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INVESTIGATING CHINESE INVESTMENT IN CONTRIBUTING TO THE ZAMBIAN ECONOMY: A CASE STUDY OF CHINESE INVESTIMENTS IN NDOLA ZAMBIA

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Abstract: *The impact of Chinese investment on Zambian businesses and communities has not been studied extensively and there is need to contextualize such studies so as to avoid generalizations that may mislead policy makers and the citizenry at large. It is against this background that the researcher decided to undertake this study to unravel the impact that Chinese investment has on the Ndola economy with the view to draw comparisons and inferences to other towns in the country. Objectives in the study included, establishing the sectors that Chinese businesses are operating in within Ndola, determining the contribution that Chinese businesses have made to the economy of Ndola and to identify problems that have occurred as a result of Chinese investment in key areas of the Ndola economy. This study was carried out in Ndola because the city has seen an increase in the number of Chinese businesses that operate within city and also the researcher is domiciled in the same city and thus collection of data, analysis and presentation was more feasible. In the study it was found that most Chinese businesses in Ndola operate in the retail sector where ready made goods are retailed followed by construction and manufacturing. Chinese businesses have contributed to infrastructure development, economic growth and employment of Zambians. There is partial to no use of local materials in the production, marketing and selling of Chinese products. Chinese businesses have contributed immensely to the economy of Ndola and indeed Zambia. There are areas that need improvement in order for Zambians to benefit much more than they are currently especially in employment benefits. In addition to such direct investment, Chinese firms are also active in major investment activities that are being carried by the government of Zambia, especially in infrastructure. The information about the value of these firms engaged on the road works currently being carried out in the country. It is high time strategies are put in place. Secondly, the study showed that there were both positive and negative impacts that emanate from Chinese investment in Zambia. This called for an appropriate policy direction and incentive schemes to benefit both countries from these economic relations. This must be regarded as the number one priority in this era of the business age if economic development. Thirdly, the study noted that managerial skill transfer as well as technology transfer is very important for Zambia firms. One vehicle to do that is to engage in joint venture between Chinese and Zambian firms. Our study shows, however, that while the Zambian firms would like to see that, Chinese firms are not enthusiastic about it. This calls for an appropriate incentive scheme by the government that encourages such joint ventures. Fourthly, the study also noted that the level of skill and expert difference between Zambia and Chinese counterparts in negotiation and investment engagement might be working against the interest of Zambia in the short run and both countries in the long run. To tackle this, Zambia needs to upgrade the skill of its work force, bureaucrats/experts in the long run. Government, in support of investment ought to educate the business sector and the general public on why China must be regarded as partners in economic development. This would in turn give stakeholders the confidence they deserve to contribute to the growth of the Zambian economy. Collaboration was a powerful force in fostering business development and this should be encouraged by various stakeholders interested in business and economic development as such groups bring skills transfer, innovative ideas, job creation, for the betterment of the social economic development in, society. Governments should look into resource acquisition and spending strategies for the purpose of ensuring sustainable development.*

Keywords*-Investment, Stakeholders, Government, Development, Economy.*

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CHAPTER 1– INTRODUCTION

Overview

This chapter presented the background of the study, Statement of the Problem, Research objectives, Research Questions, Significance of the Study, Delimitation of the Study, Limitations of the Study Inter alia.

1.0 Background of the Study

The economic and political presence in Africa of major powers including the US, China, India, and Japan is expanding (Dan, 2011). In recent years, Africa has become increasingly important in the diplomacy strategy of major powers (Cornelissen, 2004).

The increasing dominance of China in the global economy over the years has become a phenomenon that both developed and developing countries are struggling with. From China's trade war with the United States to the scrutiny of China's investment in Africa. China has become a force to be reckoned with. In fact, it is often said "when China sneezes, the world catches a cold", (David Smith, 2019). This expression demonstrates how embedded China is in the global economy and how integral it is to its performance, including Zambia's economy. Following China's agreement to the World Trade Organization (WTO) and its rapid growth, it is becoming more powerful in the world economy, including in Africa such as its presence in Zambia. As Alden (2003) puts it, "at a time when the world seems preoccupied by events in the middle east and the 'global war on terror', China's growing engagement in Africa has gone little noticed in the west" (Alden ,2003:147.) Yet in a span of less than a decade trade between the regions has increased from US$10 billion in 2000 to US$28 billion in 2005 and close to US$100 billion in 2009. Alden (2003) emphasized the Chinese concern in Africa as "China consumed significant resources in foreign assistance towards African states, has started negotiations towards a regional economic free trade with the Southern African Customs Union, and has embarked on an unprecedented peace keeping mission in Liberia" (Alden, 2003:147). Over the last 20 years, China has grown at the rate of nearly 10 per cent per annum, driven primarily by an expansion of the modern, industrial export-oriented sector.

With some 20 million Chinese workers moving from rural under employment to the modern sector annually, the impact is like adding another middle sized-industrial economy to the world economy each year (Eichengreen et al, 2004). According to Eichengreen et al (2004), between 200 million and 300 million Chinese workers relocated from rural underemployment. This was not simply a one-time shock but an ongoing process that would continue for a decade and more, and hence its implications for world economy in general, African countries in particular.

China's emergence over the last decade as key net importers of commodities from Africa, means that global commodity markets are likely to be the main channels through which the impact of China and India's dominance has been (and will be) felt on the African continent (Eichengreen et al, 2004). This is generally accompanied by Chinese investment in the continent. Zambia is not an exception to this impact. The last decade witnessed unprecedented growth in China-Zambia relationship. In the last 7 years, China became an important trading partner for Zambia accounting to about 15% of its trade which of which there was none before 2005. Thus, Chinese's interaction in the Zambian economy is becoming stronger than ever, even though it has both challenges and opportunities. Zambia established diplomatic relations with the People's Republic of China on 29th October 1964, three days after independence. It became the first country in the southern part of Africa to do so. Unwaveringly

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non-aligned, President Kenneth Kaunda decided to "recognize China's population of over 400 million people against Taiwan's population of 18 million as a matter of principle. While initial relations between the two countries were steeped in ideological rhetoric, interest in Zambia's mineral resources soon formed the basis of Beijing's economic engagement with Lusaka. The Chambishi Copper Mine was of significant importance as a source of copper for China and catalyst to the rapidly growing Chinese investment in Zambia across a broad range of areas. President Hu Jintao visited Zambia on 3rd February 2007, on the fourth leg of his eight-nation African tour. His stay in Zambia was considerably longer than in any of the other seven African states. This was interpreted by many observers as a clear indication of the importance China attributed to its relations with Zambia. During his visit President Hu announced a package of measures designed to further boost bilateral relations, including debt relief, an expansion of Zambian tariff-free exports to China, and the establishment of a special economic and trade zone in the Chambishi mining area.

It signaled a strengthening of consultation and dialogue, the expansion of mutually beneficial cooperation, an increase in people-to-people and cultural interactions, and the strengthening of international cooperation. Both countries pledged to continue supporting each other on matters sovereignty, territorial integrity, national stability and political and economic development. It was also agreed that cooperation would focus on infrastructure, agriculture, mining, and human resources development, expanded cooperation in culture, education, health, tourism and aviation. Though political relations between China and Zambia remain extremely strong, economic considerations seem to permeate the relationship.

These are all important areas that need to be examined in detail, underscoring the need to conduct a thorough analysis of this impact. This study seeks to address some of these issues, and to provide an objective analysis of issues surrounding China's trade and investment in Zambia. It will rely on the analysis of empirical secondary trade, Foreign Direct Investment and debt data obtained from various domestic and international databases. The data was used to map and understand the size and nature of China's investment, as well as Foreign Direct Investment financing in Zambia. This is complemented by an extensive and organized review of the existing studies on China's relations with Zambia, as well as other aspects of economic literature with the aim of gaining a qualitative understanding of the potential benefits, drawbacks and costs of this relationship.

1.1 Statement of the Problem

It is apparent from the foregoing background that the relationship between China and Zambia is as old as the nation of Zambia itself. The foundation was long established and ratified to ensure that the key areas of cooperation would yield benefits for the two nations post Zambia's independence. There is clear evidence of Chinese presence and investment not only in Africa but Zambia. There have been mixed reactions to Chinese investment in Zambia. Recent reports noted the dominance of Chinese businesses in sectors that should be led by Zambian nationals and rampant abuse of Zambian employees working for Chinese businesses. The impact of Chinese investment on Zambian businesses and communities has not been studied extensively and there is need to contextualize such studies so as to avoid generalization that may mislead policy makers and the citizenry at large. It is against this background that the researcher decided to undertake this study to unravel the impact that Chinese investment has on the Ndola economy with the view

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to draw comparisons and inferences to other towns in the country.

1.3 Research Objectives

1. To establish the sectors that Chinese businesses are operating in within Ndola
2. To determine the contribution that Chinese businesses have made to the economy of Ndola
3. To identify problems that have occurred as a result of Chinese investment in key areas of the Ndola economy

1.4 Research Questions

1. What sectors of the Ndola economy are Chinese businesses operating n?
2. What contribution have Chinese businesses made to the economy of Ndola?
3. What problems have occurred as a result of Chinese investments in Ndola?

1.5 Significance of the Study

This study is expected to make the following contributions:

- Assist policy makers to alter policies to ensure that problems associated with Chinese investment are curbed and benefits enhanced. It will allow for information that will help in the provision and revision of investment policies, immigration policies and economic policies.
- For the researcher the study will help them uncover critical areas in Chinese investments and aid that many researchers are not able to explore.
- Contribute to the growing body of literature on the impact of Chinese investment on the Zambian economy and indeed across Africa
- Establish a platform for further inquiry and debate surrounding Chinese investment in Zambia and Africa at large

1.6 Theoretical framework

The realism approach contains various streams of theoretical points of view that for obvious reasons differ on a variety of matters. Classical realism and the Structural realism differ on the matter of the reasons for states to pursue power.

In the former´s perception, it was due to human nature, while in the latter´s perception, it was the pursuit of power that is embedded within the international system as it is, within the architecture an international system (Mearsheimer 2007). In addition, Classical Realists perceive power to be an end, whereas the Structural Realists perceive power as a means to the end, which ultimately was for the sake of survival.

The Structural Realism is furthermore divided into two streams - defensive and offensive realism. As the objective was to provide explanatory ideas for the first hypothesis and the analysis of it, the structural realism approach is considered to be more useful. It considers power as a condition in the international system; hence the following section described the core concepts behind the approach.

1.6.1 Cultural Relativism

As the general aim of the thesis was not to judge any approach over another, the notions of cultural Relativism served as a point of departure and logical frame throughout the thesis. Furthermore, it would only be referred to actively in a minor degree in the analysis contrary to the other theoretical concepts.

The concept of cultural relativism was derived from the study of anthropology, where it was a widely accepted term, aimed at observing cultures with as neutral a point of view as possible, in order for the observed culture to be understood for their own value and not from the observer´s cultural references (Glazer 1994).

At the heart of the cultural relativism concept, is the belief that no cultural approach is superior to another when it comes to morals, politics, or law. Therefore, all cultures are believed to be equally valid, depending on their specific cultural environment. For this reason, it rejects any judgments, as the belief is, that there are no values that can be considered true for all the different cultures and by which different cultures can be judged. Morals, aesthetics, beliefs and other aspects are culturally dependent, as a result, what is deemed good in one cultural context, might be considered bad in another (Glazer 1994). To put it differently, "truth is just a product of localized beliefs whose origin should be sought in their cultural context" (Norris 1996).
As the quotation shows, culture is considered relative, and can only be judged in its own specific context. There however, there is some criticism towards this idea, with the argument enquiring whether it is possible to understand a culture without making use of one´s own situation

1.6.2 Structural Realism

At the heart of structural realism is the perception that no authority is above the great powers. In addition, there are no guarantees that one great power will refrain from attacking another, hence it is in each great power´s interest to be as powerful as possible in order to be able to protect itself from a potential attack. (Mearsheimer 2007:72), used the analogy of an iron cage, in describing the power relations between great nations as they are forced to fight each other for power in order to survive. Furthermore, structural realists do not consider cultural differences to be of any importance, as states are considered to react the same way as they are driven by the same incentives.

They also consider differences in regime type to be of little importance. In short, they consider states to be "black boxes", in the sense that they are regarded as similar, except for some minor difference in power status. This aspect made it beneficial in terms of analyzing nations, as they were all perceived to want the same thing, and thus reacted the same way.

States are considered to have two kinds of power. The first is concerned with military power and the weapons they possess. Second is a latent kind of power, focused around the socio-economic factors that it takes to establish military power. The latter power takes the size of a state´s population, wealth, technology, resources etc. into consideration as they all are factors required to build up a strong military force. The latter approach has the potential to become a military threat to other powers, even when the power is still unrealized. From the above mentioned, it seems clear that there are other ways for a state to obtain power than by military means, which China has proven within the last decades. This is with a special reference to the economic growth and size of its population, as indicated by Mearsheimer.

Additionally, a recent article from the Chinese news site China Daily responded to international concern about the growth of the People´s Liberation Army (PLA) and indicated that the Chinese military is 20 years behind the U.S.´s military in terms of equipment, and thus it did not pose as a threat to regional peace (Liyao 2011).

This can be said to be an interesting tactic from the Chinese's side, as they were aware that the U.S. was keeping an eye on them, as they are one of the most influential economic powers in Asia, having the potential to pose as a threat, not only to other countries in the region, but also the United States of America.

At the core of structural realism, were five assumptions explaining why states constantly struggle for power: -

1. The first assumption was the idea of the world system being of anarchical character, as referred to above, when stated that no authority was above the individual states.
2. Secondly, each state was considered to be in possession of some offensive military capacity that has the potential of doing harm to a neighboring state.
3. Not knowing the intentions of other state´s represents the third assumption. Here the main issue was the challenge to verify this intention, which was considered rather impossible as intentions were in the minds of decision makers. However, as Mearsheimer puts it, it could change instantly, and without a warning (Mearsheimer 2007).
4. Survival issues constituted the fourth assumption, with a special focus on territorial integrity and authority of the state´s domestic political order, as it was deemed the foundation for all other aspects of society,
5. The fifth assumption, focuses on states as rational actors, whose focus primarily was on strategies that would make the most of their chances for survival (ibid.).

While the above mentioned had focused on the core concepts of structural realism, the following would present a discussion between Brzezinski and Mearsheimer on the concepts of defensive and offensive realism respectively. The notions of structural realism could be said to pose some rather aggressive statements about how states perceive the international system and each other with regards to the international power balance.
However, it was not a solid stance that all states were solely occupied with power politics, but it was acknowledged to play a considerable role. Additionally, it was believed that states do not react the same way, as cultural differences might manifest in different ways.

In this respect, it could be said to distort our views of states, if we expect a certain reaction which may never occur, or it may manifest itself differently. It was safe to say that misinterpretations can occur if we do not consider cultural differences. However, from an analytical point of view, structural realism made states more analytical and accessible as they did not consider culture and regime type differences to matter much, but viewed them as “black boxes”. However, differences in culture and government types would be considered in the analysis, as they were characteristics believed to have importance in the international system, as reflected by the cultural relativism approach as well.

Additionally, past experiences of states did not seem to matter much, and the whole retrospective aspect seemed to be replaced by a present world perspective. However, past experiences were considered to be of paramount importance and would be taken into consideration when looking into each specific context. The concept of not knowing the intentions of other states, could be said to represent one of the core issues concerning China´s activities in Africa since nobody knows what China´s “true” intentions were. It was this insecurity that could be said to comprise and create a negative and wary image of China in the West. In summary, these ideas were considered to be linked to the claims in the first hypothesis. China could be perceived to be investing in infrastructure in Africa in order to facilitate easier access to the African primary resources, which was a requirement for their continued economic growth.

Furthermore, it was their continued economic growth, with regard to structural realism concepts, that would enable China to increase its status and be in possession of a latent kind of power with the

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offensive potential to develop into a powerful military or to take a more defensive approach in order to prevent other super powers from attacking.

China could be perceived to be concerned about survival issues in terms of territorial integrity, which in the present context could be said to manifest in China´s emphasis on its One China policy, which was a requirement for other nations to recognize if they wished to have diplomatic relations with China. Last but not least, China is considered to be a highly rational actor and was perceived to create strategies with the purpose of optimizing their chances for survival, and in this respect, its strategic partnership with African government leaders were perceived to be a highly relevant example of this.

1.6.3 Theoretical Relevance and Limitations

The notions of structural realism could be said to pose some rather aggressive statements about how states perceive the international system and each other in terms of the international power balance. However, it was not the thesis´ stance that all states were solely occupied with power politics, but it was acknowledged to play a considerable role. Additionally, it was not believed that states react the same way, as cultural differences might manifest in different ways. In this respect, it could be said to distort our perceptions of states if we expected a certain reaction, which perhaps may never occur, as it may manifest differently. In this way, misinterpretations could be said to occur if we did not consider cultural differences. However, from an analytical point of view structural realism made states more analytical accessible as they do not consider culture and regime type differences to matter much but viewed them as "black boxes". However, differences in culture and government types would be considered in the analysis as they were aspects believed to be important in the international system, as also reflected by the cultural relativism approach.

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1.7 Definition of Key Terms

i. **Foreign investment** refers to the capital flow from one country to another, granting extensive ownership stakes in domestic companies and assets. Foreign investment means that foreigners have an active role in management as part of their investment.
ii. **Economy** refers to the state of a country or region in terms of the production and consumption of goods and services and the supply of money.
iii. **Global Economy** refers to the economy of the world, considered as the international exchange of goods and services that is expressed in monetary terms.
iv. **Bilateral Trade** is the exchange of goods between two nations promoting trade and investments.
v. **Structural Realism** is a theory of international relations that says power is the most important factor in international relations.
vi. **Cultural Relativism** is the idea that a person's beliefs, values and practices should be understood based on that person's own culture, rather than be judged against the criteria of another.

I. CHAPTER 2 - LITERATURE REVIEW

A. *Overview*

This chapter presented detailed literature on the nature of Chinese investment globally and more specifically on the African continent. It further enunciated the empirical and perceived milestones and challenges of such investment across the African countries.

1) *China-Africa Investment relations*

As the second largest economy in the world, China, has a significant interest in Africa. However, China's role in Africa has attracted huge attention and concern in the world. Concerns regarding the so-called "Chinese colonialism in Africa" have always accompanied China's developing influence in Africa (Bai & Li, 2008).

In recent years, many countries in the region have benefited from an increasingly favorable external environment, high commodity prices, and an especially strong demand for natural resources by emerging economies, particularly China. Despite increased efficiency and rising domestic production, rapid urbanization and heavy industrialization continue to spur robust Chinese demand for coal, oil, and natural gas. China's banks, notably the People's Bank of China, the China Development Bank, and the Export-Import Bank of China (Exim Bank of China), have supported large-scale investments in African infrastructure. More than 2,200 Chinese enterprises are currently operating in SSA, most of them private firms. Diplomatic contacts and bilateral aid and cooperation initiatives have greatly expanded. (UNCTAD 2014; Shen 2014).

Chinese FDI in Africa surged during and in the wake of the global financial crisis and continues to diversify. FDI flows from China to Sub Saharan Africa rose from next to nothing a decade ago to US$3.1 billion in 2013, representing 7 percent of global FDI flows to SSA. China has established itself as a major investor in Africa, a dynamic that runs parallel to China's growing trade involvement. China's FDI stock in SSA reached nearly US$24 billion in 2013, reflecting an annual growth rate of 50 percent between 2004 and 2013 (MOFCOM 2003-2014; Copley, Maret-Rakotondrazaka, and Sy 2014). The global economic crisis of 2008–09 marked the beginning of a major expansion in China's engagement with SSA, in scope and in scale. While some foreign investors moved out of Africa, Chinese firms, already well leveraged at home and encouraged by the Chinese government, expanded their overseas operations. Mergers and acquisitions (M&As) surged and commercial lending and other financing arrangements set new records. Oil and other extractive industries remain the sectors of greatest interest to Chinese investors (at 30 percent of total investment), but Chinese FDI has recently undergone a marked diversification into financial services, construction, and manufacturing. Geographically, Chinese FDI continues to be concentrated in Nigeria, South Africa, Sudan, and Zambia, but it now extends across the continent. Chinese manufacturing firms have invested in countries as diverse as Ethiopia, Nigeria, and Tanzania. Overall, SSA has benefitted from China's increasing demand for SSA's exports of oil, minerals, and metals (Roache 2012; Broadman 2007).

However, there is evidence that imports from China have had a negative effect on SSA's exports within the African regional market, and local producers and traders have faced serious competition from Chinese imports throughout SSA. In a recent paper, Guillaumont Jeanneney and Hua (2014) show that although Africa's exports to China have contributed to SSA's economic growth, China's strong import penetration has negatively affected the manufacturing sector and may prevent Africa from diversifying its own industry. African countries were handicapped in competing against China's manufactured goods. In a study of 44 South African manufacturing industries during 1992–2010, (Edwards and Jenkins, 2014) show that labor-intensive industries were particularly badly affected by Chinese imports and the negative impact on employment was more than proportional to the output displacement. Moreover, exports of manufactures to China did not add significantly to industrial growth in South Africa. But Edwards and Jenkins also find evidence that Chinese imports contributed toward lower producer price inflation in South Africa, which in turn contributed to a moderation in consumer price increases. There is no question that low prices for imported Chinese goods have benefitted African consumers, as well as producers who rely on imported inputs and capital goods. The comparison reveals a considerable price gap between China's and SSA's products of about 50 percent. More troubling, African firms do not appear to be positioning themselves within Chinese value chains; as a consequence, trade with China is having a limited impact on economic transformation and export diversification. Imports of inputs and components for processing and assembly have been a major channel for technology transfer in many countries in Asia, particularly China. In the standard model, a firm from a developed country would export inputs or components to a less developed country with lower wage rates, where a local subsidiary would use those inputs to create a finished product for export to one or more third-country markets or even back to the original developed country. For many countries, this pattern of trade has had highly positive economic impacts by facilitating technology transfer and catalyzing the development of dynamic comparative advantage. Input exports from China to SSA for processing and subsequent re-export to the U.S. consumer market have increased in recent years but remain extremely small as a share of total trade (Pigato and Gourdon

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2014). Consequently, there is very little evidence that China is using Africa as a platform for its global exports or integrating African firms into its international value chains. (UNCTAD 2014).

Becoming Increasingly Diversified The scope of Chinese investment in SSA is extensive. Chinese FDI reaches almost all African countries, even those that do not have a formal diplomatic relation with China (e.g., São Tomé and Príncipe). However, the bulk of Chinese investment is focused on a few resource-rich countries. South Africa is the top destination, followed by Zambia, Nigeria, Angola, and Zimbabwe (Figure 8a; MOFCOM 2014).

The 2008–09 during the global financial crisis China reacted vigorously to the crisis, launching a set of policy measures designed to boost demand and stimulate the economy. The benchmark lending rate was repeatedly lowered and the government initiated a large-scale investment program. Important tax reforms were also introduced, including a significant move toward a value-added tax system. As demand in Western economies stagnated, Chinese exporters looked to alternative markets, particularly in Africa. The Chinese government supported this shift by further easing requirements and decentralizing regulatory procedures for FDI and broadening financing channels for firms to operate overseas (Rosen and Hanemann 2009). Anecdotal evidence suggests that while many Western private investors were withdrawing from Africa, Chinese state-owned enterprises with access to subsidized credit from their policy banks, including the Exim Bank of China and the China Development Bank, were able to expand their operations not only in SSA but worldwide, as evidenced by a surge in acquisitions, (Bloomberg 2009). Ultimately, the global financial crisis accelerated a process of outbound investment liberalization that China had initiated in the early 2000s.

This was also reflected in the surge in Chinese financing for overseas infrastructure projects, as Chinese infrastructure financing commitments rose from US$3.5 billion in 2007 to US$5.1 billion in 2009 (Chen 2013). (Wenzhou Daily 2009). An analysis of Chinese M&As during the crisis confirms the conclusion that many Chinese firms viewed the financial crisis as an opportunity to increase their presence in global markets. The traditional focus of government-led FDI in Africa has been on natural resources and related infrastructure, with Chinese companies building the pipelines, power stations, roads, railways, and seaports necessary for the extraction and transportation of oil, minerals, and other natural resources.

China developed its domestic manufacturing industry by concentrating its cheap labor and abundant capital in SEZs and industrial parks. Within these zones, land and infrastructure bottlenecks were relieved and a competitive business environment was established. This approach to industrialization has been so successful that variations on the model have been adopted in other countries, such as Cambodia, Mauritius, and Vietnam. (Dinh et al. 2012).

However, China's growth rate is slowing as the economy transforms, "rebalancing" from an intensive focus on production and exports to a more service-oriented, consumption-based model. Meanwhile, the government continues to pursue important structural reforms to give a greater role to the private sector, improve efficiency, and spur innovation (Dollar 2014). As this process of rebalancing continues, it will entail positive and negative effects for China's trade and investment partners in SSA. On the one hand, lower Chinese growth rates will decrease global demand for oil, minerals, and other natural resources and reduce international prices for these commodities, which are among the chief exports of many countries in SSA. Given that China has accounted for almost the entire increase in global demand for minerals and metals (e.g., copper, iron, lead, nickel, tin, and zinc) over the past 20 years, slowing growth in China will have a major impact on world commodity markets.

However, China's rebalancing also presents new export opportunities in the agricultural and manufacturing sectors. Countries in 21 SSA that have sound investment frameworks, stable governance, and a healthy investment climate will be well positioned to leverage these opportunities.

Drummund and Liu indicate that China's rebalancing has the potential to bring great benefits to countries throughout SSA, but it also comes with considerable challenges. During the past two decades, China's growth has driven most of the global increases in the demand for commodities such as oil, aluminum, copper, and iron ore. As China moves toward a more consumption-driven growth model, the demand for and price of these commodities are expected to be significantly lower than in the past. This will have a direct, negative impact on the commodity producers in Africa; but it will also offer new opportunities to restructure and transform African economies. Countries that have become excessively reliant on natural resource exports will need to step up efforts to diversify their industrial and agricultural sectors, while a decline in fiscal revenues from the resource sector may force difficult choices in public spending. Policy measures to help raise the competitiveness of sectors that are suffering from import competition from China may also help SSA to respond well to the expected changes. The window of opportunity created by China's rebalancing will not remain open indefinitely, but a rational reform agenda designed to increase productivity in the tradable sector and enhance cooperation with the Chinese public and private sectors could greatly accelerate growth and enhance livelihoods in countries throughout SSA. This will require a clear shift in policy and institutions toward a pro-growth environment. The specific reforms may not be those that China undertook, but they should be comprehensive enough to demonstrate commitment to a pro-growth strategy despite political changes and exogenous shocks. Africa can become more competitive. The recent rise in labor costs and appreciation of the renminbi will reduce China's export competitiveness, at least in the near term, and benefit low-cost developing countries. African countries have a unique opportunity to attract strategic, job creating investments from foreign investors, including China. For this to happen, countries in SSA need to develop a supportive policy framework to (a) lower transport costs, (b) eliminate formal and informal barriers that undermine investments in regional processing activity, (c) increase the flexibility of labor markets, and (d) ensure effective competition policies. There is a need to build on successful experiences. Many African governments are building effective partnerships with China.

Brautigam (2010) said that most people think of foreign aid as money given by one government to another to promote economic and social development, with military aid a separate adjunct of this government-to government policy. Yet huge amounts of money flow for other reasons. A lot of Chinese activities in Africa are essentially business transactions. Some were bids by Chinese enterprises in response to contract tenders. Others involved the formation of business joint ventures between African and Chinese enterprises. Some were the creation of new or expanded Chinese owned businesses in Africa. Others were Chinese purchases of stocks or bonds in African companies.

Some were Chinese enterprises that were invited to manage African public sector facilities such as power stations, railroads or communication systems. All of these business ventures had political or social dimensions, but they remained essentially that - business ventures.

Africa had well-known infrastructure deficiencies, but in recent years' infrastructure financing had expanded and helped many African countries begin to rectify these deficiencies. However, Chinese financing of infrastructure had also enabled Chinese construction companies to gain a firm foothold on the continent. Evidence suggested that Chinese companies has become highly competitive, crowding out African construction companies. This was an area where a tradeoff seemed to exist between, on the one hand, getting projects completed quickly and cheaply and, on the other, facilitating the long-term development of a local construction industry. John L. Thornton (2016).

a) 2.3.1 The Challenges of China – Zambia Foreign Direct Investment

The surge in Chinese involvement was relatively recent, so one simple objective is to marshal evidence about the scale of China's trade, investment, and migration. Beyond that was the question of whether China's involvement in Zambia was helpful to the other economic partners. Thornton (2016).

In 2000, an initial and preliminary effort to determine the magnitude, source, direction and stability of foreign private capital flows, and investor perceptions was undertaken in Zambia.

Subsequently, a more widespread effort to monitor foreign private capital flows and investor perceptions was jointly undertaken in 2002, by Bank of Zambia (BOZ), the Central Statistics Office (CSO), and the Zambia Development Agency (ZDA), covering the calendar year 2001. This was followed by a subsequent survey in 2008.

b) 2.3.2 Foreign Resource Inflows

Foreign direct investments in terms of stock, total foreign private capital stock stood at US $8,549.7 million in 2007 from US $6,344.5 million recorded in 2006, of which FDI accounted for 88.9 percent, followed by private borrowing from non-affiliates (9.9 percent) and portfolio investment (1.2 percent).

Foreign Direct Investment inflows in 2007 were largely in the form of reinvested earnings which accounted for 58.6 percent of total FDI inflows. The major sources of FDI inflows in 2007 were Australia, Canada, India, Switzerland, United Kingdom (UK), South Africa, and Bermuda.

A sectoral analysis showed that FDI inflows in Zambia were largely concentrated in the mining sector, accounting for 59.0 %, followed by the bank and non-bank financial institutions, manufacturing, wholesale and retail trade, and transport and communication sectors. Foreign Direct Investment inflows in the mining sector largely emanated from Australia, Canada, Switzerland, India and Netherlands. On a sectoral basis, inflows into the bank and non-bank financial institutions were mainly from the United Kingdom, the manufacturing sector from the Republic of South Africa and France, wholesale and retail trade from Switzerland and Mauritius, and transport and communication from the Republic of South Africa, Saudi Arabia, and Isle of Man.

The Forum on China-Africa Cooperation (FOCAC) created new opportunities and challenges in the country's development effort. The opportunity was tapping into China's experience in acquiring technology and financial resources, which was needed to measure up the country developmental effort and how the country was rapidly its moving towards the achievement of the Millennium Development Goals. The challenge lay in how to regulate Chinese interests in the country to the mutual benefit of both China and Zambia, without endangering the country's social-cultural heritage and environment.

However, there was great concern that Zambia may fold its arms, sit back and watch this opportunity slide away.

According to Deborah Brautigam (2010) the increasing Chinese FDI in Africa could enhance attainment of the Africa's development agenda, there are potential risks, which ought to be guarded against. China's incessant demand for raw materials may undo Africa's efforts at economic diversification, leaving African countries as enclaves for raw materials, facing limited opportunities for sustained development. The problem of Chinese enterprises in Africa importing labor from their homeland, and limited linkages with local firms, may pose negative effects on the local economy. In cases where local sources of labor are utilized, it had been observed that this tended to be only at a limited scale, there was little capacity development, and hardly any opportunities for technology transfer or skills transfer. However, Chinese investment provided additional source of investment capital at a time when aid alone was unable to address unemployment, poverty alleviation and generate a significant multiplier effect through the local economy by the way of sourcing and provision of local management expertise and technology transfer. China provided both. It offered training to many African professionals under its commitment to train Africa's emergent workforce. Machinery, electronic equipment and high-tech products have been exported to Africa.

It is argued that Chinese FDI may be received at the expense of civil liberties as they tended to deal directly with Governments, irrespective of their democratic credentials, and had in the worst cases been accused of supporting dictatorial government's administration. Brautigam gently pointed out that most of the sins of omission and commission in Africa were committed by African governments themselves. If China – and others – were accused of propping up tyrants, and encouraging corruption, it must be admitted that there were all too many tyrants and plenty of native corruption to go around. The worst that could be said was that corruption was so virulent in China itself that one must feel that the great bulk of deals between Africans and Chinese would be badly bent in some way. Further, it had been argued that Chinese firms often disregarded local labor and environmental considerations, Deborah Brautigam (2010).

There were many Chinese workers in Africa; the total was disproportionately high when compared to the amount of financing that China had provided and compared to migrants from other continents. This was a tentative conclusion because the data on this issue are particular weak. But estimates of Chinese migrants in Africa exceeded one million. Many migrants initially moved to Africa as workers on Chinese projects in infrastructure and mining and then, perceiving good economic opportunities, stay on. Similar to the dilemma confronting the continent's construction industry, African countries faced a tradeoff here: Chinese workers bring skills and entrepreneurship, but their large numbers limit African workers' opportunities for jobs, and training.

The popular notion that Chinese companies only employ Chinese workers was not accurate, but the overall number of Chinese workers in Africa was large, and it was not clear that all of these workers were on the continent legally. John L. Thornton (2016)

The Lack of transparency in Chinese investment/economic co-operation packages fueled suspicion. Commenting on a $9 billion loan package, a Congolese opposition leader observed, "It was incoherent, and unbalanced, forcing us to sell off our national heritage to the detriment of several generations. It could not therefore be accepted in its current state, without being entirely reviewed and submitted to international consultants". The muddiness of Chinese deals raised concern over bidding processes, environmental impacts, overall debt, and fiscal policy effects on African countries. The playing field in regard to other FDIs was not at the same level, as Chinese companies enjoyed political and financial backing from Beijing (plus cheap labour and technology). Brautigam (2010) identified many Chinese enterprises by name. They may be called "companies" or "corporations" or "groups", but in fact they were mostly state owned and/or controlled enterprises under the direct and demanding control of the Chinese government and Chinese Communist Party

There were possible risks for sustainable development (resource exploration and environmental impact), due to Chinese low standards and local poorly imposed investment laws and regulations.

Naidu and Davies (2006) examined critically China's acquisition and investment in Africa's natural resource sector, and the short to medium term political, economic, social and environmental implications. The main findings were that China's engagement with Africa was full of contradictions. For example, African producers have been marginalized and displaced from the market because of the influx of Chinese goods. At the same time, as consumers, these same individuals have gained because of the affordability of Chinese goods. However, as China entrenched itself within production of high-tech goods, these same consumers would not be able to afford to purchase such goods as their livelihoods would be eroded by Chinese goods.

Through China's investment in Africa and acquisition of key energy and commodity assets, it sought to leverage its investment to extract itself from international commodity market pricing. China's long-term strategy was to secure commodity assets at source, thus bypassing international market pricing. It even considered establishing its own commodity exchanges. Thus, the price that China paid for specific commodities would be negotiated at source with recipient governments rather than the price determined by the "market". This was the underlying factor of China's strategic engagement of African commodity and energy endowed economies.

China's foray into Africa's natural resource sector would continue to expand in the medium term. Since China was strategically excluded from the Middle East region for its energy needs, Africa was rapidly becoming China's commercial sphere of influence. The US invasion of Iraq may also have pushed the Chinese government to accelerate its acquisition of African energy assets. China now obtained roughly a third of its energy imports from the African continent.

Chinese state-owned enterprises, who were answerable to political stakeholders rather than private shareholders, enjoyed a comparative advantage over foreign multinationals when investing in African economies, because of the strong no-strings attached, political relations fostered by their government.

In order to achieve sustained high economic growth, poverty reduction and the achievement of the Millennium Development Goals, the Zambian authorities identified priority sectors, which were a target for attracting foreign investment. Xinhua (2010). Priority areas differed with some overlaps, depending on which government agency you were looking at. The Ministry of Finance and national Development in the Fifth National Development Plan, identified the following sectors as priority: Agriculture, Manufacturing, Infrastructure, Education, Health, Water and Sanitation, and Public Order and Safety. On the other hand, the Zambia Development Agency identified priority sectors as Agriculture, Manufacturing, Electricity and Education, while the Immigration Department identified the priority sectors as Agriculture, Mining, Manufacturing, Infrastructure and Tourism.

While there were overlaps and distinctive differences in the identification of priority areas by the different agencies of government, one would have expected in the very least, harmony in the identification of the sectors as they had implications in the award of incentives and immigration requirements. What was of much significance was that all these priority areas and more were in tandem with the China Africa Policy Paper, and therefore, not contrary to Zambia and Chinese interests.

A person qualified to be an investor by holding an investment permit. The Investment permit fees were increased from US$50,000 to US$250,000 in December 2006. An action which helped to stop the multiplying of petty investors. Immigration regulations required that an investor invested a minimum of US$250,000 and employs a minimum of 200 people and held an employment permit or resident permit. Moreover, the investor was entitled to be granted up to at most 5 work permits for expatriate employees, provided such persons held managerial and technical positions. Chinese investment was welcomed by the present-day Zambian government. However, some fears have since emerged in some circles.

The major ones being poor conditions of service, accorded to local employees, lack of adherence to safety regulations at places of work, disregard of labor laws/regulations, and lack of environmental considerations. Moreover, concerns were voiced regarding the multiplying of Chinese casual workers, and Chinese investors who turned-out to be petty traders, thereby displacing Zambians who were active in those areas. The question was, if there was any substance in the above concerns?

An interview with one of the Chinese investors revealed that while there may be some cases which revealed appalling conditions for local labor, this could not be generalized to all Chinese investments. The Chinese found salaries demanded by Zambian labor to be high, and by their experience, some segments of the local labor didn't understand work or had a bad attitude towards work. Moreover, they did not find problems with Zambian regulations. On the contrary they found the investment climate in Zambia to be very good and the Zambian people to be very friendly.

The total magnitude of Chinese investment and its contribution to the gross domestic product and employment creation was not yet known. What was a known fact, was that the Zambia Investment Centre, (now part of the Zambia Development Agency (ZDA)), statistics showed significant investment from China? Foreign Direct Investment (FDI) pledges amounted to US$378 million across all sectors with manufacturing accounting for 60%. Recent data from ZDA show that in 2007, the total pledged FDI amounted to US$2,702 million of which China accounted for US$1,270, representing 47%.

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On the basis of 2007 pledges, Chinese investment was the highest, accounting for 52% of the investment in the manufacturing sector, 55% in the telecommunication sector and 50% in the mining sector. An examination of the BOZ and ZDA figures, showed that about 30% of the pledged investment got realized. Overall, Chinese engagement in Zambia covered the following sectors in line with China Africa Policy Paper: Agriculture, Mining, Manufacturing, Construction Communication and Transport, and Health.
This investment was also in line with China's new policy on Africa and China's expression of solidarity and commercial interests. China supported over 35 projects in Zambia.

There are five areas in which Chinese FDI can be leveraged for diversified growth. This research analyzed seven Zambian sectors – energy, construction, health, mining, communication and transport, agriculture, and manufacturing – and an important inter-sectoral goal: improving the business environment. Nadia Abdelghaffar et al (2016). Each of the seven areas contained a discussion of the relevant contexts: -

1. Energy – Work towards fully cost-reflective electricity tariffs, continue developing links to electricity export markets, and focus on attracting solar energy investments.
2. Transport – Improve government capacity to manage public-private partnerships (PPPs), attract FDI through PPP frameworks, and expedite construction of tolling infrastructure on priority routes.
3. Manufacturing and Special Economic Zones (SEZs) – Apply lessons learned from Chambishi and other successful Chinese-led SEZs in SSA to the Lusaka East and Lusaka South SEZs, and establish an inter-ministerial SEZ taskforce to facilitate coordination between relevant Zambian ministries, host governments, and prospective investors.
4. Agriculture – Diagnose reasons for faltering farm block investment, connect farm blocks to infrastructure one at a time, and formulate a clear actionable strategy to generate domestic business linkages to farm blocks.
5. Business environment – Reduce the time and costs of land registration, and set consistent and stable tax policies

China's relations with and role in Africa have no doubt come under scrutiny and have been met with scepticism from the traditional world order. It is too soon to tell if there will be negative long-term consequences, which there very well might be – for Africa or the world in general. But at present, China is bringing an alternative approach to the table, and the possibility for a shift in the way external powers engage with economically underdeveloped countries. China's approach to Africa is a mix between what we're used to seeing from the 'traditional' global powers of the West and something that breaks away from the neo-imperialist framework. Indeed, the continent's rich natural resources are coveted by China, as they were by Western imperial powers. Wariness of Chinese resource extraction is to be expected, as mineral mining in Africa has been the source of egregious human rights violations for decades.

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CHAPTER 3 – METHODOLOGY

Overview

This chapter presented the research design, population, sample size and technique, ethical considerations, data collection and analysis inter alia.

This chapter explained and justified the methodology that the researcher followed in conducting this research project. Research design is defined as a plan used to study a problem or question (Hines and Valiant, 2000). Orodho (2003) further defines a research design as the scheme, outline, or plan that is used to generate answers to research problems. The research was qualitative and quantitative in nature, because and was descriptive, and was used to collect mostly knowledge, attitude, beliefs and opinion of the people in a detailed manner. In order to fulfill the aim of this study, the researcher used the descriptive research design. The major purpose of quantitative descriptive research was the description of the state of affairs as it existed. Kerlinger (1969) points out that the descriptive research was not only restricted to fact findings, but may often result in the formulation of important principles of knowledge and solutions to significant problems. The problem under investigation was to find out the effect of Chinese investigation on local businesses. In this case a descriptive research design was used.

3.0 Research Design

Research design is defined as a plan used to study a problem or question (Hines and Valiant, 2000). Orodho (2003) further defines a research design as the scheme, outline, or plan that is used to generate answers to research problems. The researcher used a quantitative descriptive design as it was most suited to the problem under study.

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3.1 Population of the Study

Ndola has approximately 50 Chinese owned businesses operating across a wide spectrum of sectors. For the purpose of this study, the Population was pegged at 30 for the reason that there is no accurate documentation on the number of Chinese businesses operating in Ndola.

3.2 Sampling Technique

Stratified Random sampling was used to identify Chinese businesses that would take part in the study. The sub-sectors of the Ndola economy were used as strata from which businesses were randomly sampled. These sectors included Manufacturing, Retailing and Construction.

The survey was conducted to acquire key information from Chinese firms, domestic producers, consumers, government offices and other stakeholders. The questionnaires were administered to limited key informants due to limited resources and time at our disposal.

The Key informant list included:

1. Ministry of commerce and Trade
2. Ministry of Foreign Affairs
3. Selected vulnerable local producers
4. Selected Chinese manufacturing firms (both Chinese owned and joint ventures)
5. Selected consumer; and merchants that travel to China for trade

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3.3 Scope of Study

The city of Ndola was chosen as an area of study because of its growing number of Chinese businesses in the area. The city is perceived to be one that is undergoing development having a number of local traders that are now competing with the newly emerging Chinese businesses and investments.

3.4 Sample Size

Sampling was the process of collecting information from a subset of the population of Interest and making conclusion about the population on the basis of sample information According to Jankowicz (2000), sampling is a calculated choice of the number of people, representing a given population. Since, it was impossible for the author to survey the whole population due to time, money and access constraints it became important for the author to determine sampling size and sampling frame, in order to gather findings from the representative set of population. A sample of 30% of the given population (30) was investigated. Thus, a total of 9 firms were sampled.

3.5 Research Instrument

A Questionnaire with closed ended questions was used to collect data. Closed ended questions in quantitative research increase accuracy of findings rather than open ended questions which are more suited to qualitative research.

For this research, the researcher used a structured questionnaire method as a source of primary data. Basically, there are two data collection methods, that is, primary and secondary sources of data (Saunders, 2009). According to Churchill (1995), Primary Data is known as original data that is collected from the main source. Primary data can be collected from various sources which include observation, survey, questionnaire and personal interviews (Hussey, 1997).

On the other hand, Secondary data involves collecting and analyzing data which was collected by past researchers for other purposes. It can be either in raw form or published (Saunders, 2009).

3.5.1 Primary Data

Data collection was primarily from conversations, and in-depth interviews.

3.5.2 Secondary Data

Secondary data was collected from observations and document reviews. Data sources, included the internet, text books, journals and reports were used.

3.6 Data Collection Procedure

The questionnaires were distributed to the Chinese managers of the businesses that were selected to participate in the study.
The questionnaires were collected later in the day upon completion by the respondents.

The data for this study was obtained from primary sources of data that were collected using structured questionnaires as well as secondary sources.
The researcher developed questionnaires for data collection from the respondents, for Chinese firms, the others for the local producers and an interview guide for Key informants at the Ministry of commerce and Trade and ministry of Foreign Affairs. The questionnaires developed were structured ones; thus, open and closed ended questions to accommodate specific categories of responses from respondents, while the open-ended questions enabled respondents to express their feelings and views. Interview guide will as well in data collection so as to allow respondents to be actively involved.

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3.6.1 Techniques of Questioning

Open ended questions were asked in a relatively informal format. Where necessary, issues that needed clarity were followed up so that the discussion could flow smoothly. Interviews were recorded and then transcribed afterwards. The purpose of the interviews was to assess the key informant's knowledge, experience and views.

The researcher identified biases and preempted biases. The researcher was not in a hurry during questioning. The researcher listened and did not lecture. The researcher probed instead of passing onto the next topic. The researcher tried to be unimposing, and sought out concerns on the subject of land. Qualitative data was mostly collected in the comments made by key informants on problems and conditions.

3.7 Data Presentation and Analysis

Data was analyzed using a simple excel spreadsheet to calculate percentages and averages. The data collected was presented in tables.

Qualitative data analysis is a process that seeks to reduce and make sense of vast amounts of information, often from different sources, so that impressions that shed light on a research question can emerge. This research made use of thematic analysis as well as content analysis. Thematic analysis counts phrases or words in a text and moves on to identifying implicit and explicit ideas within data. Content analysis involves looking at documents, text or speech to see what themes emerge.

3.8 Limitations

The limitations to the research were resistance, bias, time and resource challenges, and language barriers.

3.9 Ethical Considerations

The research was detailed enough without being invasive as it did not divulge names or any information that may disturb business proceedings, disadvantaged them or violated their rights. Anonymity was highly upheld or maintained and information was used for the sole purpose of research only.

CHAPTER 4: INTERPRETATION AND ANALYSIS OF DATA

Overview

This section presented data, analysis and interpretation of the data collected from the respondents.

This chapter dealt with findings of the study starting with the information of the respondents, objective analysis and discussion of the findings. Research results was presented focusing only on results related directly to the research.

The report covered three main areas and those included the consumers, the vulnerable local producers and the Chinese. These were placed in three major categories depending on the results that were collected from the three categories. These included those from the ministry of commerce and trade as well as the ministry of foreign affairs.
The survey managed to get a response from 30% Chinese firms engaged in Zambia.

How many years have you been operating in Ndola?

Less than 5 years	More than 5 years
	9

Results showed that there were a combination and multiplicity of motives ranging from resource seeking to demonstration effect.

As one can observe, asked their source of input material, 2% percent of the firms from the responds affirmed that it is Zambia, whereas for others the material supply is from different suppliers including from China and others, (most of them being from china). When asked about the market for their products, 98% of them responded their target being as Zambia. Some of the firms also noted other export markets as a possible market destination for their activities. In general, however, the motive for Chinese investment in Zambia seems to fall in the generic category of market seeking 90% although resource seeking is another characterization as about 40% of them mentioned Zambia being source of material for their activity.

Did you use locally produced materials for construction?

Yes, No Partly

Yes	No	Partly
	3	6

Our survey data also revealed that the construction sector is the most attractive sector for them, followed by agricultural activity and manufacturing. The majority of them (about 80) noted that they will continue their activity in Zambia. The majority of these firms also believe that they do contribute in terms of employment creation and technological transfer. The Chinese firms in Zambia see, lack of shortage of foreign exchange, skilled labor, and policy stability, in the order importance, as their major constraint while operating in Zambia. Finally, it is curious to note that most of the Chinese firms (nearly 90%) do not prefer to work in a joint venture with Zambian firms, while the majority of the Zambian firms would like to engage with Chinese in joint venture.

Approximately 56% of the Chinese businesses in Ndola source all their material from outside the country, most likely from china. The other partially use material from local suppliers.

Do you use locally available raw materials for your business?

Yes	No	Sometimes
2	5	2

100% of the chinese businesses sampled pay some form of taxes to the Zambian Government.

Do you pay taxes or levies to local authorities?

Yes	No
9	-

The researcher found that Chinese businesses in Ndola operate mostly in retailing, manufacturing and construction. More than 50% of the businesses operate in the retail industry selling ready made goods from china.

Which sector are you operating in?

Retailing	Manufacturing	Construction
5	2	2

What contributions have Chinese businesses made to the economy of Ndola?

The data showed that 67% of the businesses built their own infrastructure while the other 3 rent premises that were already in existence.

4,4 Did you build the structure you are operating your business in?

Yes	No
6	3

There was an indication that there is some knowledge transfer even though it's not happening in all Chinese businesses.

Do you train your employees in latest technologies?

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Yes	No
4	5

All the businesses indicated that they do pay some form of taxes to the local authorities.

4.10 Do you pay taxes or levies to local authorities?

Yes	No
9	-

Problems created by Chinese investment in Ndola?

It was clear from the data collected that some Chinese businesses do not invest much in the local human resource as none of the businesses assist financially in the further studies of their employees.

4.8 Do you assist your employees financially to pursue further studies?

Yes	No
-	9

The fact some businesses continue to bring in ready made goods affects local suppliers negatively as they do not benefit in any way since goods are brought in complete and retailed.

Regarding the style, the ministry noted that most of the Chinese firms are privately owned by Chinese themselves, they prefer to work alone instead of joint venture mainly due to skill gap and working attitude, and cultural differences. Some of the firms had a high capital level. On the motive for Chinese engagement in Zambia, the offices noted that the most important motive is market seeking and demonstration effect (say for potential African market). According to the officials 'opinion, Chinese consider Zambia was a gateway to minerals and investment.

On special treatment for Chinese firms, authorities noted that there was no preferential treatment for Chinese firms as such. For example, Chinese were offered 100 per cent tax exemption from imports of construction equipment like any other investors.

Regarding the use of labor by Chinese firms the ministry experts had the opinion that the Chinese labor were skilled, more disciplined and hence of higher productivity than Zambia's and hence the use of a number of Chinese labors in major Chinese related projects.

On the capacity of Chinese firms to generate employment opportunity, the experts' opinion was that, yes there was employment opportunities from Chinese. In terms of employment, 5 businesses employ than 5 Zambian nationals while the other 4 businesses employ more than 5 Zambians.

How many Zambian citizens are in your employ?

Less than 5	More than 5
5	4

And there were all linked to domestic industry. Accordingly, there were big opportunities for technology transfer, management skill, horizontal and vertical spill over, and consumers benefit from low cost product.

Impact on Local Firms

The Survey also shed light on what the impact of Chinese investment in Zambia was from domestic firm's perspective. A summary of this result was given in Figure 1 below. The minority of domestic firms (20%) reported that there were benefits from Chinese investment. Among these domestic firms about 15% of them thought these benefits took the form of management and skill transfer; 40% of them also noted their benefit in fast performance and quick delivery, while another 20% of them mentioned they had benefited from low cost of production owing supplies from China.

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The majority of Zambian firms also reported the threat from Chinese firms both in the third market, (400%) as well as in terms of possible displacement from domestic market 60%. Thus, the majority of domestic firms (above 100%) believed in the need for government intervention to address these problems although a number of them noted that such action needed to be done cautiously so as not to scare Chinese firms, which would benefit the country. (See Table below). Finally, from the survey we noted that Zambian firms wanted to see a joint venture with Chinese operators in Zambia although most Chinese firms were not willing to do that as we noted above.

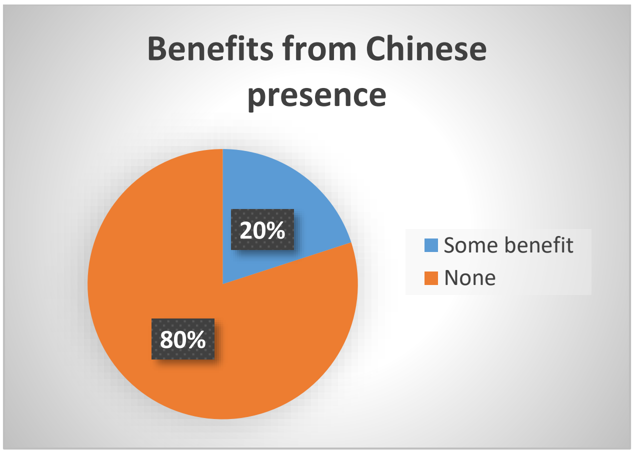


Figure 1

The Impact on the Local Consumers

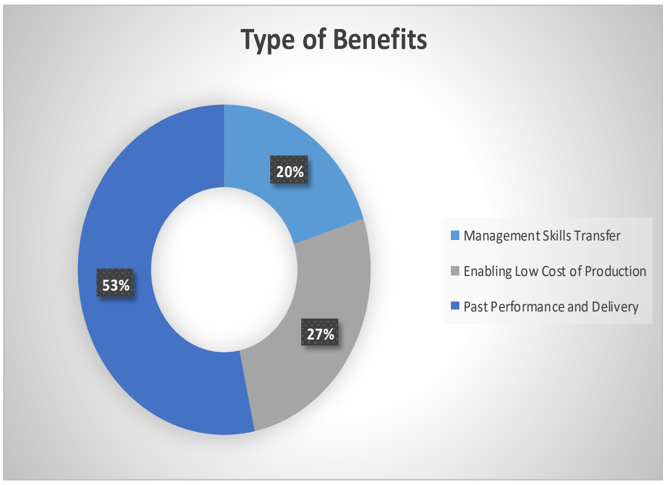
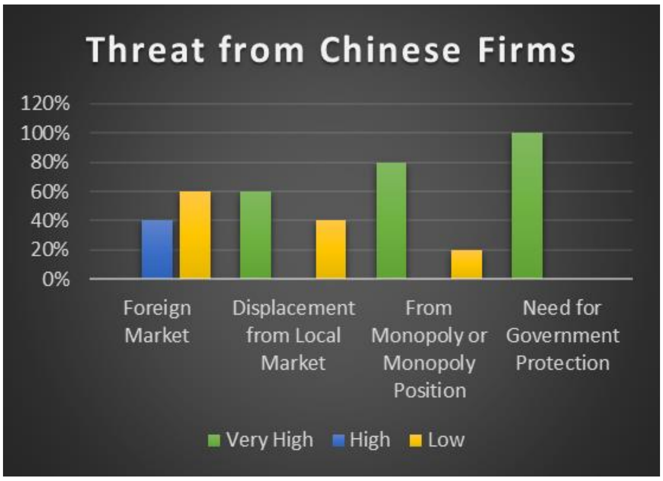


Figure 2

As part of this study we attempted to see the potential benefits to Zambia consumers from Chinese investment and presence of Chinese goods in Zambia.

Consumers were interviewed on different issues such as quality, price, frequently used product, and convenience of the products for ordinary uses. The summary of the response, which we found to be fairly similar across respondents, was summarized in the figure below.



To begin with the kind of goods that our informants used which are made in China were: footwear, Socks, T-shirts, clothing, plastic and rubber products and electronics items were the most frequently reported and this trend was expected to continue for the near future as explained by our informants. Consumer's response on the motive for buying Chinese products varied, ranging from cheaper prices, to ease of use, style and availability on the local market. Consumers who gave availability as a reason for their use of Chinese goods noted that sometimes, they couldn't get the type of goods they got from China from other sources in domestic market. From the survey, it was safe to conclude that all consumers had a common perception of lower quality and cheaper price for Chinese made goods available in Zambia. On qualities, 80% of the respondents said poor,

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20% rated them as fair. On the price, 70% of the respondent's rated Chinese goods as fair, 20% rated them cheap and 10 % rated them as expensive (see the table below). When asked whether the consumers would continue to buy
Chinese products?' Most of the consumers agree that it all depended on their income in the future, indicating that Chinese goods were of inferior quality. Most of them also believe that Chinese products are going to dominate the local market in the time to come.

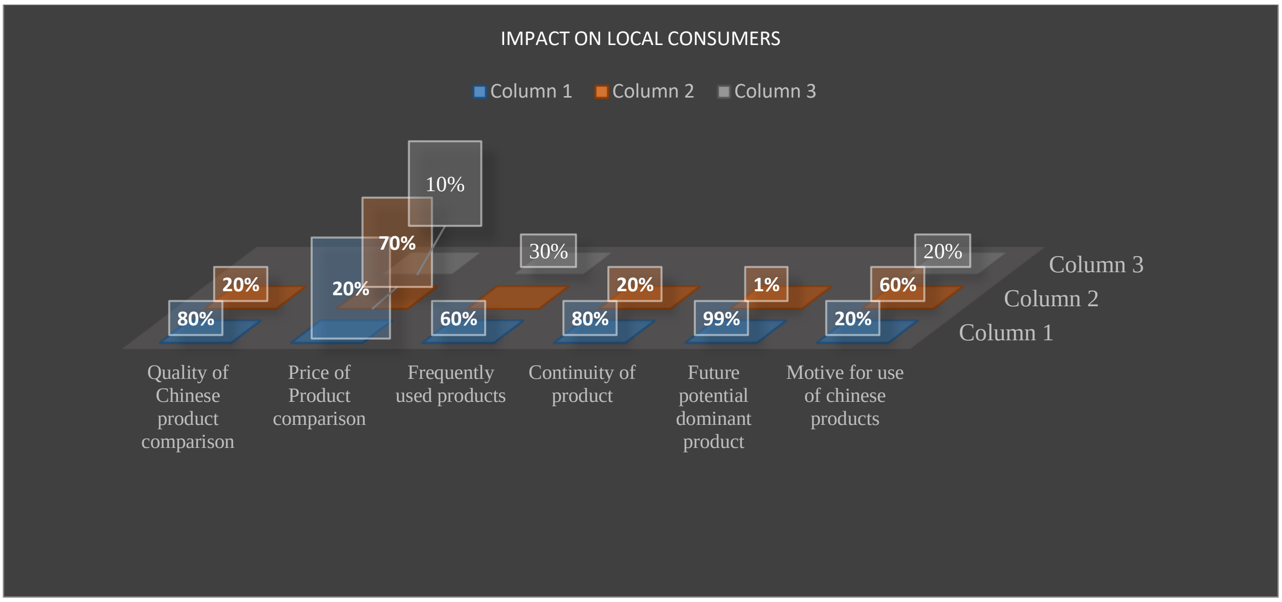

Figure 4: Impact on Local Consumers

Table 1: Interpretation of Figure 4

Quality of Chinese product compared to others	Poor: 80%	Fair: 20%	
Price of Chinese product compared to others	Cheap: 20%	Fair: 70%	Expensive: 10%
Frequently used Chinese product	Shoes, Socks, T-shirts: 10%	Electronics: 60%	Other Clothing 30%
Continuation in use of Chinese product	Yes: 80%	No: 20%	
Future potential domination of Chinese product in local market	Yes: 99%	No: 1%	
Is there any other motive for using Chinese products	Ease for use: 20%	Style and availability: 60%	Others: 20%

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CHAPTER FIVE – Discussions, Conclusions and recommendations

The study found that in the last five years the Zambia Chinese relation has grown quite strongly both in terms of trade and investment. This is found to be, in particular, important in the areas of road construction, supply of manufacture goods from China, construction by Chinese companies as well as engagement Chinese firms in Zambian manufacturing sector. The success of Chinese firms in this areas is explained by the political ties their government created with the government of Zambia, low initial bidding price offered by Chinese firms in bidding for such projects, the self-financing options (sometimes referred as 'vendor financing') that they give to the Zambian government owing to the support they get from the Chinese government, as well as the relatively lower level of skilled Zambian personnel (in terms of negotiation, technical and managerial skill) as well as poor institutional capability of the Zambian experts in various ministries who are dealing with the Chinese firms, are few among many. Chinese firms cost and technological advantages over Zambian counterparts are also found to be important for Chinese investment success in Zambia.

The study also noted that there are some groups that gain from this Zambia China engagement as there are others that lose from it. The former category includes consumers, commercial traders who bring manufactured consumer goods from China for sale in Zambia, entrepreneurs engaged in establishing small scale factories and service centers by buying machineries from China. The possible losers group includes small scale firms engaged in clothing and footwear sectors and their employees; traditional suppliers and contractors in the road, which are invariably firms from industrialized countries. We have also noted that a number of Chinese firms seem to be insecure even to talk with researchers and some of the actually engaged in areas not related to their license. It is imperative to improve the working environment for them to address the root cause of such problems. It is important to highlight the relevance of this study to the Zambian government, and perhaps also to the government of China, as well as the various stake holders that would be affected by this engagement between China and Zambian. This underscores the importance of designing optimal investment and industrial policies in the world of emerging China that will bring a win-win situation for both Zambia and China most of the local producers emphasized the government bring about policies that put Chinese involved in small scale firms that sale homeware, clothing in one area and not allow them to trade everyone as the South African government has done.

The first important point relates to the fact that the government of Zambia doesn't seem to have any policy about its economic engagement with China that is based on studies of this kind. It is high time to come up with such strategy. Second, we have shown that there are both positive and negative impacts that emanate from Chinese investment in Zambia. This calls for an appropriate policy direction and incentive schemes to benefit both countries from these economic relations. Third, the study noted that managerial skill transfer as well as technology transfer is very important for Zambia firms. One vehicle to do that is to engage in joint venture between Chinese and Zambian firms. Our study shows, however, that while the Zambian firms would like to see that, Chinese firms are not enthusiastic about it. This calls for an appropriate incentive schemes by the government that encourages such joint ventures. Fourth, the study also noted that the level of skill and expert difference between Zambia and Chinese counterparts in negotiation and investment engagement might be working against the interest

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of Zambia in the short run and both countries in the long run. To tackle this, Zambia needs to upgrade the skill of its work force, bureaucrats/experts in the long run. Zambia needs a policy that allows Chinese traders to have their own area of trade and not allow them to trade everywhere.

Positive and Negative Impacts in General

In addition to such direct investment, Chinese firms are also active in major investment activities that are being carried by the government of Zambia, especially in infrastructure. The information about the value of Chinese total contract amount in road construction and electricity sectors obtained from Zambian Authorities, we may not take such investment as direct investment as such since they are fundamentally the government's investment. However, given that some of the major projects, such as the investment in the telecom, may not be realized without Chinese financing, we have referred to the Chinese investment in this venture as quasi-investment. They are important in showing the Chinese engagement in the country than the level of Chinese direct investment in Zambia as such.

In the transport/road sector, Chinese have totally dominated the Zambian scene. In general, there are many Chinese firms engaging in the construction of roads throughout the country. These firms engaged on the road works currently being carried out in the country. Firms dominating the scene by holding nearly most of the Chinese engagement in the sector.

This is again as a result of minimum bid price they offer and innovative financing mechanisms they come up with. But high Chinese involvement is not going without complain. Some of the complains are related to 1) the quality of the construction undertaking itself; 2) the remuneration to the local labor which is far below the standard expected from such construction work 3) one also would expect high employment opportunities for local unskilled labor as one of the benefits whenever there are such big construction projects. However, such opportunities are rare from Chinese construction projects; 4) equipment and machinery for construction purpose are imported free of import duties and tariffs owing to the incentive scheme the government set out to develop infrastructure. Chinese use this opportunity to import technically outdated equipment which after the projects in Zambia are completed, invariably does not give significant service. Finally, regarding the Chinese projects, it is reported that the standard of the Chinese labor (and also products) is by far below the international standard. The Chinese are also using their connection with top government official political muscle to crowd out domestic firms (perhaps the authorities may prefer to deal with the Chinese than domestic firms to get unnoticed in whatever they are doing this however, hampers technology transfer from Chinese to African firms). Invariably Chinese firms that won big contracts are seen remaining in Zambia by opening offices and local subsidiaries of their company in the course of their first project in Zambia. The latter may have both benefits and costs that need closer examination.

Notwithstanding these problems the Chinese are building the much-needed roads, electric power stations, engaged in copper exploration and similar productive ventures in Zambia from which Zambia would benefit. It is interesting to ask whether this pattern of Chinese engagement affects the pattern of investment and investment policy in Ethiopia. On the positive side, Chinese investment in Zambia could facilitate investment in Zambia through the provision of infrastructure (in relatively short time) and affordable and appropriate technology to local firms, as can be gleaned from our survey results.

The negative side relates to Chinese competitive threat to the infant but growing local firms. Chinese engagement in investment may also have a limited (but not major) impact on investment policy because it has the ability to call upon the political mussel of the Chinese government whenever it needs that from the government of Zambia. Given the strong relation between the Zambian and Chinese government, this is not difficult to bear fruits by making the investment policies and rules to benefit Chinese firms.

We may begin by looking at the trade related impact of China investment on Zambia. The effects of Chinese direct investment in Zambia on the bilateral trade hinge upon the motivations of Chinese direct investment. This effect could be looked at through series of scenarios such as strengthening the production chains and specialization, technology spillover, substituting Chinese exports to Zambia by local production. It can be read from our survey data that Chinese firms in Zambia could be characterized as two of the four cases Chinese affiliates produce finished goods for Zambia with raw materials or intermediate inputs produced in Zambia of Chinese firms in Zambia reported as doing this.

What is missing is the case of Chinese affiliates that produce goods for Chinese market using inputs from Zambia and inputs from China, respectively. Chinese affiliates produce finished goods for Zambia with raw materials or intermediate inputs imported from China.

The internationalization of Chinese investment has been discussed together with its motivation and drivers among others. Nevertheless, most explore at state level and little attention has been paid to enterprise level and the consequent implications. Thus, this research on a Chinese Investment can identify opportunities and challenges and indicate what Chinese actors can bring about in Zambia in a broader context. In addition to rebalancing the trade deficit mentioned earlier, china's investment has contributed to the local economy of Zambia. Firstly, China has led to technology transfer. Under which circumstances, providing employment opportunities can be seen as a way to revive the country. Chinese companies have employed Zambian labor. Despite this contribution to the local economy, there are still a number of problems regarding labor relations. Currently the rate for these jobs still remain questionable. It therefore seems that foreign investors' compliance with labor standards presents a challenge to the Zambian government. Robust systems for effective monitoring and enforcement are required.

Chinese textile goods have been claimed to flood the African markets to such a degree that is has been addressed as a "textile *tsunami*" in 2005. Especially in South Africa it was reported to be a relatively large issue and affected up to 30.000 people who lost their jobs due to this textile flood (AsiaNews.it 2005). In order to prevent the same thing from happening in Nigeria, the country went a step further and imposed a ban on imports of textiles (Thorniley 2010). However, in 2006 the Chinese Premier Wen Jiabao went to South Africa and met with the President Thabo Mbeki and made an agreement about a restricted export of textiles to South Africa, as the stated intention was not to harm any country´s industries (FOCAC 2006b). In this case, China changed its trade policy after negative voices from South Africa but without any known interference from international organizations. Hence, structural realism is still of relevance in this case, as the states are the main actors solving the issue among themselves.

A further notion on the African textile industry, was a reference to a case in Zambia concerning a BBC report from 2008, where China is said to "flood the industry", but in reality it was more the case that the locals actually prefer imported, not necessarily only from China, textiles of a better quality than what their local textile mill could produce, and this pattern had been developing the last two decades, hence it was not a new phenomenon (Brautigam 2009:215). This comment reflects what was deemed to be one of the most critical aspects of the China and African trade relations misinterpretations by the news media. What was interesting in this relation was the structure of Chinese exports, which is said to have changed since 2000. From in 2000 to mostly consist of apparel (28%), technical equipment (machinery and transport) (27%) and other manufactured goods (26%) (Yong 2011), the majority of Chinese exports comprised in 2009 of technical equipment (41%), communications equipment (20 %), vehicles (19%) and lastly, electronic machinery (18%) (Yong 2011). From the above it was evident that the trade patterns have changed from textile goods to consisting of more value-added goods as heavy machinery. This change in exports could be due to a fierce criticism from African textile producers asserting that their production is being harmed by the Chinese goods, and hence reflecting a Chinese adjustment in their exports. However, the changes could simply have been due to a change in African demands, due to the development of African economies in the recent years.

As China stated in its white paper on its foreign aid, it was a developing nation, thus its amount of foreign aid was conditioned by its own development stage. However, as China is believed to have reached its current prosperous stage because of foreign investments and trade, it was assumed to promote the same path for its developing partners.

Because there was no official amount of the aid China has allocated to African countries over the last decades, another point of departure has been chosen to investigate this assumption. It was for obvious reasons impossible to determine the exact trajectory of China´s development aid in terms of its ambitions, which was in line with realism concepts of not knowing the exact intentions of other states. However, it was for the current moment possible to state that China had diplomatic relations with 49 African countries, while four still remain loyal to Taiwan, those being Burkina Faso, The Gambia, Sao Tomé and Príncipe and Swaziland (Large 2010:94-96).Yet, this did not prevent Chinese activities in these countries, and China had obtained oil and drilling rights in São Tomé and Principe in recent years (Foster et al. 2008:ix), done construction work in The Gambia (Brautigam 2009:64-65) and even won contracts in Swaziland, despite latter being the only African country China has never had diplomatic relations with (Brautigam 2009:68-69).

First and foremost, it seemed that economic considerations favor political issues when it came to the activities in these countries. However, the obtainment of oil rights was assumed to be an exception from this rule, since its supplemented China´s energy need, and the construction work was not financed primarily by China but by other countries in these cases, which also could be seen as making a difference. In sum, it could be said to reflect that China´s activities were primarily driven by the economic pragmatism initiated by Xiaoping in the late 1970s.Furthermore, other aspects that supported the assumption that China´s primary goal was trading was that China reformed its aid assistance in the 1990s. But even before this time, China attempted to restructure its aid practices with an attempt to connect aid to investments.

That is, to invest in former aid projects in the form of a leasing practice, or to establish joint ventures on the terms that China would buy some of a

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country´s debt in return for equity shares in joint ventures (Brautigam 2009:62-63).

This furthermore reinforced the interpretation that the Chinese government was interested in revising its aid practices and made new attempts of changing these, in case it would provide new economic opportunities. Moreover, it reflected what Xiaoping mentioned regarding his emphasis on the importance of experimenting and that this is a way to improve established practices. This led to a reform of the Chinese aid practices in the 1990s, where China introduced several new policies and agreements concerning and connecting it further to its African friends. However, it also meant to redirect the aid projects from prestigious building projects and into a "value for money" approach from a Chinese perspective. This would also include lessons learned in the previous decades of foreign aid assistance, but are also referred to as including more "market-oriented principles" (Brautigam 2009:78-79). In 1993, the Chinese government established the Foreign Aid Fund for Joint Ventures and Cooperative Projects with some of the repayments of the interest-free loans given to developing nations. Additionally, the Exim bank was established in 1995 and offered medium- and long-term loans with a low-interest (Appendix 1). In the same year Chinese foreign aid would now attempt to "combine *aid to Africa, mutual cooperation and trade together*." This notion was furthermore said to have been developed due to own experiences (Brautigam 2009:80). That is, an expansion of the Eight Principles from 1964 stating that aid should be more than just alms but of mutual benefit, and that aid is not meant to make countries dependent but self-reliant and economic independent. Last but not least, the China-Africa Development Fund (CADF) was established by the China Development Bank in 2007, with the objective to promote joint ventures between either SOEs or private Chinese companies with African companies or other nationalities. Furthermore, the objective was not to provide aid, but to set up a fund on market-based principles (Brautigam 2009:93-94).

However, even though several cooperative ventures and other funds meant to facilitate and foster cooperation between the two actors have been established, it does however not directly reflect the amount of cooperation between China and African countries.
However, it can still be perceived as an indication of a willingness to increase the amount, as well as a diversification of loan options. It can also be considered as a genuine interest in African development. However, in general China can be said to only have an interest in maintaining good relations with its African partners, due to not only economical and resource supply issues, but also due to diplomatic reasons.

In terms of cooperating there are several indications on that China to a large degree asks the African countries what they want, however, China will also turn a project down if it turns out not to be economical feasible (Brautigam 2009:72-73,55). In general, China´s aid rhetoric tends to imply rapid practical implications and a distancing from political conditions (Large 2010: 94 & Brautigam 2009:76). However, to what degree it in reality is unconditional will briefly be discussed. Seeing that the concessional loans are tied to a certain requirement of Chinese goods and services having to constitute 50 % of the loan, it cannot be considered as entirely unconditional. However, according to Brautigam, the percentage used to be 70 % but was later reduced to 50 % as the Chinese are aware of the international attempt of reducing the amount of tied aid (Brautigam 2009:174). This clearly reflects that China is emphasizing its mutual benefits paradigm often referred to in various policies, but also to China´s dynamic approach to

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adapting to international situations and improvement of contemporary practices as described in the white paper on Chinese foreign aid. In general, much indicates that China is more interested in trading with the sole explanation that it is a developing country itself and wish to get “value for its money”.

In recognizing that China is a thinking country, Zambia should learn to do the same. China has an Africa Policy; hence there is need for policies that will strengthen ZDA, Zambia Development Agency) to enable the body effectively regulate all investments into the country. More specifically, because of the enormity of the power of China, there is need to have a China engagement strategy. The existing weak Intergovernmental linkages, as exposed by the AFRODAD (African Forum and Network on Debt and Development) study, needs to be sorted out as this is extremely cardinal for the success of ZDA.

Government must facilitate effective linkages with CSOs (civil society organizations) and private sector. Disclosure of Information regarding development agreements has to be promoted this allows for strengthening of oversight and follow up by Stakeholders. There is a need to strengthen the investment policy so that it sets the conditions of what is acceptable and what to be weary of, like ensuring that Zambia as a recipient country benefits from aid just as much as the Aid givers do; the technical people in the Ministry of Finance and National Planning and the Ministry of Commerce, Trade and Industry must take charge of negotiations in order to prevent cadres or politicians who may be incompetent, from playing this role. Tax regimes given to investors must be revised to avoid.

The development aspirations of the country must guide at all times to help harmonize interventions in the form of aid and investments. It must be clear how government is proceeding in functionalizing the (Fifth National Development Plan) FNDP and how Aid and investments, Chinese or any other donor, fit into these plans.

The Private Sector must be Innovative and dynamic and play the role of taking responsibility to identify those elements that are necessary for its development and the development of the nation e.g. infrastructure and what kind of infrastructure is needed. The Private Sector must seek to engage in joint ventures. However, capacity is needed to do this; as such the Private Sector must advocate for this through for example the creation of Private sector forums in relevant Ministries at which specific information is shared and as much as possible bring on board Small Scale and Medium Enterprises (SMEs) in the joint ventures.

Private sector in Africa must go beyond only engaging in trade as buyers of finished products from the developed countries and sellers of raw materials to the developed world. But must get into an investment mode and embark on value addition, production and innovation. Private Sector should research on the potential of specific investment and business activities.

Identify those Areas of business for which Zambians are competent and investors are not needed. Explore possibilities of Zambian private sector accessing big money and how government guarantees can help the private sector has meaningful capital to engage in large investments. Development Bank of Zambia (DBZ) must be the sole channel for these guarantees for private sector to ensure coordination.

Private sector must continue to advocate within the framework of the FNDP for more opportunities for jobs and entrepreneurship. For instance, study and understand the Citizens Economic Empowerment Commission’s (CEEC) mandate and the potential it offers for growth carry out an assessment of the sectors that China wants to invest in, so as to keep strengthening the issue of priority areas. As well as, demand accountability of usefulness for development processes such as the MFEZs.

During the last 25 years, China's economy has changed from a centrally planned system that was largely closed to international trade to a more market-oriented economy that has a rapidly growing private sector and is a major player in the global economy. China's reforms started in the late 1970s with the phasing out of collectivized agriculture, and expanded to include the gradual liberalization of prices, fiscal decentralization, increased autonomy for state enterprises, the foundation of a diversified banking system, the development of stock markets, the rapid growth of the non-state sector, and the opening to foreign trade and investment (China online, 2006).

The restructuring of the economy and resulting efficiency gains have contributed to a more than tenfold increase in China's GDP since 1978. Available data shows that as at 2004, China was the fifth largest economy in the world; but the 129th in per capita terms as it harbors over 20% of the world population (World Development Indicators, 2006). Nevertheless, China's achievement in poverty reduction is unparalleled as it reduced the percentage of its population living on $1/day from about 33% in 1990 to 14% by 2002. China's economy grew by 9.9% in 2005 and according to the Central Bank of China, it is projected to grow by 9.2% in 2006. Indeed, according to The Economist issue of September 9-15, 2006, as at the second quarter of 2006, China had recorded 11.3% growth rate which is not only the highest in the world so far this year but also suggesting that China may exceed the projected growth rate for this year. The upshot of the foregoing is that China's role in the global economy has become very significant and growing stronger since the beginning of this Century. For example, it is projected to become the fourth largest economy in the world by 2006 as it overtakes the UK; the fourth largest receiver of FDI and next to Japan in terms of foreign reserves holding. In 2005, PRC became the world's second largest consumer of petroleum products after the USA, and its imports of natural gas, copper, cobalt and other key resources are rising by as much as 20% annually.

China currently obtains about 28% of its oil and gas from Sub-Saharan Africa, which also has a high proportion of the most desirable sweet crude. In recent times, Africa has also witnessed considerable improvement in its growth performance. For example, since the beginning of this Century, sub-Saharan Africa (SSA) has been registering positive growth rates in per capita GDP terms. However, SSA as a region, registered the lowest annual growth rate of 4.8 in 2004. This improved performance has been credited to the increases in prices of primary commodities, especially oil, metals and other minerals as well as agricultural commodities. As a result, the oil and gas producers including Chad and Equatorial Guinea registered over 10% growth rate while Nigeria, despite the problems in the oil producing areas, still registered 6% growth rate in 2004. On the other hand, countries that are unable to benefit from the on-going commodity boom such as Central African Republic and Cote d'Ivoire and Eritrea, Niger and Zimbabwe registered growth rates of less than 2 per cent in the same year. Given the rising profile of China on the global stage, especially its remarkable economic performance, it is reasonable to expect that it will play greater roles in the global economy than many of the OECD countries. For example, China is now a donor nation and in January 2006, it released its policy toward Africa dubbed, China Africa Policy. The China-Africa Policy aims at carrying forward the long tradition of China-African friendship involving enhancing solidarity and cooperation with African countries. For this purpose, China pledges to establish and develop new type of strategic partnership with Africa featuring political equality, mutual trust, economic win-win cooperation and cultural exchange (China-African Policy, 2006). In Part IV of the policy document, China articulated its strategy for engaging 3 with Africa in political field; economic field; education, science, culture, health and social field; and peace and security field.

Observers of the activities of China on the continent over time will notice that the key elements of the policy have been implemented long before the policy was released. Several analysts and commentators hold sometimes diametrically opposite views on the implications of the emergence of China on the world stage for African development prospects and each camp have very cogent arguments. However, the research finds the position of His Excellency, Jakaya M. Kikwete, President of the Republic of Tanzania quite inspiring as he rightly stated that China and India will not transform Africa; Africans will transform Africa (World Economic Forum on Africa, 2006: 13). He was also reported to have said that ultimately, it is up to Africa to start rowing the boat. Instead of Sino-African relations transforming the continent, the China-India twosome could lend assistance to the transformation and development process (China Monitor, June, 2006). The morale of this disposition is that it is more pragmatic for Africa focus on designing suitable partnership arrangement aimed taking maximum advantage of the opportunities presented by the emergence of China on the world stage and ameliorating the adverse effects of the challenges it may pose. In this presentation, I will, like to focus on China-African relations in economic field with a view to identifying some of the opportunities and challenges Africa may face as China develops a new type of partnership featuring economic win-win cooperation. This is particularly important if the ascendancy of China onto the world stage is to assist in transforming Africa which, in this context, implies putting Africa firmly on the path of sustainable economic growth and development. In economic field China intends to contribute to enhancing all round cooperation between China and Africa primarily through trade, investment and aid which encompasses debt forgiveness, concessional loan and grants.

Accordingly, the rest of this presentation is organized as follows. In the next three sections, the opportunities and challenges of China Africa relations in the areas of trade, investment and aid are presented in turns. The presentation is concluded by a brief statement of the effort of the African Economic Research Consortium to get the African researchers and policy makers to respond the phenomena of China and India and their impact on Africa in the short, medium and long term as well as under plausible scenarios that may emerge. It is the researchers believe that this work, and the outputs of this research will endeavor to provide a useful guide to the design of a partnership arrangement likely to ensure that China actually lends assistance to the transformation and development process as advocated by His Excellency, President Kiwete in dynamic and evolving global context. II. Opportunities and Challenges of China-Africa Trade Partnership II.1 Volume and Structure of China's Trade with Africa in identifying the opportunities and challenges presented by China-African trade relations, it should be instrumental to consider its volume and structure. Beginning with the volume, trade with Africa constitutes only about 3% of China's global trade but it has been growing quite phenomenally. For example, in 1995, total trade with China was only $4billion. By 2005, it has reached $40 billion (China Monitor, May 2006).

China is therefore catching up with, and in some cases surpassing, Africa's traditional trading partners, especially the former colonial powers. China is currently Africa's third largest commercial

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partner after the US and 4 France. Furthermore, it is the second largest exporter to Africa after France and is ahead of Britain in both categories (China Monitor, May 2006). Evidently, although Africa may not account for a large proportion of trade with China, China accounts for a large proportion of Africa's global trade. Table 1. Trade volume between China and selected African countries. Country Beg year Value (million $ US) End Year Value (million $ US) % Change Angola 1996 272.28 2006 11 825.25 4 243.05 Cameroon 1999 84.20 2005 213.00 152.97 Cote d'Ivoire 2001 81.41 2006 358.03 339.79 Ghana 2000 121.94 2006 531.37 335.76 Guinea 2000 34.04 2006 187.77 451.62 Kenya 2004 212.07 2006 481.17 97.18 Madagascar 1999 68.04 2006 333.36 389.95 Mali 2000 56.31 2006 121.12 115.09 Mauritius 2000 17.00 2006 320.18 1 783.41 Namibia 2000 6.64 2006 141.68 2 033.73 Nigeria 2000 560.00 2005 2 827.70 404.95 South Africa 1995 770.00 2006 8 700 1 029.87 Sudan 2000 898.98 2005 4 810 435.05 Zimbabwe 2000 127.10 2006 267.80 110.7 It should also be noted that like it is with other parts of the world, China maintains a trade deficit with several African countries.

Although African exports to China totaled about US$16 billion in 2004, while Chinese imports reached about US$14 billion (Shinn, 2005), this overall African trade surplus is highly misleading. Oil exporters such as Algeria, Angola, and Sudan had huge trade surpluses with China, while virtually every other country had a deficit (Lyakurwa, 2006). The governments in many of the other African countries are deeply concerned by the sizeable trade deficits. To counter this problem, China agreed in 2005 to exempt from tariffs 190 commodities from 25 least developed African countries. China also approved 16 African countries, including Ethiopia, Kenya, Uganda, and Zimbabwe, as destinations for Chinese tourists. This pushed the number of Africa's Chinese tourists to 110,000 in 2005, a 100% increase over 2004, according to Chinese government figures (Eisenman and Kurlantzick, 2006) and it is expected to ameliorate trade imbalances and contribute to these countries' economic growth. These initiatives must have contributed to a reduction in trade deficit from over $ 2 billion in 2004 to around $ 900 million by 2005 (China Monitor, August, 2006). Turning to the structure of trade, Sub-Saharan Africa (SSA) is a major producer of many of the world's most important minerals and metals, including platinum-group metals (PGMs), gold, diamonds, uranium, manganese, chromium, nickel, bauxite (aluminium raw material) and cobalt – not to mention petroleum and gas. There are substantial mining industries in numerous African countries. Democratic Republic of Congo (DRC), Ghana, Namibia, Nigeria, South Africa, Tanzania and Zambia are the largest mineral and metal producers in SSA, and there are many smaller-scale producers (e.g., Botswana, Mozambique, Namibia and Sierra Leone) (Lyakurwa, 2006). Exports from African countries to China have been predominantly of extractive industries products – minerals, petroleum, metals and timber – while China has been exporting finished goods ranging from machinery and equipment to vehicles, textiles, clothing and consumer electronics. In essence, Africa is primarily as source of crude materials and also a market for Chinese finished goods. For example, Sudan is a major oil supplier to China, currently accounting for 7.7% of Chinese total oil imports. Also, China has become the third major purchaser of oil from Gabon, after the United States and France, and trade relations between the two countries are expanding. For example, over 60% of Gabon's timber is exported to Asia, mainly to China. While China has become a major market for Africa's exports, its importance varies across countries. As can be seen from Table 1, China is extremely important for Sudan and Angola both in terms of the share and growth while it is less so for

Botswana, Kenya and Uganda. The indication is that there is nothing universal about the character of China-Africa trade. Accordingly, the nature and significance of the opportunities and challenges will vary across countries requiring nuanced partnership arrangements between individual African countries and China.

Conclusion

Chinese businesses have contributed immensely to the economy of Ndola and indeed Zambia. There are areas that need improvement in order for Zambians to benefit much more than they are currently especially in employment benefits.

In addition to such direct investment, Chinese firms are also active in major investment activities that are being carried by the government of Zambia, especially in infrastructure. The information about the value of Chinese total contract amount in road construction and electricity sectors obtained from Zambian Authorities, we may not take such investment as direct investment as such since they are fundamentally the government's investment. However, given that some of the major projects, such as the investment in the telecom, may not be realized without Chinese financing, we have referred to the Chinese investment in this venture as quasi-investment. They are important in showing the Chinese engagement in the country than the level of Chinese direct investment in Zambia as such.

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The internationalization of Chinese investment has been discussed together with its motivation and drivers among others. Nevertheless, most explore at state level and little attention has been paid to enterprise level and the consequent implications. Thus, this research on a Chinese Investment can identify opportunities and challenges and indicate what Chinese actors can bring about in Zambia in a broader context. In addition to rebalancing the trade deficit mentioned earlier, china's investment has contributed to the local economy of Zambia. Firstly, China has led to technology transfer. Under which circumstances, providing employment opportunities can be seen as a way to revive the country. Chinese companies have employed Zambian labor. Despite this contribution to the local economy, there are still a number of problems regarding labor relations.
Currently the rate for these jobs still remain questionable. It therefore seems that foreign investors' compliance with labor standards presents a challenge to the Zambian government. Robust systems for effective monitoring and enforcement are required.
We had also examined four risks which were associated with increased Chinese FDI – business cycle management, crowding out of domestic small and medium enterprises (SMEs), tax avoidance, and labor market distortions. In each case, we again analyzed the challenges, then will offer recommendations to mitigate these risks.

Highlighted recommendations include:

- Business cycle synchronization – Channel more investment to market-seeking rather than resource seeking FDI, and build policy buffers to manage external shocks.
- Crowding out of Domestic SMEs – Incent vertical spillovers, identify barriers to forming partnerships and technology transfer, and ease capital constraints on SMEs.

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- Tax Avoidance and Evasion – Prioritize spending on tax monitoring and evaluation, and engage the South African Revenue Services or OECD Tax Inspectors without Borders to share best practices and improve tax administration capacity.
- Changing labor relations – Monitor wage and productivity levels in Zambia's formal sector, and invest in technology and human capital to improve labor productivity.

Recommendations

The following recommendations were drawn from the conclusion:

- The first important point related to the fact that the government of Zambia didn't seem to have any policy or conditions regarding its economic engagement with China i.e. based on studies of this kind. It is high time strategies are put in place.
- Secondly, the study showed that there were both positive and negative impacts that emanate from Chinese investment in Zambia.
- This called for an appropriate policy direction and incentive schemes to benefit both countries from these economic relations. This must be regarded as the number one priority in this era of the business age if economic development
- Thirdly, the study noted that managerial skill transfer as well as technology transfer is very important for Zambia firms. One vehicle to do that is to engage in joint venture between Chinese and Zambian firms. Our study shows, however, that while the Zambian firms would like to see that, Chinese firms are not enthusiastic about it. This calls for an appropriate incentive scheme by the government that encourages such joint ventures.
- Fourthly, the study also noted that the level of skill and expert difference between Zambia and Chinese counterparts in negotiation and investment engagement might be working against the interest of Zambia in the short run and both countries in the long run. To tackle this, Zambia needs to upgrade the skill of its work force, bureaucrats/experts in the long run.
- Government, in support of investment ought to educate the business sector and the general public on why China must be regarded as partners in economic development.
- This would in turn give stakeholders the confidence they deserve to contribute to the growth of the Zambian economy.
- Collaboration was a powerful force in fostering business development and this should be encouraged by various stakeholders interested in business and economic development as such groups bring skills transfer, innovative ideas, job creation, for the betterment of the social economic development, society they live in as well as the country at large.
- Government should look into resource acquisition and spending strategies for the purpose of ensuring sustainable development.

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