China-Africa Economic Relations: The Case of Zambia

By

Inyambo Mwanawina

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1. Introduction

China, a country with a population of 1.3 billion as of 2005 and covering 9.6 million square kilometres is one of the fastest growing giants in the world. Its annual real growth of the Gross Domestic Product (GDP) was recorded at 10% in 2005. In the period 1993 to 2004 China's annual GDP growth averaged 9.9%. In 2005, annual inflation stood at 3.8% and per capita GDP averaged US$1,740. According to the World Bank Group, China is the fourth largest world economy after the United States, Japan and Germany.

Zambia is one of the least developed countries in the world, despite its rich mineral wealth. The country has a land area of 753,000 square kilometres. The country's total population was recorded at 9.9 million in 2000 which is projected at 11.1 million for 2005 using the 2000 census. Over the period, 1994 to 2004 the real GDP growth averaged 3.0%. In 2005 growth in the real GDP stood at 5.2% while annual inflation was recorded at 15.9% and per capita real GDP of US$82. Formal sector employment averaged 0.5 million over the period 1993 to 2004. Whereas Zambia recorded significant recovery in the performance of key macroeconomic indicators apart from formal sector employment, China's performance is more favourable in comparison to Zambia.

The historical relationship between China and Zambia dates back to the pre-independence period when the present day Zambia was then a protectorate of Great Britain. At the time the relationship was in the form of Chinese assistance to one of the opposition parties which comprised of financial and material assistance. It may be observed that the historical engagement between China and Africa is rooted in a shared similar historical experience and struggle for national liberation and independence. Prof. Zeng Qiang of the Institute of Asian and African Studies divides this relationship into three distinctive periods:

The first episode is from 1949 to 1979 which focused on support to liberation or independence struggle and establishment of diplomatic missions, economic re-construction and consolidation of national independence. China provided assistance to the liberation or independence struggle and aid towards economic re-construction and consolidation of national independence while African countries provided support to China in the international arena, allowed China to establish diplomatic missions. Therefore, the political factor and ideology were the dominant factor explaining Africa-China relationship in the period[1].

The second episode is from 1979 to 1999 which marks the period of profound changes in both Africa and China. In Africa, this was the period of International Monetary Fund and World Bank sponsored structural adjustment and liberalisation programmes as well as adoption of multi party democratic system while China was emerging from social chaos and economic crisis arising from the great Cultural Revolution. China adopted an "Open Door" policy economic reforms which put economic development at the centre of national development strategy and ideology on the sidelines. In 1991, a "Going Out" policy was initiated which put Africa as a major policy target area. The Africa-China relationship continued on the traditional basis of friendship with a particular focus on economic and political cooperation.

[1] The Soviet factor, the Great Cultural Revolution in China and emergence of communist beliefs in some African leaders could be cited with respect to ideology.

The economic cooperation became more diversified from the provision of traditional aid to preferential loans, contract bidding for construction and direct investment in Africa. Africa became more supportive of the One China policy and supported China's diplomatic engage at a multilateral level.

The third and present episode runs from 1999 to date. The main pre-occupation of African countries at the turn of the new millennium became wealth creation or poverty reduction, peace and stability, promotion of economic development and achievement of the Millennium Development Goals. African countries worked together for a common purpose which saw the creation of a New Partnership for African Development (NEPAD) and the African Unity (AU) that replaced the Organisation of African Unity in 2002 as a way of solidifying its strategy for common economic development effort.

China in the meantime has been recording fast economic growth and assumed more international responsibilities and became concerned with consolidating its efforts in a world dominated by western developed countries. This saw the introduction of the Forum on China-Africa Cooperation (FOCA) in 2000 as a basis of new relationship between Africa and China based on principles of political equality, mutual trust, economic win-win cooperation and cultural exchange. FOCA thus serves as a platform for collective dialogue, consultation and coordination.

In 2006, China formulated its African Policy Paper where China-Africa bilateral cooperation focuses in the following areas:

- Political which covers high-level visits, exchanges between legislative bodies, political parties and local governments, and cooperation in international affairs.
- Economic which covers trade, investment, finance, agriculture, infrastructure, natural resources, tourism, debt reduction, debt relief, investment and multilateral cooperation.
- Human resource development with a focus on education, science, cultural, health, technology, media, administrative, consular, environment, disaster mitigation, humanitarian cooperation and people-to-people exchange.
- Peace and security with a focus on military, conflict settlement/peace keeping, judicial and police.

China further announced a number of measures to enhance African development which includes:

- Doubling China's assistance by 2009.
- Provision of US$3 billion of preferential loans and US$2 billion of preferential buyers' credits.
- Creation of US$5 billion Africa-China development fund.
- Building a conference centre for the African Union.
- Cancellation of debt owed by the heavily indebted least developed countries.
- Open up of Chinese markets from 190 to over 440 zero rated products from least developed countries.
- Establishment of trade and economic cooperation zones and other measures for the promotion of cooperation.
- Training 15,000 African professionals.
- Sending 100 senior agricultural experts to Africa.
- Establishing 10 special agriculture technology demonstration centres.
- Building 30 hospitals.
- Donating RMB 300 million for anti-malaria activities.

- Building 30 malaria prevention and treatment centres.
- Dispatching 300 youth volunteers.
- Building 100 rural schools.
- Increasing Chinese government scholarships from 2,000 to 4,000 a year by 2009.

China's engagement with Zambia is based on the above framework. Zambia's development strategy is to focus its foreign policy towards economic and development issues. Government attention is to promote positive interventions to enhance pro-poor changes in international trade, attracting foreign direct investment and the promotion of south-south cooperation. At a diplomatic level, Zambia intends to open missions in the south Pacific and Middle East. The country aims at:

- Strengthening its bilateral and multilateral relations.
- Human and institutional capacity building as well as development of career diplomacy.
- Promotion of regional and international peace and security, and
- Implementation of the African Peer Review Mechanism.

However, not much is known about China-Zambia engagement. The objective of this study is to provide information on the size, structure and significance of China-Zambia relations, see Annex I for detailed terms of reference. To achieve this, the study is divided into five sections. Section two examines the nature and scope of Chinese investment in Zambia while the third looks at pattern and magnitude of trade between China and Zambia. The Chinese development assistance to Zambia is the subject of section four and the study ends with a summary and conclusion in section five followed by references and annexes.

2. Investment

The Forum on China-Africa Cooperation (FOCAC) has created new opportunities and challenges in the country's development effort. The opportunity being in the space created by China to tap on its experience in acquiring technology and financial resources needed to scale up the country development effort and move rapidly towards the achievement of the Millennium Development Goals. The challenge lies in turning and regulating Chinese interests in the country to the mutually benefit of both China and Zambia without endangering the country's social-cultural heritage and environment. However, there is great concern that Zambia may fold its arms, sit back and watch this opportunity slide away.

As a study by the Centre for Global development points out that the rise in China Export-Import (EXIM) bank is a potentially important trend for African development by providing a new source of capital, especially for much-needed infrastructure investment. The growing operations of Chinese official banks also present a number of challenges to policymakers to mitigate the impact of Chinese lending practices on efforts to promote better governance, standards, and debt sustainability.

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

Furthermore, through its investment in Africa and acquisition of key energy and commodity assets, China seeks to leverage its investments to extract itself from international commodity market pricing. China's long-term strategy is to secure commodity assets at source, thus bypassing international market pricing. It may even consider establishing its own commodity exchanges — already having done so by setting up a diamond exchange in Shanghai to rival that in Antwerp. Thus the price that China pays for specific commodities will be negotiated at source with recipient governments rather than the price determined by the "market". This is the underlying factor of China's strategic engagement of African commodity and energy endowed economies.

Thus, China's foray into Africa's natural resource sector will continue to expand in the medium term. Since China is strategically excluded from the Middle East region for its energy needs, Africa is rapidly becoming China's commercial sphere of influence. The US invasion of Iraq may also have pushed the Chinese government to accelerate its acquisition of African energy assets. China now obtains roughly a third of its energy imports from the African continent. Chinese state owned enterprises, answerable to political stakeholders rather than private shareholders, enjoy a comparative advantage over foreign multinationals when investing in African economies because of the strong, no-strings attached political relations fostered by their government.

In order to achieve sustained high economic growth, poverty reduction and the achievement of the MDGs, the Zambian authorities have identified priority sectors which are a target for attracting foreign investment. Priority areas differ with some overlaps, depending on which government agency you are looking at. The Ministry of Finance and national Development in the Fifth National Development Plan identifies the following sectors as priority: agriculture; manufacturing; infrastructure; education; health; water and sanitation; and public order and safety, Figure 1. The Zambia Development Agency identifies priority sectors as agriculture, manufacturing, electricity and education while the Immigration Department identifies the priority sectors as agriculture, mining, manufacturing, infrastructure and tourism. While there are overlaps and distinctive differences in the identification of priority areas by the different agencies of government one would have expected in the very least harmony in the identification of the sectors as they have implications in the award of incentives and immigration requirements. What is of much significance is that all this priority areas and much more areas are in tandem with the China Africa Policy Paper and, therefore, not divergent with Zambia and Chinese interest.

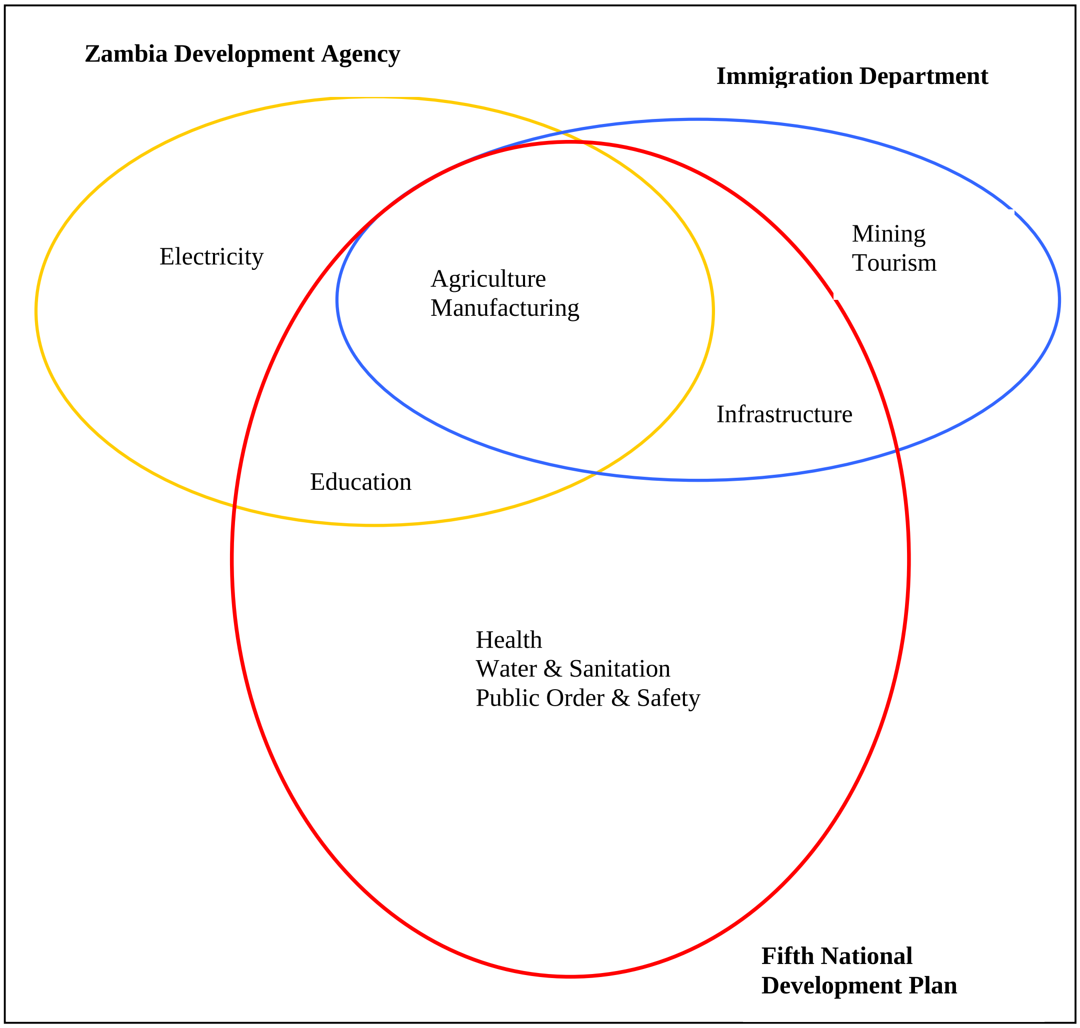
The country's immigration policy is based on the following expectations from an immigrant or investor:

- Contribution to skill, profession or capital for the benefit of the country and its people;
- Should not deprive a Zambian citizen of employment;
- Not cost the government, meaning that she or he must have own means of supporting oneself and dependents; and
- Posses an entry permit before coming to Zambia.

Clearly, the immigrations regulations ensure a reasonable level of protection for Zambian labour. The question is whether these regulations are enforced in practice? To ensure compliance with regulations, the immigration office is supposed to carry out regular inspections. However, lack of logistical support largely due to poor funding, makes the office unable to effectively perform this task. As a result, immigrants are not scrutinised until at the time or extension of work permit, usually at intervals of 2 to 4 years. Although the law requires that employment permits should be secured prior to travel to Zambia, exemptions are provided for prospective government employees and investors. Aliens are allowed to visit Zambia for various reasons including business, touring, pleasure, etc. Once in the country, it is easy for an immigrant to change status through the exemptions.

The Zambia Development Agency (ZDA) has been set up to further economic development in the country by promoting efficiency, investment and competitiveness in business and promoting exports. The ZDA Act 11 of 2004 provides for the encouragement of investment in Zambia by way of special tax incentives which are valid for a period of 5 years.[2] In order to qualify for such an incentive, a firm or investor must invest a minimum of US$500,000 in the priority sector or product while investment of a minimum of US$10 million entails the Minister responsible for Finance to provide additional incentives.

Figure 1. Priority Sectors



Source: Ministry of Finance and National Planning, Fifth National Development Plan; Zambia Development Agency Act and Immigration Department.

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[2] The Zambia Development Agency (ZDA) is an amalgamation of 5 institutions: The Export Board of Zambia, Zambia Investment Centre, Zambia Export Processing Zones Authority, Small Enterprises Development Board of Zambia and the Zambia Privatisation Agency.

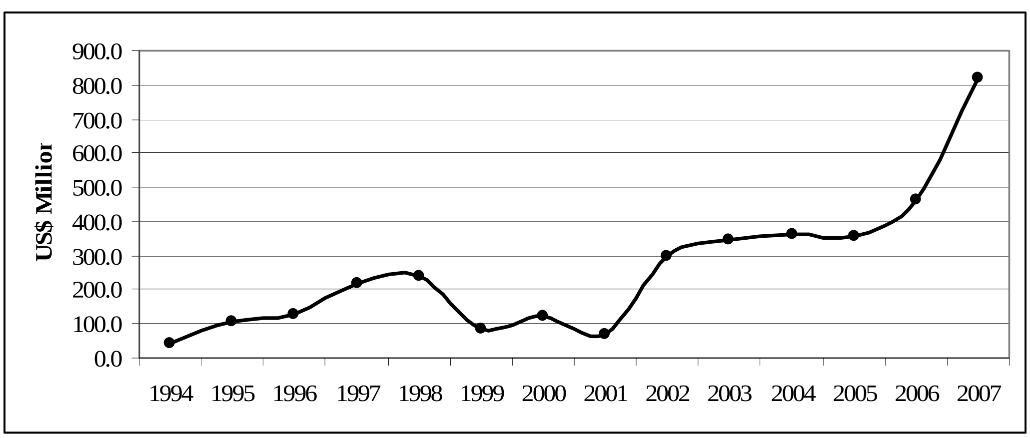
A person qualifies to be an investor by holding an investment permit. Investment permit fee was increased from US$50,000 to US$250,000 in December 2006, an action which helped to stem the proliferation of petty investors. Immigration regulations provides for an investor investing a minimum of US$250,000 and employing a minimum of 200 people to a self employment permit or resident permit. Moreover, the investor is entitled to be granted up to at most 5 work permits for expatriate employees provided such persons hold managerial and technical positions. In considering such applications, the Immigration Department pays particular attention to the proposed investment with respect to:

- promoting economic development and growth in Zambia;
- creation of employment and development of human resources;
- export orientation
- environment impact of the project; and
- technological transfer.

Immigration regulations do not allow change of employment status while in the country which would call for an immediate deportation. However, there is a problem when it comes to enforcement. Zambian nationals are perpetuating the problem because there is no reporting. However, the authorities should be commended for standing their ground in some cases. A case in point is a Chinese company which requested for a work permit for a cook which was denied. The Immigration Department does to have the capacity, resources and expertise to ensure compliance with all the regulations and, therefore, depends on other specialised relevant government agencies.

Foreign Direct Investment (FDI) increased by an annual average of 150% from US$40 million in 1994 to US$821 million in 2007 in the wake of privatisation, liberal economic policies and concerted efforts to attract investment by the government, Figure 2. FDI sharply increased after 2005, largely as a consequence of increased investment in the mining sector which was in turn due to a recovery in commodity prices driven by demand for commodities in China and India.

Figure 2. Total Foreign Direct Investment



Source: Bank of Zambia

China relationship with Zambia is at a bilateral level and has traditionally taken on projects in which other donors are not interested in. There is no evidence of coordination between China and other donor agencies. The Chinese are not part of the framework of donor coordination as they prefer to operate outside that framework. This is clearly a contradiction, as China is a signatory to the Paris Declaration on aid effectiveness. Yet this provides an opportunity for

Zambia to gain some leverage in dealing with traditional western donors but there is no evidence on the ground to show that this is happening or if indeed there is, it is being used to the country's advantage. Transparency and accountability of Chinese engagement in Zambia is increasingly becoming a source of concern.

Chinese investment has been welcomed by the present day Zambian government. However, some fears have since emerged in some circles. The major ones being poor conditions of service accorded to local employees, lack of adherence to safety regulations at places of work and disregard of labour laws/regulations and lack of environmental considerations. Moreover, concerns have been voiced regarding the proliferation of Chinese causal labourers and Chinese investors who turn-out to be petty traders thereby displacing Zambian who have been active in those areas. The question is, is there any substance in above concerns?

An interview with one of the Chinese investors reveals that while there may be some cases which revealed appalling conditions for local labour, this can not be generalised to all Chinese investments. The Chinese find salaries demanded by Zambian labour to be high. However, they their experience is that some segments of the local labour don't understand work or have bad attitude towards work. Moreover, they do not find problems with Zambian regulations. On the contrary they find the investment climate in Zambia to be very good and Zambian people friendly.

The total magnitude of Chinese investment and its contribution to the gross domestic product and employment creation is not yet known. What is factual is that the Zambia Investment Centre, now part of the Zambia Development Agency (ZDA), statistics shows significant investment from China. From 1993 to 2006 which covers both episodes two and three, Chinese Foreign Direct Investment (FDI) pledges amounted to US$378 million across all sectors with manufacturing accounting for 60%. Recent data from ZDA show that in 2007, the total pledged FDI amounted to US$2,702 million of which China accounted for US$1,270, representing 47%, Table 1.

Table 1. China's Share of Pledged FDI (US$ Million)

Sectors	China	Total	China share as a % of the total
1. Agriculture		66.8	
2. Manufacturing	900	1743.2	51.6
3. Mining	220	441.5	49.8
- Solid minerals		441.5	
- Oil and gas			
- Other minerals*			
4. Transport		23.5	
5. Electricity and water			
6. Telecommunications	150	275.1	54.5
7. Education		4.1	
8. Health		1.3	
9. Tourism		78.8	
10. Real Estate		18.1	
11. Financial		2	
12. Construction		21.2	
7. Other Services		25.9	
Total	**1,270**	**2,701.5**	**47.0**

Source: Zambia Development Agency

On the basis of 2007 pledges, Chinese investment in the highest, accounting 52% of the investment in the manufacturing sector, 55% in the telecommunication sector and 50% in the mining sector. An examination of the BoZ and ZDA figures shows that about 30% of the pledged investment get realised. Overall, Chinese engagement in Zambia covers the following sectors in line with China Africa Policy Paper:

- Agriculture;
- Mining;
- Manufacturing;
- Construction
- Communication and Transport; and
- Health;

This investment is also in line with Chinese new policy on Africa and Chinese expression of solidarity and commercial interests. China has supported over 35 projects in Zambia as detailed in Annex I. Major investments include but not limited to:

Agriculture Sector

The Chinese government provided training to Zambian nationals in the fields of rice production, agricultural machinery, acupuncture, small hydropower, food and agro processing and tropical disease control in 2003. A Chinese firm called Qingdao New Textiles Industry has established a company called Chipata Cotton Company in the Eastern Province of Zambia for the purpose of producing cotton, cotton seed and other relevant products. It is hoped that the plant will process 15,000 tons of seed cotton a year and increased employment opportunities for the Zambian people. The Chinese investment in the sector is yet to yield positive results. However, positive results are expected with respect to the control of tropical disease. An increase in the exports of skins, hides and tobacco has been recorded. What is of concern is that these are still pure raw materials with little or no benefits to Zambia.

Mining Sector

As a consequence of the privatisation exercise, China Non-Ferrosus Metal Mining Group Corporation Limited (NFCA) acquired the Chambeshi mine. The mine is located on a 41 km² piece of land which has since the visit of the Chinese President, Mr. Hu Jintao in December 2005 has been established as the Chambeshi Special Economic Zone expected to provide Chinese enterprises with favourable investment incentives in line with China Africa Policy Paper.

There has been significant investment in the sector by Chinese interests on commercial lines. The Chinese engagement in this area is in line with Naidu and Davies observation on China's long term strategy of securing commodity assets at source or even moving further to establish its own commodity exchange as way of by passing international market pricing. All significant areas of operations have been grated special tax concessions. The concessions which were previous granted to the China Non-Ferrous Metal Mining Group Corporation Limited (NFCA) in Chambeshi were extended to an entire area covering 41 km² in Chambeshi in December 2005 during the visit by the Chinese president. The Chambeshi Special Economic Zone, apart from copper mining, is also expected to attract investment in electronics, toys, clothes and food.

About 50 Chinese enterprises pleged invest up to US$900 million in the zone in 2007. The investment is expected to contribute to the development of the country by way creating employment opportunities for Zambians and technological transfer. Mining activities continue to be a source of employment to the Zambian people. However, the special incentives accorded to the Chambeshi mine and the establishment of the area as a special economic zone deprive the country of the much needed tax revenue required for the country's development effort. The long term prospects for Zambia are gloomy if China is to succeed in its long term strategy in the absence of a counter strategy from Zambia. If the price of copper is to be negotiated in Zambia between China and Zambia such negotiations will go in the favour of China as Zambia lacks the capacity, ability and will to negotiate anything in its favour.

Working conditions in some Chinese operated mines have raised serous concern and alarm. The Minister of Southern Province literally wept when she witnessed the deplorable working conditions which a Chinese firm subjected Zambian workers at a coal mine in Kafue. The workers had no uniforms, poor salaries, no safety measures, etc. The story replicates itself in Chambeshi. The Chinese reacts with surprise at such complaints as they do not see anything wrong with that. They complain about high salaries demanded by Zambian workers, low productivity and lack of work discipline. However, the problem lies in the weak or lack of enforcement of relevant pieces of legislation and regulations by the authorities.

Jicuan Mining Limited has pledged investment of US$220 million in 2007 as a share holder in Zambia's first nickel mine in Zambia. The major share holder is Albidon Limited of Australian and the other shareholder is Barclays Capital. The Jinchuan Group is going to purchase all the output of the mine, presently in concentrate form and is considering to construct a new nickel smelter in Zambia to treat the concentrates from the mine and also to consider developing related industrial infrastructure. The concentrate contains several other minerals such as copper, cobalt, platinum and palladium.

Manufacturing Sector

The Mulungushi textiles was started as partnership with the Zambia government with 98% shares and the rest privately owned. The textile was constructed by a Chinese firm. Zambia was represented by the he Zambia National Service (ZNS) and together with the Chinese team commenced the construction of the textiles complex in 1977 and was completed in 1981 while production started in 1983. Like most parastatals, the textiles in Kabwe was not doing well, largely due the debt owed by the Zambian government which was not being serviced. In the wake of privatisation, ownership of the complex changed to a joint venture with a Chinese company called Qingdao General Textiles Corporation and a name changed to Zambia-China Mulungushi Textiles Joint Venture Limited. A letter of intentent between the Municipal People's Government of Qindao in China and the Ministry of Commerce, Trade and Industry in Zambia has been signed to establish the Mulungushi Industrial Park in the area when the company is located.

However, the company is besieged with several problems and is currently not operational. The majority of the work force (about 1,000 workers) has been laid off, leaving a skeleton caretaker staff of 10 workers. In 2006, Chinese explosive manufacturing company exploded in Luanshya killing all 46 Zambian workers on site. No Chinese lives were lost in the incident as none of the Chinese employees were at the plant. The problem was attributed to lack of adherence to safety standards, yet again pointing a figure at lack of enforcement of the relevant law and regulations by the authorities.

Construction Sector

The thrust of Chinese engagement in Zambia is in the construction, communications, transport and building sectors. Communications and transport shall be discussed under the relevant sub-section. This sub-section highlights issues pertaining to general construction. The main high light under general construction is the Government Complex which started in 1985 as a party head quarters building for the then ruling party the United National Independence Party (UNIP). The complex comprises of six buildings: the main building (tower block); museum; X – Y building; YWO building; Conference centre; and Banquet hall. All have been completed with the exception of the conference centre and banquet hall. The construction was funded from the Zambia government coffers which has taken over the complex and presently houses several government ministries.

Chinese investment in this sector is dominated. The thrust of Chinese investment is in communications, roads and buildings. Each ministry has Chinese contractors. The Chinese bilateral agreements with Zambia are based on the principle of build, operate and transfer. A case in point is the Kamwala market in Lusaka under the Ministry of Housing and Local Government. The new stadium in the Copperbelt is yet another example which is under the Ministry of Youth and Sport.

Construction or building projects are supposed to be done according to set specifications and standards. One of the key informants observed confirmed that they are problems with enforcement. The capital city of Lusaka, and other towns in the country are slowly turning into big shanty compounds due to sub standard buildings allowed by the councils and complete discard for land-use planning. Planning functions were transferred form the Ministry of Local Government to Councils. There are situations were foreign contractors come with their own designs yet it is illegal to import foreign designs and to use them in Zambia without being registered and approved by the relevant authorities. While attempts are being made to follow regulations during the tendering process, this is hardly done during project implementation stage. There are some cases of unregistered Chinese engineers being allowed to undertake construction works in the country.

It is generally felt that the Chinese are undertaking work according to the set quality of works. The set standard is being met because there are always project consultants who ensure that construction is done according to specifications, though the element of cheating can not be ruled out. The approved building itself may be sub-standard or high standard. However, the major problem is that the Zambian people can not supervise work where they lack experience or know how. You can not supervise something you have not done before. The country lacks capacity to supervise foreign consultants due to lack of manpower. Even though officers go for workshops, there is lack of capacity to do good work. There is lack of financial resources to have a good final product.

In contrast, foreign funded project have all elements provided for. The country also lacks laws and systems which are results oriented and accountable. No one so far has been taken to task for failure to perform. There is lack of workable systems, lack of capacity to implement anything and regulate anything be it wild life, forestry, building, hospitals, etc. As one Minister put it, "Zambia is a place where you keep your job by not doing it". In other environments, that is not possible. It was further observed that the reward system is not tied to performance but rather a "fail safe system" and thieves have learnt that you can get away with the system. Those who want to bring positive change are not safe and the danger may lie within or outside.

However, there are areas where enforcement is being tried, were people are trying to bring about positive change and do a good job. A case in point is the design of the fly over bridge on the Great East Road at the University of Zambia main campus. The initial design was done in Kenya but it required approval by Zambian Engineering Association which was granted. Another is the construction of Environment Block at Ridgeway campus of the University of Zambia by China Jaingsu International. Contractors are graded from 1 (unlimited) to 6 (least, can only take jobs up to K1 billion). The tender was done and a consultant assessed prices. The construction was pegged for contractors with a grade 4 or better and a Chinese contractor won the bid. The Chinese company won by 11% as the cheapest bidder compared to the next cheap bid. The client is happy with the personnel, resources and quality of work. The quality of work was further strengthened by attaching a local engineer on the site. There are 4 Chinese nationals working on the project, comprising of project engineer, site manager, material manager and interpreter. Physical works are being undertaken by Zambians with a workforce of about 30. It may be important to note that both the above examples are commercial projects not financed by Chinese grant or loan while the first example did not involve a Chinese contractor.[3]

The tendering process was done in line with the regulations set by the National Council of Construction. The Chinese project engineer was hired by the contractor after the tender was won and his name does not appear in the Government Gazette Number 5587 showing approved engineers by the Engineers' Registration Board of Zambia as of June 2007. What is emerging from this experience is that Chinese investors and contractors can do a good job in line with set specifications and standards. However, just like any other investor, they are prone, to take advantage of loop holes in the system. As one key informant put it "If you are weak, any one will take advantage of you. You, therefore, need to put your foot down and ensure that things get done the way they should be done".

Communications and Transport Sector

TAZARA was constructed under a bilateral agreement between China and Zambia signed in 1965. Project planning and design commenced in 1968. Project implementation started in 1970 and was completed in 1976. TAZARA links Kapiri Mposhi in Zambia to the Tanzanian port of Dar-es-Salaam. Financing for the project was provided by Chinese government loan dated 18th April 1968 in the amount of RMBY988 to the governments of Zambia and Tanzania. The loan was shared equally between the two countries and Zambia's share stood at RMBY 494 million (US$ 91 million).

China has since continued to provide loan finance towards the same project. On December 9, 1992 an interest-free loan amounting to RMBY 60 million (US$ 10.8 million) was provided to enable TAZARA procure passenger coaches and spare parts under Economic and Technical Cooperation. A technical assistance loan was given on August 11, 1995 for engineers and technicians in the amount of US$ 26.7 million. Further Economic and Technical Assistance was signed on July 16, 2001 and December 31, 2004 which provided for, among others direct cash assistance in the amount of US$ 6 million for purchase of fuel and spare parts from third parties. An interest free loan in the amount of RMB 90 million (US$ 11 million) was provided on November 5, 2004 while another in the amount of RMB 100 million was given in July 2006. Thus, China provided soft loans of over US$157.7 million to the TAZARA project over the

[3] An attempt was made to interview Chinese contractors under projects financed by either a Chinese grant or loan, the bureaucratic procedures to get to the point of talking to the contractor were taking too long. The attempt was aborted for the seek of not delaying the submission of the final report which was already late.

period from 1965 to 2006 to be shared equally between the governments of Tanzania and Zambia.

The Lusaka - Kaoma Road was financed by an interest-free loan of £7 million (US$12 million) from China in 1967. The construction of the road commenced in 1969 and was completed by 1975. The Serenje-Samfya-Mansa was financed by a loan from China in the total of amount was RMBY 75 million (US$14 million) under the Economic and Technical Cooperation Agreement originally signed in February 1974 and extended in May 1987. In June 2006, China expressed interest to assist Zambia in constructing Chembe Bridge across the Luapula River in Luapula Province.

The government of Zambia entered into an agreement with China for the construction of a diplomatic radio station on May 29, 1972 but implemented through the 1967 loan of £7 million and completed in 1973 at an actual cost of £118,975. At a commercial level, the Zambia Tele Communications Company Limited (ZAMTEL) entered into a soft loan agreement financed by Export and Import (EXIM) Bank of China under the government of Zambia guarantee in the amount of US $13,200,128. The scope of the project involves supply, installation and commissioning of 14 digital telephone exchanges and 50 hops of transmission equipment. ZAMTEL also entered into another commercial contract with ZTE Corporation of China on March 22, 2002 in the amount of US$21,570,244 for the supply, delivery and installation and commissioning of the GSM cellular telephone system in Zambia.

The biggest Chinese investment project in Zambia is TAZARA. The objective of the project was to reduce dependence by Zambia on the southern route for the country's exports and imports. The southern route passed through present day Zimbabwe to the South Africa ports. The objective of TAZARA was to re-route the country's exports and imports to the Tanzanian port of Dar-es-Salaam. TAZARA was financed by a loan from China which was equally shared by the governments of Zambia and Tanzania and signifies the only regional project undertaken by China after which there has been no further regional engagement. The establishment of TAZARA resulted in the realisation of the original project objectives. However, the rail line remained inefficient and unprofitable and has been saved from going under by subsequent agreements between China and the governments of Zambia and Tanzania which allowed for more loans for procurement of spares, technical experts and even to meet operational costs. TAZARA still stands out as the country's single source of major indebtedness of Zambia to China. In that regard, it can be concluded that this huge undertaken has not yet realised the objective of being a major route for Zambia's exports and imports and addressing the issues of technological transfer. The rail line has not been run effectively and efficiently.

A project that holds hope for technological transfer is a possible agreement between the Ministry of Defence and the China National Ero-Technology Import and Export (CATIC) for the establishment of an ultra-modern centre for the maintenance and overhaul of military and related equipment in Zambia. The project, however, is still on the drawing board.

In the area of telecommunication, Koza Telecoms has pledged investment of US$150 million in 2007 for the provision of GSM mobile communications and other ICT products and services in Zambia.

Health Sector

China has traditionally assisted Zambia in this sector through the provision of doctors and medicine. The cooperation dates back to 1977. Since then 11 Chinese teams have operated in

Zambia with a total of 263 Chinese doctors. The 12th medical team of 28 doctors came to Zambia in January 2003. Presently, there are 4 expert teams of 49 Chinese experts in the country. China also provides medical equipment to Zambia. Cooperation on anti malaria medicines was signed during the FOCAC Beijing Summit in November 2006. In the education sector, China is to provide 15 scholarships to Zambians and in turn Zambia is supposed to provide 5 scholarships to the Chinese.

Table 2 identifies key stakeholders and groups them into beneficiaries and losers from Chinese investment in Zambia. The academia and Civil Society Organisations do not play a direct role in both negotiations between the Chinese and Zambian authorities and Chinese investment in Zambia. These stakeholders, however, can indirectly influence government thinking through providing evidence based policy advice and through advocacy activities. However, their engagement is limited by the availability of information, access to the budget system and civil society's own capacity and its ability to organise itself for effective engagement. The Chinese development assistance to Zambia has been in the main, government to government agreements or pure commercial undertakings. The nature of the undertakings has been shrouded in secrecy which further inhibits civil society involvement. The two stakeholders are classified in the top left quadrant on the right side to signify possible benefits from such engagement.

The local producers find themselves in the same classification for three reasons. Local producers can enhance their competitiveness by using cheaper inputs sourced from Chinese producers. However, they stand to face stiff competition from Chinese supplies in the same line of production due to cheaper Chinese products. With proper enforcement of laws and regulations as regards immigration, practising requirements, quality and safety standards, etc, local producers stand a good chance to favourable compete with the Chinese.

Table 2. Classification Beneficiaries and Loser Groups of Chinese Investment

	Beneficiaries	
Losers	Academia Civil Society Organisations Local producers	Traders Consumers Chinese Contractors Chinese investors Parastatal companies
	Local contractors Labour unions	GRZ Local labour

The bottom left quadrant of the table shows stakeholders who are clear cut losers as a consequence of Chinese investment. These are local contractors and labour unions. Local contractors are losers due to conditionalities in the Chinese-Zambia bilateral agreements as will be seen later with respect to government to government investment projects. At a commercial level, Zambia contractors do have access to cheap capital as their Chinese counterparts. Moreover, the Chinese operate on the basis of cheap at both the skilled and unskilled levels which can not be matched by local enterprises. The local labour unions are on the losing side largely because Chinese labourers are not members of labour union.

The top right quadrant shows stakeholders who are benefiting from Chinese investment. On top of the list are consumers who are benefiting as a consequence of cheap Chinese products, despite concerns of poor quality and health hazards. This is followed by the contractors and investors who are given advantage over their local competitors and parastatal enterprisers who are to get the projects undertaken at cheaper cost compared to local contractors. The right bottom quadrant is an area of big loses and benefits. The government of Zambia, like parastatals gain with respect to the cost effectiveness of Chinese contractors and investors but at the same incur heavy loses in revenue due to the incentives provided to the investors and poor salaries earned by the Zambian causal workers most of whom fall below the minimum threshold of paying income tax. The same argument extends to local labour, while Chinese investment accords local labour employment opportunities, poor conditions of service and safe standards reduces the net benefits. However, adherence to safety standards and enforcement of labour laws holds potential to improve the overall gain by local labour.

3. Trade

Trade between China and Zambia has seen substantial in the recent past. In 2006, exports to China accounted for 10% of Zambia's total exports and amounted to US$381 million, Table 3 compared to US$0.94 million in 1998, representing a phenomenal average growth rate of over 5,000 over the eight year period. Total exports for the country stood at US$4 billion in 2006. The largest contributor to export growth are raw materials in the form of base metals comprising of unprocessed mineral products (oars) at 19% of total oar exports and metal products, representing 11% of total metal products consisting of refined copper and cobalt. Despite the growth in exports to China, South Africa still emerges as the country major export destination, Figure 3.

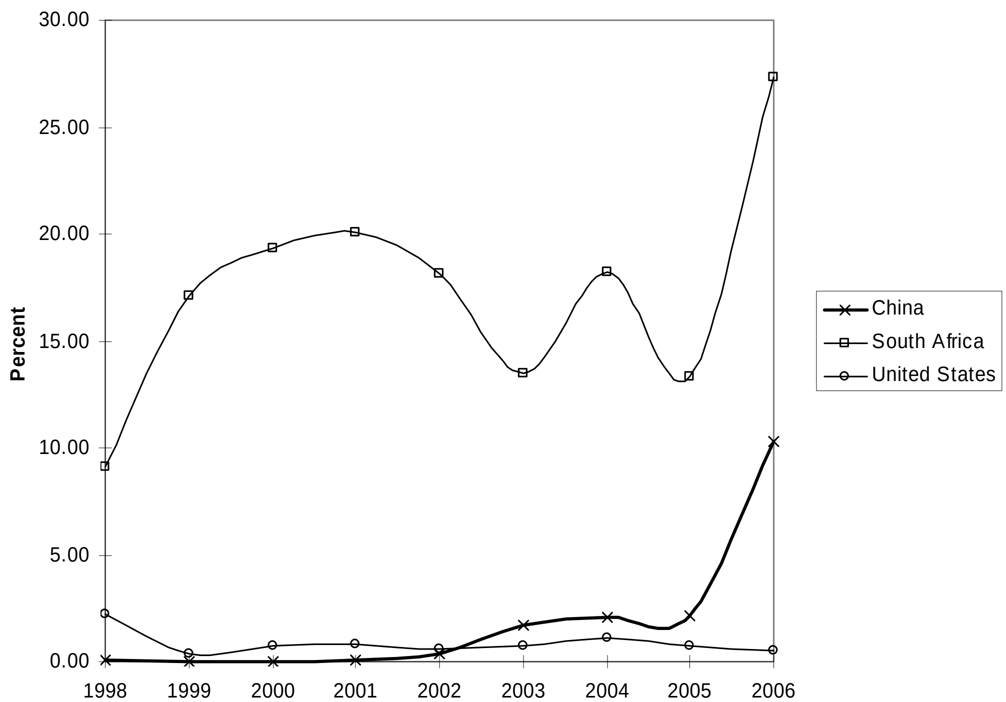
Table 3. China's Share of Exports 2006

Description	US Dollar		% of
	China	Total	Total
Total	380,945,649	3,694,312,688	10.31
C01: Animals (live) and animal products	24,658	3,316,497	0.74
C02: Vegetable products	61,024	102,715,019	0.06
C03: Fats and Oils (animal or vegetable)	0	1,295,865	0.00
C04: Prepared Foodstuffs; Beverages; and Tobacco	4,375,860	146,413,892	2.99
C05: Mineral Products	49,945,683	267,927,453	18.64
C06: Chemical products	24,607	17,583,403	0.14
C07: Plastics and Rubber	0	11,991,742	0.00
C08: Leather products	384,394	6,627,064	5.80
C09: Wood products	280,796	5,179,034	5.42
C10: Paper products	0	3,798,361	0.00
C11: Textile products	5,522,187	83,118,095	6.64
C12: Footwear; Headgear; and Umbrellas	0	2,469,597	0.00
C13: Stone; Cement; and Glass products	2,268	1,919,733	0.12
C14: Pearls and precious stones	1,064,150	21,671,246	4.91
C15: Metal Products	318,999,669	2,915,030,498	10.94
C16: Machinery	3,904	96,256,536	0.00
C17: Vehicles; Aircraft; and Vessels	254,445	4,693,441	5.42
C18: Photographic instruments; Clocks; and Musical instruments	2,003	623,643	0.32
C19: Arms and Ammunition	0	13,781	0.00
C20: Furniture; Toys; and other products	0	885,818	0.00
C21: Works of Art and Antiques	0	781,549	0.00
C22: Commodities not elsewhere specified	0	420	0.00

Source: Annex IV

Zambia's export trade with South Africa accounted for 22% of total exports in 2006 in the total amount of US$796 million from US$94 million in 1998, representing an average growth rate of 94% over the same period. Like Zambia's trade with China, the major components of exports to South Africa are raw materials comprising of base metal oars with an average growth of 324% which stood at US$58 million in 2006, stone, cement and glass with a growth of 269% and accounted for US$121 million of total exports and metal products (copper and cobalt) accounting for US$638 million of total exports with an average growth of 335%., Annex V. Out of 22 majors export categories, eight show decline while 14 show positive growth.

Figure 3. Growth in Share of Exports to Selected Countries



Source: Constructed from Annexes IV-IX.

Exports to the United States were adversely affected over the same period, declining by an average of -2%, from US$ 23 in 1998 to US$ 19 million in 2006, Annex VI. There decline in export growth of 13 export categories compared to growth in nine categories. However, Zambia's trade with the USA is relatively low and stood at 2% in 1998 and declined to half a percentage point in 2006. As of 2006, the top 10 export commodities to China in order of importance were:

I. Mineral products
II. Metal products
III. Textiles
IV. Leather products
V. Wood products
VI. Vehicles
VII. Pearls and precious stones
VIII. Prepared foods, beverages and tobacco
IX. Animals and animal products
X. Photographic instruments, clocks and musical instruments

Zambia's imports from China are much smaller compared to exports at only 3% of the country's total imports as of 2006, Table 4. The average growth in imports is also relatively smaller at 159% from US$ 6 million in 1998 to US$ 92 million 2006. The most 10 important commodities in order of importance are:

I. Leather products
II. Footwear, headgear and umbrellas
III. Textiles
IV. Vehicles, aircraft and vessels
V. Furniture, toys and other products
VI. Machinery
VII. Stone, cement and glass products
VIII. Plastics and rubber
IX. Metal products
X. Animals and animal products

Table 4. China's Share of Imports 2006

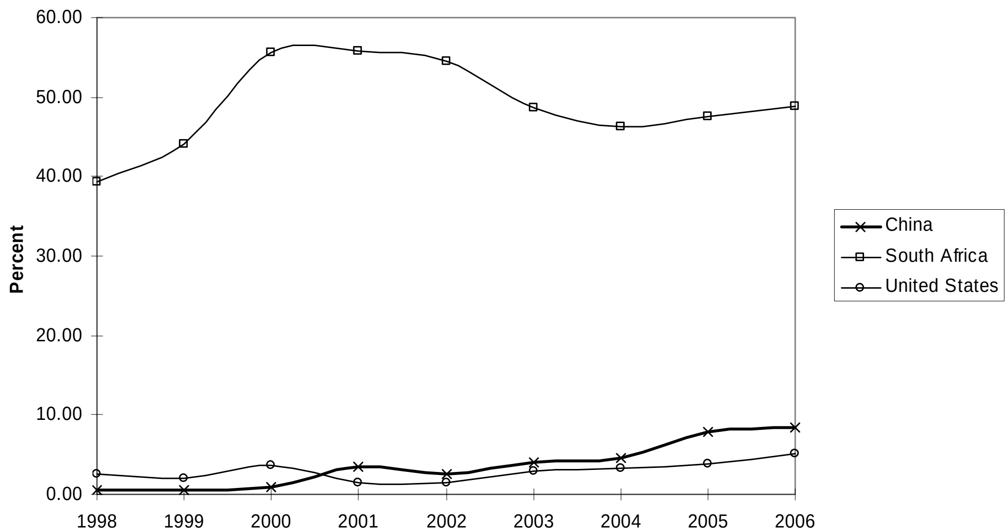
Description	US Dollar		% of
	China	Total	Total
Total	92,482,760	2,915,885,029	3.17
C01: Animals (live) and animal products	387,866	16,269,841	2.38
C02: Vegetable products	20,562	113,815,627	0.02
C03: Fats and Oils (animal or vegetable)	814	55,252,051	0.00
C04: Prepared Foodstuffs; Beverages; and Tobacco	110,239	53,041,893	0.21
C05: Mineral Products	272,562	537,327,618	0.05
C06: Chemical products	3,100,872	373,510,043	0.83
C07: Plastics and Rubber	4,338,898	153,622,249	2.82
C08: Leather products	1,005,785	3,140,428	32.03
C09: Wood products	79,244	3,711,618	2.14
C10: Paper products	266,199	85,107,126	0.31
C11: Textile products	5,700,660	64,238,856	8.87
C12: Footwear; Headgear; and Umbrellas	3,766,526	12,977,598	29.02
C13: Stone; Cement; and Glass products	1,352,816	39,050,945	3.46
C14: Pearls and precious stones	2,196	283,550	0.77
C15: Metal Products	6,387,218	243,817,844	2.62
C16: Machinery	35,553,699	770,173,716	4.62
C17: Vehicles; Aircraft; and Vessels	27,282,521	319,236,910	8.55
C18: Photographic instruments; Clocks; and Musical instruments	443,196	33,330,134	1.33
C19: Arms and Ammunition	679	590,262	0.12
C20: Furniture; Toys; and other products	2,409,062	37,192,234	6.48
C21: Works of Art and Antiques	1,145	144,919	0.79
C22: Commodities not elsewhere specified	0	49,567	0.00

Source: Annex VII

The highest growth in imports was recorded in leather products at 32% and footwear, headgear and umbrellas at 29%. South Africa is again the largest source of imports for the country whose contribution to total imports stood at 49% with an average growth of 29%, increasing from US$

429 million in 1998 to US$ 1,422 million in 2006, Figure 4 and Annex VIII. South Africa is posed to remain the country's major trading partner for some time to come with positive growth in all major import categories. The United States also reveals positive growth in imports to Zambia at 5% in 2006 and an average growth of 13% over the same period. Imports from the USA increased from US$ 28 million in 1998 to US$57 million in 2006. Despite the smaller magnitude for the USA, the imports there are growing at a faster rate compared to China.

Figure 4. Growth in Share of Imports from Selected Countries



Source: Constructed from Annexes IV-IX.

Out of a total of 22 products, eight categories showed negative and 14 positive growth. Consequently, imports from China seem to pose little threat to the country's traditional import partners.

Classifying key stakeholders into beneficiaries and losers groups from Chinese imports to Zambia, there seems to be no big threat for the time being, particularly if the authorities can ensure that the commodities meet the required standards. The top left quadrant of Table 5 shows that local producers stand to gain from cheap inputs from China but at the same time unable to compete with China's cheaper products on the local market. The net effect is expected to be a loss for the local producers, particularly when one takes a longer term view. This effect can be cushioned if the government can encourage joint ventures between Chinese and Zambia producers, particularly in the up coming Special Economic Zones. Going down to the left bottom quadrant of the Table, two stakeholders are identified to be losers from trade with China. These are local labour and trade unions. Increased trade with China create employment opportunities in China at the cost of the same in Zambia, provided the commodities in question are competitive. However, that will not be the case if the commodities are complimentary.

Table 5. Classification Beneficiaries and Loser Groups of Chinese Trade

	Beneficiaries	
Losers	Local producers	Traders Consumers Chinese Exporters GRZ

	Local labour	
	Labour unions	

With respect to beneficiaries, these are given in the top right quadrant of Table 4. Traders and consumers would both benefit from cheaper Chinese products. Chinese exporters will benefit from increased African market in Zambia. The Zambian government is expected to lose and benefit from imports from China. The loss is on account of foregone income tax revenue due the loss of employment opportunities at both the firm and household levels while the gain will be on account of increased revenues from trade taxes. The net effect is expected to be a gain in revenues by the authorities.

4. Aid

China has been extending assistance to Zambia prior to and after the attainment of independence in 19964 through out the three episodes. The assistance has been in the main investment loans (under which economic and technical cooperation falls), and to a lesser extent, grants in the form of cash and materials, Table 6. Prior to the liberalisation and privatisation drive of 1991 in the second episode, China has implemented several public projects financed in the main by soft loans from China such as Tanzania-Zambia Railways (TAZARA), construction of roads, New Government Complex, Mulungushi Textile Mill, and construction of houses in Ndola, provision of short-wave transmitters, scholarships and Medical doctors. After privatisation, China opened a branch of the Bank of China and a Trade and Commercial Centre in Lusaka which plays a part in promoting Chinese investment in Zambia. It also acquired the Chambishi Copper Mine, thereby transforming its status from a buyer to a producer. China has further opened a cotton ginnery in Eastern Province of Zambia as a response to Zambia Government's encouragement of rural development.

Table 6. Chinese Assistance to Zambia

Year	Type	Amount US$ million
1967	Economic and technical cooperation	16.8
1968	Loan, construction of TAZARA	196.6
1974	Economic and technical cooperation	51.0
1979	Loan, 12 locomotives	3.6
1986	Loan, TAZARA spare parts	1.4
1987	Loan, assorted spares and road rehabilitation	13.4
1988	Economic and technical cooperation	13.4
1990	Economic and technical cooperation	6.3
1992	Loan	5.4
1993	Economic and technical cooperation	8.7
1995	Grant, Cash, relief food & general goods	1.2
1996	Grant, implements & sports goods	0.4
	Loan, New Government Complex	8.0
1997	Economic and technical cooperation	3.6

	Loans	6.1
1998	Grant, relief food	0.2
	Grant, Medicine	0.02
	Five water pumps	0.2
	Economic and technical cooperation	2.4
1999	Grant, relief food	0.2
	Grant, office equipment	0.5
	Loan, FM transmitters in seven provinces, TAZARA locomotives overhaul. training personnel	6.3
	Economic and technical cooperation	3.6
2000	Grant, equipment for National Assembly	0.1
	Economic and technical cooperation	3.6
2001	Grant, cash for OAU	0.5
	Loan	12.1
	Grant, good to OAU and web printing press	0.8
	Economic and technical cooperation	2.4
2002	Loan, FM transmitters for seven provinces, new government complex & special loan	14.6
	Grant, maize	0.4
	Economic and technical cooperation	3.6
2003	Grant, web printing press	0.1
	Economic and technical cooperation	6.0
2004	Economic and technical cooperation	7.1
	Loan, TAZARA	11.0
2006	Loan TAZARA	10.0
	Grant, relief food	1.0
	Economic and technical cooperation, extension of radio transmitters	0.5
	Economic and technical cooperation, anti malaria medicines	0.2

Source: Appendix I

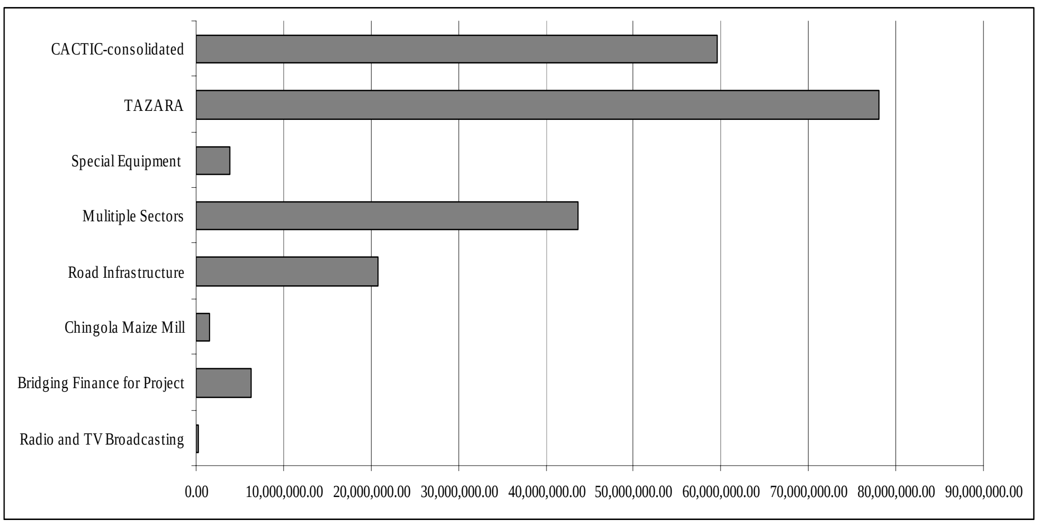
Over the period from 1967 to 2006, the loans have amounted to US$409.4 million while grants stood at US$5.4 million, including the 4,500 tonnes of maize in kind. The magnitude of Economic and Technical Assistance has been high, explaining the major component of the country's indebtedness. The loans are themselves conditional soft loans.

Naidu and Devies further observe that the development assistance and co-operation that is extended by Beijing to African governments as part of its overall commercial engagement is one of the reasons why China has increased its investment in Africa. This assistance is channelled through concessional loans and other types of funding to projects such as the construction of hospitals, schools, sport stadiums, government buildings, debt forgiveness, academic training and technical training.

Despite the fact that China is a signatory to the Paris Declaration on Aid Effectiveness and portrays itself as a strong supporter of the MDGs as well as promoting a "No Strings Attached" policy, its development assistance remains almost purely bilateral. Furthermore, a number of questions may be raised as regards the desirability of China's "Non-Interventionist" strategy and its long-term viability.

Zambia's debt to China stood at US$217 million as of December 12, 2006, making China the highest Non-Paris Club creditor to the Country, Figure 4 and Annex II. The bulk of the debt is accumulated arrears whereby US$77 million was disbursed principal and US$140 million is principal and interest arrears. As Figure 5 shows, Zambia's indebtedness to China is in two areas, Loans with respect to the TAZARA project at 36.5% and to China National Aero-Technology Import and Export Corporation (CATIC) at 27.9%. The debt to CATIC is with respect to the purchase of planes and Earthmoving equipment. However, US$2 million was used to service CATIC loan from the grant of US$6 million provided by the Chinese Government during the Zambian Presidential visit to China in November 2003.

Figure 5. Zambia Indebtedness to China by Type (US$)



Source: Appendix II

China has been sympathetic to Zambia's economic problems. The Chinese government signed a protocol with the Zambia government on partial debt remittances in July 24, 2001. The objective of the protocol is to support the country's efforts in developing its national economy and reduction of its debt burden. Moreover, Zambia was exempted from paying 12 batches of interest free loans which matured before December 31, 1999 in the total amount of RMBY 174 million, £7,000 and US$9 million. Zambia has since requested for a complete debt cancellation as a way of reducing Zambia's debt burden and supporting the country's development efforts and the achievement of the MDGs.

Zambia has to date received no Highly Indebted Poor Countries (HIPC) Debt Relief from China because China is Non Paris Club Country. However, in the recent past, China has shown willingness to write off the debt owed by HIPC who have reached the IMF completion point from which the country hopes to benefit. Cancellation of debt owed by the heavily indebted least developed countries is one of the announcements made by China to enhance African development. As an all weather friend, China has been sympathetic to Zambia's inability to service its debts by rescheduling the country's debts.

A substantial amount of Chinese loans to Zambia still require reconciliation. As of February 6, 2006 the amount pending reconciliation and which amount has been requested for cancellation by the Zambian authorities stood at RMBY 920, million (US$1.5 million). In the meantime, the country has been accumulating debt service arrears. However, commercial debt service with respect to CACTIC has been current. The debt has been debt consolidated and restructured into one and the interest rate reduced.

The Constitution and the law provides for matters pertaining to managing public resources, including aid. However, a lot of latitude is left to the Minister responsible for Finance and the President. The provision of the Constitution with respect to supplementary and excess expenditure, Articles 2(d), 4(b) and 5, provide a limitless window of opportunity to make changes to the original budget while at the same time making it almost impossible to follow up cases of adjustments to the budget or budget abuse., thereby allowing the Minister to engage with donors, including China as he/she may wish. Loans are being secured by the current government and the problem of paying back is left to the next government.

Traditionally, the Zambian government has taken a passive role in negotiating with donors. Once a programme of cooperation has been drawn up by the donor, the President, Minister responsible for Finance or any other designated representative is called upon to seal the agreement. All Zambia agreements with China are confidential, making them closed to public scrutiny and at variance with both China's and Zambia's increased commitment to openness and public transparency and accountability.

According to one of the key informants, what is emerging from the bilateral agreements between China and Zambia is that Chinese aid is tied with conditions which are not favourable to Zambia. If a grant is given the contractor must be Chinese. The condition has been eased in principle but not in practices with respect to loans to allow bidding to be open to local contractors but the Chinese must be given priority. Now where do you draw the line in inviting a local contractor or not? It is also a well known that local contractors do have the capacity. The Chinese operate on the basis of cheap labour. The only way labour can be cheap in Zambia is not to obey labour laws. Labour laws have to be ignored. Booklets on labour laws are supposed to be bought but are ignored. If the government stipulates a minimum wage of K276,000 (US$ 75) per month, the contractor is free to negotiate with the workers about his ability to pay and the worker is free to take up the offer or leave it.

Further, the government has been working on revising labour laws which have not been completed for several years now. Currently, labour laws in use are suitable for a one party state. For example, there is no redundancy package. Only when a worker is retired would that person be entitled to 3 months pay for each year worked. Why is it so when the same person was contributing to National Pension Scheme Authority (NAPSA) for retirement? There is need to revise labour laws to suit the present climate.

Chinese nationals are directly involved in the implementation of Chinese supported development programmes/projects either as a consequence of Chinese policy or mere commercial transaction. What ever the case may be, the Zambian law requires that one must have a valid practicing certificate and licence in order to practice as an engineer or contractor in the country. According to the Government Gazette 5587 there were 18 Chinese registered engineers from a total of 1,311 registered individuals as of 2007, representing 1% of the total and 2 Chinese engineering companies from a total of 106 registered companies in the same year which represented 10% of the total. But are the Chinese entities in compliance with the Zambian laws and regulations?

The Zambian government has traditionally offered limited guidance and effective engagement with Chinese entities have been compromised by lack of personnel, largely due to poor conditions of service and week institutional capacity in the Planning and Economic Management Division (PEMD) of the Ministry of Finance and National Planning. Achieving efficient and effective Chinese investment requires that aid and loans to the public sector be managed within the framework of the country public financial management system. Moreover, the achievement of effective aid and loans management requires that the mobilisation of external resources be rooted in a properly formulated national development plan and financial framework. Evidence on the ground demonstrates Chinese assistance could be operating outside such framework.

PEMD lacks the most important departments of investment planning and project appraisal while all line ministries lack capacity in project planning. Concern has been expressed on how the Division identifies and sequences programmes and projects for inclusion in the national plan and capital budget, and how it facilitates and coordinates the selection of capital projects/programmes by line ministries. Not only is the institutional structure for plan formulation, coordination and monitoring weak and insufficient, there is also weak and lack of linkages between PEMD and other Divisions in the MoFNP and between PEMD and line ministries and at the regional level. The location of planning as another Division in the MoFNP results in some operational problems.

As regards aid and loan design, line ministries, provinces and districts have weak or lack planning units. Even in ministries where planning Departments exist, such as Ministry of Health and Ministry of Agriculture and Cooperatives, project analysis capacity is either weak or lacking. Project identification and selection is based on ad hoc consultative process with selected stakeholders which results in wish-list of priority areas that are produced in government documents like the Fifth National Development Plan. As a result, projects have been selected without consideration to their viability.

At the macro level the formulation of the PRSP/TNDP and Fifth National Development Plan were not grounded in appropriate quantitatively verified macro and sectoral models such as macro econometric models. Despite the existence of a macro modelling unit in PEMD and an Economics Department in the BoZ which is responsible, among others, to under economic research and analysis, the requisite skills and will are lacking. Consequently, this had serious implications for effective engagement with China and Chinese investors and provision of effective support services to other agencies like the Immigration Department.

The key losers from Chinese aid are local contractors due to bilateral conditionalities between the Chinese and Zambia authorities, Table 7. Once again, labour unions are identified as losers because of the absence of the labour movement to represent worker's interests in Chinese undertakings. With respect to beneficiaries, the top right quadrant of Table 7, shows stakeholders who are benefiting from Chinese investment. On top of the list are households who are benefiting as a consequence of cheap Chinese products and the utility received from using the established infrastructure. These are followed by the contractors and investors who are given advantage by virtue of the bilateral agreements signed between China and Zambia, their ability of being lower cost bidders and limitless capacity to undertake any kind of contract. GRZ and local labour are also expected to benefit due to setting up the infrastructure at less cost and employment opportunities created, respectively.

Table 7. Classification Beneficiaries and Loser Groups of Chinese Aid

	Beneficiaries	
Losers		Households Chinese Contractors Chinese investors GRZ Local labour
	Local contractors Labour unions	

5. Summary and Conclusion

The Forum on China-Africa Cooperation (FOCAC) has created new opportunities and challenges in the country's development effort. The opportunity being in the space provided by China to tap on its experience in acquiring technology and financial resources needed to scale up the country development effort and move rapidly towards increased wealth creation and the achievement of the Millennium Development Goals. The challenge lies in turning and regulating Chinese interests in the country to the mutually benefit of both China and Zambia without endangering the country's social-cultural heritage and environment.

The historical relationship between China and Zambia dates back to the pre-independence period when the present day Zambia was then protectorate of Great Britain. At the time the relationship focused on political support towards the struggle for independence and economic re-construction between 1949 and 1979. Over the period between 1979 and 1999 there were profound changes in both Africa and China which saw the International Monetary Fund and World Bank sponsored structural adjustment and liberalisation programmes as well as adoption of multi party democratic system in African while China emerged from social chaos and economic crisis arising from the great Cultural Revolution. China adopted an open door policy.

In 1991, a "Going Out" policy was initiated which put Africa as a major policy target area. The Forum on China-Africa Cooperation (FOCA) was introduced in 2000 which became the basis of new relationship between China and Zambia. In 2006, China formulated its African Policy Paper and further announced a number of measures to enhance African development. The development strategy for Zambia focused on orienting foreign policy towards economic and development issues.

Chinese investment has been welcomed by the present day Zambian government and dominated by the extraction of raw materials. Foreign Direct Investment by China is substantial accounting for 47% of total pledged investment in 2007, the majority of which is in mining, manufacturing and telecommunications. Concerns have been raised regarding the poor conditions of service accorded to Zambian workers, lack of adherence to safety regulations at places of work and disregard of labour laws/regulations and lack of environmental considerations. However, the major problem is the enforcement of various pieces of legislation and regulations. China relationship with Zambia is at a bilateral level and in disregard to the Paris Declaration on Aid Effectiveness to which China is a signatory.

Trade between China and Zambia has seen substantial increase in the recent past. In 2006, exports to China accounted for 10% of Zambia's total exports with the largest contributor being base metals comprising of unprocessed mineral products (ores) at 19% of total oar exports and metal products, representing 11% of total metal products consisting of refined copper and cobalt. Zambia's imports from China are much smaller compared to exports at only 3% of the country's total imports in 2006 with an average growth of 159%. Key import products are leather products at 32% and footwear, headgear and umbrellas at 29%. Despite such growth, South Africa is still and will continue to be the country's major trade partner for some time to come.

China is the highest Non-Paris Club creditor to Zambia with a debt stock of US$217 million as of December 12, 2006. The debt is largely in two area; TAZARA project at 36.5% and to China National Aero-Technology Import and Export Corporation (CATIC) at 27.9%. External assistance from China in the form of grants and soft loans is conditional. China has shown willingness to write off the debt owed by HIPC who have reached the IMF completion point. The country continues to accumulate debt service arrears and has requested for a debt cancellation from China.

All Zambia's bilateral agreements with China are confidential, despite both countries' commitment to public transparency and accountability, making them closed to public scrutiny. The agreements are tied in favour of China. Zambian authorities lack capacity and skills for national plan formulation, coordination and monitoring. Project identification and selection is based on ad hoc consultations which results in wish-list of projects and priority areas.

The China-Zambia economic relationship has been identified to benefit traders and households who benefit from cheaper Chinese products. Chinese exporters will benefit from increased African market in Zambia. The Zambian government is expected to lose and benefit at the same time. The loss is on account of foregone income tax revenue due the loss of employment opportunities at both the firm and household levels while the gain is in the form of increased revenues from trade taxes. The net effect is expected to be a gain in revenues by the authorities. Chinese contractors and investors are major beneficiaries by virtue of the bilateral agreements signed between China and Zambia, their ability of being lower cost bidders and limitless capacity to undertake all kinds of contract. GRZ and local labour are also expected to benefit due to setting up the infrastructure at less cost and employment opportunities created, respectively.

The key losers are local producers who stand to gain from cheap inputs from China but at the same time unable to compete with China's cheaper products on the local market with a negative long term effect. Local labour and trade unions are also seen to lose on account of lost employment opportunities for competing industries. Moreover, local contractors lose out due to conditionalities in the Chinese-Zambia bilateral agreements, lack of access to cheap capital, high cost of skilled and unskilled labour. The middle ground is taken by academia and Civil Society Organisations who can play an indirect role to influence government thinking through providing evidence based policy advice and through advocacy activities.

In conclusion Zambia needs to face the challenge created by the Forum on China-Africa Cooperation (FOCAC) for the benefit of the country. China will not do it on behalf of Zambia. To achieve this, Civil Society Organisations need to take an active advocacy role. Areas which need quick action pertain to:

- There is need to obtain appropriate rent from the exploitation of the country's natural resources and ensure that such revenue is invested in long-term industrial development projects. Strategic relationships ought to be devised with civil society organisations in the implementation, monitoring and evaluation of such programmes in order to mitigate against misapplication of the resources and ensure compliance.

- Grants and loans resources should be managed within the framework of the country public financial management system. Aid mobilisation should be rooted in a properly formulated national development plan and financial framework within which bilateral relations with China and other donors should be conceived. Loans should only be secured to finance projects/activities which are economically/financially viable. Otherwise the country runs the risk of contracting new debt, especially from China, which it will not be able to service. This is an area requiring active civil society monitoring, there may need to set a debt watch monitoring network.
- Removal unfair conditionalities on Chinese grants and loans to Zambia.
- The government should put attention to re-examining the role of incentives so as not to unnecessary deprive the nation of the much needed untied public revenue and streamlining the rules created by donors so as to reduce transactional costs and improve resource management.
- The government development strategy ought to focus on the export of raw materials with added value while penalising export of raw materials through punitive export tax. Civil society can play an advocacy role in this area. Zambia Revenue Authority should quickly improve its capacity to assess the mineralisation of exported ores and concentrates in order to obtain appropriate revenues.
- Zambia should double its efforts for a complete debt cancellation with China as a way of reducing Zambia’s debt burden and supporting the country’s development efforts. There is also a strong role of civil society advocacy in this area.
- Zambia ought to re-formulate its bilateral cooperation in the context of joint and sub-contracting arrangements as an effective method of enhancing skill transfer and capacity-building in local industry.
- There is need to strengthen and enforce adherence to regulatory guidelines with respect to Zambia Bureau of Standards, Immigration Department, labour, safety standards, environment and other regulatory mechanisms in order to ensure that the country receives maximum benefits from its engagement with China and other investors.
- There is need to de-classify confidential agreements between China and Zambia which are non military in nature to allow for transparency and public accountability. In this regard, civil society needs to lobby appropriate authorities and institutions for this to happen.

Annex II: Chinese Projects (1967-2005)

1. Economic and Technical Cooperation (RMBY 41.36 million, 23/06/67)

- (i) Lusaka – Kaoma Road
- (ii) Diplomatic Radio Station
- (iii) Training for Diplomatic Radio Station
- (iv) Makeni Government Factory
- (v) Ten Agricultural Tractors
- (vi) Bore-hole Drilling and Water Supply
- (vii) Ministry of Defence
- (viii) Personnel Training for TAZARA

2. Construction of TAZARA (RMBY 494 million, 05/09/67)

3. Economic and Technical Cooperation (RMBY 100 million, 24/02/74)

- (i) Ministry of Defence
- (ii) Mulungushi Textiles
- (iii) Chingola Maize Mills
- (iv) Mununga Quarry
- (v) Kafue Agriculture Technical Cooperation
- (vi) Kafushi Agriculture Technical Cooperation
- (vii) Repair Project for Chambeshi River Railway Bridge
- (viii) Mungule Quarry Products
- (ix) Spare Parts for TAZARA
- (x) Medical Equipment and Medicines
- (xi) Serenje-Mansa Road
- (xii) 225 – 227 Road

4. Loan for 12 Locomotives (RMBY 5.58 million, 31/08/79)

5. Loan for spare parts for TAZARA (RMBY 5 million, 14/08/86)

6. Loan RMBY 50 million 24/05/87

- (i) Spare Parts for TAZARA
- (ii) Repairs for Diplomatic Radio Stations
- (iii) Repairs for Chingola Maize Mills
- (iv) Rehabilitation of Lusaka-Kaoma Road
- (v) Second Phase of Serenje-Mansa Road

7. Economic and Technical Cooperation (RMBY 50 million, 02/03/88)

- (i) Serenje - Mansa Road
- (ii) Machinery and Equipment for Lusaka-Kaoma Road

8. Economic and Technical Cooperation (RMBY 30 million, 28/09/90)

9. Special Train Loan (RMBY 30 million, 09/12/92)

10. Economic and Technical Cooperation (RMBY 50 million, 09/10/93)

11. Cash (US$ 1 million, 09/08/95)

12. Donation of Relief Food (US$ 0.2 million, 05/10/95)

13. Donation of Implements & Sports Goods (RMBY 1 million,17/01/96)

14. New Government Complex (US$ 8 million, 21/06/96)

15. Donation of General Goods (RMBY 3 million, 11/09/96)

16. Economic and Technical Cooperation (RMBY 30 million, 05/05/97)

17. Special Train loan (RMBY 50 million, 05/05/97)

18. Construction of Bailey Bridge (RMBY 0.6 million, 24/11/97)

19. Donation of Relief food (US$ 0.2 million, 02/02/98)

20. Five Water Pumps to Kabwe (RMBY 2 million, 23/04/98)

21. Donation of Medicine (RMBY 0.2 million, 04/98)

22. Economic and Technical Cooperation (RMBY 20 million, 27/07/98)
(i)Completion of the refurbishment of the new Government Complex

23. Donation of Relief food (US$ 0.2 million, 22/02/99)

24. F. M. Transmitters for Seven Provinces (RMBY 2 million, 09/07/99)

25. Donation of Office Equipment (RMBY 2 million, 29/09/99)

26. Donation of Office Equipment (RMBY 2 million, 26/10/99)

27. Special Train Loan (RMBY 50 million, 10/12/99)
(i) Overhauling 2 CKD Locomotives for TAZARA.
(ii) Technical construction and personnel training for railway sleeper plant for TAZARA.

28. Economic and Technical Cooperation (RMBY 30 million, 29/12/99)

29. Donation of Equipment to National Assembly (RMBY 1 million, 21/02/00)

30. Economic and Technical Cooperation (RMBY 30 million, 1/10/00)

31. Donation of cash to OAU (US$ 0.5 million, 07/03/01)

32. Donation of goods to OAU (RMBY 5 million, 07/03/01)

33. Concessional Loan (RMBY 100 million, 25/06/01)

35. Special Train Loan (RMBY 50 million, 19/07/01)

36. Economic and Technical Cooperation (RMBY 20 million, 24/07/01)

37. Donation of Web Printing Press (RMBY 1.9 million, 31/12/01)

38. FM Transmitters for Seven Provinces (RMBY 1.7 million, 18/03/02)

39. Donation of maize (4,500 tonnes, 06/08/02)

40. New Government Complex (RMBY 69.2 million, 16/09/02)

41. Economic and Technical Cooperation (RMBY 30 million, 26/12/02)

42. Special Train Loan (RMBY 50 million, 31/12/02)

43. Web Printing Press (RMBY 0.55 million, 19/07/03)

44. Economic and Technical Cooperation (US$ 6 million, 07/11/03)

45. Economic and Technical Cooperation (US$ 1.1 million, 17/02/04)

46. Economic and Technical Cooperation (US$ 2.5 million, 6/11/04)

47. Special Loan to TAZARA (US$ 11 million, 6/11/04)

48. Cash for Purchase of Relief Food (US$ 1 million, 9/02/06)

49. Special Loan for TAZARA (US$ 10 million, 22/06/06)

50. Economic and Technical Cooperation: Extension of Cooperation for the FM Radio Transmitters (RMBY 3,820,000.00, 11/2006)

51. Economic and Technical Cooperation: Anti-malaria Medicines (RMBY 1.5 million (US$ 200,000), 11/ 2006)

Annex III: Zambia Debt with China

	United States Dollars		
Description	**Debt Disbursed & Outstanding**	**Arrears (Principal & Interest)**	**Total Debt (Including Areas)**
Radio and TV Broadcasting	0.00	225,468.09	225,468.09
Bridging Finance for Project	635,402.33	5,718,620.97	6,354,023.30
Chingola Maize Mill	611,146.40	916,719.60	1,527,866.00
Highway Transport Infrastructure	0.00	14,491,737.42	14,491,737.42
Mansa-Samfya-Serenje Road 1987	0.00	6,354,023.30	6,354,023.30
Multiple Sector Loan I	1,906,206.99	4,447,816.31	6,354,023.30
Multiple Sector II	0.00	709,109.00	709,109.00
Multiple Sector Loan III	1,143,724.20	2,668,689.79	3,812,413.98
Multiple Sector IV	935,103.50	2,223,908.16	3,177,011.65
Multiple V	0.00	18,950,879.32	18,950,879.32
Multiple Projects China	0.00	10,612,492.42	10,612,492.42
Special Equipment 325	0.00	5,812,413.98	3,812,413.98
Tazara Coaches and Spare Parts	10,166,437.29	2,541,609.32	12,708,046.61
Tazara Spare Parts and Technical Personnel	1,143,724.20	762,482.80	1,906,206.99
Tazara Spare Parts 93 2022	0.00	635,402.33	635,402.33
Tazara Spares Parts 1986	0.00	62,777,750.24	62,777,750.24
Zambia Tanzania Railways		**0.00**	
Sub Total	**17,512,848.39**	**140,073,031.21**	**157,585,879.60**
SUPPLIER CREDIT (COMMERCIAL)			
CACTIC-consolidated 2005	59,626,306.35	**0.00**	59.626,306.35
Sub Total	**59,626,306.35**	**0.00**	**59.626,306.35**
GRAND TOTAL	77,139,154.74	140,073,031.21	217,212,185.95

Note: China Debt Stock As at 12th December, 2006
Source: Ministry of Finance and National Planning, Lusaka, Zambia

Annex IV: China's Share of Exports by Commodities (US$ Million)

	1998		1999		2000		2001		2002		2003		2004		2005		2006		Average
HS	China	% of Total	China	% of Total	China	% of Total	China	% of Total	China	% of Total	China	% of Total	China	% of Total	China	% of Total	China	% of Total	Growth
H0: All commodities	0.94	0.09	0.08	0.01	0.03	0.00	0.37	0.04	3.54	0.40	16.57	1.69	35.92	2.09	39.06	2.12	380.95	10.31	5,058.09
C01: Animals (live) and animal products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.74	Large
C02: Vegetable products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.06	Large
C03: Fats and Oils (animal or vegetable)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C04: Prepared Foodstuffs; Beverages; and Tobacco	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.70	1.07	4.38	2.99	Large
C05: Mineral Products (ores)	0.00	0.00	0.00	0.00	0.01	0.03	0.33	1.55	0.14	0.67	0.22	0.59	3.20	3.75	9.45	6.19	49.95	18.64	879,312.91
C06: Chemical products	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.14	Large
C07: Plastics and Rubber	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.17	4.97	0.00	0.11	0.00	0.00	0.00	0.00	0.00
C08: Leather products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.14	5.05	1.03	20.76	1.34	3.56	0.38	5.80	Large
C09: Wood products	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.28	0.28	5.42	Large
C10: Paper products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C11: Textile products	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.09	0.06	0.01	0.01	5.52	6.64	19,642.21
C12: Footwear; Headgear; and Umbrellas	0.00	0.00	0.03	7.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C13: Stone; Cement; and Glass products	0.00	0.00	0.01	0.51	0.01	1.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.12	Large
C14: Pearls and precious stones	0.01	0.08	0.04	0.20	0.01	0.03	0.02	0.02	0.83	1.13	1.48	1.68	0.98	3.00	1.70	7.65	1.06	4.91	1,238.62
C15: Metal Products (cooper and cobalt)	0.92	0.13	0.00	0.00	0.00	0.00	0.01	0.00	2.57	0.40	14.56	2.26	30.61	2.93	24.82	2.08	319.00	10.94	4,310.71
C16: Machinery	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.13

C17: Vehicles; Aircraft; and Vessels	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.25	5.42	Large
C18: Photographic instruments; Clocks; and Musical instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.32	Large
C19: Arms and Ammunition	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C20: Furniture; Toys; and other products	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C21: Works of Art and Antiques	0.00	0.00	0.00	0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C22: Commodities not elsewhere specified	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: TIPs SADC Trade Data

Annex V: South Africa’s Share of Exports by Commodities (US$ Million)

	1998		1999		2000		2001		2002		2003		2004		2005		2006		Average
HS	SA	% of Total	SA	% of Total	SA	% of Total	SA	% of Total	SA	% of Total	SA	% of Total	SA	% of Total	SA	% of Total	SA	% of Total	Growth
H0: All commodities	93.73	9.14	120.04	12.31	166.77	19.56	216.97	22.15	198.41	22.20	211.42	21.56	426.63	24.85	342.44	18.62	796.28	21.55	93.69
C01: Animals (live) and animal products	0.36	10.09	0.87	19.47	0.30	4.44	0.21	5.86	0.25	10.30	0.82	22.38	0.34	7.48	0.11	0.83	0.14	4.08	-7.81
C02: Vegetable products	3.29	6.96	7.59	21.08	9.92	17.81	6.10	10.63	5.13	14.47	9.37	17.37	36.79	22.33	11.10	12.39	13.90	13.53	40.26
C03: Fats and Oils (animal or vegetable)	0.01	0.93	0.01	1.96	0.01	3.15	0.00	0.02	0.06	15.14	0.02	4.51	0.01	1.94	0.02	4.14	0.00	0.00	-12.50
C04: Prepared Foodstuffs; Beverages; and Tobacco	5.91	15.61	15.45	26.46	1.06	2.64	6.81	12.57	9.44	17.09	8.49	14.11	5.85	5.23	5.74	3.60	14.84	10.14	18.88
C05: Mineral Products	2.18	3.26	12.40	10.22	5.75	15.63	8.99	42.34	6.24	31.12	8.48	22.91	10.79	12.64	18.16	11.89	58.48	21.83	323.53
C06: Chemical products;	0.92	6.24	1.63	17.18	0.39	9.10	1.24	21.97	1.03	11.85	0.94	10.24	2.18	5.12	0.25	1.74	0.80	4.56	-1.59
C07: Plastics and Rubber	0.59	9.66	0.17	24.81	0.40	44.60	0.50	38.26	0.23	22.06	0.30	8.78	0.34	14.28	0.32	5.38	0.68	5.69	2.05
C08: Leather products;	0.29	11.46	0.28	9.12	0.71	19.78	0.90	21.28	0.55	16.42	1.23	43.46	1.09	21.81	2.16	5.72	1.22	18.46	40.69
C09: Wood products	0.42	12.28	1.42	22.30	1.22	33.03	2.30	32.49	1.25	47.06	2.90	63.09	20.91	90.51	2.82	15.03	2.72	52.55	69.39
C10: Paper products	0.17	8.65	5.82	76.24	1.48	24.55	1.18	52.41	1.40	42.43	1.77	55.03	8.20	49.19	8.91	49.18	1.03	27.22	62.38
C11: Textile products	28.39	44.44	18.10	15.77	8.47	20.63	15.57	35.76	21.28	50.72	27.79	49.61	101.08	65.94	27.54	32.70	28.44	34.21	0.02
C12: Footwear; Headgear; and Umbrellas	2.33	57.39	0.02	5.04	0.24	24.00	0.00	0.49	0.00	0.13	0.03	1.21	0.01	0.11	0.01	0.29	0.01	0.31	-12.46
C13: Stone; Cement; and Glass products	0.05	4.98	0.39	32.83	0.43	40.07	0.20	30.48	0.03	22.85	0.07	8.27	0.33	39.97	0.26	47.77	1.21	62.91	269.00
C14: Pearls and precious stones; Section XIV	3.37	25.96	3.23	15.85	5.46	24.61	18.26	19.38	16.37	22.31	2.61	2.97	0.39	1.19	0.27	1.21	0.08	0.38	-12.19
C15: Metal Products	22.95	3.23	46.81	8.13	122.91	20.03	148.61	22.09	128.15	20.21	142.28	22.04	225.47	21.59	246.66	20.66	637.99	21.89	334.92
C16: Machinery; Section XVI	11.32	56.05	5.40	49.69	5.55	65.15	5.65	72.17	5.69	75.81	4.23	63.00	12.55	67.40	17.20	76.27	31.77	33.01	22.59

C17: Vehicles; Aircraft; and Vessels; Section XVII	9.88	70.95	0.04	2.66	1.83	45.87	0.06	4.54	0.48	34.07	0.00	0.10	0.03	2.59	0.69	39.65	2.45	52.18	-9.40
C18: Photographic instruments; Clocks; and Musical instruments	0.06	2.17	0.00	0.00	0.01	7.85	0.00	0.00	0.06	77.19	0.00	0.00	0.02	81.63	0.09	38.60	0.27	43.27	43.10
C19: Arms and Ammunition;	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.78	0.00	0.00	0.00
C20: Furniture; Toys; and other products; Section XX	0.24	33.22	0.06	13.83	0.02	3.81	0.21	51.89	0.51	77.67	0.08	26.70	0.21	12.83	0.03	10.40	0.11	11.93	-6.99
C21: Works of Art and Antiques	0.01	3.04	0.01	2.02	0.02	6.09	0.01	3.26	0.02	10.13	0.01	1.35	0.03	7.35	0.08	8.97	0.14	17.30	269.15
C22: Commodities not elsewhere specified	1.00	11.21	0.35	44.97	0.58	27.40	0.19	19.15	0.24	50.23	0.00	100.00	0.00	0.00	0.00	#DIV/0!	0.00	0.00	-12.50

Source: TIPs SADC Trade Data

Annex VI: United State's Share of Exports by Commodities (US$ Million)

	1998		1999		2000		2001		2002		2003		2004		2005		2006		Average
HS	US	% of Total	US	% of Total	US	% of Total	US	% of Total	US	% of Total	US	% of Total	US	% of Total	US	% of Total	US	% of Total	Growth
H0: All commodities	22.81	2.22	3.76	0.39	6.17	0.72	7.84	0.80	5.22	0.58	6.91	0.70	18.91	1.10	14.27	0.78	19.26	0.52	-1.94
C01: Animals (live) and animal products	0.64	18.02	0.65	14.54	0.65	9.74	0.17	4.94	0.20	8.03	0.38	10.28	0.21	4.68	0.13	0.97	0.19	5.72	-8.82
C02: Vegetable products	0.05	0.10	0.21	0.57	0.46	0.83	0.97	1.70	0.73	2.06	0.45	0.83	0.07	0.05	0.03	0.04	0.19	0.18	37.44
C03: Fats and Oils (animal or vegetable)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.18	0.00	0.00	0.00	0.00	0.00	0.00	Large
C04: Prepared Foodstuffs; Beverages; and Tobacco	0.00	0.01	0.06	0.10	1.96	4.89	0.47	0.88	0.00	0.00	0.04	0.06	0.00	0.00	0.61	0.38	0.20	0.14	565.99
C05: Mineral Products	0.01	0.02	0.05	0.04	0.02	0.05	0.00	0.01	0.00	0.02	0.02	0.05	0.25	0.30	0.43	0.28	0.19	0.07	181.64
C06: Chemical products;	0.08	0.56	0.01	0.11	0.06	1.46	0.03	0.54	0.05	0.55	0.32	3.42	0.13	0.32	0.00	0.02	0.02	0.09	-10.13
C07: Plastics and Rubber	0.06	1.07	0.00	0.07	0.00	0.09	0.01	0.42	0.00	0.00	0.00	0.00	0.01	0.31	0.00	0.00	0.00	0.00	-12.50
C08: Leather products;	0.07	2.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.15	0.03	0.65	0.00	0.00	0.00	0.03	-12.16
C09: Wood products	0.32	9.52	1.26	19.78	0.95	25.68	1.31	18.51	0.65	24.38	0.79	17.19	0.86	3.71	0.05	0.27	0.13	2.58	-7.32
C10: Paper products	0.02	0.78	0.06	0.73	0.03	0.46	0.01	0.26	0.00	0.02	0.01	0.19	0.00	0.01	0.01	0.05	0.00	0.00	-12.50
C11: Textile products	0.19	0.30	0.37	0.33	0.38	0.92	0.07	0.16	0.07	0.18	0.21	0.38	0.33	0.22	0.13	0.15	0.04	0.05	-9.78
C12: Footwear; Headgear; and Umbrellas	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.07	0.01	0.11	0.00	0.00	0.00	0.00	-12.50
C13: Stone; Cement; and Glass products	0.04	3.87	0.01	0.84	0.02	2.20	0.00	0.02	0.00	0.62	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	-12.50
C14: Pearls and precious stones; Section XIV	0.50	3.83	0.85	4.18	1.32	5.95	3.97	4.22	0.49	0.67	2.11	2.40	0.84	2.58	0.18	0.83	0.36	1.65	-3.52
C15: Metal Products	20.34	2.86	0.15	0.03	0.09	0.01	0.69	0.10	2.89	0.46	2.43	0.38	15.88	1.52	11.98	1.00	17.08	0.59	-2.00
C16: Machinery; Section XVI	0.28	1.38	0.00	0.00	0.02	0.21	0.00	0.03	0.05	0.67	0.00	0.00	0.01	0.04	0.19	0.86	0.41	0.43	6.03

C17: Vehicles; Aircraft; and Vessels; Section XVII	0.01	0.09	0.00	0.00	0.09	2.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	1.69	0.04	0.87	29.95
C18: Photographic instruments; Clocks; and Musical instruments	0.00	0.11	0.00	0.00	0.06	29.68	0.00	0.58	0.00	0.66	0.00	0.00	0.00	0.00	0.04	15.49	0.02	3.06	68.07
C19: Arms and Ammunition;	0.01	19.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-12.50
C20: Furniture; Toys; and other products; Section XX	0.00	0.53	0.01	2.60	0.01	2.41	0.00	0.75	0.00	0.08	0.01	2.03	0.02	1.11	0.00	1.39	0.04	4.56	120.86
C21: Works of Art and Antiques	0.03	14.12	0.07	10.59	0.02	8.92	0.07	24.63	0.06	29.17	0.15	21.52	0.26	65.33	0.45	49.14	0.36	45.86	148.34
C22: Commodities not elsewhere specified	0.15	1.64	0.00	0.64	0.04	1.87	0.06	6.62	0.02	3.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-12.50

Source: TIPs SADC Trade Data

Annex VII: China's Share of Imports by Commodities (US$ Million)

	1998		1999		2000		2001		2002		2003		2004		2005		2006		Average
HS	China	% of Total	China	% of Total	China	% of Total	China	% of Total	China	% of Total	China	% of Total	China	% of Total	China	% of Total	China	% of Total	Growth
H0: All commodities	6.74	0.62	6.48	0.92	10.18	1.18	38.13	3.53	28.77	2.63	43.17	2.75	49.38	2.11	85.11	3.32	92.48	3.17	159.12
C01: Animals (live) and animal products	0.05	0.84	0.00	0.00	0.03	0.67	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.10	0.77	0.39	2.38	78.12
C02: Vegetable products	0.00	0.00	0.01	0.04	0.00	0.00	0.03	0.06	0.06	0.07	2.02	1.53	0.05	0.07	0.01	0.01	0.02	0.02	915.40
C03: Fats and Oils (animal or vegetable)	0.00	0.00	0.01	0.04	0.07	0.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	86.35
C04: Prepared Foodstuffs; Beverages; and Tobacco	0.00	0.00	0.00	0.01	0.02	0.10	0.01	0.03	0.03	0.15	0.01	0.03	0.10	0.32	0.05	0.14	0.11	0.21	1,136.78
C05: Mineral Products (ores)	0.09	0.07	0.10	0.25	0.01	0.01	0.05	0.06	0.07	0.07	0.11	0.07	0.04	0.01	0.30	0.09	0.27	0.05	24.42
C06: Chemical products	0.82	0.45	0.31	0.32	0.43	0.40	1.30	0.91	2.87	1.86	3.74	1.51	5.56	1.82	4.06	1.07	3.10	0.83	34.90
C07: Plastics and Rubber	0.46	0.64	0.22	0.61	0.56	1.36	0.67	1.12	2.46	3.87	1.30	1.37	2.00	1.42	3.88	1.83	4.34	2.82	106.53
C08: Leather products	0.12	9.57	0.35	23.90	0.20	15.37	0.31	18.97	0.38	24.98	0.67	32.96	1.00	36.50	0.95	32.89	1.01	32.03	94.65
C09: Wood products	0.01	0.82	0.00	0.34	0.00	0.19	0.02	0.63	0.17	7.45	0.06	1.55	0.03	1.26	0.03	0.28	0.08	2.14	94.84
C10: Paper products	0.03	0.07	0.01	0.02	0.01	0.01	0.03	0.02	0.02	0.02	0.05	0.05	0.15	0.04	0.14	0.05	0.27	0.31	95.42
C11: Textile products	0.78	1.43	0.57	1.38	1.57	3.18	1.87	3.85	2.61	5.97	4.96	8.32	7.47	10.19	7.56	10.55	5.70	8.87	79.23
C12: Footwear; Headgear; and Umbrellas	0.70	11.57	0.76	12.24	1.30	16.12	1.86	23.44	2.13	29.29	2.91	31.35	5.24	41.56	3.99	30.37	3.77	29.02	54.63
C13: Stone; Cement; and Glass products	0.17	1.32	0.16	1.97	0.14	1.11	0.15	0.68	1.90	9.26	0.32	1.40	0.44	1.83	1.30	4.85	1.35	3.46	87.30
C14: Pearls and precious stones	0.00	1.71	0.00	0.00	0.00	0.36	0.00	0.11	0.00	0.00	0.10	6.08	0.00	0.01	0.00	0.40	0.00	0.77	2.77
C15: Metal Products (cooper and cobalt)	0.72	1.30	0.57	1.47	0.72	1.21	4.85	6.12	1.43	2.12	2.27	1.95	2.04	1.07	4.53	2.48	6.39	2.62	98.12
C16: Machinery	2.15	0.84	2.31	1.57	3.54	2.11	24.86	9.70	11.65	4.68	23.07	6.26	20.76	3.93	49.05	8.46	35.55	4.62	193.74
C17: Vehicles;	0.45	0.38	0.63	0.82	1.29	1.41	0.72	0.65	2.05	1.77	1.11	0.85	3.33	1.65	7.25	3.15	27.28	8.55	751.50

Aircraft; and Vessels																			
C18: Photographic instruments; Clocks; and Musical instruments	0.07	0.42	0.30	2.73	0.05	0.66	1.23	8.52	0.41	2.17	0.14	0.75	0.29	1.08	0.67	2.09	0.44	1.33	68.25
C19: Arms and Ammunition	0.00	0.00	0.00	0.00	0.00	0.00	0.02	5.53	0.23	47.46	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.12	Large
C20: Furniture; Toys; and other products	0.12	0.88	0.16	1.01	0.20	1.08	0.15	0.76	0.28	1.71	0.34	1.89	0.88	3.93	1.24	4.39	2.41	6.48	245.28
C21: Works of Art and Antiques	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.49	0.01	8.92	0.00	0.00	0.00	0.79	Large
C22: Commodities not elsewhere specified	0.00	0.00	0.00	0.00	0.01	0.43	0.00	0.10	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: TIPs SADC Trade Data

Annex VIII: South Africa’s Share of Imports by Commodities (US$ Million)

	1998		1999		2000		2001		2002		2003		2004		2005		2006		Average
HS	SA	% of Total	SA	% of Total	SA	% of Total	SA	% of Total	SA	% of Total	SA	% of Total	SA	% of Total	SA	% of Total	SA	% of Total	Growth
H0: All commodities	429.21	39.28	308.65	44.03	480.67	55.67	603.32	55.85	597.49	54.58	765.98	48.73	1,081.99	46.31	1,220.31	47.57	1,422.27	48.78	28.92
C01: Animals (live) and animal products	2.42	38.02	2.56	42.25	1.77	34.71	1.42	26.11	2.18	44.13	3.01	39.93	4.14	41.00	4.12	33.59	4.43	27.26	10.37
C02: Vegetable products	27.64	31.86	8.82	29.15	7.89	29.24	17.10	37.59	52.46	59.35	69.34	52.74	39.79	59.06	39.63	58.28	54.21	47.63	12.01
C03: Fats and Oils (animal or vegetable)	9.54	54.38	7.18	40.38	13.69	71.38	11.64	50.40	15.31	57.49	19.40	51.56	28.44	57.62	23.92	50.77	21.65	39.19	15.85
C04: Prepared Foodstuffs; Beverages; and Tobacco	14.27	55.95	13.94	51.36	12.24	55.90	11.51	41.71	10.74	51.20	13.84	51.34	18.55	61.85	19.85	55.29	26.35	49.68	10.58
C05: Mineral Products (ores)	25.47	19.73	9.11	22.78	91.99	71.48	67.45	72.26	63.37	69.81	62.58	36.49	99.49	31.88	121.01	36.96	179.83	33.47	75.75
C06: Chemical products	69.64	38.44	55.11	56.15	67.16	62.15	87.93	61.53	90.33	58.40	149.88	60.55	158.59	51.81	238.01	62.51	223.14	59.74	27.56
C07: Plastics and Rubber	25.24	35.72	25.03	69.19	29.39	71.08	41.42	68.68	42.40	66.74	57.76	60.93	97.90	69.62	159.78	75.30	97.75	63.63	35.90
C08: Leather products	0.32	26.34	0.36	24.71	0.41	30.70	0.45	27.65	0.37	24.46	0.54	26.40	0.56	20.46	0.88	30.57	1.12	35.62	30.79
C09: Wood products	0.64	56.79	0.86	68.16	1.70	82.07	1.75	59.96	1.57	67.49	1.95	54.82	1.31	52.83	1.48	15.29	1.78	47.90	22.25
C10: Paper products	25.80	62.05	44.59	46.15	47.59	52.11	41.00	35.32	23.61	24.03	28.62	28.21	46.65	13.97	41.12	13.54	36.06	42.37	4.97
C11: Textile products	21.14	38.99	11.16	27.17	14.20	28.74	12.30	25.30	11.15	25.46	15.64	26.26	22.31	30.44	16.28	22.73	18.53	28.85	-1.54
C12: Footwear; Headgear; and Umbrellas	1.84	30.31	3.09	49.68	3.77	46.74	2.74	34.56	2.20	30.37	3.33	35.96	3.38	26.80	4.10	31.22	3.90	30.08	14.06
C13: Stone; Cement; and Glass products	6.61	51.32	3.83	47.88	6.61	53.98	13.64	62.04	10.27	50.09	13.35	57.57	13.77	57.28	14.31	53.42	20.99	53.75	27.22
C14: Pearls and precious stones	0.05	44.72	0.06	47.51	0.10	83.32	0.84	81.86	0.29	46.52	0.98	61.04	0.20	31.08	0.59	75.86	0.21	73.73	43.21
C15: Metal Products (cooper and cobalt)	37.97	68.57	24.23	62.44	43.91	73.32	59.01	74.46	50.41	74.50	67.56	58.15	124.87	65.65	124.61	68.36	177.45	72.78	45.92
C16: Machinery	105.12	41.09	59.06	40.03	86.18	51.39	163.51	63.83	142.54	57.28	167.83	45.55	271.90	51.41	257.06	44.34	361.79	46.98	30.52
C17: Vehicles; Aircraft; and	45.55	39.22	26.60	34.64	36.87	40.43	51.34	46.29	60.19	51.98	74.66	56.98	126.81	62.71	126.82	55.16	162.12	50.78	31.99

Vessels																			
C18: Photographic instruments; Clocks; and Musical instruments	3.20	19.41	3.87	35.48	2.87	37.74	7.23	49.93	7.21	37.77	7.38	39.54	11.16	41.94	15.49	48.16	14.28	42.85	43.34
C19: Arms and Ammunition	0.12	37.60	0.09	33.61	0.21	54.55	0.12	42.03	0.12	24.63	0.18	20.70	0.32	46.51	0.28	49.60	0.28	48.05	0.00
C20: Furniture; Toys; and other products	6.04	45.34	8.81	57.33	11.31	60.72	10.17	52.94	10.21	62.04	8.10	44.46	11.77	52.79	10.71	38.00	16.29	43.79	21.19
C21: Works of Art and Antiques	0.01	21.71	0.04	22.70	0.02	60.97	0.01	39.58	0.09	81.01	0.04	17.51	0.05	51.41	0.24	81.88	0.09	60.57	73.39
C22: Commodities not elsewhere specified	0.57	57.96	0.25	34.40	0.80	35.13	0.73	48.71	0.48	22.27	0.00	0.62	0.02	22.73	0.01	80.86	0.00	0.00	-12.50

Source: TIPs SADC Trade Data

Annex IX: United States' Share of Imports by Commodities (US$ Million)

	1998		1999		2000		2001		2002		2003		2004		2005		2006		Average
HS	USA	% of Total	USA	% of Total	USA	% of Total	USA	% of Total	USA	% of Total	USA	% of Total	USA	% of Total	USA	% of Total	USA	% of Total	Growth
H0: All commodities	28.37	2.60	21.16	1.94	40.34	3.69	16.23	1.49	15.85	1.45	32.46	2.97	36.67	3.36	41.22	3.77	56.85	5.20	12.54
C01: Animals (live) and animal products	0.13	2.06	0.05	0.74	0.02	0.34	0.00	0.02	0.01	0.08	0.04	0.61	0.31	4.86	0.24	3.78	0.16	2.44	2.29
C02: Vegetable products	0.26	0.30	0.93	1.08	1.36	1.57	0.13	0.15	1.20	1.38	10.58	12.19	0.69	0.80	4.86	5.60	8.53	9.83	390.82
C03: Fats and Oils (animal or vegetable)	0.02	0.13	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.17	0.01	0.06	-6.44
C04: Prepared Foodstuffs; Beverages; and Tobacco	0.08	0.33	0.02	0.09	0.04	0.14	0.08	0.32	0.02	0.06	0.48	1.90	0.15	0.59	0.51	2.00	0.05	0.18	-5.55
C05: Mineral Products (ores)	0.19	0.14	0.03	0.02	0.12	0.09	0.18	0.14	0.05	0.04	0.05	0.04	0.01	0.01	0.11	0.08	0.12	0.09	-4.70
C06: Chemical products	2.43	1.34	1.09	0.60	4.46	2.46	3.38	1.86	1.83	1.01	3.23	1.78	11.10	6.13	8.02	4.43	10.99	6.07	44.03
C07: Plastics and Rubber	0.52	0.74	0.35	0.49	0.51	0.72	0.54	0.77	0.44	0.63	0.25	0.36	2.82	3.99	1.94	2.75	3.06	4.34	60.47
C08: Leather products	0.02	1.29	0.00	0.27	0.01	0.96	0.01	0.54	0.01	0.82	0.01	0.80	0.02	1.35	0.03	2.10	0.01	0.87	-4.09
C09: Wood products	0.01	0.51	0.01	0.92	0.00	0.02	0.00	0.02	0.00	0.06	0.00	0.02	0.00	0.05	0.01	1.30	0.01	0.68	4.19
C10: Paper products	0.90	2.16	4.72	11.35	5.57	13.39	1.20	2.88	0.53	1.27	0.84	2.03	1.06	2.56	2.04	4.91	0.79	1.91	-1.44
C11: Textile products	3.22	5.95	2.15	3.97	2.53	4.67	1.85	3.41	1.53	2.82	2.60	4.80	2.95	5.44	1.99	3.68	5.03	9.27	7.00
C12: Footwear; Headgear; and Umbrellas	0.10	1.71	0.06	0.93	0.03	0.50	0.08	1.27	0.07	1.20	0.08	1.31	0.08	1.28	0.12	1.94	0.06	0.94	-5.65
C13: Stone; Cement; and Glass products	0.30	2.36	0.05	0.39	0.02	0.17	0.02	0.15	0.04	0.35	0.04	0.30	0.06	0.47	0.12	0.95	0.13	1.05	-6.95
C14: Pearls and precious stones	0.00	2.96	0.00	1.55	0.00	1.88	0.00	2.00	0.05	45.97	0.01	7.65	0.01	8.54	0.00	1.50	0.01	8.34	22.74
C15: Metal Products (cooper and cobalt)	0.58	1.05	0.11	0.20	0.33	0.59	0.38	0.68	0.39	0.70	0.24	0.43	0.76	1.37	1.62	2.92	1.78	3.21	25.91
C16: Machinery	15.71	6.14	8.89	3.48	22.75	8.89	5.87	2.30	6.45	2.52	7.74	3.03	13.28	5.19	14.42	5.64	19.70	7.70	3.17

C17: Vehicles; Aircraft; and Vessels	2.38	2.05	1.76	1.52	1.94	1.67	1.29	1.11	2.45	2.11	5.08	4.38	2.41	2.07	2.89	2.49	2.95	2.54	2.95
C18: Photographic instruments; Clocks; and Musical instruments	1.18	7.14	0.59	3.61	0.38	2.32	1.00	6.08	0.64	3.91	0.61	3.72	0.78	4.72	1.96	11.90	2.72	16.49	16.37
C19: Arms and Ammunition	0.02	6.22	0.01	0.00	0.02	6.43	0.02	6.93	0.05	0.00	0.45	0.00	0.02	7.72	0.04	11.74	0.07	22.06	31.88
C20: Furniture; Toys; and other products	0.28	2.11	0.18	1.37	0.09	0.67	0.19	1.39	0.08	0.59	0.10	0.78	0.17	1.26	0.24	1.78	0.69	5.17	18.18
C21: Works of Art and Antiques	0.00	0.01	0.12	197.38	0.00	7.63	0.00	5.50	0.00	1.40	0.00	0.00	0.00	0.25	0.02	34.16	0.00	7.05	8,627.67
C22: Commodities not elsewhere specified	0.03	2.97	0.03	3.03	0.15	15.67	0.01	1.28	0.02	2.15	0.01	1.30	0.00	0.01	0.00	0.00	0.00	0.00	-12.50

Source: TIPs SADC Trade Data

Annex X: Key Informants

Name	Designation	Institution
1. Mr. Liangcheng Dou	Project Engineer	China Jaingsu International
2. Hon. Batuke Imenda	Member of Parliament	National Assembly
3. Mr. A. Mweka	Director	Ministry of Labour
4. Mr. Maimbolwa	Permanent Secretary	Ministry of Local Government and Housing
5. Mr. J. Mulungushi	Permanent Secretary	Ministry of Finance and National Planning
6. Mr. C. Sifafula	Manager	Zambia Development Agency
7. Mr. G. Sibanyeme	Resident Engineer	University of Zambia
8. Ms. Kabukabu	Former Worker	China-Mulungushi Textiles

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