



China International Fund-SPI: *the
chinese Frelimo connection*

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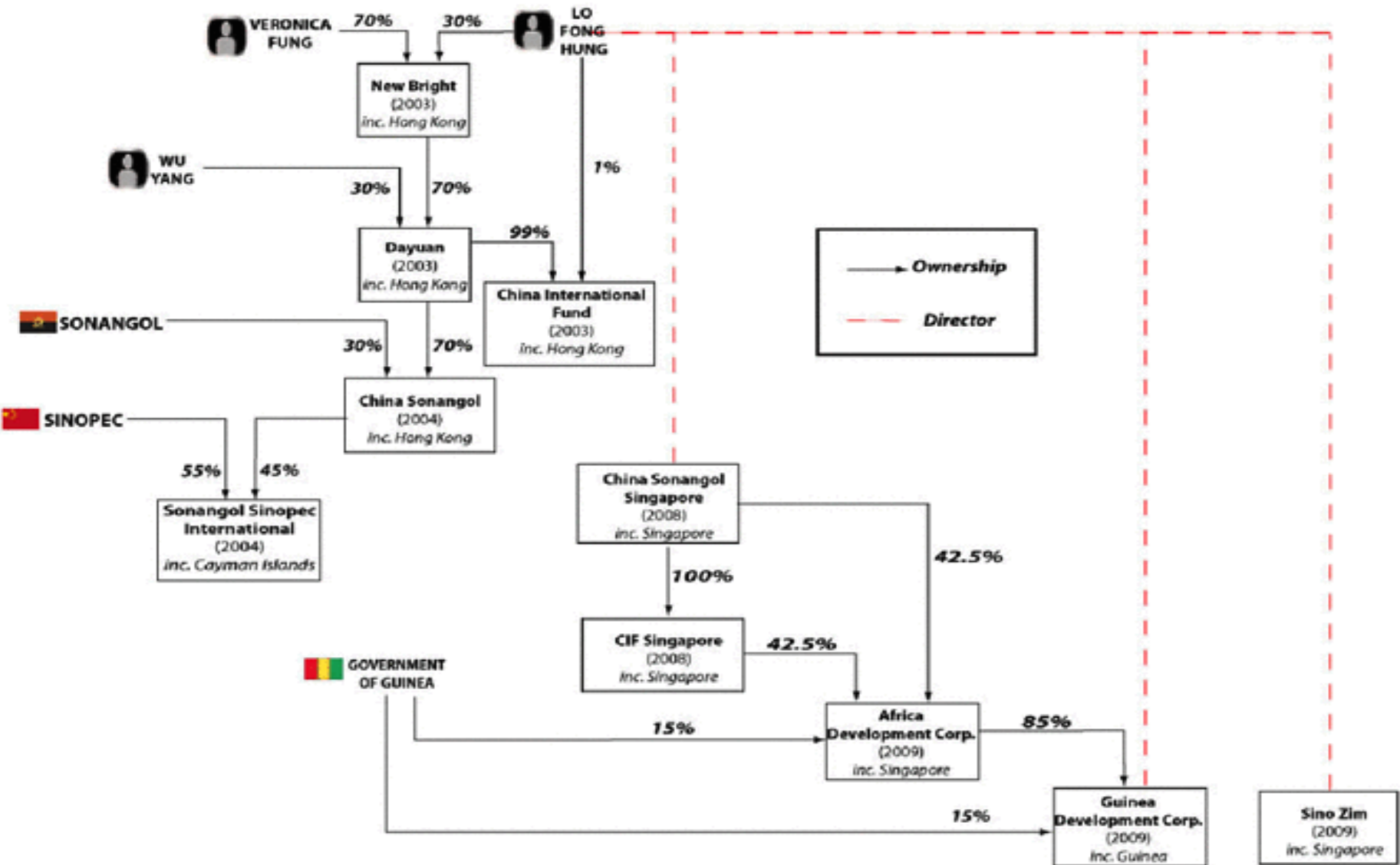
China International Fund-SPI: The Chinese Frelimo connection

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High level connections in African countries: the most famous examples involving CIF

- China International Fund is established in 2003 in Hong Kong.
- Mission: large-scale national reconstruction projects and infrastructure construction in developing countries.
- CIF makes part of a network of Chinese private enterprises (more than 30 subsidiaries) that share the same address: 10/F Two Pacific Place, 88 Queensway, Hong Kong.
- These companies are managed and owned by some key individuals, who have no background before they established the 88 Queensway Group. Some of them are: Veronica Fung, Lo Fung Hong, Wu Yang



Sources: Hong Kong corporate registry, Singapore corporate registry

Opaque directors, more doubts

- Xu Jinghua, alias Sam Pa, Sam King, Sa Muxu, Samo. is believed to be the President of CIF but is not listed in any official documents.
- After some episodes of disagreement, the Chinese government, specially the Ministry of Foreign Affairs. For example, during a presidential visit of Hu Jintao to Argentina, huge investments were announced. According to *La Nacion* (2005): “*The Argentinean government was victim of so-called influent people talking “in the name” of China*”. Among these investors: Helder Bataglia (Banco Espirito Santo), Sam Pa from Cambodia, Manuel Vicente (CEO of Sonangol) and Lo Fung Hong (business woman from Hong Kong)
- In Venezuela, these individuals also appeared in Aló Presidente (the Tv Show of Presidente Chavez), in Venezuela.
- *Asia Times* (2007): Xu has “Cozy relationship” with Angolan government and military circles. It is believed that he sold arms to Angola during the Cold War. And that’s when he met Dos Santos.

CIF in Angola (1)

- During Angola's civil war, the relations with China developed around security and defense matters.
- Angola civil war ends in 2002 and there is an important improvement of China-Angola economic and commercial relations, some examples:

1-Public axe: China-Exim Bank loans:

- March 2004, the first \$2 billion oil-backed loan to fund reconstruction projects
- July 2007: \$500 000 million to finance complementary works
- September 2007: the second \$2 billion loan
 - The loans are managed by the Ministry of Finance in a more or less transparent way.

CIF in Angola (2)

2-Private axe:

1-CIF loans to Angola:

-In 2004/2005 CIF announced a \$2.9 billion oil-backed loan. According to some sources, the loan could reach \$9.8 billion.

- The loan is managed by the Gabinete de Reconstrução Nacional (GRN).
- The GRN was created in 2004, it is accountable only to the presidency and Helder Vieira Dias –Kopelipa- (Minister of the Casa Militar, leading military advisor and friend of Dos Santos) was named director.
- GRN's power is removed in 2010. Texeira Flor (former minister of Urbanism and Housing) is named in front of GRN. And GRN's responsibilities are transferred to Sonangol.

CIF in Angola (3)

List of projects

- Housing:** 215 500 units of public housing in Luanda and in 7 other provinces
- Automobiles:** Industrial park with total annual production of thirty thousand SUV
- Public utilities:** Repair of Luanda's drainage and water supply, reconstruction of drainage and water supply of Senado da Câmara, Rio Seco, Surcoa and Cazenga. Restoration of six main roads in Luanda and replanning the infrastructure in Precol, Cazenga-Cariango.
- Roads:** Highway from Luanda to Lobito; road restoration projects throughout the country
- Railways:** Construction of Luanda Railway and Benguela Railway; imports of locomotives and rolling stock.
- Airports:** Construction of the New International Airport of Luanda
- Office building:** Twenty-five-story office building for CIF; new National Administration Complex to house the presidential palace, the Parliament House, Supreme Courts, offices for ministries.
- Water:** Irrigation and hydroelectric system of the Kwanza River.
- Logistics bases:** in Luanda, Benguele and Namibe.
- Nova Luanda:** financing of \$3.5 billion for the new urban center.

Available at: <http://www.chinainternationalfund.com/projects1.asp?Id=277>

CIF in Angola (4)

2- The Queensway Group is also present in Angola through China Sonangol, which is a joint venture between Sonangol (30%) and Dayuan (70%)

- It's an initiative to expand the 88 Queensway Group activities to the energy sector: petroleum exploration and crude oil production.
- When we talk about China Sonangol, we need to consider that is not just Chinese private interests; but also, Angolan state interests.
- The head of the venture was M. Vicente until 2012. Who is close to Dos Santos, and could be the second post behind Dos Santos for MPLA elections.

CIF in Angola (5)

- Angolan civil society, media, and international officials have denounced the dubious character of CIF's actions in Angola.
 - Marques (2012) quotes the Chinese ambassador in Angola: "*CIF has a poor management and lacks leadership but enjoys of a "close relationship" with dos Santos*". A Chinese official says: "*CIF is a company that has no construction records or credentials*". This is a problem when we consider that this company is undertaking millionaire construction projects in the country, and we can ask to whom are they benefiting?
 - In 2007 all the construction projects were stopped because of lack of funding. On June 2007, US ambassador in Angola reported that "*miscalculations of operating costs*" had left the company "*financially strapped*".

CIF in Guinea (1)

- In 2009, CIF signs a \$7 billion deal with Guinea's government. Guinea's mining minister, M. Thiam calls it: *"The deal of the century"*
- This is followed by the creation of a joint venture between CIF (through China-Sonangol) and Guinea's government (15%): Guinea Development Corporation. M. Thiam expressed: *"In exchange the CIF will become our strategic partner in a mining project that will start with setting up a national mining company in Guinea...where all the state's interests in mining projects will be housed"*
- The deal was possible thanks to M. Vicente's (CEO of China Sonangol and Sonangol) connections with M. Thiam. M. Thiam carrier started in Trillium International New York from 1991 to 19994, during this time he made several business trips to Angola. For this reason, according to a Guinean website, Thiam asked for Manuel Vicente's visit to open any negotiations with CIF. (*L'Aurore* 2009). M. Vicente flew in 2009, as head of Sonangol and of China Sonangol.
- Guinea's case shows how a CIF linkage with African-Angolan elites is opening investments and deals opportunities to CIF, and at the same time they are benefiting from it.
- According to Wikileaks sources on Rio Tinto: *"Thiam personally benefited from the deal"*

CIF in Guinea (2)

- This deal has been strongly criticized because it was announced weeks after the 28th September 2009, the military attacked a manifestation, killing more than 150 people.
- Guinea opposition has rejected the deal : *“First of all, it is immoral, and second of all, it is illegal for many reasons, the least of them being the massacre that occurred two weeks ago. And the other one is that this junta has not been recognized by any country ”*
- The Forécariah mining concession is supposed to be run by GDC, CIF and Bellzone
- In 2010, Alpha Condé was elected as head of state. And the future of CIF activities is uncertain.
- CIF also has problems delivering results in Guinea.

CIF in Madagascar

- Angolan-Guinean connections with CIF have been successful in expanding the group's businesses in other African countries. For example, it is reported that in 2009, Thiam travelled several times to Madagascar with CIF representatives. Thiam is close to the Malagasy mining minister, Mamy Ratsomilala.
- From these encounters and negotiations, it was created a joint venture between CIF (75%) and the Malagasy government (15%): the **Madagascar Development Corporation**. The business model follows the same logic as in Guinea or Angola, where infrastructure projects are financed against mining and oil concessions
- Projects: a cement factory, 10 000 units of social housing, tramway in Antananarivo and renewal of Air Madagascar.

CIF in Zimbabwe

- The Global Witness report (*Financing a Parallel Government?*) reveals hints about Sam Pa connections with Central Intelligence Organisation (CIO) in Zimbabwe.
 - Sam Pa appears to be a close friend of Happyton Bonyongwe (director of CIO)
 - Sam Pa offered \$100 million and 200 Nissan pick-ups to the CIO.
 - The Global Witness report, “Financing a Parallel Government?” denounces how the CIO has received off-budget financing from Sam Pa (CIF executive) and how members of the CIO are directors of a group of companies registered in Zimbabwe, the Virgin Islands and Singapore: Sino Zimbabwe Development.
 - Sino-Zimbabwe Development Limited pledged \$8 billion investment on infrastructure

First impressions

1-There are important questions and doubts concerning the financing and management of the CIF loans? Where does the money come from?

2-For the moment, CIF has not shown the capacity to develop projects of this magnitude around Africa, in Angola, Guinea or Madagascar. It appears that very little infrastructure is being built

3-From Angola, to Guinea, Madagascar and Zimbabwe, CIF has managed to enter with high level connections. The African leaders and partners have played an important role in opening new investment opportunities and promoting the group.

4-CIF – China Sonangol activities have to be seen as “China” and “Angola”

CIF-SPI Gestão e Investimentos: The case of Mozambique (1)

- China International Fund entered Mozambique through the creation of a joint venture with SPI – Gestão e Investimentos SARL (Frelimo's holding company) in 2009: CIF-Moz Limitada (Boletim da Republica, N° 46, Serie III, 20 Nov 2009).
- The objective of the venture is to develop economic activities in the following sectors: agriculture, industry, tourism, mining, commerce, production of construction materials and services
- China International Fund has 80% of the shares and SPI-Gestão e Investimentos holds the remaining 20%
- The total share capital is 1 250 000 Mts, in dollars: \$43206.18 (Boletim da Republica, N° 46, Serie III, 20 Nov 2009).

CIF-SPI Gestão e Investimentos: The case of Mozambique (2)

- SPI – Gestão e Investimentos is known as Frelimo's holding.
 - SPI was created in 1992 and since then its known as the financial arm of the party. Political parties in Mozambique are not authorized to create enterprises, as non-profit organizations. But, according to some Mozambican bloggers and journalists, a selected group of militants was chosen to manage SPI. Legally, the SPI belongs to individual persons and not to the party.
- SPI founders:
 - Eduardo Arao
 - Angelo Azarias Chichava
 - Carlos Morgado
 - Teodor Wate (deputy)
 - Manuel Tome (deputy and ex-SG of Frelimo)
 - Cristina Tembe
 - Jose Ferreira Songane
 - Moises Massinga
 - Jose Augusto Topo
 - Alberto Jamisse

CIF-SPI Gestão e Investimentos: The case of Mozambique (3)

- The last years, SPI has energized its economic activities in different sectors and investments. For example:
- Financial participations:
 - Casino Polana, SA
 - Cervejas de Moçambique, SA
 - Salvorhoteis Moçambique, SA
 - Kudumba Investments, LDA
 - Tubex, SA
 - Celmoque
 - Foris Telecom Moçambique, SA

Parenthesis:

Kudumba Investments, LDA has been question of debate. In fact, Kudumba, the company that won the controversial concession for the management of the airport scanners. SPI controls 35% of the shares of Kudumba. According to a study By the Centro de Integridade Publica (CIP), the election of Kudumba was forced by the connections with the political elite. The functioning of the scanners has been in question also, because of corrupt logics.

CIF-SPI Gestão e Investimentos: The case of Mozambique (4)

Investments:

- Real estate projects: 3 residential and commercial buildings in Sommerschield (Maputo). Also, SPI is interested in tourism-real estate projects in Bilene (Gaza), Tchumene (Maputo) and Tete.
- Brasil Genericos e Farma Natural
- CIF-MOZ Cement factory in Matutuine

CIF-SPI Gestão e Investimentos: The case of Mozambique (5)

- CIF-MOZ cement factory in Matutuine (Maputo province)
 - The mining concession was approved in 2011 and is valid until 2036 (Boletim da Republica, N° 19, Serie III, 12 May 2011).
 - The total investment for the cement factory is \$72 million
 - Production capacity of 5000 tons of cement per day and 1 800 000 tons per year

CIF-SPI Gestão e Investimentos: The case of Mozambique (6)

- CIF-MOZ problems:
 - Centro Terra Viva (Mozambican NGO) states that CIF-MOZ started the construction of the factory before doing the environmental study (Estudo de Impacto Ambiental), the public consultation (Consulta Publica) and therefore before having the environmental license.
 - Today, the project is going on but the 230 families, affected by the construction, complained because they have not been resettled.

The boost of cement production in Mozambique

- Two more other Chinese investments for cement production in Maputo province:
 - Africa Great Wall Cement Manufacturer plans to build a cement plant in Magde, with a capacity of 500 000 tons. The cost is \$78 million.
 - GS Cimento has an investment of \$100 million to build a plant in Boane, with a capacity to produce 550 000 tons per year.
 - Bill Wood is also interested in implementing a cement factory but there is nothing confirmed yet.

SPI's conflict of interest?

- Mozambican journalists have denounced the impossibility to guaranty independence of decision making and to avoid conflict of interests by some of the Frelimo members who are part of SPI. They quoted:

MANUEL TOMÉ : Deputy and member of the Comissao Permanente of the Assembleia da Republica (CPAR); member of the Comissao Politica do Partido Frelimo; non-executive manager of Fidroelectirca de Cahora – Bassa and share holder of Frelimo SPI – Gestao e Investimentos, SARL.

TEODORO WATY: President of Comissao de Assuntos Juridicos, Direitos Humanos e de Legalidade na Assamebleia da Republica; member of the Comissao Politica of Frelimo; PCA of LAM; non-executive manager of Barclays and share holder of SPI (« Frelimo's milking cow»)

SPI's conflict of interest?

Even SPI has been referred as: “*Coligaçao para a partilha de recursos*” or “*Frelimo's milking cow*”

-According to CIP: “It is very important because, outside of Mozambique, people see those in power to get rich because they are in Parliament. They are in three or four companies while accepting money from the state, serve Parliament of the Republic and pass laws favoring their friends and family. This is not acceptable ”

Food for thought

- It's interesting to notice that CIF's arrival in Mozambique has not caused controversy as it has done in the other African countries. Also, we don't have signs of infrastructure contracts and funding in exchange of natural resources, as we saw in the later examples.
- What can we say about this? Is CIF changing its modus operandi, to more modest business?
- Besides Chinese economic interests in Africa, the CIF's activities lead us to ask how the political and economical elites (in this case of Mozambique and through SPI) are using their positions to profit of the economic boom?
- According to Hanlon and Mosse (2010): "there maybe a shift to creating what appear to be well run businesses, using the state access to gain contracts and licenses". The big question is if they are doing it right, creating employment and better opportunities for Mozambicans? How are the African governments, leaders and societies, benefiting from the arrival of new investments from China, or Brazil, or India?
- In fact, We have the tendency to see China as one great and powerful actor coming to Africa. And to understand China-Africa, it is important to deconstruct this idea and look up all the different faces of this relation. CIF's connections in Africa and CIF-SPI is only one side of the story.



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