubei and Gaza province agreements it was established that the HLMO Co., LDA was obliged to help local communities by transferring technology to boost their productivity and by employing local people.

The analysis will now shift to the process of technology transfer, which has caused a certain amount of disillusionment with Chinese agricultural interventions within the local farmer communities.

The main local community that benefits from Chinese agricultural technology transfer is a group of local farmers, organised in an association named *Associação dos Agricultores e Regantes do Bloco de Ponela para o Desenvolvimento agro-pecuário e Mecanização agrícola de Xai-Xai* (Ponela Block Association of Farmers and Irrigators for Agri-Livestock Development and Mechanization in Xai-Xai, ARPONE), which includes 46 farmers selected from a group of approximately 150 candidates[12]. The non-selected candidates have to wait as suppliants. According to our sources linked to ARPONE, the initial selection process was fair and was publicised in the press. ARPONE farmers were attributed an area of 285.5 hectares at Ponela block[13].

Nonetheless, farmers must pay for access to the Chinese technical assistance and many ARPONE members were not able to do so. There are several other features of this interaction that are worth noting, especially concerning the modalities and the meaning of Chinese technology transfer. In addition, the agreement is silent about the rights and obligations of Mozambican farmers.

In order to indicate the nature of the relationship between ARPONE farmers and HLMO CO, LDA, we can look at an agreement signed in 2011 between both sides. The objective was to cooperate and help Mozambican farmers with the preparation of an area of 100 ha.

Table 2. Cost of Chinese technical assistance

Activity	Cost (mt/$)
Assistance with trenching services	5 000 mts p/m (≈$ 180 p/m)
Land leveling	3 000 mts/m (≈$ 100)
Supplying seeds	24 mts/Kg (≈$ 0.86/kg)
Assistance in sewing process	Non mentioned
Supply and herbicide assistance	3000 mts/m (≈$ 100)
Mechanized cutting followed by machine threshing	3000 mts/ha (≈$ 100)
Rice transportation from the farmers to the factory for processing	1 000 mts/ha (≈$ 30)

Source: Associação dos Agricultores e Regantes do Bloco de Ponela parao Desenvolvimento agro-pecuário e Mecanização agrícola de Xai-Xai (2011).

In addition, in the framework agreement, ARPONE farmers were obliged to sell their production for 10 mts/kg (≈US$ 0.34/kg) to HLMO CO, LDA.

Nevertheless, it must underlined that the payment for Chinese technical assistance is in the framework of a new Chinese policy which emphasises the sustainability of developmental projects not only based on 'ideological' or diplomatic issues after years of their failure in Africa. As appointed by Bräutigam and Xiaoyang (2011:692) 'while diplomacy remains a major purpose of aid, significant reforms in the 1990s and 2000s positioned China's official engagement in Africa to bolster China's long-standing policy that aid should generate 'mutual benefit''. Nonetheless, the financial weakness of the major members of ARPONE, as will be addressed below in more detail, will deprive them of receiving technical assistance from the Chinese.

The HLMO CO, LDA, failure at Ponela block

Given these concerns, it must be stressed that the problem was not only the ARPONE's incapacity to pay for Chinese technical assistance, but also the inability of **HLMO CO, LDA** to manage or even to develop its own project at Ponela, mainly due to financial and material difficulties.

The table below shows the evolution of the production of HLMO CO LDA during the first three years (2007-2010), according to the agricultural authorities of Gaza.

Table 3. HLMO CO LDA Evolution of the Rice Production

Campaign year	**Area (Hectares)**	**Productivity (Ton/Hectare)**	**Production (Tons)**
2007/2008	20	9	180
2008/2009	30	9	270
2009/2010	40	9.5	380

Source:: Direcção Provincial de Agricultura de Gaza (2010).

As depicted in table 3, until 2010 HLMO CO LDA achieved more or less the production objective of 10 tons per ha. Nevertheless, they never reached the full use of the 300 ha plot, which was one of the conditions recommended by the MoU in order to have the concessional area extended (Direcção Provincial de Agricultura de Gaza 2010). DPA reports indicated that, even though the global production results could be considered positive, HLMO, CO, LDA failed to respect one of the agreement clauses related to technology transfer, namely the testing of seeds and the introduction of new methods of irrigation (ibid.).

To reinforce this argument, we can look to the 2011 agreement between ARPONE farmers, HLMO, CO, LDA. As was previously stated, in 2011 HLMO CO, LDA committed to help ARPONE farmers to prepare an area of 100 ha, but this failed to materialise because of the lack of equipment to assist all the farmers simultaneously; so they only worked with two farmers[14]. As we can see in this statement, HLMO, CO, LDA was not able to assist the local farmers or to fully exploit its own concession:

The Chinese enterprise that is there [at Ponela block], is obliged to transfer technology according to the agreement, but it wasn't even capable of exploiting the entirety of its 300ha concession. They used to exploit 40 ha, 60 ha, 80 ha. Only last year they did a little bit more... Also because when they arrived here their team was very small and they were not well-equipped. So they could hardly help all local farmers...they tried to do their best, but it was difficult; the areas are too big... Besides, technology transfer is not free; it has costs. ' (Interview with HC, Xai-Xai, May 2012).

This is one of the main reasons why in 2012 a Chinese private enterprise, Wanbao Grain and Oil Investment Limited undertook the Hubei Lianfeng project in Xai-Xai, with an investment of $ 95 million that created a new company called Wanbao Africa agriculture Development Limited (WAADL). Nonetheless, in terms of the direction of management, the structure remains more or less the same, with Haoping Luo, — the former head of HLMO CO LDA – still as the head of WAADL.[15]

The transfer was made under an agreement with the Bureau of Complaints of Hubei. It is considered to be the 'first and the largest overseas agricultural investment from Xiangyang city' in Hubei province and to represent a 'major success' as well as a 'microcosm of successful 'going out' of Hubei agriculture' in the implementation of the Chinese government policy (Hubei Daily 2012; DanqingandYongsheng 2012). The achievement of Wanbao Grain and Oil Investment Limited also permitted the entry of another giant Chinese enterprise, Liugong, which specializes in the construction of agriculture equipment. Liugong signed an agreement with Wanbao to supply equipment for this project, estimated at 27.582 million Yuan (China lifting Network 2012). It is worth noting that this is part of Hubei province's strategy to invest in other African countries such as Sierra Leone and the Democratic Republic of the Congo (DRC).

Equally, in Mozambique, the achievement of Wanbao Grain and Oil Investment Limited is seen as an opportunity to overcome the country's rice deficit:

> Against all [bad] things that are said or are propagated, this is a strong investment which will catapult rice production in Mozambique… in 5 000 ha, according to my calculations as an agronomist, if they produce seven or eight tones per acre minimum twice a year … they can produce 70 or 80 thousand tons of rice. This alone will reduce the Mozambican rice deficit by a fifth... This is strategic thinking. In the MoU, they are obliged to help our farmers to boost their productivity. They are doing this without any problem… (Interview, Ministry of Agriculture, 1 August 2012)'.

In contrast to the official view, the ARPONE farmers whose experiences with HLMO CO, LDA were not entirely positive remain skeptical and are anxious to see what will happen[16].

In spite of this, one cannot only blame the Chinese for the poor performance of ARPONE's farmers; a better understanding of the ARPONE association and the profile of its members is also needed to understand the current situation.

In fact, it can be said that due to many factors, ARPONE farmers are not yet equipped to develop agriculture projects of this kind: they do not have the necessary and required agriculture equipment, they do not have easy access to credit and they lack the necessary training or experience in the field. Even if they reach the production stage with their limited means, they must face the lack of agricultural market chains as they do not have access to harvest equipment nor processing factories[17]. For example, according to ARPONE farmers, the 2010-2011 rice campaign was one of the most successful, but because of the lack of harvest equipment, production deteriorated[18]. For example, among the 46 ARPONE members only in five owns a tractor[19].

The lack of access to credit was cited as one of the main problems by almost all the farmers. According to ARPONE farmers, during the last five years, access to credit has been very restricted, not available to all, and typically disbursed outside the recommended rice-planting timeframe recommended. As a result, rice planted in the wrong season was plagued by birds and rats, leaving Mozambican farmers with significant losses. This makes them less eligible for new credit and creates a vicious cycle. In brief, the problems faced by the ARPONE farmers are not an exception in the Mozambican agriculture sector. At the same time, these are the main obstacles to the development of the sector, as illuminated by this statement:

> The *Associação dos Agricutores e Regantes de Ponela* [Ponela Association of Farmers and Irrigators, ARPONE] has neither stores nor even hoes, not to mention a tractor. But it is an association that nevertheless wants to produce in361acres, now we are only using 275acres' (Interview, Xai-Xai, May 2012).

To complete the picture, it must be stressed that the main people who created the ARPONE association are Frelimo's locally-important members, such as the current vice-minister of territorial Administration and the former Provincial Secretary-General of the Party in Gaza, as well as various provincial directors like those of Agriculture and Social Services who are also farming in Ponela. We can also add to this list the provincial governor's wife, who is considered one of the most successful farmers in Ponela block. Most of these people do not have any agricultural experience, and they are using their positions, either in the party or in the State, to acquire land or to use state means to cultivate their farms or to gain Chinese favours. This suggestion is illustrated in the statements below:

> … I am very critical of the government's land concessions. It is not right to see our leaders allocating land to themselves because they have an obligation to ensure people's livelihoods. For example, the [provincial] governor is obliged to resolve our problems, the administrator [of the district] also should resolve our problems, the *primeiro-secretário* [head of the party] idem, the *secretária-permanente* [third provincial government figure] idem. We can only go to the government when we have complaints about our financial partners. It's up to them to resolve this. How can monitor themselves if they have no impartiality?' (Interview with an ARPONE farmer, Maputo, 3 August 2012).

Those senior figures of the Party or the State are the only ones who are able to easily obtain bank credit or pay to obtain Chinese technical assistance, which, as has been stated, is not bilateral technology transfer but paid consultancy services. My interlocutor insisted on this point giving the case of the provincial director of agriculture:

> For example, the provincial director of agriculture is the person to whom we have to address our problems of seeds. But he has a parcel [at Ponela block] and he has the possibility to use the State Equipment and means, so he is not concerned with our problems. He has the power to decide where and how to allocate the DPA equipment. He can use the seeds and the tractors of the DPA for his parcel; he is not like us, and he doesn't have the same problems.... he has never had the same problems we do. In the first [agricultural] campaign he was the first to harvest the rice and in this campaign also, because he has the conditions to do this... he doesn't fight to improve our conditions... He is the person who has the obligation to deal with the banks, with MIA [Moçfer, one of the enterprises helping the ARPONE farmers with seed supply], in order to help us, but he is only concerned with his own business' (Interview with one ARPONE farmer, Maputo, 3 August 2012).

What is more, the number of Frelimo political figures and state officials (usually Frelimo party members) farming in Ponela block is growing because they are replacing the ordinary members of ARPONE association who are not able to do agriculture because they lack money and equipment. Additionally it is important to note that 'new arrivals' do not follow the waiting list and are often able to jump the queue. As stated previously, the initial list of local candidates for parcels at Ponela block was composed of 150 people. Those not selected in the initial phase joined a waiting list for suppliants. This 'new group' includes the current *secretário províncial* (head of the Frelimo party at provincial level); the *secretária-permanente* of *Direcção Províncial da Agricultura*, DPA (third in the DPA hierarchy); the administrator of Xai-Xai district; the director of agrarian services; and some RBL engineers (a public company charged to manage Xai-Xai irrigation system), who at time of this study where undertaking their first agricultural campaign:

> The process of land allocation to our leaders did not follow scrupulously and strictly what was on the list… do you think that the *Secretária Permanente provincial* [premier secretary of the province], second in the hierarchy after the governor [of the province], the *Administrador,* supreme chief of the territory, followed the criteria [of the list]?...The people [alternate candidates] are very hungry with the process, I know that they are very hungry, but what can they do?' (Interview with one ARPONE farmer, Maputo, 3 August 2012).

However, according to Mozambican bureaucrats from RBL and *Direcção Provincial da Agricultura,* Provincial Department of Agriculture (DPA) and to some politicians, the main problem was not HLMO CO, LDA, which was transferring technologies to the Mozambican farmers and was encouraging them to boost their productivity. The main problem was that this group of Mozambican farmers was not committed to agricultural tasks and they showed limited interest in learning with the Chinese[20]. Evidently, this kind of affirmation does not please ARPONE farmers, as shown by this statement:

> At this moment the only ones producing are the Chinese and some people supported by them. But the authorities say in the media that we are all producing, that everything is going well. I read in the newspaper that the administrator [of Xai-Xai, who owns a parcel at Ponela] said that we are producing. He is exaggerating. If he says this, the government will not help us in Gaza [because they take his word]. He shouldn't say that everything is okay, because it isn't. But he says that because of his [personal] interests' (Interview with ARPONE farmer, Maputo, 3 August 2012).

It must be stressed that the personalization of state resources by rulers for their own benefit it is not specific to this case. It must to be understood in the general framework of the actual logic and process of bourgeoisie formation in Mozambique, or within the context of Frelimo's objective to co-opt opposition political members, independent and critical civil society or to develop the Frelimo party in the Renamo stronghold, the main opposition party (see Forquilha 2009, 2010, Cahen 2011, Castel-Branco 2010).

For instance, the *Fundo de Investimento de Iniciativa Local* (OIL), established in 2006 with a budget of '7 million *meticais*' (≈$ 230,000) and official with the aim of promoting development at the district level by supporting local individual initiatives. Forquilha (2009, 2010) shows that most of this fund is not distributed according to the meritocracy of the projects but according to political influence. The sympathisers of Frelimo or the State agents (in general members or sympathizers of the Frelimo party) are favored unlike the opposition sympathizers or members.

Clearly, being a member or sympathizer of the party, or a senior state official, is the best way to take advantage of opportunities at all levels, control access to natural resources or to influence decisions, organizations and institutions or to anticipate or to 'facilitate' access to natural resource for foreign investors (ibid, Cahen 2011:4, Castel-Branco 2010: 58).

It is easy to understand in a context of limited state resources and where the control and the access to state is seen by local elites as the only way to realise success, wealth and political power and where Frelimo party without any challenger (civil society or political parties) has been in power since the independence of country.

Chinese Land grabbing in Mozambique?

Similar to what has been said about China in other African countries, stories or rumours concerning the hoarding of land by Chinese investors in Mozambique are widespread. The most spectacular episodes occurred in 2007 and 2008, when researcher Loro Horta published news indicating that the governments of Mozambique and China had signed an agreement to transform the Zambezi Valley into the first Chinese agriculture 'colony' in Africa (Horta 2007; 2008).

According to Horta, the Chinese were interested in producing rice, and they had plans to send, initially, 3,000 farmers (the number would rise later to 10,000) to the provinces of Zambézia and Tete. The apparent aim was to produce rice to export to China (ibid).

Horta argues further that this was part of a Chinese plan to modernise the Mozambican agricultural sector. This project was estimated at US$800 million and it aimed to boost Mozambique's rice production over five years, from the current 100,000 tons of rice to 500,000 tons. Apparently the concession of funds by the Chinese, for major projects like the construction of the Catembe Bridge and the Mpanda Nkhuwa Dam, depended on the granting of land to the Chinese (ibid).

However, this information was immediately denied by the Mozambican government, claiming that 'in Mozambique, the land is not being sold or leased' (Rádio e Televisão Portuguesa 2008), which does not fully correspond to the truth.

Indeed, Horta was harshly criticised by some researchers, especially in light of the fact that there was no evidence of any Chinese plan either to modernise Mozambican agriculture or to invest in Zambezi Valley (Bräutigam and Xialong (2009: 697-698); Bräutigam (2012); Bräutigam and Ekman (2012); Ekman (2010, 2012).

In fact, the evidence from Zambezi Valley does not confirm Loro Horta's assertions. Nevertheless, the former representative of GPZ, Sérgio Vieira, was very enthusiastic about bringing Chinese investment to the Zambezi valley and he worked hard for it. The most important achievement of Vieira was the aforementioned concession of $50 million from China Exim Bank to be used in the development of agricultural projects in the Zambezi Valley.

Also, if Horta was wrong about the Chinese plans to invest heavily in the Zambezi Valley agriculture, the truth is that the GPZ and Chinese companies signed different agreements in order to develop the Valley. In 2006, media quoted Sérgio Vieira, saying that GPZ signed agreements in 2006 with three Chinese companies namely China Minmetals, Zhen Hua Harbour Construction and

Construction and Agriculture Machinery Import and Export in order to develop several activities in the port, mining and agricultural equipment sectors in Zambezi valley (Macahub 2006; Agência LUSA 2006).

During Hu Jintao's visit, the official Bulletin of GPZ, *O Vale Online*, reported that GPZ signed a MoU in 2007 with the Chinese enterprise, Zhen Hwa (Zhen Hua?), to develop different projects in the Zambezi Valley and because of the high potential of this region they hoped to see large-scale Chinese investment in this area (O Vale Online 2007). According to Macauhub (2011) Sérgio Vieira was also quoted in a 2011 interview in by the Mozambican weekly *Magazine Independente*, saying that thanks to the support of China Exim Bank credit of 50 million dollars, the Zambezi Valley was experiencing improvements never seen before. However, despite the will and the efforts of the GPZ to attract Chinese investment to the Zambezi Valley, there was nothing more than mere intentions[21].

The former provincial director of agriculture in Zambezi explains what happened with the negotiations between the Chinese and GPZ. He also explains why the Chinese preferred to invest in Xai-Xai instead of investing in Zambezia:

> The Chinese have shown some interest in investing in rice production in the region of Zambezia. The Chinese government has shown a keen interest in the region, but things did not work and nothing has happened yet. Why? The main reasons are the following, and I can say this because I have participated in the negotiation process with the Chinese. In the first phase, the Chinese wanted 50,000 hectares (this was the first condition). So we went to visit the land and we identified some possible sites for the investment. The Chinese therefore sent a team to study the soil, the infrastructure requirements, etc. After this study, they imposed new requirements. For example, they analyzed the closer river to the investment zone and they found that this river is a seasonal river. This means that there are seasons where there is water and some seasons where the river is dry. This was a problem for the Chinese. They also noticed that the necessary infrastructure was not in place... They required minimal infrastructure, otherwise the investment would be too expensive. There is a need for irrigation, communication, roads, ports, etc. So after this experience they said that they preferred to invest in Nampula where the port is more important. What we have in Xai-Xai is different. It is different to rehabilitate an existing infrastructure than to start from zero [in the Zambezia case]. In Xai-Xai the irrigation system exists since colonial times and the Chinese had only to rehabilitate it, repair the channels... so if at Xai-Xai rice production per hectare could cost between US$2,000 and US$3,000 (considering the investments made to improve roads, canals, etc..), in Zambézia the cost per hectare could be between US$ 7,000 and US$ 10,000. So the Chinese withdrew... But the [Chinese] interest in investing in Zambezia agriculture, especially for the rice production, has not disappeared, because the region presents very good conditions for this crop' (Interview, Ministério da Agricultura, Maputo, February 2012).

To further substantiate the idea of Chinese interest in Zambezi valley, the former director of Zambézia DPA said:

> In Zambezia there is large-scale Chinese private investment, especially in the forestry sector. These are private investments but fall within the scope of cooperation. The cooperation agreement or the MoU between China and Mozambique establishes that Chinese investors can exploit Mozambican forest resources in exchange for Chinese know-how. I don't know the names of these companies, but most of them are from Guangzhou, near Hong Kong' (ibid).

Regarding the chinese rice farm in Xai-Xai, even though the activities of WAADL are still at an early stage, some concerns and fears are beginning to emerge in the local press. For example it was reported that the Chinese were displacing more than 80 thousand small farmers to put their project in place[22]. Besides forced resettlement of the local population, another concern relates to water management. According to *Fórum de Organizações Nacionais de Gaza* (FONGA), a local NGO quoted by the independent daily '*Canal de Moçambique*', because of the intense use of water that this project will require, it may bring drought to Baixo Limpopo (Nhacuahe 2012).

In the end, even though we cannot confirm the existence of Chinese land grabbing, or talk about a 'Chinese agricultural colony', in Loro Horta's words, the WAADL investment in Xai-Xai will bring profound economic and socio-cultural impacts in the region.

Conclusion

This paper leads to three conclusions: (1) first, the Mozambican case shows that Chinese engagement in agriculture either through investment or bilateral or multilateral cooperation is becoming increasingly important, even though it is too early to estimate its political, economic or social impacts. The pattern of this interest is quite varied, including food crops, especially rice, cash crops like cotton and silk, among others. It must be stressed again that this is one of the main Chinese promises to Africa; (2) second, Mozambican farmers' difficulties of access to agriculture credit is one of the main obstacles to the development in the sector. And (3) third, like other modes of FDI or international aid, Chinese aid and investment in agriculture sector is mostly used by local political and state elites mainly linked to the Frelimo party in order to improve their own lives or to strengthen the party in the opposition stronghold through either buying the conscience of its members or sympathizers to improve those of the ordinary people. Here, the major beneficiaries of these Chinese rice investments are the local political and state elites. If these logics continue to persist or if the political or state elite continues to use their position to accumulate, the widely-anticipated development of agriculture in Mozambique, or an emergence of an important and strong group of Mozambican farmers in Ponela Block, will remain a mirage.

[1] This fund was established in March 2007 by the Chinese government through the China Development Bank (CDB) and is one of the eight promises made by the Chinese government at FOCAC 2006. The Fund will eventually reach 5 billion dollars to support Chinese companies investing in Africa. In April 2012, CDB claimed that it had invested US$57 million in several agricultural projects in Africa, primarily cotton, leather processing, sisal, sugar, farm equipment assembly and sales (China Development Bank 2012). Unfortunately, we didn't find any non-Chinese source to support these figures.

[2] According to the Mozambican Poverty Reduction Action Plan 2011-2014 (PARP 2011-2014) poverty's definition 54.7percent Mozambicans are poor. Here poverty is seen as 'an inability by disability or lack of opportunity for individuals, families and communities to have access to minimum conditions, according to the Inability disability, or lack of opportunity for individuals, families and communities to have access to minimum conditions, according to basic rules of society., families and communities to have access to minimum conditions, according to the inability disability, or lack of opportunity for individuals, families and communities to have access to minimum conditions, according to basic rules of society' (Governo de Moçambique 2011:5).

[3]The Xai-Xai irrigation system covers an area estimated of 12,000 ha. For its part, the area of Ponela block is estimated at 572 ha divided between the Chinese enterprise and ARPONE farmers. For more in depth description of Xai-Xai irrigation system see Ganho (forthcoming).

[4]The Matama State Farm is best known for having hosted the victims of '*Operação Produção*', launched in 1983 by the Mozambican authorities, with the aim of moving the urban unemployed people to the rural zones in order to work in the agriculture.

[5]Considering that GPZ, (Office of the Zambezi Development Plan) to was unable to reach their goals, the Mozambican authorities closed it in 2010 and replaced it with the *Agência de Desenvolvimento do Zambeze* (AGZ).

[6]Ratilal was a former central governor Bank of Mozambique and vice minister of Commerce.The alliance with foreign capital has been one of the ways used by the new Mozambican bourgeoisie to do business in Mozambique. The alliance between Chinese entrepreneurs and Mozambican political elite is not a secret. The best known and most controversial is the alliance in the timber sector. However, there are strong indications of linkages in other sectors, especially mineral resources. Due to its importance, this issue merits a thorough study that is not the subject of this paper.

[7]These two dams were considered, after independence, to be the future of the Cabo Delgado Province. The former President of Mozambique, Samora Machel, wanted to build a city in Chipembe thanks to the insights created by this dam (Foreign Broadcast Information Service 1983). The Chibempe dam (or irrigation system of Chipembe) was constructed in the 1970s with the support of North Korea.

[8]Interview, Ministério da Agricultura, August 2012. Besides these affirmations, it was noticed that the Chipembe dam (paralyzed during the civil war) will be rehabilitated by the Brazilians through the Câmara de Comércio e Indústria Brasil-Moçambique (CCIBM), which will work with EMBRAPA to develop agricultural activities (JM Online 2012). Moreover: Notícias (2012), the main Mozambican quotidian affirmed that Chinese have already accepted to finance these two irrigation systems. This information was unconfirmed by our source, who is the same source quoted by this newspaper.

[9]It's important to note that thanks to the establishment of CITTAU, Chinese firms - mainly from Hubei have received some privilege to invest in Mozambican agriculture. In fact, Lianhe Africa Agriculture Development Co. Limitada, with the headquarters at CITTAU is planning to invest large sums in Mozambican agriculture (Boletim da República 2012).
It is also important to underline that companies from Hubei province are investing in other sectors besides agriculture. Between 2011 and 2012, according to a research in Boletim da República (an official bulletin), we found some companies from Hubei: Gomesol, Limitada; Tiamo Indústria e Comércio-SociedadeUnipessoal, Limitada; Joyo Industrial e Comércio, Aqua-Alliance Co., Limitada, dedicated to the import and export of several products (Boletim da República 2010).

[10]More information about CACM on its website: http://mozambique.ca-cotton.com/Indexe.asp?id=10.

[11]Apart from agriculture, Hubei Lianfeng Company in partnership with Hubei State Zhouji Farm, is also investing in the construction sector through a society called Lianfeng Building Materials, Limitada (Boletim da República 2010).

[12]Interview with the head of ARPONE Association, Xai-Xai, May 2012.

[13]Normally, the area attributed to each farmer is 5 ha. Nonetheless, there are seven farmers with 10 ha and one with 20 ha. It should be noted that the Ponela irrigation system is managed by a public enterprise, called *Regadio do Baixo Limpopo* (RBL) created in 2010, which, amongst other things, has the duty to assist the local farmers and other users of the irrigation system. So as it can be noted, RBL was created some years after the arrival of the Chinese and the establishment of ARPONE and it is therefore still early to draw any conclusions on its role.

[14]Interview, Xai-Xai, Mai 2012.

[15]Our source from CPI said that the Wanbao Grain and Oil Investment Limited is estimated in $ 200 million.

[16] Interviews, Xai-Xai, May 2012.

[17]Interviews with the RBL employers and ARPONE farmers, Xai-Xai, May2012.

[18]Interviews with ARPONE farmers, Xai-Xai, May2012.

[19]ibid.

[20]ibid.

[21] Interview, Ministério da Agricultura, Maputo, 1 August 2012.

[22]At this stage of our research it wasn't possible to confirm this information.

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