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Abstract:

Sub-Saharan Africa's economy grew rapidly from 2004 to 2008, largely driven by Asian investment and trade. While much investment has been in primary commodities, Asian-owned manufacturing and other businesses in Africa, despite growing rapidly, have received very little attention. Using survey research, and other primary and secondary data this paper investigates the nature and impacts of Asian businesses in Zambia to interrogate whether their developmental impacts are inclusive or exclusionary. It then moves to assess the likely impact of the current global slowdown and how this will impact on Sino-Zambian economic relations.

Chinese and Indian Investment in Zambia: History and Context

The increased level of Chinese interaction with Africa has attracted substantial academic and popular media attention recently. The scale and speed of the increased level of Chinese economic engagement in Africa has been particularly notable. While trade relations with China are geographically extensive throughout the continent, investment is heavily concentrated in oil and mineral rich states.

Zambia in Southern Africa is the third largest recipient of Chinese foreign investment in Africa, and the nineteenth largest in the world (UNCTAD, 2007). China is now the primary source of new direct investment in Zambia, and has over 140 officially recorded projects covering various sectors (*Times of Zambia*, 20 October 2008). By mid-2009, it was projected Chinese investment in Zambia would have exceeded US$ 1.5 billion (*Times of Zambia*, 20 October 2008) and China is already the third largest investor in terms of stock of foreign direct investment (FDI), after South Africa and the UK (Ndulo, 2008). Indian investment in Zambia has also been growing rapidly, although mirroring patterns in the rest of Africa it is dwarfed by Chinese investment (Indian High Commission, 2009: Broadman, 2007).[1] Does this new investment represent a break with previous patterns of extractive globalization, or reinforce existing trends of exclusionary inclusion in the global economy? In large part the answer depends on the scale and type of investment. In order to answer this question it is necessary to provide some context on Asian-Zambian, and particularly Sino-Zambian relations.

There are arguably three phases of the Sino-Zambian relationship, driven by solidarity, geopolitics and geoeconomics. Zambia's relationship with China can be traced back to the 1970s when the latter constructed a railway line from the Port of Dar-es-Salaam in Tanzania to Kapiri-Mposhi in Central Zambia (McGreal, 2007). This was necessary to help Zambia export its copper following the closure of the traditional southern route as a result of sanctions on apartheid South Africa, and Southern Rhodesia due to the latter's Unilateral Declaration of Independence (UDI) in 1965 (Hampwaye, 2008). Geopolitically it was spurred by the fact that during the 1960s and 1970s the Chinese state was in competition with the Soviet Union for support in Africa. More recently China has forgiven some of the debts associated with the construction of this railway, arguably for geo-economic rather than geopolitical reasons.

The next major investment by China in Zambia was the Zambia-China Mulungushi Textile Factory in Kabwe in the 1980s (McGreal, 2007; Carmody, 2009). The Chinese initially built this facility as a turn-key facility for the Zambian government, but when it ran into operational difficulties the Chinese Premier suggested it should be run as a joint Chinese-Zambian joint venture from 1997. This factory created thousands of jobs and contributed to poverty reduction (McGreal, 2007), although "perpetual reorganizations at the textiles plant … brought about job losses and the suffering of workers" (Muneku and Koyi, 2007: 22). Ultimately, this project ceased to operate in the mid-2000's as it couldn't compete with Asian imports (Carmody, 2009). Thousands of jobs were lost directly, but it also affected thousands of local cotton growers (See Taylor, 2006 for a fuller description).

Since the early 2000s, the scale of Chinese investment and associated in-migration in Zambia has increased dramatically. There are now an estimated 200 Chinese companies operating in the country and these investments are spread across sectors (Bastholm and Kragelund, 2007). Mining in Copperbelt Province has received the most investment. The Chinese own the Chambishi Copper Mine through the China Nonferrous Mining (Group) Co. Ltd, and Chambishi Copper Smelter (Bastholm and Kragelund, 2007; Carmody, 2009). Other Chinese investments in the mining industry are scattered across several towns such as Sunfeng minerals in Ndola, and Jiaxing mining in Kitwe. Examples of Indian investment include Vedanta Resources[2] in Konkola Copper Mine (KCM), and an Indian company owns Kagem Mining (Basholm and Kragelund, 2008; Hampwaye, 2008)

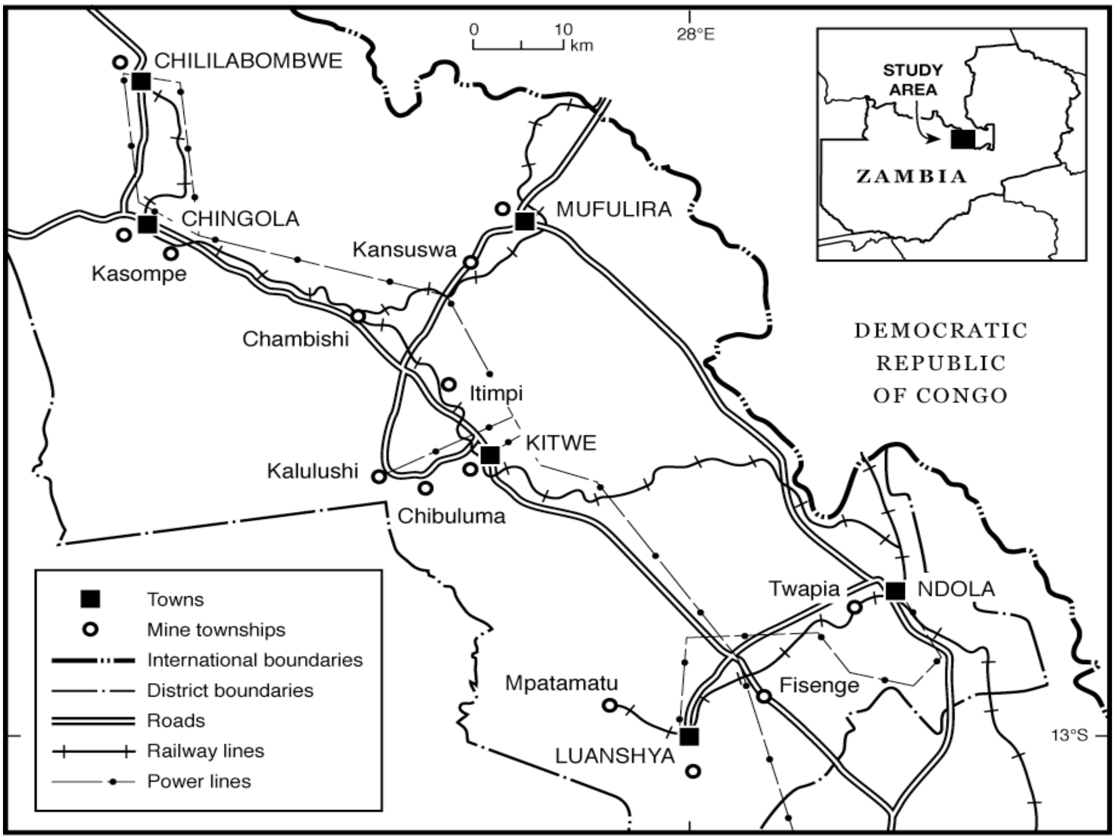

Fig. 1: Major towns and mine townships in Copperbelt Province of Zambia

*Source***:** Potts, 2005

A Chinese company has also invested in coal mining in the Southern Province of Zambia (Carmody, 2009) and with the global economic downturn of 2008-9 Chinese companies are buying up other foreign investments in the country at bargain basement prices, such as the Luanshya copper mine (Rundell, 2009). When the global economic upturn occurs Chinese companies will be positioned to supply the increased amounts of raw materials required. China already imports 52% of the world's iron ore, and is the world's largest consumer of copper. Chinese stockpiling of copper led to a near doubling of the copper price during 2009, despite the global economic slowdown and a new Chinese mining investment for $3.5bn in Zambia was announced in 2009 (Lusaka Times, 2009).

The construction sector is also among the sectors which have attracted Chinese investment in Zambia. This sector is perceived as strategic in terms gaining access to resources through the construction of infrastructure (Centre for Chinese Studies, 2006). There are at least fifteen Asian-owned construction companies (NCC, 2009), with the majority having their head offices in Lusaka. These companies have won contracts ranging from maintenance to building of infrastructure such as roads, railways, airports, and the Mwanawasa Bridge across Luapula River, and the Ben Mwiinga Housing Project. Among the major Chinese construction companies which are active is the state-owned Overseas Engineering Corp, which has signed contracts to construct several schools and hospitals in Zambia.[3] A poster for the Anhui Foreign Economic Construction Group, which is building the new Sino-Zambian Friendship stadium in Ndola, notes that the company has "abided by the national 'going out' strategy since 1992" (sic) (fieldnotes, August, 2009).

The Chinese have also invested in agriculture, although this is difficult to quantify given numerous unrecorded 'small' investments. The most significant investment in this sector has been in the China-Zambia Friendship farm located to the west of the City of Lusaka (Bastholm and Kragelund, 2007).[4] In Zambia food in these estates is so far grown for the local market, although a potential Chinese investment in growing jatropha for biofuels on

2m acres is also now generating controversy. We now turn to an examination of the manufacturing sector, which is key to economic diversification and poverty reduction.

MultiFacility Economic Zone, Chambishi, Copperbelt Province

Given its potential for exports, linkages and technological development, manufacturing is a key sector in economic development and poverty reduction, and growing Asian investment offers potential to achieve these objectives. Investment in this sector can be seen in such companies as Gourock Plastics, Zambezi Paper Mills, Malar Industries and Tata Motor Assembly in Ndola and Sakiza Spinning in Kitwe. However, the largest proportion of investment in this sector is by the Chinese in the Chambishi Multi-Facility Economic Zone (MFEZ) in a small town near Kitwe in Copperbelt Province (Hampwaye, 2008). The Chinese are building five of these zones across Africa and this "multi-facility high-tech" manufacturing zone in the north of the country is “the first of its kind in Africa” (Edinger 2007 cited in Davies, 2007). The targeted investment package to complete this industrial park is US$ 800 million in total (Hampwaye, 2008). As Hönke (2009: 282) notes “Zambia … has become a core country in China’s search for energy and industrial resources in Africa”.

This zone is anchored by a US $200m copper smelter, but is also meant to manufacture “TV’s, mobile phones and other electronic items” (Centre for Chinese Studies, 22 June 2007 cited in Kaplinsky, 2008, p. 7). While estimates vary, some suggest once the zone has been completed it will house up to 60 Chinese companies, employing 60,000 people

(Davies, 2008: Ndulo, 2008). The division between local and Chinese labor use are as yet un-investigated. Recent estimates of the number of jobs created thus far put it at 3,500.

The siting of the MFEZ in Chambishi in Northern Zambia is significant as the province contains most of the country's mineral reserves, and is in close proximity to the Democratic Republic of Congo, where Chinese companies have signed multi-billion dollar resource (copper and cobalt) deals. The copper smelter in the zone will provide a secure source of supply of this key strategic industrial mineral to China, in addition to reducing transportation costs for the commodity.

There is some dispute as to whether Zambian companies and other foreign investors may be located in the zone, with the Chinese government claiming it is only for Chinese investors and the Zambian government taking the opposite position. Which of these claims is correct is important in understanding the operation of sovereignty in the zones and the role which these new zones will play as sites of political mobilization and/or resistance.

The Chinese are also building another Multi-facility Economic "sub-zone" in Lusaka. This development was announced by the Zambian President and the Chinese Minister of Commerce. In his speech the Zambian President argued that the zone would have extensive linkages with the rest of the Zambian economy as investors would source products and services locally – "our raw materials will now have the chance to enjoy value addition" (quoted in China Daily, 2009). The Malaysians, Japanese and Indians are also to invest in a MFEZs in Lusaka, with feasibility studies have already been done (See for example JICA and ROZ, 2007).

These new Chinese economic zones in Zambia are contradictory economic and cultural spaces where global power relations touch down and are locally expressed. This is mediated by local embedding and institutional translation and innovation, which materialize in impacts on living standards, livelihoods and perceptions of exploitation.

Helping Zambia reinvigorate its moribund manufacturing sector is one way in which China can achieve access to resources through consent. However, the construction of these special economic zones also offers potential for job creation and technology and knowledge transfer from Chinese managers and workers to their Zambian counterparts and *vice versa*. While some claim that the "Chinese model of development has come to Africa" (Davies, 2008) and Broadman (2007) argues Chinese investment is propelling African trade into cutting edge transnational networks, there would appear to be relatively little evidence of that in Zambia at the moment, although the new zone is meant to be "high-tech" (African Business, 2007). However, the extent to which activities such as mobile phone assembly, or copper smelting for that matter, can be considered high-tech is open to question. These operations are low skill and no research and development in being conducted in the MFEZ.

The construction of the new Chinese economic zones arguably serves both political and economic logics. During the Zambian Presidential election of 2006 the main opposition candidate drew on an explicitly racist and nationalist register, with statements such as we "need investors, not infestors". He polled three times higher in Lusaka and when he ultimately lost the election this was greeted with anti-Chinese rioting in the capital. When President Hu of China visited in 2007 he was greeted by protests from Zambian miners over wages and working conditions, and unemployed textile workers whose companies (including the Chinese joint venture mentioned earlier) had not been able to compete with Chinese imports. Paradoxically the Copperbelt and Lusaka were the two regions of Zambia which experienced the most dramatic reductions in poverty during the recent commodity boom, and have also seen substantial resistance to the Chinese presence as these are the two regions of the country most affected by Chinese in-migration (See Carmody, 2009 and Negi, 2008)).

Politically the construction of the zone is beneficial to China as economic diversification may serve to diffuse some of the popular discontent over competition for jobs and market opportunities amongst the Zambian population. However, these zones are technically "spaces of exception" where there are extended tax holidays and labor law enforcement is weak (confidential interview, Zambia-China Cooperation Zone, August, 2009). According to an official at the United Nations Economic Commission for Africa Chinese investors know they can "come over here and do whatever they like" (Interview, Lusaka, August, 2009). Consequently these zones may also generate other resistances over labor regimes. Another perspective however is that these zones merely expand the terms and conditions of labor in the informal economy into the formal manufacturing sector;[5] creating a hybrid space, the (in)formal economy: new spaces of (Chinese) globalization.

Nature and Impacts of Asian-Owned Businesses

With some notable exceptions (eg Kragelund, 2009), very little detailed empirical research has been undertaking on the nature and impacts of Asian-owned businesses in Africa. To that end we conducted a survey of Asian owned businesses. The survey was conducted by two research assistants in the Copperbelt and the capital city Lusaka, where Asian investment is concentrated. Firms in these areas were visited and given a questionnaire. Sometime repeat visits were required. Firms were identified from lists provided by the Zambian Development Agency. Twenty seven firms responded and the survey yielded interesting results (Table 1).

Table 1: Structure of Asian Investment in Selected Companies in Zambia

Sector	**Number**	**Selected Products**	**Markets**
Mining	02	Copper, copper balls, acid, copper cathodes	China, Zambia, South Africa, DR Congo, Zimbabwe
Manufacturing	12	Duvets, clothes, shoes, soft drinks, stationery, tissue, soap, sweets, motorbikes, maheu (Soft drink), purified water, water dispenser machine, blankets, concentrates, sugar, carbon dioxide, limestone, talc powder,	Zambia, Mozambique, DR Congo, South Africa, Namibia

		bed sheets, uniforms, cloth, biscuits	
Construction	01	Construction materials	Zambia
Service i.e. retailing, Whole saling	9	Clothes, shoes, umbrellas, hand bags, electrical and electronics, furniture, purified water, water dispenser machine, shoe polish, cement, tiles	Zambia, Mozambique,
Banking Services	01	Banking services	Zambia
Hospital/ Clinic	02	Medical service	Zambia

Source: Survey data, 2009

Retailing and manufacturing were the top two sectors in terms of the number of companies. The majority of Asian-owned companies in these two sectors are located in Lusaka, while investments in the mining sector are concentrated in Copperbelt Province. Table 1 further reveals that production from the companies located in Zambia are not only consumed locally, but are also exported to neighboring countries such as Mozambique, DR Congo, Malawi, Zimbabwe, Namibia and South Africa. The products range from wearing apparel to electronics, food and drinks to hardware equipment to motorbikes, as well as medical and banking services. However, extra-regional manufacturing exports were not reported. The pattern of investment then is clear, with refined minerals and raw materials being exported to China, India and world markets, while manufacturing, agricultural and trading investment is local/regional market serving. This inter-sectoral division of labor is problematic, as will be discussed below, given the limited potential for expansion based on regional markets.

For the 27 companies that took part in the survey the mean year of establishment was 1994, but the mode, or most common year of establishment was 2004, interestingly showing a concentration of investment in the last number of years. Of the 11 retailers and traders and other service providers that took part in the survey, the mean year of establishment was 1998. For the manufacturers the mean year was 1989. However, this figure is skewed somewhat by very early Indian-owned businesses from 1954 for example. Both of the mining companies in the survey were established in 2004. Mean employment in the survey was 134 employees and the median, or the middle value in the range, was 48. The fact that the mean is so much higher than the median bespeaks the impact of the large employers in mining.

In terms of why companies or entrepreneurs chose to locate in Zambia many traders and manufacturers noted the lack of an industrial base in the country and consequently that there was less competition. In this way underdevelopment creates a competitive advantage for Chinese companies. As per capita incomes are similar in China as to Africa, Chinese products are well suited and priced to the market. Many companies also noted that economic liberalization adopted in the 1990s had made the investment climate more favorable, through currency convertibility for example. Paradoxically then, given the concern expressed in the Western media about China's "march into Africa", it was

Western-sponsored liberalization in the 1990s which laid the groundwork for subsequent Asian investment. However, as would be expected, some of the textile manufacturers were struggling. “When we acquired the business there were incentives for textile manufacturers. The main raw material was zero-rated duty wise” (survey return), but this is no longer the case and this textile manufacturer had reduced employment by 40% over the previous three years.

Interestingly the two health care providers in the survey noted that there was now excessive competition from other Chinese surgeries and private hospitals. Also excess competition was noted in companies selling goods catering specifically for the Chinese market, such as self-named traditional Chinese traders. Consequently economic liberalization may have generated first mover advantages for some Asian investors, but the market may have over-shot, specifically for Chinese traditional goods and remedies. It used to be that you only needed to invest $50,000 to get a residence permit and tax incentives in Zambia, but in response to public unease the government has now raised the figure to avail of tax incentives to half a million US dollars (Kelly, 2007). This is in effect a form of market restriction in response to popular pressure, but may also prevent “excess” competition.

Of the 27 companies, 11 noted China as their primary source of inputs. Many of these were traders selling clothes, umbrellas and shoes, for example. Several companies noted that the booming mining sector has created demand for their products, although some also noted the impacts of the global recession, for example noting that people “didn’t have money, like before”. There seemed to be relatively little training for workers and mangers, although one mining company did note that “hard working staff were sent to Beijing for familiarization programs”.

In terms of the difficulties of doing business in Zambia, many companies noted high tax rates and transportation costs, partly as a result of Zambia being landlocked. Others argued though that Zambia’s central location and membership of the Southern African Development Community was an advantage, making it a logical entrepot for the region. Another company noted that “There are no problems, that is why there are so many Asians doing business here”.

As noted earlier labor relations at Asian firms in Zambia have been controversial. An International Labor Organization official argued that “Chinese companies have not shown themselves to be willing to observe the law of the land” (quoted in Carmody, 2009). Responses from the surveys shed light on this. A large mining company noted that “hiring labor is expensive here compared to our country”, even though some Chinese mining companies have reportedly been paying their contract staff as low as US $30 a month (Kurlantzich, 2007). Low wages feed into other business logics. Bob Jessop (2002) has noted that wages are dialectical in capitalist social formations, as a cost to capital, but also a source of demand. However, the structure of demand may also be important in hyper-competitive neoliberal context. A trading company noted the fact that the majority of Zambians were poor was good for business as they wanted cheap goods [from China]. There were, however, also other retailers in the survey selling flat-screen televisions to emergent middle class consumers in Zambia.

Another interesting thing to emerge from the survey was some tension between Asian and South African investors with one Asian company, which had undergone a major investment expansion to supply Shoprite, the South African retail chain, noting that its contract had been cancelled and that Shoprite was now favoring South African producers instead. Shoprite may have been responding to the South African government sponsored campaign to source nationally; "Proudly South African".

Developmental Impacts of Asian Investment

The debate surrounding the developmental impact of the Asian Investment in Zambia has not yet received substantial systematic attention. There are those who argue that this investment has created jobs for the local people, while those who oppose this investment argue that the jobs created so far are of poor quality and add little if anything towards uplifting the living standards of ordinary people.

Undoubtedly, Asian investment in Zambia has created jobs for thousands of Zambians. According to the data from the Zambia Development Agency (ZDA), close to 10,000 jobs have been created by Asian investment between 2000 and 2007 (ZDA, 2008). By 2007, the total invested between this period had accumulated to US$ 670.76 million; US$ 596.36 million from China and US$ 74.4 million from India (ZDA, 2008). The number of jobs created by Chinese investment is more that three times as many as those created from the Indian investment during the same period (see Table 2).

Table 2: Number of Jobs Created by Asian Investment in Zambia, 2000-2007

Year	**Chinese Investment (Jobs)**	**Indian Investment (Jobs)**
2000	1308	118
2001	412	90
2002	400	48
2003	494	527
2004	1400	215
2005	1240	634
2006	1227	279
2007	960	228
Total	**7441**	**2139**

Source: ZDA, 2008

As Table 3 shows there are substantial differences in the capital intensity of Chinese versus Indian investment, largely as a result of major investments in the mineral extraction and processing sector. However, Chinese investment seems to exhibit a "snowball effect". With the construction of Multifacility Economic Zones by the Chinese in Chambishi and Lusaka and by the Malaysians in Lusaka the manufacturing sector could outstrip the mining sector in terms of current levels of Asian investment in Zambia. Much of this looks set to be in basic manufacturing however, involving the processing and refining of minerals. However, this will in-turn be dwarfed by the recently announced new mining investments.

Table 3 Approved Indian and Chinese Investment in Zambia. Zambian Development Agency Data (various years)

Approved Asian Investment in Zambia	US $m Chinese	Jobs Chinese	Capital per job	US $m Indian	Jobs Indian	
2000	13.7	1308		1.3	118	
2001	7.2	412		0.9	90	
2002	20.7	400		0.3	48	
2003	2.86	494		3.5	527	
2004	14	1400		0.9	215	
2005	41.4	1240		60.2	634	
2006	209.5	1227 (Chambishi Copper Smelter)		6	279	
2007	287	960 (Nickel Smelter)		1.3	228	
Total	596.36	7441	$80,145	74.4	2139	$34,782

Although the number jobs created during this period fluctuated, the general was one of increase from 2000 to 2007 (see Table 2). It can, therefore, be argued that these investment projects have contributed to local economic development in the specific areas where these projects are located, and towards overall national development. However there are also down-sides, such as the displacement of local businesses, particularly women traders selling second-hand clothes who cannot compete with new Chinese imports, and the fact that these new companies many out-compete local companies for bank loans. Small businesses in Zambia already have to pay exorbitant interest rates (de Luna Martinez, 2007), while some Chinese companies can access state subsidized credit, through the Bank of China, which set up its first African branch in Zambia in 1997, for example (Zambanker, 2008: Krageulund, 2009).

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It is evident that the investment by NFC Africa Mining, China's largest investment in Zambia dramatically increased production and led to new jobs and income for the local people (www.china.org.cn). The new mining companies have had positive effects on the local industry and downstream operations in Zambia (www.china.org.cn). However, there have been negative environmental impacts and these resource extraction projects are, by definition, unsustainable.

The other side of the argument with respect to Chinese investment is that the jobs which have been created are not decent. One of those who strongly oppose this kind of investment is the Leader of the main opposition party, Patriotic Front (PF) Mr. Michael

Sata. He has argued that the working conditions which Zambians are subjected to in these Asian-owned companies are appalling (www.chinese-school.netfirms.com). The acrimony between Mr. Sata and Chinese investors was so grave that China threatened to suspend investment in Zambia if Sata won the Presidential election in 2006, thereby breaching the principle of non-interference in internal affairs (www.chinese-school.netfirms.com).

Concern was raised over the safety of the workers in these companies to the extent that the Zambian Government had to close down a Chinese coal mining company in Southern Province of Zambia due to poor working conditions (McGreal, 2007). Forty nine miners were previously killed in an explosion at an explosives factory owned by the Chinese in Chambishi in 2007 (The Guardian, 07 February 2007; Carmody, 2008; www. chinese-school.netfirms.com). In addition, the Indian-owned Konkola Copper Mine (KCM) polluted one of the rivers in Copperbelt Province (Carmody, 2009). An environmental assessment noted: "The contamination from this latter plant area is, at least periodically, very severe, with Ph sometimes as low as 2.2 being experienced in the South Uchi steam [which flows into the Kafue River]" (ZCCM – IH, 2005). However, Sata has since moderated his position, arguing that Chinese investment is welcome, but not in those areas in which it competes with Zambians.

Apart from the poor working conditions in these companies, the other contention by those who oppose Asian investment is the fact that many Chinese workers have been recruited to come and work in Zambia. It has been reported that thousands of Chinese nationals are working in Zambia (McGreal, 2007) and it is often argued that most of the jobs being done by Chinese can ably be done by Zambians. For example, the current bricklayers at the construction of the Sino-Zambian Friendship stadium are Chinese, while Zambians are confined to mixing cement (fieldnotes, Ndola, August, 2009). However, it is evident that there are relatively more local workers employed in Chinese companies than in other countries such as Sierra Leone for example (Carmody, 2009) but this is nonetheless an issue which has generated concern and resistance amongst Zambians.

There are also other contradictions arising from greater Chinese involvement in Zambia. In the survey of Asian businesses two of the main issues identified were currency instability and the desire to reduce taxes. The Zambian kwacha is a commodity currency whose value fluctuates depending on copper exports. As China is now the world's largest consumer of copper, its demand largely drives the copper price which has fluctuated dramatically recently. The dramatic currency depreciation as the copper price fell had substantial implications for the majority of Zambians by raising the cost of imports, and also affecting profit margins for Chinese traders for example. Thus increased dependence of the national economy on copper exports potentially undermines other axes of Chinese engagement as traders' profits may be reduced and prices for overseas inputs into the new economic zones fluctuate, undermining production planning.

The Impacts of the Global Recession on Sino-Zambian Relations and Future Prospects for Development

Since mid-2008 the global economy has entered a period of profound turbulence. The extent and depth of the current global financial and economic crises are unknown; however, it is worthwhile interrogating the impacts of the crisis to examine the future prospects for Sino-Zambian economic relations. Will this halt the dramatic increases in Asian investment in Zambia of recent years or deepen it and thereby further displace the Western presence in the country and continent more generally?

The International Monetary Fund's latest prediction is that economic growth will fall to just above 3% for Africa in 2009, barely ahead of population growth, before recovering rapidly in later years (the so-called "V-shaped recovery"). Whether this materialises or not is open to question given the inaccuracy of previous forecasts for economic growth from the Fund. The relative lack of depth of Zambian financial markets have provided a certain level of insulation. What then are the channels through which Zambia's economy is being affected by the current global crisis and what are the impacts on Asian investment and trade links likely to be?

Cali *et al*. (2008) identify two types of channels through which Africa is being affected by the crisis: financial and real. The financial channels include flows into the 16 regional stock markets, bank lending and foreign direct investment. The real channels they identify are remittances, imports and export volumes, terms of trade and aid.

Oil exporters and other mono-economies, such as Zambia, dependent on a single commodity which have seen dramatic reductions in price recently have been adversely affected by the crisis. In November 2008, the Canadian Miner, First Quantum laid off 286 workers at its mine in Zambia and there have been other closures and projects have been put on hold. Reportedly 100 small scale Chinese mine operators left Zambian mines as the copper price declined by 65% in 2008 (Herbst and Mills 2009). However, this was offset by new large-scale investments by Chinese state-owned enterprises, as the Chinese government still has to recycle its massive foreign exchange reserve and is pursuing a "counter-cyclical" policy both domestically and internationally (Davies, 2009).

As the kwacha is a commodity currency, it fell by three quarters of its value in just 45 days from November to December 2008. However, according to one World Bank staff member, China is confident that it will deliver on its aid package to Sub-Saharan Africa in 2009 and new loans are still being agreed (Plaza 2009). The new Zambian President Banda is confident that its new relationship with China will help Zambia ride out the crisis.

The likely impact of the crisis will be to further deepen and entrench Zambian economic relations with Asia over Northern countries. Indeed the President of the African Export-Import Bank has argued that one of the ways for African countries to insulate themselves from the effects of the crisis is to diversify their exports towards these markets (Xinhua 2008). China and other Asian countries have emerged as "nodal points for commodity flows, often completely independent of colonial structures" (Dobler 2008: 410). Thus the crisis may serve to further reorient African economies towards the still relatively fast growing countries of East and South Asia.

The Zambian economy remains heavily and increasingly dependent on copper exports. Indeed Chinese companies are taking the opportunity to purchase major mines, such as Luanshya, from European companies which had closed as a result of the global economic crisis. Chinese companies are thus positioning themselves strategically for the up-turn.

The rise of China is a world historic event which may be slowed down, but not stopped, by the current financial crisis as its economy continues to grow. Consequently the level of interaction between China and Zambia, and Africa more broadly, will continue to grow. Ten times as many Chinese entrepreneurs migrated to Africa in 2006, as in 2003 (Arrighi 2007) and while the pace of migration may moderate, it seems unlikely to be reversed. Arrighi refers to China's influence in the developing world as "domination without hegemony". Others have referred to this as flexigemony, where Chinese state and company actors work through extant institutions and state-society formations to achieve access to resources and markets (Carmody and Taylor 2009).

According to the head of largest multinational bank, the Nigerian-based Ecobank, "Africa is where China was twenty years ago" (African Banker 2008). However, the context is very different as Africa's economy is already highly liberalized, unlike China's. Consequently there is currently much more limited scope in the current regime to engage in strategic industrial policy interventions in order to develop infant industries and foster learning-by-doing. Rather there is a danger that African countries will be trapped in a mercantilist cycle with China; exporting raw materials and importing manufactures (Kurlantzick 2007).

The Asian footprint in Zambia to date has been heavily based on natural resources and as capital accumulation in the primary sector tends to be more conflictual. There has also however, been investment by traders and manufacturers. Traders have often been seen to squeeze out the indigenous population, by importing clothes that are cheaper than second-hand saluala, sold by Zambian women. However, manufacturing investment offers potential for economic diversification, particularly if Zambian nodes can be inserted into global production networks for export over the longer-term. To-date however there would appear to be little evidence of this from the survey. Current Asian investment fits with an extractive rather than a productive pattern of globalisation.

While the Zambian Development Agency (n.d.) has found evidence of linkages between foreign and domestic firms, the Zambian government should attempt to nurture such extra-regional export linkages among Asian firms, in addition to helping develop small and medium-sized indigenous businesses which can supply global supply chains.

Given the extent of sunk costs in new mining investments and MFEZs the Zambian government will potentially have greater bargaining power with the Chinese. The Zambian government should adopt a strategic approach to foreign investment, to maximise local benefits, as China has. This will require the construction of a more autonomous policy from China and the World Bank. Indeed according to a manager at

Chambishi Copper mine, the Chinese President told managers there on his visit in 2007 that they had to “take away less, and give back, contribute more” (quoted in in Haglund, 2008: 568), suggesting an openness to greater regulation. However, the World Bank (2009) continues to press for further government divestment from the mining sector. Details on Chinese loans to the Zambian government are kept secret and there have been allegations of corruption around the purchases of hearses and mobile hospitals from China recently. Movements for transparency therefore assume a critical importance in Zambia’s developmental future.

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[1] For the purposes of this paper, “Asian” will refer to Chinese and Indian, although there is of course also investment and trade with other Asian countries in Zambia.

[2] Strictly speaking this is now a British headquartered company, as that is where its primary stock market listing now is, but its origins and management are largely Indian.

[3] According to the Centre for Chinese Studies (CCS) (2006:7),The success of China’s companies, particularly state-owned enterprises (SOEs), can be attributed to several factors: cost competitiveness in overall bidding price; access to cheap capital through Chinese state-owned banks; access to skilled low cost labor; access to cheap building materials through supply chains from China; and political support from the Chinese government channeled through Chinese embassies and Economic and Commercial Councils in the respective African countries.

[4] The other Chinese investments of importance in the agricultural sector according to Bastholm and Kragelund (2007: 23-24) include; the Jhonken Estate; and the Jhonken Friendship Farm. Together the farms mainly produce wheat; eggs; beef and pork for sale. None of the farms export any products , which according to the managers of the Friendship farm and Jhonken Estates is because Zambia has a deficient production of agricultural food and products and they both estimate that the situation will keep them from exporting for another five to ten years due to the domestic market conditions.

[5] We are grateful to Dr. Jamie Cross for this point

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