

CHINESE COMPANIES GOING FOR GOLD IN ZAMBIA

By Hu Jianlong

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It's the end of October 2013, and a few bored Tonga youths are playing pool in a thatched hut in a nature reserve in southern Zambia; the cue ball is damaged, a third of the balls is missing. The ferry crossing on the bank of the Kafue River does not have any distinguishing geographic features. The closest town, Choma, is more than 100 km away; Zambia's capital, Lusaka, is almost 500 km away.

As Wang Hanqing and two of his colleagues get out of their SUV, they immediately attract the gaze of all the Tonga locals. Even though it's in a nature reserve, this place is far off any tourist routes. The Tongas stare at these new arrivals inquisitively – the Chinese have arrived in their domain.

Wang Hanqing is assistant general manager of China Electric Power Construction Group Co. Ltd's 11th Bureau in Lusaka, his two colleagues work at a subsidiary in Henan province. They intend to construct a power transmission line from Itzhi-Tezhi to the Kafue River bank. For the Tonga people making a living on the grassland, power cuts are just like thunderstorms in the rainy season: they could strike at any moment.

According to data from the World Bank, three-quarters of households in sub-Saharan Africa, around 500 million people, have never used electricity. Providing electricity is a fundamental problem for African countries. Electricity cuts cost Africa around US\$38 billion every year. The electricity shortfall in Zambia is currently as much as 200 MW. In the northern Copperbelt province with its advanced industry, however, electricity is more stable.

“A regular power supply can be guaranteed, this is our selling point when attracting foreign investment,” says engineer Zhao Jinsheng of the China Nonferrous Metal Mining Group's Zambia-China Economic & Trade Cooperation Zone.

The meeting of China's surplus hydropower construction teams and power-hungry developing countries is fortuitous. When discussing his participation in the construction of hydroelectric power stations, the 11th Bureau engineer Liu Yuanguang can hardly conceal his pride: “Mongolia and Belize, before coming to Zambia I worked in these two countries. You need to use a magnifying glass to find the small Central American island of Belize, with a population of 320,000, on a map.”

“All our competitors are Chinese”

Zambia is a new world for Chinese energy construction enterprises going global. On the African continent, only 8% of hydropower resources have been developed, and Zambia contains over 40% of southern Africa's water resources.

In fact, Chinese hydropower engineering companies have no alternative but to set their sights on under-developed countries.

“In China, the big rivers and lakes have already been more or less developed, and what's more, competition is fierce. You have to choose between undertaking projects operating at a loss, or to opt for other capital construction projects like thermal power plants and road infrastructure,” says one hydropower expert who did not wish to be named. Developed countries such as the US and France have likewise long since extensively developed their water resources, and “now they're removing dams, not building them.”

If you take China Electric Power's 11th Bureau as an example, overseas projects account for more than half of total profits. But even overseas the good days have long passed.

“In the 1990s, a project's gross profit could reach 30%, but now it's spread very thin,” says an employee of a China Electric Power subsidiary in Shandong province.

In September 2011, the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council of the Chinese government established China Electric Power and Sinohydro. In the town of Maamba in Zambia's Southern province, Shandong Power Construction Company (SPCC) is constructing the Maamba thermal power plant in a mountain cavity. This is Zambia's first thermal power plant, and it is owned by an Indian company. The two sides work very well together and have already agreed that SPCC will construct another power plant in Sinazongwe district. However, the appearance of another Chinese company has caused the relationship to shift again.

According to Wang Jie, assistant general manager of the SPCC Maamba project, “In the past, if there were ten companies bidding for a project, two would be Chinese. But now at least half are Chinese, and the competition is growing fiercer by the day”.

“If it threatens the crocodiles, you have to stop the work”

The road from the town of Maamba to Choma, the capital of

Zambia's Southern province, is an asphalt strip of two lanes. The neighboring countries of Zimbabwe, the Democratic Republic of Congo and Namibia have experienced violent political upheavals and conflicts, but Zambians are known for their moderate disposition, and China has been an ‘all-weather friend’ of the Zambian people.

So it was strange then that driving on the asphalt road going into Sinazongwe district, when passing a truck the *Southern Weekly* correspondent saw some passengers wave their hands in greeting, while others clenched their fists. After a journey of about 40 minutes, we passed a rusted road sign reading ‘Collum Coal Mine’, and it was only then that we could understand the hostility evident in the shaking fists.

On 15 October 2010, workers at Collum Coal Mine protested against poor working conditions. During the demonstration, two Chinese supervisors opened fire on the protestors and wounded 12 people. On 4 August 2012, another disturbance broke out at the mine, and a Chinese supervisor was killed when workers threw him into an underground pit.

Brigitte Read, project coordinator of the Wits China-Africa Reporting Project at the University of the Witwatersrand, explains that although the mine was privately owned by two Chinese brothers, the two incidents at the Collum mine really shocked many people in Africa and was interpreted by western media as one of the most negative aspects of Chinese investment in Africa.

When the Zambian government revoked the Collum mine's mining concession in February 2013, it was Yamfwa Mukanga, the Minister for Tourism, Environment, and Natural Resources, who announced the decision as representative of the government. On 11 November, he explained to the *Southern Weekly* correspondent that, “Following an evaluation by an investigating committee, it was found that safety and environmental standards at the Collum mine were seriously problematic.”

The unemployment rate in Zambia is 50%, and more than 70% of the population live below the poverty line, but

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the country’s comprehensive environmental protection legislation and strict enforcement really surprised the first Chinese to arrive. Zambia’s Environmental Protection and Pollution Control Act stipulates that not only should engineering projects undertake an environmental impact assessment, but the government should also conduct environmental impact assessments, and parliament can “identify projects or types of projects, plans and policies for which environmental impact assessment are required.”

On 6 September 2011, work commenced on the Itezhi-Tezhi hydroelectric power project. Before construction actually began, a whole year was spent on the environmental impact assessment,

“You had to answer all kinds of questions,” says project manager Li Tingwei. This was in stark contrast with his previous experience in China. “In engineering management classes, when we were discussing the two chapters on safety management and environmental protection, the teacher would always say, there’s nothing to discuss, just skip ahead.”

The Itezhi-Tezhi plant is situated in a nature reserve in southern Zambia, and there are crocodiles lurking in the Kafue River there. “On the day when we were using explosives in the mountain, workers from the nature reserve immediately came over and told us to cease, saying that they were first going to check on the crocodiles. If they are in any danger, we would have to stop the work.”

So the blasting ceased immediately, and the Chinese assisted the nature reserve to locate the crocodiles. After finding four crocodiles in the river near the work site, the staff of the nature reserve allowed the blasting to continue.

Can’t afford to offend the trade unions

In the two weeks from the end of October to early November 2013, almost all of Zambia’s newspapers were filled with the same headline: Would Konkola Copper Mines

Plc (KCM) resist the government to the bitter end?

KCM is the third-largest copper producer in Zambia, but at the end of December the company suddenly announced that they were sacking 1,500 employees. Shortly afterwards, then-President Michael Sata stated that if KCM sacked a single worker, their mining concession would be revoked forthwith.

According to Zan Baosen, general manager of the Zambia-China Economic & Trade Cooperation Zone, “Sata’s campaign slogan that year was to strike at corruption, and put more money in the pockets of more people.” In the area of industrial relations, Sata took an extremely tough line, making it a complicated and perplexing issue for Chinese companies investing in Zambia.

On 3 November 2013, Chen Zhimin saw a copy of the first draft of the mining union’s 2014 judgements on labour issues. Chen is assistant manager at the China Non-Ferrous Metal Mining Corporation’s (CNMC) Non-Ferrous China-Africa mining company (NFCA), responsible for managing labour relations. “The union made new demands, they wanted to revise leave regulations.” The worst was yet to come: “They demanded a pay rise virtually every year.” One year the compensation for all workers was increased by as much as 15%. Yet unlike in previous years, this year copper prices remained depressed, and NFCA made a loss in the first half of the year.

At NFCA, the basic pay of miners has already surpassed US\$1,000 per month, not including various subsidies. However, average pay for salaried workers in Zambia is around US\$200 per month, and then, of course, there are the numerous unemployed.

The powerful unions are a partner that Chinese companies dare not antagonise. Several strikes have occurred at Chambishi Copper Smelter Co., Ltd. (CCS), but according to assistant general manager Zuo Yuntan, management has already learned a lot.

“For example, we’ve established an office for the workers here, and we are in communication with them whether there are issues at hand or not.”

Many Zambian workers who lack professional skills find the prospect of working at a Chinese company very attractive. Lubinda’s home is in the tourist city of Livingstone. He started working at the Kafue hydroelectric power plant in April 2011. Two years later, he has become a skilled electrician.

“The greatest value I’ve obtained since coming here isn’t the wages I’ve earned, but the technical skills I’ve gained. This means that I am guaranteed to find a job anywhere in Zambia.”

As far as Zambians are concerned, industrial relations are aimed at guaranteeing a safe work environment. Qiaona used to work in the shafts of the Collum mine. Qiaona complained to this reporter that in Maamba “there were no safety helmets, no boots, and no safety equipment at all.”

Chinese workers in prison?

The problems Chinese companies face in Zambia on the surface appears to be based on legal issues or industrial relations, but there are actually other factors at work on a deeper level.

In August 2010, Deborah Brautigam wrote a post on her blog entitled “Are the Chinese exporting prisoners abroad?” Brautigam, a professor at the Johns Hopkins University in the US, specialises in Sino-African relations and is best known for her book *The Dragon’s Gift*. As an authority in this field, she has meticulously researched the sequence of developments related to the story of Chinese exporting prisoners abroad.

Indian media first published this story, claiming that the Chinese government was sending convicted prisoners to serve their sentences in Sri Lanka and parts of Africa. After the story arrived in Zambia, it was taken up by the then leader of the opposition, Michael Sata, and the story then became that 80,000 Chinese convicts had been released to work in Zambia.

“That was just a strategy employed at the time by the opposition party,” explains Chinese Ambassador in Zambia, Zhou Yuxiao. During the election, Sata let it be known that as soon as he is elected, he would recognise Taiwan and order all mainland Chinese to leave Zambia forthwith.

The belief that Chinese workers are paroled convicts accords with Zambians’ psychological appraisal of the Chinese they see. According to Brautigam, “Chinese workers often reside in extremely basic accommodation, and security guards stand at the entrances. However, the objective with the guards is to prevent building materials from being stolen, not to keep watch on the Chinese workers”.

What Zambians find very hard to understand is how the Chinese workers are able to work virtually the whole year round without weekends, separated from their families, and the light is always on at the work site until late in the night. To Zambians such a life is no different from being in prison.

In 2008 when the global financial crisis erupted,

Luanshya Copper Company, situated in Zambia’s Copperbelt province, was forced into bankruptcy. China Non-Ferrous Metal Mining Corporation (CNMC) shortly afterwards took over the company that was founded during the British colonial period. In the office of Li Yunsheng, Chinese Communist Party Secretary of CNMC Luanshya Copper Company, aside from the Asian sitting behind the desk, the ornamentation in the room has not been altered one jot. It’s as if the British just left yesterday.

“Zambians really like sport”, Li says. So after taking charge of the former British mine, CNMC also took over the 18 sports clubs operating under the same name. CNMC’s diligent localisation efforts also extended to the local employees’ use of the facilities.

After serving the British for over ten years, Luanshya resident Kamanja was employed as assistant general manager at CNMC Luanshya Copper Company.

“To be honest,” he says frankly, “before I decided to work at CNMC, there were many negative reports about the Chinese in the newspapers, and I was also very concerned. After joining CNMC, however, I feel that despite differences in the style of management, the Chinese way is by no means worse than that of the British.”

Yet the Chinese are still paying a price for communication issues. On the afternoon of 4 August 2012, when striking Collum mine workers threw the Chinese manager into a well, it seems the tragedy could have been avoided. As someone with inside knowledge of the matter states, “This is because in the morning they had already agreed to the workers’ demand for a pay rise, it’s just that the two sides were not able to communicate promptly, and the English ability of the Chinese on the scene was lacking.”

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