Comparative Analysis of Traditional Vs Chinese Foreign Direct Investment in Zambia

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Abstract
Zambia has been a destination for foreign direct investment (FDI) for many decades now. The country has had the longest experience with traditional FDI spanning for about 70 years, (Lissie Elorza and Ashni Verma, 2019). Going by available international business literature which portray traditional FDI as an almost sacrosanct vehicle of development, a logical prognosis is that Zambia, for example, should hold a high income status in tandem with the Asian Tigers with whom it had similar GDP about 60 years ago. However, whilst the Asian Tigers are now highly industrialised, Zambia has dwindled back to low income status. Some studies (David Dollar and Aart Kraay, 2001; Easterly and Levine, 1997) have attributed this disparity to a number of factors including volume and type of FDI, investment and trade policies among others. This study focuses on the potency of traditional and non-traditional FDI within the Zambian context in relation to four variables: manufacturing, infrastructure, tax compliance and corporate social responsibility. This study employed ethnographic approach focusing on perceptions and experiences from local people (2000-2023) which was triangulated with desktop review (1930-1968). Findings reveal notable variations between the two sources of FDI, primarily informed by motivation of FDI and area of investment which have had subsequent influence on Zambia's development prospects.
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Introduction

There seems to be little consensus on the influence of FDI on host African countries due to divergent conclusions drawn by different scholars. At close inspection, these divergent views are also swayed by the two major strands of international business (IB) literature which try to explain traditional FDI (investments by Western firms) and non-traditional FDI (relatively new entrants led by China). On the one hand, some aspects of IB literature (Esimai, Chinwe, 2019; Dube, 2012; Mitchell, Jason, 2023; Pinnock, 2014) paint an austere picture of the role of non-traditional FDI in Africa and portray China as having an exploitative approach towards Africa. On the other hand, other studies (Marcus, 2023; Xi, Chen, 2018 and Hanke, Steve H., 2020) perceive Chinese investment as providing the missing piece to Africa's development puzzle. This study analysed Zambia's experience using the two rival perspectives with the help of empirical evidence. An assessment of selected variables was therefore made focusing on two periods: prior and post-independence period between 1930 and 1968, and privatisation period between 2000 and 2022.

The study took a comparative approach and looked at how the two camps have performed, in different areas of investment – that is, manufacturing, construction and the firm's obligations in terms of tax and corporate social responsibility. These variable were used because they contribute to a country's medium and long term economic development. Focus was therefore laid on the type of FDI and the outlook of the country's economic structure during the period when the majority of foreign investments were from western countries juxtaposed with the period when firms from developing countries entered the Zambian market.

Literature Review

Traditional FDI

Traditional FDI is described as foreign investment through multinational corporations of Western economies. This definition seems to be guided more by the source country and period in which MNCs started engaging in international business. In the 17th Century, the majority of firms which engaged in foreign investments were from Western Europe comprising the Dutch, Portuguese Spanish and British firms, (Koluman: 2020). Later on however, in the 19th Century, this camp saw the emergence and dominance of the United States of America which subsequently started accounting for three quarters of all of the World's FDI between 1945 and the 70, (Alfred D.

Chandler: 2005).

Western countries are therefore seen as forerunners of FDI and also seem to be frequently used as reference points of standard practice for FDI. In the same token, the bulk of literature on traditional FDI is somehow intertwined with notions of intrinsic good practice and sometimes as unfaltering conduits of development, though with a mixed empirical premise. Despite traditional MNCs having established operations on the African continent for several decades, African economies have continued to stagnate and others have fallen back in terms of development. The production base or manufacturing capacities of African economies had been dwindling and in some cases totally disappeared. In addition, the level of infrastructure in most of the African countries from 1970s to 2000 remained in deplorable conditions. For example, Zambia's infrastructure had remained underdeveloped for more than half a century. This can mainly be attributed to the fact that traditional FDI entirely focused on resource extraction. By and large, it explains the country's nationalization drive during the early 60s and late 70s.

Non-Traditional FDI

Non-traditional FDI is foreign investment made by firms from emerging economies. This category of FDI has been described by different names including Late Comers, Challengers, Newcomers or Dragon multinationals etcetera, (Mathews, 2002). Many of these MNCs have mostly emerged from countries like Brazil, Russia, India, China and South Africa. According to Mathews (2002) cited in Rishika Nayyar (2014), the non-traditional MNCs started from behind in relation to firms from developed countries and overcame their inefficiencies in the industry. These firms managed to externalize within a short period of time and without any of the advantages of incumbent industry leaders. The firms rose up in a phase of catch up industrialization and emerged as challengers to the existing large MNEs with their rapid expansion into new markets mostly driven through partnerships and joint ventures.

According to World Investment Report (2011), in 2010, for the first time, non-traditional sources of FDI have generated record levels of FDI outflows much of which is directed to other countries in the South. This has further demonstrated the growing importance of traditional sources of FDI to the world economy, (UNCTAD: 2011). With the coming of Chinese investments in Africa, the continent has experienced an unprecedented increase in infrastructural development especially in road and rail construction. Zambia is one of the country's that has benefitted from Chinese investments with construction projects spread across the country. Major projects in which Chinese investment has played a pivotal role include the two international football stadiums and two international airports among others. Most importantly however, are the efforts being made towards enhancement of the country's productive capacity through establishment of Multi-Facility Economic Zones.

Location choices

A number of studies (World Bank: 2009; Taylor: 2009; Wang 2010) have revealed that one of the major pull factors for both traditional and non-traditional sources of FDI in relation to African countries is resource endowment. Aykut and Ratha (2003), also found that the determinants of FDI are not different between traditional sources and non-traditional sources. However, other studies have differed with this position. Based on surveys of MNCs from non-traditional sources which have been conducted, the availability of natural resources was rated to be of moderate significance, (UNCTAD 2006) cited in Maximilliano Sosa Andres et al. (2013). This argument is supported by Cheung et al. (2012) whose study shows that the endowment of host countries with natural resources is not significantly related with Chinese FDI in Africa. Buckley et al. (2007) also came to a similar conclusion. Ayodele Odusola (www.modernghana.com) concurs with the previous studies and points out that there has been a shift from emerging countries like China in terms of focus from the extractive sector to light manufacturing and this shift has been characterized by development of special economic zones, for example, in Zambia, Mauritius, and Senegal.

According to Chuan and Orr, (2009) cited in Abudoulkadre (2016), China's investment interests in Africa have often focused on long term engagements usually evidenced by their entry mode and sector of investment. 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. Furthermore, Mark Yaolin Wang, (2002) stressed that government involvement, largely through state-owned companies, ensured that foreign investments would align with the country's long-term development strategies. This goes to show that although FDI (mostly from non-traditional sources) initially had a primary focus on the extractive sector, it is now spreading across other sectors including manufacturing and service sectors. The services sector, for instance, accounted for about three quarters of the greenfield FDI projects in Africa in 2016, while manufacturing accounted for about one fifth. FDI is becoming a major source of financing for economic diversification in Africa. In Ethiopia, for example, the focus of greenfield FDI in 2016 was manufacturing (e.g. leather products, pesticide, fertilizers and other agricultural chemicals) and infrastructure projects. In Mauritius non tradition FDI helped to diversify the economy from sugar into textiles and tourism, and recently into luxury real estate, offshore banking and medical tourism. (un.org/africarenewal/).

Types of FDI

Foreign direct investment, whether from traditional sources or non-traditional sources presents itself in similar categories ranging from brownfield investments (where a company invests in an existing facility in a foreign country to start its operations) to greenfield investments (where firms establish or expand their operations by setting up new physical infrastructure or facilities from scratch). Within this broad category lie varying motivations consisting of resource seeking, market seeking, efficiency-seeking and strategic asset seeking, (Dunning: 1993). The effects of FDI on host countries are likewise highly influenced by the nature or type of FDI. Dirk Willem (2002) has thus rightly observed that the analysis of the effects of FDI should focus on a wide range of factors including the type of FDI, firm characteristics, economic conditions and policies. For example, an increase in efficiency seeking FDI in high value added manufacturing has significantly contributed in the transformation of production structures and growth performance in several East Asian countries since the 1960s. However, the results are different when it comes to natural resource seeking FDI in certain oil or mineral rich developing countries in Sub-Saharan Africa or market seeking FDI that replaces local domestic capabilities in import substitution countries in Latin America in the 1970s and early 1980s.

Natural-resource-seeking

This is one of the earliest motivations that caused firms to extend their business activities beyond their national borders. This type of investment is undertaken to gain access to cheap resources which may include raw materials or labour among others. According to Dunning (1993) and Brouthers et al. (1996), resource-seeking FDI is motivated by cost minimization of physical resources, or cheap unskilled and semi-skilled labour. For example, FAO (2010) pointed out that the steep rise in commodity prices in 2007-2008 prompted countries that are heavily dependent on food imports to invest in other countries where land and other natural resources are abundant with a view to securing supply. This type of FDI is trade creating and is often a precondition for the production of primary commodities for foreign markets, especially in host countries, and enhances exports of natural resources.

Market-seeking FDI

This type of FDI is largely motivated by the host country market size or regional market. Studies conducted by Kravis and Lipsey (1982) found that there was a positive correlation between host country market size and volume of exports from subsidiaries of US firms. According to Yulon Liu (2009), market seeking investments are undertaken in order to serve particular markets through local production and distribution rather than by exporting from the home country or from a third country. Two factors have been identified as being behind this type of investment. The first one is the imposition of different barriers on the importation of foreign goods by host countries. The second one is the reduction in transaction cost particularly transportation costs. Brouthers et al. (1996) cited in Matija Rojec (2000) suggest that MNEs generally tend to use FDI in advanced industrial nations for market access and penetration. Market-seeking FDI in manufacturing has been identified as a substitute for exporting from the home country. This type of FDI had become the predominant motive for investing in the manufacturing sector of developing countries in the 1960s and 1970s when most developing countries were embracing import-substitution industrialization policies.

Market seeking FDI has trade-reducing effects on the production side due to composition of imports towards capital equipment and intermediate inputs, but trade-creating effects in so far as inputs used in production are concerned.

Efficiency-seeking FDI

Foreign Direct Investment is described as efficiency seeking when firms move part of their value-added chain abroad in a quest to improve their profitability or enhance their operations. Therefore, the search by firms for lower production costs has been a major motivating factor for efficiency seeking FDI and this explains increased flow of capital from high-wage industrialized countries to low-wage developing countries. Cheap labour has been among the oldest factors which motivated efficiency seeking firms. However, the rise in real wages over time, labour-seeking investments have been known to shift camp to other, lower-wage countries, (Dunning: 1993).

Strategic-asset-seeking FDI

This type of foreign investment usually takes place at an advanced stage of the globalization of a firm's activities when firms, including a few from developing countries, invest abroad in order to acquire research-and-development capabilities, for example, investment in microelectronics in the United States by Japanese or Korean firms. Hence, relocating design, research and development to a foreign affiliate has shown to be efficient for many firms. This type of FDI is mostly attracted by countries which have made significant investments in human resources, telecommunications and other physical infrastructure, (Dunning: 1993).

Methodology
This study was largely ethnographic in nature and mainly focused on perceptions and experiences from local people which was triangulated with desktop review. The first component of information was acquired through desktop review of secondary literature on the subject covering the period 1930 - 1968. This method was used because of the challenge of finding respondents who were around during at that time. The second component of information was collected through interviews conducted with individuals from various institutions and firms in two major provinces of Zambia where there is a large concentration of FDI and these are Lusaka and Copper-belt provinces covering the period 2000 – 2022. Respondents were selected using purposive sampling comprised 20 key informants from different sectors including workers from the mines in the Copperbelt and other firms in Lusaka. Other key informants were selected from civil society organisations (CSOs), academicians from higher learning institutions, civic leaders, trade unions and policy analysts from both the government and the private sector. Data was analysed using conceptual content analysis whereby concepts selected for examination were categorized into thematic areas after which information was coded using selective reduction. Thereafter, text was reduced into manageable categories and their frequencies systematically recorded for interpretation.

Findings and Discussion
Overview
Zambia's earliest experience with traditional FDI can be traced to the 1940s. The earliest foreign investments were predominantly made by firms from Western countries. Anglo-American and Rhodesian Selection Trust – an Irish – American firm, were the first MNCs which started mining activities in Zambia around 1930 (https://www.britannica.com). This period also saw scanty foreign investment in other sectors of the economy including banking and agriculture. The majority of business activities which were not directly engaged in mining mostly existed as auxiliary industries to the mines. Therefore, a huge chunk of foreign investments in Zambia at that time seem to have been motivated by the need for natural resources. As a result, the country's dependency on raw materials increased and thus overshadowed prospects for economic diversification. To a larger extent, this explains the current economic divergence between Zambia and some Asian countries which had lower GDP about 60 years ago. For example, In the 1960's South Korea's Gross domestic product (GDP) per capita was around USD 1102.53, lower than Zambia's GDP per capita which was around USD 1723.88. However, by 2022, South Korea's GDP per capita stood at USD 32,255 whilst that of Zambia was USD 1,281 (www.macrotrends.net).

The period after privatisation (1991-2023), Zambia's landscape in terms of foreign investment had acquired a more mixed outlook. The country witnessed inflows of non-traditional FDI (mostly from the BRICS countries) which started to compete with firms from the West for market share in different sectors of the economy. Through information gathered, general sentiments from some respondents were that:

> *The levels of engagement from Western countries such as from the EU, the U.S. and Japan have been decreasing since 2008. We believe part of the reasons which explain this trend is the global financial crunch of 2008. During this time, we saw how some western firms had pulled out of the country citing non-profitability of the mining activities. This was the period that we saw Chinese firms stepping in to fill the gap and indeed they managed to acquire some of the mines.*

Another respondent mentioned that:

> *Personally, I feel there are very few companies which I know that are from the UK or the USA. I know these companies are there in Zambia and I am sure the general perception is that they offer better conditions of service than their Asian counterparts although I have no personal experience. But generally I think many of the companies seem to be coming from China. Most of these companies have established base here and allowed us to get things locally which in the olden days we used to import. There are a lot of products which are now being manufactured locally and most them are made by Chinese firms, for example, the tiles by Macopolo. As a Zambian who has been around from early days of the post-independence era, I can tell you that we used to have many famous western firms here in Zambia which we don't see anymore. For examples companies like Liver Brothers (now Unilver) used to have manufacturing plants here.*

This perception was reflected in the majority of responses indicating that non-traditional sources of FDI are not only beginning to dominate in the country but also making increased investments in sectors such as manufacturing and construction which are essential for Zambia's economic development.

Construction
Between 1940 and 1968, there was less investment in the construction sector and this was reflected in Zambia's infrastructure which was very basic and mainly concentrated in the Copper-belt towns and partly the administrative city in Lusaka. This was largely a reflection of the orientation of Traditional FDI in Zambia. As observed by Daniel Tonga (2019), much of FDI from Western countries was from privately owned corporations that mainly focused

on profits. The pattern of investments made were very limited and done only to necessitate further exploitation of natural resources. Major roads and rails were constructed only to facilitate movement of raw materials out of the Copperbelt and out of the country. As documented by the International Bank of Reconstruction and Development IBRD Report (1964), the Copperbelt was reasonably well equipped with roads and other infrastructure but outside this, Zambia had no elaborate transport network or other public infrastructure. This meant that there was less investment towards education and health facilities for the majority of Zambians. Economic structures created by traditional FDI were thus to perpetuate the supply of raw materials from Zambia and to a limited extent, also to use the country as a market for some finished products from western countries, (Boehm and Dinah; 2008).

In the last two decades (2000-2020) that Chinese investments have been in Zambia, glaring improvements have been made in different sectors of the economy including manufacturing and construction among others. One of the respondents shared that:

It is undeniable that Chinese FDI has been involved in various sectors of our economy and good examples include the construction of large infrastructure projects like the international football stadiums…. We have seen them involved in the upgrading of our international airports and the Kafue Gorge hydro-electric power station among other. This is good for our country, although, we would wish to see more of our local contractors taking up such projects. But the issue is that many of our contractors don't have sufficient capacity yet.

Chinese FDI has also spread investments in numerous small scale manufacturing enterprises which are significantly contributing to the local economy. According to the World Bank (2014), foreign direct investment from China is estimated to have contributed to Zambia's economic growth from 1.9 to 0.04 percentage points between 2003 and 2009. This supports assertions by Wesbrod and Whalley (2011), that "a substantial share of economic growth in Africa can be attributed to mostly one single non-traditional source country – China".

Through the Belt and Road Initiative, Zambia has received investment from China of about USD 11.3 billion spanning over 30 projects between 2014 and 2023. These projects range from the energy sector to agriculture and aviation, (www.cnbcafrica.com/). For example, China Nonferrous Metal Mining Group (CNMC) has constructed and is managing two MFEZs: The Zambia-China Economic and Trade Cooperation Zone (ZCCZ) and the Chambishi Multi Facility Economic Zone. The ZCCZ was Africa's first special economic zone and China's first major commitment to establish special economic zones in Africa.

It is worth noting that though most infrastructure projects in Zambia are generally financed through loan and grants, however, there is a significant involvement of Chinese FDI in these physical infrastructure. These include residential and commercial accommodation buildings including retail outlet like shopping malls, (Daniel Tonga: 2019). The presence of non-traditional FDI in this sector does not only ensure the competitiveness of the sector but is also crucial in providing a basis for medium to long term growth of the country.

Although available data shows that the bulk of FDI in Zambia in the mining sector is from traditional sources including Canada, Australia, UK and the US, however, according to UNCTAD (2022), much of the large infrastructure and other projects are performed almost entirely by Chinese firms. Ball and Wood, (1996), cited in Sukhadolets Tatyana et. al. (2021), stress that based on research obtained from various countries in the period after 1950, investment in construction is critical factor that determines a country's economic growth.

Manufacturing

Foreign Direct Investment (FDI), especially of the manufacturing type plays a crucial role in the industrialization process. Unfortunately, manufacturing was one of the sectors which received little attention during the colonial era. Firms engaged in the extraction of raw materials preferred to ship out all raw materials for value addition abroad and this also meant that the mining industry was highly dependent on imports for a large portion of its supplies, (IBRD: 1964). Much of Zambia's industrial activity was centered around production of basic goods such as food processing and textiles (Mark Ingle: 2012). Although some efforts to develop the manufacturing sector began during the colonial period, little was achieved in respect of the growth of the sector. According to Corrie and McMahon (2020), as in many other African countries, colonial governments pressed for modernization and industrialization but only did so to the extent that this aided the extraction of raw materials through the use of inexpensive African labour. This was supported by Boahen, A Abdu (1996), who stated that the policies of colonialism forced the demise of African industry and created a reliance on imported goods from Europe. Ultimately, a weak and 'dependent' form of industrialisation was created which left countries locked into the world market in a position of inferiority. The description aligns with postulations by Walter Rodney (1973) who stated that "the circumstances of Africa's engagement with Europe were unfavourable to creating a consistent African demand for technology relevant to development; and even when that demand was raised it was ignored or rejected by the capitalists as it was not in their interest to develop Africa". This situation exemplifies how traditional MNCs made very limited contribution to Zambia's industrialisation. One respondent from the named CSO gave an account of what he felt was the reason for the Government's acquisition of equity in a number of firms.

I believe this was due to lack of satisfaction by the general populace and the national leadership *regarding the contribution that western firms were making to the economy. These structural changes to the country's economy came with the Mulungushi Reforms of 1968. At that time, there seemed to be a perception by the national leadership that the business community were frustrating Government's efforts of improving people's livelihoods. The decision must have been largely informed by the perceived lack of benefit from the companies by the majority of Zambians.*

Following the transition of the country to a multi-party state in 1991, a huge number of firms in which the state had acquired an equity were privatized and this paved the way to competitors from non-traditional sources. The advent of non-traditional firms has seen increased investments in the manufacturing sector in the country. Zambia is one of the six countries in Sub-Saharan Africa which received a large proportion of manufacturing FDI between 2011 and 2014 besides Mozambique, South Africa, Nigeria, Ghana and Ethiopia, (Keenan, 2008). The share of investment from China and India rapidly increased, gradually taking over the proportion of investment originating from the EU and the U.S, (World Bank: 2015). This is supported by data collected from Zambia Development Agency (2014). Table 1 below shows an increase in the contribution of FDI from non-traditional FDI firms to manufacturing which moved from 28 percent in the period 2003-2006 to 50 percent in 2011-2014.

Table 1: Tradition and Non-Traditional FDI investment in Manufacturing, Percent in Capital 2003 - 2014

Source	2003-2006	2007-2010	2011-2014
Traditional FDI	72%	50%	50%
Non-Traditional FDI	28%	50%	50%
Total	100%	100%	100%

Source: Adapted from ZDA 2014

The Zambia-China Economic and Trade Cooperation Zone (ZCCZ) and the Chambishi Multi Facility Economic Zone are making a positive contribution to Zambia's industrialisation and economic transformation through increased manufacturing and exports, technology & knowledge transfer and job creation. (James McKinney et. al. May 2020). This will help in economic diversification and promote the country's long term development goals. According to the World Bank Report (2016), this economic transformation has also provided a platform to assist the development of Small and Medium Sized Enterprises (SMEs), especially through integrating SMEs in the value or supply chains of large enterprises within the zones.

Table 2 shows the country's investment approvals and employment in different sectors highlighting significant investments made in manufacturing and other sectors away from resource extraction between 1993 and 2006. This is reflected in Table 3 which shows that investment orientation still shows a drift away from mining. Although this trend cannot be singularly attributed to non-traditional FDI, literature (World Bank, 2016; James McKinney et. al. May 2020; Keenan, 2008; Maximilliano Sosa Andres et al, 2013; Matthias Busse et, al. 2016) shows that the entry of firms from emerging economies have helped to bolster Zambia manufacturing base resulting in steady growth.

Table 2. Total Investment Approvals and Employment in Zambia. 1993-2006

Sector	Total Investment (USD millions)	Total Employment
Manufacturing	1,402,656,791	73,785
Agriculture	643,354,224	78,881
Service	748,636,802	15,759
Mining	485,301,725	15,117
Construction	271,696,980	11,190
Consultancy	943,032	134
Engineering	8,237,089	421
Financial Institutions	5,604,975	483
Fisheries	9,009,036	1,918
Health	10,340,799	695
Tourism	341,644,363	11,851
Transport	197,692,949	4,293

Source: Adapted from ZDA 2007.

Table 3. Projected Investment and Employment registered by Sector in Zambia in 2017 and 2018

Industry	2017		2018	
	Investment (USD Millions)	Employment	Investment (USD Millions)	Employment
Energy	4,496.0	4,100	1,916.0	934
Manufacturing	958.0	427	965	6,648
Construction	494.0	1,156	248	2,098
Real Estate	294.0	3,516	104	1,128
ICT	294.0	152	276.0	922
Agriculture	184.0	3,833	243	3,238
Mining	184.0	981	283.0	1,587
Education	74.0	22	0.0	0.0
Health	74.0	285	4.0	22
Tourism	51.0	710	501.0	3,520
Transport	28.0	1,056	426.0	1,734
Service	26.0	882	166.0	5,729

Source: Adapted from ZDA 2019.

Matthias Busse et, al. (2016) notes that in contrast to traditional FDI, spillovers from non-traditional FDI could be larger given that Chinese firms use of technologies that may be more appropriate for African firms. Busse has further stressed that Chinese economic cooperation projects establish and improve much needed infrastructure in Africa, which lowers transaction costs and thus enhances (internal and external) trade and growth rates. (https://doi.org/10.1111/kykl.12110). Debongo D. et al. (2022), confirms that Africa's economy has developed rapidly in recent years, and its overall appearance has significantly changed.

However, although traditional sources of manufacturing FDI are perceived to be shrinking, they still account for large stocks in the country. For example, in 2014-2015, combined FDI from traditional sources stood at US667.8 million compared to US256.3 million from non-tradition sources, ZDA (2015).

Tax compliance

A more appropriate comparison on tax compliance is made in the privatisation era which accommodates both traditional and non-traditional FDI firms. Study findings show that a number of foreign firms have been engaging in tax evasion schemes which has proved to be a huge drain to the economy and impeded the government's capacity for service provision, (https://waronwant.org/). According to Aljazeera.com, Zambia loses an estimated USD 2 billion every year through tax avoidance by MNCs, (https://www.aljazeera.com/). Furthermore, rather than realizing benefits, there are instances where Zambians have been subsidizing multinationals in different ways. For example, Vedanta's KCM owed the government just US$6.1 million in royalties, from revenues of US$1 billion (2006-2007), yet according to the estimates in KCM's own records, 50 per cent of the company's tax contribution to the Government is drawn from employee contribution via PAYE 'pay as you earn', (https://ips-dc.org).

An interview with one of the key informants Lutangu (not his real name) revealed that although there were glaring similarities between traditional and non-traditional FDI firms in terms of tax compliance.

> *Some Chinese firms have engaged in this vice before, but in most cases the amounts involved were far little as compared to traditional FDI firms which involved colossal sums of money. The tax evasion schemes by these other firms (traditional FDI firms) are also very sophisticated and often times difficult to detect. When you look at the differences in terms of figures between traditional and non-traditional firms, you will discover that other firms (traditional FDI firms) the figures are staggering.*

In validating Lutangu's assertions, a follow-up on some of the media sources found Densheng Company (not the real name) which helped to make the comparison. The firm was recently convicted by the Zambian court for tax evasion and the penalty slapped on the company amounted USD 286,565.8 (www.zra.org.zm/). In comparison, in another online article carried by Mukosha Funga Njenga on 26th August 2019, it was reported that the Zambia Revenue Authority (ZRA) had unearthed a scam in which a named tradition FDI firm had evaded an equivalent of USD $7.6 billion in taxes. Zambia Revenue Authority spokesperson, informed the Nation that the Firm had imported zero-rated equipment into the country which were taxable. Although this matter was said to have been resolved without much detail being availed citing 'taxpayer confidentiality', (www.diggers.news/).

These shady arrangements by foreign firms are not unique to the mining industry. Another report by a non-governmental organization Action Aid alleged that a named traditional FDI firm was using tax-haven sister companies to minimize tax and has in the process Zambia lost about $27-million in tax revenue, (www.lusakatimes.com/).

In a related incident, in January 2020, another traditional FDI firm was involved in a lawsuit in which state owned Zambia Consolidated Copper Mines Investment Holding (ZCCM-IH) was claiming USD $1.4bn arguing that the company had borrowed USD $2.3bn from its Zambian copper mining subsidiary, without informing ZCCM, a minority shareholder. The Zambian court ruled for the case go ahead after dismissing the firm's bid to stop court proceedings in the matter, (https://www.reuters.com/).

In 2013, an online tabloid Financial Times reported that in 2011, five NGOs (Sherpa, the Declaration of Berne in Switzerland, Mining Watch Canada, International Missionary Society in Canada and the Centre for Trade Policy and Development in Zambia) filed a complaint to the OECD against two traditional FDI firms over accounting practices of the two companies although the firms vehemently denied that they had engaged in any tax avoidance. (www.ft.com).

These are just some of the many elicit tax activities by foreign firms that can be cited and probably usually concealed through over reporting of costs and under reporting of production much to the detriment of the country. Information also shows the extent and magnitude of involvement in tax evasion between traditional and non-traditional FDI firms.

Corporate Social Responsibility

Corporate Social Responsibility has been defined by the World Bank (2006) as the commitment of business to contribute to sustainable economic development, working with employees, the families, the local community and society at large to improve their quality of life, in ways that are both good for business and good for international development." (Cronje et al. :2017). CSR therefore entails not only firms' corporate undertakings but also a moral responsibility to a wide range of issues from human rights of workers and local communities including environmental protection.

According to Fraser and Lungu (2007), during the colonial era there was little effort made in terms of CSR to develop educational and health infra-structure beyond the mining settlements. Most of the better education and health facilities were built within mining areas. Consequently, at independence less than 0.5% of the Zambian population were estimated to have completed primary education. The country had just 107 graduates at that time.

In the last three decades (1991-2023) the study revealed that CSR architecture in Zambia has not seen much transformation from the pre and immediate post-independence era. Both traditional and non-tradition FDI firms have engaged in some form of localized CRS like construction of schools, clinics and police stations. For example, Mopani engages the community on a monthly basis to receive and discuss challenges faced by the community. The firm has invested in health and education of the local community and currently operates two hospitals, seven clinics and four schools. (https://www.business-humanrights.org). In a related gesture, a Chinese firm committed about 160,000 US for the construction of three classrooms at Buyantanshi primary school, health facility and rehabilitation of road network in Kalulushi mining district, (www.xinhuanet.com). A key respondent spoken to explained the following:

> *We have had persistent complaints of environmental degradation faced by communities surrounding most of the mining operations and most of these allegations have highlighted that they are being neglected by foreign firms to address a number of community challenges including roads and clean drinking water. I feel that all the firms regardless of where they are coming from have not done much to help local communities and to protect them from effects of pollution. The level of corporate social responsibility we see now is different from the days when the Government parastatal Zambia Consolidated Copper Mines used to manage the mines.*

This position is consistent with results of a number of studies (Kabemba and Lange: 2018; Musonda: 2016; Lissie and Verma: 2019) that have been conducted on CRS in Zambia. A number of non-traditional FDI firms have been in the limelight for infringements on human rights ranging from poor occupational safety conditions to pollution affecting surrounding communities. One of the notable examples include reports where in 2010, 11 workers were injured at a named Chinese mine in the southern part of the country during a protest for improved conditions of work, (https://www.telegraph.co.uk/news).

However, Freek Cronje et. al. (2017) in a study conducted on CSR in the Copper-Belt province of Zambia. The study observed that despite the rhetoric about better CSR from western institutions, most firms originating from traditional FDI source countries appear to be the main culprits in low health and safety as well as environmental and human rights violations when dealing and operating in developing countries. In more than one instance, traditional FDI firms do not apply the same stringent health and safety protocols than when operating in developing countries, (https://doi.org/10.19108/KOERS.82.1.2286). This is exemplified in a report by War-on-want which revealed that in 2014, protesters at the Zambian High Commission in London called on Vedanta to pay a fine of $2 million served by the Zambian courts in compensation to people poisoned by water pollution near the Konkola mine, (https://waronwant.org/)

Another conspicuous example of environmental damage is the case of Anglo-American Corporation which has been dragged to court by concerned stakeholders from Zambia. According to the lawsuit, the firm has been accused of turning a "blind eye" to decades of lead poisoning suffered by hundreds of thousands of people living near a Zambian mine that it held a stake in for nearly 50 years. It has been alleged that the firm continued to profit from the extraction and smelting of lead from the mine in Kabwe, Zambia, without ensuring that proper safety standards were met, even when it knew the great harm being caused. This came to light when tests conducted from the victims showed that blood lead levels in children living in Kabwe were many times higher than the poisoning standard amount of 3.5 micrograms per deciliter adopted by the U.S. Centers for Disease Control and Prevention (CDC). Many children tested in Kabwe had levels at more than 45 micrograms, causing heart, brain, and liver damage. Numerous investigations since 1971, when eight children died of suspected lead poisoning, have found alarmingly high levels of lead in local children, (https://foreignpolicy.com).

A hearing in the South Gauteng High Court that concluded on January 31 2023. Although on 15 December 2023 the High court threw out the case in favour of Anglo American corporation who have since denied responsibility. However, representatives for the affected families indicated that they would appeal against the judgement, (http://www.amp.theguardian.com).

In 2008, two Zambia-based NGOs, Citizens for a Better Environment and the Inter Africa Network for Human Rights (Afronet) joined forces with the UK-based Rights and Accountability in Development lodged a claim to the UN Committee on Economic, Social and Cultural Rights in Geneva. According to the claim, a named traditional FDI firm abused its dominant position as a Zambia Consolidated Copper Mines (ZCCM) board member to obtain secretive, so-called "Development Agreements." during privatization Zambia's copper mines in 2000. The claim stressed that through the agreements, Anglo was granted excessive concessions in terms of taxation, royalty payments and repatriation of profits. Some of the concessions resulted in weakened standards of environmental controls, such as those on emission targets, and affected the health and safety of workers and the population in general. The weakened environmental controls were not disclosed. The three NGOs also made a submission against Anglo to the UK Department of contact point for the OECD. (https://www.angelfire.com).

These notable cases speak to low levels of corporate social responsibility by both traditional and non-traditional FDI firms. This situation is confirmed by the Auditor General's Report on environmental degradation which revealed that mining companies were failing to produce monthly returns or bi-annual reports on air emission to the environment. As a result, the contents of Sulphur Dioxide (SO2), dust from stack emissions, Arsenic (As), Copper (Cu) and Lead (Pb) in the air emitted to the environment was above the limits set by Zambia Environmental Management Authority (ZEMA), (www.parliament.gov.zm/).

Conclusion

Despite the long history of Traditional FDI in the country spanning over 70 years, Zambia had little to show in terms of significant investments in areas such as manufacturing, infrastructure development and environmental protection among others. Although privatisation led to the closure of many indigenous industries, it somehow spelt transformation to the landscape of foreign investments in Zambia. A number of firms from emerging economies mostly from the BRICS countries had also entered the Zambian market. Having been in the country for just about two decades, traditional FDI has made significant contributions to the country in different sectors of the economy. For example, through the Belt and Road initiative, Zambia has received investment from China of about USD 11.3 billion spread over 30 projects between 2014 and 2023, (www.cnbcafrica.com/).

Notable improvements in different sectors of the economy include roads and telecommunication infrastructure, manufacturing and development of economic zones among others. These infrastructure projects are spread across the country and are making a huge contribution to spurring the country's economic drive. Rotberg, Robert (2008) has also pointed out that "China's current thrust into sub-Saharan Africa promises to do more for economic growth and poverty alleviation than anything attempted by western colonialism".

Besides making investments in mines which at some point were said to be economically not viable by traditional FDI firms, China has made investments in the production base and manufacturing capacities of Zambia through development of economic and trade cooperation zones the country. This not only demonstrates a non-zero-sum approach but also a long term investment strategy envisaged to provide a win-win platform for parties involved. In terms of tax compliance, there are clear dissimilarities between traditional and non-traditional FDI firms with findings indicating lower tax compliance for the former. The outlook for corporate social responsibility by foreign firms in Zambia remains grim especially given the incessant concessions that these firms demand.

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