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Swiss Transit Trade and Zambia

Editorial



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This Bulletin discusses Switzerland's economic relations with the South; the authors specifically examine this topic using Zambia and its copper as examples. The contributions are part of an international research project funded by the Swiss Network for International Studies (SNIS) and led by Basel social anthropologist Rita Kesselring. The research project "Valueworks: Effects of Financialization along the Copper Value Chain" follows copper's path from the mines to the end buyer and describes the parties involved in this process. It is shown that the extent of the participation of Swiss companies in the Zambian copper sector exceeds all expectations. This finding makes the under-regulation of the commodities trading centre Switzerland even more problematic and shows that a broad political discussion is urgently needed. Since the Federal Council's commodities report of 2013, things have remained quiet at the federal level.

More than 20 researchers and representatives of non-governmental organizations (NGOs) from Switzerland, Germany, England, China and Zambia have gathered research results at three conferences in Switzerland and Zambia to date and looked for ways to make the findings available to a wider public. The closing event will take place on 11 December 2018 in Geneva at the UN. On 8 December 2018, the Swiss Apartheid Debt and Reparations Campaign (Swiss ADR), which is part of the research project, will host its annual conference—once again in cooperation with the Afrika-Komitee and the Centre for African Studies Basel—entitled: "The Copper Value Chain: Life in Zambia, the Swiss Commodity Hub, and Responsible Business". As in previous years, this Bulletin serves to prepare the content of the conference.

In their article, authors Gregor Dobler and Rita Kesselring describe the various stages of the value chain at which Swiss companies operate in Zambia and skim off value that does not remain in Zambia. Stefan Leins takes a close look at the commodity-trading sector in Geneva and Zug and the conditions that make Switzerland attractive to powerful global players. The article by James Musonda deals with the workers who mine copper and their perspective of the mining industry. My contribution describes the current political and economic situation, the fight against rampant corruption and the threat of loss of democracy, as well as Zambia's high indebtedness. ■

I wish you stimulating and enlightening reading and cordially invite you to our conference.

Barbara Müller

Impressum

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Cover picture: Copper, its road transport and a Puma filling station in Solwezi (Zambia). Puma is partially under Swiss ownership (pictures: Rita Kesselring 2015, 2017).

What Zambia and Switzerland Have in Common

Copper and Resistance to Extractivism

The two-year research project Valueworks, funded by SNIS (Swiss Network for International Studies), investigates the economic relations between Switzerland and Zambia in the field of copper mining and trading. The starting point was the massive increase in transit trade transactions via Switzerland, which have an impact on the entire value chain, as project leader Rita Kesselring explains.

A good number of large and small companies based in Switzerland “create value” from copper, often without being directly involved in the investment-intensive mining of metals. If one considers the extent of Swiss companies’ participation in the Zambian copper sector, one could get the impression that the sector is “remote-controlled” from Switzerland. Questions about who controls and exercises power in what way, also played a major role in the Valueworks research project. Connections of another kind also became apparent: Switzerland and Zambia are closely linked through civil society, for example, by the question of how much room for manoeuvre corporations should be allowed. The Valueworks project, which involved Swiss and Zambian civil society groups and NGOs from the outset, is an example.

Resistance in Switzerland

In Switzerland, there is a growing awareness of the extent of the commodities trading market and its under-regulation. The Federal Council has come to regard the sector as a potential reputational risk. A pilot study commissioned by the Federal Office for the Environment shows that the environmental damage associated with trade abroad is almost twenty times greater than the environmental impact of Swiss consumption as a whole (Jungbluth and Meili 2018). However, many companies have too few employees to fall within the scope of the version of the corporate responsibility initiative on which the Council of States is expected to take a decision in spring 2019, and which has been reduced by the National Council.

Criticism of Switzerland’s under-regulation as a trading centre is being voiced at various levels. Internationally, ‘Public Eye’ publications are most present; however, a number of other NGOs and campaigns have been working on the issue for years. It is notoriously difficult to obtain reliable data on practices in Switzerland—or practices that Switzerland enables abroad. The industry keeps a very low profile.

In Switzerland, cantons undercut one another with low taxes and other incentives to attract companies. Low taxes on capital and capital gains are another potential gateway for price-shifting practices that deprive the “host” country, which bears most of the negative impacts, of legitimate profits. Intra-company trade is common practice and can be employed to increase the profits of investors in the North.

Whether this will lead to illegal tax optimization is difficult to say based on available data. In April 2011,

‘Public Eye’ with Sherpa (France), the Centre for Trade Policy and Development (Zambia) and two Canadian NGOs filed a complaint with the OECD against Glencore and the Canadian mining group First Quantum Minerals, whom they accused of tax evasion through their Zambian subsidiary Mopani Copper Mines. The mediation process ended without a result and all relevant documents remain confidential.

Resistance in Zambia

In Zambia, the extractive industry has been criticized since industrialization. The renewed privatization of mines at the end of the 1990s considerably weakened Zambian trade unions. Since liberalization and targeted weakening by the ruling Patriotic Front party, civil society has become less organized. Nevertheless, national and regional meetings are held annually to gather experience from various mines and mining towns and explore alternatives to mining. There are also ongoing courageous attempts to challenge extractivism.

When Beatrice Mithi, then District Commissioner of Mufulira, died in 2013 as a result of sulphur dioxide emissions, her widower turned to the courts. Mopani Copper Mines, a Glencore mine, was fined to approximately US\$ 40 000. The company appealed.

In the Lungowe and Others versus Vedanta Resources and Konkola Copper Mines class action, filed extraterritorially in England in 2015, with the help of the law firm Leigh Day, 1826 Zambians accused the Indian company of discharging toxic liquids into groundwater and rivers, with direct consequences for income and health. The lawsuits are still pending. It seems that transnational organized resistance is most effective.

Most attempts to hold companies accountable for human rights violations and disregard for environmental standards have a common focus that is almost exclusively on mining. In this issue we show how far beyond mining and trade extractivism reaches. Without getting their hands dirty, Swiss companies are siphoning off margins along the value chain through services such as transport, logistics and certification. This issue intends to contribute to the discussion on regulation, redistribution and solidarity. ■



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Extractivism à la Suisse

The Role of Swiss Companies in the Copper Value Chain

The Swiss public is becoming increasingly aware that trading companies based in Switzerland play an important and at times problematic role in countries around the world. Gregor Dobler and Rita Kesselring follow the path of copper produced in Zambia from the mines to the ports in southern Africa and demonstrate the far-reaching part played by Swiss companies.

Glencore, in particular, has become the embodiment of the dark side of the Swiss success model; the company stands accused in numerous countries of corruption, human rights violations and illegal tax avoidance. The persistent and painstaking efforts of a small number of NGOs usually focus on spectacular and high-profile cases of economic misconduct. The Responsible Business Initiative, which gains public support through such examples, is a step in the right direction, but is limited to denouncing and making justiciable excesses of economic activity.

In these important discussions, we sometimes lose sight of everyday business conduct. Anyone who wants to understand the role of Swiss companies in the world must not concentrate on violations of the rules alone but must also ask what the rules themselves look like and who they favour. To what extent are Swiss companies actually involved in commodity trading in the everyday reality of the global economy, and what are the consequences for the countries of origin of the commodities? To answer such questions, we explore a small section of the global economy: we follow the path taken by copper mined in Zambia to the ports of Southern Africa, revealing the role of Swiss companies in mining, trade, transport and certification.

Mining

The most important copper mines in Zambia are in the hands of four international corporations, including Glencore. Glencore is the world's largest commodities trading company and the Swiss company with the highest turnover. Glencore began as a pure trading company, but, since the early 2000s, has invested heavily in the entire commodity chain to compensate for declining margins in the trading sector. When the Zambian mines were privatized, Glencore acquired a majority stake in the Mopani Copper Mines on favourable terms—shortly before the world market price for copper increased six-fold due to China's new global role. Glencore's presence in Zambia is best known for the serious environmental problems caused by the company's mines and smelter over the years. The problems have been investigated and made public, not least by Swiss NGOs and media. Like the other mining companies, Glencore is trying, quite successfully, to keep its tax burden in Zambia low. In recent years, the Zambian government has repeatedly tried to increase the taxes and duties of mining companies to keep a larger part of the produced value in the country, but has always failed because companies resist and threaten to close down mines.

Trade

Switzerland is currently the most important hub for international commodity trading. With a few exceptions (above all gold), trade is conducted as transit trade, in which traders from Switzerland buy and sell goods that never physically enter the country. A large part of Zambian copper is bought by Swiss companies and sold to the processing industry.

Here, too, Glencore is an important player. The company's mining division sells copper to its trading division. Glencore has repeatedly been accused of using transfer pricing to shift profits to low-tax countries like Switzerland, but so far in Zambia, this suspicion has not been officially confirmed.

While Glencore is a trading company that has become a mine owner, the opposite is the case with the largest Zambian mine operator: First Quantum Minerals (FQM) is a Canadian-Australian mining company that operates two of the largest mines in the country. FQM does not like to talk about it, but also for them, Switzerland represents the hub for marketing their copper. Metal Corp Trading AG, a company that has a letterbox and a commercial register entry in Zug but conducts most of its business from London, is one of only two buyers of copper produced by FQM in Zambia.

The second customer, Trafigura, who we will be looking at in more detail shortly, does not own any mines in Zambia, but plays an important role in copper logistics and transport.

In addition to these three companies, which buy and sell large quantities of copper through stable supply contracts and can therefore be tracked down locally, many other Swiss commodity traders trade in copper mined in Zambia. Often, a batch of copper passes through many hands and plays a role in a lot of financial products before it is finally sold to a consumer and processed into circuit boards or coils. Large commodity trading houses participate, as do specialized smaller traders and the trading departments of banks, insurance companies, funds and institutional investors.

Transport

No matter where it ends up and how long it takes to process, almost all the copper produced in Zambia leaves the country quickly. It is transported on trucks or, less frequently, by rail to the ports of neighbouring countries, especially to Durban, Walvis Bay, Beira and Dar-es-Salaam. Since land transport often lasts three weeks, it accounts for a large proportion of the total transport costs and is at the same time one of the few sections of the raw material chain in which costs can still be significantly reduced. This is why trading and logistics companies have recently invested a great deal in this section of the value chain. At the same time, together with other international and national players, they have lobbied for debt-financed government infrastructure investments to better link mining areas to international markets.

Today, Swiss companies are among the international investors who control the transport of copper in Southern Africa. First and foremost is Trafigura, a company founded in Geneva in 1993 as an offshoot of Marc Rich Trading, from which Glencore also emerged. Tra-

figura's structure is too complicated to break down here. The company's headquarters remain in Geneva, but due to the tax-optimized distribution of different sub-companies to different seats, Trafigura's effective tax rate today is only 8.4 percent across the group (Trafigura Annual Report 2017, page 15).

The logistics arm of Trafigura, Impala Terminals, plays an important role in the transport of Zambian copper. Impala relies on the port in Dar-es-Salaam, where it owns the largest terminal used by a single customer. The company has set up warehouses in Kolwezi, Lubumbashi, Ndola and Dar-es-Salaam as intermediate stations between the DRC's and Zambia's mines, which are connected by a dense network of safe truck stations. Other trading companies also use the warehouse in Ndola as a reloading station and duty-free warehouse.

Unlike in neighbouring Congo, Swiss companies in Zambia have not yet invested directly in shipping companies and transport fleets, but another Trafigura sub-contractor gains from almost every transportation. Puma Energy is a joint venture between Trafigura (49 percent), Angola's state oil company Sonangol (28 percent) and Cochan Holdings, a company of the controversial Angolan general and billionaire Leopoldino Fragoso de Nascimento (15 percent). As in some neighbouring countries, Puma acquired a majority stake (75 percent) in the former BP filling stations in Zambia in 2011. The company also operates a large oil and fuel storage facility in Walvis Bay. Another joint venture between Trafigura and Cochan, DTS Holding, is currently redeveloping the old railway route from Kolwezi to Lobito in Angola.

Switzerland's involvement in transport does not end at the ports: the world's second-largest cargo shipping company, Mediterranean Shipping Company (MSC), is also based in Geneva and plays an important role in the ports of Southern Africa.

Testing and Certification

In the international copper business many parties must make decisions about goods that they cannot inspect. Copper of certain specifications is sold, bought, financed, insured or cleared remotely without the contracting parties themselves being able to control the quantity and quality themselves. As in many other areas of international trade, independent inspection companies are increasingly coming into play. On behalf of the contracting parties, they test, inspect and certify the traded goods.

One of the largest of these groups is based in Geneva: SGS (formerly Société Générale de Surveillance). The company is very active in various business areas in many African countries. A Zambian subsidiary operates an important testing laboratory for the mining industry in Kalulushi, and subsidiaries of SGS offer testing services for copper transports at all major transshipment points to ensure that all parties involved know the details of the contents of the sealed containers.

Switzerland's role in extractivism

The examples described here do not, by any means, cover all areas in which Swiss companies are important



Swiss companies are not only major players in the copper trade but also make profits in its transport (picture: Rita Kesselring 2015).

for copper mining and transport in Southern Africa. We have not looked at the role of banks and insurance companies nor asked how investment funds based in Switzerland invest their money; we have left aside mechanical engineering as well as the chemicals used in mining. However, even the few examples chosen make it clear that while commodity trading itself plays an enormous role, it is only the tip of the iceberg. Swiss companies earn money at many points along the value chain. This is good for Switzerland, but further reduces Zambia's share of the profits from extraction. Typically, Swiss companies invest in areas that tie up relatively little capital on a permanent basis and are not tied to a single commodity and its market fluctuations, but where they have a decisive competitive advantage due to Switzerland's reputation, education, good contacts with banks and insurance companies and worldwide networks.

Anyone interested in Switzerland's role in the global economy should therefore not just look at excesses—not just at human rights violations, environmental degradation or cases of corruption. Everyday profit-oriented business also cements and increases existing inequalities. The infrastructure for these businesses in Southern Africa is largely financed by taxpayers, while profits often go to capital owners in the north. The taxes that could cushion against this imbalance and ensure partial redistribution can often be avoided by globally active corporations, whether in Switzerland or Zambia. Anyone who thinks about corporate responsibility also has to think about these interrelationships. ■

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Geneva, Zug, Lugano

The World of Swiss Commodity Traders —and its Global Signi

Switzerland's significance in global commodity trading is unknown to many people, including a large part of the the Swiss population. And with the exception of Glencore, only a few people are familiar with the internationally active and high-turnover commodity companies based in Switzerland that make a lot of money. With his contribution, Stefan Leins wants to create some clarity.

Switzerland is currently the largest commodities trading centre in the world. Around one third of all raw materials traded worldwide are traded via Switzerland. With certain commodities, it amounts to even more than half of world trade (e.g. metals, coffee or sugar). Around 500 Switzerland based companies are active in commodities trading and account for around four percent of the gross domestic product. In the canton of Geneva, Switzerland's largest commodities trading location, this figure is as high as twenty percent.

History of Switzerland as a hub for raw materials

Although commodity trade has grown dramatically in the last two decades, Switzerland has a longer tradition of trading raw materials. Since the 15th century, Swiss families have traded in "colonial goods" such as salt, cotton, coffee, cereals, palm oil, rubber and cocoa. In the mid-20th century, Switzerland also became the host country to two companies that were influential in the development of transnational commodity trade. In 1956, Cargill, presently the third largest company operating in Switzerland, opened its trading office in Geneva. In 1957 Philipp Brothers followed with its European headquarters in Zug. It was this company that later trained the "King of Oil" Marc Rich. Along with Nestlé, which has been active in the Lake Geneva region since the 19th century, these companies laid the foundations for Switzerland to become the global centre of commodity trading. In 1974, Marc Rich became an independent trader and founded Marc Rich+Co AG in Zug. This company was renamed Glencore in 1994. At about the same time Trafigura, another global player in commodity trading, was founded in Lucerne (today Trafigura operates mainly from Geneva). In parallel, many foreign companies involved in commodities trading moved their headquarters or trading offices to Switzerland. This led to a dramatic increase in trading activity, particularly after the year 2000.

Why Switzerland?

In Marc Rich's biography, Daniel Amman explains that Philipp Brothers, a US company, established its European headquarters in Zug because of its political neutrality, banking secrecy and low taxes. In addition, many practitioners say that the geographically favourable location, the cosmopolitan environment (with many international organizations based in Geneva), the strong presence of banks with expertise in trade finance and the business-friendly political landscape are pull factors

for commodity traders. Personal networks are also of great importance. Most business relationships are based on long-term informal networks. In Geneva, these networks often include people from international organizations and diplomatic personnel.

A striking number of the points mentioned are directly related to Switzerland's political and regulatory environment. Political neutrality, for example, is not just an ideological attitude. For commodity traders, it is also an opportunity to trade with countries under embargo. Marc Rich made this one of his "competitive advantages". He used Switzerland as a platform for trade with Iran and the South African apartheid regime when they were confronted with sanctions from the international community. Even today, Swiss companies trade with partners that other countries regard as problematic. They can do this partly because of Switzerland's neutrality policy and partly because of Swiss banking secrecy, which protects them from jurisdictions seeking access to their financial data. However, this type of business activity has recently become riskier due to external pressure. For example, BNP Paribas, a leader in financing Swiss commodity traders, had to withdraw from the business when found guilty in the US of financing trade with Iran, Cuba and Sudan.

Nevertheless, it remains the case that Swiss-based commodity trading companies benefit from lax state regulation. This is despite the fact that non-governmental organizations (NGOs) and civil society organizations (CSOs) have been pointing out for years that the lack of sector-specific supervision represents an enormous risk for Switzerland. On the other hand, transit trade in commodities is extremely capital-intensive and possible mis-investments could burden the entire Swiss economy. In addition, there are reputational risks associated with transnational commodity trading. Commodities are largely mined in the countries of the global South, trading companies often operate in weakly regulated contexts.

This has led to several scandals and accusations that Swiss commodity trading companies benefit from poor working conditions and environmental standards in the global South—or even promote them. In order to prevent such problems in the future, binding rules regarding compliance with working and environmental standards would be important. It should also be borne in mind that commodity traders often are not directly involved in the extraction of the goods they trade but buy them from the mining companies only after they have been extracted. The challenge of sector-specific regulation would therefore lie primarily in clarifying to what extent commodity trading companies can be held responsible for environmental and labour law issues along the entire supply chain.

A versatile and complex business field

Swiss commodity trading encompasses far more activities than just the direct purchase and sale of commodities. The field also includes ship brokers, certification companies, commercial financial institutions, legal advisors and many other players. The complexity of this profession can be seen in the diversity of the players in the region around Geneva and Lausanne. Here, for ex-

ample, one can find exponents of the shipping industry, which consists of around 100 companies. Together, they organize and coordinate 22 percent of worldwide ship movements. Geneva is also a world leader in the certification of goods. This is demonstrated, for example, by the fact that SGS (formerly Société Générale de Surveillance) is based in Geneva. SGS is the largest provider of product samples, tests and certifications and is used by almost all Geneva trading companies as a partner institution.

The commodity trading companies are concentrated in three regions: Geneva (oil and agricultural products), Zug (mainly metals) and Lugano (especially gold). Each region has its own regional association: the Geneva Trade and Shipping Association (GTSA, now merged with STSA) is the largest organization and represents around 100 members. The Lugano Commodity Trading Association (LCTA) has around 50 members, the ZCA around 40 members. The STSA, based in Geneva, acts as the umbrella organization of the regional associations. The STSA is active both in lobbying and organizing training courses. The STSA has strong links with the University of Geneva, where it co-organises and co-finances a master's programme and a diploma for advanced studies in commodities trading. In 2015, the STSA, with a number of governmental and entrepreneurial institutions, founded the Swiss Research Institute for Commodities (SRIC). In future, this should create a platform for research and serve as a discussion forum for actors in the public and private sectors.

From soy to copper: categories of traded goods

In physical trading, commodities are usually categorized as follows:

- *Agricultural products (also called "soft commodities")*: cereals, cattle, sugar, soybeans, cocoa, coffee, etc.
- *Energy*: crude oil, natural gas, nuclear energy, hydro-power, etc.
- *Metals*: iron ore, copper, aluminium, nickel, lead, etc.

Some trading companies specialize in individual commodities, while others trade in various commodities from one or more of the above categories. In order to trade in a particular commodity, a trading house must have considerable expertise in that commodity. This is mainly because commodity traders also organize the physical transport of the cargo.

Commodities can be traded either "on the market" or "over-the-counter" (OTC). Market trading means that they are traded as public contracts and at a price set by a particular exchange such as the London Metals Exchange (LME), the Chicago Board of Trade (CBOT) or the Shanghai Futures Exchange (SHFE). OTC trading means that commodity traders enter into a bilateral and private agreement. They are often guided by a market price. However, they can also agree on prices that differ from the public market price.

The physical goods traded in Switzerland rarely reach the country as the actual destination. Swiss traders generally act as intermediaries between producers and consumers. The goods are then delivered directly to the respective counterparty. This entire logistics process is often organised by the same Swiss trading company that initiated the trade in the first place. Swiss commodity traders are thus large logistics companies with links to producers, ports, shippers, customs officials, local brokers and consumers. Establishing and maintaining social and economic networks are their core competence.

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Working in Zambia's Mines after Privatization

Changing Meanings for Miners

Privatization has significantly changed Zambia's mining sector. For multinational companies, profit maximization is the main goal. This fact has consequences on many levels, particularly on miners' working conditions. The Zambian anthropologist James Musonda examines what this means for mine workers.

8

The privatization of the national mining company Zambia Consolidated Copper Mines (ZCCM) that ended in 2000 sought to achieve two financial goals. The first was to stem the operating losses borne by the public budget that were crowding out already low public expenditure. The second was to reverse a 30-year trend of underinvestment in exploration and production, which, in large measure, was responsible for the losses. Certainly, capital inflows to the sector have been substantial since privatization and have exceeded the commitments originally anticipated. Between 2000 and 2015, a total of US\$ 13.1 billion was invested in the sector. This investment has facilitated the reopening of previously closed mines, exploration and opening up of new mines in North Western province, and investment in machinery, equipment and technology.



The neighbourhood of the Mopani mine in Mufulira (Zambia). The meaning of the mining sector as an employer has radically changed (picture: www.dirtyprofits.de 2017).

Rapid expansion

Accordingly, production increased from 250,000 tons of copper and cobalt in the 1990s to 710,800 tons in 2015. As a result of this, in 2014, Zambia was ranked 2nd largest copper producer in Africa (D.R Congo in 1st position) and 8th in the world. Exploration has shown promise for copper and cobalt in new areas. Manganese, uranium, coal and gold are other minerals of great potential that exploration efforts have revealed.

Between 1997 and 1998, ZCCM's reported pre-tax losses totalled approximately US\$ 650 million—almost \$ 1 million per day—equivalent to more than 20 percent of total turnover. However, soon after privatization things changed. Between 2002 and the top of the market in April 2008, copper prices rose six-fold, from around US\$ 1,500 per ton to over US\$ 9,000 per ton (based on 2010 prices). Prices at their peak in 2008 were 20 percent higher than their 1974 peak and double the average price since the end of World War I. Yet a significant portion of this profit accrued to foreign investors and was taken out of the country as dividends or as foreign capital outflows.

Dependency on the extractive sector

As would be expected, exports earnings from the mineral sector rose from US\$ 670 million in 2002 to US\$ 4 billion in 2008, an increase of almost 500 percent. Whereas in 2002, earnings from copper were around twice as much as net overseas development assistance, in 2008, as copper earnings exploded, the ratio was approximately seven to one. Combining the results for copper and cobalt, the calculated total net windfall income accruing to the economy from 2002 to 2008 was 14.8 trillion Kwacha, equivalent to around 66 percent of the base-year GDP.

In line with these developments, the Zambian economy grew by between 5 and 7 percent a year since 2004, and in 2011, the country was reclassified as a lower-middle-income country by the World Bank, a status lost in the 1980s. Despite the decline in the price of copper since the boom, the extractive industry accounted for 75 percent of exports, 26 percent of government revenues, and 10 percent of GDP in 2015. This is besides the claim by War on Want (2016) that the people of Zambia lose up to US\$ 3 billion a year to tax avoidance and evasion by multinationals in the mining sector. At what cost to labour has this increase in production, profits and revenue been achieved? Poverty remains very high and many workers in the sector have lost their jobs.

Workers paid the price

Labour retrenchment and subcontracting are the two most salient outcomes of the privatization of the Zambian mining sector. Between 1991 and 2015, the number of workers directly employed by the mining companies on permanent and pensionable positions declined by 60 percent—from 56,582 to 23,479. Meanwhile, subcontracting rose from 10 percent in 1997 to over 50 percent by 2015. Unfortunately, most of these jobs are short term, poorly paid, lack unionization and social security such as pensions. This situation is a major concern to the mine workers and has significantly changed the meanings attached to employment by these workers and their families.

During the era of the national mining company, Zambia Consolidated Copper Mines (ZCCM), working for the mines meant direct, full-time employment with union membership and pension benefits. Workers were also entitled to several social benefits such as free housing, electricity and water, health care, subsidised education for their children, and birth grants.

Post-privatization, long term employment is no longer a guarantee, while social welfare has either been completely withdrawn or significantly reduced.

Loans as the supposed way out

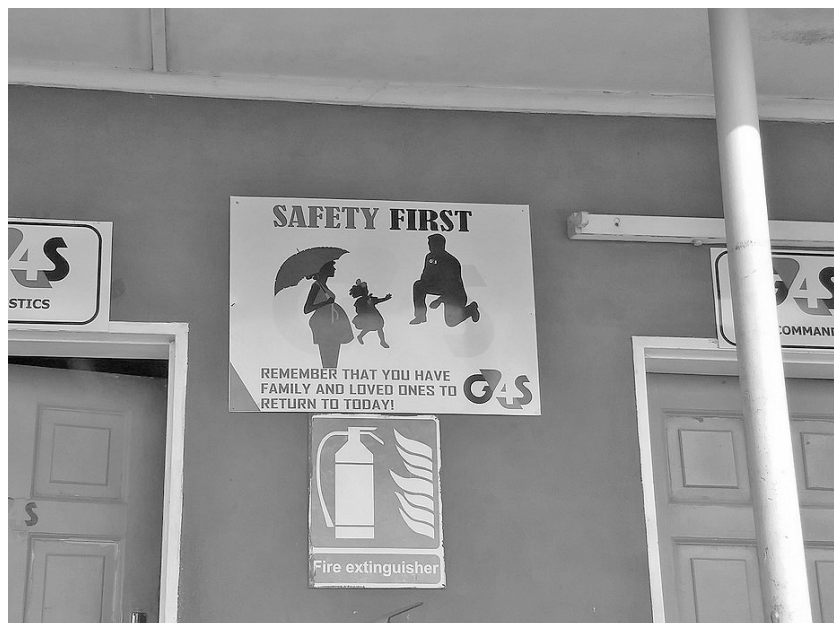
Accordingly, mine workers are aware that employment in the mines no longer provides a cradle to grave cover. Rather, it provides access to loans, which people can use to invest in children’s education, housing, or to start businesses. This view has led to an increase in the number of employees obtaining loans from the financial sector. On average, despite bank interest rates as high as 40 percent, over 75 percent of all directly employed miners in Zambia have loans. With these, a number have built houses, bought plots or cars, sent their children to school or run small businesses alongside formal employment. As one miner argued, “what is the point of waiting for retirement, when I can get a loan and get a house for my family”. In essence, most of them are now semi-formal or semi-informal workers. In 2015 for instance, of the 4,300 miners retrenched at Mopani Copper Mines, 1,249 (or 30 percent of total retrenches) volunteered to be retrenched.

The major problem however has been that many started businesses without any prior financial management experience or knowledge. Consequently, the majority of those businesses fail. Similarly, many invest in long-term projects such as education and building houses and find it difficult to meet their everyday needs. This pushes them to borrow from local lenders at interest rates as high as 50 percent, and repayment is done at the end of the month the loan was obtained. Borrowing from local money lenders is on the basis of collateral in form of household goods, title deeds, phones as well as bank cards and identity documents. Failure to repay automatically results in losing these items. Bank cards are only returned when the loan has been repaid in full. As these families struggle to make a living, they turn to the union to obtain food and groceries on credit, also due at the end of the month.

How miners deal with the burden of debts

As their debt burden increases they resolve to other means of negotiating their financial vulnerability. One way is by repaying back loans using loans obtained from another lender. The other way is by opening savings accounts that are directly alimented by their salaries. Thereby they are able to prevent the money lender, who now holds their bank card, from accessing their earnings. Lastly, some miners resort to offer themselves for retrenchment so that they are able to settle their debt using their retrenchment package and start all over again as subcontractors, as small business men. As John, an operator, explained: “After getting a loan I invested in a business that failed and spent the rest on building the house. But at the end of the month I was remaining with nothing as the bank was getting almost every bit of my salary. I had to leave the job and pay off this debt and start all over. I don’t mind the low pay because I have a house, I don’t have to pay rent and I have no loan obligations. I am upgrading myself academically and I know that one day I will find a stable job even in the government.”

Besides debt, many miners in Zambia agree that with a government and union that is unable to regulate the labour market, subcontracting is the future of work in Zambia’s mining sector. This is because the new mining companies run a profit driven production system with retrenchment of workers as the first response to commodity price volatility, and subcontracting is their main way of reducing production costs. As one miner lamented: “When we will lose our jobs, if we are lucky we will get a job as a contractor. I think that going forward all jobs in the mine will be sub-contracted. These days, when I go home from work, my wife and even children ask me if I still have a job. Losing a job is so common that people are almost always expect it.”



Mining companies externalize security issues to its labour force. First Quantum Minerals, Solwezi, Zambia (picture: Rita Kesselring 2016).

From the above, it is clear that labour has paid the highest price for the privatization of the mines. Employment in the mines, previously understood as long term, permanent, direct and pensionable is now subcontracted, temporal and precarious, while retrenchments are frequent. To negotiate their employment insecurity, workers resort to borrowing. Unfortunately, a lack of financial management knowledge means that financial outcomes are mostly negative. Coupled with high lending interest rates from banks and local money lenders, many end up with almost nothing to live on. In a context in which miners think that unions and government cannot help, many now accept that the future of work in the mines is in subcontracting. ■

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Currently in Zambia

Fight against Corruption and Loss of Democracy

The current situation in Zambia is characterised by mismanagement, corruption, indebtedness and an increasingly shrinking democratic space. Civil society organizations are resisting these developments, as Barbara Müller shows in her report.



Demonstration during the budget speech of the Minister of Finance. Lusaka 28 September 2018 (picture made available by the author).

On 6 October 2018, the student Vespers Shimuzhila died in her room on the campus of the University of Zambia (UNZA), Lusaka. She suffocated as a result of the tear gas canisters that police threw into student living quarters. This disproportionate action against protesting students was met with strong criticism. At the funeral procession through the inner city, thousands marched and demanded “Justice for Vespers”. In protest against police brutality, students, dressed in black, took to the streets and blocked traffic so that the entire city centre came to a standstill. Minister of Information Dora Siliya, who attended Vespers’ funeral service, was insulted by students as she left the church. She reacted with a tweet in which she attributed responsibility for Vespers’ death to the students. On October 15, 2018, lecturer Dr. Austin Mbozi was arrested on the basis of an article in which he made the government and the president responsible for Vesper’s death. The leadership of the Lecturers’ Association (UNZALARU) was also questioned by the police about its role in student protests. UNZALARU demanded the immediate release of member Austin Mbozi. Protests were triggered by government initially cutting payments to the university, including student food subsidies, and retaining them from August 2018. In addition, the student association was suspended.

In an article addressing this tragic incident, the Zambian activist Laura Miti asked: “Did the responsible authorities ever say that they were sorry?” She criticizes the university administration and the police, who with their actions accepted the possibility of student deaths. She also criticizes the ruling party, which did not, for a moment, concern itself with the death of an innocent person. An honest remedy would also include those re-

sponsible taking measures to prevent such an incident from occurring again. Laura Miti regrets that none of this has happened. With five other activists, she has been at the centre of legal proceedings since 2017.

#42for42

What are the activists accused of? On 29 September 2017, six civil society representatives, including rapper Fumba Chama (stage name Pilato), demonstrated in front of parliament with placards against the misuse of public funds, in particular the purchase of 42 fire trucks for US\$ 42 million, where the actual cost of such a vehicle is estimated at US\$ 200,000. The activists demanded clarification and accountability. They were arrested and accused of disregarding orders. Since then, they have repeatedly had to appear before court, only to hear that the trial has once again been postponed. Pilato received threats because of the song Koswe Mumpoto, denouncing rampant corruption, and had to temporarily seek safety in South Africa. Amnesty International described the complaint against the activists as politically motivated and an affront to justice. “These activists are judged only because they demand transparency and accountability in the use of public funds. They have committed no crime and should never have been charged,” said Deprose Muchena, Amnesty’s regional director for Southern Africa.

The case has exemplary significance, as Laura Miti writes: “Freedom of expression is increasingly restricted in Zambia, especially under the current government. Our activism, which was strong a few years ago, has declined because people risk being arrested. But in recent months, civil society has caught up in order to expand the ever-smaller democratic space. My dream is a Zambia that is rising up again.”

Fire trucks are not the only case of corruption that has come to light in recent months. In May 2018, it became known that US\$ 1 million worth of medicine and first aid kits donated by the Global Fund had disappeared. Zambia has since undertaken to reimburse the value. Furthermore, in June 2018, the Zambian Financial Intelligence Centre (FIC) published a report accusing cabinet members of stealing millions of Kwachas from the public sector through money laundering. The accused were not brought to justice as a result, but instead the president of the FIC was criticized for the publication of the report. Since President Lungu took office in January 2015, corruption has become an increasingly visible element of public life. The governing party Patriotic Front (PF) is in an obvious buying frenzy, ordering infrastructure projects at grotesquely inflated prices. These projects serve the extractive industry in particular and are mostly carried out by foreign owned companies. Military spending is also high, and in spite of the obvious crisis, the government recently ordered airplanes for the air force and a luxury jet for the president from Israel, as Africa Confidential reported.

Zambia in crisis

Rising fuel prices, a rapid devaluation of the national currency Kwacha as well as conflicts with donor countries are the consequences of Zambia’s high indebtedness from investments in projects such as roads and



Demonstration during the budget speech of the Minister of Finance. Lusaka 28 September 2018 (picture made available by the author).

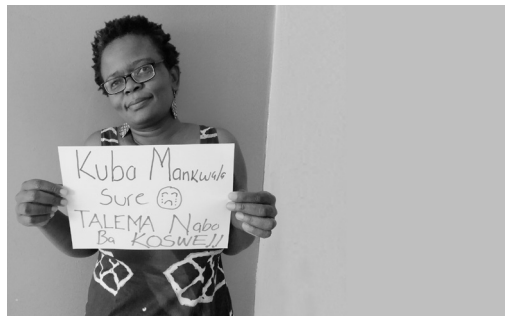
airports. The cost of living has risen dramatically and the population is suffering as a result. Drastic cuts in spending on health, education and other public services increase social inequality, already very high in Zambia (ranking fourth in the worldwide index for inequality). Students have already protested, and other social protests could follow.

A decade ago the country was practically debt-free. When the PF came to power in 2011, foreign debt was still US\$ 1.9 billion. Within seven years, this rose to 9.4 billion, with experts fearing that the real debt burden is even higher because not all foreign obligations are publicly known. Investments were financed by so-called Eurobonds, issued in 2012 at an interest rate of 5.6 percent. By 2017, however, this had risen to 17 percent due to Zambia's poor debtor quality. The International Monetary Fund (IMF) and international markets regard the country's over-indebtedness as dangerous and do not rule out insolvency. Relations between Zambia and the IMF are strained, as Lungu ignores measures demanded by the IMF to restructure public finances. When another massive corruption scandal became known at the end of September, donors England, Ireland and the Scandinavian countries stopped providing aid to Zambia.

To counter this crisis, the government is now trying to increase taxes paid by mining companies. In return, they—including Glencore—have threatened to lay off workers. As in previous attempts, the government has signalled its willingness to negotiate. In order to find a way out, Zambia has successfully found alternative donors such as China and Saudi Arabia, which is not well-seen by the West.

Zambia has thus far been regarded as a country with a tradition of democracy. This could change with mismanagement under Lungu, accompanied by increasingly authoritarian tendencies that do not bode well for the future. Zambian civil society is feeling the increasing repression and is fighting to preserve democratic freedoms. It deserves support in its efforts. ■

About Laura Miti



Laura Miti is the director of the Zambian NGO Alliance for Community Action. For 20 years she has spoken out for democratic rights, transparency and social justice. In December 2018 she will visit Switzerland as a speaker at the conference “The Copper Value Chain. Life in Zambia, the Swiss Commodity Hub and Responsible Business”, which takes place in Basel on 8 December 2018. The conference is organised by the Swiss ADR Campaign in cooperation with the Centre for African Studies and the Afrika-Komitee.

Sources:

- *Nicole Beardsworth*: Zambia's President is short on allies as international concerns grow over corruption (4.10.2018), <http://presidential-power.com/?p=8720>
- *Laura Miti*: My dream is a Zambia which lifts itself up (1.10.2018), <https://www.amnesty.org/en/latest/campaigns/2018/10/laura-miti-zambia/>
- *Vito Laterza und Patience Mususa*: Is China really to blame for Zambia's debt problems? (11.10.2018), <https://www.aljazeera.com/indepth/opinion/china-blame-zambia-debt-problems-181009140625090.html>

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Solifonds Campaign

Mufulira Wants to Finally Have Clean Water

“Those who can, move away from here,” said our partners from the town of Mufulira in the Zambian Copperbelt. The Mopani copper mine has been majority-owned by Glencore since the Zambian mines were privatized at the beginning of the 2000s. Many hoped for an improvement in living conditions, but this did not happen. The house façades peel off due to the acid rain, the air causes breathing problems, and many jobs in the mine have disappeared. And then there is the “drinking water”: with visible residue, which nobody drinks before having first boiled it. Since they cannot move away, the residents of the neighbourhoods Butondo, Kankoyo and Kantanshi around the mine Mopani want access to clean water.



A sample of “drinking water” in Kankoyo, Mufulira, presented during a site-visit of the Swiss ADR Campaign (picture: Rita Kesselring 2017).

The water supply for Butondo, Kankoyo and Kantanshi is provided by the Mulonga Water and Sewerage Company. Mopani treats and transfers water for Mulonga. The water quality has been poor for many years, and local NGOs have reactivated the Mufulira Civil Society Organisations’ Forum to launch a campaign for clean water. A meeting with representatives of the Swiss ADR Campaign in summer 2017 confirmed this decision.

The Mufulira CSO Forum was motivated to get to work, and with financial support from the SOLIFONDS, they launched the campaign at the end of 2017.

First, water tests had to be carried out. Various water samples were tested by recognized laboratories. Results showed that the water did not meet legal standards. Values for lead and cadmium were far above permitted values. Excessively high lead or cadmium values can lead to kidney damage, and cadmium is classified as a carcinogen. At the first meeting between Mopani, Mulonga, the Mufulira CSO Forum and representatives of the communities, Mopani and Mulonga denied the poor water quality. When measurement results were presented in a second meeting, Mopani and Mulonga reacted differently: Mopani dismissed the results as false, while Mulonga seemed concerned. When the Mufulira CSO Forum went to press, Mopani also responded to the pressure. Both now want to carry out their own tests.

The fact that Mopani and Mulonga even acknowledge that there is a drinking water problem is a first important success for the Mufulira CSO Forum. Another positive result was the successful involvement of community members. The Forum is now collecting signatures for a petition to the authorities, demanding that Mulonga and Mopani take finally measures to ensure that residents of Mufulira have clean drinking water. The fight for clean water in Mufulira is now entering the next round. ■

Aurora García, Solifonds

Events related to the theme of the issue

Life Along the Copper Value Chain: The Swiss Commodity Trading Hub and its Impact on the Global South

The findings of the Valueworks project mentioned in this issue will be presented at two events in Geneva, apart from the conference in Basel on the 8th of December:

10th December 2018, 18–20 hrs

Roundtable at the Graduate Institute for International and Development Studies

11th December 2018, 9–17 hrs

Symposium at the Palais des Nations

Info: www.unrisd.org