Deepening South-South Dependency? China's Cooperative Rhetoric and Economic Engagement in Zambia

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Abstract

China's relationship with Zambia is based on the principles of south-south cooperation. However, propagating south–south principles as a basis for China's relations with Zambia may disguise a dependent relationship that exist between the two countries. Most analysis of Zambia's relations with China has focused on the mines; and how Chinese investment is creating employment; flooding the Zambian market with cheap and low quality Chinese goods; bad working conditions, including low wages in Chinese owned companies; and squeezing of private domestic sector. Most of this analysis is not based on an empirical investigation of historical and current data that compares the changing magnitude of Chinese investment and trade flows in Zambia with other countries. This is especially important because such an approach not only demonstrates the changing nature of Chinese engagement, but also substantiates the share of economic partners and the nature of trade relations in Zambia's economy. Using quantitative data, this thesis provides a critical analysis of Zambia-China relations, interrogating new, actually existing dynamics of south-south cooperation to ask if contrary to its cooperative rhetorical claims this is in practice generating new economic dependency. It also interrogates the interest of governing elites from Zambia and China in their economic relations through the establishment of Chinese Special Economic Zones (SEZ) in Zambia. This thesis argues that China is now a major but not the dominant player in Zambia's economy, and that despite a formal political aim to diversify Zambia's economy, the actual underlying nature of economic relations is such as to confirm Zambia's dependence on natural resource based trade. The conclusion of this is that it gives rather a gloomy picture if Zambia has to break its historic dependency on commodity exports.

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List of Abbreviations

CEU – Central European University

BAPA – Buenos Aires Plan of Action

GDP – Gross Domestic Product

GNI – Gross National Income

FDI – Foreign Direct Investment

UNCTAD – United Nations Conference on Trade and Development

SEZ – Special Economic Zone

Deepening South-South Dependency? China's Cooperative Rhetoric and Economic engagement in Zambia

Introduction

> "We are truly sincere in helping Africa speed up economic and social development for the benefit of the African people and its nations."[1]

China's presence in Africa generally and Zambia in particular has drawn tremendous attention since the turn of the 21st century. Stimulated by the 'going out' policy, China's overseas engagement has expanded mainly due to internal bottlenecks such as overcapacity, falling profits, surplus capital, shrinking demand in traditional export market and scarcity of raw materials.[2] Bearing no colonial history with Africa, China has distinguished itself from the West by framing its relationship with Africa as one of south-south cooperation based on the principles of mutual trust, mutual benefit, economic win-win cooperation, and non-interference with state sovereignty. Touting south-south cooperation's principles of mutual benefit and economic win-win relations imply that China's current economic relations with African countries should not replicate the kind of relations Western countries had or have with the continent, a relationship of exploitative dependency.

At the time south-south cooperation was conceptualized in the 1950s, there was no wider economic interaction between countries of the Global South. Times have now changed as evidenced by increased economic cooperation between countries of the Global South. The economic interactions

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[1] Speech by Wen Jiabao, Premier of the Chinese State Council, at the 2007 Annual Meeting of the African Development Bank, held in Shanghai, China on 16–17 May 2007, accessed November 24, 2014, http://en.people.cn/zhuanti/Zhuanti_404.html

[2] Ching Kwan Lee, "The Spectre of Global China," *New Left Review,* (October, 2014): p. 29, accessed 5 January, 2015, http://www.sociology.ucla.edu/sites/default/files/u281/nlr_2014_no._89.pdf

between countries of the Global South are happening within the ambits of a global system dominated by capitalism. The current global system serves the interests of wealthy nations and not that of developing countries. The system does not promote equal opportunity and development but instead promotes exploitation and dominance where the periphery (Least Developed countries) are kept in a state of dependency and under-development because the developed world (the core) requires cheap raw materials and labor.[3] Thus, developing countries are actively used in a way that benefits dominant states and not the poorer states in which resources are found.[4] In this system, the diversion of resources over time is maintained not only by the power of dominant states, but also through the power of elites in dependent states.[5] The elites maintain a dependent relationship because their private interests coincide with those of the dominant state. The core interest of elites in dependent states is regime maintenance for continued hold on power.

Thus, spearheaded by the growth of China's cooperation with other developing countries, south-south cooperation appears poised to disentangle dependency. However, south-south cooperation between China and Zambia may also imply a new form of Zambia's dependency on China, hidden from post-colonial position when it is negatively affecting the country's development. Scholars such as Kragelund and Brautigam have asserted that resource flows – mostly copper and cobalt are the main drivers for intensifying relations between China and Zambia.[6] This entail that despite being

[3] Andre Gunder Frank, cited in "Revision World," accessed 21 May, 2015, http://revisionworld.com/a2-level-level-revision/sociology/world-sociology/sociological-explanations-development-under-development/dependency-theory
[4] Vincent Ferraro, "Dependency Theory: An Introduction," (July, 1996): p. 2, accessed 20 January, 2015, http://marriottschool.net/emp/WPW/pdf/class/Class_6-The_Dependency_Perspective.pdf
[5] Ibid. p. 3.
[6] Peter Kragelund, "Part of the Disease Or Part of the Cure: Chinese Investments in the Zambian Mining and Construction Sectors," *European Journal of Development Research,* no. 21, 4, (2009): p. 650. Deborah Bräutigam, and Tang Xiaoyang, "Economic Statecraft in China new overseas Special Economic Zones: Soft Power, Business or Resource Security,"*International Affairs,* no. 8, 4, (July, 2012): p. 813 and 814.

called south-south cooperation, classical features of dependency continue to manifest in Zambia's relation with China through natural resource dominated trade and investment.

Chinese investment in Zambia has in essence led to flooding of cheap, low quality Chinese goods on the Zambian market; bad working conditions, including low wages in Chinese owned companies; large scale repatriation of profits; tax exemptions; squeezing the private domestic sector; and export of raw materials to China.[7] However, most of the analysis on Zambia-China relations is often centered on the mines and former President Michael Chilufya Sata's ardent criticism of Chinese presence and investment in Zambia, especially when he was an opposition Patriotic front leader. Hence despite the significance of these issues, there has been little or no scholarly research conducted taking historical and current empirical data as a basis for displaying the changing magnitude of Chinese investment and trade flows in Zambia, comparing it to other nations.

This thesis investigates whether and if so why south-south cooperation, in the case of Zambia's economic relationship with China is breeding a new form of dependency within the Global South. In doing so, it is particularly concerned with the nature of change in China's relations with Zambia and the interests of governing elites from China and Zambia in their economic relations. Demonstrating that relations between China and Zambia have evolved over the last two decades to become more centrally focused upon economic concerns, the thesis argues that China is now a major but not the dominant player in Zambia's economy, and that despite a formal political aim to diversify Zambia's economy, the actual underlying nature of economic relations is such as to

[7] Hairong Yan, and Barry Sautman, "Chasing Ghosts: Rumours and Representations of the Export of Chinese Convict Labour to Developing Countries," *The China Quarterly,* no. 210, (2012): p. 400. Peter Kragelund, "Bringing 'indigenous' ownership back: Chinese presence and the Citizen Economic Empowerment Commission in Zambia," *The Journal of Modern African Studies,* no. 50, 03, (2012): p. 450. Raphael Kaplinsky, "What Does the Rise of China Do for Industrialization in Sub-Saharan Africa?," *Review of African Political Economy*, no. 35, 115, (2008): p. 8.

confirm Zambia's dependence on natural resource based trade. Therefore, what this thesis highlights is that in terms of trade and FDI in-flows, Zambia is less dependent on China compared to industrialized countries who still hold a huge share in Zambia's economy. The thesis also establishes that in trying to help Zambia avoid resource dependency, the core interests of governing elites from Zambia and China has been the diversification of the Zambian economy, highlighted by political aims of setting up of Chinese Special Economic Zones in Zambia (SEZ). However, despite this effort, the composition of Zambia's trade to China still remain natural resource dominated.

1.1 Methodology

Based on existing literature, this thesis uses a combination of quantitative and qualitative methods. Quantitatively, a review of merchandize trade data and foreign direct investment (FDI) in-flows into Zambia from 1995 to 2013 will substantiate the change in Zambia's economic relations with China. Reviewing merchandize trade data and FDI in-flows will help establish whether or not China - Zambia ties are attuned to the classical feature of dominant-dependent relation. The data will demonstrate whether China is becoming dominant through natural resource based trade and investment inflows, and whether Zambia is becoming more dependent on trade with China when China promotes autonomy. Therefore, merchandise trade data will compare the percentage of export and imports shared by China to other industrialized countries of the West. It will further look at the percentage share of ores and metals in merchandize trade as well the percentage share of GDP. Thus, with copper as the major export commodity, the thesis will look at China's export share compared to other countries. Cognizant that data from China on trade and FDI can be notoriously unreliable[8], the data used combines and triangulates multiple sources, including UNComtrade, UNCTAD, Bank of Zambia and Central Statistical Office, Zambia.

To establish the interests of Zambian and Chinese governing elites in their economic relations, efforts to diversify the Zambian economy out of primary commodity dependence through the establishment of Chinese SEZ will be assessed. This will be done through an interpretive qualitative approach through a critical assessment of the assertions of the dependence theory as it relates to Zambia-China relations. In particular, this will help ascertain whether the setting up of SEZ reinforce south-south cooperation by helping Zambia avoid commodity export dependence.

Not having access to the field prevented this study from substantiating the claims of dependency theory to the actual nature and perceived benefits of Chinese engagement in Zambia among governing elites as well as ordinary citizens. In going beyond the trade data and FDI inflows, it concludes by arguing that there is need for more primary field research. There is also need to look at the macro-economic indicators and assess if there has been economic growth in Zambia that correspond to the increasing trade relations and FDI inflows from China.

1.2 Structure of Thesis

After a literature review that situates this thesis in relation to existing scholarship in this area, a brief historical overview is provided situating current relations in historical context. The historical context is essential to demonstrate the nature and interests of Chinese engagement in Zambia over time. Thereafter, the first chapter highlights the conception of south-south cooperation and the

[8] Deborah Bräutigam, and Tang Xiaoyang, "African Shenzhen: China's special economic zones in Africa," *The Journal of Modern African Studies*, no. 49, 1, (2011): p. 28, accessed 19 November, 2014, http://www.afriquechine.net/en/2011/African-Shenzhen-China-s-special-economic-zones-in-Africa.pdf

dependency theory by giving a clear distinction about the origin and substance of both theories and thus provides a broader understanding and framework on the type or nature of relations China has with Zambia. The second chapter reviews mechanize trade and FDI in-flows in Zambia, and argues that although China is now one of the major players in Zambia, Zambia is less dependent on China compared to other industrialized countries. The last chapter reviews commodity dependence, arguing that the core political interests of governing elites from Zambia and China has been the diversification of the Zambian economy. A conclusion suggests further research to be conducted on the perceived macro-economic benefits of Chinese engagement in Zambia. The thesis finds that despite the formal and public political aim by the Zambian and Chinese government to diversify the Zambian economy, in reality the actual economics of relations speak differently. Therefore, although China promotes Zambia's self-development and autonomy, as enshrined in the cardinal principles of south-south cooperation, in practice it is actually a new form of Southern dependency.

1.3 Literature Review

This section will summarize, evaluate and identify gaps in the available literature about south-south dependency, and argue that in determining Zambia-China dependent relationship, there has been little or no scholarly research conducted taking historical and current empirical data as a basis for displaying the changing magnitude of Chinese investment and trade flows compared to other nations in Zambia. Furthermore, there has been little research conducted in understanding Zambia's interest in allowing Chinese investment, especially through the establishment of SEZ.

Despite economic relations between China and Zambia being coined as south-south cooperation, some scholars such as Kragelund have argued that since 2000, trade and economic ties between China and Zambia have slowly become more important with China's access to Zambia's copper and cobalt becoming the main drivers for intensifying the relations.[9] Bräutigam similarly asserts that after the Chinese SEZs were established in 2007, Zambia's natural resource exports to China increased.[10] This may imply that China's rapid expansion of political and economic ties with Zambia follows the classical feature of the dependency theory.

Other scholars, in the like manner have argued that in 2006 election campaigns, then opposition leader Michael Sata turned Chinese investment in Zambia as a tool to gain political mileage and replaced positive notions such as mutual benefit and win-win with accusations of flooding of cheap, low quality Chinese goods on the Zambia market; use of Chinese convict labor, bad working conditions, including low wages in Chinese owned companies; large scale repatriation of profits; tax exemptions; squeezing the domestic private sector.[11] This was further compounded by memories of 2005 accident in Chambishi where 51 workers died in a Chinese owned mine in unclear circumstances and their families received very little compensation.

However, most of these assertions do not address dependency by taking historical and current empirical data as a basis for displaying the changing magnitude of Chinese investment and trade flows compared to other nations in Zambia. This is especially important because such an approach can demonstrate the changing nature of Chinese engagement before and after the Chinese government launched its 'going out' policy in 2000. Moreover, most of the above scholars posits China as the sole beneficiary in engagement with Zambia and Africa more generally. This thesis, however, asserts that the political decision to establish the Chinese SEZ in Zambia, is one that was viewed by both the Zambian and Chinese government to be of benefit in diversifying the Zambian

[9] Kragelund, (2009), p. 652.
[10] Bräutigam, and Xiaoyang, (2012), p. 814.
[11] Yan, and Sautman, (2012), p. 401. Kragelund, (2012), p. 450. Kaplinsky, (2008), p. 10.

economy. It may be too early to tell the actual benefits, but the underling motive for setting up the SEZ in itself demonstrate that China is trying to help Zambia not to be a dependent country.

Junbo and Frasheri have argued that China's engagement with Africa in recent decades has nothing to do with neocolonialism but facilitates the continent's independency from the West and also promotes a fledging new world order in Africa based on win–win and equal sovereignty.[12] Junbo and Frasheri use China's trading and investment data to examine China's behavior, its influence on Africa and Africa's response. Their study assumes that equal and diversified economic relations with foreign countries and internal good governance are due to decolonization and generally facilitate national independence.[13] They use South Africa, Angola, Zambia, and Egypt to demonstrate that China's FDI inflows in Africa has been increasing from 75 million USD in 2003 to 3.17 billion USD in 2011.[14] To substantiate whether these countries are becoming independent from the West, Junbo and Frasheri do not compare China's increasing trade and FDI to that of industrialized countries. This could help ascertain how much over the years, these African countries have been diversifying economic relations. For instance, though China's FDI to Africa has increased to 3.17 billion USD by 2011, in the same year total FDI inflow to Africa was 42.7 billion USD.[15] It is therefore that this study's contribution responds to this gap by comparing over time, major economic partners of Zambia with an aim of establishing whether or not China is becoming dominant through natural resource based trade.

[12] Jian Junbo, and Donata Frasheri, "Neo-colonialism or De-colonialism? China's economic engagement in Africa and the implications for world order," no. 8, 7, (2014): p. 185, accessed 15 November, 2014, http://www.academicjournals.org/journal/AJPSIR/article-full-text/32E051147336
[13] Ibid. p. 187.
[14] Ibid. p. 194.
[15] United Nation Conference on Trade and Development (UNCTAD), "Inward and Outward foreign Direct Investment Flows," accessed 3 February, 2015, http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=88

Lampert and Mohan have argued that at a variety of levels, African actors have not been passive but have negotiated and even shaped Chinese engagements in important ways – and in so doing have carved out more opportunities than is often recognized for their own benefit and advancement.[16] Lampert and Mohan however also note that in some cases as pointed out by John Lonsdale's African 'agency in tight corners', the ability of African actors to express their agency is highly contingent. This is because the space for African agency may vary significantly and requires to be viewed within a particular context.[17] This is more so because the actors that appear to accrue personal benefit the most are political and business elites.

Thus, Carmody et al adds to this view by asserting that a new regime of embedded geo governance is being constructed in Zambia, and perhaps elsewhere in Africa, with distinctive characteristics based on an (il) liberal bargain between domestic and Chinese political elites.[18] They argue that while there have been some benefits to Zambia in terms of employment creation and poverty reduction, a dependency on China is being created where the structural transformation of Zambia's economy is likely to remain blocked by the contours of this bargain of natural resources in exchange for support for regime maintenance, barring mass mobilization for a fairer share of the benefits of natural resources.[19]

However, the assertion on regime maintenance is rather crude for a country such as Zambia which for some years has enjoyed political stability, peace and smooth electoral transition relative to other

[16] Giles Mohan, and Ben Lampert, "Negotiating China: Reinserting African Agency into China–Africa Relations," *African Affairs* 112, no. 446, (2013): p. 93.
[17] De Bruijn, Mirjam Rijk, Van Dijk, and Jan Bart Gewald, eds. "Strength beyond structure: Social and historical trajectories of agency in Africa," no. 6, (2007), cited by Lampert and Mohan (2012), p. 110.
[18] Pádraig Carmody, Godfrey Hampwaye, and Enock Sakala, "Globalization and the Rise of the State? Chinese Geogovernance in Zambia," *New Political Economy* no. 17, 2, (2012): p. 225, accessed 5 December, 2014, http://dx.doi.org/10.1080/13563467.2011.552107
[19] Pádraig Carmody, and Godfrey Hampwaye, "Inclusive or exclusive Globalization? Zambia's economy and Asian Investment," (2009), accessed 18 November, 2014, http://www.tcd.ie/iiis/documents/discussion/pdfs/iiisdp297.pdf

African nations. Bargaining natural resource in exchange for regime maintenance could be more applicable to semi or authoritarian leaders who could bolster their own rule and stay longer in power, for instance through Chinese non-conditional aid. Lampert and Mohan, and Carmody et al, do not sufficiently recognize that for Zambia's governing elites, Chinese engagement has been attractive due to the nature of the relationship, and its rhetoric: south-south cooperation. Since President Kenneth Kaunda, all of Zambia's subsequent presidents have referred to China as an all-weather friend. Thus, this thesis argues that rather than regime maintenance, the interest or political aims of Zambian as well as Chinese governing elites has been to help Zambia industrialize as evidenced by setting up of Chinese SEZ.

Gathii argues that frequently, African governments lack the technical capacity to negotiate deals that would provide economic growth. Where this capacity is available, Gathii asserts that professionals lack the autonomy to negotiate and structure investment agreements that would help African countries take advantage of the technological skills of foreign investors and turn them into a source of competitive advantage.[20] African countries must take advantage of China's technological proficiency in order to develop their own skills.[21] Gathii also asserts that there is no evidence that African countries are systematically negotiating joint ventures in infrastructure and other technology-intensive projects being undertaken by Chinese firms in Africa with the purpose of enhancing human development and in effect reducing poverty.[22] Gathii gives a generalization of the African case without narrowing down to a particular country, in order to provide context. Thus, this paper narrows down to Zambia's interest in relations with China.

[20] James T. Gathi, "Making Technology Transfers a Key Component of Resource Extraction and Construction Contracts in Africa," *Martinus Nijhoff Publishers,* (2012): p. 107, accessed 29 November, 2014, http://www.iilj.org/newsandevents/documents/gathii.pdf
[21] Ibid. p. 109.
[22] Ibid. p. 110.

This section has demonstrated that in order to attribute Zambia's relationship with China to be a dependent one, there is need to conduct a study that compares Zambia's economic partners over a period over time. In this way, trends can be demonstrated about not only who is dominant in Zambia's economy but also the nature of economic relation. Through data on trade and FDI inflows, this thesis will demonstrate the extent and kind of trade that Zambia has with China, comparing it to other nations. It will also go beyond this by looking at the interest of Chinese and Zambian governing elites which among other things is the diversification of the Zambian economy as proven by the intent in establishing the SEZ. The next section provides background and context information about China-Zambia ties, thereby helping situate the relations within the research framework and lay a foundation for subsequent chapters.

1.4 Historical Overview of China - Zambia Relations

This section demonstrates that China - Zambia relations have evolved over the last two decades from political to become more economic. The historical context shown in this section is essential to demonstrate the nature and interest of Chinese engagement in Zambia over time. In this section it is also shown that privatization of the mines by the Zambian government was the entry point for Chinese investment.

China has a long history of political and economic engagement with Zambia**.** In Zambia's pre-independence period, China's support was towards liberation and attainment of independence,[23] thereafter, formal diplomatic relations were established on 29 October, 1964. In the immediate years after independence, the hallmark Tazara railway line was constructed between 1970 - 1975 – consolidating initial bilateral relations between the two countries. Geopolitically, the construction of

[23] China. Org. Cn., "FOCAC Beijing Summit/African Member States: Zambia," accessed 10 January, 2015, http://www.china.org.cn/english/features/focac/183407.htm

the Tazara was spurred by the fact that during the 1960s and 1970s, the Chinese state was competing with the Soviet Union for support in Africa.[24] This was evidenced by Zambia's co-sponsorship of the resolution in the UN General Assembly to restore China's seat on that organization's Security Council.[25] Economically, the Tazara railway line linked Kapiri-Mposhi in Zambia's central province to Dar-es-Salaam in Tanzania so that copper could be exported despite the closure due to sanctions of the route that traversed Zimbabwe. In a way, the construction of the Tazara railway line helped Zambia to be less dependent on the Zimbabwean route when exporting copper.

Other than the Tazara railway, Zambia's relations with China from the 1970s to the 1990s were more in political terms. The relationship was excellent and did not involve a significant social economic presence of Chinese people within Zambia. Political and ideological factors were the major drivers of Africa- China relations in the decolonization phase and immediate post-independence times.[26] In the case of Zambia, President Kenneth Kaunda in his quest to establish Zambian humanism, found some common ground with communists' beliefs which had emerged at the time in China.[27]

China's role in Zambia became more significant after Chinese companies started acquiring copper mines as they were privatized in the late 1990s by the Zambian government. Following the global slump in copper prices that had plunged Zambia into a huge debt crisis, the government turned to the International Monetary Fund (IMF) and World Bank for bailouts. In giving Aid to Zambia, the

24 Martin Meredith, *The fate of Africa: A history of fifty years of independence*. (Public Affairs, 2007). p. 5.
25 Mutesa, Fredrick, "China and Zambia: between development and politics," *The Rise of China and India in Africa* (2010): p. 167-178, cited by Fantu Cheru, and Obi Cyril, *The rise of China and India in Africa: Challenges, opportunities and critical interventions*. (London/ New York:s, 2010). p. 236.

26 Inyambo Mwanawina, *China-Africa economic relations: the case of Zambia*. (African Economic Research Consortium, 2008). p. 4.
27 This humanism was a form of African socialism, combined with traditional African values and western socialists and Christian values.

IMF and the World Bank imposed Structural Adjustment Programs (SAPs), and dual liberalization of the Zambian economy that among other things required privatization of the mines. Privatization of the mines was the entry point for Chinese investment in Zambia. Alongside Anglo–American corporations such as Glencoe, and First Quantum Minerals, Chinese state owned companies acquired copper mines as they were privatized by the Zambian government. China Nonferrous Metal Corporation (CNMC) acquired Chambishi mines and by the next decade Chinese companies penetrated other sectors of the Zambian economy including construction, agriculture, telecommunications, and manufacturing. Therefore, this clearly shows that the mines in Zambia were a conduit for expansion of Chinese investment to other commercial sectors. Zambia has since then seen an annual average increase of China's FDI of about 150 percent from USD 40 million in 1994 to USD 821 million in 2007, creating over 11,000 jobs.[28] As of December 2010, Chinese FDI to Zambia exceeded USD 1 billion, Zambia being the third destination of Chinese investments in Africa – after South Africa and Sudan. [29]

Zambia's strategic role within Beijing's foreign policy was also evidenced by the decision to locate the first of China's five African preferential trade and investment SEZs in Zambia, as announced at the 2006 FOCAC summit.[30] This demonstrates the magnitude of Chinese investment as well the strength of economic ties between the two countries. The increasing Chinese FDI in Zambia may lead to diversification of economic partners as well as increasing prospects for economic growth.

[28]Arshad Dudhia, Musa Dudhia, "Silk Road or Dragon Path? The Impact of Chinese Investment in Zambia," (September 2012): p.1, accessed 14 November, 2014, http://www.africalegalnetwork.com/wp-content/uploads/2012/10/The-Impact-of-Chinese-Investment-in-Zambia-Arshad-Dudhia-Musa-Dudhia-Co-ALN-Insight-September-2012.pdf

[29] UNCTAD, (2007).

[30] Dan Haglund, "Regulating FDI in weak African states: a case study of Chinese copper mining in Zambia," *The Journal of Modern African Studies,* no. 46, (2008): p. 530, accessed 29 November, 2014, http://journals.cambridge.org/abstract_S0022278X08003480

However, this could also entail an increase or shift in dependence especially if the relationship produces the same kind of effects that a north-south relation produces.

This section has demonstrated that Zambia has relations with China that can be traced to the 1960s. In the initial phases of the relations, except the construction of Tazara railway line, there was no wider economic interaction between the two countries. Zambia's relations with China from the 1970s to the 1990s were more in political terms. The privatization of the mines provided an entry point for Chinese investment, from the mining sector, Chinese investment has penetrated other sectors of the Zambian economy. Relations between the two countries have over the period transformed from being political originally to being more economic. This section has therefore provided a foundation upon which chapter one will build on to analyze the framework on which China and Zambia relates.

Chapter One: Conceptual Framework

This chapter highlights the conception of south-south cooperation wherein the relationship between Zambia and China is anchored. This chapter also demonstrate the precepts of the dependence theory. By doing so, a clear distinction about the origin and substance of both theories will be made. This will help provide a broader understanding and framework of the type relationship China has with Zambia. At the centre of this growing relationship between China and Zambia are political principles of mutual benefit, economic win-win cooperation and non-interference espoused by governing elites from both countries.

The conception of south-south cooperation is a culmination of processes beginning with the League against Imperialism held in Brussels in 1927 and the Bandung Conference of April 1955. The Bandung Conference allowed leaders of nationalist movements to meet together, celebrate the demise of formal colonialism and pledge themselves to some measures of joint struggle against the forces of imperialism.[31] With Third World nations attaining freedom that seemed unimaginable just a few years prior to the meeting, the Bandung Conference produced a belief that two-thirds of the world's population had the right to return to their own burned cities, cherish them, and rebuild them in their own image.[32] Thus, the premise under which leaders of the Third World would be kneed together was a detestation for imperialism and colonialism, and a determination for the preservation of world peace and stability. President Sukarno from the new Republic of Indonesia whose views were shared by Third World nations including China, India, Turkey and the Philippines stressed that people of the Third World suffered from underdevelopment and thus, their leaders denounced

[31] Vijay Prashad, *The Darker Nations: A People's History of the Third World.* (New Press, January, 2008). p. 32.
[32] Ibid. p.34.

all forms of colonialism whether be it economic control or intellectual control. The Bandung Conference is also remembered for the resolve made by leaders of the Third World to refuse to take orders from former colonial masters and for creating a format for what would eventually become the Afro-Asia and then Afro-Asian-Latin American group in the UN. [33]

Despite the shared solidarity and desire by Third World nations to fight all forms of colonialism, at the time of the Bandung Conference, Third World nations had weak economies, and little muscle to engage in power politics. Hence, inspite of their will power and success in expressing support leading to the end of formal colonialism, what Third World nations could do then to upturn the structural imbalance of the world seemed limited. Subsequently, the 1970s was a period when decolonized states sought to confront structural biases of the international system and ensure that their development problems were addressed through the creation of a New International Economic Order (NIEO). Through the NIEO, Third World nations had proposed reforms that would reflect their post-colonial demands for control over economic activities within their borders; for greater participation in the governance of the globalized economy; for fair access to technology, international trade, finance and investment; and for international cooperation from industrialized states.[34] However, with the demands of the NIEO stripped away by the Third World debt crisis of the 1980s, the current economic order is still shaped by the neoliberal variant of market capitalism, and serves the interests of capital and corporations.[35]

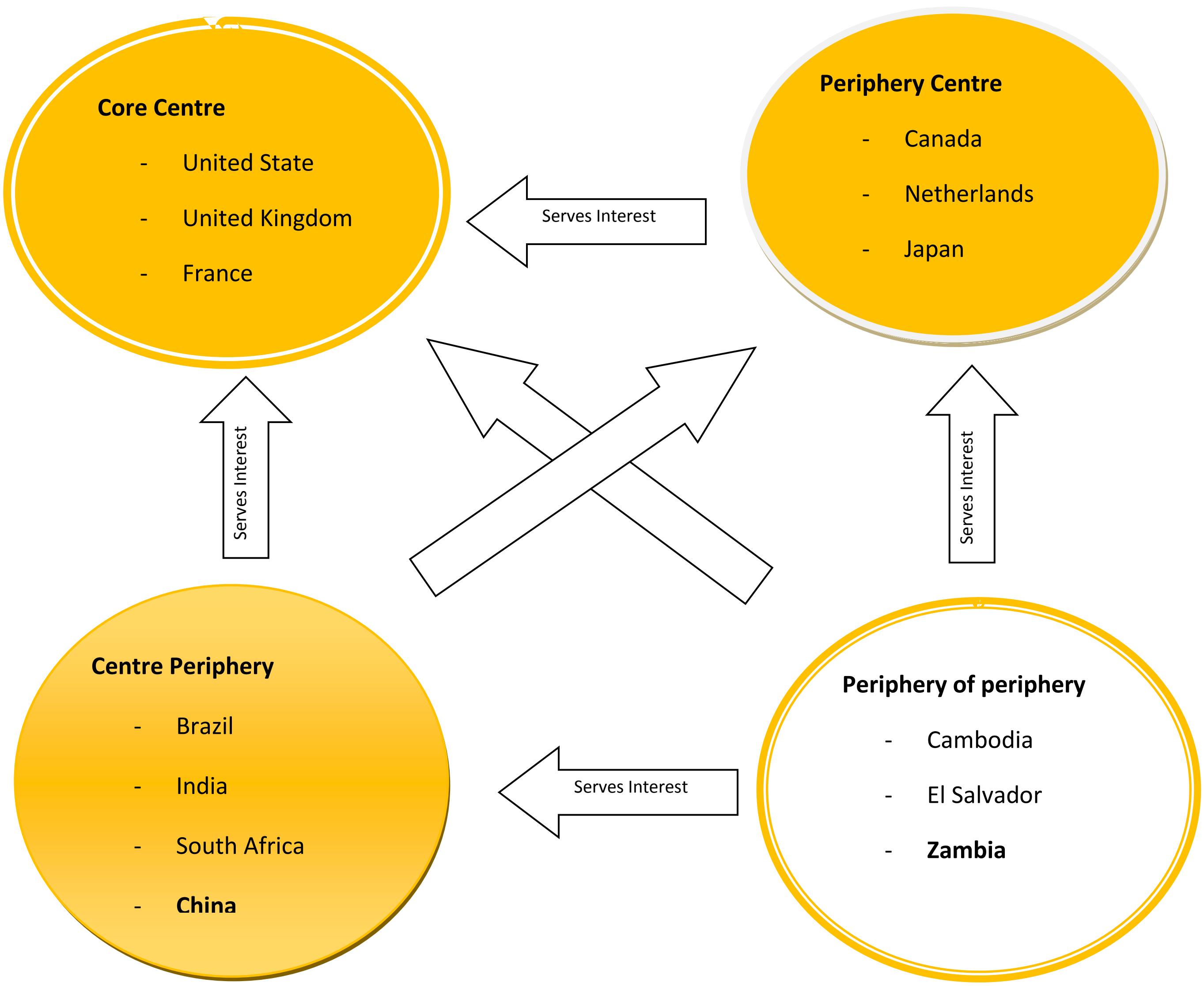
[33] Prashad, (2008), p. 36.
[34] Margot E. Salomon, "From NIEO to Now and the Unfinishable Story of Economic Justice," *International and Comparative Law Quarterly*, no. 62, 01, (2013): p. 36, accessed 9 July, 2014, http://journals.cambridge.org/abstract_S0020589312000590
[35] Ibid. p. 37.

Therefore, the current structure of the international system is such that it reinforces the dependency theory whose main argument is "development of under-development."[36] The dependency theory emerged in the 1960s and 1970s from South and Central America. At that time, Third World scholars such as Raul Prebisch were asking questions about international relations such as why were so many nations not developing? In response to such questions, Third World scholars went beyond the traditional answers of attributing lack of development to lack of right economic policies, authoritarian and corrupt government by arguing that the international system was exploitative characterized by the dominance of some nations over others.[37] Figure 1 below highlights the framework of the dependency theory.

[36] To substantiate "development of under-development", Andre Gunder Frank argued that the rise of the West was the result of the decline in the East (Least Developed Countries). The West had prospered from the resources/riches of the East – gold, silver and other natural resources. He argued that the West's relationship of exploitation and dependency with other countries occurred historically through slavery and colonialism, and continues today through Western dominance of the international trading system, the practices of multinational companies and Least Developed Countries' reliance on Western aid. This thesis thus assess whether China's relation with Zambia follows a similar pattern of dependency as the West. To read more on Frank's arguments see Andre Gunder Frank, "The Development of Underdevelopment," accessed 23 May, 2015, http://www.bresserpereira.org.br/terceiros/cursos/2010/1970.the_development_of_underdevelopment.pdf and BhuMSpacE, "The Development of Underdevelopment by Andrew Gunder Frank - A book Summary," 8 November, 2012, accessed 23 May, 205, http://richabhattarai.blogspot.hu/2012/08/the-development-of-underdevelopment-by.html

[37] Allen Sens, "Dependency Theory," (February (2012), accessed 23 May, 2015, https://www.youtube.com/watch?v=JN6LlMY2ApQ

Figure 1:[38] Framework of the International System



According to Sens, figure 1 display the flow of dependency in the international system. The dependency theory firstly argues that different nations perform different functions in the world economy.[39] Countries in the core of the centre such as the United States, the United Kingdom and France are the richest, most powerful, have intensive capital and advanced technology. Countries in

[38] Sens, (2012) *Op cit.*
[39] Ibid.

the periphery of the centre such as Canada, Japan and Netherlands are modern, wealthy and industrialized but have less global power compared to countries in the core centre. Countries in the centre of the periphery such as South Africa, India and Brazil are still developing but have a fair amount of wealth. Countries in the periphery of the periphery like Cambodia, El Salvador and Zambia are the poorest.

Secondly, dependency theory argues that there is an international division of labor between countries in the world economy.[40] Countries in the core centre are dominant in terms of capital, industry, technology and research while countries in the periphery are characterized by resource extraction economies, agriculture production and provide cheap labor to the core. As such the structure of the world economy is designed in a way that the periphery serves the interest of the core.[41] In essence, the structural imbalances in the international system facilitate the imperial plunder of natural resource wealth from poor countries to the industrialized nations. North- South dependency is reinvigorated as developing countries seek technical assistance mostly at the terms of the developed countries for exploiting their natural resources.[42]

Thirdly, dependency theory argues that there is a class distinction or divide between the rich and the poor in each country. The rich who are the political and economic elites in each country cooperate with one another to ensure that they stay in power and increase their own wealth. Their aim is to maintain the system the way it is. Thus, the international system and its structure exists within the wider global system characterized by global capitalism in which liberal economic theory dominates serving the interest of core countries.[43]

[40] Sens, (2012) *Op cit.*
[41] Ibid.
[42] Salomon, (2013), p. 40.
[43] Sens, (2012) *Op cit.*

There has been increasing economic interaction among Global South nations within the ambits of the current global system of capital over the last four decades. The rise of China has been unprecedented in both scale and speed over the past 3 decades. Since embarking on economic reforms in 1978, China has recorded very rapid economic growth. Growing at an annual growth rate of 9% from 1979-2004, China has witnessed dramatic expansion of individual capabilities and sustained human development. Lifting millions of people out of poverty in the People's Republic of China (PRC) has had a direct impact in other countries and regions of the world. With the emergence of China and other nations such as Brazil within the Global South, cooperation among developing countries has also grown. As opposed to the days of the Bandung Conference when Third World nations had weak economies, but a common detestation for all forms colonialism whether be it economic control or intellectual control, today some of these nations have bolstered their economies and are using south-south cooperation not only as an economic concept but equally as a political viable lever in a fasting changing world.[44]

Considered different both in origin and in substance from north-south cooperation, south-south cooperation in its political form is the illustration of the erosion of developing world's ties of dependence to the West and the former colonial powers.[45] Codified by the Buenos Aires Plan of Action (BAPA) of 1978, south-south cooperation was to be fostered through technical cooperation among developing countries with the objective of contributing to their wider development and international development cooperation.[46] Technical cooperation was posed to reinforce economic cooperation among developing countries. South –south cooperation as a basis of relations among

[44] Sidiropoulos Elizabeth, "Rising Powers, South–South Co-operation and Africa," *SAIIA Policy Briefing,* no. 47, (Johannesburg, March, 2012). p. 2.
[45] Ibid. p. 3
[46] Special Unit for TCDC, "Buenos Aires Plan of Action (BAPA)," (1978), accessed 8 April, 2015, http://ssc.undp.org/content/dam/ssc/documents/Key%20Policy%20Documents/BAPA.pdf

developing countries espouses principles of mutual trust, economic win-win cooperation, political equality, mutual benefit and cultural exchange. For China, these principles were enunciated as far back as 1954 by Zhou Enlai and still influences its development strategy today.[47] At the Forum on China-Africa Cooperation (FOCAC) in 2000, and other subsequent forums, south-south cooperation principles as the basis of a new relationship between Africa and China have been re – emphasized.

Therefore, today, the emergence of China as the second largest economy in the world has created opportunities for other developing countries to harness and grow their economy based on a different kind of relationship – a south-south relationship. Unlike the time of the League against Imperialism in 1927 or the Bandung Conference in 1955 when south- south cooperation was only aspirational due to absence of economic power among Global South nations, today south- south cooperation can be seen in practice. Various governments in Africa, including Zambia, have strengthened economic relations with China based on south-south principles. In its economic relations, China has stressed that development assistance to developing countries should be such that it makes the recipient country economically independent of China.[48]

The implication of south-south cooperation on development today is that it should not produce or shift dependency from the West to within the Global South. In other words, economic cooperation among Global south nations should be such that it does not replicate the kind of relations the West had with Africa. This further implies that the relationship between China and Zambia should be different from that of the West in that it should not encourage or foster dependency.

[47] Mwanawina, (February, 2008), pp. 1.
[48] Deborah Bräutigam, *Chinese aid and African development: exporting Green Revolution*. (Macmillan Press Ltd., 1998). p. 41.

With China's unprecedented economic expansion and irruption into Africa, two features shared by most dependency theorists[49] will be aptly applied in reviewing China's economic relation with Zambia in this thesis. This is done with the aim of distinguishing south-south cooperation from the precepts of dependency theory. The first feature of dependency theory is that external forces have influence in the economic activities of a dependent state.[50] Through multinational corporations, foreign assistance and any other means, industrialized countries represent their economic interest abroad. This is done through cultural penetration, political control and economic exploitation of key areas, industries, and institutions.[51]

The second feature of the dependency theory is that the international system is comprised of two states the dominant and the dependent states. The dominant states are considered to be the industrialized countries while the dependent states are those with low per capita gross national products (GDP) and rely heavily on the export of a single commodity for foreign exchange earnings.[52] Dominant states imports raw materials or unprocessed products at a very low price and simultaneously exports manufactured goods and daily necessities to dependent countries.

This chapter has looked at the conception of south–south cooperation and dependency theory, in order to make a clear distinction about the origin and substance of both theories. This chapter has demonstrated that south-south cooperation had its conception as far back as 1927, during the League against Imperialism, and 1955, during the original Bandung Conference. South-south cooperation's principles of mutual benefit, mutual trust, economic win-win and non-interference appear poised to disentangle developing countries from the precepts of dependency. Dependency

49 Ferraro, (July, 1996), p. 3.
50 Ibid. p. 4.
51 Junbo, and Frasheri, (2014), p. 185.
51 Ibid. p. 187.
52 Ferraro, (July, 1996), p. 5.

theory on the other hand whose core argument is "development of underdevelopment" is orchestrated in an international system which is exploitative and characterized by the dominance of some nations over others. Chapter two goes beyond theses conceptually oriented claims to provide empirical findings that help in substantiating the research question.

Chapter Two: Trends in China-Zambia Relations

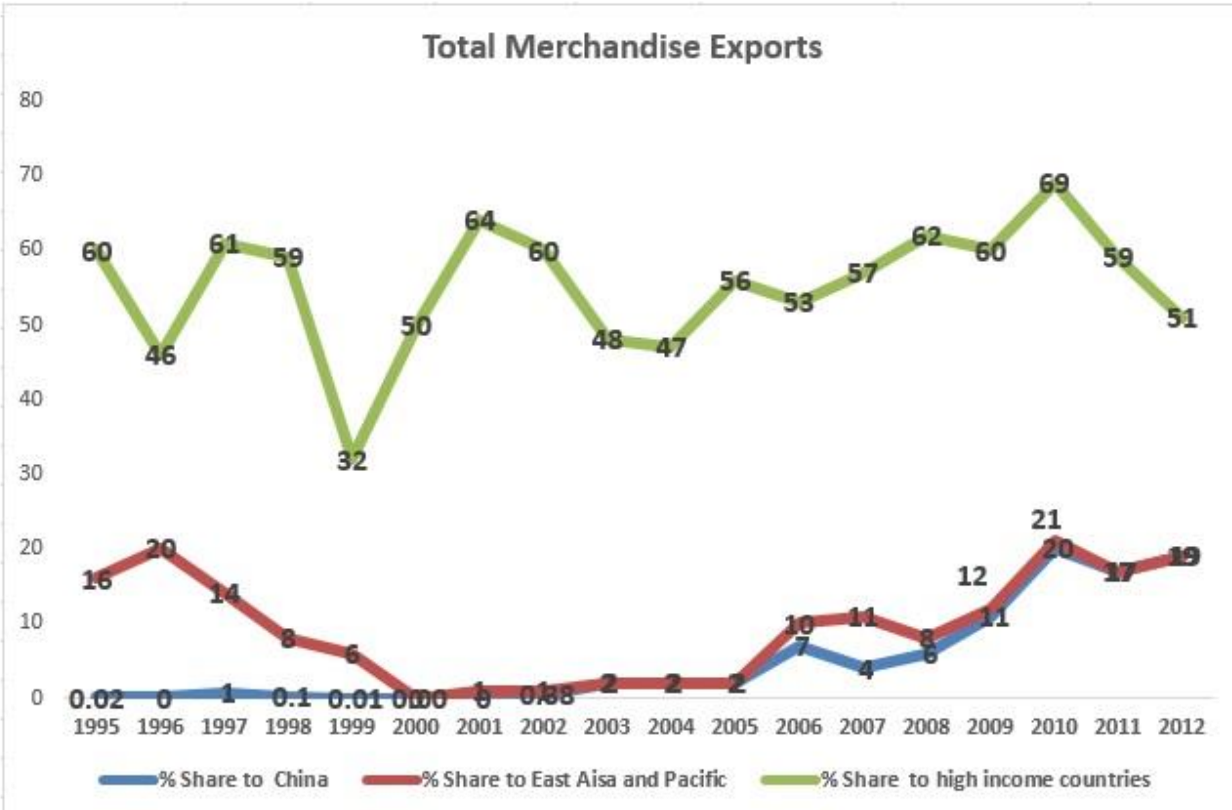
This chapter reviews Zambia-China merchandise trade relations and FDI inflows, and argues that although China is now one of the major players in Zambia's economy, Zambia is less dependent on China compared to other countries: in quantitative terms of trade and investment inflows, industrialized countries still hold a huge share in Zambia's economy. The chapter first examines trade relations between China and Zambia and thereafter, FDI inflows into Zambia.

2.1 Zambia – China Trade Relations

Merchandise trade refers to trade in goods and does not include services, capital transfers and foreign direct investment. In Zambia, exports are valued as free on board (fob) while imports are reported at cost, including insurance and freight (cif).[53] Since exports are fob, the country loses control over merchandise once it leaves its economic frontier as other players like middle men/merchants come into play and the commodity could be traded/sold while on the high seas, to a different destination, meaning information related to this transaction may be lost as long as the importer does not declare it.[54] The structure of Zambia's trade comprises traditional exports and non-traditional exports. Traditional exports are mainly copper and cobalt while non-traditional exports among others include agricultural products such as tobacco and cotton.

[53] Bank of Zambia, "Zambia's Direction of trade report," (2013), accessed 30 April, 2015, http://www.boz.zm/
[54] Central Statistics Office, Zambia, "A Brief on Zambia's Copper Exports," (2015), accessed 15 April, 2015, http://www.zamstats.gov.zm/latest/A%20BRIEF%20ON%20ZAMBIA'S%20COPPER%20EXPORTS.pdf

Graph 1: Zambia's Total Merchandise trade[55]



As depicted in graph 1, Zambia's exports have been dominated by high income countries. High income countries are those with Gross National Income (GNI) per capita of US $12,746 or more.[56] Most of these countries are from Western Europe and North America. China is classified as an upper middle income country with a GNI per capita of US $11,850.[57] In 1999, there was a drastic reduction in exports to high income countries due to the global economic crisis and the falling

55 Source: Data on % share to China is accounted by the author but raw export data is obtained from UNCom trade, accessed 10 March, 2015, http://comtrade.un.org/data/. Data on % share to Asisa and Pacific and % share to high income countries is from UNCTAD, accesed 3 March, 2015, http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx and World Development Indicators databases, accessed 4 March, 2015, http://data.worldbank.org/data-catalog/world-development-indicators

56 World Bank, "Country and Lending Groups," (2015), accessed 30 April, 2015, http://data.worldbank.org/about/country-and-lending-groups

57 World Bank, "GNI per capita, PPP," (2015), accessed, 30 April, 2015, http://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD

copper prices. China's share in Zambia's merchandise exports was very negligible in the 1990s constituting only 0.02% but rising to 19% by 2012. In absolute figures, Zambia's exports to China increased from US $ 157 thousand in 1995 to US $ 2.3 billion in 2013.[58] The trend for East Asia and Pacific[59] was dropping from 1995 to 2000. After 2000, exports to East Asia begun to increase reflecting the exports to China. The increase in exports to China is attributed to higher demand for base metals to that country and the rising copper prices.

In essence, there is a noticeable increase in Zambia's merchandise exports to China and the East Asia Pacific region. This is consistent with the assertion that China's 'going out' policy stimulated expansion of Chinese global investment at the beginning of the 21st century. Moreover, it also corresponds with the earlier made assertion that Zambia's privatization of the mines in early 2000 was the entry point for Chinese investment. However, despite the increasing exports to China, Zambia's major merchandise export destination is still high income countries. High income countries have dominated Zambia's exports market as far back as 1995 to more recently. However, a country-by-country comparison provides a better picture about the extent of the increase in exports attributable to China (see table 1, below).

58 See Table 1 in the annex for a detailed breakdown. The source of the data is UN Comtrade, accessed 12 March, 2015, http://comtrade.un.org/data/

59 East Asia and Pacific include Cambodia, China, Indonesia, Japan, Thailand, Myanmar, Korea, Lao PDR, Mongolia, Pacific Island, Papua New Guinea, Philippine, Singapore, Vietnam, Timor –Leste.

Table 1:[60] Merchandize Exports by Country

Merchandise Exports (current US$) in millions				
COUNTRY	**Year**			
	2009	**2010**	**2011**	**2013**
Switzerland	2047.5	3673.31	4398.7	3868.1
China	442.92	1455.19	1503.9	2255.4
South Africa (Republic of)	395.36	659.92	887.3	1082.3
Democratic Republic of Congo (DRC)	300.78	332.62	507.6	1230
United Kingdom	88.87	132.54	330.9	147.4
United Arab Emirate	129.38	176.27	92.1	550.4

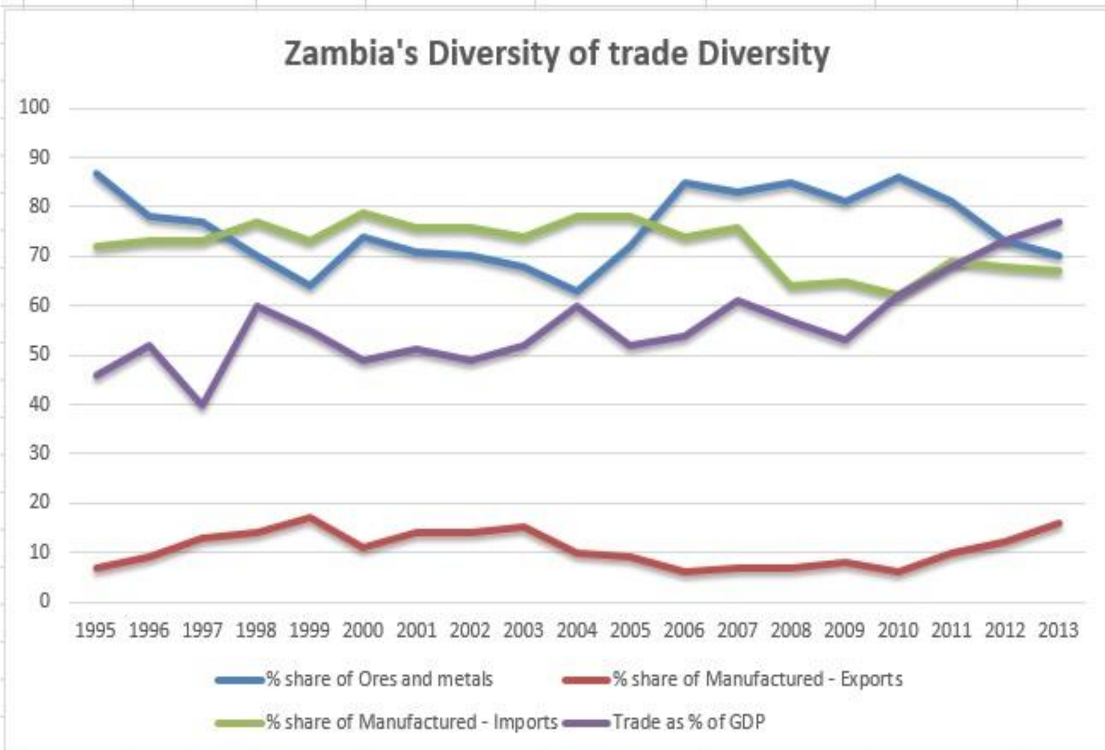
In terms of Zambia's merchandize exports, its number one destination is Switzerland, followed by China (see table 1). Higher exports to Switzerland as well as China are driven by a rise in the volumes of metals (copper and cobalt) purchased from Zambian by mining companies from these countries[61] Exports to South Africa constitute copper wire and electric cables and exports to DRC constitute electrical energy and chemicals. [62] This therefore, shows that there is an increasing natural resource based trade between China and Zambia, however, Switzerland still dominant. Since merchandize trade is total trade in goods, the following graph provide a breakdown of what constitutes Zambia's trade.

[60] Country data is presented in quarterly form at the Bank of Zambia website. I selected the top six export destination because these are the ones with a huge share. The data for 2012 is not in the website. Source: Bank of Zambia, "Zambia Direction of Trade Report," (2009 - 2013), accessed 8 April, 2015, http://www.boz.zm/

[61] Ibid.

[62] Ibid.

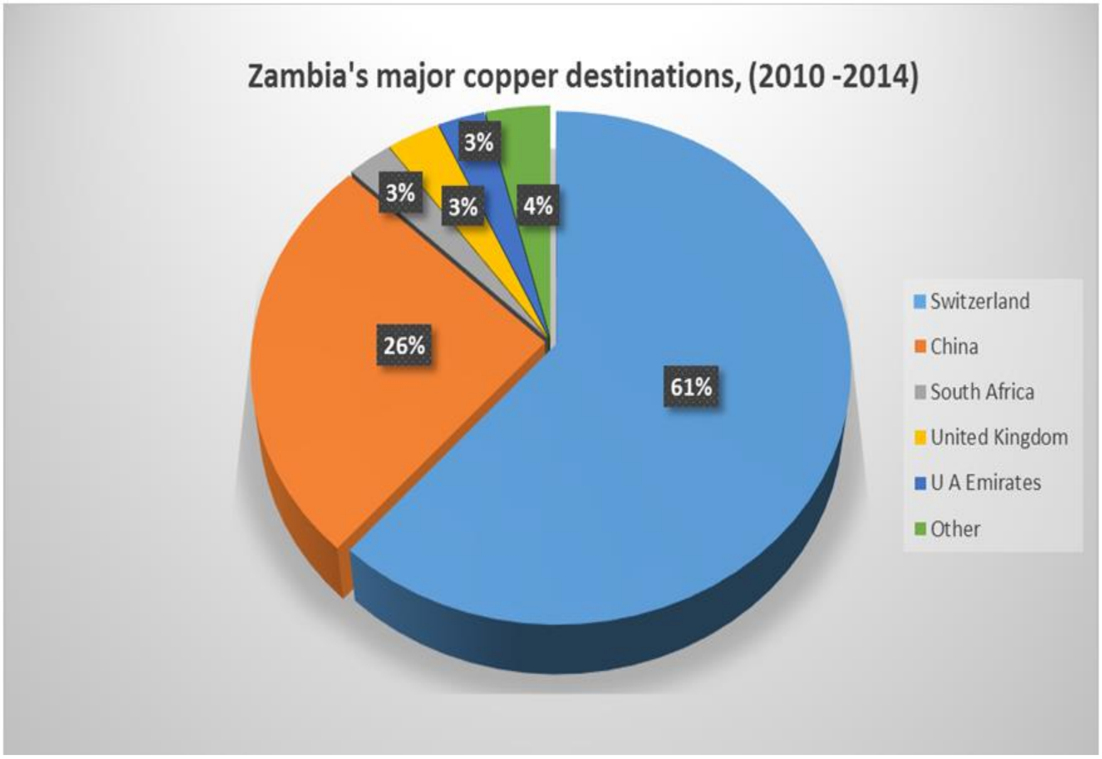
Graph 2: Diversification of Zambia's Trade[63]



Certainly Zambia as a primary commodity dependent country as depicted by Graph 2 above. Most of Zambia's exports are ores and metals making an average of 76 percent as a share of merchandise trade for the past 19 years. Zambia imports far more manufactured goods than it exports. From 1995 to 2013, Zambia had an average of 72 percent in imports of manufactured goods while it only exported 11 percent in manufactured products. This clearly shows that Zambia fits in the classical framework presented in this thesis of a dependent state. Since 76 percent of Zambia's exports are ores and metals (copper and cobalt), the graph 3 below will show the destination of the copper.

[63]Source: from UNCTAD and World Development Indicators databases, accessed 12 March, 2015, http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx and http://data.worldbank.org/data-catalog/world-development-indicators

Graph 3: Copper Destination[64]



Graph 3 shows that the top two major buyers of Zambia's copper from 2010 to 2014 were Switzerland (61%), and China (26%). The United Kingdom, United Arab Emirates and South Africa had a share of 3 % respectively. However as earlier alluded to, it is important to note that since Zambia's exports are fob, the country retains no control on what happens to the copper beyond its borders. Thus, even though official records in Zambia indicate that Switzerland is the destination of Zambia's copper, other countries could be real destinations of Zambia's copper. Hence to some stakeholders, the large volume of trade between Zambia and Switzerland comes as a surprise because copper is not a product for which there is a particular significant demand in Switzerland.[65] Thus, though it is indicated that Zambia's copper goes to Switzerland, it may be re –exported to

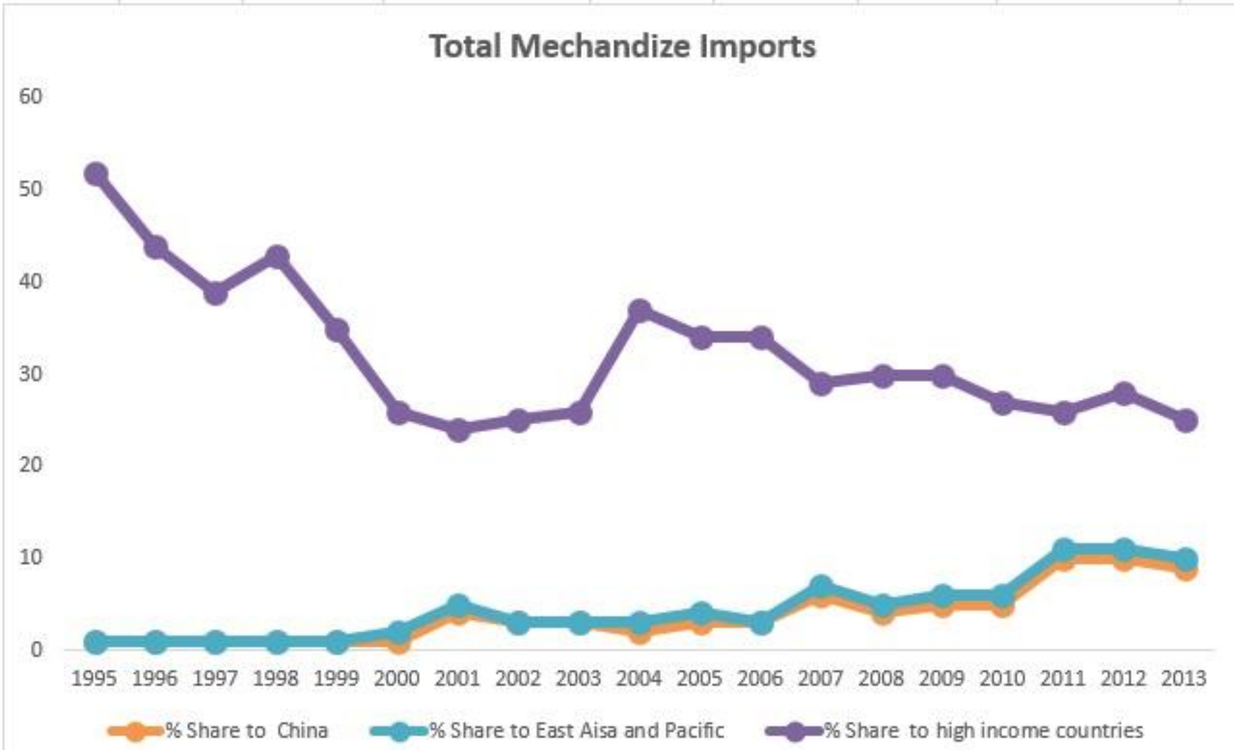
[64] The graph formulated by the author. Source of data: Central Statistics Office, (2015) *Op cit*
[65] Zambia Daily Mail, (2 March, 2015), accessed 11 May, 2015, https://www.daily-mail.co.zm/?p=21957

other destinations by Swiss-based metal traders. This brings to question the real destination of Zambia's copper, which remains unknown. For instance, in 2013, data from UN Comtrade indicates that Zambia exported US$ 3.9 billion of copper to Switzerland, but Switzerland's copper imports from Zambia was only US$ 3.8 million the same year.[66] With such a huge discrepancy in data it remains to be established what could be Zambia's real destination of copper.

However, going by official records as contained in Zambia, Switzerland remains Zambia's major export market for copper and China the second with an increase in share from 26 percent in 2010 to 31 percent in 2013.[67] This clearly shows a dependent relationship on the part of Zambia as there is heavy reliance on export of a single commodity to Switzerland, followed by China. The question is whether this increasing export is to the advantage of China at the expense of Zambia which might not be benefiting from the relationship. Since most of Zambia's imports are manufactured products, it is important to compare various sources of the imports in order to see who is dominant. Graph 4 below compares various sources of Zambia's imports from 1995 to 2013.

[66] UN Comtrade (2015) *Op cit*
[67] Central Statistics Office, (2015) *Op cit*

Graph 4: Merchandise Imports[68]



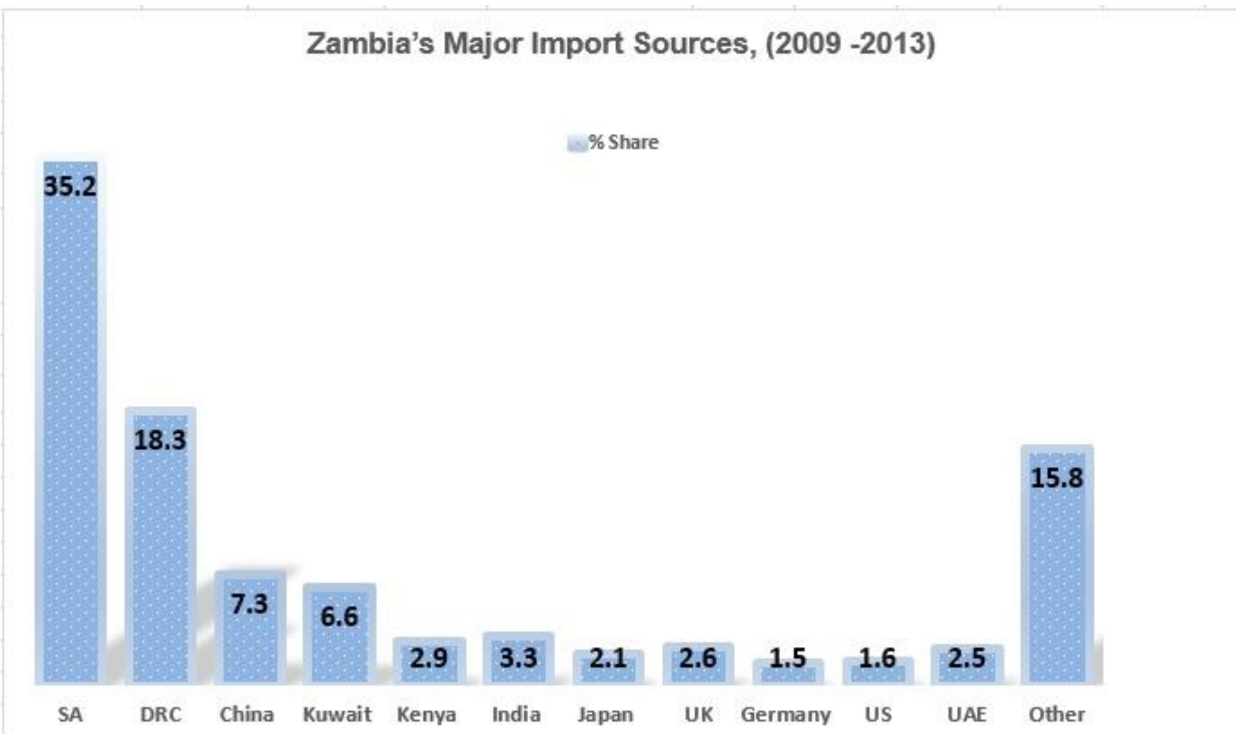
The majority of Zambia's imports come from higher income countries (see graph 4). This pattern is similar to Zambia's exports of merchandize displayed in graph 1. Merchandise imports from China, and East Asia and Pacific were negligeable in the mid 1990s but by 2000 steadily started to increase from 1.7 to about 10 percent by 2013. In absolute figures imports from China increased from US $ 3.6 million in 1995 to US $ 957 million in 2013 - commodity exports to China exceeds all the imports received from China.[69] Despite the increase, China's share in Zambia's imports is still small compared to higher income coutries. As imports from China are increasing, there is also noticeable decline in imports from higher income countries after 2004. However, this could be due to many

[68] Source: Data on % share to China is accounted by the author but raw export data is obtained from UNCom trade, (2015). Data on % share to Asisa and Pacific and % share to high income countries is from UNCTAD, (2015) and World Development Indicators databases, (2015).

[69] Ibid.

factors and hence the need to look at how imports from other regions have performed in the same period. From 1995 to 2013, Zambia's imports from within Subsaharan Africa accounted for an average of 59 percent of total merchandise imports compared to the average 32 percent from higher income countries in the same period. Imports from Subsaharan Africa have been fairly stable and consistent.[70] To establish dependency, it is important to go beyond the regions and look at country contribution to Zambia's imports. Graph 5 below provides information on Zambia's sources of imports by country.

Graph 5: Major Import Sources, (2009 - 2013)[71]



[70] See table 2 in the annex for more details.

[71] Source: The data is accounted by the author. See table 3 in the annex for detailed breakdown of the data. The source of the date is Bank of Zambia, "Zambia's Direction of Trade Reports," (2009-2013), accessed 1 April, 2015, http://www.boz.zm/

Graph 5 shows that Zambia's major source of imports was South Africa accounting for 35 percent of total merchandise imports, DRC was second accounting for 18 percent and China was third acconting for 7 percent. The major imports from South Africa include food items, chemicals, motor vehicles, manufactured goods and machinery. Major imports from DRC included copper and cobalt ores, concentrates and semi-processed copper and the major imports from China include industrial boilers, earth moving machinery and motor vehicles.[72] This demonstrate that on agregate though higher income countries had a higher share in Zambia's imports (32 percent from 1995 to 2013), Subsharan Africa and in particular South Africa and DRC are the major sources of Zambia's imports. Switzerland is not a major source of Zambia's imports despite being the first destination of merchandize exports. With regard to imports, neither Switzerland nor China fits in the classical feature of the dependence theory of exporting manufactured good and daily necessities to dependent countries. Since Zambia- china economic relations are not only through trade, the next section examines Chinese FDI inflows in Zambia with the aim of establishing its nature and which country is dominant.

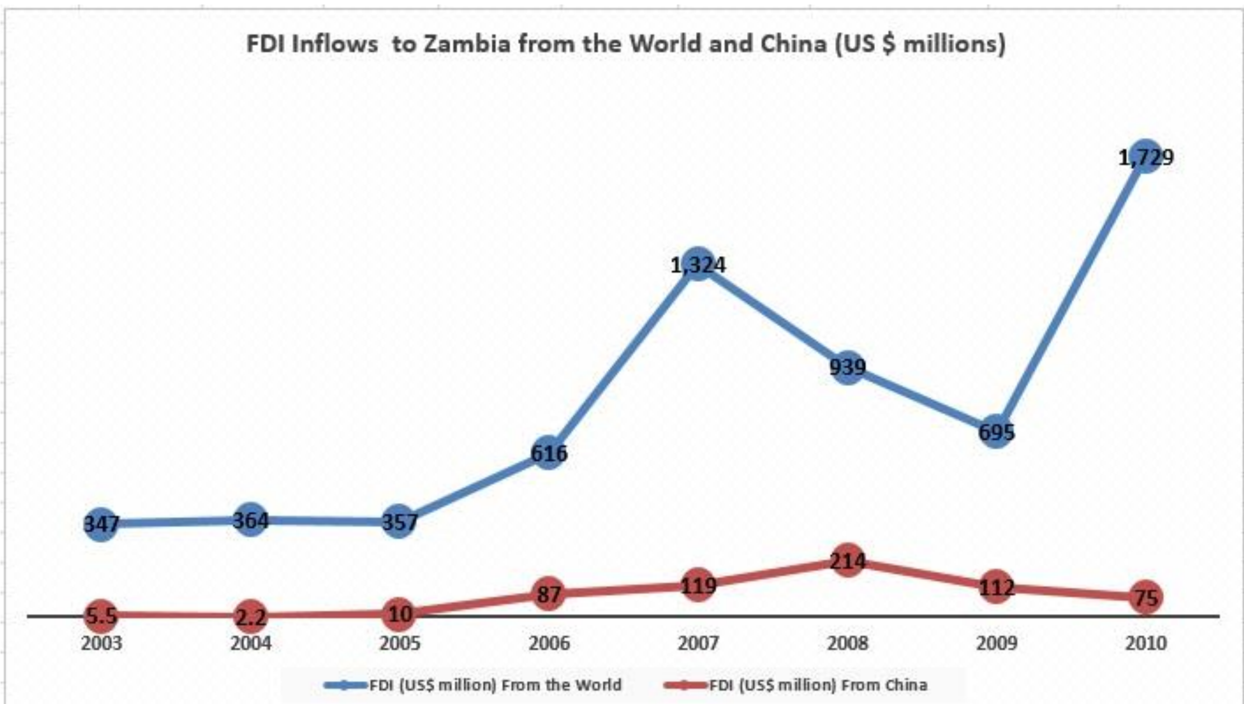
2.2 Inflows of Foreign Direct Investment in Zambia

FDI has the potential to contribute to host countries' development through transfer of technology and knowledge, enhancing competitiveness, job creation, boosting the overall productivity, promotion of entrepreneurship, exchange rate stability directly through increased inflows of foreign exchange, and indirectly by stimulating export earnings in host economies.[73] In the hope of attracting FDI, governments across the world have liberalized capital controls, often coupled with

[72] Bank of Zambia, (2009 - 2013) *Op cit*
[73] Ibid.

financial incentives such as tax holidays and stability clauses.[74] Chinese foreign direct investment started to increase in Zambia as a result of Zambia's liberal policies that included privatization of mines. The Zambian government has provided generous tax concession policies that included tax breaks among others. This section therefore examines the extent to which Chinese investment in Zambia has increased since 1995.

Graph 6: FDI Inflow from the World and China[75]



There has been an increase in FDI inflows since 2003 (see graph 6). There was drastic reduction in FDI inflows in 2008 and 2009 due to the global economic recession. However, by 2010 FDI was on the increase. Chinese FDI has also been on the increase from US $ 5.5 million in 2003 to US $ 214

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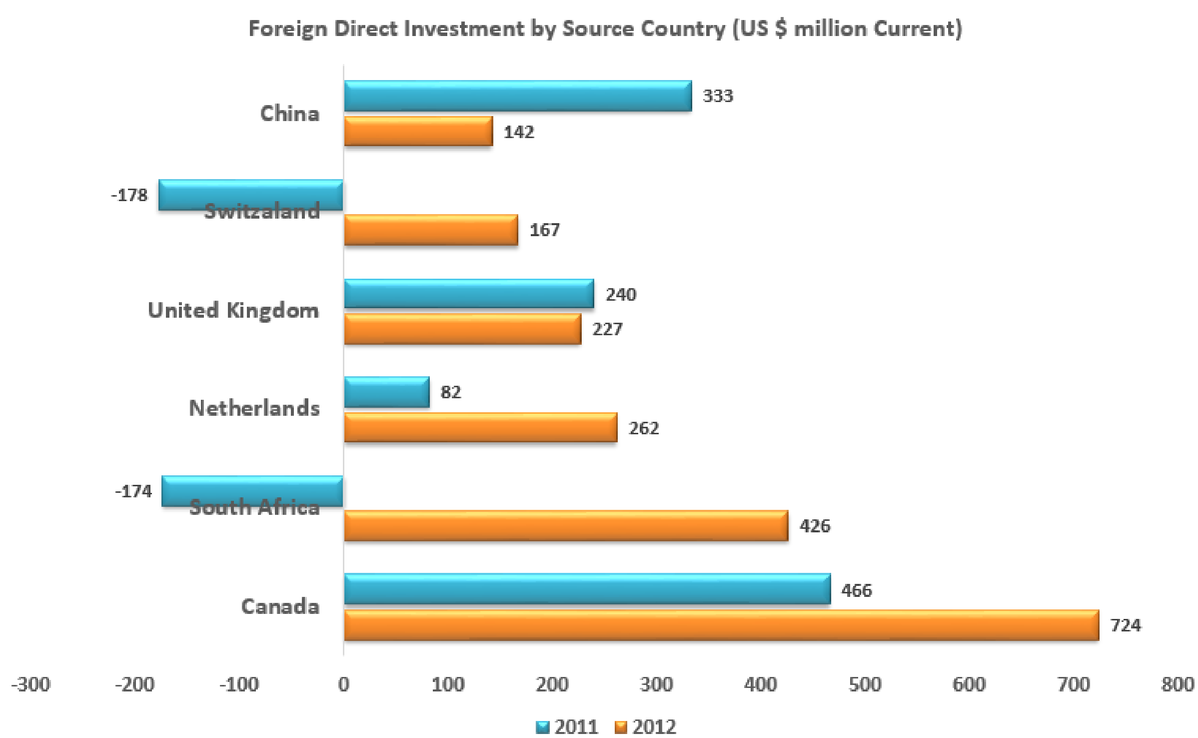
74 IIED, "Lifting the Lid on Foreign Investment Contracts: the real deal for sustainable development," (2005), accessed 10 December, 2014, http://pubs.iied.org/pdfs/16007IIED.pdf

75 Data on FDI from the World is from UNCTAD, (2015). Data on FDI from China is from Junbo and Frasheri, (2014), p. 198.

million in 2008, though reducing to US $ 75 million in 2010. Chinese FDI though on the increase, it is not yet the dominant one. Chinese FDI increased from 1.59 percent in 2003, reaching a peak of 22 percent in 2008, droping slightly to 16 in 2009 and drastically to 4.34 percent in 2010. Figure 7 below therefore shows the break down of FDI according to a survey that was conducted by the Bank of Zambia.

Graph 7: Foreign Direct Investment by Source[76]



[76] This is a survey of foreign Private Investment and Investor Perceptions conducted by the Bank of Zambia in collaboration Zambia Development Agency (ZDA) and Central Statistics Office (CSO). It is not the absolute figures of FDI inflows in Zambia. These surveys are conducted annually. In the calendar year 2012, "A total of 260 enterprises were administered with questionnaires, of which, 226 questionnaires were responded to, yielding a response rate of 86.9%. The survey is undertaken to conform with international manuals such as International Monetary Fund (IMF) Balance of Payments and International Investment Position Manual Six (BPM6) and the Organization for Economic Cooperation and Development (OECD) among others. Source: Bank of Zambia, "Foreign Private Investment & Investor Perceptions Survey," (2012 & 2013), accessed 25 April, 2015, http://www.boz.zm/

In 2011, Canada, China and the United Kingdom were the major sources of Zambia's FDI inflows, together accounting for 93.7 percent (see graph 7) . South Africa and Switzerland recorded net outflows. Compared to 2012, FDI was low in 2011 mainly due to uncertainty of elections held in September 2011.[77] In 2012, Canada, South Africa, the Netherlands and the United Kingdom dominated as the major sources of Zambia's FDI. These countries collectively accounted for 94.7% of total FDI inflows and the mining sector contributed 53.9 percent. China in 2012 was the 5th source of FDI after Switzerland. As can be noted, Chinese FDI decreased to US $ 142 million in 2012 from US $ 333 million in 2011. However, FDI trend reversed in 2012 as there was a noted increase in investment inflows explained by investors gaining confidence after the 2011 elections. [78] In first half of 2013, Canada (US $250.3 million), the United Kingdom (US $239.8 million), Switzerland (US $181.8 million) and China (US $110.4 million) dominated as major source countries of Zambia's FDI inflows.[79] FDI has mainly been in the energy, mining, tourism, and construction sectors. China is one of the major sources of FDI in Zambia, though it is not the leading one. Other countries are taking the lead in dominating FDI inflows in Zambia.

In absolute figures, Chinese FDI in Zambia has seen an annual average increase of about 150 percent from USD 40 million in 1994 to USD 821 million in 2007, and as of December, 2010, exceeding USD 1 billion.[80] Certainly, there is a growing economic relationship between China and Zambia. The increasing FDI and trade inflows is as a result of several bilateral trade and investments agreements on economic and technical cooperation being signed between the two countries.

[77] Bank of Zambia, (2012 & 2013) *Op cit*
[78] Ibid.
[79] Ibid.
[80] Arshad Dudhia, Musa Dudhia& Co., (2012), p. 2. Claude Kabemba, "Chinese involvement in Zambia." (2012): p. 1, accessed 29 October, 2014, http://www.osisa.org/books/zambia/chinese-involvement-zambia

However, when compared to Western countries, China cannot be said to be a dominant source of FDI in Zambia yet. One cannot be certain to envisage whether with time, China will take over the industrialized countries to dominate in trade and FDI flows in Zambia.

This chapter has argued that although China's share in Zambia's trade and FDI inflow has been steadily increasing since the turn of the century, China is not yet the dominant country in Zambia but industrialized countries dominate in trade and FDI inflows. By end of 2010, China only accounted for 4.3 percent of total FDI inflows to the country. Canada by end 2012 was the major contributor of FDI inflows and Switzerland accounted for 61 percent of merchandize export. The Chapter has shown that since 2000, Zambia-China bilateral trade have been on the increase, and are mostly natural resource based. The increasing trade corresponds with the assertion that Chinese economic enagegement in Zambia became more consequantial after the privatizations of the minese in early 2000 as China acquired Non-Ferrous Metal Corporation. This also corrresponds to the launch of the 'go out' policy advanced by the Chinese government in tandem with China's rapid economic growth recorded over the past three decades. Although, Zambia only imports 7 percent of merchandize from China, a steady rise in copper export standing at 31 percent in 2013 reflect that a relationship of dependency between Zambia and China is slowly developing. However, Switzerland still dominates as Zambia's major destination of copper (holding other factors such as discrepacy in data and fob mode of selling copper). Thus for China, since its relations with Zambia are touted as south-south cooperation anchored on principles of mutual benefit, and economic win-win cooperation, cooperating with Zambia to diversify the economy could be one way to prevent a dependent relationship. It for this reason that the next Chapter will assess the political aims of China and Zambia in diversifying Zambia's economy.

Chapter Three: Escaping Commodity Dependence

This chapter has two aims: to review the interests of Zambian and Chinese governing elites in their economic relations through the establishment of SEZ, and to review the viability of SEZ in helping Zambia escape commodity dependence. The chapter begins by asserting that the setting up of the SEZ was a result of convergence of interest by the Zambian and Chinese governments in diversifying the Zambian economy out of primary commodity dependence. Thereafter, the chapter argues that though it might be too early to tell the prospects of success for SEZ in breaking Zambia out of primary commodity dependence, previous Chinese engagement and the trends in data presented in the previous chapter demonstrate a gloomy picture.

3.1 Convergence of Interest in SEZ Setup

Zambian governing elites from the reign of President Kenneth Kaunda to President Edgar Lungu have cited China as Zambia's all-weather friend. Economic relations have strengthened based on the willingness and belief by the state that engagement with China is in Zambia's interest. This comes in contrast with the assumption in most literature that suggests based on dependency theory precepts that African nations merely serve the demands of a dominant and exploitative China, which only benefits at the expense of Africa.[81] The dictates of the dependency theory are that in Zambia-China relations the sole or main beneficiary is China, maximizing its benefits while the benefits to Zambia are minimized and the country's welfare is even harmed.

[81] Nkemjika Kalu, "Understanding Africa's China Policy: A Test of Dependency Theory and a Study of African Motivations in Increasing Engagement with China," (PhD dissertation, University of Nebraska – Lincoln, 2012), p. 3, accessed 20 may, 2015, http://digitalcommons.unl.edu/cgi/viewcontent.cgi?article=1020&context=poliscitheses

However, the case of establishing SEZ in Zambia proves otherwise. The Zambian government were a key factor in tapping on an opportunity presented by China in accordance with their development priority. From as far back as 2002, value addition to copper and other minerals were a top government priority. This objective was reflected and can be seen in the Transition National Development Plan (TNDP) of June 2002, the Fifth National Development Plan (FNDP) for the years 2006 to 2010 and the Sixth National Development Plan covering 2011 to 2015. The government constantly expressed a desire to renew its initiative of unblocking the country's mineral potential by improving production, marketing and value addition.[82] The government strived to pursue integration of copper mining sector into the Zambian economy by encouraging value addition by supporting manufacturing industries using copper and other raw materials.[83] Value addition was recognised to have potential downstream processing and beneficiation to industries through knowledge creation and innovation.

When this government strategy received little attention and support from global private investors, the opportunity presented by China through its announcement at the November 2006 FOCAC summit, seemed ripe for the Zambian government to accept the establishment of SEZ. Konkola Copper Mine (KCM) and Mopani Copper Mine (MCP), senior management could not take on a value addition manufacturing strategy as they thought it was economically unviable and outside their core business.[84] Just as the case was with the construction of Tazara railway line, western countries

[82] This desire is reflected in the Poverty Reduction Strategy paper (PRSP), TNDP and FNDP. See Republic of Zambia, "Poverty Reduction Strategy Paper," (March, 2002), accessed 23 May, 2015, http://www.imf.org/external/np/prsp/prsp.aspx#HeadingZ and Republic of Zambia, "Fifth National Development Plan 2006-2010," (December 2006), accessed 24 May, 2015, https://www.imf.org/external/pubs/ft/scr/2007/cr07276.pdf

[83] Republic of Zambia, (December 2006) and Republic of Zambia, "Sixth National Development Plan 2011 - 2015," (January, 2011), accessed 24 May, 2015, http://siteresources.worldbank.org/INTZAMBIA/Resources/SNDP_Final_Draft__20_01_2011.pdf

[84] Lee, (2014), p. 29.

refused to embark on the project on the thought that it is economically unviable. China however, as it was with the Tazara construction came on board to build the SEZ as long as long as it was aligned with domestic priorities.

This demonstrates that the Zambian government was at the core in wooing Chinese investment that was deemed by the state to be for the benefit of the nation. Hence in this respect the intention for establishing the SEZ from the Zambian government side demonstrate that the government is not dominated by China in their economic engagement. From the Tazara railway line construction and the SEZ establishment, it is clear that Zambia has been a willing partner of China, because the perception of the Zambian governing elites is that China is there to help them attain their long term goals. The long term goals included de-linking the country's dependence on Zimbabwe as an export route through the Tazara railway line, to helping the country escape primary commodity dependence through the SEZ. The Chinese government among other objectives viewed SEZ as a way to transfer one element of China's own success to other developing countries, a strategy that the government believed would be helpful for recipient countries, while also benefiting China.[85]

The SEZ are seen as paths that will open Zambia's industrialization so that the country moves from resource dependency towards exporting high value products and services. Special economic zones were an important feature of China's early development; today, China has more than one hundred such areas.[86] SEZ in Zambia were established in Lusaka and the Copperbelt for the purpose of processing raw copper so that there is value addition in its exports. The zone is also meant to manufacture television sets, mobile phones and other electronic items.[87] Setting up of the zones was in effect after in 2006, China Nonferrous Metal Corporation (CNMC) and a smaller Chinese copper

[85] Bräutigam, and Xiaoyang, (2011), p. 28.
[86] Ibid.
[87] Centre for Chinese Studies, p. 22, accessed 18 November, 2014, http://www.ccs.org.za/?cat=22

smelting plant signed a deal to invest USD 220 million to build a 150 000 ton copper smelting plant at the Chambishi Multi-Facility Economic Zone (MFEZ) on the Copperbelt.[88] The zone so far has 21 firms that have invested over USD 1 billion and local employment has increased from 2500 in 2008 to 7000 in 2013.[89]

3.2 Can SEZ Break Zambia's Dependency?

Regardless of the intention for establishment the SEZ as outlined above, the question is whether the SEZ can actually break Zambia out of primary commodity dependence. Going beyond the obvious benefits of SEZ such as employment creation, we can assess prospects for the SEZ to catalyze economic diversification by drawing from previous Chinese engagement, and the trends in trade between Zambia and China as presented in the preceding chapter of this thesis.

Firstly, before SEZ, previous Chines government's efforts to help Zambia diversify out of primary commodity dependence has not worked. Chinese investment in Zambia had manifested in major manufacturing projects such as the Mulungushi textile factory. Facilitated by an interest-free loan, Mulungushi textile was built in the 1970s by the Chinese government. The purpose of the Mulungushi textile was to manufacture clothing and textile for a domestic market as well as for exports. However, just like the Tazara, Mulungushi textile ran well for a while but due to inadequate investment in the maintenance of machinery, the factory experienced frequent breakdowns, the underlying challenge being insufficient technology and knowledge transfer. In the years later, in order to serve the factory from total collapse, it was run as a joint venture with the Chinese

[88] Kabemba, (2012), p. 1.
[89]Carmody, and Hampwaye, (2009), p. 10.

government, making Qingdao Textile Corporation acquiring 66 percent of the firm's share.[90] Due to this intervention, the firm's productivity was temporally revived but with the coming in of imported fabric from low cost production countries such as China, the company ran into trouble as it became uncompetitive.[91]

Hence the company was unable to cover its operational costs and was closed in 2007 with a loss of more than a 1000 jobs. The closure of the factory left the small scale farmers with no market for their produce. The factory suppliers also went out of business. This may have led to most Zambians developing resentment against Chinese firms. Ultimately, despite this effort, most cotton in Zambia has been exported in its raw form, deepening the reliance of exporting primary products. Therefore, the major question that remains is whether the SEZ unlike other project such as Mulungushi textiles will count in making Zambia diversify its economy and reduce commodity export dependence. From past experience, the projects that China embarked on in Zambia were unsustainable due to insufficient knowledge and technology transfer among other reasons. This is not only peculiar to Zambia, for decades, Chinese teams in Africa generally have constructed agricultural projects or built factories only to turn them over to inexperienced host governments.[92] As such once the Chinese left in the Tazara and Mulungushi textile cases, the benefits of the projects started to decline, prompting the Zambian governments to constantly ask the Chinese to return or help. This puts a blow at the rhetorical principles of mutual benefit and economic win-win which despite being invoked have constantly failed to catalyze host country's autonomy from China in sustaining the

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[90] Jolly Kamwanga, and Glayson Koyi, "Impact of China-Africa Investment Relations: The Case of Zambia," (2009): p. 22, accessed 6 November, 2014, http://dspace.africaportal.org/jspui/bitstream/123456789/32409/1/Zambiainvestmentrelations.pdf?1
[91] Ibid. p. 22.
[92] Deborah Brautigam, "Africa's Eastern Promise: What the West Can Learn From Chinese Investment in Africa," *Foreign Affairs,* (2010), p. 10, accessed 14 December, 2014, http://my2.ewb.ca/site_media/static/attachments/group_topics_grouptopic/80720/Africa%E2%80%99s%20Eastern%20Promise.pdf

projects that are embarked on. In essence, the SEZ may similarly follow the same pattern of failure if remedies to avoid past mistakes are not cared for.

Secondly, the data from the previous chapter has shown that despite China being less dominant when compared to other nations' trade relations with Zambia, the nature of trade between the two countries has not changed. The data on trade show that the composition of trade has not been changing – still natural resource based while the direction of trade has been changing to include the ever increasing role of China. The increasing natural resource based trade between China and Zambia come in the wake of establishing the SEZ, hence giving a gloomy prospect for diversification in practice. It is early to tell but since the SEZ were established in 2006, commodity (copper) export as a percentage of merchandize trade (see graph 2) has maintained the same average of above 70 percent. Thus, although the Zambian government might have good intent in engaging China, China's contribution is bound up in a wider international system that has not changed from the 1960s when the dependency theory was emerging. Resource security is the top priority of China-Africa relations. Copper has significance to China both in its value of exchange – such as making profits—and its use value, as a material input needed for Chinese industry.[93] In essence, the principles of mutual benefit or economic win-win fail to hold more so if the SEZ do not help in catalyzing economic diversification as they did for China.

This chapter has argued that setting up of the SEZ was a result of convergence of interest by the Zambian and Chinese governments in diversifying the Zambian economy out of primary commodity dependence. The interests of governing elites from Zambia has been value addition by supporting manufacturing industries using copper and other raw materials. China's objective among others viewed SEZ as a way to transfer one element of its own success to other developing

[93] Lee, (2014), p. 30.

countries, a strategy that the government believed would be helpful for recipient countries, while also benefiting China. However, despite the intent for setting up the SEZ, the chapter has further argued that the prospects of the SEZ to break Zambia's dependence remain gloomy because firstly, previous attempts by the Chinese government to help Zambia diversify such as Mulungushi textile project always failed due to lack of sustainability and secondly, the composition of trade going to China is still natural resource based.

Conclusion

In going beyond the subject of this current thesis, there is need for more research on the perceived macro-economic benefits of Chinese engagement in Zambia. This is especially important because in a dependent relationship, the dominant country is the one that is seen to only benefit. Thus, the question would be whether the increasing Chinese engagement in trade and FDI in-flows correspond to the structural increase of the economy in terms of GDP and GNI. Equally, there is also need to look at the balance of trade between Zambia and China as they should be even for one to lend credence to the dependence theory as an inadequate framework of understanding China-Zambia relations.

China's relationship with Zambia has been based on the principles of south-south cooperation. However, south–south principles as a basis for China's relations with Zambia may disguise dependency if the relationship between the two countries hinders economic development for another as it is based on dominance and exploitation. Most analysis of Zambia's relations with China have focused on economic dynamics and the challenges of more controversial aspects of investment, notably mining. Most of this analysis is not based on an empirical investigation of historical and current data that compares the changing magnitude of Chinese investment and trade flows in Zambia with other countries. This thesis has provided a critical analysis of the case of Zambia-China relations, interrogating new, actually existing dynamics of south-south cooperation and investigating whether contrary to its claims, this is generating new dependency. It has been argued that China is now one of the major players in Zambia's economy, although not the dominant one as industrialized countries still hold a huge share in Zambia's economy through trade and FDI inflows.

However, despite the formal and public political aim by the Zambian and Chines government to diversify the Zambian economy, in reality the actual economics of relations speak differently. The empirical data deployed here has demonstrated that there is a growing trade relationship since 2000 between China and Zambia and it is natural resource based. The *direction* of Zambia's trade has slowly been changing to include the increasing role of China but the *composition* of that trade has remained the same. China's development disproved aspects of original dependency theory but China's role in the global economy appears to subordinate Zambia further. Since the composition of trade is not changing, and China's trade share has been on a consistent increase, the stake are high that China will in the near future dominate. In essence, it amounts to a familiar theme of dependency but with a new actor: China.

This thesis has therefore demonstrated that although China promotes Zambia's self-development and autonomy, as enshrined in the cardinal principles of south-south cooperation, in practice it is actually a new form of Southern dependency for Zambia, reinforcing its structural dependence on commodity exports within a changing global political economy in which China and south-south trade more generally have become more important and look set to continue to become even more important. Given such a difference between cooperative rhetoric and actual economic engagement, this poses a daunting challenge to the continued propagation of south-south cooperation principles that cohere with actual experience and realities. The implication of this is that south-south cooperation principles are becoming mere rhetoric, failing to crystalize its claims of being different from the precepts of the dependency theory since in practice China is generating a similar kind of relationship the West had with Zambia – which is predominantly natural resource based. In attempting to make the SEZ viable and break commodity dependence, there is need for Zambian political actors to learn from past economic engagement with China, recollect points of weaknesses and devise mechanism to prevent similar mistakes of the past. This way, efficacious remedies on how to overcome the constraints of commodity dependence may be constituted in Zambia-China relations.

Annex

Table 1: Zambia's Total Merchandise Exports (current US$) in millions (1995-2013)

Period	Export to China	Exports to the World	% Share to China	% Share to East Aisa and Pacific	% Share to South Asia	% Share to high income countries	% share of Ores and metals	% share of Manufacturing	Merchandise trade as % of GDP
2013	2,257	10595	21	42	5	17	70	16	77
2012	1,799	9365	19	19	1	51	73	12	73
2011	1,505	9001	17	17	0	59	81	10	68
2010	1,455	7200	20	21	0	59	86	6	62
2009	483	4312	11	12	2	60	81	8	53
2008	287	5099	6	8	1	62	85	7	57
2007	189	4617	4	11	2	57	83	7	61
2006	257	3770	7	10	0	53	85	6	54
2005	33.4	1810	2	2	1	56	72	9	52
2004	33.9	1576	2	2	1	47	63	10	60
2003	16.5	980	2	2	4	48	68	15	52
2002	3.6	956	0.38	1	3	60	70	14	49
2001	0.37	987	0.04	1	3	64	71	14	51
2000	0.034	892	0.004	0	1	50	74	11	49
1999	0.084	1063	0.01	6	6	32	64	17	55
1998	0.94	1032	0.1	8	5	59	70	14	60
1997	6.1	915	0.7	14	11	61	77	13	40
1996	0.23	1037	0.02	20	10	46	78	9	52
1995	0.16	1032	0.02	16	11	60	87	7	46

Source: Data on Export to China is from UNCom trade, http://comtrade.un.org/data/. The rest of the data is from UNCTAD and World Development Indicators databases, http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx and http://data.worldbank.org/data-catalog/world-development-indicators as at 12 March, 2015

Table 2: Zambia's Total Merchandise Imports (current US$) in millions (1995-2013)

Period	Imports from China	Imports from the World	% Share to China	% Share to East Aisa and Pacific	% Share to South Asia	% Share to high income countries	% share to subsaharan africa	% share of Manufacturing
2013	957	10162	9	10	4.7	25	59	67
2012	871	8805	10	11	3.5	28	56	68
2011	706	7178	10	11	3.5	26	60	69
2010	290	5321	5	5.8	2.8	27	63	62
2009	178	3832	5	5.5	3.5	30	60	65
2008	227	5060	4	5.0	3.9	30	61	64
2007	240	4007	6	6.6	4.2	29	59	76
2006	84	3074	3	3.1	2.8	34	60	74
2005	85	2558	3	3.7	3.2	34	59	78
2004	46	2152	2	2.5	2.5	37	57	78
2003	43	1574	3	3.1	2.4	26	68	74
2002	28	1102	2.5	3.2	4.0	25	68	76
2001	38	1082	3.5	4.7	2.0	24	68	76
2000	10	888	1.1	1.7	1.6	26	69	79
1999	6.8	822	0.8	1.4	2.4	35	56	73
1998	6.7	1100	0.6	1	2.3	43	53	77
1997	8.2	819	1.0	1.4	3.2	39	56	73
1996	4.6	835	0.6	1.1	3.3	44	51	73
1995	3.6	700	0.5	0.7	2.5	52	45	72

Source: Data on Export to China is from UNCom trade, http://comtrade.un.org/data/. The rest of the data is from UNCTAD and World Development Indicators databases, http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx and http://data.worldbank.org/data-catalog/world-development-indicators as at 12 March, 2015

Table 3: Zambia's Major Import Sources, (2009 -2013)

Period	2009		2010		2011		2013		Period Average
Partner	US $'M; FOB	% Share	US $'M; FOB	% Share	US $'M; FOB	% Share	US $'M; FOB	% Share	% Share
South Africa (Republic of)	1516	**40.0**	1,827.7	**35.2**	2,533.7	**35.7**	3090.6	**30.1**	**35.2**
Democratic Republic of Congo	486.7	**12.8**	1,227.8	**23.6**	1,339.0	**18.9**	1850.3	**18.0**	**18.3**
China	178	**4.7**	289.7	**5.6**	691.0	**9.7**	963.3	**9.4**	**7.3**
Kuwait	401	**10.6**	463.1	**8.9**	334.3	**4.7**	216.6	**2.1**	**6.6**
Kenya	78	**2.1**	64.6	**1.2**	106.7	**1.5**	713.0	**6.9**	**2.9**
India	130.9	**3.5**	144.5	**2.8**	247.9	**3.5**	371.2	**3.6**	**3.3**
Japan	66.4	**1.8**	84.7	**1.6**	148.3	**2.1**	305.1	**3.0**	**2.1**
United Kingdom	136	**3.6**	72.3	**1.4**	189.9	**2.7**	299.2	**2.9**	**2.6**
Germany	59.1	**1.6**	53.8	**1.0**	58.2	**0.8**	268.2	**2.6**	**1.5**
United States of America	50.7	**1.3**	72.3	**1.4**	97.3	**1.4**	252.7	**2.5**	**1.6**
United Arab Emirates	109.7	**2.9**	116.8	**2.2**	186.3	**2.6**	241.1	**2.4**	**2.5**
Other	580.1	**15.3**	780.8	**15.0**	1166.9	**16.4**	1688.0	**16.5**	**15.8**
Total	3792.6	**100.0**	5,198.1	**100.0**	7,099.5	**100.0**	10259.3	**100.0**	**100.0**

Source: Bank of Zambia, http://www.boz.zm/

Table 4: Zambia's Major Copper Destinations, (2009 - 2014)

Period	2009		2010		2011		2012		2013		2014		Period Average
Partner	US $'M; FOB	% Share	US $'M; FOB	% Share	US $'M; FOB	% Share	US $'M; FOB	% Share	US $'M; FOB	% Share	US $'M; FOB	% Share	% Share
Switzerland	2047.5	48.3	2,987.7	60.2	4,470.3	67	3,889.8	61.9	3,866.3	56.7	4,262.9	61.06	59.2
China	442.9	10.4	1,303.2	26.3	1,343.1	20.1	1,660.2	26.4	2,123.9	31.1	1,730.2	25.62	23.3
South Africa	395.4	9.3	116.5	2.3	323.3	4.8	83.1	1.3	177.7	2.6	139.5	2.58	3.8
United Kingdom	88.9	2.1	109.6	2.2	311.9	4.7	296.5	4.7	107.7	1.6	64.8	2.82	3.0
Egypt	99.2	2.3	49.2	1	6.7	0.1	8.2	0.1	0	0	0	0.24	0.6
U A Emirates	129.4	3.1	175.6	3.5	62.5	0.9	219.7	3.5	245.5	3.6	133.2	2.68	2.9
Thailand (Rep)	21.7	0.5	5.0	0.1	3.9	0.1	0	0	0	0	0	0.04	0.1
Saudi Arabia	98.5	2.3	23.9	0.5	11.5	0.2	3.6	0.1	5.1	0.1	0	0.18	0.6
Other	917.6	21.6	188.7	3.8	137.6	2.1	126.6	2	296.0	4.3	830.3	4.76	6.4
Total Copper	4241.1	100.0	4,959.4	100	6,670.8	100	6,287.8	100	6,822.2	100	7,160.9	100	100.0

Source: Central Statistic Office, Zambia.
http://www.zamstats.gov.zm/latest/A%20BRIEF%20ON%20ZAMBIA'S%20COPPER%20EXPORTS.pdf

Table 5: Trade Data Discrepancies

Period	Imports recorded by China	Export to China recorded by Zambia	Difference in US $'M	Exports to the World	% Share (As reorted by Zambia)	% Share (As recorded by China)
2013	3,048	2,257	791	9001	25	34
2012	2,687	1,799	888	9365	19	29
2011	2,776	1,505	1,271	9001	17	31
2010	2,578	1,455	1,123	7200	20	36
2009	1,273	483	790	4312	11	30
2008	523	287	236	5099	6	10
2007	395	189	206	4617	4	9
2006	270	257	13	3770	7	7
2005	252	33.4	219	1810	2	14
2004	171	33.9	137	1576	2	11
2003	48	16.5	32	980	2	5
2002	46	3.6	42	956	0.38	5
2001	36	0.37	36	987	0.04	4
2000	69	0.034	69	892	0.004	8
1999	18	0.084	18	1063	0.01	2
1998	6.2	0.94	5	1032	0.1	1
1997	27	6.1	21	915	0.7	3
1996	5.7	0.23	5	1037	0.02	1
1995	1.8	0.16	2	1032	0.02	0

Source: http://comtrade.un.org/data/

Table 6: FDI Inflows by Source Country (US $ million)

	2012	2011	Total	2009	2007	Grand total
Canada	724	466	**1190**	203	147	**1540**
China	142	333	**475**	75.8		**550.8**
Netherlands	262	82	**344**	77.8	53.4	**475.2**
United Kingdom	227	240	**467**	-98.4	106	**474.6**
India			**0**	296	138	**434**
South Africa	426	-174	**252**	73.4	106	**431.4**
Australia		119	**119**	-115	295	**299**
Ireland			**0**	180		**180**
British Virgin Island		107	**107**	-5.7		**101.3**
Switzaland	167	-178	**-11**	-24.8	131	**95.2**
Nigeria	95		**95**			**95**
France	20		**20**	27.5	21.5	**69**
Saudi Arabia			**0**		67.8	**67.8**
Bermuda			**0**	-10.6	78.1	**67.5**
Singapore	62		**62**			**62**
Panama			**0**	17		**17**
US			**0**	16.9		**16.9**
Mauritius		0.4	**0.4**		16.2	**16.6**
Togo	16		**16**			**16**
United Arab Emirates			**0**	10.9		**10.9**
Japan			**0**	2.5		**2.5**
Botswana			**0**	-1.7		**-1.7**
Spain			**0**	-8.1		**-8.1**
Sweden			**0**	-11.3		**-11.3**
Zimbabwe			**0**	-16.6		**-16.6**
Other	-409	125	**-284**	6.4	163.9	**-113.7**

Source: Bank of Zambia, http://www.boz.zm/

Table 7: Total FDI inflows in Zambia and Non-Traditional Exports (2001-2012)

	Year											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
FDI (US$ million) From the World	72	299	347	364	357	616	1,324	939	695	1,729	1,108	1,732
FDI (US$ million) From China			5.5	2.2	10	87	119	214	112	75		
% Share of China			1.6	0.6	2.8	14.1	9.0	22.8	16.1	4.3		
NTEs (US$ '000)	311,807.6	368,331.0	415,177.2	484,917.6	565,687.7	757,196.2	826,586.8	1,208,814.30	978,800.00	1,381,812.90	1,832,527.30	2,877,978.90

Source: Data on FDI from the World is from UNCTAD, http://unctad.org/en/Pages/Home.aspx. Data on FDI from China is Junbo, Jian and Frasheri, Donata, (2014: 198)

Table 8: Selected Macroeconomic Indicator Performance

Period	2005	2006	2007	2008	2009	2010	2011	2012
Real GDP growth (end-year %)	5.2	6.2	6.2	5.7	6.4	7.6	6.8	7.3
GDP per capita (end-year US $)		908.1	949	1,174.00	1,058.60	1,236.80	1,422.50	1,567.50
Annual Inflation end-period (%)	15.9	8.2	8.9	16.6	9.9	7.9	6	7.3
Comm. banks WALBR (%)		21.6	18.3	20.8	22.7	19.4	18.7	16.1
Exchange Rate (Annual Average)	4,465	3,600.24	4,003.89	3,750.10	5,035.80	4,766.20	4,828.70	5,141.50
Total Exports [fob] (US $'mn)		3,890.70	4,448.50	4,880.20	4,242.80	7,261.70	8,512.30	9,204.60
NTEs [fob] (US $'mn)		715.3	780.8	876.2	899.7	1,190.00	1,596.60	2,693.50
Imports [fob] (US $'mn)		-2,635.80	-3,610.50	-4,554.30	-3,413.40	-4,709.90	-6,454.20	-7,925.50

Source: Bank of Zambia. http://www.boz.zm/

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