The Impact of Chinese FDI on Zambia's Socio-Economic Development

McMillan Jere
School of Business Nanjing Normal University
163 Xianlin Street, Wenyuan Road, Qixia Distirct, Nanjing.
TEL:86-25-89682575 Email: njuas@nju.edu.cn

Abstract
There has been an increase of Chinese investments in many parts of the globe. According to Bo Li (2016), China's outward foreign direct investment OFDI stock has grown from $1 Billion in 2004 to more than $30 Billion in 2014. However, there is an ever-growing volume of literature premised on the criticism of the impact of Chinese investment in Africa and other parts of the globe. Many studies have cited China as being after the resources of its host countries without much concern to the effects or benefits to local populations, (James Mayers:2015) and (Reisen and Rielander:2011). This paper made an attempt to explore the impact of Chinese FDI on social economic development focusing on job creation and poverty reduction in Zambia. The study was largely qualitative in nature and adopted a mixture of descriptive and explorative study designs. The study focused on Zambia because of the unique bilateral ties with China which span over decades. Furthermore, many studies done on Chinese FDI usually aggregate all African countries overlooking the differential impact of the source and type of Chinese FDI in Africa which makes it difficult to generalize findings, (Abdoulkadre Ado Zhan Su:2016). While many studies only focus on the economic effects of FDI by stressing on quantitative aspects, this study went further to analyze a mixture of qualitative and quantitative variables within the socio-economic context. This approach was adopted in order to provide a comprehensive analysis and hence a point of departure from other similar studies done on this subject. Less focus was laid on characteristic of FDI which in itself was a delimitation. A number of key conclusions revealed through my findings are that China has made significant investments in different sectors of the economy which have translated into job creation and helped to lift thousands of local people from poverty. However, despite the numerous investments made, jobs created are mostly for unskilled laborers. In addition, although most firms meet the minimum wage requirement, wages still fall below the Basic needs and nutrition basket, (Jesuit Center for Theological Reflections:2022). These are some of the areas of concern which have undermined notable gains. The paper therefore starts by unpacking suppositions surrounding FDI, then makes efforts to disambiguate economic growth from economic development before stressing on the findings and finally drawing conclusion.
Keywords: FDI, economic growth, economic development, sustainable development.
DOI: 10.7176/JESD/14-10-01
Publication date: May 31st 2023

Special Acknowledgements To:
Professor Pan Nzhen for the continuous guidance and mentoring. Dr. Mwewa Musonda, Dr. Jason Lungu, Dr. Isaac Kabelenga and Dr. Masautso Chirwa for their support and encouragement.

Introduction

According to Andrés et al (2012), the basic motivation of attracting FDI for many host or recipient countries is to increase the stock of foreign investment which many believe can translate into local firms increased access to global markets, job creation, poverty reduction and subsequently improvement of people's livelihoods. Being one of the relatively recent entrants in international business, China's FDI in Africa has constantly come under scrutiny and in most cases outright criticism over its engagements with Africa. The country has been accused of having purely exploitative intentions on the continent, However, other studies (Robert Rotberg:2008; David Shinn:2012: Wu and Cheng; 2010 and Anshan Li:2006) have posited how Chinese FDI has helped to lift the living standards of many local people in Africa. Therefore, the question as to whether Chinese investments in Africa have a positive or negative impact continues to be a subject of heated debate.

This dichotomy between the pessimistic and optimistic schools of thought concerning the presence of Chinese investment in Africa has been a function of conflicting findings and conclusions. It remains a source of concern whether this lack of consensus is due to biases affected by vested interests driven by authorship inclinations, mere methodological discrepancies or due to lapses in analytical techniques. It is in this regard, more so given the few comprehensive studies that have been conducted on this subject that further research is warranted in order to shed more light and perhaps help to narrow the gap among various contending narratives.

This paper is divided into three main segments; the first segment is a presentation of the conceptual framework. This segment looks at various suppositions and arguments around FDI vis-a-viz socio-economic development. The second segment looks at how positive spillover effects of Chinese investments in selected sectors of the

Zambian economy in terms of employment creation and poverty reduction. The third segment sheds light on some of the factors that have contributed to bolstering a negative narrative about Chinese FDI before drawing conclusions in the last segment.

Methodology

This study was largely ethnographic in nature with the focus mainly laid on eliciting perceptions and experiences from the local people. The study therefore relied on observation and interviews conducted with various institutions and firms in two major provinces of Zambia where there is a large concentration of Chines FDI - Lusaka and Copperbelt provinces. Interviews were conducted with 30 key respondents from different sectors including workers from the mines and other firms in Lusaka who were purposively sampled. These key informants were selected from civil society organisations, academicians from higher learning institutions, civic leaders, trade unions and policy analysts from the Government. The study also utilized desktop research by reviewing literature from different sources on the subject including both primary and secondary information sources. The study focused on the period between 2010 and 2020. Data was analysed using conceptual content analysis whereby concepts selected for examination were categorized into thematic areas after which the information was coded using selective reduction by reducing the text into manageable categories and systematically recording the frequencies.

Conceptual framework

According to a report by UNCTAD (1996), developing countries now perceive FDI as making a positive contribution to development which has led to changes in FDI regimes as part of a broader set of reforms. Among the strategies employed include opening up of economies to foreign trade and placement of greater emphasis on strategies aimed at international competitiveness. This has created competition among countries as they try to set up the best incentives for investment. Foreign direct investment is believed to be critical for enhancing development in emerging market economies whose companies need the multinationals' funding and expertise to expand their international sales. Emerging economies need private investment in infrastructure, energy, and water to increase jobs and wages. (www.thebalance.com). However, the entry of China into international business affairs has created a whole new body of literature with many studies increasingly focusing on assessing the source and motive of FDI. These efforts have resulted into a divide between what has been categorized as traditional and non-traditional sources. This albeit, the nomenclature in this dichotomy seems to be molded more by the West-South socially motivated narratives than by reality. In this regard, the conceptual framework looks at FDI generally without making a distinction between traditional and non-traditional aspects.

FDI and Economic Growth

FDI is widely recognized as one of the ways through which countries can spur economic activities and enhance growth in a country. Among the ways FDI is known to bring development is through improvement of different economic variables such as increased manufacturing through improved technology, increased exports and job creation among others. Much of the body of research (Chang and Rosennzweig, 2001: Daisuke, 2008) conducted on the relationship between FDI flows and economic growth have revealed that there is a positive link between increased stock of FDI and economic growth. According to UNCTAD (2012), FDI contributes to capital formation and other intangibles like skills, technical and managerial knowhow and provision of stable capital inflows. Foreign direct investment is now considered to be an instrument through which economies are being integrated at the level of production into the global economy, (UNCTAD: 1996).

Furthermore, FDI is able to stimulate technological capacity building for production innovation and entrepreneurship within the larger domestic economy through catalyzing backward and forward linkages. Sasi and Hristos (2015), also observed that several meta-analyses and surveys of FDI spillovers literature, (e.g. Clark et al. 2011; Havranek and Irsova 2011; Havranek and Irsova 2012; Meyer and Sinani 2009) establish that FDI is generally associated with positive spillovers. Studies have further shown that many of the now prosperous economies have had significant inflows of FDI. Perhaps another interesting pointer of this relationship is the fact that global flows and distribution seem to be in alignment with developed economies. Global distribution of FDI shows that areas with high foreign investment stocks also seem to be developed or at least developing at a fast rate.

As much as there are many studies which have shown the efficacy of FDI in bringing about economic growth, it is also worth noting that the mere fact that a country has recorded flows of foreign direct investment does not automatically follow that it will translate into growth taking place. Ironically, there are cases where FDI has had negative effects on the host economy hence acting as a barrier to developments efforts. UNCTAD (1999), stresses that there are areas in which FDI can be negative, for example, in cases where competition is stifled, restrictive business practices are used or when transfer prices are manipulated. Riveros, Vatter and Agosin, (1996), observed that FDI in the natural resources sector has traditionally not had strong linkages with the domestic economy, for example, a study of FDI in Chilean natural resource industries revealed that FDI has had much less impact on domestic firms through backward or forward linkages than what obtained in manufacturing. FDI is thus more likely able to create forward and backward linkages when in the manufacturing or services sectors than in natural resources where foreign affiliates often have few interactions with the domestic economy. UNCTAD (1999).

Economic Growth and Development disambiguation

Most studies which have been conducted on the impact of FDI have placed emphasis on the relationship between FDI and growth and almost exclusively focusses on economic variables. However, economic variables alone cannot be entirely relied upon when assessing the socio-economic impact. According to Narula and Lall (2004), Balasubramanyam et al. (1996), the presence of FDI alone is necessary but not a sufficient condition for development to take place. In this vein, it is possible to have economic growth which is devoid of economic development. This perhaps helps to explain that while there has been a long history of FDI in many Third World Countries and supposed growth patterns in the associated economic variables, little has translated in improved standards of living in these countries. This phenomenon should perhaps go to inform decisions about why any assessment of the benefits of FDI should increasingly focus on development as opposed to economic growth, more so if the relevance of FDI is to be justified.

According to the International Economic Development Council (IEDC), there is no single definition that incorporates all of the different strands of economic development. Typically, economic development can be described in terms of objectives and these are most commonly described as the creation of jobs and wealth, but most importantly, the improvement of quality of life or well-being of a community, (www.redwoodcountyeda.com).

Economic development is therefore a broader concept than economic growth which reflects both social and economic dimensions of progress. Dependence theorists have argued that despite some countries recording impressive statistics in economic growth, this has done little to improve living standards. Conversely, other arguments advanced in this regard have equally stressed the importance of economic growth. They have pointed out that economic growth leads to increased average incomes which translates into improved living standards.

Sustainable Development

In order for any investment to be meaningful, it has to impact people in a sustainable way. Modern discourse on development agendas is increasingly being oriented towards sustainable development. The World Commission on Environment and Development defines sustainable development as the process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations (WCED:1987). Therefore, in assessing the impact of Chinese FDI within the context of sustainable development, focus was laid on two important concepts – eco-efficiency and socio-efficiency. While the former relates to economic value added by a firm in relation to its aggregate ecological impact, the latter relates to a firm's value-added vis-a-vis social impact either negative or positive, for example, work accidents, human rights or corporate social responsibility, employment creation etc.

One of the critical aspects falling within eco-efficiency is the issue of environmental degradation. According to the Worldwide Fund Report on foreign direct investment and environmental degradation (2003), the growing role of FDI in the global economy has generated considerable debate about the impacts of FDI on sustainable development. Some of these concerns are centered on the impacts of FDI (whether conventional or traditional) especially on environmentally sensitive sectors such as mining, fishing, tourism and forestry, especially in poor countries which lack adequate good governance or regulatory frameworks. The Report further stressed that without adequate protection not only for the environment but also for human health, workers' rights and civil and political rights, FDI has the potential to have net overall costs rather than benefits for developing countries.

Sino-Africa economic nexus

A number of studies have stressed how mutually beneficial the Sino-Africa economic relations have been, Yin and Vaschetto, 2011; Caroline and Murphey, 2009. They have argued that Chinese investments in Africa have been on a win-win basis and that the engagements provide space for African countries to chat their own development path. According to these studies, Africa has benefited in terms increased revenue through tax from the various businesses established by Chinese firms. Other benefits have also been in terms of improved infrastructure including roads, rail lines and ports among others.

China's investment interests in Africa have often been focused on long term engagements which creates a conducive environment for medium to long term planning and stable trajectories for African economies. This position is supported by a survey that was conducted on 35 Chinese contractors working in Africa which revealed that long-term or permanent entry mode into Africa was the most frequently used, Chuan and Orr, 2009 cited in Abudoulkadre (2016).

According to Shin and Eisenman (2012), African countries have benefited from Chinese investments through skills development in various fields including agriculture, science, medicine and technology which have significantly contributed to accelerating the continent's economic development.

There are many notable examples in Africa of countries which have experienced remarkable improvements in various sectors of the economy due to investments by Chinese firms. Rwanda is among the countries which have recorded significant improvements in infrastructure such as schools and roads which has also helped to create employment, (BRN, 2011; Europa World, 2012). Angola is yet another country where Chinese firms have made huge investments with massive infrastructural projects. According to Schmitz Cheryl Mei ting (2021), over four hundred state and private Chinese firms were operating in Angola.

However, according to Abudoulkadre (2016), the win-win narrative is problematic to ascertain because it is premised on aggregated information from African countries. Generalizing Sino-Africa benefits overlooks the fact that economic relations (whether in terms of FDI or trade) with China have not influenced African countries in the same way. In this vein, whereas there may be benefits in some countries, the same would not be true for others. This deferential effect becomes more glaring depending on whether the firm involved in FDI is private or state led. Whilst private led firms have strictly focused on maximizing profits and in certain instances have had a tendency of flouting certain environmental and labour regulations, state led firms have exhibited a more socialist approach towards investments with a medium to long term focus whilst at the same time observing regulations in host countries.

Analysis and Discussion

Results of the impact of Chinese FDI are quite mixed across different spheres of the Zambian communities. Therefore, for purposes of this study, a minimum wage and the basic nutritional needs basket were used in the overall analysis and assessment in terms of type of employment created and poverty reduction. The minimum wage was used because it is the legally prescribed minimum remuneration needed to cover basic needs and below which a person is considered to be living in poverty, while the BNNB was considered because it evaluates salaries/wages in relation to the cost of living. It is also noteworthy that since poverty is a relative term, measuring it cannot be confined to a fixed metric. Therefore, a more realistic measure of poverty can only be done within a particular context.

Positive effects

A number of studies (Andrés et al 2012) and (UNCTAD 2016:161) have shown that China has made significant investments in Africa which have helped to lift thousands of people from poverty and led to improvements to their livelihoods. In 2014, Zambia was among the top five African destinations of Chinese FDI besides Algeria, Kenya, Republic of Congo, and Nigeria, (http://www.sais-cari.org). From 2015 to 2018, Chinese investments to Zambia ranked second among African countries and the stock of China's direct investment had accumulated to over 3.6 billion US dollars by 2018. (https://www.facebook.com)

According to the Chinese Embassy website, Zambia currently hosts more than 600 Chinese firms which have provided a combined investment of more than US$3 billion. This investment has translated into the creation of approximately 50,000 jobs for the local people. (http://zm.china-embassy.gov.cn)

In order to provide a clearer picture of the contribution made by Chinese FDI, a sectoral approach was used to help with illustration. The study focused on selected sectors of the economy including mining, manufacturing and construction.

Mining

Chinese FDI has played an important role in bringing back to life the mining sector in Zambia. Following the pull out of Anglo-American Corporation from Zambia claiming that running the mines did not make economic sense, thousands of people lost their jobs and many were rendered destitute. This led to spiking poverty levels in the once thriving Copperbelt. According to Pengtao Li, (May 2010), the Mineworkers Union of Zambia, one of the country's largest and most influential trade unions, had at that time estimated the number of those directly and more than 110 000 were indirectly affected by the closure of the mines to have been more than 600,000.

However, China took over the running of most of the mines which had been deserted by Anglo American Corporation. This move by China to invest in mines that were said to be non-viable by the previous owners negates negative assertions about Chinese FDI in Africa being purely for exploitation. (https://globalriskinsights.com)

In 2009, a Chinese company acquired Albidon Nickel Mine in Mazabuka from its Australian owners. CNMC and another smaller Chinese copper firm signed a deal in 2006 to invest USD 220 million to build a 150,000-ton copper smelting plant, which became operational in 2008. The Mine has created about 400 direct jobs and helped to provide business opportunities for local businesses, (https://diggers.news).

Another huge investment in the southern part of the country is the Collum Colleries a Chinese owned coal mine which has been in operation since 2000. The firm has created jobs for about 1000 people, (www.ejatlas.org)

In the Copperbelt, Chinese investment is the Luanshya Copper Mine, which China Nonferrous Metal Mining Co. (CNMC) acquired in 2009. Prior to the Chinese coming on board, the mine's previous owners had put it in suspended care and maintenance status which had rendered the area to be a 'ghost town'.

In 2010, China Copper Mine (CCM) opened a mine in Chingola District which had been closed for several decades. The company made an investment of about 40 million U.S. dollars which resulted in the creation of 400 jobs for the locals which helped to reduce poverty levels in the district and the country as a whole, (www.xinhuanet.com)

Chambishi Copper Smelter Company Limited is yet another huge investment involving Chinese firms in the Copperbelt which is also the first large-scaled modern pyro metallurgical copper smelting project established overseas by China. CCS is owned by two shareholders - China Non Ferrous Metal Mining(Group) Co. Ltd. (CNMC) with 60% shares and Yunnan Copper (Group) Co. Ltd. (YCC) with 40% shares. CCS has created employment for over 1,600 employees and another 300 indirect jobs have been created through companies contracted to work at the mine,(www.sulphuric-acid.com)

In 2011, Metorex a subsidiary of a Chinese state-owned firm –Jinchuan Group took over operations of Chibuluma mine with 85% ownership. Located in a semi-rural area of Lufwanyama District, approximately 10 km south of Kalulushi, the firm has provided employment to about 340 locals in Kalulushi which is a significant number in relation to the local population, (www.metorexgroup.com)

Construction

Africa in general and Zambia in particular has an infrastructure deficit as noted by the World Bank Report titled 'Building Bridges' (2009). According to this Report, poor infrastructure has greatly contributed to pushing up the cost of doing business in comparison to other countries in the region. However, the Report identifies China as having the capacity and resources to fill this gap which is likely to result in reduced road freight costs and reduced travel time to key export corridors.

The construction sector in Zambia has seen the involvement of Chinese firms in most of the construction projects in the country. Apart from the known addition made to infrastructure and subsequent positive benefits to the economy, these projects have had a direct impact on the lives of the local people through employment creation for thousands of Zambians.

Among the notable major Chinese-funded construction projects in the country include the construction of a 750 megawatts power project by Sinohydro in Chikankata district. This project has not only contributed to improved energy supply in Zambia but also translated into socio and economic benefits for the lives of the local people. During the construction period, the project had created about 4,000 jobs, and was projected to provide a further 400 permanent jobs once fully completed. This included other spillover effects on other industries as well such as suppliers and enhancing various small businesses for local people. (http://www.xinhuanet.com).

China has also set up a US$900 million Multi-Facility Economic Zone (MFEZ) in Chambishi, Copperbelt Province. This project was the first Chinese overseas economic and trade cooperation zone ZCCZ in Africa which invested 190 million US dollars creating more than 8000 jobs for the local people. According to a presentation made by Albert Kasoma (2019), the Multi Facility Economic Zones have resulted in expanded industrial infrastructure facilitating billions of dollars in foreign investment and expansion of the country's productive capacities. (www.pmrczambia.com). Through the ZCCZ, Sino-Zambia Friendship hospital in Kitwe provides health care services to the area and surrounding communities.

In Central province of Zambia, China Jiangxi United industrial Investment limited has built another multi facility economic zone which is a combination of an industrial park, technical innovation center, and agricultural processing zone. The Zone has an estimated investment of $600 million. By September 2021, five Chinese firms had agreed to invest $160 million. The Zone had created 500 jobs and project managers had expected that number to grow to 1,800 by end of 2021 and to 6000 by 2025. (https://www.dandc.eu), (http://www.daily-mail.co.zm)

In 2021, combined investments in MFEZs and Industrial parks amounted to USD 2.74 billion which resulted in the creation of 35,794 jobs. (http://www.zda.org.zm). The MFEZ projects are being implemented in Zambia with a view of increasing the economy's competitiveness through increased trade and manufacturing.

Manufacturing

According to Kamwanga and Koyi (November: 2009), Chambishi Multi-Facility Economic Zone (MFEZ) on the Copperbelt is the largest project in terms of manufacturing investment. Suggestions are that once fully operational, the Zone will have projected employment creation of about 60,000 people, (Carmody and Hampwaye, 2009). According to a World Bank working paper by Zhihua Zeng, (February 2016) CMFEZ had 8,211.

Furthermore, the Chisamba multi-facility economic under China's massive Belt and Road infrastructure initiative is meant to help Zambia bolster efforts to build up the country's manufacturing sector and diversify its economy away from dependence on agriculture and mining. https://www.dandc.eu

Given all these investments especially in the mines (most of which had been closed for many years) it cannot be denied that they have massively contributed to bolstering economic activities in the country more so in the Copperbelt region of the country. Various small businesses have sprung up including suppliers and other downstream value chains which have helped in overall employment creation and poverty reduction for many households which had no source of income. Agenor (2004) cited in Olaf J de Groot (2014) has posited that by creating employment for the low skilled, FDI helps the very poor and helps to reduce income inequality. The argument however should be on the net impact of these investments.

Much of the narrative against Chinese firms is equally centered on conditions that are given to local people including poor pay, extended long hours and lack of workers unions. What is important to note however is that perceptions surrounding quality of income are as dynamic as the definition of poverty. The level or quality of income is also a function of a country's economic status. At the same time, it is also determined by a number of other factors including qualification, experience and also type of organisation. This means that quality of pay is not easy to assess. Therefore, using the minimum wage and anchoring on the findings of a public policy research think - Policy Monitoring Research Center (PRMC), all the Chinese firms it had sampled in its study were found to be compliant with the minimum wage. At the time of the study the minimum wage ranged from ZMW522.00 (USD30.7) for domestic worker to ZMW 2,100.00 (USD123.5) for general workers, (www.pmrczambia.com). The second category of general workers is what constitutes the bulk of workers in Chinese firms. According to the wage indicator for Zambia, the minimum wage ranges from ZMW 1698.60 (USD84.9) to ZMW 3151.35 (USD157.57), (www.wageindicator.org). In this vein, these findings negate the poor salaries narrative.

Besides the direct benefits through employment creation, Chinese FDI has also had a positive impact on people's lives through provision of affordable products and services. A number of people interviewed indicated that Chinese products were very affordable as compared to products from other firms. This has allowed people to access basic necessities at lower costs and hence having extra to spend on other essential needs like education and health which has a net effect on living standards.

Figure 1 below shows distribution of multi-dimensional poverty index by province. What is apparent from this table is that the two provinces where there is a high concentration of Chinese investments also has a low percentage of people living in severe poverty with Lusaka and Copperbelt provinces having 8.5 percent and 4 percent respectively. Although it would not be accurate at this level to argue that the low percentage of poverty in the two named provinces are entirely due to Chinese FDI, however, by inference, given the concentration of Chinese firms and jobs created in these areas, their contribution towards poverty reduction cannot be overlooked.
Figure 1: Global MPI in Zambia by Subnational regions

Region	MPI	*H*	*A*	Vulnerable	Severe Poverty	Population Share
Central	0.249	51.2%	48.5%	26.0%	22.2%	9.2%
Copperbelt	0.124	27.9%	44.5%	21.8%	8.5%	14.2%
Eastern	0.322	64.7%	49.7%	21.7%	30.7%	12.7%
Luapula	0.347	66.7%	52.1%	19.7%	37.2%	8.3%
Lusaka	0.085	19.5%	43.7%	25.1%	5.4%	17.0%
Muchinga	0.289	59.0%	49.0%	26.5%	26.6%	5.8%
North-Western	0.253	54.1%	46.8%	25.7%	21.1%	5.5%
Northern	0.329	66.6%	49.5%	20.9%	31.7%	8.5%
Southern	0.213	46.2%	46.1%	29.2%	16.3%	12.3%
Western	0.339	67.8%	50.1%	21.7%	37.7%	6.5%

Source: Oxford Poverty and Human Development Initiative

Negative effects of Chinese FDI

Notwithstanding the notable investments and thousands of jobs that have been created in different sectors of the economy as mentioned earlier, China has not escaped criticism in Zambia as in other African countries ranging from damage caused to the environment wrought by mining activities including quality of Chinese jobs and wages, and labor rights of workers among others. This criticism is shaped by two factors: the real experiences and facts on the ground on the one hand and by the West-China rivalry which has resulted in narratives aimed at creating negative perceptions also described as a "reputational deficit" by Weiyi Shi and Brigitti Seim (November 2021).

As observed in other studies, much of the investments made especially in the mines in Zambia are mergers and acquisitions M&As. What this means is that there is little value addition in terms of capital stock to the economy since much of the infrastructure and equipment were already in existence. This was posited by Olaf J. de Groot (March; 2014) who argued that when much of FDI manifests in terms of mergers and acquisition, then the impact on the host economy is likely to be negative.

By and large, the investments in the mines (whether by Chinese firms or others) have attracted negative publicity, accused of causing pollution to mining areas including air and water pollution decreasing water (physico-chemical, biological) quality, soil contamination and potential ground water pollution and depletion. Collum

Colleries mine operated by a Chinese firm has been shut down repeatedly due to work related deaths. Between 2012 and 2015, the Chinese-owned private company operating the Collum Coal Mine stopped managing the mine after losing its license due to numerous safety violations. However, in 2015, the firm was allowed to resume operations under a promise of improved working and environmental conditions. Elorza and Ashni (2019) have pointed out that minerals, such as lead and arsenic, have caused pollution to rivers and the local water supply, which in turn have contaminated the soil and crops (Feeney 2001).

According to Global Risk Insights, in 2011 the Human Rights Watch released a report about the conduct of Chinese-owned mines in Zambia. A number of issues were highlighted which were in violation of Zambian laws including their poor health and safety regulations, regular 12-hour and even 18-hour shifts involving hard labour, and preventing the formation of Unions, (www.globalriskinsights.com). This report highlighted areas where Chinese FDI has not done very well with respect to socio-efficiency.

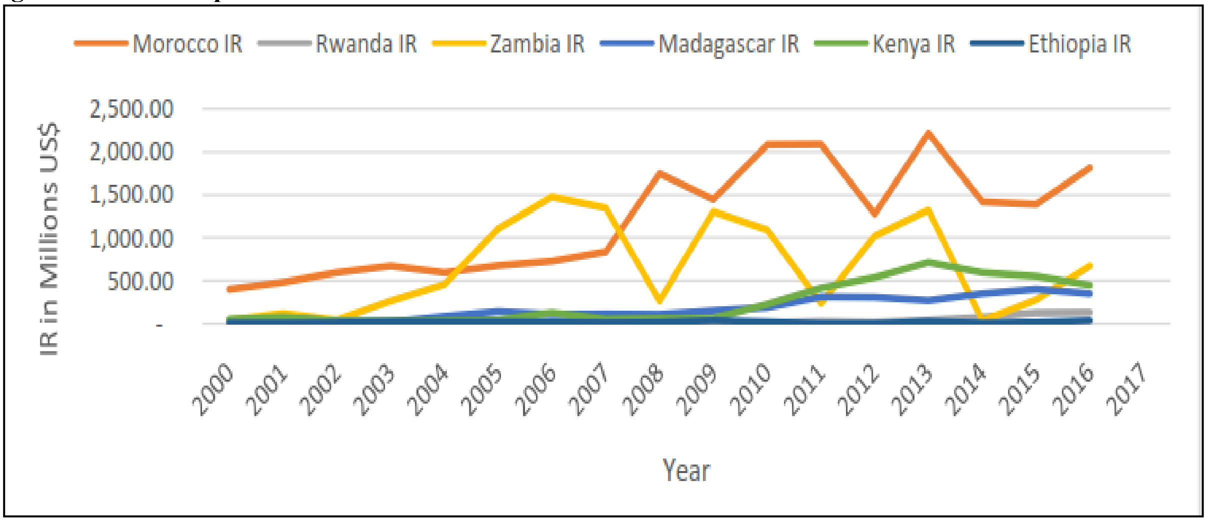
Furthermore, since much of Chinese investments are concentrated in the Mining sector, many have argued that this has a reduced impact on overall job creation in comparative terms. This is because much of the investment in this sector is capital intensive, (OECD: 2019). According to Kalima Nkonde cited in Albert Kasoma (2019), such investments have not adequately helped to reduce poverty in Zambia because most of the work is done by machines, (www.pmrczambia.com). Much of the equipment used in the mines are sophisticated which means that spare parts can only be sourced from foreign markets. This has had negative implications in creating linkages with local firms in terms of value addition and supplying hence hindering their growth opportunities. In the long-run, this concentration of investment in mining does not help the country's diversification efforts.

Kalima Nkonde cited in Albert Kasoma (2019) has further stressed that there is less benefit from the mines through taxation especially when compared to what is obtaining from other neighbouring countries. For example, revenue contribution of the mining sector in Botswana is 45%, in Namibia it is 25% while in Zambia it is a meagre 4%.

Profit Repatriation

Although there has been a substantial increase in FDI flows to many developing countries which is providing an important source of financing, the gains which are supposed to be realised from these investments are being eroded by the trend to repatriate profits, (Blades and Lequiller; 2014). For instance, among some of the policy measures to improve the investment climate, Zambia allows 100 percent repatriation of profits by foreign firms (CTPD:2019). While this is a good incentive for foreign firms, it hinders the country from accumulating much needed foreign capital essential for the balance of payment and leads to decapitalization of the economy. This has a net effect on economic growth and hinders efforts to alleviate social economic problems and poverty reduction, (Tufa; 2018). As illustrated in the table below, Zambia is at number two after Morocco in terms of the highest income repatriation.

Figure 1: Income repatriation of five selected African countries



Source: Adapted from Simon K. Kamau and Stephen Njaramba (2019)

Tax avoidance

According to a report done by Michel Morel in 2021 titled Royalties and Taxes Irregularities: Trade value discrepancies, Zambia has been losing to the tune of $ 8.2 Billion in copper exports to China between 2015 and 2019. This documentary revealed that during a State visit to China in 2018, a Zambian delegation discovered quantities of cobalt which they were informed was sourced from Zambia.

Much of the social services that any Government should provide to its citizens is largely or at least supposed to be financed through revenue collection. If firms are engaged in rampant tax avoidance, this has a direct bearing on its overall contribution to the wellbeing or economic development of a country. According to the Global Financial Integrity Report (2008-2012) titled "Illicit Financial Flows and Development Indices, there is a strong correlation between higher illicit outflows and higher levels of poverty and economic inequality. In view of this, the impact of Chinese FDI can also be deduced from the firms' level of involvement in tax avoidance schemes.

Namutowe (2017) and EITI (2018) cited in Elorza and Verma (2019), noted that the mining sector has been a major productive industry in the country and by the end of 2016 it accounted for about 70% of total export earnings. Yet, despite this, the sector has had very low contribution to Government revenue and employment creation. Others have also pointed out that there is very little benefit that is going to the country from copper production since mines are owned by foreign companies, (Chama, 2019).

Quality of Employment

The assessment of quality of employment was done using both the macro (political level) and micro (individual level) perspectives. In simple terms, job quality is defined as the characteristics of employment that affects the wellbeing of workers, (Munoz de Bustillo et al: 2011) The International Labor Organisation describes the quality of employment to include remuneration, working time, social security coverage, the type of contract, the degree of job security, access to paid leave, parental leave, and sick leave, and career advancement opportunities. While at the macro level, many Chinese firms complied with the minimum wage (as assessed by PRMC), at the micro level however, social despondency was noticed which linked to firms' reluctancy to implement other aspects of conditions of employment. Some of the people interviewed working for Chinese firms explained that they had no access to paid leave, sick leave or other career advancement opportunities and did not belong to any union. Although all the firms sampled in a study conducted by PRMC were found to be compliant with the minimum wage, further assessment of how sufficient the wages are found that most of them fall below the BNNB. This assessment was done within the country's economic context specifically in relation to inflation and exchange rate both of which have a huge bearing on purchasing power and the cost of living. In this regard, a comparison of the minimum wage is made with the BNNB as analyzed by the Jesuit Center for Theological Reflections (JCTR) a church-affiliated civil society organization which tracks the cost of food and non-food items on a monthly basis in order to assess the cost of living.

According to an assessment done in July 2022, the BNNB stood at ZMW 9,332.82 (USD 466.64) for an average family size of five members for Lusaka residents. This denotes a shortfall of about ZMW 6,181.47 for the majority of general workers who get between ZMW 3,151.35 (USD157.57) and ZMW 3,500.00(USD 175). This means that a larger proportion of employees in Chinese firms do not meet the basic nutritional needs basket. Among the notable contributing factors is the low union density among Chinese firms. According to a study conducted by PRMC in 2018, 82 percent of the sampled Chinese firms in Zambia had no Union. This means that the majority of Zambians employed by Chinese firms have no influence to negotiate for better conditions of service.

Conclusion

Results from the assessment of the impact of Chinese FDI on Zambia's social economic development can be described as mixed. On the one hand, Chinese FDI has helped to lift thousands of people from poverty through investments in various sectors of the Zambian economy whilst on the other hand, there are visible negative aspects. Notable among the sectors where Chinese FDI has had a significant impact include mining, construction and manufacturing which has resulted in thousands of jobs created for local people. These investments have helped to provide direct incomes to many people and indirectly through supplying and other smaller businesses especially in the mining areas where previous owners of the mines had withdrawn citing low profit margins. Although there are dissenting views about Chinese FDI in Africa and Zambia in particular, evidence shows that despite a large chunk of Chinese FDI traditionally having been in the extractive industry, current trends show a significant shift towards manufacturing. In terms of Greenfield projects from 2003 to 2014, the largest number of projects were in manufacturing, (Guangzhe C. et al; June 2015). A study conducted by Policy Monitoring research Center found that all sampled firms were able to abide by the minimum wage (www.pmrczambia.com). The other positive attribute about Chinese FDI is that most investments are based on long term entry modes and are not purely profit-centered. This is clearly evidenced by actions to buy the mines from previous owners and create employment at a time when most of these mines had been shut down or put under care and maintenance during the global economic slump of 2009. These strategies by Chinese firms have helped to create a conduce atmosphere for medium to long term planning and stability for the country's economic trajectory.

Whilst it can be argued based on available evidence that Chinese FDI has helped lift many people from poverty especially in the Copperbelt where most of the investments are concentrated, there are some downsides to these investments which threaten to undermine the positive effects. The concentration of FDI in the mining sector, for example, entails that local business prospects for growth are stifled given the huge capital-intensive nature of investments in the sector. Most spare parts for these machines used in the mines are sourced from outside. This means that backward linkages become obliterated. The other long-term effect of the concentration of FDI in the mining sector is that it reverses efforts to diversify the economy which has long term benefits for the country. Additionally, the huge tax incentives that are given to the mines also entail that very little is ploughed back into the local economy through tax revenue. One of the major pitfalls of these incentives is the 100 percent repatriation of profits which denies the economy from benefiting through re-investments.

The other downside is that due to the porous and outright lack of capacity on the part of the relevant institutions to tackle elicit financial outflows this has exposed the country to tax evasion which can be exploited by any foreign firm. Lastly but not the least, even though thousands of locals have been lifted out of poverty and all the firms pay above the legally provided minimum wage, these wages fall short of the basic nutrition and needs basket BNNB. Overall, when everything is factored in, including damage to the environment and lost growth opportunities, long term effects may weigh against Zambia. Therefore, in order to realize real benefits, the country needs to strengthen policies and capacities for oversight institutions including Zambia Development Agency, Industrial Development Cooperation and Zambia Revenue Authority in order to leverage FDI and optimize the benefits.

References

1. Abdoulkadre Ado Zhan Su , (2016),"China in Africa: a critical literature review", critical perspectives on international business, Vol. 12 Iss 1 pp. 40 – 60
2. Anshan Li Transformation of China’s Policy towards Africa 2006 Web.
3. Blades D, Lequiller F. Understanding National Accounts, Second Edi Paris: OECD Publishing 2014.
4. Brian Mwiinga and Joana Willima, Zambia- China Trade Relations, Zambia Center for Trade Policy and Development (2019).
5. Chang, S. and Rosenzweige P. (2001), The choice of entry mode in sequential foreign direct investment. Strategic management Journal, 22.
6. Corporate Social Responsibility in Zambian Copper Mines: An Analysis of Mining Corporations’ Health Initiatives and Their Effects on Mining Communities By Lissie Elorza and Ashni Verma (July 2019)
7. Cronjé, F., Reyneke, S. & Chenga, C., 2017. Corporate Social Responsibility in the Zambian mining sector: an overview of three distinctive operational eras. KOERS — Bulletin for Christian Scholarship, 82(1). Available at: https://doi.org/10.19108/ KOERS.82.1.2286
8. Daisuke, H. (2008). Japan’s outward FDI in the era of Globalisation. In Tarun Kanti. Advantages and Disadvantages of FDI in China and India. Vol 5 May 2012.
9. David Shinn H. and Joshua Eisenman (2012). China and Africa: A Century of engagement: University of Pennsylvania.
10. http://www.europaworld.com/entry/rw.is 62.
11. http://www.zda.org.zm/wp-content/uploads/2022/07/2021-ZDA-Annual-Report_Final.pdf
12. https://chinaglobalsouth.com/2019/12/12/investigation-high-level-corruption-in-zambia-fuels-illegal-timber-trade-with-china/
13. https://zambianobserver.com/govt-sues-nine-mining-firms-for-failure-to-pay-k13-5m-combined-penalty-fees/ accessed on 29th January 2023
14. https://www.dandc.eu/en/article/big-chinese-investment-aims-create-manufacturing-base-central-zambia accessed 31 January 2023.
15. https://ejatlas.org/conflict/collum-coal-mine.accessed 28/11/22
16. http://www.xinhuanet.com/english/2019-07/19/c_138241364.htm accessed on 26/11/22
17. http://www.zda.org.zm/wp-content/uploads/2022/07/2021-ZDA-Annual-Report_Final.pdf
18. https://www.dandc.eu/en/article accessed 17/12/22
19. http://www.daily-mail.co.zm/chibombo-mfez-talks-6000-jobs/
20. http://www.xinhuanet.com/english/africa/2021-07/25/c_1310083403.htm Editor Huaxia accessed 26/11/22
21. http://www.metorexgroup.com/mine/chibuluma-mines/
22. http://www.sulphuric-acid.com/sulphuric-acid-on-the web/acid%20plants/Chambishi%20Copper%20Smelter.htm
23. http://zm.china-embassy.gov.cn/eng/dshdyjh/ accessed 26/11/22.
24. https://www.facebook.com/SmartEaglesZambia/posts
25. (http://www.sais-cari.org/chinese-investment-in-africa).
26. (www.thebalance.com/foreign-direct-investment).
27. https://globalriskinsights.com/ accessed on 26/11/22 Article by William Orr.
28. (https://diggers.news/local/2019/04/17/munali-nickel-mine-has-created-400-jobs-lungu/ by Sipilisiwe Ncube, (April 2019)

29. https://www.pmrczambia.com/ accessed 14/12/22.
30. http://www.sulphuric-acid.com/sulphuric-acid-on-the web/acid%20plants/Chambishi%20Copper%20Smelter.htm
31. https://ecdpm.org/work/emerging-economies-and-africa-volume-3-issue-4-april-2014/chinese-agricultural-investments-in-zambia
32. https://www.gfintegrity.org/?country=zambia
33. https://www.wageindicator.org/salary/minimum-wage/zambia
34. https://www.pmrczambia.com/ accessed 14/12/22.
35. https://www.globalriskinsights.com/ accessed on 26/11/22 Article by William Orr.
36. https://www.redwoodcountyeda.com/economic-development/
37. Impact of China-Africa Investment Relations: The Case of Zambia Jolly Kamwanga Grayson Koyi (November 2009)
38. Manufacturing FDI in Sub-Saharan Africa: Trends, Determinants and Impact. Guangzhe Chen, Micheal Geiger, and Minghui Fu, (June 2015) World Bank Group.
39. Maximiliano Sosa Andrés, Christiane Krieger-Boden, Peter Nunnenkamp Old wine in new bottles? Non-traditional sources of foreign direct investment. 08 March 2012
40. Muñoz de Bustillo, Rafael et al. (2011). Measuring more than money: The social economics of job quality, Edward Elgar, Cheltenham 2011.
41. National Bank of Rwanda, 2011 Web<http://www.bnr.rw/.
42. Olaf J. de Groot, Foreign Direct Investment and Welfare; United Nations Publications. March 2014
43. OECD (2019), FDI Qualities Indicators: Measuring the sustainable development impacts of investment, Paris
44. Taylor, I. (2009), China's New Role in Africa, Lynne Rienner Publishers, Boulder.
45. Pengtao Li, (May 2020) Myth and Reality of Chinese Investors: A Case Study of Chinese investment in Zambia's Copper industry.
46. Robert Rotberg, China into Africa: trade, Aid and Influence. Washington DC: Brookings Institution, 2008.
47. Rotberg, Robert I. "China's Mixed Role in Africa." Boston Globe, June 23, 2007.
48. Schmitz Cheryl Mei ting (2021), Making Friends, Building Roads: Chinese entrepreneurship and the Search for Reliability in Angola.
49. Shin, D. Hamilton Joshua Eisenman. China and Africa: A Century of Engagement. Philadelphia; University of Pennsylvania, 2012.
50. Simon K. Kamau and Stephen Njaramba; Income Repatriation and it's Relationship to Foreign Direct Investment and Economic Growth in Kenya (1970-2017); IOSR Journal of Economics and Finance, Volume 10 issue 5 (Sep-Oct 2019).
51. World Commission on Environment and Development WCED; Gro Harlem Brundtland Oslo, 20 March 1987.
52. Zakariyas Berhanu Tufa , Foreign Capital Outflow Regulation under Ethiopian Bilateral Treaties and Domestic Investment Laws. Haramaya Law Reveiew 7 (2018).