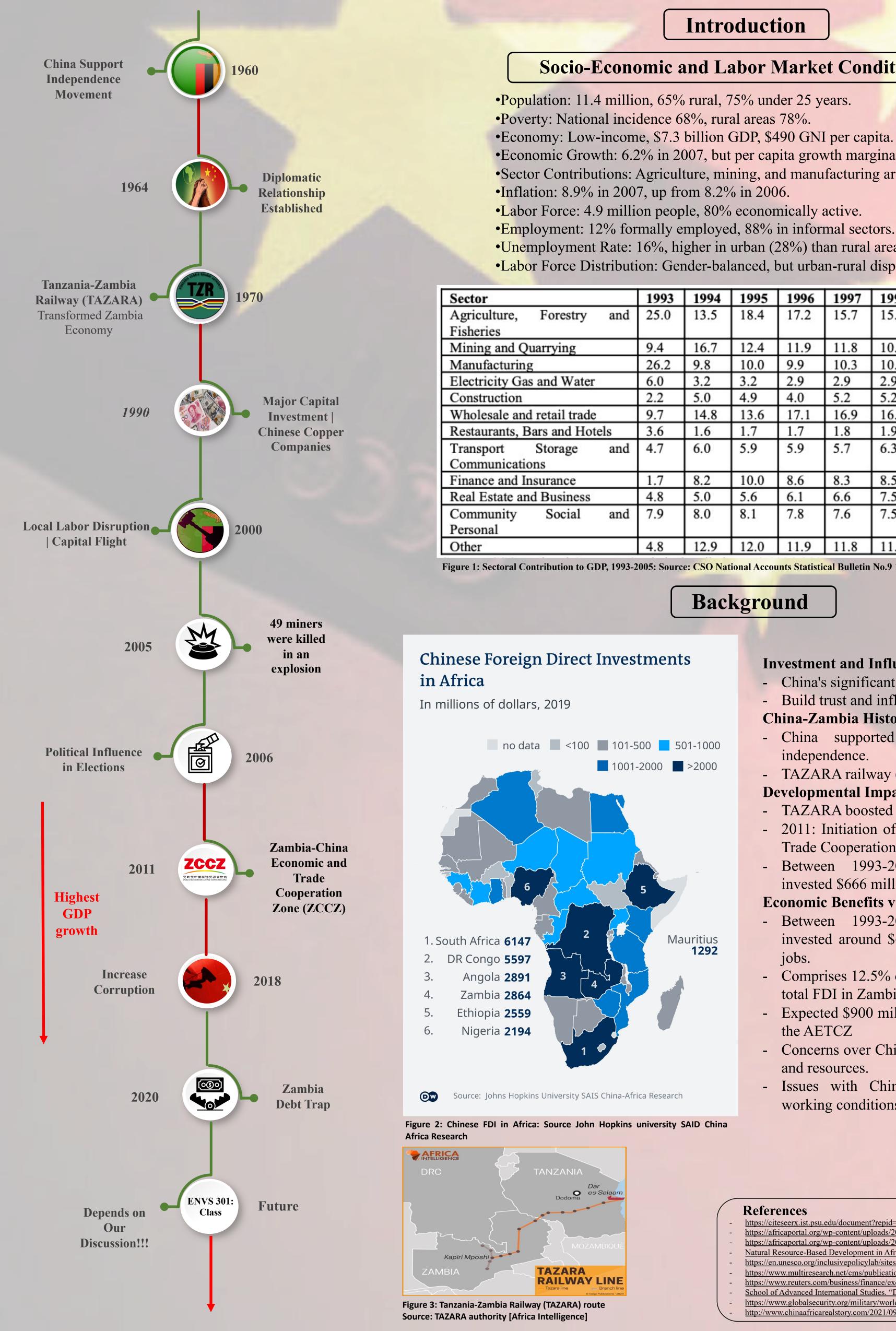
This case study critically examines China's involvement with Zambia, analyzing its underlying motives and resultant outcomes. The research delves into the complexities of this bilateral relationship, exploring its impacts on Zambia's economic landscape, governance, social, and environmental health. The study scrutinizes whether China's role in Zambia represents a mutually beneficial partnership or a form of exploitation, particularly relevant given the backdrop of Zambia's historical economic challenges and its strategic efforts to navigate post-colonial development and labor market outcomes, and thus understand what would constitute appropriate strategies and actions to mitigate negative impacts and the potential risks and rewards for countries like Zambia, offering insights that are essential for understanding contemporary global economic dynamics. This case study concludes that the strategies and policies employed by the host government to manage the investment. Furthermore, evidence suggests that Chinese investors are learning from and adapting to the Zambian context and are gradually embracing the corporate social responsibility agenda.



Unearthing Potential: China in Zambia, Partner or Exploiter?

Daniel Van Rooyen | Dr. Jane Dmochowski | ENVS 301 | Fall 2023

Introduction

Socio-Economic and Labor Market Conditions

- •Economy: Low-income, \$7.3 billion GDP, \$490 GNI per capita.
- •Economic Growth: 6.2% in 2007, but per capita growth marginal 2.9%
- •Sector Contributions: Agriculture, mining, and manufacturing are major sectors.
- •Unemployment Rate: 16%, higher in urban (28%) than rural areas (10%).
- •Labor Force Distribution: Gender-balanced, but urban-rural disparity exists.

1994	1995	1996	1997	1998	1999	2000	2005
13.5	18.4	17.2	15.7	15.1	17.5	17.2	14.2
16.7	12.4	11.9	11.8	10.7	6.6	6.4	8.6
9.8	10.0	9.9	10.3	10.9	10.5	10.5	10.6
3.2	3.2	2.9	2.9	2.9	3.0	2.9	2.6
5.0	4.9	4.0	5.2	5.2	4.8	4.9	9.1
14.8	13.6	17.1	16.9	16.9	18.5	18.3	18.3
1.6	1.7	1.7	1.8	1.9	1.8	1.9	2.5
6.0	5.9	5.9	5.7	6.3	6.4	6.3	6.5
8.2	10.0	8.6	8.3	8.5	8.6	8.2	7.5
5.0	5.6	6.1	6.6	7.5	8.4	9.5	9.1
8.0	8.1	7.8	7.6	7.5	8.0	7.7	7.5
12.9	12.0	11.9	11.8	11.5	10.7	10.9	***

Figure 1: Sectoral Contribution to GDP, 1993-2005: Source: CSO National Accounts Statistical Bulletin No.9 1994-2005.

Background

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ND China	

Investment and Influence

- China's significant financial investments in Africa Build trust and influence
- **China-Zambia Historical Connection**
- China supported Zambia's development postindependence.
- TAZARA railway (1975) **Developmental Impact**
- TAZARA boosted local economy
- 2011: Initiation of the Zambia-China Economic and Trade Cooperation Zone.
- Between 1993-2007, 166 Chinese companies invested \$666 mill, creating 11,000 jobs.
- **Economic Benefits vs. Controversies**
- Between 1993-2007, 166 Chinese companies invested around \$666 million, creating over 11,000 jobs.
- Comprises 12.5% of all FDI flows in 2005, 10.5% of total FDI in Zambia
- Expected \$900 million FDI and 6,000 new jobs from the AETCZ
- Concerns over China's influence on Zambian politics and resources.
- Issues with Chinese firms: opaque deals, poor working conditions.

Stakeholders

Zambian Current Governmer

Opposition Zambian Governm

Chinese Government and Invest

Zambian Mine Workers

Zambian Mining Companies

Zambian Local People

Figure 4: Table showing stakeholders and their indivi

Chinese Associations in Zambia



Figure 5: Varying types of Chinese Associations in Zambia | Source: Journal of Current Chinese Affairs Li, Hangwei, hi, Xuefei, 2020/05/12

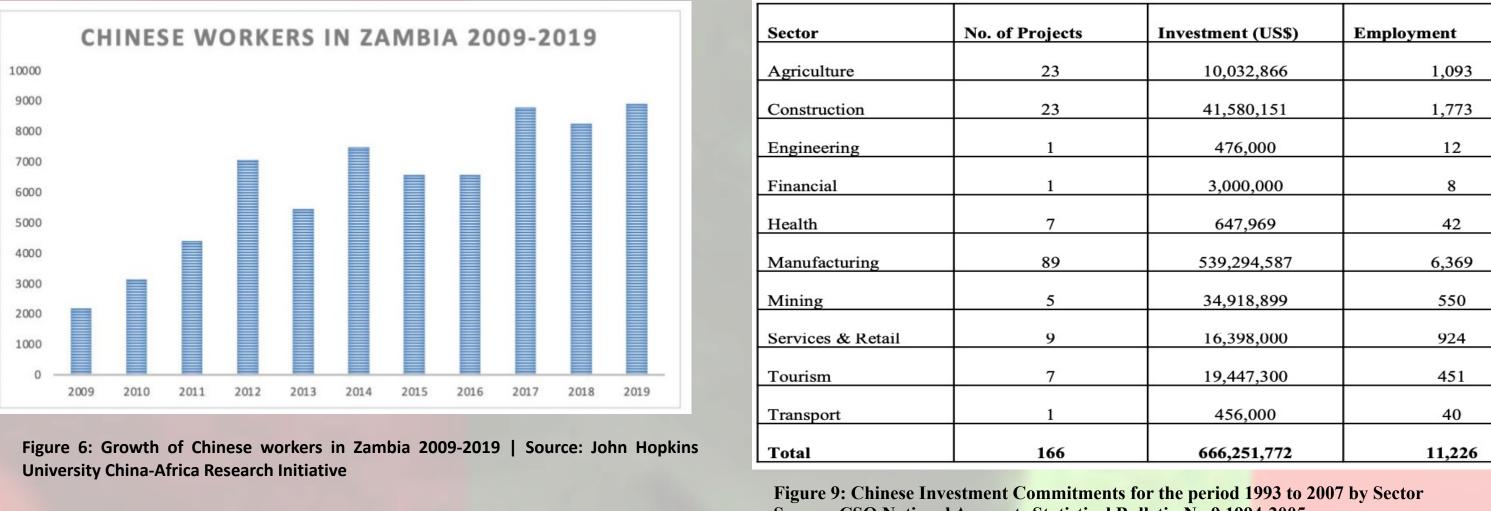




Figure 7: Levels of corruption in the Zambian government 2000-2020 Source: tradingseconmics.com, Transparency International

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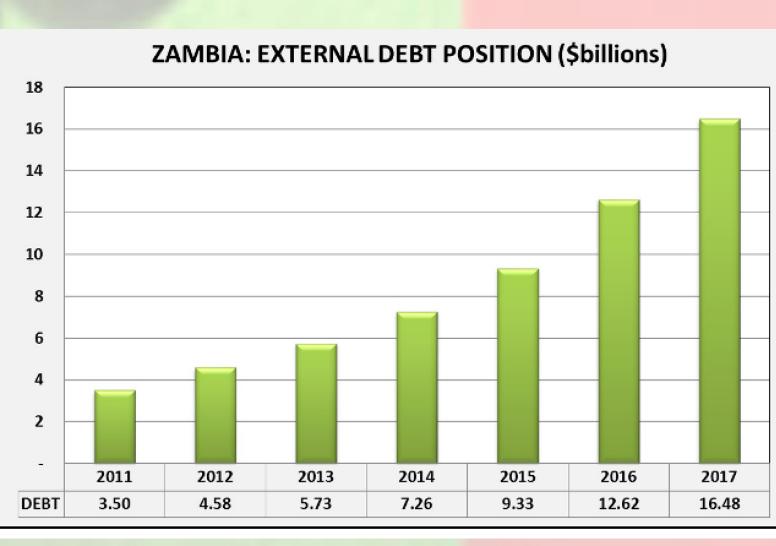
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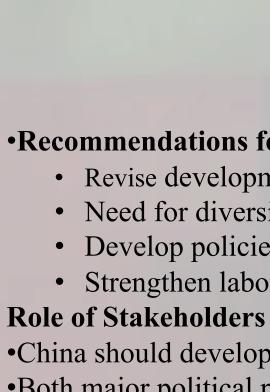
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			1	
Stake Holders				
	Goals	Support	Bilatera	
nt	Economic Growth	Pro-Chinese	•Relation •Zambia's Chinese	
ient	Economic Growth, Anti Corruption, Diversify Economy	Anti-Chinese	•China's •Concer	
stors	Resource Extraction	Pro-Current Government	•World]	
	Fair Wages, Good Treatment	Anti-Chinese		
S	Local Company Dominance	Anti-Chinese	Socio-F • Low s	
	Jobs, infrastructure growth, better living conditions	Mixed	•Limite Policy a •Zambi	
'idual goal a	nd initial support toward Chinese Foreign Direct Investment (FDI) Details & Data		•Chines	

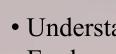


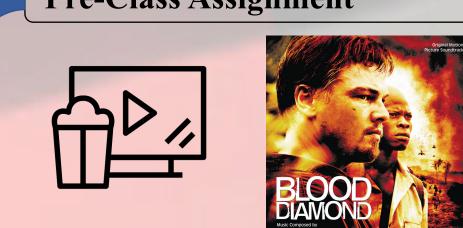
Source: CSO National Accounts Statistical Bulletin No.9 1994-2005.











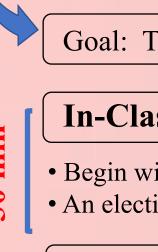




Figure 10: Growth of Zambia external debt to China since 2011 Source: MOF Annual Reports, IMF, WB with own 2017 estimate

Analysis

elations and Economic Impact

p is mutually beneficial, primarily in terms of trade and investment.

eavy reliance on its copper sector is highlighted as a significant economic vulnerability.

estment Strategy

stment in Zambian infrastructure has been substantial

bout its effectiveness in creating jobs and developing local skills.

s concerns about Zambia's indebtedness \rightarrow risks of increased economic and political influence by China.

Discussion

mic Impacts

ard of living despite the development progress

ployment creation and concerns over poor working conditions and wages.

Corporate Responsibility

vised to reassess its agreements with China to ensure more equitable benefits and sustainable development. mpanies to enhance their CRS, respecting Zambian laws, contributing more to local community

Conclusion

•Recommendations for Zambia:

Revise development and investment agreements.

• Need for diversification

• Develop policies to protect local industries and promote joint ventures.

• Strengthen labor laws and occupational health and safety standards.

•China should develop social development plans, adapt to Zambian norms, and respect national legislation.

•Both major political parties should reconsider their strategies regarding Zambia's relationship with China.

•Local communities in Zambia need to elect the party that best represents their interests in the upcoming elections



Primary and Secondary Learning Objectives

• Understand how FDI has influenced national development and labor market outcomes

• Explore the concept of exploitative vs. beneficial economic relations between China and Zambia

• Understand the methodology and approach of qualitative research in the context of assessing international economic relations • Enhance critical thinking and analytical abilities when assessing complex international economic relationships

Pre-Class Assignment





Penn

Goal: To FULLY understand the perspectives of each stakeholder before coming to class

In-Class Assignment

• Begin with class discussion of movie (Blood Diamond) and articles (The Next Empire) and another attached article • An election will be held for next Presidency Term \rightarrow Split into separate stake holders

2 Government Parties	Revise a campaign rally speech to address your people's needs, national growth objectives, and the dynamics of our relationship with China. Explain convincingly why, under your leadership, the consequences and opportunities arising from Chinese (FDI) will benefit Zambia
Chinese Government	Prepare to discuss with both Zambian Government parties the structure and policies behind your relationship
Zambian Locals	Each separate stakeholder within local Zambian community, come up with list of requirements in order for government to gain your vote.
Zambian Locals	Campaign speeches and local from both parties and election vote