Can Michael Sata tame the Dragon and Channel Chinese Investment towards Development for Zambians?

Laura Spilsbury

Abstract

Zambia’s present Human Development Index stands in stark contrast to its 1969 classification as a middle-income country. Whilst the country’s mining sector largely created the conditions for Zambia to flourish following independence, the raw material can quickly turn from friend to foe. With spiralling debts following a dramatic reduction in world copper prices, Zambia was forced to seek assistance from the IMF and the World Bank, and with this pursue a path of economic liberalisation and privatisation of the mines. Consequently, the country’s precious mining sector was sold off to prospective investors. The deals negotiated were shrouded in secrecy and marred by corruption on the part of MMD government officials, which enabled investors to flaunt Zambian law, to the detriment of its people. Whilst there is a wealth of investors in Zambia’s mines, it is by far the Chinese who have come under heaviest scrutiny, largely a result of their record for dire working conditions, poor pay and presence of cheaply manufactured goods in local markets. Despite the fact that Chinese FDI has contributed to economic growth for Zambia, up until 2011 the benefits accrued only to an elite few. Consequently, an embittered section of Zambian society voiced their resentment, ousting the MMD and bringing to power Michael Sata, a politician renowned for his anti-Chinese sentiment and public reverberations of ‘Zambia for Zambians’. Whilst his critics have charged him with playing populist politics and believe that he will not follow through on his 2011 election campaign promises, this paper argues that Sata’s presidency to date has borne fruit for the Zambian population. Through realisation over time, Sata’s thinking turned more rational as he came to accept the value of Chinese FDI, provided it was appropriately regulated and channelled towards development for the entire population. Consequently, through a successful corruption campaign, stricter regulation of Chinese investors and the introduction of a new royalty tax which has been channelled into initiatives aimed at development and poverty alleviation, Sata has lived up to his promises, reigned in Chinese investors and placed Zambia on a path towards a better future.

Keywords: China in Zambia; mining; development
**Introduction**

Since 1981, China has pulled 660 million of its people out of poverty through a unique development model (The Economist 2012). This model has been driving an ‘insatiable demand’ for raw materials (Rotberg 2008: viii) and a state-driven push by China to enhance its presence on the African continent. Whilst Africa ‘languishes in the development rankings’ it is widely accepted that the continent is in need of a ‘new approach to development’ (Davies et al. 2008: vii).

By April 2012 Chinese FDI to Africa had reportedly surpassed $15.4bn (Ngozo 2012). The nature of Chinese investment - considered to be far more flexible and in tune with African conditions – holds potential to contribute to the continent’s development. Highlighted since 2002 at the UN Conference on Financing for Development, Foreign Direct Investment (FDI) has been lauded for its ability to contribute to a country’s development by ‘transferring knowledge and technology, creating jobs, enhancing competitiveness... and ultimately eradicating poverty through economic growth and development,’ (2002: 2) It is largely believed that Chinese FDI across much of Sub-Saharan Africa has spawned economic growth for the continent (Mohan and Power 2008: 25). In 2011 regional growth averaged 5% (IMF 2012: 1), a figure far higher than that currently experienced by much of the West.

That said China’s engagement in Africa has not come without criticism, particularly in the West. China’s growing presence in Africa has been met with ‘shock and awe’ (Alden 2007: 5) by scholars, media and policymakers alike. Much of this alarm has transpired as a consequence of what Tony Blair (Carmody et al. 2012: 215) identifies as ‘China coming from under the radar’ to become the most influential country in Africa, thus challenging the ‘traditional Western orientation’ of the African continent (Alden 2007: 5). Furthermore, despite China’s FDI in Africa aiding economic growth for the continent, poor operating standards and avoidance of national legislation is thought to contribute to ‘social ills’ which in fact undermine the sustainable development of host countries (Haglund 2008: 547) and lead to vexation by local populations over Chinese presence on the continent.

These aggravations over Chinese investors have played out prominently in Zambia. The 2006 election was marked by heavy anti-Chinese sentiment from opposition leader Michael Sata in reaction to a host of frustrations felt by the Zambian population with regard to employment malpractices of Chinese investors.
China has built up a large investment portfolio in Zambia, particularly in the mining sector, which is regarded as the ‘life-blood’ of the economy (Dymond 2007: 2). Despite China’s FDI ‘propelling development of Zambia’s copper industry’ (Li 2010: 7), as well as China’s trade and investment driving Zambia’s economic growth to ‘unprecedented levels’ (Redvers 2011), poverty in Zambia ‘remains extremely high’ (Dymond 2007: 2). In 2011 Zambia’s Human Development Index stood at 164 out of 187 countries (UNDP 2011), leading many to question whether Chinese FDI is having any positive impact on development for the country.

In line with attitudes felt elsewhere on the continent, many Zambians believed that the relationship established between Beijing and the Zambian government created an environment whereby China was able to flaunt Zambian laws to the detriment of local population development.

To date analysis of China’s engagement in Africa has focused heavily on the economic impacts of Chinese FDI (Haglund 2008: 548). Whilst FDI can clearly contribute to a country’s development, if not appropriately regulated, foreign investors can also undermine sustainable development by having an adverse effect on the local population, as has been the case in Zambia. The aim of this paper is to contribute to the literature by providing an analysis into whether Chinese investment can be channelled into more than just economic growth, contributing to human development as well. With the election of Michael Sata in 2011 offering hope that Chinese investment will finally be channelled towards securing human development for the country, the paper will use Zambia as its case study and assess the extent to which Michael Sata can herald development for Zambia, by channelling Chinese investment towards pro-development goals.

This paper will take a broader approach to development by incorporating Amartya Sen’s notion of human freedoms. Amartya Sen questioned the assumption that the development of a country is solely linked to economic growth, believing that social and economic structures within a country may omit certain sections of society from benefitting from economic growth (Sen 1999: 3). Sen therefore claims that there is a need to incorporate analysis which measures the human freedoms achieved by members of society (Sen 1999: 3). Seen from this angle, development requires the removal of a number of vices within society. These include: poverty, tyranny, poor economic opportunities, social deprivation, neglect of public facilities, as well as over activity of repressive states (Sen 1999: 3).
The following structure will be applied to the paper. The paper will begin by assessing the literature on Chinese investment in Africa. In doing so, the opposing debates regarding whether Chinese investment can spur development on the continent will be analysed. The second chapter will then focus on Zambia and the impact that Chinese investment has had on the development of the country up until 2011. The chapter will begin by taking a historical look at the copper mining industry, analysing its transformation from a nationalised economy, to the free market one it remains today. Further, the chapter will assess the role that the International Financial Institutions have played in this transformation. The chapter will end by assessing the growing presence of Chinese investors in Zambia, analysing the extent to which China contributes to Zambian development and further assessing the labour practices of Chinese companies which have become such a contentious issue for the country. The final chapter will focus on Michael Sata’s rise to power. By assessing criticisms claiming that the politician is nothing more than a populist with no substance to his promises, the chapter will analyse Sata’s ascendency. Utilising media reports of his presidency so far, an assessment of whether Sata has and is likely to effectively channel Chinese investment towards human development for the country will also be made.

Literature Review

1. Characterising China’s Engagement in Africa

In assessing China’s engagement in Africa, which has been on the rise since the late-nineties (Deutsche Bank 2006: 6), Li (2010: 6) believes the topic to be over-scrutinised yet poorly researched. Alden (2007: 5) also supports this claim, stating that the ‘shock and awe’ at China’s new found power, ‘has set the stage for a misunderstanding that holds disturbing potential for African and global politics generally’. For many in the West, the issue surrounds the rapidity with which Chinese firms are considered to be ‘trailblazing’ across the continent in search of mineral assets (Davies 2008: 134), therefore challenging the ‘traditional Western orientation’ of the continent (Alden 2007: 5). However, as Haglund (2008: 548) claims, of most significance to China’s rapidly growing presence in Africa, is what role ‘Chinese investment will play in the continent’s sustainable development’.

Whilst Ian Taylor (2009) argues that China’s engagement in Africa contains ‘no grand, coordinated strategy’, Brautigam (2009: 78) asserts that Beijing has created a ‘well-thought-out and long-term strategy’ for the continent. The facts support Brautigam’s assertion; in
2006 China released *China’s Africa Strategy*, which highlighted that the basis of engagement with Africa centred around an emphasis on ‘trade, investment, economic cooperation and the deepening of political relations’ (Mohan and Power 2008: 32).

Alden (2007) and Brautigam (2009) both ascribe the strategic nature of China’s engagement in Africa to be steeped in a ‘soft power’ approach. As Joseph Nye (2004: 5) defined the term, soft power refers to the ‘ability to shape the preferences of others... It is leading by example and it is attracting others to do what you want’. In pursuing this soft-power approach, Alden (2007: 3) explains that China has endowed the countries it engages with in ‘new parliament buildings, presidential palaces and sports stadiums’ in order to prise their way to natural resources. However as Nye (2004: 6) exposed in defining the term, it is ‘often hard to separate soft power elements from hard, military or security power’.

Highlighting the ambiguity in describing Chinese engagement as an all-encompassing ‘soft power’ approach, and in response to cases such as Sudan - whereby China has been accused of supplying military equipment and training to the country - Carmody and Taylor (2010) have fashioned the term ‘flexigemony’. The term has been used to describe the way in which Chinese actors ‘adapt their strategies’ to suit the particular histories and geographies of the African states and further ‘negotiate resource access through cooperation with African state elites’ (Carmody and Taylor 2010: 497). In assessment of China’s engagement in Africa, ‘flexigemony’ fits with the charge passed by Mohan and Power (2008: 38), that China’s engagement in Africa is too often generalised ‘as if there were relationships between two countries instead of between one and fifty-three’.

There is great debate surrounding China’s involvement on the African continent, and as Alden (2007: 5) identifies, three contrasting strands of thought exist within the literature; China as ‘development partner’, China as ‘economic competitor’ and China as ‘coloniser’. As the literature claims (Haglund 2008; Moyo 2012; People and Power 2012), accusations that Beijing is participating in new forms of ‘colonialism’ emanate from Western media and policy-makers. Such claims rest around the belief that China is extracting Africa’s precious resources, paying off their leaders and promptly leaving the continent (Moyo 2012). Chinese newspaper *People’s Daily* (2006) has attacked such allegations, declaring them a ‘fallacy’ and a means for the West to ‘sow discord’ between the developing Sino-African partnership. Moyo (2012) also retorts such claims, stating that pursuing colonial ambitions with mass poverty at home ‘would be wholly irrational and out of sync with China’s current strategic
thinking’. Furthermore, as Mohan and Power (2008: 28) have observed, Beijing in fact visibly supported Africa’s struggles against imperialism.

Claims made in the literature that China is involved in exploitative colonialism can be further tested by reviewing the narrative on China’s objectives in Africa. To begin with, there seems to be a general misconception regarding the period that China first entered Africa. Far from being a new player on the continent, Chinese engagement in Africa dates back to pre-independence (Mwanawina 2008: 1). Although as Mohan and Power (2008: 31) note, this was largely ‘ideologically’ based and Cold War driven, as opposed to today’s ‘flexible, differentiated and proactive approach’.

Ian Taylor (2008) asserts that Beijing’s contemporary engagement in Africa ‘is grounded in pragmatism’, of which Bariyo (2012) interprets to be driven by a ‘resource hungry China’ out to ‘exploit rich-ore bodies in search of minerals’. It is easy to see why Bariyo (2012) would arrive at such conclusions when as Haglund (2008: 550) states, China has an ‘ever increasing demand for inputs’ considering its below average endowments of natural resources, coupled with an economic growth rate of 9.8% between 1980 and 2006. Mohan and Power (2008: 23-27) also believe that in vying for resources to meet China’s growing needs, Beijing has demonstrated that it is competing and intensifying its ‘global energy politics’ and pursuing its ‘economic self-interests’. Further, Davies (2008: 134) identifies that the nature of African economies lend themselves to serving Beijing’s objectives given their characteristic of being ‘commodity rich, weak in commercial law, and possessing pervasive state intervention in the economy’, all of which ‘create conditions for rapid market entry’. However, despite the clear economic nature of China’s engagement in Africa, Kaplinsky (Mohan and Power 2008: 28) warns that it should not be seen as purely economic. In support of such claims Deutsche Bank (2006: 11) and Brautigam (2009: 15) have outlined three main goals of Chinese investment in Africa. As well as the economic rationale noted above, both illustrate that Beijing is also driven by political intentions, as well as strategic goals.

In line with Brautigam (2009) and Deutsche Bank’s (2006) observation, Haglund (2008: 550-551) affirms that since the Tiananmen Square massacre in 1989, China has endeavoured to secure political support in geopolitical arenas other than the West. Further, as part of the ‘One-China’ policy, Beijing has also aimed to keep exclusively close commercial ties with African states in a bid to ‘end Taiwan’s relations on the continent’ (Davies 2008: 134). Muekalia (2004: 7) describes Beijing’s strategic transition in Africa, as China having
‘gradually changed its tactics from confrontation to co-operation, from revolution to economic development and from isolation to international engagement’.

China’s growing presence in Africa is seen by many as state-driven (Alden 2007; Brautigam 2009; Haglund 2008). Much of the literature notes (Alden 2007; Brautigam 2009; Carmody et al. 2012; Mohan and Power 2008) that as part of China’s umbrella ‘going out’ policy (Li 2010: 7), the government has encouraged Chinese companies to seek investment abroad. Encouragement for overseas ventures comes in the form of tax and financial incentives (Carmody et al. 2012: 210) issued to Chinese companies through concessional loans or grants provided through the China-Africa Development Fund (Brautigam 2011: 205). However, Haglund (2008: 557) argues that the financial support provided by the Chinese government affords them an ‘element of control’ over Chinese firms present in Africa’s private sector. Such linkage has resulted in what Tull (2006: 469) cites as an ‘interconnectedness of political, diplomatic and economic interests’.

Rarely providing cash aid to those it engages (Brautigam 2009: 124) the Chinese government instead delivers its Official Development Assistance (ODA) through grants, interest-free loans and concessional loans (Davies et al. 2008: v). Whilst grants and zero-interest loans were the key channels of Chinese ODA up until 1995 (Davies et al. 2008: 206), today China has moved towards emphasising trade over aid with ‘preferential loans for buyers of Chinese goods and tariff-free access for many commodities’ (Brautigam 2009: 11). As scholars within the literature observe (Alden 2007; Gadzala 2010; Mohan and Power 2009; Mwanawina 2008), unlike Western aid, China focuses its policy towards bilateral cooperation. Such cooperation is folded into a public regional setting via the Forum on China-Africa Cooperation (FOCUC) which serves as a platform to display the ‘benefits of regional cooperation’ (Alden 2007: 27-30).

A large portion of the literature (Alden 2007; Brautigam 2009; Carmody et al. 2012) has outlined China’s preference for focusing its investment on infrastructure projects. This type of investment is often concentrated around improving the physical infrastructure of host countries, especially their roads, railways and port facilities (Alden 2007: 13). Following criticism from the likes of former President of Mozambique Joaquim Chrissano who charged Western donors with ‘systematically dismissing’ Africa’s need for infrastructure (Brautigam 2009: 10), such projects have come steeped in praise. Carmody (2009: 1198) observes that China’s emphasis on building up infrastructure on the continent makes them ‘much more attuned to African conditions than the West’. Economist Jeffrey Sachs (2007) has also lauded
China, claiming that they have led an essential ‘revival in infrastructure’ within development practice.

Mohan and Power (2008: 27) claim that the nature of Chinese ‘bilateral cooperation’ with African countries significantly differs from Western approaches which have traditionally focused on ‘a moralising discourse of ‘catch-up development’. Sach’s (2007) also notes that rather than ‘preferring to lecture the poor’ and forcing African countries to privatise, as he claims is true of the World Bank, China offers ‘much more practical advice’. Much of the Chinese rhetoric regarding their assistance to Africa includes claims that it is based on ‘equality and mutual respect’ of the countries it engages with (Haglund 2008; Mohan and Power 2009; Tull 2008). Further, unlike Western approaches, which pushed policy conditionalities on African states in the pursuit of a neo-liberal agenda, China stresses a policy of non-interference in the internal affairs of host countries (Alden 2007: 58).

In light of China’s policy of non-interference and exclusion of conditionalities, Brautigam (2009: 149) has questioned whether the Chinese are breaking down the traditional Washington Consensus. For Ramo (2004) this is certainly the case, citing that the late 1990s witnessed the emergence of the ‘Beijing consensus’. With its predication on non-interference and respect for state sovereignty, Alden (2007: 105) argues that the Beijing consensus ‘has great appeal for many African leaders who resist Western actions aimed at economic or political reforms of their regimes’.

China’s expanding presence on the continent has been met with optimism by many African governments (Alden 2007: 35) claiming that it really is the ‘win-win’ scenario that China pronounced it to be (Tull 2008: 118). However, a number of scholars (Carmody and Taylor 2010; Carmody et al. 2012; Mohan and Power 2009) consider this win-win situation to benefit only African elites, claiming that China merely reinforces neo-patrimonial regimes in Africa, allowing them to accrue revenue and utilise it to bolster their own rule. This has led to questions regarding the true extent to which China’s presence in Africa contributes to development. Alden (2007: 89) notes that African responses to China ‘have in the main been positive’, suggesting that local people are reaping some benefits too. In order to test such claims, it is inherent to assess the local developmental impact of Chinese investment in Africa, something which to date seems to be rather overlooked by the literature, which instead focuses primarily on the economic and political perspectives of engagement.
For Moyo (2012) and Deutsche Bank (2006), Africa’s economic growth, which has accelerated in recent years, can be directly attributed to the increased trade and investment generated by China. Deutsche Bank (2006: 12) note that this economic growth has also contributed towards a ‘gradual increase’ in per capita income. However, despite this rejuvenated growth and improvement in trade, Kaplinsky (2008: 10) argues, there has been ‘little change’ in the economic structure on the continent.

Few in the literature would question the assertion that China creates vital employment for those it engages with; in Zambia alone Chinese-backed businesses have provided 25,000 local jobs (Bearak 2010). Where the literature does conflict over the topic of labour, is the extent to which it benefits the local population. A recurring criticism of China’s engagement in Africa has been the impact it has had on both local producers and workers, with many citing that this proves that China is an economic competitor of the countries it engages with. As Carmody and Taylor (2010: 505) observe, the Chinese have been accused of ‘operating harsh labour regimes’, with miners reporting that in one Chinese copper mine in Zambia, they were forced to work seven days a week and were paid below the minimum wage. Alden (2007: 4) also notes that Chinese investors have brought with them dangerously low labour standards, which can contribute to ‘social ills’ that may undermine a country’s sustainable development (Haglund 2008: 547).

Perhaps a more controversial issue surrounding Chinese engagement in Africa, are claims that despite creating local jobs through investment, they are prioritising employment for their own nationals. According to official Chinese statistics there were as many as 82,000 Chinese labourers working throughout Africa in 2005 (Alden 2007: 82). However for Moyo (2012), this charge ‘flies in the face of employment data’, citing that in Zambia, the ratio of African to Chinese workers has exceeded 13:1. Moreover, Moyo (2012) believes that due to Africa’s youthful population, foreign investment and job creation ‘are the only forces that can reduce poverty’.

There are also opposing views regarding the impact that cheap Chinese imports have on local populations. As Goldstein et al. (2008: 46) note, the influx of cheap manufacturing goods from China enhances the purchasing power of local populations across Africa. Not only does this hold the potential of lowering the cost of input for local producers (Goldstein et al. 2008: 47), but also as Alden (2007: 4) observes, many Africans can now ‘afford new clothes, shoes and radios’. However, Kaplinsky (2008: 9) argues that cheap imports come at a price for local producers, who often find themselves ‘readily displaced’. Carmody and Taylor (2010:
506) also agree with this, stating that female Africans who have traditionally sold second-hand clothes, are finding it difficult to compete against cheaper Chinese imports. Further, Nigerian Trade Unions have blamed Chinese imports for the loss of 35,000 jobs to the clothing sector (Kaplinsky 2008: 11). In light of such evidence, Goldstein et al (2008: 46) conclude that the purchasing power gains for African consumers do not seem to outweigh the losses incurred by local producers.

The strand of thought that exists in the literature believing China to be a ‘development partner’ holds that China is committed to ‘transmitting its development experience to the continent’ (Alden 2007: 4). Scholars and policy-makers alike argue that China has practised one of the most spectacular development models to date and consequently, learning from China could help spur development for Africa. As part of Deng Xiaoping’s ‘Open Door’ policy, whereby China sent students abroad to ‘soak up the latest thinking at cutting edge universities in the West’ (Brautigam 2009: 9), by 2006 China had provided an estimated 18,000 scholarships to African students (Brautigam 2009: 121). Brautigam (2009: 158) argues that this will inevitably help African countries ‘build capacity’ at the higher levels, something she believes is ‘crucial for sustainable development’. Complementing the push for capacity building, a number of scholars (Brautigam 2009; Fraser and Lungu 2007; Mwanawina 2008) have also observed that the Chinese government is providing practical training for African nationals in a number of fields. Brautigam (2009: 119) notes that such training focuses on transferring information about China’s own experience with urbanisation, economic growth and poverty alleviation.

As previously noted, a substantial part of China’s investment arm within Africa, is devoted towards improving infrastructure. Financed by resource-backed development loans, state-linked Chinese companies such as China’s Roads and Bridges Corporation - which has rehabilitated 1,200 km of roads between Luanda and Uige in Angola – have run successful infrastructure projects across Africa (Alden et al. 2009: 16). The building up of infrastructure is a key component of development for any country, and achieving this through leveraging resources towards securing a loan was also a crucial element of how China acquired a $10 billion loan from Japan back in the 1970s (Brautigam 2010).

Chinese construction projects are also focusing on social infrastructure by ‘building dozens of hospitals and schools’ (Alden 2007: 53). Such projects will inevitably have a positive impact upon the lives of local populations. Further, as Brautigam (2009: 117-118) notes, China has dispatched over 20,000 medical personnel to over 47 African countries since 1963, and in
2006 pledged to build over 27 hospitals, and 30 anti-malaria centres. Furthermore, each centre was attached two Chinese assistants in order to train African medical workers. Commending this type of investment, government minister of Sierra Leone, Dr Sesay (Brautigam 2009: 149) stated: ‘The Chinese will simply build a school, a hospital, and then supply a team of doctors to run it. The World Bank will say ‘you must not have so many teachers on your payroll’.

The promotion of special economic zones (SEZ) in Africa is further in line with China’s own development model and something which Paul Collier and Jon Page note (Weinstein 2011) to be ‘a promising strategy for industrialisation and employment in Africa’. As part of China’s state driven strategy of creating incentives for Chinese companies to pursue investment in Africa, SEZs are geographic areas aimed at attracting foreign investors through liberal policies and tax incentives (Davies 2008: 135). There are also claims that SEZs are set to be Africa’s new economic growth nodes (Davies 2008:134). This is a result of their focus on ‘boosting manufactured exports, which can help countries overcome the exchange rate appreciation, and the weakening of local non-energy industries that often accompany natural resource exports’ (Weinstein 2011).

As outlined in this literature review, there are contrasting views on the efficacy of China’s engagement in Africa and its ability to promote development for the continent. That said, a large body of the literature conclude on a somewhat positive note, claiming that China’s engagement in Africa certainly has the potential to contribute to development, provided individual states take responsibility to effectively manage their bilateral relationship with Beijing. Goldstein et al. (2008: 49) note that in order for Africa to utilise China as a trade partner and ‘unleash its commodity potential, there must be improvements in the management of revenues’ as well as addressing corruption at all levels of society. Furthermore, Deutsche Bank (2006:12) assert that African countries must channel investment into ‘education, infrastructure, and poverty alleviation’. This is crucial, because as Goldstein et al. (2008: 49) note, natural resources are ‘exhaustible’, and should therefore be used to develop ‘new areas of competitive advantage’, as well as ‘remove development bottlenecks’. Finally, as Taylor (2008) avers, China has too often been used as a ‘scapegoat’ for Africa’s woes. China has an Africa policy, however what is needed are individual governments and societies to produce their own country-specific policy on China that will aim to leverage the best possible gains in order to ensure sustainable development.
2. **China in Zambia**

Given Africa’s diversity, and considering that there already exist too many generalised analyses of China’s engagement on the continent, Mohan and Power (2008: 38) have argued that there is need for more specific case studies of Sino-African relationships, ‘which establish baseline conditions that are capable of differentiating generic impact from country specific ones’. Fraser (2010: 3) observes that the Zambian context in particular holds ‘implications for how we think about the causes of and solutions to current global economic stabilities, about hopes for resistance to neo-liberalism and about potential new drivers of global development such as China and India’.

Chris Alden (2007: 72) has described Zambia as ‘China’s perfect storm’, in reference to what Haglund (2008: 556) states to be ‘the multiple challenges faced by Chinese political and economic interests’. China’s engagement in Zambia, chiefly centres around two things. Firstly, Zambia’s rich endowments of copper, and secondly, China’s huge demand for the metal (Fraser and Larmer 2007: 616). Consequently, China has built strong bonds with Zambians governments by creating a mutually beneficial relationship aimed at gaining access to the mining sector and channelling FDI towards aiding Zambian development. By 2008, Chinese FDI in Zambia had amounted to over 35 aid projects (Davies et al. 2008: 46).

As outlined in the introduction, Zambia currently finds itself at a crossroads in its development path. For years Zambians have grown more and more frustrated with the way in which their government has conducted its relationship with Beijing, with many believing that they have allowed Chinese companies to flaunt national legislation to the detriment of the local population’s development. Consequently, the election of Michael Sata - a man characterised by his previous attacks on Chinese investors – has led many Zambians to hope that for the first time, real developmental benefits will be accrued from Chinese investment in the country.

As Mwanawina (2008: 3) claims ‘not much is known about Chinese-Zambian engagement’. Considering this, the paper will utilise the case study of Zambia in an attempt to prise out some of these key points as described by Fraser (2010) and establish whether Michael Sata can herald development for Zambia, by effectively channelling Chinese investment towards human development for the population. Before reaching such conclusions, this chapter will aim to assess two crucial things: firstly, does China’s engagement in Zambia have the potential to herald development for the copper rich country? Secondly, is anti-Chinese
sentiment in Zambia fair and justifiable? The chapter will begin by assessing the history of the Zambian economy, from a largely nationalised economy post-independence, to today’s free-market economy.

2.1. A Brief History of the Zambian Economy

Zambia achieved independence in 1964, with the first president Kenneth Kaunda at the helm of the liberation movement (Cronin 2006). Throughout the 1960s and 1970s, Kaunda and his party, the United National Independence Party (UNIP), were blessed with favourable World copper prices leading them to promise rapid development, earned through revenue from the mining sector (Lungu 2008a: 404). In order to ensure this, UNIP nationalised the mines in 1974 (Fraser 2010: 2), and consolidated them to form the Zambia Consolidated Copper Mines (ZCCM) (Lungu 2008a: 404), therefore creating a ‘statist formal economy’ (Carmody 2009: 1198). As Negi (2011: 29) notes, ZCCM became a ‘vertically integrated firm run by state bureaucrats… and was responsible for all operations from mining to smelting and refining to transportation’. In reflecting Kaunda’s humanist philosophy, ZCCM massively extended the welfare provisions provided during the colonial era, and through operation of a ‘cradle to grave’ policy (Li 2010: 6) delivered amenities including ‘free education for miners’ children, subsidised housing, food and electricity’ (Li 2010: 8). Such amenities were funded by a new tax structure which replaced the previous mineral royalty and export tax ‘with a mineral tax of 51% and a corporation tax of 45%’ (Lungu 2008b: 11). This enabled the government to gain two-thirds of its revenue from copper mines (Lungu 2008b: 404). However, the creation of a statist formal economy, coupled with Zambia’s dependence on copper for development meant that UNIP’s legitimacy and ability to stay in power were dependent on favourable copper prices (Negi 2011: 29).

The high copper prices did not last, and as Fraser and Lungu (2007: 8) state, following the first oil crisis in 1974, ‘copper prices plummeted’. In order to maintain ZCCM’s expensive social provision, Kaunda’s government was forced to borrow (Gadzala 2010: 43). Following a second oil crisis in 1979, ‘interest rates shot up and Zambia was thrown into a severe debt crisis’ (Fraser and Lungu 2007: 8). Between 1974 and 1994 Zambia witnessed its per capita income decline by 50%, GDP fall to less than $300 and over 80% of the country fell into extreme poverty (Lungu 2008a: 405). With no way to service their burgeoning debt, the government was forced by the International Monetary Fund (IMF) and the World Bank to liberalise the economy (Lungu 2008a: 405). Whilst Kaunda had been seen by many as the
‘father of the nation’ (Fraser 2007: 16), developing strong bonds of loyalty with his people: rapid declarations of a state of emergency, the creation of a one-party system, as well as continuing economic decline, led to repeated urban food riots and industrial unrest in 1989 (Lungu 2008b: 12).

Urban discontent manifested into a coalition of ‘trade unions, students, academics, the business community and parliamentary back benchers’ who came together to form the Movement for Multiparty Democracy (MMD) (Negi 2011: 29). Symbolising the power of the trade unions at the time, chairman of the Zambian Congress of Trade Unions (ZCTU) Frederick Chiluba successfully emerged as the MMD leader (Fraser and Larmer 2007: 615) and then later President of Zambia following elections in 1991. In addition to being driven by a desire to end one-party rule and in a bid to attract much needed FDI into the mining sector, the MMD promised to liberalise the economy and privatise some state-owned enterprises, therefore ‘rethinking the country’s development agenda’ (Lungu 2008b: 12). With the help of aid from international donors, the MMD implemented a ‘sweeping programme of shock therapy reform’ (Fraser 2007: 616). The reform included the listings of 250 parastatals for privatisation, cuts to tariffs, a withdrawal of agriculture and industrial subsidies and removal of exchange controls (Fraser 2007: 616). The sweeping nature of these policies only served to exacerbate the economy’s decline, and furthermore, led to ‘enforced privatisation’ of ZCCM in the late 1990s (Larmer 2010: 33). Despite calls for privatisation of some state assets, Fraser (2010: 11) notes that neither the ZCTU nor the MMD ‘endorsed the sale of ZCCM’.

Furthermore, through their detailed report For Whom the Windfalls, Fraser and Lungu (2007: 18) observed the domineering nature with which the IMF and the World Bank, not only made the sale of ZCCM a pre-condition of donor aid, but also ensured that the Zambian government created ‘investor-friendly policies’.

The Zambian government and the Mineworkers Union of Zambia (MUZ) expressed concerns over recommendations that ZCCM be unbundled and sold off as five separate units, believing that this risked leaving the least attractive assets with uncertain futures (Lungu 2008b: 13). Consequently, the state repeatedly stalled the process of the sale in an attempt to conciliate domestic interest, however ‘they eventually chose debt relief over domestic policy’ (Lungu 2008b:14) and privatisation ensued through the enactment of the Mines and Mineral Act in 1995. Unfortunately, the delays undertaken by the government, only served to create a sourer deal for the country; with prospective buyers recognising that copper prices were continuing to decline, they knew they could leverage deals in their favour.
As Lungu (2008b: 14) notes, the Mines and Mineral Act determined ‘the levels of the mineral royalty, the level of income tax’ and further also ‘provided for capital allowances’ as well as ‘relief from paying customs duties on imported machinery and equipment’. However, the scholar (Lungu 2008b:14) also asserts that the act did not specify the amount of these forms of relief. Instead, the Zambian government was to enter into ‘Development Agreements’ (DAs) with interested companies, whereby the terms of sales for individual mines would be negotiated.

Whilst the government found itself in a weakened position as a consequence of low copper prices, their conduct when negotiating the DAs left a damaging legacy for the country. The DAs were shrouded in secrecy (Fraser 2010: 16) and featured ‘heavy accusations of corruption’ (Fraser 2010: 11) for those given the responsibility of selling the mines. What emerged were DAs that exempted companies from ‘covering most of ZCCM’s liabilities, including pensions for employers, from paying most taxes and from many national laws’ (Fraser 2010: 15). The rate negotiated with the DAs by most of the mining companies was a ridiculously low tax rate of 0.6% of the gross revenue of minerals produced from the mines (Fraser and Lungu 2007:15). Moreover, the inclusion of stability periods of between 15 and 20 years means that the government cannot change the tax regimes without risking legal action from the companies (Lungu 2008b: 15).

As the literature review pointed out, many African states hold dire opinions of Western imposed economic liberalisation: Zambia is no different. Widely acknowledged as ruinous in Zambia, economic liberalisation led to the ‘collapse of manufacturing, a significant contraction of the economy, soaring unemployment and a severe pension’s crisis’ (Fraser and Larmer 2007: 616). The social impacts that have come about from privatisation are even more adverse, when compared with the heyday of welfare provisions under ZCCM. The refusal of companies to adopt ZCCM’s welfare provisions have been particularly disastrous for Zambians living in the Copperbelt region. Consequently, in the absence of pensions and with increasing unemployment, many have found themselves unable to even afford food (Fraser and Lungu 2007: 3). Furthermore, much of what held the Copperbelt society together has now diminished following the disbandment of ZCCM; hospitals, schools, housing, social programmes including HIV/AIDS and malaria awareness programmes, have all withered (Fraser and Lungu 2007: 4).
Speaking at the opening FOCAC ceremony in 2000, President Chiluba was seen to criticise the neo-liberal agenda forced on the African continent by the IFIs, stating:

‘The developing world continues to subsidise consumption of the developed world, through an iniquitous trade system. The existing structure is designed to consign us to perpetual poverty and underdevelopment… It is unrealistic to expect support, relief or respite from those who benefit from the status quo’ (Kopiński and Polus 2011: 184).

However, whilst the pressure placed on the government by the IFIs must not be ignored, the DAs negotiated by government officials provided ‘extremely favourable conditions to capital, including low regimes of taxation, tax breaks, and relaxed labour laws’ (Negi 2011: 30). The DAs that were negotiated should therefore be seen as a direct result of political relationships developed between the state and certain mining houses (Fraser 2010: 16). Despite the MMD rising to power on a democratic platform, increasing poverty following privatisation triggered a return to ‘old-style politics’ (Fraser 2007: 17). By the second multi-party elections in 1996 Chiluba had implemented anti-democratic restrictions on the government, including a purge of the MMD cabinet (Fraser 2010: 11). Furthermore, recent reports have charged Chiluba’s government with operating a neo-patrimonial regime and misusing state resources to the advantage of the MMD (Von Soest 2007: 11). The corrupt nature of Chiluba’s government undoubtedly meant that Zambia gained little from the privatisation process. This is worrying considering Zambia’s reliance on the copper industry for not only poverty reduction, but also development.

Despite the disastrous nature of privatisation, it is nonetheless crucial to realise that privatisation did bring with it new investment into the mining sector, saved mines threatened with closure, and ‘significantly increased production and profits’ (Fraser and Lungu 2007: 1). Former Finance Minister Edith Nawakwi (Lungu 2008b:16), stated in an interview with the BBC, that at the time of privatisation, the mines were ‘making a loss of up to one million dollars a day… the government were borrowing in order to pay salaries of ZCCM employees’. Whilst the IFIs ensured that the government maintained ‘investor-friendly policies’ (Fraser and Lungu 2007: 11), the MMD was nonetheless of the view that the country required FDI in order to develop. This open door policy did not change after Chiluba’s push from office following the ‘re-emergence’ of civil society and the election of Levy Mwanawasa in 2001. Of most significance to the MMD’s open door policy has been the way in which it has
enthusiastically sought to court Chinese state-owned enterprises’ and made every effort to ‘lure the Chinese’ (Rousseau 2012: 17). Commenting on the relationship established with the Chinese, President Mwanawasa stated:

“Those who oppose Chinese investment ... all they need to do is to equal the help we are getting from China. We only turned to the East when you people in the West let us down’ (Davies et al. 2008: 46).

The move to court the Chinese should therefore be seen as a rejection of neo-liberalism and the Washington Consensus. Following the decreased revenues that the government was to secure from the tax regime created under the DAs, the MMD looked to China to ensure economic growth for the country.

2.2. China: Zambia’s Development Partner?

As previously mentioned in the literature review, the nature of China’s Africa Strategy holds potential to aid economic development for the countries it engages with. Unlike other foreign companies operating in Zambia, Chinese companies are linked and driven by the government’s Going Out policy. Despite there being three main drivers of Chinese engagement in Africa, it is important to realise that the main driver for China’s engagement in Zambia is economic. As Kopiński and Polus (2011: 185) note, economic growth in China is driving Chinese consumption of copper to unprecedented levels, so much so that by 2030, China will account for 50% of world demand for copper. Although investment from China spans to agriculture, manufacturing, construction, communication and health (Mwanawina 2007: 7), China’s appetite for copper has meant that the primary focus of investment in Zambia relates to mining, constituting 89% of all Chinese FDI pledges (Kopiński and Polus 2011: 185). China has two exceptionally large players operating in the Zambian mining sector; Zhougui Mining Group (the largest investor in Zambian history) and Non-Ferrous Metals Corporation Africa (NFCA) who purchased the Chambishi Mine on the Copperbelt in 1998, investing $150 million into the dormant mine (Kopiński and Polus 2011: 185) and creating 2,000 jobs (Kopiński and Polus 2011: 186).

Copper’s significance to China means that Beijing has ‘a more developed geo-economic strategy’ than any other country in Africa (Carmody 2009: 1197). Further, in line with
China’s traditional relationship with countries it engages with, China’s relationship with Zambia is on a bilateral level (Mwanawina 2008: 6). In 2007, the Zambia Development Agency reported that Chinese investment amounted to $378 million, accounting for 47% of total FDI in Zambia (Mwanawina 2008: 7).

As exposed in the literature review, China places heavy emphasis on investment through infrastructure development. In 2003, China’s Export-Import Bank provided a $600M loan to Zambia in order to develop the country’s infrastructure (Carmody 2009: 1198), of which construction, communications, transport and building have been prioritised (Mwanawina 2008: 10). According to the ZDA, investment in the construction sector has totalled $44.7 million, creating a further 1,977 local jobs (Kopiński and Polus 2011: 186).

China has also provided practical assistance to Zambia, largely in the form of skills transfer. In 2003, the Chinese government provided training to Zambian nationals in the fields of ‘rice production, agricultural machinery, food and agro processing and tropical disease control’ (Mwanawina 2008: 8). Further, between 2007 and 2008, 117 Chinese government scholarships were offered to Zambian nationals (Davies et al. 2008: 46). As mentioned in the literature review, building up Zambia’s capacity at higher levels of society will certainly help the country achieve sustainable development.

Zambian trade to China swelled from $100 million in 2000 to over $2.8 billion in 2010 (Redvers 2011). Copper exports undoubtedly account for a large proportion of this trade. However, the expansion of tariff free-market access for 452 Zambian products, coupled with a policy that allows Zambians to borrow money from the Bank of China in order to manufacture goods (Lusaka Times 2007), has enabled other Zambian industries to also benefit.

Symbolising Zambia’s true importance to China is the fact that Zambia houses one of China’s African SEZ’s situated in Chambishi in the Copperbelt (Redvers 2011). The SEZ in Zambia was announced in the 2007 FOCAC Action plan. The initial investment proposed was an $800 Million copper smelter that would service the ore produced at the NFCA mines (Haglund 2008: 556). Many question the efficacy of SEZs, arguing that they ‘work to the advantage of highly competitive foreign investors with developed technical capabilities and access to low cost finance’ (Carmody et al. 2012: 218). However, in line with observations made in the literature review, SEZs offer Zambia the opportunity to add value to their raw materials. This would be done by ‘pulling some of the industrial chain back to Zambia’ and
bringing in ‘Zambian strategic investors’ to the zone (Brautigam 2009: 101). Further, as Mwanawina (2008: 8) asserts, it is also expected that the SEZs will attract investment in ‘electronics, toys, clothes and food’, creating further ‘employment opportunities, technological transfer and industrialisation’.

Enhancing competitiveness through the establishment of SEZs and the creation of tariff free markets, transferring knowledge and skills through practical assistance to Zambia, as well as creating jobs through investment in infrastructure and the mining sector were all features deemed to contribute to development at the UN Conference on Financing for Development in 2002 (2002: 5). However, in order to contribute to development, FDI must also be channelled into poverty alleviation and positive affects for the local population too; if this doesn’t occur, FDI may only contribute to economic growth for an elite few.

Despite the positive features of Chinese FDI noted above, the quality of employment within Chinese owned enterprises has proven particularly controversial amongst the local population. Whilst the secrecy of the DAs makes it impossible to establish exactly what was negotiated in the Chinese DAs, the close relationship developed between Beijing and the MMD would suggest that China secured itself a lucrative deal. Following complaints about health and safety failings, union busting, low pay and casualisation of the workforce in Chinese owned mines, many Zambians accuse the Chinese of being the ‘worst investors’ (Fraser 2010: 17).

A key element of these accusations have been as a result of a decline in employment quality and a ‘casualisation of the workforce’ (Fraser and Lungu 2007: 3). Nearly half of mine employers are now unable to access permanent, pensionable contracts, instead being placed on ‘rolling, fixed term contracts’ which hold unfavourable terms and conditions (Fraser and Lungu 2007: 3). Chambishi Mines have been accused of casualising the majority of their workforce, with claims that of their 2,200 employers, only 52 hold permanent contracts (Fraser and Lungu 2007: 22). MUZ officials note that workers who have seen their employment ‘casualised’ are doing almost the same jobs, but on fixed term contracts. Without the union, on a lower wage and with no patient cover or housing (Fraser and Lungu 2007: 22).

It has also been alleged that Chinese companies pay the lowest wages of all the foreign owned companies, with accusations made that wages often fall below the minimum wage. Under the MMD, the minimum wage was 270,000 kwacha a month, however, one Trade Union official reported that in some cases Chinese companies only paid 100,000 kwacha a
month (about US$22) (Carmody et al. 2012: 218). Coupled with charges that they pay by far the lowest wages, Chinese companies have also been seen to refuse to pay overtime for their employers, taking extra hours to be part and parcel of work. Such revelations have led Professor Lungu (World News Review: 2008) to argue that Chinese companies should be creating not only jobs, but ‘well paid jobs’ too.

The influx of Chinese nationals into Zambia has had a huge impact on local traders and producers. As Alden (2007: 73) has observed Chinese wholesalers and traders have trickled into the country, building up stalls in the market of Lusaka. Commenting on the vast amount of Chinese traders in Zambia, former trade minister for Zambia, Dipak Patel stated: ‘Does Zambia need Chinese investors who sell shoes, clothes, food, chickens and eggs in our markets when the indigenous people can’ (Alden 2007: 48). As mentioned in the literature review such trends can have a disastrous impact on local traders who often find themselves undercut and displaced by Chinese imported products. Further, local producers have not accrued the benefits they were promised from privatisation, with many Chinese companies sourcing their suppliers and manufacturers from outside the country (Fraser 2010: 15).

Most crucial to the decline in employment quality, has been the dire health and safety aspects reported at Chinese-owned mines. A Human Rights Watch (2011: 32) report has detailed in length the ways in which safety regulations have been ‘routinely flouted’. The report claims that Chinese owned companies have frequently failed to provide prompt replacement of ‘personal protective equipment’ for employees (Human Rights Watch 2011: 39). This is particularly worrying considering that miners described working 12-hour shifts exposed to acid, fumes and dust (Guardian 2011). Despite Chinese companies flaunting the law the MMD government was seen to do little about it. For Carmody et al. (2012: 22) rather than representing a ‘governance failure’, weak regulations can involve a ‘particular kind of geo-governmentality involving a degree of self (under) regulation’ in order to keep investors happy.

The poor quality of employment at Chinese-owned mines, as well as their lax health and safety was brought to forefront in Zambia following two incidents. Firstly, in April 2005, an explosion at the Beijing Research Institute of Mining and Metallurgy (BGRIMM) explosives plant in Chambishi killed 52 workers. Soon after the explosion, it came to light that those killed were casual workers, earning below the minimum wage (Fraser and Larmer 2007: 627). The health and safety at BGRIMM was so negligent that not only had workers been given no training in handling explosive materials, but neither had they been asked to give up
mobile phones, lighters or cigarettes whilst working (Carmody et al. 2012: 219). In a second incident in July 2005, four workers were shot by a Chinese manager after they stormed offices at Chinese owned NFCA in protest of their wages (Alden 2007: 74). As Alden (2007: 74) notes the two incidents described above sparked a national debate over frustrations regarding the ‘conduct of the Chinese in the country and the failure of the Mwanawasa government to uphold Zambian law and the interests of the people’.

In a similar manner to frustrations over Chinese investment felt elsewhere on the continent - as outlined in the literature review - the frustrations felt by Zambians relate to bread and butter issues of ‘poverty wages, insecure employment terms and conditions… a failure of attention to safety measures and environmental protection by the mining companies’ (Fraser and Lungu 2007: 6). Whilst the Chinese undeniably evaded national legislation and operated harsh labour regimes, they should not receive all encompassing blame for these frustrations.

At a macroeconomic level China certainly does have the potential to contribute to economic growth and development in Zambia through employment creation, increased trade and investment, as well as national capacity building. The problem is, apart from employment creation, Zambians have seen very few redistributive effects. In 2005, Zambia’s rankings in the Human Development Index slid to 166 of 177 (Fraser and Larmer 2007: 616). As Kragelund (2009: 487) notes, in terms of governing FDI, ‘the ultimate role of government policies is to minimise negative effects and maximise positive effects of the FDI’. Poverty, deprivation, poor economic opportunities as well as rampant corruption were all present in Zambia at this time, and consequently the MMD government failed to effectively govern Chinese FDI and channel it into development and human freedoms as defined by Amartya Sen (1999: 3).

Development issues in Zambia relate to more than just ensuring economic growth; as well as seeing them from a macro level, they must be seen from a local level too, and consequently the bread and butter issues that have affected and frustrated Zambians to date must be rectified. For this to occur, the corrupt and pervasive nature of the state must be addressed. Furthermore, whilst realising the catalytic potential of Chinese FDI for development, regulation and strict guidelines of employment practice must be in place to ensure that local Zambians are protected. With Michael Sata promising to resolve many of the frustrations felt by Zambians in his 2011 election campaign, there is hope amongst Zambians that the newly elected President will finally herald development for the country that will amount to human freedoms for all in society.
3. Chinese FDI under Michael Sata

Following four election attempts, Michael Sata and the Patriotic Front (PF) finally secured presidency in Zambia on 23rd September 2011 with 43% of the vote (Dearn 2011). Promises made during the election campaign ‘endeared Zambians to embrace the party vision’, and further ‘renewed hopes for many, especially the poor’ (Mboozi and Simwanza 2011). Such promises relate to the frustrations felt by Zambians, who believe that since privatisation, they have not only seen few development benefits, but also feel that foreign investors, particularly the Chinese, have been able to flaunt Zambian law creating an environment of underdevelopment. With the previous government ‘courting the Chinese’ (Rousseau 2012: 17) through a close bilateral relationship, China has been able to build up a large portfolio of investment throughout the country, particularly in the mining sector. Despite their well-publicised evasion of Zambian law, as outlined in the previous chapters, Chinese FDI undoubtedly holds the potential to contribute to Zambian development. It is therefore hoped that Michael Sata – a man renowned for both his ‘man of action’ ways, as well as his tough stance on Chinese investors and corruption – will finally reign in the Chinese and channel investment towards development for all of Zambia, and not just an elite few.

Whilst Sata’s supporters vie that his ‘man of action’ (BBC News 2006) ways are much more in tune with securing development for the country, his critics have warned that he is nothing more than a ‘populist politician’ (Fraser and Larmer 2007), whose primary concern has been to secure power. With this in mind, the essay will now consider these opposing views and assess whether Sata will ‘tame the dragon’ and channel Chinese investment towards development for Zambia. In order to achieve this objective, the chapter will begin by comparing and contrasting the PF’s 2006, 2008 and 2011 election campaigns. Following this, the chapter will then analyse whether the accusations stating that Michael Sata is nothing more than a populist politician are justifiable. Finally, the chapter will aim to assess the likelihood that the promises made by Sata in his 2011 election campaign will be upheld, and if so, consider whether this is likely to contribute to development for the country.

Michael Sata and the PF rose to prominence following their challenge to the 2006 election campaign. The campaign reflected on popular urban frustrations in the run up to the election. Such frustrations were dominated by a feeling of neglect, with many Zambians believing that they had obtained little benefits from the ‘post-2000 commodities boom, and blamed the Chinese for worsening labour conditions and political corruption’ (Hinds 2012). Sata’s 2006 election campaign was noted by many as running on an ‘anti-Chinese public platform’
Such analyses were the result of frequent public appearances whereby Sata referred to the Chinese as ‘infesters’ (Bowman 2012) who had ‘not added any value to the people of Zambia’ (Carmody and Taylor 2010: 506). Further, at one campaign rally, Sata warned Zambians ‘You recruit Chinese doctors and they end up having Chinese restaurants in town. They are just flooding the country with human beings instead of investment… If we leave them unchecked, we will regret it… We are becoming poorer because they are getting our wealth’ (Brautigam 2009: 6).

Although much of Sata’s public appearances focused on reflecting anti-Chinese sentiment, the 2006 PF manifesto was exempt from such rhetoric. The PF manifesto makes for a fairly tame read in comparison to that of Sata’s public appearances. Whilst the manifesto did criticise foreign investors, it made no specific reference to the Chinese, instead stating that ‘the main beneficiaries of the MMD government, apart from relatives and friends, are mostly foreigners’ (Patriotic Font 2006: 3). Further, the manifesto claimed that rather than diverging from the MMD’s liberalised economy, which it believed had resulted in only ‘cosmetic changes’ (Patriotic Font 2006: 3) for the economy, the party would ‘maintain an open liberal macroeconomic environment’ (Patriotic Font 2006: 27). Despite emitting anti-Chinese sentiment, the manifesto nonetheless included a number of promises that would certainly alter Chinese investment in the country. Most crucially these included removal of casualised labour, enforcement of the minimum wage, as well as bolstering the capacity of the Ministry of Labour in order to effectively carry out labour inspections (Patriotic Font, 2006: 44). Further, as Fraser and Larmer (2007: 626) note, the PF also made ‘progressive commitments to lower taxes, create jobs and deliver basic services’. With claims that all human development indicators in Zambia revealed a ‘bleak picture’ (Patriotic Front 2006: 2), the PF declared that they could ‘turn the situation around for the people of Zambia’ (Patriotic Font 2006: 2).

In the end Mwanawasa retained power. However, as Fraser and Larmer (2007: 611) claim, ‘this was not to be the most significant outcome of the election’. Instead, the election ‘represented a significant break in Zambian politics and a new dynamic in Urban society’, with the PF winning ‘every urban parliamentary seat in Lusaka and the Copperbelt region’ (Fraser and Larmer 2007: 611-612). By bringing popular sentiment to the forefront of politics, Sata not only instigated change in MMD policies, but also altered the way Beijing dealt with Zambia. As Fraser (2010: 19) notes, the MMD responded to the PF’s success in the election by ‘moving closer to its policy positions on tax, regulation of mining companies and labour
law reform’. Changes following the 2006 election were also observed of the Chinese. In an interview with World News Review in 2008, Permanent Secretary of the Ministry of Mines and Minerals Development, Lennard Nkhata, claimed that ‘Chinese compliance to health and safety regulations has improved tremendously’ (World New Review 2008). Further, Nkhata stated that the Chambishi NFCA mine was the only large-scale underground mine which had not ‘recorded a single fatal accident since 2006’ (World New Review 2008).

In response to the PF’s significant gains in the 2006 election, Mwanawasa (Fraser and Lungu 2007: 2) stated that ‘Zambians spoke clearly and loudly and we will reflect seriously on their concerns…Whilst we have made important macroeconomic gains, admittedly the standard of living of the majority of Zambians remains poor’. In 2008, Mwanawasa answered calls from civil society for a new tax regime and announced ‘new windfall taxes on the mines’ (Fraser 2010: 19). With little mining revenue reaching the Zambian exchequer, despite a significant rise in copper prices and profit for the mining houses, the windfall tax was designed to ‘capture a greater share of windfall profits’ (Fraser 2010: 19). In spite of Sata’s claims that Zambian’s were gaining little from foreign investors, two months after the windfall tax, Sata requested its abandonment in favour of a royalty tax ‘free from manipulation’ (Lungu 2008b: 22). Sata justified his position claiming that the PF was ‘concerned that if mining companies were not allowed to build up enough capital for reinvestment and if the international community perceived Zambia as a country that could not honour its agreements, jobs would be in jeopardy’ (Lungu 2008b: 22). With the onset of the global economic crisis, copper prices plummeted, and as predicted by Sata, mining companies began making layoffs (Kachingwe 2009). At the Konkola mine in 2008, 6667 workers were laid off (Mwanawina 2008: 44).

In 2008, there was a presidential by-election following the death of Mwanawasa. These elections were not marked by the same anti-Chinese sentiment that had dominated the previous election. Carmody et al (2012: 224) note that one reason for this was the continuing investment made by the Chinese in the face of declining copper prices. Further, as noted above, the Chinese had begun to make improvements to their employment practices, which had been the cause for many of Zambian frustrations. The by-elections were held on 20 October, following Mwanawasa’s death on 19 August. MMD candidate Rupiah Banda won the election, beating Sata by 2% of the vote (Commonwealth Secretariat 2011: 5). In response, Sata claimed that the election had been rigged and as Marima (2011) notes, ‘in his favour analysts argued a number of registered voters whose details had not been updated
were unable to vote, and this could have tipped the ballot in his favour’. Despite the loss, the margin by which Banda won exemplified Sata’s growing popularity.

Banda came to power as the global recession worsened. Opening parliament in January 2009, Banda warned mining companies ‘not to use the financial crisis as an excuse to lay off workers’ (Kachingwe 2009). However, mining companies were not merely making redundancies, they were also closing down. The effects of redundancy and the closure of the mines spawned disaster for the Copperbelt. Not only did former miners have to resort to borrowing or informal trading to make ends meet, but as Copperbelt provincial minister Mwansa Mbulakulima stated, Municipal councils throughout the province were ‘finding it very difficult to operate as most of them depended on these companies for survival’ (Kachingwe 2009). In the end Banda’s government - who had gained in popularity following the introduction of the windfall tax – were forced to repeal the tax (Fraser 2010: 21). Marima (2012) notes that despite this set back, Banda’s 3 years in power was marked by reasonably good economic growth pegged at 6 to 6.5%. This was largely a result of the continuation of favourable investment policies, as well as the $2.8bn generated from trade with the Chinese since 2000 (Marima 2012).

In the run up to the 2011 elections, it looked as though Banda would triumph once again. However, despite the improvements in employment practice made by the Chinese, the revival of the critique against ‘the post-privatization political economy’ (Negi 2011: 37) continued for Zambians who wanted to see direct development gains from the foreign owned mines. In October 2010, Chinese supervisors at the privately-owned Collum coalmine in southern Zambia fired indiscriminately at workers who had gathered outside the mine to demand higher pay and better conditions (People and Power 2012). Whilst the shooters were taken to court, the case was dropped (People and Power 2012). With the MMD retracting the windfall tax and sticking with favourable investment policies, for many Zambians, it still felt as though the government was prioritising the needs of foreign investors.

The 2011 election was characterised as a harsh battle between two candidates whose age dictated it to be their last. People and Power (2012) observed that Banda’s campaign focused on the MMD’s record of ‘20 years of peace and prosperity’. However, despite this peace and prosperity, the country's new wealth had continually ‘failed to make it into the hands of ordinary Zambians’ (People and Power 2012). Conveyed within the PF’s 2011 manifesto, Sata recognised this and launched an attack on the MMD, claiming that the Zambian economy had continued to be ‘mismanaged and misapplied by the MMD government’, and
further that Zambian citizens have ‘very little to show in the areas of social and economic development’ (Patriotic Front 2011: 4). Furthermore, the PF manifesto charged the MMD with operating a neo-patrimonial regime claiming that ‘access to quality education and healthcare for the majority... has remained only a pipedream while the elite continue to promote their predatory social and economic habits’ (Patriotic Front 2011: 4). In line with the PF’s 2006 manifesto, which claimed that the party would continue down a liberal economic path, the 2011 manifesto recognised ‘the important role the donor community plays’ (Patriotic Front 2011: 5). Rather than laying blame on foreign investors for the state of the mining sector and quality of employment practices, the manifesto this time placed entire blame on the MMD with what it termed ‘uncertainty in the policy framework and frequent amendments to the legislative regime of the sector’ (Patriotic Front 2011: 39). As well as no mention of Chinese investors in the manifesto, Sata considerably toned down his previous accusatory rhetoric, even stating that Zambians had a ‘lot to learn from Chinese work ethic’ (People and power 2012). Nevertheless Sata promised to ‘reign-in’ the Chinese (Rotberg 2012), as well as making further promises to double the minimum wage, tighten workplace and safety regulations (Guardian 2011), as well as launch an anti-corruption campaign (Patriotic Front 2011: 5).

As People and Power (2012) observed, the promises made by Sata ‘proved successful’ when he was elected as president with a 200,000 majority vote. Sata’s promises certainly hold the potential to create development for Zambia. Rather than dismissing the potential of Chinese led development, Sata seems to have accepted the dragon’s potential. Whilst this is likely the result of an increased awareness that China’s FDI can contribute to Zambian development if appropriately regulated, Sata’s critics claim that it represents nothing more than a change in tactics for the ‘populist’ politician.

Populism is best understood as a political phenomenon, available to ‘any political actor operating in a discursive field’ (Panizza 2005: 4). Laclau (2005: 39) argues that the construction of an enemy is an essential part of what he terms a populist rupture. Conveying Laclau’s account of a populist rupture, Beresford (2011: 224) summarises it as ‘a process which begins when a variety of social demands voiced by different sections of society are not being fulfilled by the institutional system’. Supporting this view, Magaret Canovan observes that populist political actors ‘appeal to ‘the people’, against both the established structure of power and the dominant ideas and values of society’ (cited in Panizza 2005: 5). In short, what emerges is ‘as an anti-status quo discourse that simplifies the political space by symbolically
dividing society between ‘the people’ and its ‘other’ (Panizza 2005: 3). The picture that is conveyed when politicians are described as populist is often one whereby populist actors prey on disenfranchised sectors of the population who feel indignant towards the political system. Populist actors then universalise ‘the people’s’ claims and reflect their concerns through populist language and symbols (Fraser and Larmer 2007: 612).

Sata’s populist label largely emanates from the anti-Chinese rhetoric he adopted in his 2006 election campaign. Fraser and Larmer (2007: 612) observed that Sata and the PF ‘dominated the public space of urban centres’ therefore taking their campaign to areas where post-privatisation frustrations and anti-Chinese sentiments were fiercest. In doing so, Fraser (2010: 18) claims that Sata ‘successfully mobilised the popular sentiments’, of what Marima (2011) asserts to be ‘disenfranchised, fiery hearts that were already burning with anti-Chinese sentiment’. Whilst such assertions certainly hold truth, the claim made by The Post newspaper’s editorial stating that ‘Sata is a populist who will say what he thinks newspapers want to hear… he has no morals to defend and no principles to fight for’ (Fraser and Larmer 2007: 612) are somewhat unfair. Rather, Sata should be viewed as a more rational thinker; his conversion from a loathing of the Chinese to a more pacified opinion of the investors perhaps reflects growing realisation that Chinese investors are willing to alter their harsh labour practices in the country, and further that investment is essential for development. Commenting on his previous opinions of Chinese investors, Sata stated that he was unaware at the time ‘just how important China is for Zambian prosperity’ (Rotberg 2012). Further, in an interview with commonwealth commissioned magazine Global, Sata noted that the Chinese have ‘changed dramatically, pointing to a win-win situation’ (Global 2012). It seems the critical populist labels granted of Sata have not taken into account any assessment of his time in power. Further, as Laclau (2005: 47) states ‘no political movement will be entirely exempt from populism’.

The only way to analyse whether Sata’s campaign to gain presidency has been wholly populist and exempt of any real desire to actually carry through his promises, is to assess his presidency to date. As previously noted, Sata’s promises certainly have the potential to rectify the development failures experienced so far in Zambia. With this in mind, the paper will now aim to analyse the extent to which Sata is likely to successfully alter the development path of Zambia, by following through on his promise to regulate the employment practices of the Chinese, as well as well as ensuring that wealth is distributed more evenly by fighting corruption.
As with many African countries, corruption has plagued Zambian politics since independence. Mwanawasa was the first president to move towards fighting corruption, making it the ‘centrepiece of his presidency’ (The Heritage Foundation: 2012). In doing so, Mwanawasa lifted the immunity of presidency and Chiluba was eventually charged with abuse of office (Von Soest 2007: 628). Despite this corruption crusade, Von Soest (2007: 628) argues that there are ‘strong indications that Mwanawasa’s campaign remained inconsequential…primarily used as a way of silencing his opponents’, tactics which have continuously been used throughout Zambian history.

In coming to power, Sata stated that in any democracy, there should be ‘zero tolerance to corruption as the vice robs nations of all economic gains’ (Times of Zambia 2011). Whilst there have been claims that Sata has taken a ‘politically motivated and self-interested approach to corruption’ the government has nonetheless made significant headway in its corruption campaign. The Anti-corruption Act Number 3 enacted by the Zambian government has reinstated the abuse of the authority clause previously repealed in the old Act in 2010 (State House 2012). Further, it is hoped that the reintroduction of the Abuse of Authority of Office Clause in the Anti-Corruption Act will ‘deter public officials from mismanaging and stealing public resources’ (State House 2012). Chisala certainly believes this to be the case, stating that:

‘We can say that it is very difficult for a minister now to even attempt to engage in some corrupt deal. They are fully conscious…the president will not shield them as it has always been in most of Zambia's history’ (Chisala 2012).

It is widely known that during the privatisation period, the state at the time developed ‘political relationships with certain mining companies, particularly Chinese owned mines, which allowed companies to evade laws whilst the government turned a blind eye (Fraser 2010: 10). Sata’s government has aimed to bring an end to such malpractice, by ensuring that there is greater transparency in the mining sector, through employment of ‘monitoring mechanisms’ (Times of Zambia 2012b).

Whilst Sata’s opinion of foreign investors has famously been poor, since coming to power, Sata has sought to ‘court investors’ (Africa Practice 2012: 2). In recognition that Zambia must continue to attract FDI in order to meet Zambia’s goal of producing 1.52mt of copper a year by 2012, Sata has mollified his criticism of Chinese investors (Morgan 2011). For many
of Sata’s supporters the president’s toned down stance on Chinese investors has come as a disappointment. However, Sata has ‘prescribed parameters’ (Global 2012) for the Chinese investors, aimed at regulating their employment practices and bringing about a better deal for Zambian workers. Since gaining presidency, Sata has increased the mineral royalty to 6% in a bid to earn over $300 million a year in revenue (Global 2012). Whilst this move again comes as a disappointment to those who hoped he would reinstate the 25% windfall tax, such a move may have led to the closure of mines and job losses as was the case under Banda. Further, in line with his promises to ensure larger benefits from foreign owned mines accrue to Zambians, Sata has also raised the minimum wage. In July 2012, the minimum monthly wage for domestic workers increased from $30 to $105, and general workers saw an increase from $50 to $220 (IRIN 2012). Furthermore, in order to ensure the minimum wage law is upheld, the government has also told employees to report employers who fail to pay the minimum wage, to the police ‘to face prosecution’ (IRIN 2012).

As well as prescribing parameters on investors, the government has also made development gains in a number of other ways. The $300 million gained from the new royalty tax is being channelled into providing social services for Zambians. Both the education and the healthcare budgets have increased significantly with the aim of ensuring sustainable development and poverty reduction (Global 2012). With more than half of Zambia’s population under the age of 20, Sata targeted unemployed youth during his 2011 election campaign promising to create more jobs for them. Since coming to power, Sata has channelled 10.3 billion Kwacha into the construction of district training centres for Zambian youths (Time of Zambia 2012c). This is an important step towards improving not only the practical skills of youths, but also enhancing their employment opportunities. Furthermore, in order to ensure more money makes it into the pockets of Zambians, particularly those already living on the bread line, the government has reduced the price of petroleum (Times of Zambia 2011), and offered tax exemption to all those who earn less than $400 a year (Global 2012). Moreover, it seems that Sata’s pragmatic approach to Chinese investment has been successful in other areas too; since becoming president, China has signed an economic and technical cooperation agreement totalling $15 million, of which $8.6 million was a grant and the remainder ‘an interest-free loan for poverty reduction’ (Simuchoba 2012).
On assessment of Sata’s time in power, the IMF has commended the politician following projected growth rates of 7.7% in 2012, as well as his move to channel increased royalties into government investment aimed at poverty reduction and development for the country (Bowman 2012). Whilst Sata has only been in power for eleven months, his presidency so far has been marked by positive steps towards securing development for Zambians. His corruption campaign will certainly temper government officials from engaging in fraudulent deals, knowing full well that there will be no safety net in place to shield them. Further, the regulations imposed on foreign investors which aim to ensure that they abide by Zambian law will further help to protect Zambian workers and ensure they gain a better deal from foreign employers. Finally, the rise in mineral royalty tax has allowed the government to increase its revenue, and Sata has channelled this into government initiatives aimed at improving the living standards of Zambians, especially the poor.

Conclusion

This paper has demonstrated the increasing potential of Chinese FDI for African development. However, until recently little developmental benefits have been accruing to local populations, with the majority of FDI propelling economic growth for an elite few. Whilst this has been an extremely disappointing trend, the characteristics of Chinese FDI undoubtedly provide a potential source of investment capital and development assistance which Western investment has failed to provide (Li 2010: 15). This signifies possibilities for enhanced developmental outcomes, provided host countries can appropriately govern Chinese FDI and channel it towards enhancing the human freedoms of their population. This paper has therefore sought to qualify these possibilities through its Zambian case study.

Chinese FDI in Zambia undoubtedly possesses the potential to promote development. The sheer size of investment in the mining sector alone - which accounts for 88% of all Chinese investment to Zambia (Li 2010: 6) - has propelled development for the sector, which remains the ‘backbone of the Zambian economy’ (Fraser and Lungu 2007: 54). Furthermore, the mutually beneficial nature of Chinese FDI has meant that Beijing offers more than just prospective benefits for the mining sector. The creation of an SEZ in the Copperbelt region heralds the potential to allow Zambia to finally add value to its copper exports and diversify its economy through the creation of other manufacturing sectors. The introduction of tariff-free market access to China for over 450 Zambian products further complements diversification by allowing other sectors of society to benefit from Chinese engagement
Finally, the transfer of knowledge and skills to Zambian nationals, and the bolstering of social infrastructure will certainly help build up the capacity of Zambia and ensure sustainable development.

However, whilst China has been characterised as an ‘all-weather friend’ by all of Zambia’s post-independent presidents up until 2011 (Carmody et al. 2012: 214), the Sino-Zambian relationship established by the MMD government was marred by the corruption which plagued the majority of the party’s rule. Dominated by neo-patrimonial politics, the DAs negotiated by MMD government officials created an environment whereby foreign investors were able to evade national legislation. With the Chinese becoming by far the most important investor in Zambia by 2007 (Kragelund 2009: 483), they too were able gain a lucrative deal within their DAs. Consequently, China’s all-weather friendliness only transpired for the government and an elite few, therefore failing to reach the general population. Instead, Chinese investment equated to a decline in employment practice, with many Zambians receiving less pay, working under dangerous labour regimes, and without the benefits granted under ZCCM. Even those not working for Chinese companies were impacted by a deluge of cheap Chinese-imported goods into the market, displacing local producers. Blame has been placed on the Chinese, with many Zambians claiming them to be the ‘worst investors’ (Fraser 2010: 17). As evidenced in the paper however, it has been the MMD’s failure to effectively govern Chinese FDI, which ultimately meant that Zambians accrued little benefits from the Asian investors.

Michael Sata’s ascendency to President has clearly altered the Zambian development path. Despite accusations that his anti-Chinese sentiment exemplified populist credentials that would amount to little change for Zambia, evidence would suggest that Sata is a man who sticks to his word. The transformation from a scathing of Chinese investors towards acceptance of the Chinese, was not driven by populism but rather a more rational thought process; realising that Chinese investment is crucial to Zambia’s development prospects, Sata recognised that there was a need for better governing and regulation of Chinese FDI in the country. This seems to be occurring. Since gaining the presidency, Sata has made successful headway in regulating Chinese investment, by ‘prescribing parameters’ for employment practices (Global 2012). Raising the minimum monthly wage, Sata has ensured that Zambian workers are gaining direct benefits from employers, including the Chinese. Increasing the mineral royalty tax was another step in the right direction. Unlike under the MMD government where the Zambian people saw little gain from revenue, Sata has ensured that the
$300 million gained is channelled into welfare programmes, including youth training centres, as well as bolstering both the education and health budgets. Furthermore, a reduction in both the price of petrol and an exemption of taxes for the poorest Zambians will ensure that as promised ‘more money will make it into people’s pockets’ (Smith 2011).

Whilst it is too early to make final conclusions regarding Michael Sata, his success to date at regulating Chinese FDI in Zambia and channelling it into developmental benefits for Zambians, must be commended. Furthermore, the president is making headway in the development of a Zambian policy on Chinese FDI aimed at leveraging the best possible gains for all Zambians. By exemplifying that Chinese FDI can contribute to not just economic growth, but also human development, Sata is also offering hope for other African countries too.

References:


