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**THE MOTIVATIONS FOR CHINESE
ENTREPRENEURSHIP START-UP IN AFRICA:
*CASE STUDY IN DAR ES SALAAM¹***

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Abstract

Entrepreneurship defers to the discovery of opportunities and to create growth and profit for a company. A more developed country usually is the target place for entrepreneurship start-up because of more favorable economic situations. However, in recent years, more and more Chinese people start their business in Africa despite the facts that Africa is the poorest continent in the world and the relatively not pleasant living place for most people. This research aims to find out the reasons, more specifically the motivations for Chinese entrepreneurship start-up in Africa. According to previous study, a model is developed. This model contains economic and social motivations. Through a qualitative research by conducting interviews with Chinese entrepreneurs in Dar es Salaam, we found out that both economic and social motivations intrigue Chinese entrepreneurs to start business in Africa. What's more social motivations also serve as a moderator to strengthen the relationship between economic motivations and Chinese entrepreneurship start-up in Africa.

KEY WORDS: Africa, Chinese entrepreneurship start-up, motivations

The motivations for Chinese entrepreneurship start-up in Africa: case study in Dar es Salaam

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1. INTRODUCTION

The nature of human instinct to search for the new opportunities drives people to leave their born place to a new environment (Marsellan, & Ring, 2003). There are studies on the factors that drive people to migrate from the perspective of the sending country. Market liberalization, privatization and deregulation that leads to unsatisfactory economic growth and eventually to social inequality, become the new motives for emigration (Gullette, 2007). The difference of education level also influences the selectivity of the emigration (Takenaka, & Pren, 2010).

People are intended to live in more developed countries to fill the economic gap between wealthier countries and their home countries (Postelnicu, 2013). As a result most of the researches are about the Chinese immigrants and business start-up in most popular destinations like United States, Australia, United Kingdom, and other Europeans countries. However, since about half of the immigrants are actually moving from a less developed place to another less developed place in recent years, because of the raising importance of ‘Global South’, it’s unwise and less tenable to focus on migration flow and business start-up from less developed countries to developed and wealthy countries (Sanderson, 2013). Nevertheless, being still the least popular continent for Chinese immigrant and business start-up and the area that is even less developed than China, Africa was not the researchers’ most interest, regardless the substantial economic influence by Chinese immigrants to Africa economy.

After 2000, Chinese government and big Chinese companies increase their stake in Africa (New York times), leading to a bigger amount of Chinese migration and business start-up to Africa, including state-influenced construction teams and mining

and oil workers and private traders (Mohan, & Tan-Mullins, 2009). Increasingly large amount of Chinese people are now rooted in Africa, and started their business from health care clinics and trading companies. There are at least 750,000 Chinese living their lives in Africa now, estimated by Xinhua News Agency (New York times). What's more, in political and economical aspects in the whole area level, China has been playing the main role in Africa and providing substantial support to its development (Burke, 2007). China has been inputting aid, trade, investment and people to Africa (Mohan, & Tanmullins, 2009). In order to tighten the business relationship with Africa, Chinese government provides information, support, and coordination mechanism to the Chinese investor in Africa (Maswana, 2009). Even though Chinese brings competition to local business, there is no denying that the inflows of Chinese firms and entrepreneurs do have positive influence on the local economic development in Africa, making African people's lives better (de Jong, & Pennink, 2013). While Africa benefits from Chinese inflows of capital and resources, what do Chinese gain from this trade off? These benefits might serve as the reasons behind the increase of Chinese entrepreneurship in Africa.

In this study, we will focus on the decision on the destination from the individual, especially focusing on entrepreneurship. There are some reasons that the spot is on entrepreneurship. First of all, studying on Chinese Entrepreneurship in Africa gives decision makers the idea on how to develop the private sectors (Nnadozie, 2002). Secondly, through this study, it could become clear that what will works for Chinese entrepreneurship in Africa. From the perspective of politics, Chinese state policy is the greatest drive for the formal migration to Africa (Mohan, & Tanmullins, 2009). China has officially announced the commitment to create a win-win strategy for economic exchange with Africa (Maswana, J. 2009). However there are very few studies on the motivations for Chinese informal migration to Africa. It's unclear why Chinese go to Africa to start their business instead of doing business in more advanced economies. Therefore this study will focus on the motivations for the start of the Chinese entrepreneurship in Africa. Ho has done a research on the reason for Chinese people living a limited community lives in Ghana through person-center

method (2012). Using the same individually center method, this study applies an in-depth qualitative research by doing interviews with Chinese businessmen in Africa in order to understand their purpose to start business in Africa. The result of this study can have implications for the local economical development in Africa to be lifted in a higher level. According to the above argument, we develops the following the research question:

What are the motivations for Chinese entrepreneurship start-up in Africa? How are these motivations influence the Chinese entrepreneurships start-up in Africa

The answer for the research question can be implications for Africa to further improve economic environment for Chinese entrepreneurship which helps the development of local economics, for example by modifying the credit facilities, “market exploration for products” (Wineaster, 2011).

In the next part, concepts and the causalities will be discussed and conceptual model will be presented. After that, we will discuss the methodology concerning focus of study and data collection in part three. In the forth part, the result of the research will be outlined and discussion about the finding will be presented. We will draw a conclusion according to the discussions. Lastly, future researches suggestions will be provided

2. CONCEPTUAL MODEL

It's not surprising that Africa is the least studied area for entrepreneurship due to its lower stage of development. The lower level of institutional and economic development as well as the relatively rare business network and activities confront entrepreneurs with great difficulty in Business start-up (Kiss, Danis, & Cavusgil, 2012). Not until recent decades do the world find out the opportunities hidden Africa. People start to enter Africa market despite of the hardness.

According to Nnadozie, there are three ways to study entrepreneurship: economic approach, noneconomic approach and a combination of both (2002). In this study, combination of both approaches will be used by studying both the economic motivations and social motivations of entrepreneurship start-up. The first consideration for immigration is the economic motivations for the destination (Sorhun, 2011), motivations like income, consumption and price (Fafchamps, & Shilpi, 2013). The second consideration concerns social motivations (Sorhun, 2011) like amenities, distance, population, and crucial motivations for entrepreneurship, network externalities and herd effect (Sorhun, 2011; Fafchamps, & Shilpi, 2013) etc. These factors not only concerns immigrant to start new life and job in foreign countries but also concern self-employed or business start-up. Organization depends on the resources and information they can gain from the external environment (Ho, & Wong, 2007), and the above-mentioned motivations are respectively based on resources and information. In the following part, potential factors will be examined and a conceptual model will be provided, in which we hope to catch the main motivations for Chinese business start-up in Africa.

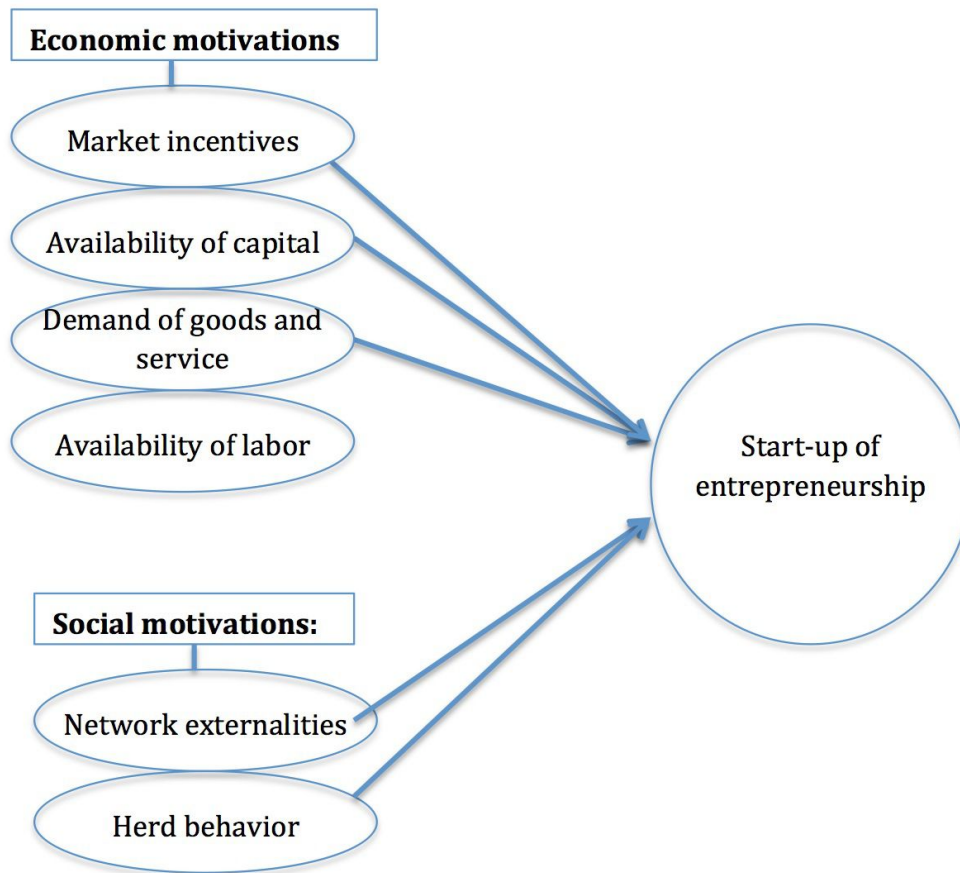


Figure 1: Conceptual model

2.1 Economic motivations

Economic approach states that only efficiency issues and material factors matters for the success and failure of entrepreneurship. Based on this, there are four factors in Economic motivations enabling international entrepreneurship, which in this study refers to Chinese entrepreneurship in Africa: market incentives, availability of capital, demand for goods and services, and availability of labor (Nnadozie, 2002).

Market incentives

Market incentives refer to the situations and conditions of the market provide entrepreneurs opportunities for business start-up (Nandozie, 2002). Since the day of independence, Africa has experienced great development (Andreasson, 2011). African government has been trying to integrate Africa by launching the Tripartite Free Trade

Area (T-FTA) (Vickers, 2013). This macro economical moves will benefit small business investors like the Chinese people since a more integrated continent can actually attract more investment for the bigger markets and higher GDP. This investment will have spill over effect and bring up the local economic, which provides a more attractive business environment thus motivating people more. Although Africa still is facing serious developmental problems, with barely touched area and growing consumer markets such as banking, telecommunications, Africa is increasing attractive to investors with opportunities to compete in a growing, competitive global economy (Andreasson, 2011), the attention shifting from BRIC (Brazil, Russia, India, China) and other countries to Africa. Unlike China, shifting from agricultural to industrial economy, Africa is actually shifting to service economy and other tertiary sectors. Consequently, growth in industry is slow and low level of productivity keep Africa from improving the standard of living (Kumar, & Bergstrm, 2013). The ‘going global’ policy opened the gate to investment opportunities for Chinese firms, resulting in a new economical trading trend (Maswana, 2009). What’s more, richness in resources not only provides great opportunities but also help sustaining the growth in Africa itself (Vickers, 2013).

Proposition 1a: The Market conditions in Africa have positive influence on Chinese Entrepreneurship start-up in Africa.

Capital requirement and Availability of capital

Capital is one of the important economic resources when talking about the need for entrepreneurship. Capital requirements have deterred entrepreneurship in two ways on industry, firm and individual levels (Ho, & Wong, 2007). First of all, certain industry requires large amount of investment for production, and a lot of entrepreneurs cannot afford it. Secondly, for entrepreneurs with limited access to capital, it’s also hard for them to start business. Although in 2011, according to the research of Kumar and Bergstrom, access to Finance is actually the second biggest constraints for manufacturing firms (2013), African governments are devoted to promote economic activity for growing and development (African Business, 2013). As the Sino-African relation develop further, African governments are imposing investment conditions in

favor of Chinese investors (Vickers, 2013). The set up of Dubai International Financial Center (DIFC) give access to Chinese firms for the free zone to African markets (African Business, 2013). Easier getting access to capital can effectively lower the requirement of capital in an indirect way and motivate Chinese people more to start entrepreneurship in Africa. However, for small business, there are still great difficult for them to get financial access, because of the lack of real estate (Kumar, & Bergstrom, 2013).

Proposition 1b-1: The capital requirement is negatively associated with Chinese Entrepreneurship start-up in Africa.

Proposition 1b-2: The availability of capital has negative influence on Chinese Entrepreneurship start-up in Africa.

Demand for goods and services

Because of fast rates of urbanization and growing population, the consumer market in Africa is growing. Rising income and living standards increase the demand for goods and services (African Business, 2013). Nnadozie also stated that oil boom of the 1970s and 1980s brings a substantial change in demand for goods and services (2002). Statistics show that consumption in Africa is higher than consumption in India or Russia. It's been estimated that consumer revenues will be rise by 410 million from now on till 2020 (Hattingh, Russo, & Sun-Basorun, 2013). This data change the traditional idea of investors, who think Africa is too poor to be a potential market.

Proposition 1c: The demand for goods and services has positive influence on Chinese Entrepreneurship start-up.

Availability of labor

Maswana argued that although Africa is still greatly connected to labor classes because of the colonial ruling capitalist classes (2009). The availability of low cost labor seems to benefit more for big Chinese companies: these companies set up new factory in Africa making good use of the cheap labor because the labor in China is rising (Wonacott, 2014). The wage for an African work is about 25% of the wage of a Chinese work. On the other hand, Lack of skilled labor in certain industries is another disadvantage and constraint for further development (Kumar, & Bergstrom, 2013),

therefore it is not surprising that Chinese big companies will import low-cost and more skilled labor from China instead of relying totally on the labor in Africa (Wonacott, 2014). However for small business entrepreneurs, the availability of cheap labor is not as attractive as other economic motivations. Overall, it can be said that labor factor will not be the main motivations for the start-up of Chinese entrepreneurship Africa. Instead, China entrepreneurs brings skilled labor into Africa, improving human capital condition in Africa (Contreras, 2013).

Proposition 1d: The availability of cheap labor has no influence on Chinese Entrepreneurship start-up.

2.2 Social motivations

Social motivations are considered to be indirect link to economics motivations (Sorhun, 2011), since social capital can influence economy (Westlund, Andersson, & Karlsson, 2013), which gives people the social motivations for entrepreneurship. Social capitals, according to Westlund, refer to “Networks together with shared norms, values and understandings that facilitate co-operation within or among groups” (2003). Availability of social capitals can have effects on the achievement in economics factor, either positively or negatively (Westlund et al., 2013). For example, an effective human network may help the firms to get access to obtain capital resources. Networks are important during the process of exploring new opportunities in an unfamiliar environment (Rahmani, 2011). There are several social motivations influencing the decision for Chinese entrepreneurship start-up in Africa. In the next part, each of these social motivations will be examined.

Network externalities

The first social motivation comes from the external social capital (Westlund, 2003): network externalities. Network externalities refer to the assistance from former immigrants and entrepreneurs (Sorhun, 2011). Knowledge from one level of social network can be spread in the same level of social network, though not necessarily between levels. These social networks and knowledge can be production-related, environment-related or market-related (Westlund, 2003). For production related

relations, it is links between suppliers, end users, and co-operating, and developing partners. Suppliers or other customers from former business may actually provide information for Africa for these new Chinese Entrepreneurs. Useful information is crucial for people to discover opportunities, and they obtain information through their social networks (Rahmani, 2011). The market is imperfect since there is transaction cost, information asymmetry (Westlund et al., 2013). With the information about economic environment, business start-up process, investment opportunities and help from legitimacy problem from the former immigrants or entrepreneurs, which is the environment-related social capital for the new entrepreneurs, the information gap can be filled and the transaction cost can be lowered so that entrepreneurs are encouraged to start business in Africa. Market-related social capital can be gained through trademarks and other general customer relations. As long as new entrepreneurs do not step in the way of old entrepreneurs, network externalities reduce the efforts for new entrepreneurs to explore a total new market, therefore it's no doubt that they will grasp this chance to do something big. However, entrepreneurs should also be cautious on useless network externalities. The expansion of the Chinese business network throughout Africa can be felt, which also contribute to the local industrial development (Maswana, 2009).

Proposition 2a: Network externalities have positive influence on Chinese Entrepreneurship start-up.

Herd behavior

The second social motivation is herd behavior, which means that immigrants intend to follow other immigrants or entrepreneurs (Sorhun, 2011). People make migration decision at different times, therefore, there are always former immigrants or entrepreneurs who can give information to the potential new entrepreneurs (Epstein, 2002). When new entrepreneurs observe the decision or success from other social group members, they will try to duplicate the business path of these social group members in order to obtain the same benefit. As people from the same social group share the same belief and values, they are more intended to trust their group members and make the same decisions. According to Epstein, although the availability of social

network can influence the choice of the immigrant or business start-up destination, herd behavior can explain the final decision (2002). Giving that a lot of places can offer network externalities, even with the same effect, people makes different choices because of herd effect. When there is no presence of network externalities, herd effect is the only reason for people choosing destination (Epstein, 2002).

Proposition 2b: Herd behavior has positive influence on Chinese Entrepreneurship start-up.

Immigration entrepreneurship is like a double-edged sword, contributing both positively and negatively to local economic development to the receiving countries (Sanderson, 2013). On one hand, immigration entrepreneurship increases the competition in the local market, making local entrepreneurs suffering from great competition on market share, and consumers, as well as on resources. On the other hand, immigrations brings along with them technology, management, human capital, financial capital, tangible capital, which are all important elements to push local economic development. Due to limited result in a different social group and unfamiliarity of the environment, in order to compete in a ‘discriminated environment’, entrepreneurs are more likely to cooperate with other entrepreneurs from the host country to create a competitive advantage (Zelekha, 2013). This has actually helped to improve the level of entrepreneurship in the receiving country, and in the end, lead to growth in local economic development (Rahmani, 2011).

The development of internal market of Africa and the economic growth under the influence of developed countries, or more developed countries like China, is eventually help improving the living conditions of local African (Andreasson, 2011). For example, availability of a lot of Chinese products has lower the living cost of the local people (Maswana, 2009) . The above-mentioned motivations provide the insight of the reasons Chinese entrepreneurship start-up in Africa, which in return will contribute to the further development in favor of entrepreneurship. There are four fundamental components in local economics development: first of all, infrastructure that supports economics activities; secondly the availability of capital that can be used

for start-up of new business; thirdly, favorable policies that enables the economic environment to be competitive, socially just and environmentally responsible position; Lastly delivery of service that enables the local economics to function, keeping employment, population, life standard in a certain level (Cavaye, 2001). Looking at these components and the motivations discussed above, similarities can be observed. Promoting policies, creating favorable environment for Chinese or other countries' entrepreneurship, construction of infrastructure increases the attractiveness of the market and intrigue investors to start their business in Africa. Both in the components and economic motivations, capital is mentioned as a necessity of entrepreneurship and local economic development. As more and more entrepreneurs are welcomed to invest in Africa, with the human resources, capital, technology they brought from their home country, the local economic development can be beneficial.

According to the above discussion, the following conceptual model has been developed.

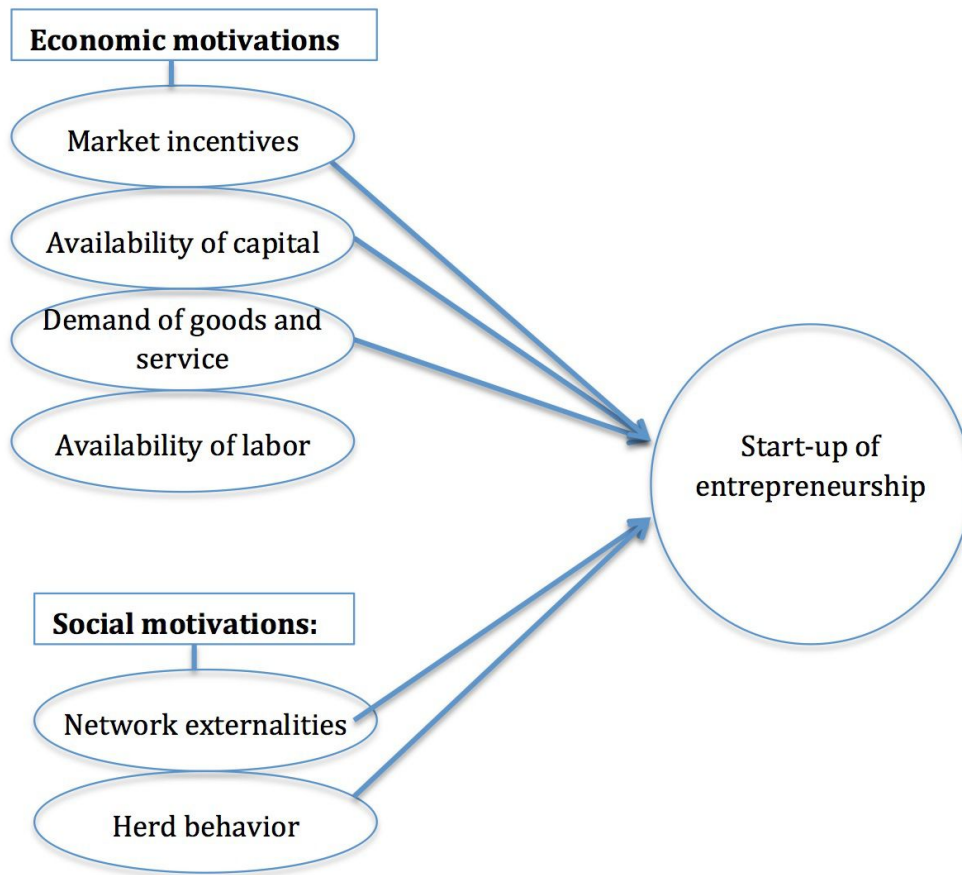


Figure 1: Conceptual model

3. METHODOLOGY

Study focus

This study aims to explore the motivations for start of Chinese entrepreneurship in Africa. Tanzania was chosen to be the study case is because first of all domestic demand is expected to be strong in Tanzania, and foreign direct investment is one of the most important support for its economic growth (Tanzania Country Monitor, 2013). Secondly, Chinese entrepreneurs and firms have brought positive influence on Tanzanian local economic development (de Jong, & Pennink, 2013). This fact indicates that these Chinese entrepreneurs have actually made the right decisions to start business in Tanzania, making the study in Tanzania more meaningful. Considering that the former capital of Tanzania, Dar es Salaam is the biggest city in Tanzania, the we choose Dar es Salaam to be the focus of study.

There are basically two types of entrepreneurships among Chinese in Africa. The first one is expatriate by large Chinese company like Huawei Technologies, while the other one is initiated by Chinese to search for new opportunities. Considering the motives for the first type of entrepreneurship, state-owned enterprises and large Chinese private firms reach out to Africa for natural resources and seeking new markets (Mohan, 2013), which according to Bergesen, is a form of colonialism (2008). While the first type of entrepreneurship belongs to micro economical aspects considering country and MNE firm level, the second type of entrepreneurship stays in individual level, and it comply with the aim of this study, focusing on individual purposes. Therefore, in order to focus on the second type of entrepreneurship, the first criterion for selection of respondents is owners of firms with less than 50 employees. Year 2000 marked a start point that trade between China and Africa shot up (Accone, 2006) and increase in Chinese entrepreneurs to Africa (Huynh, Park & Chen, 2010). Therefore, the other criterion for selection is that firms should started after 2000, so that the change in macro economical environment is minimized.

Data collection and processing

Qualitative research is applied to dig deep into the phenomenon to explain the causal

relationship and to clearly describe the phenomenon. To use qualitative research, interviews will be conducted among Chinese entrepreneurs in Dar es Salaam. The advantage of qualitative research is that it provides detailed and clear causalities among different elements in the conceptual model. Since the interview is semi-structured, the interviewer can ask further after the answer from the interviewee. Interviewees are contacted first through Tencent QQ, an instant message platform used by almost every Chinese in mainland and abroad. Hopefully, after one interview, the interviewees might introduce us to their acquaintances who are also Chinese Entrepreneurs. In this way, we can approach different people in different groups and doing different business. Respondents include not only Chinese entrepreneurs but also Chinese researchers studying the development in Africa. Appendix A is the list of all respondents.

After data is collected, the script will be provided and studied by us. We will extract important information related to the research question from the interview, and then this information will be transferred into different factors. Factors will be grouped into economic factors and social factors to see if they are match with the sensitizing concepts in the conceptual model. A new and final conceptual model will be the end result of this study.

Limitations of Methodology

First of all, the topic of this study about motivations for Chinese entrepreneurship start-up is subjective and personal oriented. Some Chinese entrepreneurs chose to start doing business not because of any economic reasons but because of an escape of certain kind of trouble they were in in China, such as financial debt. The subjectivity of motivations does not fully support the conceptual model of this study, which reduces the generalization and objectivity of this study.

Secondly, due to limited and difficulties to contact with Chinese entrepreneurs in Dar es Salaam, the number of respondents is not large enough to represent the whole Chinese entrepreneurs population in Dar es Salaam. Future research on continuing this study can be conducted with more respondents in order to provide more evidence or support to the theory.

Thirdly, some Chinese entrepreneurs hired Chinese employees to take care of their business. These Chinese employees are reluctant to give out too much information because they are afraid that we are working for Chinese or Tanzania government and they are also not allowed to talk about the business by their employers.

Forth, This study is only conducted in Dar es Salaam, Tanzania. Because of different situations in different countries in Africa, and the uniqueness of Dar es Salaam as harbor and the connection between African countries and between Africa and outside world, other cities or countries in Africa are not comparable to Dar es Salaam. The result from Dar es Salaam cannot represent the result of Africa, therefore more studies and researches in other countries and cities are needed to fulfill the overall situation.

4. FINDINGS AND DISCUSSIONS

4.1 Background of respondents

Chinese doing business in Dar es Salaam now are coming from different backgrounds. Three of the respondents also ran business in China before they came to Tanzania. Two of them are still running business in China now and came to Tanzania for better channel of resources, while the other one closed his factory in China for better opportunity in Tanzania. Three other respondents were assigned by Chinese companies or organizations to Tanzania for work before, and after their work, they wanted to run business in Tanzania. Most of them are alone in Tanzania without family, for mainly two reasons: first, their families didn't want to come because of the safety and also they need to stay in China for their parents; second, most of the entrepreneurs here don't have wife and children, therefore they are here alone. Two of the respondents are husband and wife and they live in Tanzania together with their parents and child. These two respondents are the only respondents with their family in Tanzania. According to one of the respondents, most of the Chinese entrepreneurs in Tanzania are going back to China after they have earned enough money, that's also why their family didn't come with them.

4.2 Business start-up

“For normal business, the start-up is easy and the procedures are very simple.

However for special business like casino, food processing and medicine, there are more restriction and the start-up will be harder.” (Businessman 1)

“I import medicine from China, and sell them to pharmacy. The licensing procedure for medicine is very difficult and complicated.” (Businessman 3)

According to the Business Registrations and Licensing Agency (BRELA), there are two ways of issuing industry licensing: directly applying at the Registrar if capital is less than 500 Million Tanzanian Shillings, or otherwise through Tanzania Investment Center (TIC) (2012). Companies that falls into category A like estate agent, banking, tourist hotels, night clubs, import and selling need to register their business with the

Ministry of Industry and Trade, while Companies in category B like restaurant, building contractors should go with the Municipality. Both categories needs to go through with the Tanzania Revenue Authority (TRA) and the National Social Security Fund (NSSF).

According to TIC, no matter which categories the company falls into, or how much the capital is, a start-up of a local company in Tanzania consists 7-stage procedures for including company name searching (only through TIC's one stop shop), obtaining notarized return and declaration delivered form, obtaining certificate of incorporation, paying lease agreement stamp duty (only through TIC'S one stop shop), register notarized lease agreement (for categories A and B), obtaining tax identification number, obtaining a business license, registration for VAT and registration for social security (Tanzania Investment Center, 2014). Costs are varies from TZS 232,320 (around \$US 140) to TZS 831,320 (around US\$500), with an addition of licensing fees of US\$ 400 or \$US 500 depends on the investment amount (BERLA, 2012).

4.3 Economic motivations

Comparing to social motivation, economic factors influence Chinese entrepreneurs more to come to Tanzania according to the result, around 93% of the respondents thinking that economic motivations are more convincing. One respondent said that only a few people want to stay in Tanzania, while most of them will go back to China after earning enough money because of the safety concerns here and the difficulty to truly blend in the local community. Economic consideration is not the only reason but it's the most important reasons to keep people living in Africa, a place they may not be willing to live most.

4.3.1 Market incentives

Among the four Economic motivations, the market condition of Africa is the most important factor when Chinese entrepreneurs consider business start-up.

The tighter relationship between China and Africa, Tanzania, provides a stable and beneficial environment for Chinese companies in Tanzania, and drives them to start

business there.

“In April Last year, Chinese President Jinping Xi has been here and signed a 20 billion RMB agreement with Tanzania to build harbor. I believe that with such a cooperation, there will be more Chinese coming here fore research travelling, working.” (Businessman 1)

“One of reasons that Chinese do business in Tanzania is the friendship between China and Tanzania, providing a peaceful investment environment.” (Chinese investment consultancy)

“Tanzania is special because of the positive relationship with China. The railway project by China, Tanzania and Zambia gives good impression to Chinese entrepreneurs that the future for cooperation between China and Tanzania is bright. ” (Researcher on Sino-African relationship)

In 2013, Chinese president Jinping Xi visited Tanzania officially. Both parties signed an agreement between the governments concerning the promotion and reciprocal protection of investment. The agreement has come to effects on 28th May, 2014 according to the announcement of Economic and Commercial Representation of People’s Republic of China in the United Republic of Tanzania. Both parties are bound to create positive conditions for investment by the other party. This agreement enables more convenient process for visa and work permit application, no less favorable treatment for investors from the other party to do business as its own investors or other third party (in like circumstances), fare and equitable treatment, compensation for damages and losses, free transfer of returns or proceeds after tax (Agreement in appendix C). This agreement marked a new step of better friendship between China and Tanzania, which gives Chinese entrepreneurs more guarantee and confidence to do business in Tanzania.

Different sectors in Tanzania also have different incentives towards Chinese entrepreneurs.

“Tanzania is rich in touristic resources. There are more than fifteen national park and conservation area in Tanzania. However, although the touristic resources are rich, the tourism sector is not as prosperous as that in Kenya, because Tanzanian government

didn't pay enough attention before (2014).” (Businessman 1)

“There is one specie of lobster that only exists in Australia and Tanzania. Compared to Australia, the procedures for starting business in Tanzania are simpler. Investment and risk for exporting seafood here more favorable for me than other business. It's easier to adjust my plan if things go wrong.” (Businessman 2)

“...Medicine is very important here since there are a lot of diseases in Africa. Although the licensing procedures are very complicated, the profit is considerable...” (Businessman 3)

“...Tanzanite is found only in Manyara Region in Tanzania. If you can good use of this one and only resources, it's profitable. Jewel is a good business. Women like jewels.” (Businessman 6)

“I am also doing Diamond business in China, and I exported the raw material from Tanzania to China. ” (Businessman 4)

According to the respondents, with mining and agriculture being the main sector, the industry sector in Africa is really backward. Africa depends almost solely on import for daily necessities, textiles and clothing, machinery and transport equipment like automobile spare parts, construction materials, Industrial raw materials, food, drink (Tanzania Country Monitor, 2013). Due to the tax and freight cost, the selling price in the end market is really high, despite the facts that all the resource here is really cheap and the labor cost in Africa is 40-50% lower than that in China (Businessman 1). Special resources like seafood, raw material are rich in Tanzania, and because of undeveloped industry, these resources at this moment is not over consumed. It's a competition between investors: who can be the first one to find out the resources and make good use of them and earn profit. Low labor cost and richness in resource but relatively backward industrial manufacturing development, these three factors provide the Chinese Entrepreneurs opportunities to start up. If compared with the situation in China, where almost all the sectors are quite filled up with investors, Africa is a newborn baby with a lot of possibilities.

4.3.2 Capital requirement and availability of capital

According to the result, all the respondents are self-funded. There are two reasons for that. First of all, compared to other investment market like US, European countries, the capital requirement for business start-up in Africa is comparably low in most of the sectors, although the cost varies from sectors to sectors. According to TIC, the estimated amount of the cost to start a local company through their one step shop is around 270 US dollar as mentioned before. Although this is the cost for documents procedures excluding the cost of rent, hiring, it indicates that it does not cost that much for a start for some all sectors in registration process. According to one of the respondents, an owner of a seafood exporting company, the capital requirement for starting business like trading company is around 30,000 US dollar. This amount includes the paper work for company registration, the rent for a simple office, the cost for hiring six local people, and a rent for ponds to keep the seafood. In sectors like hotels or manufacturing, the requirement for capital will be higher. Electricity for a hotel with 26 rooms costs around 7,000 US dollar per month, while the rent for the hotel is around 20,000 US dollar. All in all, the capital requirement in Tanzania is low, which is one of the biggest advantages for the investment environment in Tanzania.

“The starting point here is much lower comparing to western countries. With small amount of money, you can start your business.” (Businessman 12)

Even though some of the sectors require a bigger capital, for entrepreneurs with less capital, they can still invest in sectors require less investment such as export companies, tax and accounting, financing companies, or trading companies. For entrepreneurs with strong financial support, they will consider invest in manufacturing, which needs capital for factories renting, machines. The second reason that most of the Chinese entrepreneurs in Tanzania are self-funded is because the low availability of external capital, which means they found it hard to get external financial support from bank either in China or in Tanzania. In China, bank loan is based on mortgage of real estate for small business or social network, in other words, Guanxi (Businessman 12), while in Tanzania, according to the owner of a hotel, the bank will assess the actual performance of the hotel to decide whether or to loan to

entrepreneurs. Different assessment criteria do benefits Chinese entrepreneurs who do not own any real estate in Tanzania. However, for a lot of Chinese Entrepreneurs, it's still hard to get external financial support from local bank.

4.3.3 Demands for goods and service

Demands for goods and service vary in sectors and cannot be separated with market incentives, since a high demand for goods and service provides more opportunities to entrepreneurs. The most direct indication of the demands for goods in Tanzania is Kariakoo district in Dar es Salaam, the biggest commercial and trade market in Tanzania (Businessman 15) and busiest area in Dar es Salaam. The market in Kariakoo covers several blocks and is divided into different sections: mobile phone and accessories section, household appliances section, automobile and motorcycle spare parts section, solar product section, building material and hardware section, agriculture machine section and clothes, bedding, household items section. Kariakoo market is place for both wholesaling and retailing. This centralized market provides platform for people to trade products from all over the world. Kariokoo drives the economic development in Tanzania, with a spillover effects to the whole east Africa area. This huge economic coverage attracts Chinese entrepreneurs to open the Africa market. Through selling in cheap price, Chinese entrepreneurs are able to compete with Indians and Pakistan people who have more selling channels than Chinese entrepreneurs.

For manufacturing, since industry is less developed here, relying on importing raises the price of commodities, therefore demands for lower price commodities are growing. Without freight, taxes, and customs cost, the cost of producing has been reduced in a significant amount leading to a drop of the selling price. When the price is affordable to people, the demand for this goods increases. The increase of the demands in return encourages more entrepreneurs to invest in Tanzania.

Low level of infrastructure development attracts Chinese entrepreneurs on investing in Construction. Even though Dar es Salaam is the most developed city in Tanzania, the infrastructure in Dar es Salaam is still in a low level. Regardless of the high and

modern buildings in Dar es Salaam, the conditions of roads in some district like Kariakoo and Kijitonyama are bad and rough. Tanzanian government is gradually investing heavily on infrastructure (Tanzania Country Monitor, 2013), which is relying increasingly on Foreigner direct investment.

“In recent years, constructions are prosperous in Tanzania, so I wanted to come and try.” (Businessman 15)

Such governmental policy opens the gates for Chinese entrepreneurs to invest in Tanzanian infrastructure construction. These constructions include railway, airport, roads and communication network. Among the fifteen entrepreneurs, there are five of them doing business on constructions, communication network or building materials. The prosperity of construction encourages them to go to Tanzania for business opportunities.

4.3.4 Availability of labor

Cheap labor in Dar es Salaam is abundant. According to the country report of Tanzania, less than 5% of the labor has educated further than primary school (2013), which indicates that most Tanzanian people are not competent for high-required job. As a result, there are lots of people are unemployed. Evidence can be found that a lot of unemployed people hanging around in areas like Kariakoo that are not in the City center. It's easy to hire people for jobs that do not require special skills. The minimum wage in Tanzania is 180,000 Tanzanian shilling, around 110 US dollars. Such a low wage standard benefits all employers includes Chinese entrepreneurs. For example, it's easy to hire cheap labor for factories, for constructions. However, since most of the local people didn't progressed beyond primary school, they cannot speak proper English, most of the case, they cannot speak English at all. Lack of skill, on the other hand, is another fatal weakness of the cheap labor force in Tanzania.

“All my employees are local people. The labor cost for Chinese is much higher. Also only one local people hear orders from me, but all the local people work for that local employee. All I have to do is to work with one local people. It's easier and more efficient. Chinese people are not familiar with the laws here too.” (Businessman 3)

“Most of the time, I hired local people because of the low cost. However, for important position such as accounting manager, I hire Chinese people. It’s safer.”
(Businessman 12)

To solve these two biggest problems, except from hiring skilled local people, Chinese entrepreneurs also import Chinese or other countries’ skilled labor into Tanzania. The salaries for this skilled labor are much higher than local unskilled labor. In order to minimize the cost of hiring foreigners or skilled local people, companies will only hire skilled labor for higher management position such as finance manager, HR manager. These foreign and local skilled managers build up stronger trust with the Chinese entrepreneurs, and they trust Chinese managers in particular since they are from the same culture. This kind of management mode saves the Chinese entrepreneurs the trouble of learning Swahili to communicate and the potential danger that certain important information will be exposed through people they don’t trust. They only have to supervise several senior managers, who will supervise lower employees for them. The availability of cheap labor lowers the cost of hiring people. However, in order to better manager local employees, the cost will be higher from hiring senior managers from China and other countries. The gain and lost compensate each other, and therefore, the availability of labor in Africa, or in Tanzania, have no significant effects on Chinese entrepreneurship start-up in Africa.

4.4 Social motivations

Apart from the independent influence on Chinese entrepreneurship start-up, social motivations also serve as moderator for the effects by the economic motivations to Chinese entrepreneurship start-up. To be more specific, economic motivations encourages Chinese entrepreneurs to Africa more if social motivations exist. Chinese entrepreneurs find out business opportunities in Africa through different ways even without social sources, such as government reports, news. Through social sources, they might find the information more convincing and are motivated on starting business in Africa. Among the 15 interviewed Chinese entrepreneurs, there are only three entrepreneurs were initially motivated by their family members in Tanzania and

started their own business there. One respondent said that she would not be in Tanzania if her husband were not in Tanzania. For the remaining entrepreneurs, they obtained information through their social network. They evaluate the economic situation and opportunities and decide to start business in Tanzania. Positive comments from their social group may have plus effects on their evaluation and decision.

4.4.1 Network externalities

There are two patterns for business start-up among Chinese entrepreneurs concerning social motivations more specifically the drives from social capital. The first pattern is that people first came to Africa to work for their relatives or company. During their work in Tanzania, they gradually built up their own social network.

“Before I started my own business, I worked under my uncle in a companies selling Motorcycle accessories... later on when I started my own business the customers also switched to my company.” (Businessman 13)

The social network was built up by Businessman 13 while he was working for a former immigrant. Those customers guarantee demand for goods by switching to his companies, since they were convinced by Businessman 13’s abilities of doing business. Direct help from the former immigrant might be subtle, but indirect help was significant. Same stories happened to Businessman 12 who is doing building material business. In this pattern, Chinese entrepreneurs discovered opportunities and turned potential former entrepreneurs and customers into new social network and customers. Social capital in this case is not restricted as information provided by former entrepreneurs, but also social network that Chinese entrepreneurs can make use of.

The second pattern is as follow: at the beginning, they heard from news, reports or words from other people about the situations and environments in Tanzania. They start their own evaluation of the opportunities, most of the time by doing business investigations in Africa. After the investigations, they will decide whether or not to invest in Africa.

Information is spread through social networks made up by business partners, or Chinese entrepreneurs who already started business in Africa, family and friends. Information in this early stage is more about a certain kind of business sections: backward situation of industry, rich in resources. In order to know more about Tanzania, business investigations are planned.

“From my former suppliers, I got some information about Tanzania. He told me that there are a lot of business opportunities in Tanzania and suggested me to come and have a look.” (Businessman 1)

During the business investigations, the real social network forms and people know more information from former Chinese entrepreneurs.

“...This hotel is like a platform to me to meet new people, because a lot Chinese people lives in our hotel and meanwhile conducting business investigation here. We will provide them information they need, and they also tell us more new information. ” (Businessman 17)

“I came here to find out how is the second hand car market going. I met a lot of people living in Chinese-owned hotels. They all came here for business and we shared information and introduced to other Chinese business people. ” (Businessman 7)

“I started to do seafood business is because my former landlord during my business investigation was doing seafood business. He told me about the benefits and I thought it's doable. ” (Businessman 2)

“I knew my supplier of Tanzanite during my travel in Africa. He asked me whether I was interested in selling Tanzanite.” (Businessman 6)

Restaurants or hotels owned by former Chinese entrepreneurs have become places where most of Chinese entrepreneurs hang out. These places provide a broad platform for interested entrepreneurs to share information. Former Chinese entrepreneurs offer helps on business start-up such as business registration based on their experience. They also help interested investors to smooth their investigations such as arranging SIM card or driving license. Network is built in such a way that information flows are bilateral. Potential investors obtain information from each other. The reliability of the information will be further confirmed by other people and own experience of the

investors.

“...After I came here, the price is almost triple as the price I heard. ” (Businessman 2)

“We provide services like arranging work permit, business registration, taxation, customs clearance, translations or language assistance. ” (Chinese investment consultancy)

Another form of assistance from former Chinese entrepreneurs is from Chinese investment consultancy. People spots the development of the friendship between China and Tanzania and set up consultancy to provide service to interested investors. This consultancy provides more standard services at a cost.

After obtaining information or helps from former Chinese entrepreneurs, interested investors will again evaluate the situation and decide whether or not and which sector to invest in. In the first pattern, social motivations will encourage more for Chinese entrepreneurs to start business, because a already built social network and customers base can save their effort in the future. In the second pattern, on the other hand, economic motivations are the most important factors that Chinese entrepreneurs will consider, while social motivations will stimulate and smooth the process of making decisions.

4.4.2 Herd behavior

“After I came to Tanzania for business, a lot of people in China asked me about here, about the business, and whether the profit is as expected or not.” (Businessman 13)

“One of the girl that I traveled with before in Africa found out the success of me doing Tanzanite business here. She felt really jealous, and wanted to come here as well.” (Businessman 6)

“...After I was squeezed out from the work and back in China, I started to think that why couldn't I succeed as him especially I know the customers. So I came back here and started my own business. ” (Businessman 12)

Ambitious people intend to try their best to grasp opportunities. Once they realize that other people can succeed in Africa, they attempt to duplicate the success. Because of

the strengthened friendship between China and Tanzania, Chinese people have more positive thought about doing business in Tanzania and once someone succeed, they feel confirmative about their thought. Entrepreneurs, however, are usually more rational in considering business start-up. Although they think highly of the opportunities, they first decide to go for a business investigation, which is the indication of early herd behavior. In the end, economic motivations are still the main drivers, although sometimes herd behavior will influence their thinking to believe what they want to believe. Therefore, herd behavior is expected to have less effects as network externalities to Chinese entrepreneurship start-up in Africa.

4.5 Benefits to Tanzania

Benefits brought by Chinese companies to Tanzania are showed in the following aspects:

Infrastructure

Considering Chinese state-owned enterprises and big private-owned companies, they are putting a lot of effort on building railway and telecommunication development. For small business, apart from construction projects, Chinese companies also contribute to deliver cheaper building material and technologies for construction.

“I imported cheap iron gauze from China to Tanzania. ” (Businessman 13)

“Currently, I am doing an airport construction project for Tanzania.” (Businessman 8)

“I also owned a building material company...Local people working in my factory learn a lot of technologies from me, but at the moment they are too lazy to start their business themselves. ” (Businessman 3)

“I know some Chinese people working as a construction worker in China. They were hired to come to Tanzania to teach the local people here how to built things.” (Businessman 7)

Employment

All Chinese Entrepreneurs that are interviewed stated that one of the benefits they bring to Tanzania is employment, though not a lot because they are all small business.

“I don't think I have contributed a lot to Tanzania. I am here only because I wanted to change my life and to see how much I can achieve. I only provide some job opportunity to the local people.” (Businessman 2)

“I offer jobs to around 10-20 local people.” (Businessman 12)

Cheap products-lower life standard

“One of my goal is to improve the lives of local people here. Because they don't manufacture products, the products we produce can definitely help them to develop. Of course, along with them, I also gain my profit. For some daily necessities, they imported them and sell it at a very high price now. After I can manufacture the product here, then the cost will be much lower because the reduction on tax, freight, and labor cost. Then the living cost for the local people can be lowered.” (Businessman 1)

As stated by Businessman 1, Chinese companies lower people's living standard by offering cheap price products. Chinese products win over products from other countries because of their low price. When Chinese companies are able to produce their own products in Africa instead of importing them from China, the price will be even lower, and further benefits local people.

4.6 Conclusion: consequences for our model

Both economic motivations and social motivations contribute to encourage Chinese entrepreneurs to start business in Tanzania. Economically, the attractive market environment: positive future for cooperation between China and Tanzania, backwards industry, richness in resources motivates Chinese entrepreneurs to start business in Tanzania. Capital requirement for business is low which is beneficial to Chinese entrepreneurship in Tanzania. Availability of capital is low before, however, since China has signed an agreement with Tanzania concerning promotion of investment, situations are suppose to be changed and Chinese entrepreneurs might get loan more conveniently in the near future. Demand for goods and service varies in different sectors, however overall, demand for goods and service in Tanzania is considerable for Chinese entrepreneurs. Considering the availability of labor, Tanzania is abundant

in cheap labor but in shortage of skilled labor. Therefore, it can be concluded that because of the offset effect, the availability of labor has no effect on Chinese entrepreneurship start-up. Apart from its own effect on Chinese entrepreneurship as network externalities and herd behavior, social motivations also serves as a moderator to stimulate the effects from economic motivations and Chinese entrepreneurship start-up. Chinese people start their business in Africa mainly because of the opportunities in another word economic motivations, however with the existence of social motivations particularly network externalities: people spreading word about the opportunities in Africa through social networks and former Chinese entrepreneurs' experiences, more Chinese entrepreneurs choose to start their business in Africa. There are only two ways for people to learn about the information and think about the opportunities. They learn from news, social media and they also hear from other people, who have or have not been to Africa. Social motivations are not a must in the relationship between Chinese business start-up in Tanzania, but network externalities strengthen the relationship. Positive influence of network externalities in the relationship is found in the result, however there is no evidence in the result that absence of the social motivations in the relationship will weaken the relationship. According to the above mentioned conclusion a new model is provided:

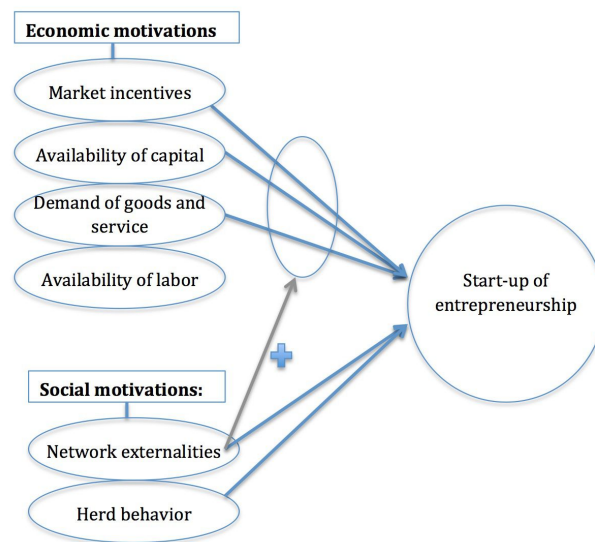


Figure 2: New conceptual model

In the new model, one new arrow with a plus is added, indicating the new moderator effect from network externalities to the relationship between economic motivations namely market incentives, demand of goods and service and availability of labor, and start-up of entrepreneurship.

Learning the motivations for Chinese entrepreneurship start-up in Tanzania, it gives us a idea that a plus or improvement on both the economic and social motivations will encourage more Chinese entrepreneurship start-up in Tanzania which on the other way positively influence the local economic in Tanzania. Creating a more friendly investment environment, smoothing the process of obtaining starting capital, this conditions benefit Chinese and also foreign entrepreneurship start-up.

5. FUTURE RESEARCHES

First of all, because this research is conducted in a qualitative way, a quantitative research can be conducted in order to gather more information and results from more respondents.

According to the limitations of the methodology, because situations are different in different countries, further researches can be conducted in other countries in Africa so as to complete a more comprehensive profile of Chinese entrepreneurship in African countries.

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Appendix A: Summary of respondents

	Sector/Institute	Type of Respondent	Date
1	Palm Beach Hotel & Casino	Businessman 1	19-04-2014
2	Seafood exporting company	Businessman 2	19-04-2014
3	Medicine wholesale and Building material factory	Businessman 3	21-04-2014
4	Jewels trader	Businessman 4	21-04-2014
5	Building material	Businessman 5	20-04-2014
6	Tanzanite trader	Businessman 6	22-04-2014
7	Second-hand car trader	Businessman 7	24-04-2014
8	Construction contractor	Businessman 8	24-04-2014
9	Construction material	Businessman 9	24-04-2014
10	Supermarket owner	Businessman 10	05-05-2014
11	Research companies	Sino-African relationship researcher	17-05-2014
12	Building material	Businessman 12	18-05-2014
13	Motocycle accessories	Businessman 13	24-04-2014
14	Chinese investment consultancy	Chinese investment consultancy	28-05-2014
15	Network construction	Businessman 15	29-05-2014
16	Guangzhou Nantian Source Co.,Ltd	Businessman 16	23-04-2014
17	Palm beach hotel & casino	Businessman 17	19-04-2014

Appendix B: Categories of business

Category A	Category B
<ul style="list-style-type: none"> - Estate agent, Estate developer, Property management, Real estate agent - Shipping agent - Shipping business - Commercial traveler - Clearing and forwarding/freight forwarders - Insurance and assurance, insurance broker, reinsurance - Tourist Hotels, Lodges, camps, Tour operators, Hunting Safaris, Travel agent, Car hiring and rent, Tourist photographic and Tourist promotion - Banking and Financial institutions Capital markets and credit card management, stock exchange and stock exchange brokers - Transportation of passenger or goods by air - Postal services - Transportation of passenger or goods by railway - Fax, Telex, email, internet service providers, internet café, internet surfing, Telecommunications service 	<ul style="list-style-type: none"> - Insurance agent - Restaurant and ordinary hotels and guest houses - Auctioneers - Itinerant trade - Supermarkets, departmental stores etc - Regional trading companies - Cooperative societies - Wholesale trade - Building contractors, electrical contractors, mechanical contractors, civil works contractors, etc - Specified professionals - Printing and publishing of books and newspapers - Spare parts and machine tools - Broker - Transportation of passengers within the city, Municipal and township - Small scale manufacturing and selling - Attended telephone services - Any other business which is not of national/international nature or not governed/proceeded by policy

<p>and sales of telecommunication equipment</p> <ul style="list-style-type: none"> - Cargo valuation, cargo superintendence and preshipment inspection - Cargo tallying - Harbours and cargo handling - Electricity production and distribution - Bureau de Change - Stevedoring or lighterage - Courier services and mail agent - Broadcasting and television - Ship chandlers/miscellaneous port services - Refining crude oil - Night clubs - Dealers in arms and ammunition - Dealers in explosive - Social security provider - Export and selling - Water drilling and supply - Dealers in broadcasting apparatus - Manufacturing and selling - Motor vehicles and dealers - Commission agent or manufacture's representatives - Import and selling - Gold and silver smith and Gemstone dealers 	
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- | | |
|---|--|
| <ul style="list-style-type: none">- Any business of international nature governed by policy | |
|---|--|

Appendix C:
AGREEMENT BETWEEN
THE GOVERNMENT OF THE PEOPLE’S REPUBLIC OF CHINA AND THE
GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA
CONCERNING THE PROMOTION AND RECIPROCAL PROTECTION OF
INVESTMENTS

PREAMBLE

The Government of the People’s Republic of China and the Government of The United Republic of Tanzania (hereinafter referred to as the Contracting Parties),

Intending to create favourable conditions for investment by investors of one Contracting Party in the territory of the other Contracting Party;

Recognizing that the reciprocal encouragement, promotion and protection of such investment on the basis of equality and mutual benefit will be conducive to stimulating the business initiative of the investors and will increase economic prosperity in both States;

Respecting the economic sovereignty of both States;

Encouraging investors to respect corporate social responsibilities; and

Desiring to intensify the cooperation between both States, to promote healthy, stable and sustainable economic development, and to improve the standard of living of nationals;

Have agreed as follows:

ARTICLE 1
DEFINITIONS

For the purpose of this Agreement,

1. The term “investment” means any kind of asset that has the characteristics of an investment, invested by an investor of one Contracting Party in accordance with the laws and regulations of the other Contracting Party in the territory of the latter, including but not limited to:

- (a) movable and immovable property and other property rights such as mortgages, pledges and similar rights;
- (b) shares, debentures, stock and any other kind of equity participation in companies;
- (c) claims to money or to any other performance having an economic value associated with an investment;
- (d) intellectual property rights, in particular copyrights, patents, trade-marks, trade-names, technical processes, know-how and goodwill;
- (e) business concessions conferred by law or under contract permitted by law, including concessions to search for, cultivate, extract or exploit natural resources;
- (f) bonds, including government issued bonds, debentures, loans and other forms of debt, and rights derived therefrom;
- (g) rights under contracts, including turnkey, construction, management, production, or revenue sharing contracts.

An investment has the following characteristics: the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk.

Any change in the form in which assets are invested does not affect their character as investments provided that such change is in accordance with the laws and regulations of the Contracting Party in whose territory the investment has been made.

An investment made by an investor of one Contracting Party through an enterprise which is

wholly or partially owned by the investor and having its seat in the territory of the other Contracting Party is also deemed as an investment for the purposes of this paragraph.

For the avoidance of doubt, claims to money in Paragraph 1(c) of this Article does not include (a) claims to money that arise solely from commercial contracts for the sale of goods or services by a national or enterprise in the territory of the other Contracting Party; or (b) claims to money that arise from marriage or inheritance and that have no characteristics of an investment.

Bonds, debentures and loans with an original maturity of less than 3 years shall not be deemed as investments under this Agreement.

2. The term “investor” means a national or an enterprise of one Contracting Party who is investing or has invested in the territory of the other Contracting Party:

(a) the term “national” means a natural person who has nationality of either Contracting Party in accordance with the applicable laws of that Contracting Party;

(b) the term “enterprise” means any entity, including companies, firms, associations, partnerships and other organizations, incorporated or constituted under the laws and regulations of either Contracting Party and that have their seat and substantial business activities in that Contracting Party, irrespective of whether it is owned or controlled by a private person or the government.

(c) legal entities constituted under the laws of a non-Contracting Party but directly owned or controlled by a national in Paragraph (a) or an enterprise in Paragraph (b).

3. The term “return” means the income yielded from investments, including profits, dividends, interest, capital gains, royalties, payments in kind and other legitimate income related to investments.

4. The term “territory” means,

(a) in respect of the People's Republic of China, the territory, including the land area, internal waters, the territorial waters and air space, as well as any area beyond its territorial waters over which the People's Republic of China has sovereign rights or jurisdiction for the exploration and exploitation of resources of the seabed and its subsoil and the superjacent water resources, in accordance with Chinese law and international law.

(b) in respect of the United Republic of Tanzania, the territory which constitutes the United Republic of Tanzania including its territorial waters and the airspace above it and other maritime zones including the Exclusive Economic Zone and Continental Shelf over which the United Republic of Tanzania has sovereignty, sovereign rights or exclusive jurisdiction in accordance with its laws in force as well as the 1982 United Nations Convention on the Law of the Sea and International law.

ARTICLE 2

PROMOTION AND PROTECTION OF INVESTMENT

1. Each Contracting Party shall encourage investors of the other Contracting Party to make investments in its territory and shall accept and protect such investments in accordance with its laws and regulations.

2. Subject to its laws and regulations, one Contracting Party shall provide assistance and facilities for obtaining visas and working permits for nationals of the other Contracting Party engaging in activities associated with investments made in the territory of that Contracting Party.

ARTICLE 3

NATIONAL TREATMENT

1. Without prejudice to its applicable laws and regulations, with respect to the operation, management, maintenance, use, enjoyment, sale or disposition of the investments in its

territory, each Contracting Party shall accord to investors of the other Contracting Party and their associated investments treatment no less favourable than that accorded to its own investors and associated investments in like circumstances.

2. Each Contracting Party, in accordance with its laws and regulations, may grant incentives or preferences to its nationals for the purpose of developing and stimulating local entrepreneurship provided that such measures shall not significantly affect the investments and activities of the investors of the other Contracting Party.

ARTICLE 4

MOST FAVOURED NATION TREATMENT

1. Each Contracting Party shall accord to investors of the other Contracting Party and the investments thereof treatment no less favourable than that it accords, in like circumstances, to investors and the investments thereof of any third State with respect to the establishment, acquisition, expansion, operation, management, maintenance, use, enjoyment, sale or disposition of investments.

2. The provisions of Paragraph 1 of this Article shall not be construed so as to oblige one Contracting Party to extend to the investors of the other Contracting Party the benefit of any treatment, preference or privilege by virtue of:

- (a) any free trade area, customs union, economic union, monetary union or any agreement resulting in such unions, or similar institutions;
- (b) any international agreement or arrangement relating to taxation;
- (c) any arrangements for facilitating small scale frontier trade in border areas.

3. Paragraph 1 of this Article does not apply in respect of dispute settlement provisions laid down by this Agreement and by other similar international agreement to which one of the Contracting Parties is signatory.

ARTICLE 5

FAIR AND EQUITABLE TREATMENT

1. Each Contracting Party shall ensure that it accords to investors of the other Contracting Party and associated investments in its territory fair and equitable treatment and full protection and security.
2. “Fair and equitable treatment” means that investors of one Contracting Party shall not be denied fair judicial proceedings by the other Contracting Party or be treated with obvious discriminatory or arbitrary measures.
3. “Full protection and security” requires that Contracting Parties take reasonable and necessary police measures when performing the duty of ensuring investment protection and security. However, it does not mean, under any circumstances, that investors shall be accorded treatment more favourable than nationals of the Contracting Party in whose territory the investment has been made.
4. A determination that there has been a breach of another article of this Agreement, or an article of another agreement, does not constitute a breach of this article.

ARTICLE 6

EXPROPRIATION

1. Neither Contracting Party shall expropriate, nationalize or take any other measure, the effects of which would be equivalent to expropriation or nationalization against the investments of the investors of the other Contracting Party in its territory (hereinafter referred to as expropriation), unless the expropriation meets all of the following conditions:
 - (a) it was in the public interest;
 - (b) it was in accordance with domestic legal procedure and relevant due process;

(c) it was non-discriminatory;

(d) compensation was given.

“Other measures, the effects of which would be equivalent to expropriation or nationalization” means indirect expropriation.

2. The determination of whether a measure or a series of measures of one Contracting Party constitutes indirect expropriation in Paragraph 1 requires a case-by-case, fact-based inquiry that takes into consideration, among other factors:

(a) the economic effect of a measure or a series of measures, although the fact that a measure or a series of measures of the Contracting Party has an adverse effect on the economic value of investments does not in itself establish that indirect expropriation occurred;

(b) the extent to which the measure or the series of measures discriminates, in scope or application, against investors and associated investments of the other Contracting Party;

(c) the extent to which the measure or the series of measures interferes with the clear and reasonable investment expectations of investors of the other Contracting Party; where such expectations arise from specific commitments made by one Contracting Party to the investors of the other Contracting Party;

(d) the character and purpose of a measure or a series of measures, whether the measure or series of measures was adopted in the public interest and in good faith, and whether the expropriation was proportionate to its purpose.

3. Except in rare circumstances, such as where the measures adopted substantially exceed the measures necessary for maintaining reasonable public welfare, legitimate regulatory measures adopted by one Contracting Party for the purpose of protecting public health, safety and the environment, and that are for the public welfare and are non-discriminatory, do not constitute indirect expropriation.

4. The compensation mentioned in Paragraph 1 of this Article shall be equivalent to the fair market value of the expropriated investments immediately before the expropriation is taken or when the impending expropriation becomes public knowledge, whichever is earlier. The

compensation shall also include interest at a reasonable commercial rate until the date of payment. The compensation shall be made without unreasonable delay, be effectively realizable and freely transferable.

ARTICLE 7

COMPENSATION FOR DAMAGES AND LOSSES

1. Investors of one Contracting Party, whose investments in the territory of the other Contracting Party suffer losses owing to an armed conflict, a state of emergency, an insurrection or other similar event in the territory of the latter Contracting Party, shall be accorded by the other Contracting Party, as regards restitution, indemnification, compensation or other settlements, no less favourable treatment than that accorded to the investors of its own or any third State, whichever is more favourable to the investor concerned.

2. Investments by investors of one Contracting Party that, in any of the situations referred to in Paragraph 1 of this Article, suffer losses in the territory of the other Contracting Party resulting from the requisition or destruction of an investment or a part thereof by the latter's armed forces or authorities, which was not due to combat action or required by the necessity of the situation, shall be accorded restitution or reasonable compensation.

ARTICLE 8

TRANSFERS

1. Each Contracting Party shall, subject to its laws and regulations, guarantee to investors of the other Contracting Party upon fulfillment of tax obligations in relation to the investment a free transfer of their returns or proceeds legitimately obtained in the former Contracting Party's territory, including but not limited to:

- (a) profits, interest, dividends, capital gains, royalty fees, and other fees in connection with intellectual property rights;
- (b) payments in connection with an investment contract, including related payments made

- pursuant to a loan agreement;
- (c) proceeds obtained from the whole or partial sale or liquidation of investments;
- (d) earnings and remuneration of nationals of the other Contracting Party who work in connection with an investment;
- (e) payments made pursuant to Article 6 and Article 7; or
- (f) payments arising out of a dispute in connection with investments.

2. Except as otherwise provided for in this Agreement, each Contracting Party shall ensure that the transfers mentioned above shall be made without any delay in a freely convertible currency specified by International Monetary Fund and at the market rate of exchange applicable on the date of transfer to the currency to be transferred.

3. Notwithstanding the provisions of Paragraph 1 and 2 of this Article, a Contracting Party may prevent a transfer through the fair, equitable, non-discriminatory and good faith application of its national laws relating to:

- (a) bankruptcy, insolvency or the protection of the rights of creditors;
- (b) issuing, trading or dealing in securities, futures, options and other derivatives;
- (c) suspected criminal or administrative offenses;
- (d) reporting of transfers of cash or other monetary instruments; or
- (e) ensuring compliance with judicial or administrative proceedings.

4. In case of a serious balance of payments difficulty or of a threat thereof, each Contracting Party may temporarily restrict transfers, provided that such a Contracting Party implements measures in accordance with international standards. These restrictions should be imposed on an equitable, non-discriminatory and good faith basis.

ARTICLE 9

SUBROGATION

If one Contracting Party or its designated agency makes a payment to an investor under a guarantee or a contract of insurance against non-commercial risks it has accorded in respect

of an investment of that investor made in the territory of the other Contracting Party, the latter Contracting Party shall recognize:

- (a) the assignment, whether under the law or pursuant to a legal transaction in the former Contracting Party, of any rights or claims by that investor to the former Contracting Party or to its designated agency, as well as,
- (b) that the former Contracting Party or its designated agency is entitled by virtue of subrogation to exercise the rights and enforce the claims of that investor and assume the obligations related to the investment to the same extent as the investor.

ARTICLE 10

HEALTH, SAFETY AND ENVIRONMENTAL MEASURES

1. The Contracting Parties recognize that it is inappropriate to encourage investment by relaxing domestic health, safety or environmental measures. Accordingly, a Contracting Party should not waive or otherwise derogate from, or offer to waive or otherwise derogate from, such measures as an encouragement for the establishment, acquisition, expansion or retention in its territory of an investment of an investor.
2. Provided that such measures are not applied in an arbitrary or unjustifiable manner, or do not constitute a disguised restriction on international investment, nothing in this Agreement shall be construed to prevent a Contracting Party from adopting or maintaining environmental measures necessary to protect human, animal or plant life or health.

ARTICLE 11

DENIAL OF BENEFITS

1. A Contracting Party may deny the benefits of this Agreement to an investor of the other Contracting Party and to investments of that investor where the enterprise of such other Contracting Party is owned or controlled by a national or enterprise of a non-Party, in any of the following situations:

(a) the denying Contracting Party does not maintain diplomatic relations with the non-Party;
or

(b) the denying Contracting Party adopts or maintains measures with respect to the non-Party or a person of the non-Party that prohibit transactions with the enterprise or that would be violated or circumvented if the benefits of this Agreement were accorded to the enterprise or to its investments; or

(c) the enterprise has no substantial commercial business in the territory of the other Contracting Party.

2. A Contracting Party may deny the benefits of this Agreement to an investor of the other Contracting Party that is an enterprise of such other Contracting Party and to investments of that investor if the enterprise has no substantial business activities in the territory of the other Contracting Party and nationals or enterprises of the denying Contracting Party own or control the enterprise.

ARTICLE 12

SETTLEMENT OF DISPUTES BETWEEN CONTRACTING PARTIES

1. Any dispute between the Contracting Parties concerning the interpretation or application of this Agreement shall, as far as possible, be settled by consultation through diplomatic channels.

2. If a dispute cannot thus be amicably settled within six months, it shall, upon the request of either Contracting Party, be submitted to an ad hoc arbitral tribunal.

3. Such tribunal shall comprise of three arbitrators. Within two months of the receipt of the written notice requesting arbitration, each Contracting Party shall appoint one arbitrator. The two arbitrators shall, within a further period of two months from when both of them were appointed, jointly select as the presiding arbitrator of the arbitral tribunal a national of a third State having diplomatic relations with both Contracting Parties.

4. If the arbitral tribunal has not been constituted within four months from the receipt of the written notice requesting arbitration, either Contracting Party may, in the absence of any other agreement, invite the President of the International Court of Justice to make any necessary appointments. If the President is a national of either Contracting Party or is otherwise prevented from discharging the said functions, the Member of the International Court of Justice next in seniority who is not a national of either Contracting Party or is not otherwise prevented from discharging the said functions shall be invited to make such necessary appointments.

5. The arbitral tribunal shall determine its own procedure. The arbitral tribunal shall reach its award in accordance with the provisions of this Agreement and the principles of international law recognized by both Contracting Parties.

6. The arbitral tribunal shall reach its award by a majority of votes. Such award shall be final and binding upon both Contracting Parties. The arbitral tribunal shall, upon the request of either Contracting Party, explain the reasons for its award.

7. Each Contracting Party shall bear the costs of its appointed arbitrator and of its representation in the arbitral proceedings. The relevant costs of the presiding arbitrator and tribunal shall be borne in equal parts by the Contracting Parties.

ARTICLE 13

SETTLEMENT OF DISPUTES BETWEEN INVESTORS AND ONE CONTRACTING PARTY

1. Any legal dispute between an investor of one Contracting Party and the other Contracting Party in connection with an investment in the territory of the other Contracting Party shall, as far as possible, be settled amicably through negotiations between the parties to the dispute, including conciliation procedures.

2. If a dispute in which an investor of one Contracting Party claims that the other Contracting Party has breached an obligation under Article 2 through 9, or Paragraph 2 of Article 14, cannot be settled through negotiations within six months from the date negotiations were initiated by either party to the dispute, the disputing investor who incurred loss or damage from that breach may, at his option, submit the claim:

- (a) to the competent court of the State where the investment has been made;
- (b) to the International Center for Settlement of Investment Disputes (ICSID) under the Convention on the Settlement of Disputes between States and Nationals of Other States, done at Washington on March 18, 1965, for arbitration, provided that both Contracting Parties are parties to the ICSID Convention;
- (c) to an ad-hoc arbitral tribunal to be established under the Arbitration Rules of the United Nations Commission on the International Trade Law (UNCITRAL); or
- (d) to any other arbitration institution or ad-hoc arbitral tribunal agreed to by the disputing parties.

The other Contracting Party has the right to require the investor concerned to exhaust the domestic administrative review procedures specified by the laws and regulations of that Contracting Party before submitting to international arbitration.

3. If the investor has submitted the dispute to the competent court of the Contracting Party concerned or to international arbitration, the choice of one of the four abovementioned procedures shall be final.

4. A dispute shall not be submitted to arbitration when more than three (3) years have elapsed from the date that the investor first acquired or should have first acquired knowledge of the events which gave rise to the dispute.

5. If the stipulations in this Agreement are in conflict with applicable arbitration rules, the stipulations in this Agreement shall prevail.

6. When a claim is related to breach of Article 2 to Article 9, the tribunal shall decide the issues in dispute in accordance with this Agreement and applicable rules of international law.

When a claim is related to breach of Paragraph 2 of Article 14, the tribunal shall apply:

- (a) the rules of law as may be agreed by the disputing parties; or
- (b) if the rules of law have not been agreed:
 - (i) the law of the Contracting Party where the investment has been made, including its rules on the conflict of laws; and
 - (ii) such rules of international law as may be applicable.

7. Unless the disputing parties agree otherwise, where an award affirms that a Contracting Party has breached its obligations under this Agreement, the tribunal may only award, separately or in combination:

- (a) monetary damages and any applicable interest;
- (b) restitution of property, in which case the award may specify monetary damages and corresponding interest in lieu of restitution.

8. The arbitration award shall be final and binding upon both parties to the dispute. Each Contracting Party shall ensure the recognition and enforcement of the award in accordance with its relevant laws and regulations.

9. A disputing party may not seek enforcement of a final award until:

- (a) in the case of a final award made under the ICSID Convention:
 - (i) one hundred and twenty (120) days have elapsed from the date the award was rendered and no disputing party has requested revision or annulment of the award; or
 - (ii) revision or annulment proceedings have been completed; and
- (b) in the case of a final award under the UNCITRAL Arbitration Rules, or any other arbitration rules selected by both disputing parties:
 - (i) ninety (90) days have elapsed from the date the award was rendered and no disputing party has commenced a proceeding to revise, set aside, or annul the award; or

(ii) a court has dismissed or allowed an application to revise, set aside, or annul the award and there is no further appeal by any disputing party.

10. In principle, each disputing party shall bear the costs of its appointed arbitrator and of any legal representation in proceedings. The costs of the presiding arbitrator and of other expenses associated with the conduct of the arbitration shall be borne equally by the disputing parties. The tribunal may determine that one disputing party shall bear a higher proportion of the costs, providing an explanation for this decision. If the tribunal deems that the claim or the objection of one disputing party is frivolous, it may determine with reasonable cause that the losing party shall bear the reasonable costs and attorney's fees of the prevailing party incurred in objecting or opposing the objection.

ARTICLE 14

OTHER OBLIGATIONS

1. If the legislation of either Contracting Party or international obligations existing at present or established hereafter between the Contracting Parties result in a position entitling investments by investors of the other Contracting Party to a treatment more favorable than is provided for by the Agreement, such position shall not be affected by this Agreement.

2. Each Contracting Party shall observe any written commitments in the form of agreement or contract it may have entered into with the investors of the other Contracting Party with regard to their investments.

ARTICLE 15

APPLICATION

1. This Agreement shall apply to investments made prior to or after its entry into force by investors of one Contracting Party in the territory of the other Contracting Party in accordance with the laws and regulations of the Contracting Party concerned, but shall not apply to any

dispute arising before its entry into force.

2. This Agreement shall apply to the investor stipulated in Paragraph 2 (c), Article 1 only under the following circumstances: when the investment of such investor is expropriated by the other Contracting Party, the investor has no right to claim compensation or the investor waives his right to claim compensation under other agreements signed by the non-Contracting Party, under whose laws and regulations the investor was established, and the other Contracting Party.

ARTICLE 16

CONSULTATIONS

1. The representatives of the Contracting Parties shall hold meetings from time to time for the purpose of:

- a) reviewing the implementation of this Agreement;
- b) exchanging legal information and investment opportunities;
- c) resolving disputes arising out of investments;
- d) forwarding proposals on promotion of investment;
- e) studying other issues in connection with investment.

2. If a Contracting Party considers that the other Contracting Party has offered an encouragement under paragraph 1 of Article 10, it may request consultations with the other Contracting Party.

3. When either Contracting Party requests consultation on any matter of Paragraph 1 and 2 of this Article, the other Contracting Party shall provide a prompt response and the consultation shall be held in Beijing or Dar- es- Salaam alternately.

ARTICLE 17

INTERPRETATION

1. In the dispute settlement procedure stipulated in Article 13, upon the request of the Contracting Party to the dispute, the arbitral tribunal shall require both Contracting Parties to interpret articles of this Agreement in relation to the dispute. The Contracting Parties shall submit in writing a combined decision of the interpretation to the arbitral tribunal within sixty days after the request was raised.

2. The combined decision made by both Contracting Parties pursuant to Paragraph 1 shall be binding upon the arbitral tribunal. The award shall be consistent with the combined decision. If both Contracting Parties fail to make such decision within sixty days, the arbitral tribunal will make a decision independently.

ARTICLE 18

ENTRY INTO FORCE, DURATION AND TERMINATION

1. The Contracting Parties shall notify each other in writing through diplomatic channels of the fulfillment of their domestic legal procedures in relation to the approval and entry into force of this Agreement. This Agreement shall enter into force on the thirtieth day after the receipt of the later of the two notifications. This Agreement shall remain in force for a period of ten (10) years, and shall continue to be in force thereafter unless terminated in accordance with Paragraph 2 of this Article.

2. Each Contracting Party may terminate this Agreement at the end of the initial ten-year period or at any time thereafter by giving one year's advance written notice to the other Contracting Party.

3. With respect to investments made prior to the date of termination of this Agreement, the provisions of Article 1 to 17 shall continue to be effective for a further period of ten years

from such date of termination.

4. This Agreement may be amended with the agreement of the Contracting Parties. Any amendment shall enter into force according to the procedures required for entry into force of the present Agreement.

IN WITNESS WHEREOF the undersigned representatives, duly authorized thereto by their respective Governments, have signed this Agreement.

Done in duplicate at Dar-es-Salaam on March 24, 2013, in the Chinese and English languages, the two texts being equally authentic.

For the Government of
The People's Republic of China
Gao Hucheng

For the Government of
The United Republic of Tanzania
William A. Mgimwa