China in Africa

Chinese investments in the Zambian textile and clothing industry and their implications for development.

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Declaration

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Abstract

This thesis is a contribution to the "China in Africa" debate. Chinese development assistance includes Foreign Direct Investment (FDI), and recent literature argues a significant proportion of FDI goes to the manufacturing sector in African countries. FDI allocated to industry have the potential to create employment and reduce poverty.

This paper takes Zambia as a case, and looks at the textile and clothing industry as a sub- sector of the manufacturing sector. The textile and clothing industry is seen as especially appropriate for Zambia, as it; (i) adds value to natural resources; (ii) creates links to other sectors of the economy; (iii) require only basic skills; and (iv) is labour intensive.

Based on primary and secondary data, this paper seeks to understand how Chinese FDI in the Zambian textile and clothing industry impact economic development, measured by; (i) formal employment creation; (ii) technology and skill transfer; (iii) state revenue; and lastly (iv) market creation of the products.

Through looking at Zambian national plans and institutions, the cotton-textile-garment value chain and the organisation of Chinese companies in Zambia, this paper found currently no textile and clothing manufacturing under Chinese investors. Although, cotton quality in Zambia has improved, the majority is exported out of the continent. There are currently few textile mills left and the clothing manufacturers largely use imported inputs. Second hand clothes and cheap imports from Asian countries, have taken over large parts of the domestic market for textile and clothing in Zambia.

The largest integrated textile mill was the Zambia China Mulungushi Textiles (ZCMT) operating under Chinese investors between 1997 and 2007. Findings show that the Chinese management casualised the workforce, leading to more informal employment. In addition, there were few records of skill transfer to Zambian workers, although there were investments in improving technology. This paper explores the different reasons for the TC mill to close and argue that it was not viable under a liberal market. The Zambian workers were unhappy with the labour system, wage levels and terms of employment, which caused violent riots and strikes up until closure in 2007. The Chinese management was unable to restructure the work force enough to be cost effective and to stay in business. The Lusaka East Multi Facility Economic Zone (MFEZ) is under construction, and will focus on textiles and the supportive links in the industry. It is yet to be seen, how it impacts local economic development. Based on the assumptions of economic development, this paper shows limited impact of Chinese FDI in the Zambian textile and clothing industry.

Opsomming

Hierdie tesis is 'n bydrae tot die "China in Afrika" debat. Die Chinese ontwikkelings hulp sluit buitelandse direkte investering (FDI) in, en die onlangse literatuur beweer dat 'n belangrike deel van FDI na die vervaardigingsektor in Afrika-lande gaan. FDI toegeken aan die industrie het die potensiaal om werk te skep en armoede to verminder.

Hierdie verhandeling neem Zambië as 'n geval, en kyk na die tekstiel-en klere-industrie as 'n sub-sektor van die vervaardigingsektor. Die tekstiel en klere bedryf is veral geskik vir Zambië, daar dit; (i) waarde toevoeg tot natuurlike hulpbronne; (ii) skakels skep na ander sektore van die ekonomie; (iii) slegs basiese vaardighede word vereis; (iv) arbeidsintensief is.

Deur middel van primêre en sekondêre data, word in hierdie verhandeling gepoog om die impak van die Chinese FDI in die Zambiese tekstiel-en klere-industrie, op die ekonomiese ontwikkeling vas te stel, soos gemeet aan; (i) formele werkskepping; (ii) tegnologie en vaardigheids oordrag; (iii) die staat se inkomste; en laastens (iv) die skepping van ‘n mark vir die produkte.

Deur te kyk na die Zambiese nasionale planne en instellings, die katoen-tekstiel-kleed waardeketting, en die organisasie van die Chinese maatskappye in Zambië, het hierdie verhandeling bevind dat daar tans geen tekstiel-en klere vervaardiging onder Chinese beleggers is nie. Hoewel die gehalte van die katoen in Zambië verbeter het, is die meeste buite die vasteland uitgevoer. Daar is tans min tekstielfabrieke oor, en die klerevervaardigers gebruik grootliks ingevoerde insette. Tweedehandse klere en goedkoop invoere uit Asiatiese lande, het grootliks die binnelandse mark vir tekstiel en klere in Zambië oorgeneem.

Die grootste geïntegreerde tekstiel fabriek was die Zambië China Mulungushi Textiles (ZCMT) wat tussen 1997 en 2007 onder Chinese beleggers was. Bevindinge toon dat die Chinese bestuur nie-permanente aanstellings gemaak het, wat gelei het tot meer informele indiensneming. Verder, is daar min rekord van vaardigheids-oordrag na die Zambiese werkers, maar daar was beleggings in die verbetering van tegnologie gedoen. Hierdie verhandeling ondersoek die verskillende redes vir die TC meul/fabriek se sluiting, en bevind dat dit nie lewensvatbaar in 'n vrye mark was nie. Die Zambiese werkers was ontevrede met die arbeidstelsel, loonvlakke en terme van indiensneming, wat gewelddadige onluste en stakings veroorsaak het tot die sluiting in 2007. Die Chinese bestuur was nie in staat om die arbeidsmag te herstruktureer om koste-effektief genoeg te wees nie. Die Lusaka-Ooste Multi Fasiliteit Ekonomiese Sone (MFEZ) is onder konstruksie en sal fokus op die tekstiel en die ondersteunende skakels in die bedryf. Dit moet nog gesien word hoe dit die plaaslike ekonomiese ontwikkeling beïnvloed. Op grond van die aannames van ekonomiese ontwikkeling, toon hierdie ondersoek ‘n beperkte impak van die Chinese FDI in die Zambiese tekstiel en klere bedryf aan.

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Acronyms and Abbreviations

ACCZ	Association for Chinese Corporations in Zambia
ACP	African, Caribbean and Pacific (countries)
AGOA	African Growth and Opportunity Act
AU	African Union
BOC	Bank of China
CAD Fund	China-Africa Development Fund
CAMI	Conference of African Ministers of Industry
CAZ	Cotton Association Zambia
CCIPT	Chinese Centre for Investment Promotion and Trade
CCS	Centre for Chinese Studies
CDB	China Development Bank
CIP	Competitive Industrial Performance
CIS	Zambia Investment Centre
CNMC	China Nonferrous Metal Mining (Group)
COMESA	Common Market for Eastern and Southern Africa
CSO	Civil Society Organisation
CSOZ	Central Statistical Office Zambia
CTPD	Centre for Trade Policy and Development
DRC	Democratic Republic of Congo
EBA	Everything But Arms
EBZ	Export Board of Zambia
EPA	Economic Partnership Agreement
EPZ	Economic Processing Zone
ERP	Economic Recovery Programme
EU	European Union
Exim Bank	Export Import Bank of China
FDI	Foreign Direct Investment
FNDP	Fifth National Development Plan
FOCAC	Forum of China – Africa Cooperation
FTA	Free Trade Agreement
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Country
IMF	International Money Fund
ISI	Import Substitution Industrialisation
LDCs	Least Developed Countries
MCTI	Ministry of Commerce Trade and Industry
MFA	Multi Fibre Agreement
MFEZ	Multi Facility Economic Zone
MMD	Movement for Multiparty Democracy
MMTZ	Mozambique, Malawi, Tanzania, Zambia
MOFCOM	Ministry of Commerce
MSME	Medium, Small and Micro Enterprises

NEPAD	New Economic Partnership for African Development
NFC	Non-ferrous Metals Corporation Africa
NGO	Non-governmental organisation
NICs	Newly industrialised countries
NTE	Non traditional export
NUCIW	The National Union for Commercial and Industrial Workers
PACRO	Patents and Company Registration Office
PF	Patriotic Front
PPP	Public Private Partnership
PRC	People's Republic of China
PRSP	Poverty Reduction Strategy Paper
PSDRP	Private Sector Development Reform Programme
RATES	Regional Agricultural Trade Expansion Support Programme
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
SECBZ	Small Enterprise Development Board of Zambia
SME	Small and Medium sized Enterprise
SNDP	Sixth National Development Plan
SOE	State owned enterprises
SSA	Sub Saharan Africa
TAZARA	Tanzania Zambia Railways
TC	Textile and Clothing
TPZ	Textile Producers of Zambia
TRIMs	Trade-Related Investment Measures
UAE	United Arab Emirates
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organisation
UN-OHRLLS	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States
UNZA	University of Zambia
US	United States
USD	United States Dollar
USITC	United States International Trade Commission
VAT	Value Added Tax
WTO	World Trade Organisation
ZBF	Zambian Business Forum
ZCCZ	Zambia China Economic and Trade Cooperation Zone
ZCMT	Zambia China Mulungushi Textiles
ZCMTU	Zambia China Mulungushi Textiles Union
ZDA	Zambian Development Agency
ZEPZA	Zambia Export Processing Zones Authority
ZPA	Zambia Privatisation Agency
ZRA	Zambia Revenue Authority

CHAPTER ONE: Introduction.

1.1. Introduction and research question.

In the context of development in Africa, Western countries give little assistance to manufacturing industries, which potentially could provide thousands of jobs[1]. For the past sixty years, Western aid to African countries is not seen as an effective tool for development and poverty reduction (Brautigam, 2009; Moyo, 2009). In comparison, Chinese development assistance includes commitment to Foreign Direct Investment (FDI) and industry. Current debates note that Chinese engagement in Africa no longer is confined with natural resource extraction, as a significant proportion of FDI from Chinese actors go to building manufacturing activities in African countries[2].

The Chinese government[3] encourages and promotes overseas activities of state owned enterprises (SOEs), the private sector and individuals through state policies, to support domestic development in China (Baah and Jauch, 2009). Through restructuring the domestic economy and providing incentives for mature industries to move overseas, the Chinese government aims to shift labour intensive and less competitive industrial activities such as textile and garment manufacturing abroad (Brautigam and Xioayang, 2011).

The Forum of China-Africa Cooperation (FOCAC) is the overarching institution coordinating China-Africa relations emerging in the 2000s[4]. FOCAC is a platform for collective consultancy, dialogue and a cooperation mechanism between developing countries, built on the five rules of peaceful coexistence[5] (Ministry of Commerce, Trade and Industry, MCTI, 2010). At the 2006 FOCAC summit, the Chinese government pledged to; double aid; increase concessional finance for trade and infrastructure; allow duty-free entry for many of African exports; build economic zones as part of moving mature industry abroad; and invest in schools and hospitals in African countries (Brautigam, 2009:1). The Chinese government said the FOCAC would be based on a strategic partnership with Africa, based on "win-win cooperation" (ibid). This will support

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[1] Between 2002 and 2007 the World Bank's loans for industry and trade combined less than five per cent of all loans made to Sub-Saharan Africa (SSA) (Brautigam, 20009:91). Traditional donor countries give less than one per cent of their aid to industry (ibid). While the private sector in Europe and the US has largely chosen not to invest in African factories (Brautigam, 2009:92).

[2] Asche and Shűller (2008:28) argue that although Chinese investments are biggest in commodities, the manufacturing industry has been most important in terms of the number of investment projects. Baah and Jauch (2009:25) note that the Chinese government has shown some sensitivity to the negative impacts of its manufacturing projects on African industries, and has taken initiatives to promote local industries in some African countries. Carmody and Hampwaye (2010:90) argue that most Asian companies in Zambia are located in the manufacturing sector.

[3] The government of China refers to the People's Republic of China (PRC).

[4] More on the background of FOCAC will come under the literature review, section 1.3.1.

[5] The five principles of peaceful coexistence were introduced in 1954, but remains as the bedrock of Chinese foreign policy and aid strategy. See Brautigam (2009:30).

China's industrialisation and offer African host countries opportunities for industrialisation and development.

Industrialisation is considered a precondition to take part in the global economy and necessary for economic growth and development. Through history, industrialised countries were dependent on strategic industries within the manufacturing sector in the early stages of the development process[6] (Gereffi, 1999; Kamau, 2010). The newly industrialised countries (NICs) in East Asia have also shown an industrialisation process sparked by labour-intensive export processing, especially in the Textile and Clothing (TC) industry (ibid).

The level of industrialisation in African countries remains low, and the TC industry offer excellent starter opportunities for growth and development for three reasons. Firstly, the TC industry offers significant learning opportunities, potential for upgrading and creates demand for backward and forward links in the economy[7] (Brautigam, 2009). TC production is a global industry, nevertheless activities of production are carried out in a local context and affects local and national economies. This could have a positive impact on employment and poverty levels (ibid). A second reason for choosing the TC industry for a developing country's industrialisation effort is because it is a typical light industry, of significance as labour intensive and with low capital requirements[8]. The industry is capable of absorbing large numbers of unskilled and semi-skilled workers, as well as it costs little to create one formal job in the sector. The TC industry also generally offers employment opportunities to both men and women[9] (Kamau, 2010:109; McCormick and Rogerson, 2004). Thirdly, changes in global trading rules[10] and trade agreements[11] offer opportunities for African countries to manufacture and trade in TC products.

African countries are scarce in capital and thus dependent on FDI to industrialise and develop their manufacturing sectors. However, FDI does not automatically lead to economic growth and poverty reduction. Since there is no single "Chinese model" for economic cooperation, African

[6] The United Kingdom's (UK's) industrial revolution started with the "Spinning Jenny" in 1764, which is defined as the industrial revolution, spreading further to the US and Europe (Hobson, 2004). Hobson (2004) argues the origin of Western civilisation is based on Eastern inventions.
[7] Textile industry creates demand for cotton farming, ginning, spinning, weaving and can supply a garment industry, which can create demand for buttons, threads, designers, shops and so on (Brautigam, 2009:195).
[8] TC industries is considered to be low-tech in the sense that it uses stable and well diffused technology, largely embodied in capital equipment, spend little on research and development and require only basic skills (McCormick and Rogerson, 2004).
[9] In contrast to much of the existing African industry being dominated by men, the TC industry offers also women employment (Kamau, 2010:109). Women in employment will impact poverty levels (Kamau, 2010).
[10] Change in global trading rules came when the Multi-Fibre Agreement (MFA) expired in 2005, which meant trade liberalisation of the TC industry (Brautigam, 2009).
[11] Especially the trade agreements from with the European Union (EU) and the United States (US) allow qualifying African countries duty-free access of some goods into their markets (Brautigam, 2009). This will be seen in chapter four.

leaders needs to ensure institutions and policies to reap the benefit of FDI (Brautigam, 2009; van der Lugt et al, 2011). This study takes Zambia as a case.

Zambia is a landlocked country at the centre of the Southern African Development Community (SADC), categorised as one of the least developed countries (LDCs) in the world[12]. With background in high economic growth from mining revenue, due to Chinese demand for copper and favourable prices for metal on the world market, the World Bank reclassified Zambia from being a low-income country to a lower-middle income country in 2011 (Bretton Woods Project, September 14, 2011). Concerns have been raised that Zambia has some way to go to reduce poverty, given the unequal distribution of wealth in the country. Despite upgrade, capital raised from mining is not used to fight poverty (ibid). Carmody (2009) argues that poverty and inequality is still rampant. Poverty levels are recorded to be 68 per cent and the informal sector accounting for 88 per cent of the labour force (Muneku, 2009:164)[13].

Zambia has a mono-economy built around mining of copper and other minerals. To reduce dependence on the mining sector, the country faces challenges to diversify the economic base and to strengthen other sectors of the economy (Brenthurst Foundation, 2010). The Zambian agricultural sector is abundantly endowed with natural resources needed to stimulate national economic growth and rural development. With a good climate, an abundance of arable land, labour availability and excellent water resources, one of the major cash crops in Zambia includes cotton (Naumann, 2002; Brenhurst Foundation, 2010). The production of cotton grew substantially from 2000 to 2005 (Tschirley and Kabwe, 2010:6). Cotton is the primary input of the TC value chain, which shows the potential TC industry has to contribute to employment creation and poverty alleviation in the country.

The manufacturing sector in Zambia was significantly built up through national plans during the period 1964 to 1971[14]. Through Import Substitution Industrialisation (ISI)[15] that favoured the entire manufacturing sector, profits from mining were used to subsidise state-owned manufacturing

[12] Zambia was classified a middle-income country in 1969 (Ferguson, 1999). Due to the financial crises of the 1970s, Zambia spiralled down to be classified a LDC (Kragelund, 2009b). In 1996, Zambia qualified for debt reduction under the heavily indebted poor country (HIPC) initiative (ibid). Zambia is still categorised as a LDC and a landlocked developing country by the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLLS; February 13, 2012).

[13] The size of Zambia's labour force is 4.9 million, with only 12 per cent in the formal sector. The informal sector is defined as employment where the employed person is not entitled to paid leave, pension, gratuity and social security, while working in an establishment employing five persons or less (Muneku, 2009:164).

[14] For more information about Zambia's industrialisation up until the 1970s, see scholars as Fraser and Lungu (2007); Kragelund (2009a); Larmer (2007) and Ferguson (1996).

[15] ISI refers to a combination of tariffs, quantitative restrictions and exchange rate management (Koyi, 2006:258). The goal of ISI was to limit the degree of competition, to protect the national industry from external competition, reduce the role of the market and increase the Zambian government's involvement in establishing the level, composition and quality of national industry (ibid).

companies and consumers. This led to a successful economy, up until the financial crises in the 1970s (Fraser and Lungu, 2007:7; Saasa and Carlsson, 2002)[16].

Debt led to substantial external policy influence on development plans in Zambia. Debt and lack of mining revenue, gave the International Money Fund (IMF) and the World Bank leverage to push Zambia to adopt structural adjustment programmes (SAPs) in 1983 (Tandon, 2008:45). From 1992 to 2002 the World Bank and IMF embarked on a series of Economic Recovery Programmes[17] (ERPs), with the aim to correct imbalances of government spending, increase revenue and raising the productive potential of African economies (Kragelund, 2009b:489).

Furthermore, The Poverty Reduction Strategy Papers (PRSP)[18] introduced a new system for aid negotiation, based on including stakeholders such as Zambian government, civil society and donors in the domestic policy process (Lungu, 2007:25-26). The PRSP was a prerequisite for qualifying for the World Bank's Heavy Indebted Poor Country (HIPC) initiative (Fraser and Lungu, 2007; Kragelund, 2009b:489). Zambia qualified for the HIPC initiative in 1996, when signed in 2000 it reinforced liberal policies and privatisation set in motion by the World Bank and the IMF (ibid). Through an incentive of debt reduction from 1996 to 2006 and through developing track record of neo-liberal reform, the HIPC initiative can be seen as an instrument donors used to control the behaviour of the Zambian government (Gaynor, 2005:67; Kragelund, 2009b:489). The World Bank and the IMF's influence over Zambia's national policy also affected the bilateral donors (Gaynor, 2005:76). As seen when Zambia went off track to meet one of the HIPC conditionalities in 2003, the IMF funding as well as funding from bilateral donors were withdrawn (ibid). Other important documents from donors influencing development in Zambia were "the Harmonisation of Practice" in 2003 and "the Joint Assistance Strategy Zambia" in 2007 (Thomson et al, 2010).

The impact of privatisation and liberalisation was marked with deindustrialisation, unemployment and poverty in Zambia[19] (Chisala, 2008; Fraser and Lungu, 2007). Western aid was designed to cushion the social and political impact of the economic shock therapy (Bauer and Taylor, 2005:70). As a result, the first five years under President Chiluba (1991 to 1996), the

[16] The financial crises of the 1970s firstly refer to the oil crisis in 1974, where the price of copper collapsed (Fraser and Lungu, 2007; Saasa and Carlsson, 2002). The second oil crisis followed in 1979, where the interest rates shot up and the price of copper continued to fall relative to the price of imports (ibid).

[17] The most widespread measures of ERPs included trade liberalisation, exchange rate liberalisation (devaluation), fiscal and monetary reform, public enterprise reform and deregulation of investment, labour and prices (Kragelund, 2009b:489).

[18] The PRSP came instead of a new SAP.

[19] With the privatisation of state owned mines and firms, and market liberalisation left a number of Zambians unemployed (Fraser and Lungu, 2007). The Gross Domestic Product (GDP) declined and poverty levels increased drastically to seventy per cent, placing Zambia as a LDC (Chisala, 2008:8). The non-emergence of a vibrant private sector to step into the vacuum left by privatisation, pushed employment and economic growth into free fall throughout the 1990s (McCullough et al, 2000; Fraser, 2007:6; Fraser and Lungu, 2007:10).

national budget became more than forty per cent donor dependent (ibid). Some return of development planning was marked by the publication of the Fifth National Development Plan (FNDP) in 2006, although based on the PRSP and questionable to what extent it has remained autonomous (Fraser, 2008; in Kragelund 2009b:490). Thomson et al (2010) argues the FNDP failed to produce more ownership at a national level, although the idea of the Paris Declaration was to align donor policies with the policies of the Zambian government. Taylor and Carmody (2009:10) note that the reorientation of development policy in the FNDP was partly a response to public pressure over China's role on the continent and the national division of rents from natural resources.

After the financial crisis in 2008, aid from Western countries to Zambia has gone down (Times of Zambia, February 15, 2011; Usher, 2010; Reuters, October 9, 2010). Reduced aid to Zambia are explained by a combination of both corruption and misuse of government and donor funds, in addition to a change of interest in donor countries (ibid). A consequence of reduced donor funds, is that other financial mechanisms will become more important for Zambia (Kragelund, 2008). Due to recent Chinese demand for copper, Zambia is perceived to have weathered the financial crisis better than other countries in the region (Reuters, October 9, 2010; Carmody, 2009). In the lieu, FDI from non-traditional development partners as China has become important for Zambia's economic development (Kragelund, 2009a).

Since the mid-2000s, Zambia has enacted a number of reforms to foster economic development and to improve the investment climate in the country. In 2004, Zambia committed to the Private Sector Development Reform Programme (PSDRP)[20] (Chisala, 2008:13). The PSDRP pays specific attention to reduce red tape, improve the macroeconomic environment, regulatory frameworks and enhancing infrastructure to pave way for private sector led growth (Kragelund, 2009b:490). By 2008, the Zambian economy stabilised and began to reap the benefit of readjustment, showing to nine years with positive economic growth (Brenthurst Foundation, 2010). Zambia still has challenges with contextual factors on the supply side, such as poor infrastructure, policy inconsistency and limited credit available for the productive sector, although these are perceived to have improved (Brenthurst Foundation, 2010; van der Lugt et al, 2011). According to the Brenthurst Foundation (2010) the government of Zambia has in recent years:

- Reduced the foreign debt burden with United States Dollar (USD) 6 Billion.
- Attained single digit inflation for the first time in thirty years in 2006.
- Had an almost ten-fold increase in FDI between 2000 and 2008.
- Had a fourfold growth in total exports between 2002 and 2008.
- Established the initiative of Multi Facility Economic Zones (MFEZs)[21] in 2006.

[20] The PSDRP is also in line with the PRSP (Kragelund, 2009b:490).

[21] The MFEZs initiative has the objective of catalysing industrial and economic development in the manufacturing sector for the purpose of enhancing both domestic and export oriented business (MCTI, 2011).

Given the development potential outlined above, it is important to generate research of the effects of Chinese FDI in manufacturing activities. As the TC industry is perceived as strategic in the early stages of the development process, this paper seeks to understand how Chinese FDI in the Zambian TC industry, as a sub sector of manufacturing, impacts local economic development.

Development is a contested concept[22]. Zambia's key political actors and civil society actors have raised questions about the development impasse of Chinese FDI in Zambia and the mutual benefit of the relationship with Chinese actors (Ampiah and Naidu, 2008:10; Mwanawina, 2008:3). For the sake of feasibility, this paper will operate with a limited definition of development. Based on literature on the topic and to assess the impact at a local level in Zambia, economic development will be measured according to the following four elements, namely; (i) formal employment creation; (ii) skill transfer; (iii) state revenue; and (iv) market creation.

The research question guiding this research project is:
-How do Chinese investments into the Zambian TC industry impact economic development in Zambia?

Relevant aspects to touch upon to address this question are:

- How is industrialisation in Africa influenced by external factors?
- How does the Zambian government promote development through the TC industry?
- What motivates Chinese investors in Zambia, and how are companies organised in the country?
- What are the context, potential and situation for the TC industry in Zambia?

1.2. Structure of paper.

Chapter one started introducing the topic, followed by the research question and the structure of this paper. Secondly, the framework of analysis includes a literature review of "China in Africa" and the hypotheses this research project started with. Six hypotheses are developed, some of them with alternative assumptions, to be tested during fieldwork. Part three of chapter one consists of the research design and methodology used for this paper. This section explains the aim and nature of the research, data collection, unit of analysis, clarification of concepts and finally the limitations for the study.

[22] Baylis and Smith (2005) acknowledge that development cover a range of themes ranging from economic growth, the environment to human security.

The second chapter is divided in two. The first part provides a background of the history of industrialisation and development assistance in African countries. First, it explores how external actors have influenced industrialisation and development approaches on the continent. Through looking at development assistance from Western countries, followed by a section with trends of development assistance from Eastern countries, the different approaches to development are highlighted. The next section explores the level of industry in Africa, which illustrates why industry is making its way back on African leaders agenda.

The second part of chapter two, provides the theoretical foundation for this research project. The first section starts off with identifying why the manufacturing industry in general relates to development. Furthermore, it explores in detail why the textile and clothing industry is especially appropriate in a country's industrialisation process and for economic development, based on the three parameters of; (i) employment creation; (ii) skill transfer and industrial upgrading; and (iii) market potential created from trade in TC products.

Chapter three, four and five include empirical findings from fieldwork in Zambia. Chapter three is divided in three parts. Firstly, the chapter outlines factors that impact national plans in Zambia, which include explaining the importance of FDI for economic development, followed by a section touching upon external policies that impacts the Zambian TC industry. Secondly, chapter three explores the national parameters that the government of Zambia has sought to develop industrialisation generally and the TC industry specifically, through looking at national plans and institutions in Zambia. This part discusses the outcome of the Fifth National Development Plan (FNDP) and prospects for reaching the goals set under the Sixth National Development Plan (SNDP). The Zambian Development Agency (ZDA) is responsible for the MFEZs initiative, and the last section highlights how MFEZs are perceived to impact industrialisation of the Zambian TC industry.

The third part of chapter three, looks at Chinese motivations for investing in the Zambian TC industry, followed by the way Chinese companies are organised in the country. This section is essential to highlight factors explaining why Chinese investors may establish TC production in Zambia. Furthermore, the chapter maps the Chinese government's supportive institutions for conducting business in Zambia, which is an important part of explaining how Chinese actors are spread in the country.

Chapter four investigates the situation for the Zambian TC industry and is divided in three parts. Firstly, the chapter explores growth trends and the current situation for the Zambian TC industry, through assessing cotton production and the integrated industries that make up the TC sector. Secondly, chapter four examines market access for Zambian TC, through looking at potential markets and actual markets locally, regionally and internationally. The last part of chapter four reviews contextual factors that impact the growth within the TC sector.

Chinese investments in the Zambian TC industry are presented in chapter five. As Chinese investments in the TC industry were recorded to be few, this part looks at the Zambia China Mulungushi Textiles (ZCMT), which currently is closed and the planned Lusaka East MFEZ for light industrial activity. Especially questions of employment and skill transfer will be discussed in this chapter, based on the experiences made at the ZCMT. Furthermore, chapter five explores the information available concerning how the Lusaka East MFEZ is expected to benefit the Zambian economy.

Finally, chapter six will sum up the findings from this research project, answer the hypotheses from chapter one and conclude with some final comments on how these findings fit into the big picture.

1.3. Framework for analysis.

1.3.1. *Literature review: China in Africa*.

The debate of "China in Africa" can be traced back to the 2006 FOCAC summit, as the first head of state conference where African and Chinese leaders met to discuss the future[23]. Newspapers, think thanks, universities, foundations and aid agencies organised meetings to understand this new turn for African development (Brautigam, 2009:1; Large, 2009; Alden, 2007).

Although, the discussion of China's role in Africa did not take off before 2006, Chinese leaders made their first steps overseas already from the 1960s to 1970s (Brautigam, 2009). Through the 1980s, the Chinese government encouraged SOEs to bid on contracts and form joint ventures in Africa. These targeted projects in manufacturing and agriculture, where factories set up by Chinese companies would create demand for export of Chinese machinery as well as other inputs to African countries (ibid). In the 1990s, policy makers in China provided additional tools and instruments to promote investments and overseas trade, through creating links between aid, investments and trade to Africa. Of these, were the creation of policy banks and state owned banks to accelerate development through deliberate state policies (Brautigam, 2009:80). In the 2000s, the third step was taken, where Chinese leaders created regional organisations to combine aid and economic cooperation. This resulted in the establishment of the FOCAC, the overarching institution for

[23] Before the 1990s, Chinese aid was not given on a big scale to African countries compared to other Western countries at the time, and did not receive that much attention (Brautigam, 2009). Deborah Brautigam was of the few who wrote on Chinese aid to Africa in 1998 (ibid).

China-Africa relations[24]. Two summits were held[25], before the third FOCAC summit in 2006 intensified political and economic interaction between China and African countries (Bastholm and Kragelund, 2009). This marked a watershed in China-Africa relations, as the Chinese Ministry of Foreign Affairs was set up to coordinate Chinese foreign policy objectives towards African countries (Davies, 2010:6; Large, 2009; MCTI, 2010).

At an early stage, the debate was organised around explaining Chinese motives for engaging in African countries. Securing energy and natural resources in African countries are seen as the most important motive and central to support China's development trajectory (Alden, 2007; Sidropoulos, 2006; Taylor, 2006). Scholars as Le Pere and Shelton (2006), Mohan and Power (2008) and Taylor (2004) argue China's renewed interest for African countries also were based on the political objectives of advancing a new global order. Through South-South cooperation and economic cooperation with African countries, China hopes to build a stronger political relationship that will support the Chinese government's diplomatic offensive against Western "hegemonism"[26] (ibid).

On one side, scholars and media in the West have expressed fear as the economic engagement in natural resources accompanied by investments in infrastructure and transport facilities, will lead to debt and limited development for African countries, as it is dominated by primary resource extraction similar to the colonial era (Ampiah and Naidu, 2008; Mawdsley, 2008[27]). While on the other side, African commentators and scholars as Moyo (2009), Sidiropoulos (2006:97) and Mwanawina (2008) have tended to be more positive and argue the relationship offer significant opportunities to put African countries on a path of industrialisation and economic development. Ampiah and Naidu (2008:11) note that Chinese commentators argue China's trade, investments and aid to Africa is primary intended to enable African governments to achieve self-sufficiency and finding their own development brand, rather than one called "Beijing Consensus". Therefore, it is up to African leaders to ensure robust and coherent national industrial policies, to ensure that the relationship assists long-term political and economic development of their state's (ibid; Moyo, 2009; Sidiropoulos, 2006:97; Mwanawina, 2008).

Towards the background that Chinese development assistance is defined in broader terms than in Western countries, it includes such as military assistance, trade, investments, aid, loans and

[24] Other examples of regional institutions set up for economic cooperation is the Forum for Cooperation between China and Arab states and the China-Pacific Islands Economic Development Forum (Brautigam, 2009:87).
[25] The first FOCAC meeting was held in Beijing in 2000 and the second FOCAC meeting in Addis Ababa in 2003 (Brautigam, 2009).
[26] Western hegemonism refers to the tendency of using Western norms as international standard in international relations. See Taylor (2006).
[27] Another study raising the question of ownership and increased indebtedness as a result of Chinese development assistance, see Dubosse (2010).

economic zones, driven by a strong state and supportive institutions. In these ways, different spheres of influence are constructed. Especially the impact of Chinese aid, trade, investments and economic zones has received substantial attention in the literature and will follow accordingly in this review.

A recent branch of the aid discourse looks at the challenges/opportunities to coordinate Chinese development assistance with traditional donor assistance in aid architecture to African countries, to enhance development prospects (Grimm et al 2011a; Kragelund, 2011). Grimm (2011) suggests trilateral cooperation, through engaging with traditional donors, African leaders and Chinese actors, will be of essence to enhance aid effectiveness and international understanding to improve development prospects for African countries. Grimm et al (2011b) argue Chinese development assistance is not so unlike Western development assistance, but there are challenges to comparing Chinese aid figures to those from Western donors, as the Chinese government publishes less data about overseas aid spending. However, the study highlights that more data on Chinese aid is available compared to the previous decade, which is seen as a positive development for aid transparency driven by the Chinese government and the Chinese academia. Aid transparency is seen as essential to enhance aid effectiveness (ibid).

Trade between China and African countries have intensified, where the impacts have received substantial attention. The positive aspect of increased trade is that Chinese goods are specifically fit for the African market, which generally is dominated by low purchasing power (Muneku, 2009; Carmody 2009). Chinese export of cheap consumer goods such as mobile phones, radios and different technological devises have enabled African countries to overcome infrastructural deficits, cut out middlemen and created opportunities for services by small and medium sized enterprises (SMEs) in Africa (Carmody, 2010).

The negative impact of trade has attracted a larger body of work from scholars as Taylor (2006) and White and Alves (2006:61), which generally discuss the negative impact cheap manufactured exports from China (and other Asian countries) have on African industry. Through a pattern of exporting natural resources from African countries while importing back finished goods, African countries loose out in terms of employment creation, value added to resources and economic growth (ibid).

Scholars as Brautigam (2009:230,231) explains that the impact of Chinese imports on Africa's fragile factories is very real, but has not swept everything away from its path. Looking at African countries that have developed significant apparel export industries are Kenya, Lesotho, Madagascar, Mauritius, South Africa and Swaziland (Brautigam, 2009:219). All of these countries suffered with the ending of the Multi-Fibre Agreement (MFA) of preferences and quotas in 2005 and the rise of competition from China. However, the countries with big domestic markets such as Kenya has managed to keep garment manufacturing at a steady expansion, Mauritius managed to increase output of the textile industry by thirty per cent in 2007, whereas South Africa has faced bruised competition in both export and import markets (ibid).

FDI from Chinese actors have historically gone to resource rich countries with significant natural resources such as oil or minerals. Several studies have emerged looking at the environmental impact of FDI (Kabemba, 2010; Ribeiro, 2010), the impact on governance (Taylor and Carmody, 2010), and on peace and security in Africa (Assogbavi, 2010). The positive aspect of FDI, is that it came at a time of Afro pessimism[28] where the international community was reluctant to invest in African countries (Carmody, 2010). The Chinese government, as a non-traditional development partner, has offered African countries options for development cooperation, which African leaders have used to their advantage[29]. Moyo (2009:113) argues that compared to Western aid and political conditionalities, which stifled economic growth in African countries, Chinese FDI allocated in industries with high productive use for the economy is essential for economic growth. Current debates note that Chinese FDI no longer are confined with resource extraction, as a significant proportion of Chinese FDI goes to manufacturing projects in Africa (Kragelund, 2008; Bastholm and Kragelund, 2009; Brautigam, 2009). Gu (2009) explains that Chinese SOEs mainly focus on extractive industries, while Chinese private enterprises are motivated by market opportunities, competition from within China as well as being characterised by a strong entrepreneurial spirit. This two-way street of “bottom-up” and “top-down” approach, is seen as a way to maximise development gains, through a mutual learning process from public and private Chinese sectors as well as between public and private sectors in African countries (ibid).

The government of China’s commitment to economic zones is in this regard a unique experimental model for development cooperation (Brautigam, 2009). In 2006 and 2007 the Chinese Ministry of Commerce (MOFCOM) held tenders for Chinese companies wanting to establish in economic zones, where seven African countries were chosen based on market potential and overall feasibility[30] (Brautigam and Xioyang, 2011). Three actors regulate these pilot zones. Firstly, the Chinese government has no direct role in developing the projects, but provides various forms of assistance to Chinese private companies who initiate projects and win official tenders (Brautigam

[28] Irrespective of which of these conditions is correct, for much of the last thirty years Africa has commonly been considered as the world’s greatest development failure on background of economic decline, corruption, hiv/aids, environmental degradation and conflict (Carmody, 2010:1).

[29] By providing alternatives to development cooperation in Africa, African leaders is in the position to balance or to play Western donors and Chinese actors against each others, which is seen as a tool to increase the state’s control over development in African countries (Carmody, 2010).

[30] At the time many thought this was a political decision, but it was based on market potential and overall feasibility (Brautigam and Xiaoyang, 2011).

and Xioyang, 2011:32). Secondly, Chinese SOEs are set to develop and attract private investments for the economic zones. The third part is the African host government, which regulates the economic zones and provides incentives to set up manufacturing production. It is however too early to say how successful these economic zones are in Africa (ibid).

Recent literature disaggregates the different Chinese actors, which compromise the Chinese government, Chinese SOEs, Chinese embassies, Chinese private companies and Chinese individuals (van Dijk, 2009a:11). This was driven by the need to disaggregate the different motives and actors in "the Chinese engagement", as well as moving away from studies focusing on the macro and general level of "China in Africa". Neither "China" nor "Africa" represent a coherent or uniform set of motivations or actors, and the way African state's manages relationship with different Chinese actors varies, as do contextual factors (Mohan and Power, 2008:23)[31]. With this, the next section will continue reviewing the scholarships of "China in Zambia".

Studies looking at the development impact of Chinese investments in Zambia have in recent years gained more interest from different levels. Zambia is one of the countries with the longest relationship with the Chinese government, building an embassy in Lusaka in 1964, followed by the Tanzania Zambia railway (TAZARA) and the Mulungushi Textile factory in the 1970s[32]. Zambia became a preferred destination for Chinese goods and investments towards the background of historical ties, the liberal investment climate and mineral resources (Burke, Corkin and Tay, 2007:160).

Through an assessment of diplomatic relations between China and Zambia, domestic politics in Zambia and the emerging pattern of Chinese investments in the country, Kopiński and Polus (2011) argue that Zambia is a case where positive and negative developments has taken place earlier than in the neighbouring countries and might be instructive to other African countries. Mwanawina (2008) evaluates Chinese investments, trade and aid to Zambia and concludes that the civil society and the Zambian government should take an active advocacy role to ensure long-term industrial development out of the relationship with Chinese actors. When it comes to loans, a study by Huse and Muyakwa (2008) highlight that China as a lender to Zambia provides an alternative to traditional donors within the development paradigm[33], although concerns are raised to the lack of transparency and inclusion of stakeholders in the loan contraction processes[34] (ibid).

[31] Asche and Shűller (2008:178) argue as long as the reality of cooperation on the ground is not known, we should encourage studies exploring the socio-economic effect of Chinese engagement in African economies.
[32] See scholars as Ferguson (1999) and Taylor (2006) for more history on "China in Zambia" before the 1990s.
[33] China was in 2006 the biggest Non-Paris Creditor to Zambia. However, most of this debt was written off in early 2007 (Huse and Muyakwa, 2008:36,45).
[34] This is seen to increase the risk that funds will not be used for intended purposes and might be illegitimate debt in the future. For China as a lender to Zambia see studies as Mwanawina (2008) and Huse and Muyakwa (2008).

Chinese actors became an important source of FDI in the 2000s, which may impact on economic growth and employment creation in Zambia[35] (Carmody, 2010). Chinese investments in Zambia have gained attention from scholars as Kragelund (2007), Ndulo (2008) and Muneku (2009) highlighting that Chinese FDI is concentrated firstly in mining, mining related activities and infrastructure. The growing body of scholarships looking at the development impact of Chinese FDI in the mining industry include Kragelund (2009a) and Haglund (2008), while studies on infrastructure projects involve articles from Petersen and van der Lugt (2010) and Kragelund (2009b). Kragelund (2009a:644) and Taylor and Carmody (2010) highlight that China's current presence in Zambia continues to fuel a national debate[36]. Especially issues of poor labour standard are highlighted by scholars as Taylor and Carmody (2010), Mwanawina (2008), Carmody (2009) and Muneku (2009). Mwanawina (2008:23) underlines concerns regarding poor conditions of service according to Zambian workers, disregard for labour laws and regulations, lack of adherence to safety regulations at the work place and lack of environmental considerations.

Kragelund and van Dijk (2009) look at investments in raw materials in Zambia and argue that these are no longer just driven by large SOEs, but increasingly by smaller and privately owned ones. Kragelund (2009b) explores the policies guiding investments in Zambia, to map the Chinese actors and how they are organised in the country, to increase the benefit of Chinese investments. Furthermore, Bastholm and Kragelund (2009) assess state-driven Chinese investments in mining, construction and agriculture in Zambia[37], and argue that private investments from China will become more important in the future. This raises questions of links between local Zambian companies and private Chinese companies, to enhance the impact of investments for Zambians (ibid). Carmody and Hampwaye (2010:98) argue that the Zambian government should adopt a strategic approach to foreign investment by selectively continuing to promote it while maximising local benefits, as China has. In this view, small scale investments should be discouraged as it may lead to displacement of local entrepreneurs, fewer local staff is hired and profits may be expatriated. Large-scale investments on the contrary[38], should be encouraged (ibid).

Kragelund (2007) classifies Chinese investments in Zambia as being a catalyst, a competitor or a capacity builder. In construction, Chinese investments are competing with work local companies can do. Investments in mining has a catalysing effect, while Chinese investments in the

[35] New European and South African investment has frequently been overlooked in the literature, but is also of substantial importance although outside the scope for this paper (Carmody, 2010:87). Muneku (2009:172) notes that FDI from the EU and the US mainly has been by private companies with short time horizons, competed to Chinese FDI which came from firms wholly or partial state owned with a longer time horizon compared to private companies.

[36] At the highest political level, Micheal Sata introduced the issue in his 2006 presidential election campaign, stating that Chinese investors were infestors (Kragelund, 2009a:644).

[37] This point in time most researched mapped Chinese state driven investments, as these were high profile compered to small-scale activities (Bastholm and Kragelund, 2009).

[38] Large scale investments such as the copper smelter in the Chambishi MFEZ and investments in infrastructure.

TC industry can serve to build local capacity (ibid). In similar vein, Brautigam and Xiaoyang (2011:27) argue the agreement to build economic zones in Zambia focusing on light industrial activity, can offer a new promising approach to sustainable industrialisation through transfer of skills and job creation. However, it should be highlighted that a dedication to economic zones can also be a tool to advance Chinese interests without links to African development. Carmody and Hampwaye (2010) emphasise that Zambia is in a context of a highly liberalised economy, where the Zambian government has limited scope to engage in strategic industrial policy interventions to develop infant industries and to promote learning by doing.

Trade between China and Zambia have increased, while studies looking at the impacts of trade include Carmody (2009), Carmody and Hampwaye (2010[39]) and Kragelund (2010). Particularly import of textiles and garments from Asian countries and second hand clothes from Western countries have negative impact on national industries, as it undermines export oriented industrialisation in Zambia (Carmody 2009; Carmody and Hampwaye, 2010; Hansen, 2000). Kaplinsky and Morris (2008) study take SSA as scope, looking at trade with China and Asian countries as the biggest producers of TC. The study found that import to SSA create competition and without trade preferences over Asian TC products, countries in the SSA region will be largely excluded from the global market and face significant threats in their domestic markets (ibid). Carmody and Hampwaye (2010:97) argue Chinese traders and manufacturers have squeezed out indigenous entrepreneurs by importing clothes that are cheaper than second hand clothes. Furthermore, there is a danger that Zambia becomes trapped in a mercantilist cycle[40] with China, by exporting raw materials and importing back manufactured goods, while leaving Zambia de-industrialised (ibid).

Kaplinsky, McCormick and Morris (2008) note to this date that little is said about the interface between Chinese investments and the impact on specific sectors of the economy. Haglund (2008:548) points out that the presence of Chinese companies are rapidly growing in many African countries, yet the understanding of what role these investments will have in Africa's sustainable development remains limited. Asche and Schűller (2008) argue in similar vein that there are hardly any reliable data and few investigations on the central question, whether China is effectively contributing to sustainable development in African countries or if China's primary concern is to gain access to Africa's raw materials and to open up new markets. Based on this background, there

[39] Carmody and Hampwaye (2010:85) argue sub-Saharan Africa's (SSA's) economic growth from 2004 to 2008 was driven largely by Asian investments in manufacturing and businesses in Africa and trade in primary commodities.

[40] Mercantilism refers to a type of capitalism, where the state apparatus is used to advance national business interests. China's "Go out" policy can be placed within the theoretical perspective of neo-mercantilism, as strong state institutions is used to accelerate own industrialisation (Holslag, 2006). See also scholars as Kurlantzick (2007).

is need for examining the impact of Chinese investments on the Zambian TC industry, as an industry with potential for economic growth through employment creation and trade. With this, the next section puts forward hypotheses on how Chinese investments in the Zambian TC industry is anticipated to impact local economic development.

1.3.2. Hypotheses.

This research project contains six hypotheses, some of them with alternative assumptions on how Chinese investments in the Zambian TC industry will impact economic development. The hypotheses are developed with a background in the extensive literature and in order to account for the possible outcomes from this research project.

Evidence presented so far suggests that investments in light industry are necessary to get industrial development in Zambia. Given the potential for trade, technological development and linkages it can create in the economy, the manufacturing sector is a key sector for employment creation and poverty reduction, whereas Chinese investments offer a potential to achieve these objectives. Investments in manufacturing industry offer potential for economic diversification, specifically if Zambian products can be inserted into global production chains and networks over the longer term. Based on this background, the expectations of the four key points used to assess economic development in the Zambian TC industry will follow.

1.3.2.1. Employment.

Chinese investments in the Zambian TC sector, offer potential for formal job creation in Zambia. In addition, Chinese investments into industrial clusters such as the MFEZs can create forward and backward links in the economy, which could generate more formal job creation. Given the high percentage of poverty and informal employment in Zambia, a move from informal to formal employment will be categorised as economic development. This is because workers in the informal sector earn less, have an unstable income and do not have access to the basic protections and services (UNRISD, 2010; Beneria and Floro, 2006). Informal businesses may also lack the potential of growth and trapping employees in their jobs. On the other hand, informal business can allow a large proportion of the population to escape poverty and earn an income that is satisfactory for survival (ibid). However, from a governmental point of view, having a large informal sector can become a viscous circle, as lack of state revenue and taxes paid from the informal sector may hinder the government's ability to finance public services. In the lieu, offering formal employment possibilities for Zambians will indirectly impact poverty levels. This leads to the expectation:

Hypothesis 1a: Chinese investments in the Zambian textile and clothing industry, will lead to more jobs in the formal sector, which will have a positive impact on local economic development.

With background in the literature, the downside of Chinese investments are that it can cause displacement of local businesses, as these new companies might outcompete local companies for bank loans or produce more cost effective compared to locals. Literature also notes that Chinese investors in Zambia have recruited Chinese workers to work in Zambian factories. McGreal (2007) argues most of the jobs being done by Chinese nationals can easily be done by Zambians. Mwanawina (2008) argues the key losers of Chinese investments are local producer, contractors and trade unions in Zambia, as competing industries create lost employment possibilities. In addition, Fraser and Lungu (2007) note that Chinese investors in the Chambishi mines used a casual labour system to suppress costs, which led to a new category of "working poor" in Zambia. The category of "working poor" means in essence increased informal employment (ibid). Based on of this information, a second alternative hypothesis is developed concerning the impact of Chinese investments on employment in the Zambian TC industry:

Hypothesis 1b: Chinese investments in the Zambian TC industry might cause displacement of workers in the local TC industry, by competing with local industries or through a casual labour system, which may decrease the formal employment number in Zambia.

1.3.2.2. Skills.

Skills are in this context defined as technology and knowledge transfer. Chinese investments in manufacturing offer a potential for skill transfer from Chinese managers and workers to their Zambian counterparts and vice versa (Carmody and Hampwaye, 2010:90). The MFEZ operations require low-skills and no research and development is conducted at the sites. Furthermore, there is little evidence of high technological skill transfer to Zambia (Carmody and Hampwaye, 2010:90). Although, considering the lack of industrial base and competition in Zambia, Chinese investments offer a potential for technology transfer, as two countries at different stages of development (Brautigam, 2009). Two hypotheses are developed, the first hypothesis relate to transfer of technology and the second to transfer of knowledge. The guiding expectation on the impact of Chinese investments in the Zambian TC industry for technology transfer is:

Hypothesis 2: Chinese investments in the TC industry in Zambia will lead to transfer of light industrial technology to Zambian workers, which can spur economic development in the Zambian context.

Concerns have been raised regarding safety, weakly enforced labour laws and labour standards for Zambian workers in Chinese managed enterprises (Carmody and Hampwaye, 2010:94; Brooks, 2010). This can be interpreted as the Zambian workers have less negotiating power compared with Chinese managers and investors, which may impact the level of knowledge transferred. According to the literature, Chinese investments in the Zambian TC industry offer potential for knowledge transfer. Although, not through formal channels of training and schooling, but rather that Zambian workers themselves acquire the knowledge needed to do the job. In this way, there is a degree of knowledge transfer because of different levels and areas of knowledge between Zambian workers and Chinese workers that may impact each other. It is also worth to note that the TC industry is labour intensive and specifically attracts unskilled and semi-skilled workers, which signal the requirement of only basic knowledge. The guiding expectation on the impact of Chinese investments in the Zambian TC industry for knowledge transfer is:

Hypothesis 3: Zambian workers may upgrade their knowledge through the job, even though Chinese investments might not involve formal training of staff.

1.3.2.3. State revenue.

To assess the development impact, a state's revenue base is important to look at as it illustrates how much funds the local and national government have to utilise for sustainable development. State revenue can be earned from employment tax and enterprise tax. This leads to the expectation:

Hypothesis 4a: A direct impact of Chinese investments in the Zambian TC industry is higher state revenue for the local and national government in Zambia to utilise for sustainable development. This tax base will mainly come from Chinese investors through company taxes and through employment taxes from Zambian workers at the factories.

Carmody and Hampwaye (2010:91) argue that economic zones technically are spaces that provide for extended tax holidays. Brautigam and Xiaoyang (2011) argue that these pilot zones are governed by standard packages and incentives offered by host governments. These usually include tax holidays and waivers on import tariffs for raw materials and inputs, along with restrictions on strike activities (ibid). Based on this information, Chinese investments into TC industry in economic zones does not offer direct tax benefits from the company, which limits the rent earned for the Zambian government to use on development. This leads to the alternative hypothesis:

Hypothesis 4b: Chinese investors in economic zones are offered incentives as an extended tax holiday from the Zambian government, which leads to less tax revenue and ultimately less funds for the Zambian government to use on sustainable development.

Moving on to indirect tax benefits, Chinese investments often happen in industrial clusters and are not limited to one sector of the economy (Brautigam, 2009). As seen in other parts of Africa, Chinese investments are linked to investment in infrastructure projects such as building electricity, telecommunication, symbol buildings, rehabilitation and constructing roads (ibid). In recent years, Chinese FDI has been criticised for not bringing enough social benefits to the areas where the manufacturing production is set up. This has brought on a new dimension of indirect impact of Chinese FDI, as focus also is directed to upgrade social sectors and community development such as health services and schools (Brautigam, 2009). In the lieu, Chinese investments in the Zambian TC industry will indirectly impact local areas. The guiding expectation of the indirect development impact of Chinese investments in the TC industry in Zambia is:

> **Hypothesis 5:** An indirect impact of Chinese investments in the Zambian TC industry may be better access to such as infrastructure, health and educational services, markets and improved linkages to other sectors in the economy.

1.3.2.4. Marked creation.

Chinese investments in the Zambian TC industry are argued to help market creation, as the products of this industry are consumed locally and exported to neighbouring countries in the region (Carmody and Hampwaye, 2010:91,92). The creation of markets for the produced goods will benefit the Zambian economy and create opportunities for re-investment of economic surplus from the market activities. The long-term effect of this causal relationship will be a stronger industrial base with a possibility for Zambian workers to move up the industrial development ladder, which could bring a positive spin-of for economic development (Brautigam, 2009). The guiding expectation is:

> **Hypothesis 6a:** Chinese investments in the Zambian TC industry can result in market creation and local economic development in Zambia, if the industry produces TC for the Zambian market, as well as export commodities for regional and international markets.

On the contrary, concerns are raised that Chinese investments go to factories that produce only for the Chinese market. Based on this information, Chinese investments to export industries with restricted markets will have a destructive impact on local development in Zambia, as value added to the produced items leaves the country without benefiting the Zambian market or the economy as a whole. The short-term effect could be less Zambian products manufactured, which in the longer term could impact on the backward and forward links in the sector and the economy.

Kaplinsky and Morris (2008) argue that the competitive displacement pressure generated by China has a de-industrialising effect on Africa. It is also worth to recall that Ampiah and Naidu

(2008:9) highlight the risk involved with the economic ties between China and African countries, were the Chinese government makes African economies dumping ground for cheap consumer retail products, such as textiles and garments, which undermine local efforts of building industry (ibid). Davis (2008:161) suggests "considering the poor level of competitiveness in Africa's manufacturing industry, the continent is probably best positioned to serve as a supply function to China". This leads to an alternative hypothesis concerning market creation and the impact of Chinese FDI in the Zambian TC industry.

> **Hypothesis 6b:** If Chinese investments in the Zambian TC industry go to the production of export commodities, with little domestic market creation and limited backward and forward links in the economy, this may consequently result in no or limited economic development in Zambia.

1.4. Research design.

Based on literature and the hypotheses developed for this research project, the next part looks at the best way of conducting this study. The research design for this paper include the aim and nature of the research, explain what type of research methodology best fitted for this paper, outline the unit of analysis, explain central concepts and limitations for the research.

1.4.1. Aim and motivation.

The purpose of this study is to explore the nature of the relationship between Chinese investments in the Zambian TC industry and economic development in Zambia, to expand on previous research. This study speaks to the need for more in-depth analysis on how Chinese investments impact specific sectors of the economy, where the TC industry is of importance as especially labour intensive. A study exploring the socio-economic effect on the ground of Chinese engagement in African economies are seen as essential to develop guidelines, recommendations and policies to improve prospects for economic development.

1.4.2. Nature of research.

As this study sets out to explore the nature of the relationship between Chinese investments in the Zambian TC industry and economic development in Zambia, the study crosses between exploratory and explanatory research. In this way, this paper will provide an analytical part in order to explain and not just describe the relationship between the variables (Neuman, 2006:35). In the light of exploring the relationship between Chinese investments and economic development in Zambia, the best way to conduct this study is through qualitative research. Qualitative research will provide a richer and more detailed account of the Chinese actors in the Zambian TC industry and implications it has for Zambian development (Neuman, 2006:459). As the topic is relatively new, a qualitative approach is chosen to identify new information and for the researcher not to limit herself. This research project also mixes in quantitative methods, as hypotheses are developed to predict the relationship between the variables, which later were tested during fieldwork in Zambia. In this sense, the study is deductive.

This research project has no fully predetermined sample size for data, but relies upon the researcher to identify relevant sources and information through snowball sampling (Neuman, 2006:223). Snowball sampling is non-probability sampling where the researcher is concerned with getting informants close to the topic (ibid). The implications of relying on the researcher to identify relevant sources of information are realised. By choosing different interest groups during fieldwork in Zambia, as well as secondary data ranging from those positive to those more negative and critical to the Chinese-Zambian relationship, is a conscious choice to ensure that new data are collected and to safeguard that the research is not biased towards subjective assumptions. This research will follow a non-linear research path in terms of a back-and-forth pattern, as this is seen as the best way of conducting a rich analysis for the proposed project (Neuman, 2006:152). Quantitative data will be used as a supplement in the form of existing statistics, numbers and figures particularly in chapter three and four.

1.4.3. Data collection.

In terms of data collection, this study will be divided in two. Firstly, this research will use secondary academic data such as scholarly journals, conference papers, books and policy papers. Further data emanates from publications from institutions such as the Centre for Chinese Studies (CCS) at Stellenbosch University and the South African non governmental organisations (NGOs) the Pambazuka Press and Fahamu. In addition, media publications such as print newspaper articles and internet articles are applied. Zambian newspapers include the Post Zambia, the UKZAMBIAN, the Lusaka Times and the Daily Mail Zambia, while the Chinese newspapers used include the People's Daily and English Xinhua. Some textile and garment news are also accessed online from Fibre2cotton and Cotton 24/7. News from the Zambian civil society include the webpage Shout-Africa and the Zambian Watchdog.

Primary data will be collected through a field trip in Lusaka, Zambia. Empirical data will be collected mostly through semi-structured and in-depth individual interviews and observation. Interviews are based on an interview guide prepared before fieldwork, with open-ended questions to keep the research flexible and to identify new information in line with qualitative research methods. By using a questionnaire to guide the interviews in Zambia, is seen as essential to safeguard that relevant aspects are considered.

1.4.4. Unit of analysis.

The unit of analysis for this research include Zambian government officials, civil society organisations, workers in the TC industry and representatives of Chinese investors in Zambia. This triangulation of observers is a method chosen to cover the topic from different angels (Neuman, 2006:150). Information from different interest groups are more likely to yield a more complete picture of the impact Chinese investments in TC industry have for economic development in Zambia. Government officials are located mostly in Lusaka and are anticipated to provide valuable information concerning development frameworks and assessment of development impacts of Chinese investments in Zambia. Furthermore, the Zambian civil society has in recent years become more critical to the Chinese engagement. In order to account for this view, interviews will also include civil society organisations (CSOs) and labour unions located in Lusaka. Furthermore, this research project looks for Chinese investors in the Zambian TC industry and workers at the factories, which will be given a visit when found during fieldwork.

1.4.5. Clarification of concepts.

The difference between the textile industry and the clothing industry need to be established. The textile industry is identified as capital intensive, as transformation of yarn to fabric requires an industrial process. Again for the textile industry to compete by international standard, price and in international markets, investments in modern technology are required. According to Nordaas (2004:7) the textile industry in developing countries is usually highly automated, consisting of spinning, weaving and finishing. These three functions are often undertaken in integrated plants. Nordaas (2004:7) argues that traditionally and in many markets, the lead-time in the textile sector is quite long and the capital intensity of the industry results in relative large minimum orders. In this sense, the textile industry is less flexible in terms of adjusting to consumer taste during a season, than the clothing sector. In some ways the textile sector is thus the bottleneck in the supply chain (Nordaas, 2004). By contrast, the clothing industry is less capital intensive. The clothing industry is labour intensive in the sense that it absorbs unskilled labour and as it does not require expensive machinery or technology to produce garments.

Documenting changes in employment in the textile industry may be easier as more high profile and because it requires investments through official channels. The clothing industry compared, tend to be a small informal activity in Zambia. However, textile manufacturers in many cases build the whole chain up to garment manufacturing and reap the benefit of interconnected businesses.

To clarify central concepts, raw cotton or cotton seed refers to cotton lint. By processing cotton lint through spinning, it is transformed to cotton yarn. Furthermore, yarn is inserted into some type of knitting or weaving activity to make fabric. "Textiles" will in this paper refer to a woven fabric such as chitenge[41] or as input to clothes. The three concepts clothes, apparel and garments are all made from textiles and will be used synonymously in this paper. Clothes are also the last product in the cotton-textile-apparel value chain.

Economic zones and industrial zones are general concepts and will be used synonymously in this paper. The MFEZs, is in this regard specific to the Zambian setting, as regulated by the Zambian government, although based on the Chinese and Asian experience of economic zones.

1.4.6. Limitations of the study.

Concerning data collection, a limitation is that the researcher only uses English sources, while knowledge of Mandarin and local Zambian languages could in theory enhance the access to information for this study. For the primary data collection, knowledge of English should be appropriate as Zambia's official language is English. Another caveat is that cultural differences between the researcher and the informants might restrict the understanding of the subject and the information gathered during fieldwork. In order to limit language obstacles and cultural differences, the researcher has emphasised to focus on simple questions where interpretation should not be necessary.

The process of gathering information in Zambia was through snowball sampling, to identify new sources of information. It was challenging to get an overview over the different institutions, organisations and sources of information in Zambia that could benefit this research prior to the fieldwork[42]. In Zambia, informants were asked to give recommendations of sources that could provide beneficial information for this study. On one side, this might have benefitted this study and provided additional information. On the other side, due to these institutional difficulties and my capacity, the result could be that not all relevant sources of information are covered.

[41] Chitenge is the name used for an African garment similar to sarong, which has multiple purposes.

[42] The information and addresses found online about Zambia could sometimes make things more confusing for the researcher, as not regularly updated. In Zambia the researcher experienced that Zambians do not check their emails regularly and when phoning, secretaries do not know or has limited responsibilities.

Another limitation relate to the lack of research and updated numbers in Zambia. This was also noted from academic interviewees in Lusaka (Interview 2; Interview 8). Numbers and statistics suffer from institutional difficulties in Zambia, and are therefore characterised by a substantial time delay. Furthermore, to empirically document the people employed in the TC industry in Zambia, proved to be a difficult and comprehensive task for several reasons. Firstly, the scholarly articles used do not always state which specific companies that exists, but rather count the number of companies without referring to which these are. This made it difficult to provide a clear picture over active companies and subsequently the number of people employed. Secondly, official statistics in Zambia may not document informal activities, leaving this research with shadow numbers in example for import and export of cotton and TC in Zambia. The Zambian Revenue Authority (ZRA) was also not in a position to help this research.

A digital tape recorder was used during most interviews. It is acknowledged that this might have restricted the information given from the informants. Therefore, before the interviews started the informants were promised not to be personalised in this final paper and asked if comfortable with being recorded. None of the interviewees had any problem with being recorded. However, during interviews the tape recorder was essential for the researcher to safeguard that information were not lost. In addition, the researcher freed up time by using a tape recorder instead of writing and could therefore focus on active listening, formulating good questions and to safeguard that the information were understood correctly.

This paper set out to explain the impact of Chinese investments in the TC industry in Zambia for local economic development, in Ndola and Lusaka. As there currently is no TC production under Chinese investors, it was not possible to look at local impact on these cities. As a result, this study had to look at the impact of the Chinese investments identified in the Zambian TC industry, which were the ZCMT that is currently closed and the Lusaka MFEZ which is under construction. Secondly, the researcher was not in a position to interview Chinese investors. The Economic Counsellors Office in Lusaka was contacted, in addition to the Zambia China Trade and Economic Cooperation and Zone (ZCCZ) office situated in Lusaka, without any luck in getting interviews. The lack of interviews from the Chinese interest group is a limitation for this paper. Although, the use of Chinese news sources, Chinese academics as well as scholars specialising on the topic, might have mitigated the lack of interviews from the Chinese interest group. More time for fieldwork could have enhanced the study, provided more detailed information and been more balanced with interviewees from Chinese institutions and investors about the situation in Zambia.

It is important to note that the Zambian TC industry was struggling prior to the rise of Chinese investment in the country. The status of the Zambian TC industry needs to be seen in context of the domestic and international environment. This study can only say something about the impact of Chinese investments in the Zambian TC industry, and not the impact of Chinese FDI on a national scale. Based on findings from fieldwork and from the information from secondary sources, assumptions will be made to how these findings fit into the big picture of “China in Africa”. Finally, there are no ethical considerations to account for.

CHAPTER TWO: Theory of industrialisation and development through the TC industry.

2.1. Introduction.

This chapter is divided into two. The first part shows how industrialisation has played a vital part of development thinking from the time of independence in African countries. Through looking at the history of industrialisation in Africa, this section provides a sketch over the way Western and Eastern countries have influenced development on the continent. More attention will be paid to China's history of industrialisation in African countries, as the theme of this paper. This is essential to set the ground for explaining the level of industry in LDCs and how manufacturing industry relate to economic development and poverty alleviation. In this context, the second part of this chapter argues the manufacturing sector in general, while the TC industry in specific relates to development and will be a central route out of poverty for most countries.

2.2. External influence on development in Africa.

2.2.1. Development assistance from Western countries.

By the time of African independence, development and industrialisation of Africa were mainly dominated by Western thoughts and experiences on the field[43]. Brautigam (2009) argues it was commonplace to blame the ravages of colonial exploitation for Africa's poor progress[44]. Simple modernisation in the 1950s and 1960s characterised aid as a combination of technical assistance and capital investment to increase industrial activity and boost production (Brautigam, 2009:26). Furthermore, economic theories guiding development explained the move from agrarian societies to industrial and modern societies through stages of economic growth[45] (Brautigam, 2009). These were followed by dependency theories[46], explaining underdevelopment in African as a cause of development in the centre of the world. Underdeveloped regions should in this view break off from the centre and use protective measures to build and spur domestic development (Vilby, 2002).

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[43] Industrialisation in Africa dates back to colonial times, when certain key industries was developed to satisfy the needs of resident Europeans and African elites (Nyerere, 1968; cited in McCormick and Rogerson, 2004:2).
[44] Scholars looking at the negative relationship include Amin (1974) and Rodney (1982).
[45] See Rostow's (1962) stages of economic growth.
[46] Examples of dependency theories include Andre Guner Frank's metropolis- satellite model in 1974 and Samir Amin's centrum-periphery model (Vilby, 2002).

As African countries started to gain independence, new strategies were put in place by African governments to move forward. In the 1960s and 1970s, most independent African governments introduced ISI policies (Brautigam, 2009). These were aimed to industrialise their countries based on developing industries to serve domestic markets, currency and price controls, "infant" industry protection and subsidies in addition to develop the agriculture sector to ensure sufficient food for urban workers (Koyi, 2006:261). Furthermore, an overvalued currency allowed import of machinery and production inputs at a reasonable cost (ibid).

After debt crises in the 1970s, the winds of SAPs blew across Africa from the 1980s. SAPs were characterised by market liberalisation and an export-oriented approach to industrialisation. Internal and external trade were liberalised, currency markets freed and many parastatal[47] companies were privatised or organised to function commercially (Kragelund, 2008). Brautigam (2009) argues the combination of low prices for African exports, mountains of debt and series of painful austerity measures through SAPs in returns for loans, left the level of industrialisation in Africa very low. In addition, protected markets and limited international trade left little currency to invest in new technology (Koyi, 2006). In the 1980s, African countries spiralled down into a severe economic crisis, which was brought on by a stormy global economy, their own mismanagement and policy decisions (Brautigam, 2009:56,57). Western countries decided to solve the problem by moving away from governments, using conditions on aid to shrink the reach of the state and emphasise privatisation or service delivery by NGOs (ibid). McCormick and Rogerson (2004:1,2,3) argue the effect of liberalisation, was de-industrialisation of some economic sectors in African countries. The removal of import quotas and reduced tariffs combined with corruption in African governments, resulted in floods of cheap import that outcompeted the previously protected local industries in African countries (ibid).

Brautigam (2009:11) summarises the history of development from the West, as going from an early occupation with infrastructure and industry, to integrated rural development programmes and basic human needs, to a shift to SAPs, then good governance and democracy, Grameen bank and micro-finance, conditional cash transfers and so on. As seen, the mix between theory and practice that official donor agencies and NGOs operated on were frequently changing. Furthermore, Brautigam (2009) argues that no matter how you define development[48], nearly sixty years of aid from wealthy countries have not led to a recipe that ensures that development reduces poverty. After a prolonged economic crisis and poor policies in African countries, led many Western companies to withdraw from manufacturing (Brautigam, 2009:230). The World Bank provides little

[47] Parastatal means that the firm is wholly or partially owned or controlled by the government.
[48] Either development is defined as economic, social, sustainable or people-centred (Brautigam, 2009).

assistance to African manufacturers and factories do not have much appeal from bilateral donors either (ibid).

2.2.2. Development assistance from the East.

During the same three decades (1960-1990), major changes happened domestically in China. Brautigam (2009:8) explains Chinese leaders cast aside the socialist economy of Mao Zedong and embarked on a gradual economic transition with spectacular economic results and rapid industrialisation.

China's first aid-programmes in Africa were put up from the 1960s. At the height of the chaos of the Cultural Revolution in 1967, China offered to build the TAZARA railway between Zambia and Tanzania (Brautigam, 2009:40). The TAZARA has become Africa's longest railway, with nearly 2000 kilometres stretching from the Copperbelt in Zambia to Dar es Salam in Tanzania (ibid). Corkin (2007:1) argues that the TAZARA was built for ideological purposes, although Brautigam (2009:216) explains the railway was built for economic and market reason, to transport goods to Europe[49].

From 1965, Chinese aid went to build textile industry in at least eight cotton producing countries[50] by financing large cotton textile complexes, which became a significant source of employment for locals. In Zambia, the Chinese government built the Mulungishi Textiles from 1977 to 1981, representing an icon of modern industrial development (Brooks, 2010). The Chinese government funded state-owned factories in Africa, dominated by cotton textile mills, where skilled technicians from Shanghai's pre-war industries trained Africans to churn out substitutes for import (Brautigam, 2009:34). Before the system of preferences and quotas through the MFA in 1974, a response by Asian countries was to move "footloose" clothing factories to countries with unused quotas or preferential entry into wealthy countries (Brautigam, 2009:216).

The majority of projects were in construction, textile industries, medical facilities and prestige/symbolic projects[51]. Based on Chinese experiences with civil war and Japanese occupation, the Chinese leaders saw the African continent emerging from similar colonial plunder with urgent needs of an exhausted population (Brautigam, 2009). At the same time, the government of China wanted to lay building blocks of a productive, modern socialist economy. Brautigam (2009:33)

[49] East Asia began its export drive in the 1960s with textile export to Europe, the US and Canada (Brautigam, 2009:216).
[50] These cotton-exporting countries were Mali, Congo-Brazzaville, Tanzania, Ghana and Zambia (Brautigam, 2009:34).
[51] These prestige projects are seen as important to win African elites. In example building hospitals, stadiums and the government complex as seen in Zambia. For more information on prestige/symbolic projects see Alden (2007).

explains how the Chinese leaders recommended a mix of "urgent and long-term needs", which compromised a balance of technical training and modest turn-key projects in industry and agriculture. These projects were constructed quickly by Chinese experts, then handed over ready for recipients to "turn the key" and start production (ibid). The Chinese government stressed the importance that aid was primary a tool for building self-reliant countries (Brautigam, 2009:35).

Through the 1970s, China's strategic diplomacy remained the chief motivation behind their aid to Africa, by wrestling the diplomatic recognition away from Taiwan, countering the West and the Soviet Union (Brautigam, 2009:34). Chinese aid to Africa continued to reflect China's domestic ideas about development, centrally planned intervention to boost production, health and infrastructure. The experiments evolving over the next decade involved trail and errors, where the Chinese government used and refined many of the strategies learned from Japan and Western countries (ibid). Brautigam (2009:52) argues China used aid as a tool for foreign policy, to build political support abroad and as a practical instrument to promote Chinese exports and to help China's infant corporations overseas[52].

In the 1980s and 1990s, China used aid to rehabilitate many former aid projects that were barely running or collapsed, to make the initial input sustainable (Brautigam, 2009:57). Furthermore, Chinese aid reflected a focus on repair, renovation and recondition of the former aid projects (ibid). As China's approach to aid did not involve interference in a country's internal affairs, the result was that Chinese experts could construct and train people, but never involve themselves directly in the management (Brautigam, 2009:57). Brautigam (2009:59) show anecdotal evidence from a Chinese researcher in the case of Tanzania that suggests: "Once the Chinese side stopped 'the blood transfusion', the project could not operate properly. Efficiency declined, machines become worn out and finally the whole project became paralysed". This became a burden for both African host governments and the Chinese government (ibid). Brautigam (2009:60) argues there were problems with aid as it was, where the Chinese government started exploring the links between aid, investment and business, which became the foundation of today's going global.

The Chinese government's announced the "Go-Global" strategy in 2002, which encouraged Chinese firms to establish and invest abroad, but gained in importance following the onset of the global crisis in 2008. Through state-inspired policy formulated by the Chinese MOFCOM, encouraged Chinese enterprises to establish offshore operations in designated Chinese economic

[52] This was a model Japan had already provided for (Brautigam, 2009).

zones in the global economy (Davies, 2010:24)[53]. These economic zones were planned in conjunction with host governments that already had initiated domestic development zones to promote industrialisation and exports (Brautigam and Xiaoyang, 2011). Through Public Private Partnerships (PPPs) between state owned companies, private companies and governments, the Chinese government focused on building long-term relationships. The economic zones are intended to promote China's foreign commercial interest, create safe havens for Chinese capital and offset risk against protectionist trade practices against Chinese companies (Davies, 2008). The success of economic growth in China’s model is argued to be based on low wages and poor labour standards (Brautigam, 2009).

Brautigam (2003) notes that ethnic business networks facilitate the input critical to global capitalism such as finance, technical knowledge and marketing information, which are essential areas of industrial dynamism. Industrial clusters increase the exchange of skills, technologies and common inputs, as geographic concentration of interconnected companies and institutions are around particular sectors (Porter, 1998). In this way, industrial clusters create competition that increases production, promote direction and pace of innovation, leads to creation of new businesses within the cluster, which all in all promote economic development (Porter, 1998; Davies 2010:25).

Brautigam and Xiaoyang (2011) argue that economic zones as development cooperation means that market-based decisions and investment by Chinese companies are combined with support and subsidies from an Asian “development state”[54], which could support sustainable industrialisation. Although there are political, social and economic challenges, also inadequate local learning and local participation could affect the ability of economic zones to catalyse African industrialisation (Brautigam and Xiaoyang, 2011:27). Davies (2010:24,25) argues that while these industrial zones might serve as a catalyst for broader industrial activity in their host economies, the broader impact of China's rapidly rising export of manufactured products to African economies may undermine the already weak manufacturing sector in African states and erode the industrial base of African countries. Furthermore, the establishment of light industrial manufacturing zones creating jobs for locals will serve to offset criticism that trade with China erodes the industrial base of its African trading partners and that Chinese firms only seek to invest in extractive industries in Africa (ibid).

[53] It is worth to note that all private Chinese companies do not invest within these designated zones, as some are individuals or families migrating from China to find alternative livelihoods (Davies, 2010:24). The MOFCOM has not an overview over all private Chinese actors in Africa (ibid).

[54] An East Asian development state refers to a state that accelerates development through the deliberate use of state policies, and the control over finance. This is especially evident for China, but also for countries such as Japan, Korea and Taiwan (Brautigam, 2009:80).

All in all, the Chinese approach to development assistance is broader than in Western countries. China's aid system and economic engagement today reflects what the Chinese have learned from the 1960s, from own experience as a recipient of aid and from linking aid to business (Brautigam, 2009:70). Furthermore, tools of economic cooperation for mutual benefit reformed aid to become more about business in the 1990s, where Chinese actors continued "doing well by doing good" by using lessons learned so far (ibid). For Asian countries, manufacturing activity has evidently been important on the road to progress and prosperity. The central question is if Chinese FDI allocated to industry in Africa will put African countries on the "right track" of industrialisation and development.

2.2.3. Level of industrialisation.

Academic literature suggest that without a growing industrial sector, African economies will find it increasingly difficult to sustain growth and to participate fully in the recovery of global economic activity (Page, 2010:4). Empirical work by Imbs and Wacziarg (2003) and by Carrere, Strauss-Kahn, and Cadot (2007) suggest that countries with more diversified production and export structures have higher income per capita. Countries that produce and export more sophisticated products tend to grow faster, being primarily manufactured by countries at higher income levels (Hausmann, Hwang, and Rodrik, 2007; UNIDO, 2009; Page, 2010). According to Tybout (2000:13) the LDCs tend to have some distinctive features of business environment as one moves down the per capita income scale. These characteristics are such as small market size, limited infrastructure, poor governance and legal systems, lack of human capital as the level of education impacts production, lack of access to manufactured inputs and price volatility. This show that LDCs face a set of contextual factors that impact the speed and level of industrialisation (ibid).

The level of industrialisation in Africa remains extremely low, whereas much of the African industry is technological backwards (McCormick and Rogerson, 2004:3). According to the Competitive Industrial Performance (CIP) report by the United Nations Industrial Development Organisation (UNIDO), SSA continues to be marginalised in the international industrial scene (UNIDO, 2009:121). Most of the region's countries are clustered at the bottom of the CIP index, where the performance in SSA was dominated by countries losing in rank (ibid). Niger, Zambia, Zimbabwe and Lesotho saw the most dramatic descents[55], reflecting weak performance in all dimensions of the CIP index (UNIDO, 2009:120).

[55] According to the CIP index Niger dropped seven places while the others five (UNIDO, 2009:120).

Page (2010) argues that after four decades, industry is making its way back to Africa's agenda. From 1990 to 2007 Africa remained on the side-line of the greatest expansion of manufacturing production and export by developing economies in the world history (ibid). For Sub Saharan countries, the industrial revolution still lies in the future (Brautigam, 2009:230). With few exceptions, Western companies have yet to come back to African industry (ibid). However, after stagnating much of its post-colonial history, economic performance in Africa has significantly improved after 1995 (Page, 2010:2).

African leaders have recognised the need for appropriate policies to improve national, regional and global links. At a regional level, the New Partnership for African Development's (NEPAD's) objective under the African Union (AU) is to increase production and improve the competitiveness and diversification of domestic private sectors. The Conference of African Ministers of Industry (CAMI) with support from the UNIDO has identified textile and garments as one of three sub-sectors in a regional capacity building initiative (McCormick and Rogerson, 2004:4). This because textile and garments are seen as low technology industries, as using stable and well diffused technology largely embodied in capital equipment, spend little on research and development, while requiring only basic skills (ibid).

McCormick and Rogerson (2004:3) argue that African countries need to take a fresh look at industrialisation, as Africa needs to access the world market to create anywhere near the number of jobs needed to ensure sustainable livelihood for the majority of its people. This takes us to the next section, looking at why the manufacturing sector is of significance for economic development in LDCs.

2.3. Manufacturing industry and development.

Most African countries have economies dominated by mining or plantation activities. Manufacturing is essentially about creating added value to natural resources, which will contribute to a higher base of income for a country. The manufacturing sector is of specific importance to developing countries if it uses light industry to absorb employees. This is in contrast to industrialised countries which use high technology to reduce labour numbers. Brautigam (2009:191) argues that specifically manufacturing, more than micro-finance, will be a central route out of poverty for most countries. Towards this background, it is important to discern whether engagement with China will catalyse or crush manufacturing activities in African countries (Brautigam, 2009:191). The next section shows how the TC industry is especially important for LDCs, located within the light-manufacturing sector.

2.3.1. Why the textile and clothing industry matters.

The clothing industry is one of the oldest and largest export industries in the world[56]. Most nations produce for the international TC industry, making it the most global of all industries (Dickerson, 1995:6; cited in Gereffi, 1999:40). The TC industry is a typical starter industry for countries engaged in export-oriented industrialisation (Thoburn et al, 2004; cited in Kamau, 2010:109). It has played a central role in the industrial revolution in the West. In addition, the NICs in East Asia show evidence of an industrialisation process initiated by labour intensive export processing in the clothing industry (ibid). In the lieu, Kamau (2010:109) argues that the clothing industry is perceived as one of the strategic industries within the manufacturing sector that spearheads the early stages of the development process. Based on literature on the topic, three main areas are identified where industrialisation of the TC sector impact local economic development, namely through; (i) employment creation; (ii) skill transfer; and (iii) through the market potential created by trade in these products.

2.3.1.1. Employment.

The TC industry is a significant candidate for the industrialisation effort in development countries, as the sector has low capital requirements and high labour intensity (McCormick and Rogerson, 2004). Particularly in regards to labour intensity, the TC industry provides an avenue for employment creation for semi and unskilled labour, found in abundance in LDCs (Kamau, 2010:109). As the labour markets in developing countries are dominated by informal employment, TC employment provides a major opportunity to receive formal wage employment (Keane and te Velde, 2008:16). Ordinary people benefit both through opportunities of formal wage employment and through rising wages. It is also worth to add that by increasing the number of formally employed workers, the government increases its income base by collecting tax rents, which can be used for further economic development. Moreover, formal wage employment is more secure and offer more scope for skill accumulation than self-employment or informal wage work (UNIDO, 2009:7). This may be particularly important for gender equality, as labour-intensive industries are a key source of wage employment for women. According to UNIDO (2009:xiv) in places where the manufacturing sector does not develop, women have fewer opportunities to gain economic status.

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[56] Clothing and garments has become a increasing part of put social world, as clothes represents a symbol of economic status, age, interests, geographic location and so on. In this way, independent of the meaning attached to clothes, getting dressed is a universal feature which will drive the demand of production of textile and clothes (Ferguson, 1999; Hansen, 2000).

The TC industry offers African countries job opportunities for both men and women[57] (McCormick and Rogerson, 2004:5). Employment creation has been strong for women in poor countries in the TC industry, which is of importance as previously women had no income opportunities other than the household or in the informal sector[58] (Nordaas, 2004; Keane and te Velde, 2008:28). Although, women often are young and many enter the industry without qualifications[59]. Seen towards the background that the cost of globalisation is spread unevenly, the feminisation of poverty refers to the growing proportion of women and their children living in poverty (Pettman, 2005:676). The World Bank's (2000) solution to overcome poverty is to integrate into the global economy, and women into the process (Thomas, 2005:648). Furthermore, cut back of state services[60] such as in health, education and social security especially affect womens employment possibilities. Women everywhere is overwhelmingly responsible for family and household maintenance (ibid). Offering women formal employment will benefit the local economy, through strengthening women's economic role and transforming social systems/structures. Kamau (2010:110) argues nearly 75 per cent of workers in the TC industry globally are women, whose income-earning opportunities have far-reaching effect on household and poverty reduction.

A traditional economic view is that labour abundant countries have a comparative advantage in garment assembly as they can compete on lower wages (Keane and te Velde, 2008:16). The early stages of industrialisation are almost universally dirty (Brautigam 2009:191; Blankert 1999:109). Machinery is frequently unsafe and accidents occur, where working conditions are characterised by long hours and few rights (ibid)[61]. However, the transition from low to higher income occurs through a sustained period of industrial transition (Brautigam, 2009:190,193). In addition, for investments to contribute to industrial transformation as it did in China, it needs to foster backward and forward linkages in the economy (ibid).

In African countries industrialisation effort, the TC industry is especially appropriate as it can make extensive use of local resources. Some African countries have a comparative advantage in

[57] In comparison to much of the African industry which tend to be dominated by male workers (McCormick and Rogerson, 2004:5).

[58] The informal sector typically grows in times with economic crisis and recession (Suliman, 1991:8). As a coping mechanism women expand informal activities as a safety net to diffuse it and to fight for survival (ibid).

[59] According to Keane and te Velde (2008:28) within the TC industry men are more likely to be formally employed, paid more and work in higher skill operations. Furthermore, women are more likely to be informally employed, paid less, receive non-monetary benefits and work at the lower skill and value added sections of the TC value chain. Almost half of the female workers are employed on a temporary or subcontract basis whilst most men occupy permanent salaries positions (UNCTAD, 2004 in Keane and te Velde 2008:28). This shows that even though the TC industry may increase the income for women, they are still in a situation of receiving fewer benefits than men.

[60] As suggested from the World Bank and the IMF from the time of SAPs in the 1980s and onwards.

[61] As seen in China and in East Asian countries, the wage levels for workers in the TC industry tend to be low, and without formal employment benefits (Brautigam, 2009).

TC manufacturing being cotton producers[62] (Brautigam, 2009:195). Cotton can be used in combination with synthetic fibres to make woven or knitted fabric used in clothing production (McCormick and Rogerson, 2004:4). Kamau (2010:110) argues that in the early stages of development the TC industry provides opportunities for diversification away from agriculture and export of raw materials, to export of value-added products. The TC sector in developing countries have higher income earnings than in the agricultural sector, although it is lower than in other manufacturing activities (Keane and te Velde, 2008:16).

Domestically the textile industry creates demand for ginning, spinning and weaving of cotton yarn, can supply a clothing industry, which again can create demand for such as clothing designers, accessories as buttons and zippers that can benefit local and national economic development (Brautigam, 2009:194). In this way, the industry offers opportunities for sub-contracting, with obvious benefits to small-scale producers as it stimulates employment creation (Kamau, 2010:110). The TC industry creates forward links in the economy by providing goods for national traders and shops, and through export of TC products to regional and international markets. Apparel products are trade-intensive, implying that there is a great potential for international trade, which can contribute to foreign exchange earnings, FDI and technological transfer (Brautigam, 2009).

2.3.1.2. Skills and upgrading.

For transfer of skills and the potential for industrial upgrading, the TC industry offer African countries significant learning opportunities. Brautigam (2009:193) notes that contacts with foreign firms can create linkages and catalyse local industry. This may happen when African traders pick up ideas from trading with foreign factories, foreign buyers might provide exporters with feedback and FDI might spin of waves of innovation (ibid).

The ability to catalyse industrialisation is affected by the local skill level and the technological gap. Keane and te Velde (2008:22) argue that countries with a higher share of their population receiving tertiary education, also have a lower share of TC exports as a part of total manufactured exports. Whereas countries with a high proportion of primary enrolment rates, compared to secondary and tertiary enrolment, have a high share of TC exports as a share of total manufactured exports (ibid). This signals the potential found in the group of the LDCs, where the

[62] UNCTAD (2011:12) show that Asia is leading in cotton lint production, where production has increased with 23 per cent from 1985/1986 to 2010/2011, followed secondly by the US. Cotton lint produced in Africa decreased by 10 per cent the same period and appears as the third major cotton producer in globally. China, India, the US, Pakistan, Brazil and Uzbekistan are main producers in the world, accounting fro 80 per cent of world cotton production (UNCTAD 2011:6). African countries are considered to have comparative advantage in TC industry being cotton producers (ibid).

majority of the population are limited to primary education. Tybout (2000:14,15) argues the LDCs has a lack of human capital, low rates of secondary education, with scarcity of technicians and scientists. This affects the goods manufactured and the ability to absorb new technology (ibid). However, with a significant technology gap and low degree of formal education, the TC industry provides African countries with significant learning opportunities.

As the TC sector is based on low-tech and basic skills, it also provide a potential for employees to self-attain the knowledge needed to do the job. It is also worth to note that "spill-overs" will be more likely when foreign firms is further away from its home base, as transport costs and convenience will give an incentive to source more input locally (Brautigam, 2009:194). Furthermore, if the level of technology is not too advanced, a foreign-owned factory can serve as a role model, where locals can see and decide they can do it too. Skills can also spill-over from foreign firms when their local employees leave, taking skills they attained from the job to other companies or starting their own firms[63] (Brautigam, 2009:193). Foreign companies might subcontract some parts of their work to local firms and help them meet the standard demanded (ibid). Gereffi (1999:40) argues that through industrial contracting and subcontracting between local and foreign manufacturers, the learning opportunities are bigger. Furthermore, Brautigam (2009:194) highlights that spill-over tend to happen more where industrial clusters of firms of the same type gather, since proximity speed the mobility of ideas, input and labour. Also, competition in local markets might push local companies to invest in new technologies and improve quality, if the competition does not drive them out of business first (Brautigam, 2009:194).

According to Humphrey and Schmitz (2000) and Kaplinsky and Morris (2001) in the context of growing openness of African economies to global competition, both in domestic and export markets, the sustained expansion of a growth-enhancing clothing sector depends on its capacity to upgrade. Upgrading essentially means improvement in process efficiency, including new embodied technologies, new forms of organisation within the firm and throughout the chain (ibid). The product upgrading relates to the degree of complexity and value added, the introduction of new products and product variety (Kaplinsky and Wamae, 2010:4). In similar vein, Blankert (1999) argues that technological processes require labour to adapt, learn new skills and take on jobs that may not have existed before. These are sometimes in the same sector of activity or related sectors of the economy (ibid). As the TC industry is labour intensive, the sector provides an important avenue to attain skills for workers in factories. As workers in factories attain skills, this will impact the possibility to upgrade and develop higher level of skills through experience.

[63] Spill-over of skills is more likely if the local firm is started by someone trained by a foreign firm (Brautigam, 2009:193).

2.3.1.3. Market potential.

A third reason for building the TC industry in LDC's industrialisation process, relate to trade and export potential of TC products. Global trade in TC rose throughout the 1980s and 1990s, whereas the 1997 level was 182 per cent over the 1980 level (McCormick and Rogerson, 2004:4,5; ILO, 2000). The UNIDO report (2009:114) shows that while global manufactured trade continue to be concentrated within the developed world, South-South trade has increased its share in world trade by four per cent in only five years, accounting for 14.5 per cent of global trade in 2009. Trade in manufactured goods within the developing world grew at 16 per cent per annum between 2000 and 2005, double the pace of manufactured trade between high-income countries (ibid). The shifting patterns of export indicate that there is room for new countries to join the ranks of exporters, especially in the less industrialised world.

In most African countries, the domestic market is simply too small to sustain efficient production. Regional trade and markets hold some promise, but in many cases the country's neighbours have equally low purchasing power and are similarly flooded with cheap imports (Brautigam, 2009). McCormick and Rogerson (2004:3,4) argue that to industrialise, some African countries need to combine export production with the production for local and regional markets. If a country only produces for the export market, it will give less benefit for local economic development as the domestic market potential disappear, which essentially means employment lost. To stimulate national and local economic development a country needs to produce for the domestic market at a minimum, so it gives a trickle-down effect to other sectors of the economy, contributes to better income-earnings, tax revenue, skill upgrading and to overall national economic development. For maximum benefit, a country needs to produce for the domestic market and the export market (ibid). Change in global trading rules and trade agreements have brought new opportunities for African countries to export to regional and international markets[64].

2.4. Conclusion.

This chapter has shown how Western and Eastern countries have influenced the history of industrialisation in African countries. In the 1980s, Western countries solution to economic crises is African countries were to use conditions on aid, while emphasising privatisation and liberalisation of African economies. The effect of liberalisation resulted in flood of cheap imports to African countries, outcompeting previously protected industries, while privatisation limited African

[64] Chapter four will show how Zambia takes advantage of market access for TC products.

government's influence on the development process. The prescription of development assistance has been mixed and changing, without significant poverty reduction in African countries.

Development assistance from China from 1960s up until 1990s was mainly through aid. Aid was first given for ideological reasons and for strategic diplomacy, but reflected China's domestic ideas about development, centrally planned intervention to boost production, health and infrastructure. Through technical training and "turn key" projects in industry and agriculture in African countries, Chinese leaders mixed urgent and long term needs. In the 1980s and 1990s, China used aid to rehabilitate many of the former aid projects in Africa. As there were problems with aid as it was, China started exploring the links between aid, investments and business in the 1990s, the foundation of todays "Going global". The Chinese approach to development assistance can be seen as broader than in Western countries, involves more actors, is based on the Chinese experience of being a recipient of aid and the experiences of linking business to aid to make it sustainable and mutual beneficial. The central question is if it will put African countries on the "right track" of industrialisation and development in the world economy.

Literature suggests much of the industry in African countries is technological backwards and the level of industrialisation remains low. This section highlighted the business environment in LDCs, which impact the speed of industrialisation. Industry is making its way back on Africa's agenda, as African leaders have recognised the need for policies to improve national, regional and international links. It is also seen as essential for African countries to focus on industrialisation, as they need to access the world market to create the number of jobs needed to improve the livelihood for the majority of its people.

Manufacturing industry is important to diversify the economy in a developing country and for development. Building up the manufacturing sector and light industries is essential as it creates; (i) added value to natural resources; (ii) backward and forward links in the economy; (iii) potential for skill transfer; and (iv) potential for upgrading.

Specifically, the TC industry as a light industry, can provide a vital way to diversify an economy dependent on natural resources in an African context. Historically, the industry is perceived as spearheading the early stages of the development process, and is one of the most global, oldest and largest export industries. The TC industry is of specific importance to local economic development as it; (i) creates formal employment for both men and women; (ii) is labour intensive with regards to semi and unskilled workers; (iii) does not require capital intensive investments; and (iv) the TC industry creates a market demand and a potential for market creation best used by producing for domestic and export markets.

A country's industrialisation effort depends on the capacity of a government, investments and contextual factors for the country in question. This takes us to chapter three, looking at institutions and policies guiding industrialisation of the TC industry in Zambia.

CHAPTER THREE: Institutions and policies guiding industrialisation of the TC industry in Zambia.

3.1 Introduction.

As seen, the Zambian economy is highly dependent on copper. This was initially seen as good, but the crash of copper prices led to the need to diversify the economic base to reduce impact of external price shocks on the national economy. The Zambian government committed to facilitate development through the private sector (PRSDP) in 2004. As Zambia is capital scarce, this signalled the importance of making Zambia an attractive destination for FDI to enhance economic development. Chapter two has shown that industrialisation through the TC sector could be one option to diversify the economic base and create employment in Zambia, as a LDC with a large informal sector and with high poverty levels.

This chapter is divided in three. The first part starts off with explaining external factors impacting national plans of building the TC industry in Zambia. Part two investigates the institutions and policies guiding industrialisation of the Zambian TC industry. Finally, the third part of this chapter maps Chinese actors in the Zambian TC industry, through exploring motivations, institutions and organisation of Chinese companies in the country.

3.2. Factors influencing national plans in Zambia.

This first part of chapter three is an essential background, before looking at the national parameters developed by the Zambian government to spur industrial activity. This section will discuss the importance of FDI to realise national plans and for economic development in Zambia. Furthermore, the second section will touch upon external factors impacting governance of the Zambian TC industry.

3.2.1. Importance of FDI.

The overall FDI to Africa in comparison with the world is increasing, and the level of FDI to African countries coming from developing countries has gone up (van der Lugt et al, 2011:22). Ndulo (2008:41) notes Zambia attracts less FDI than most of the SADC countries, underlining the scarcity of capital in Zambia. Van der Lugt et al (2011:11) highlight the distinct lack of ability by SADC member-states to attract and benefit from FDI. FDI inflow to Southern Africa increased by 691.74 per cent over the ten-year period 2000 to 2009, although there has been little change in the proportion of FDI inflow to Southern Africa going to Zambia[65] (van der Lugt et al, 2011:23). The biggest sources of FDI inflow to Zambia traditionally are the US, the UK and South Africa, with China as a relative new comer (van der Lugt et al, 2011). Zambia was the third largest recipient of Chinese FDI in Africa in 2007, and Chinese FDI is the primary source of new FDI in Zambia (UNCTAD, 2007; cited in Carmody and Hampwaye, 2010:86).

Economic liberalisation in 1991, had a positive impact on FDI flows to Zambia (Li, 2010:12). After the financial crisis in 2008, Chinese FDI bolstered the Zambian mining sector while Western mining corporations reduced and even closed down production (ibid). FDI from Europe and the US has historically and in general come from private owned corporations focusing on profit maximisation with relative short-time horizons (Muneku, 2009:172). By contrast, Chinese FDI in Zambia come from firms that are partially or fully state owned and from private companies, signalling a longer time horizon (ibid). The majority of FDI from Chinese actors go to mining activity, accounting for 88 per cent (Li, 2010:6). With the decision to build economic zones in Zambia, marked commitment of Chinese FDI also in the manufacturing sector. This has been hailed as a “short cut” for development by the Chinese government and crucial to create employment for thousands of Zambians (Brautigam, 2009:101). According to the ZDA (2010) Chinese investments in manufacturing has the highest number of pledged employment in Zambia, accounting for 52 per cent, even though the value of the investments in USD terms is less than in the mining sector. By 2010, the value of Chinese FDI pledged for the manufacturing sector was USD 583 million out of a total of USD 2 billion in Chinese FDI (ZDA, 2010).

FDI is only a source of external finance for a few African countries (Kragelund, 2007:2). As a rule FDI is neither good nor bad, as it depends on the motive, time frame, local absorption capacities and mode of entry of the investment (ibid). The majority of African economies are dominated by external finance such as development aid, remittances and FDI, where internal finance such as taxes and tariffs only play a small role. Kragelund (2007:3) argues FDI is often seen as superior to other forms of capital, seen as more stable and to bring along issues of importance for economic development such as technology transfer, access to international markets and employment creation. FDI is often referred to as private investments and therefore distinguished from public funding (van der Lugt et al, 2011:18). In relation to Chinese FDI, the distinction is more blurred since investments from SOEs are taken into account (ibid). FDI include a long-term relationship between the direct investor and the direct investment enterprise and implies that the

[65] The total FDI inflow from Southern Africa going to Zambia in 2000 was 3.36 per cent, which is similar to 3.82 per cent in 2009 (van der Lugt et al, 2011:23).

investor has a certain degree of influence over the management of the enterprise[66] (van der Lugt et al, 2011:17).

According to Hentz (2001:194) FDI does not seek competitive environment and what attracts FDI to markets in the developing world is the promise of captured regional markets. This is because FDI looks for marketing arrangements that guarantee profit (ibid). In similar sense, van der Lugt et al (2011:26) argue Chinese FDI is concentrated in resource-rich countries characterised with high risk government environments and therefor often with less competition.

Attracting FDI is not perceived to be enough for economic growth to take place, the host country need to have developed policies to reap the benefit of FDI (van der Lugt et al, 2011; Kragelund, 2007). In this relation, national plans are essential to show how the government of Zambia intends to bring about improvements in the economy. However, before exploring national plans for building the Zambian TC industry, the next section looks at external policies impacting governance of the sector.

3.2.2. External policies affecting the TC industry in Zambia.

In 1995, Zambia became member of the World Trade Organisation (WTO), which narrowed policy choices for Zambia to pursue protectionist trade, industrial and investment policies (Kragelund, 2009b:489). The WTO covers many aspects of FDI, and although LDCs are allowed to deviate from general rules at times, the end goal of complete trade liberalisation remains the same. The Trade-Related Investment Measures (TRIMs) agreement under the WTO bans certain performance requirements related to local content, mandatory technology transfer and export requirements (ibid). In this way, TRIMs are rules that restrict preference of domestic firms and thereby enable international firms to operate more easily within a foreign market. Although, this can be seen as positive with regards to attracting FDI, it restricts the Zambian government's ability to pursue protectionist policies to protect the national TC industry.

As already mentioned, the MFA of the WTO on international trade in textiles and garments came into effect in 1974 (Brautigam, 2009:216). TC exports used to be limited through the MFA, which would set quotas and preference of certain products for textile exporting countries (van Dijk, 2009c:167). The MFA was set to expire in 2005 under the WTO Uruguay Round of trade negotiations, which meant liberalisation of the TC industry (ibid). As a result, Zambia's protected manufacturing industry was exposed to compete on "equal" terms with the rest of the world. For an infant industry, not being able to protect domestic enterprises from more cost effective producers in

[66] The relationship has to last longer than twelve months and requires an investment of at least ten per cent in a particular enterprise (van der Lugt et al, 2011:17).

Asian countries, proved to impact negatively on the TC industry in Zambia (Brautigam, 2009; van Dijk, 2009c).

3.3. National plans and institutions in Zambia.

With background in explaining the importance of FDI in Zambia and with an overview over external policies affecting the TC industry, this section sets out to discuss national plans and institutions guiding economic development in the country. The Ministry of Finance and National Planning develops national plans in Zambia, where Zambia's vision for 2030 is to be a middle-income country (FNDP, 2006).

3.3.1. The Fifth National Development Plan (FNDP) (2006-2011).

The FNDP named "Broad based wealth and job creation through citizenry participation and technological advancement" is a principal national document that outlines strategies and programmes to be implemented from 2006 to 2011, to encourage investments and economic growth[67].

The performance up until the FNDP period, show that the textile industry in Zambia declined even before the MFA ended in 2005. Export of textiles between 2000 and 2004, went from 4.6 per cent to 1.6 per cent, while primary agricultural products increased from 4.7 per cent to 10.3 per cent in the same period (FNDP, 2006:124). This happened despite of the textile industry being stimulated by increased production of cotton lint and yarn, direct exports to the US under the African Growth and Opportunity Act (AGOA) arrangement and increased investments in cotton processing [68](FNDP, 2006:115). Several firms in the TC sector lost not only domestic markets, but also their limited export markets. This happened on the background of rising costs for import, the external debt increased and the currency depreciated (FNDP, 2006:123).

The FNDP vision for the manufacturing sector was to develop a competitive export-led industry that contributes with 20 per cent of GDP by 2030. During the FNDP period the goal was to develop and increase the share of manufacturing in total GDP from 11 per cent in 2006 to 15 per cent in 2011 (FNDP, 2006:117). The FNDP (2006:115,116) acknowledges the Medium, Small and Micro Enterprises (MSMEs) potential for creating employment and wealth, but has proposed a more general approach to tackle some of the constraints faced by the manufacturing sector. These are:

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[67] The FNDP is divided into sectors of the economy. This paper will only look at plans and strategies relevant for the TC industry, located under two sectors in the FNDP namely the Manufacturing sector and the Commerce and Trade sector.

[68] Worth to note that Zambia China Mulungushi Textiles (ZCMT) was producing as the largest textile mill in Zambia, during this period with decline of textile exports (Brooks, 2010).

- Assisting with finance to the private sector.
- Removal of administrative barriers to establish business enterprises.
- Improve infrastructure and ensuring access to affordable modern technology.
- Improve regulatory frameworks.
- To build MFEZs to enhance export and locally oriented manufacturing industries.

Policies and strategies suggested for the manufacturing sector are oriented towards promoting higher levels of domestic and foreign investment, to stimulate economic growth and poverty alleviation mainly through employment creation. It is realised that manufacturing of textiles and garments offer key opportunities to expand trade in this sector, which is seen as an important tool for economic growth and a prerequisite for long-term poverty reduction (FNDP, 2006:123,125). Furthermore, textile and garments are located under non-traditional exports (NTEs), a sector that has shown strong growth, accounting for four per cent of GDP[69] in 1993 to ten per cent of GDP[70] in 2003 (FNDP, 2006:123). NTEs are important as trade intensive in the international economy, where the FNDP suggests increasing export of TC as part of NTEs (ibid).

The outcome of the FNDP was presented in the Sixth National Development Plan (SNDP). The manufacturing sector's contribution to GDP during the FNDP period averaged at 10.2 per cent against the target of 15 per cent (SNDP, 2011:133). In terms of the sector's annual growth, an average of 3.3 per cent was achieved against the projected growth of 7.5 per cent (ibid). The share of manufactured exports remained constant over the FNDP period, recorded at an average rate of 2.1 per cent, while its contribution to total employment increased from 1.3 per cent in 2005 to 3.2 per cent in 2008 (SNDP, 2011:133). The growth rate of the manufacturing sector declined during the FNDP period from 5.8 per cent in 2006 to 2.5 per cent in 2009, see figure 3.1.

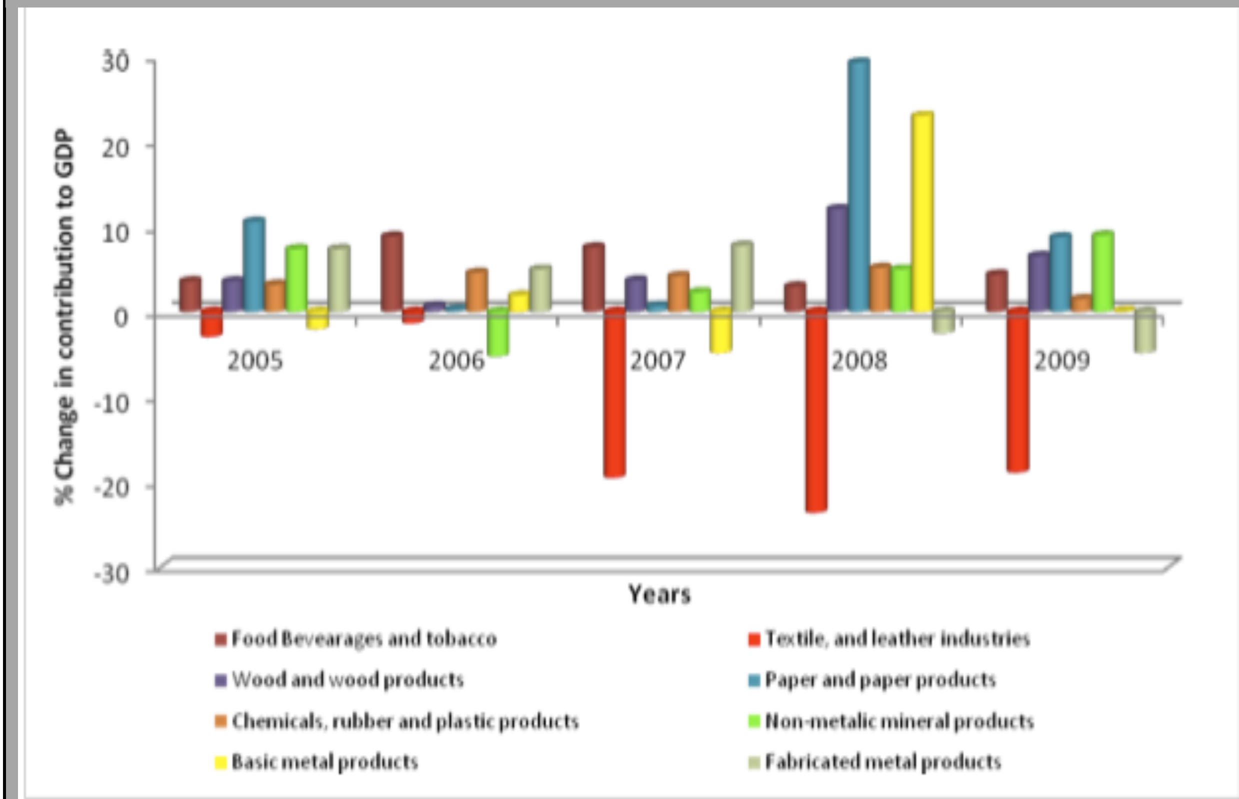
Figure 3.1: Percentage growth of the manufacturing sector (2005-2009).

Source: SNDP (2011:134).

[69] Four per cent of the GDP represents USD 124 million (FNDP, 2006:123).
[70] Ten per cent of the GDP represents USD 415 million (FNDP, 2006:123).

Figure 3.2. shows the performance of each sub-sector in terms of percentage changes in their contribution to the manufacturing sector. The sub-sector that has shown most negative growth is textile and leather products in terms of contribution to GDP between 2005 and 2009, which is illustrated with red colour in figure 3.2. The SNDP (2011:133,134) explains the decline of the manufacturing sector as due to a significant drop in productivity in the TC industry, in addition to reduced productivity in the leather, leather products and fabricated metal sub-sectors.

Figure 3.2: Percentage change of growth to GDP in the manufacturing sub-sectors (2005-2009).



Source: SNDP (2011:134).

The drop in productivity for the manufacturing sector is mainly explained by the high costs of doing business[71], reduced demand for locally produced products and the impact of the recent global economic crisis (SNDP, 2011:135). This illustrates the business environment typical for LDCs, as highlighted in chapter two. Textiles experienced a significant drop throughout the FNDP

[71] The high cost of doing business is largely on account of poor physical infrastructure and high production costs, disruption of power supply, low investments in research and development, high cost of borrowing, limited standardisation of quality assurance and limited human capital and skills required to run the manufacturing industry on a sustainable basis (SNDP, 2011:135).

period, due to reduced domestic demand in favour of cheap imported textile products from Asian economies. In addition, increased import of salaua[72] to Zambia, also contributed to problems for the textile sub-sector. As a consequence, textile exports dropped significantly to regional and international markets due to the inability to compete (SNDP, 2011:134,135). Consequently and despite improvement in institutional and legislative frameworks, the TC sector faces a number of challenges as seen above.

Implementation of strategies for the manufacturing sector in the FNDP relies on private sector initiatives and participation (FNDP, 2006). The Zambian government only play a facilitating role with very limited involvement in production. The lead ministry to ensure the manufacturing development strategy is implemented is the Ministry of Commerce, Trade and Industry (MCTI). Key indicators are tracked by index of industrial production, employment levels and investment performance (ibid).

According to an academic interviewee in Zambia, the FNDP provide a good discussion on how to diversify the economy and create employment, but the strategies itself and the tools of implementation were not there (Interview 1). Although, several studies identified the problems in the Zambian economy, the FNDP did not deal with the problems identified according to the interviewee (ibid). This was also confirmed by another academic source at a research institution in Lusaka (Interview 2). The FNDP had employment as theme, although a weakness was that employment was not set as an objective in the macroeconomic framework. Furthermore, the FNDP was not anchored on a well thought out strategic approach or plan that actually filtered down to implementation of the specific sub-sectors (ibid). According to the interviewee, the sectors in the FNDP stands alone, without any coordinating mechanisms or institutions with a clear mandate to drive employment creation or to tie together sectors for employment creation (ibid). Furthermore, the interviewee pointed out that the FNDP is developed by the Ministry of Finance and National Planning, a ministry that does not have a division or department for labour creation. The Ministry of Labour and Social Security according to its mandate, is more on the administrative aspects of labour and not about employment creation (Interview 2). In other words, the FNDP aims to create employment, but is not clear in its provision on responsibility of employment creation at a practical level. Evidently, the FNDP (2006) has no clear targets to how much employment it intends to create or from which sectors employment creation will come from. Based on this information, the TC industry has gone down during the FNDP period, where clear strategies and approaches of building the sub-sectors of the manufacturing sector is needed to stimulate for economic development.

[72] Second hand clothes in the Zambian language Bemba is called salaua, and means picked from a pile (Hansen, 2000:1).

Through the FNDP, the Zambian government set the private sector as a driver for employment creation, through providing incentives and policies. Chisala (2008:1) argues the manufacturing sector in Zambia has been stagnant as it mainly consists of SMEs, which receives little incentives from the Zambian government. The failure to spur economic activity for the SMEs, impacts the ability for SMEs to provide a supporting role for larger scale industries (ibid). An academic interviewee in Lusaka made the point that the private sector cannot be relied on for employment creation (Interview 2). The main task for the private sector is to ensure that business is viable, not to create jobs. A part of ensuring that business is viable is through a cost/management assessment and from getting maximum output out of minimal input. In this process, labour reduction is usually the first item to turn to[73] (ibid). As seen in the mining industry in Zambia, a reaction to keeping costs to a minimum was the growth of subcontracting or casual labour systems[74], a concept that essentially mean the same as informal employment (Interview 2; Fraser and Lungu, 2007).

3.3.2. Sixth National Development Plan (SNDP) (2011-2016).

As the period for the FNDP just ended, Zambia is now in the start phase of implementing the SNDP. The SNDP theme "Sustained economic growth and poverty reduction" recognises the manufacturing sector as essential for economic development through its backward and forward linkages to economic growth, exports and employment creation (SNDP, 2011). Furthermore, the business environment for foreign and domestic investors has become more conducive as policy, institutional and legislative reforms were undertaken during the FNDP period (SNDP, 2011:133).
The main thrust of the SNDP will be to facilitate an up scaling of the manufacturing sector towards higher value addition and upgrade capacity for the provision of related services. Special emphasis is put on transforming industrial businesses, complementary services and especially the MSMEs into strong value-creating entities (ibid).

When looking for strategies aimed to build the TC industry under the SNDP, this paper found no specific targets linked to the sub-sectors of manufacturing. Compared to the FNDP (2006), also the strategies under the SNDP (2011) are developed to support the manufacturing sector at a general level. The SNDP (2011:136) objective to expand the industrial base and increased value addition is through the strategies of:

[73] The mining industry has received substantial private sector investments. According to Fraser and Lungu (2007:48) the Chinese Chambishi Mines pays the lowest wages of all the mining companies, and employs a tiny share of its workforce on permanent pensionable contracts. The labour system under Chinese investors in the mines has created a new category of "working poor" (Fraser and Lungu, 2007:3).
[74] Casual labour systems and subcontracting is also called precarious forms of employment, where the quality of this employment is of question.

- Facilitate the development of MFEZ/industrial parks.
- Promote joint ventures between foreign and local investors.
- Promote Private Public Partnership (PPP) projects.
- Enhance the capacity of DRM[75] facilitating private sector development.
- Promote the growth of MSMEs.
- Develop rural based industrial enterprises.

The Zambian government has implemented reforms during the FNDP period aimed at liberalising trade, promoting economic diversification and generate export-led growth. The SNDP (2011) continues to pursue a liberal trade policy through the PSDRP at regional and international levels, aimed at enhancing domestic, regional and multilateral trade (SNDP, 2011:140). During the SNDP period, the Zambian government plans to expand the scope and coverage of multilateral, regional, bilateral arrangements such as Free Trade Agreements (FTAs[76]) and Economic Partnership Agreements (EPAs[77]) to ensure better access to markets, trade and investment opportunities. Through a bottom up approach, focus is given to value addition of locally produced goods for increased domestic and foreign market earnings, development of both hard and soft infrastructure, e-commerce and border facilities as well as raising the quality of human capital, research and development capability and management systems (ibid).

The SNDP focus is to attract quality to the manufacturing sector by providing good regulatory frameworks and a business environment that aims to link FDI to the needs of the domestic economy. In addition, the government of Zambia will continue to facilitate development of manufacturing infrastructure, which includes the MFEZs that also will contribute to employment creation in the urban areas (SNDP, 2011:10). The SNDP can thus be seen to explicitly target products with high export potential, such as textiles and garments in addition to agricultural products such as cotton[78] (SNDP, 2011:142).

Output matrix and key performance indicators are used to monitor and evaluate the implementation of the sector programmes under the SNDP (2011:137). Evidently, the SNDP does not show strategies to create employment and economic growth in the sub-sectors of manufacturing. For the manufacturing sector at a general level, the SNDP aims to increase the share of total exports from two to four per cent from 2009 to 2015, while the share of total employment

[75] Neither the FNDP nor the SNDP explain the acronym DRM.
[76] A free trade agreement (FTA) is a trade treaty between two or more countries. Usually FTA is between two countries and meant to reduce or completely remove tariffs to trade. Most FTAs can also be reached in a trade bloc (MercaTrade Dictionary, 2009).
[77] EPAs are being negotiated by the European Commission on behalf of the European Union, with six groups of African Caribbean and Pacific (ACP) countries (African Union, 2012). The aim is to liberalise trade between African countries and the EU in line with the WTO (ibid). EPAs are aimed at promoting sustainable development and growth, poverty reduction, better governance and the gradual integration of ACP countries into the world economy (European Commission, 2010).
[78] The SNDP also target processed food, engineering products, gemstones, leather and leather products, wood and wooden products agriculture products such as coffee and tobacco (SNDP, 2011:142).

from 3.22 per cent to four per cent in the same period (SNDP, 2011:138). The strategies to increase export and employment are through four programmes, namely; (i) development of MFEZ and industrial parks; (ii) investment promotion; (iii) MSME development; and (iv) rural industrialisation.

Ultimately, it seems as the SNDP (2011) will end up as the FNDP (2006), without clear targets and strategies on how to build the sub sectors of the manufacturing industry, create employment in the TC industry or handle some of the contextual factors impacting the growth of the TC sector. Consequently, the plan risks ending up as the FNDP (2006) without significant improvement for the TC industry.

On the other side, the development of the MFEZs initiative under the FNDP (2006) and under the SNDP (2011) is an incentive to build the manufacturing sector through building structures to attract investors. As seen in the introduction chapter, developing economic zones is one of the eight measures at the FOCAC summit in Beijing in 2006, designed to promote cooperation between Zambia and China (MCTI, 2010). FDI to MFEZs is regulated under the Zambian Development Agency (ZDA), and the next section will go into detail about regulation and incentives provided by the ZDA for the MFEZs in Zambia.

3.3.3. The ZDA: incentives and regulation of the MFEZs.

The ZDA emerged in 2006, and is an amalgamation of five institutions[79], perceived as important to reduce bureaucratic procedures under the FNDP (FNDP, 2006:37; Mwanawina, 2008:5). The ZDA was established to promote economic growth by encouraging FDI, promoting export and by facilitating and supporting SMEs (Chisala, 2008). Kragelund (2009a:647) argues the establishment of ZDA is an important initiative, perceived as a one-stop-shop for foreign investors[80]. Although, the ZDA introduces stricter rules on the minimum investment and employment creation requirements to obtain a Zambian residence permit, it does not stipulate any requirements regarding local content, technology transfer, equity, employment or use of subcontracting by foreign investors (Kragelund, 2009b:492). Rather, the ZDA encourages foreign investors to make a commitment to local participation, while allowing investors to repatriate any capital investment freely and to send home profits, dividends, interests, fees and royalties as well as permitting foreign nationals to send wages earned in Zambia abroad (ibid).

[79] The Export Board of Zambia (EBZ), Zambia Investment Centre (CIS), Zambia Export Processing Zones Authority (ZEPZA), Small Enterprise Development Board of Zambia (SECBZ) and the Zambia Privatisation Agency (ZPA) (FNDP, 2006:37).

[80] It is important to note that the ZDA does not license all investments, in example FDI to mining can be approved by the Ministry of Mines and Mineral Development (Kragelund, 2009a:647). Moreover, not all investments approved by the ZDA are necessarily realised (Kragelund, 2009a:659).

According to a government interviewee, it is not up to the institution ZDA to tell investors where to place their capital, but to facilitate (Interview 6). The ZDA is in the process of implementing MFEZs. MFEZs are generally targeted at large and hi-tech companies and will have the necessary infrastructure for easy commencement of business activities (Chisala, 2008:13). The Zambian government passed the MFEZ regulations in 2007, which allows the establishment of MFEZs throughout Zambia (Kragelund, 2009b).

The MFEZs in Zambia is special industrial zones for both export and domestic oriented industries[81]. According to a government interviewee the objective for the MFEZ programme in Zambia is to catalyse industrial and economic development through increased activity in the manufacturing sector (Interview 6). This model was provided by the Asian miracle economies[82], and seen as a short cut for development in Zambia (ibid). As the majority of natural resources and agricultural raw materials are exported in raw form from Zambia, a process of value addition is essential to enhance both domestic and export oriented businesses (MCTI, 2011:19). When Zambia in 2007, was chosen as one of the countries to receive a Chinese pilot economic zone, this was hailed as an important initiative to build the manufacturing sector and to create much needed employment in Zambia (Brautigam and Xiaoyang, 2010).

The Zambian government has earmarked six locations for MFEZs and industrial parks[83] development, namely; the Lusaka South MFEZ; the Lumwana MFEZ; the Sub-Saharan Gemstone Exchange Industrial Park; the Roma Industrial Park; where the Chambishi MFEZ and the sub zone Lusaka East MFEZ is considered to be the Chinese pilot zones, developed by a Chinese SOE (MCTI, 2011). Officially this Chinese pilot zones is called the Zambia-China Trade and Economic Zone (ZCCZ), however Zambians use the name Chambishi MFEZ, with the sub zone Lusaka East MFEZ (Xinhua, November 6, 2009).

Investors are open to suggest areas to develop, as well as land identification for MFEZs or industrial parks (MCTI, 2011). The ZDA has developed a list over national priority sectors, to provide incentives and link investors to the needs of the Zambian economy. The textile sector is ranked as the fifth national priority sector, and therefore investors choosing to establish textile production in MFEZs will benefit from the ZDA incentives (MCTI, 2011:13). According to the ZDA Act No. 11 of 2005 all investors, both local and foreign, have equal opportunities to invest in any of the MFEZs and industrial parks in Zambia, as long as the business is in line with national

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[81] In contrast to the previous economic processing zones (EPZs), which mainly focused on export-oriented production (Fundanga, 2006:4).

[82] Based on the experiences of the Asian miracle economies, such as Malaysia, who developed export oriented industrialisation through EPZs (Chisala, 2008:17).

[83] An industrial park is a smaller version of an MFEZ with a area minimum of 15 acres (MCTI, 2011).

priority sectors (MCTI, 2011). Others nationalities in the process of taking advantage of the MFEZ incentives in Zambia include South Africa and the Japan International Cooperation Agency among others[84].

The ZDA Act No. 11 of 2006 demands a minimum investment of USD 500.000 to set up a company within a MFEZ (MTCI, 2011:11). According to the MTCI (2011:12) the incentives provided for companies that chose to locate within a MFEZ within a priority sector of the Zambian economy, are offered special incentives such as:

- Zero per cent tax for five years from the first day a company makes profit.
- The first six to eight years only 50 per cent of profits will be taxed, while year nine and ten, 75 per cent of profits will be taxed.
- A zero per cent tax rate will be given on dividends of companies operating under the MFEZ priority sector for a period of five years from the year of first declaration of dividends.
- A zero per cent import duty on raw materials, capital goods, machinery for five years and the Deferment of Value Added Tax (VAT) on machinery and equipment imported for investment in MFEZ and/ or priority sector.

As the ZDA stipulates a minimum investment target for setting up production in an MFEZ, it may discourage Zambian entrepreneurs to take part and to get incentives for value addition in MFEZs. Information from the Zambian Business Forum (ZBF) for the MSMEs in Zambia highlights that finance is the start-up issue for these enterprises, which also was confirmed by literature (Interview 12; Chisala, 2008). Concerns have been raised that some Chinese companies do not consider entering into joint venture projects with locals, a trend that should be discouraged (MCTI, 2011). Kragelund (2009b:492) argues industrial policies in Zambia lack the focus on the formation of linkages between foreign and local companies, in addition it lack incentives for employment of locals. Foreign investors are encouraged to contribute to local employment and development, but not held responsible[85] (ibid.). However, the MFEZs initiative encourages large companies to bring capital to invest, which may lead to employment creation and technology transfer.

The Investors Handbook 2011 of the MFEZs from the MCTI (2011:11) stipulates that the investors have to demonstrate according to the Qualification Criteria of ZDA 2006 Act, to obtain a license to invest in a MFEZ[86]. Some of these criteria's are according to the MCTI (2011:11):

- Contribution to local employment creation, the amount and quality of local employment.
- The extent of skills development and transfer to local entrepreneurs and communities.

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[84] See the Investors Handbook 2011 for more information on the MFEZs planned and operating in Zambia (MCTI, 2011).

[85] Michael Sata has made claims as the newly elected President, to make sure Zambian laws and regulations is followed by foreign investors (Zambian Watchdog, September 23, 2011).

[86] The conditions attached for participating in an MFEZ is that a business enterprise cannot within a MFEZ carry out activities that is not authorised by permit or license, and a business enterprise may according to its license, produce for both export or local market, any goods or services specified in the license (MCTI, 2011:11).

- Outline introduction and transfer of technology.
- Show the level of investment.
- Show how the business plans to attract further domestic investments and FDI.
- Show how the investment will make use of local raw materials and intermediate goods, and if the project will lead to expansion of local production.
- To what extent the investments will impact the environment, diversification of the economy, and lead to increased foreign exchange earnings.
- If the business is export oriented, and to what extent the project leads to import substitution.
- Show to what extent the project will make use of preferential trade agreements.
- To what extent the business leads to social development.

Kragelund (2009b:492) argues the ZDA Act of 1996, had no stipulation to requirements regarding local content, technology transfer, equity and employment even though investors was encouraged to make commitment to local participation. As seen out of the Investors Handbook 2011 (MCTI, 2011) for a company to obtain a permit to operate within a MFEZ, it is required to demonstrate according to the Qualification Criteria (ZDA 2006 Act) how the Zambian economy will benefit. This can be perceived as a positive development, as it requires investors to signal how investments will benefit the Zambian economy. Although, it is worth to note that if the qualification criteria's set by the ZDA becomes too comprehensive or difficult to answer, it might be easier for foreign investors to go to another country that has simpler procedures for establishing a company within or outside an economic zone.

Looking at Chinese investments in the TC industry in Zambia, the Lusaka East MFEZ is of specific relevance for this paper, following in chapter five.

3.4. Chinese engagement in the Zambian TC industry.

This section is aimed to clarify Chinese actors and type of engagement of Chinese nationals in Zambia. The first part looks at motivation for Chinese actors in the Zambian TC industry, followed by organisation of Chinese companies in Zambia. This section is essential to understand the supportive measures in place for Chinese actors and to explain the growth of Chinese companies in Zambia.

3.4.1. Motivation.

One of the explanations behind the surge of Chinese migration to Zambia could be the opportunity for investment and livelihood in the country (Muneku, 2009:165). Van der Lugt et al (2011:57) argue Zambia is also used as a launch pad for conducting business in the Democratic Republic of Congo (DRC), as Zambia has a long record of peace, compared to the neighbouring countries. The World Bank's (2010) ranking of investment climate in Zambia has overall improved in recent years[87]. In terms of why companies locate in Zambia, many traders and manufacturers noted the lack of industrial base in the country and consequently less competition (Carmody and Hampwaye, 2010:92)[88]. The Chinese government is often criticised for concentrating the bulk of investments in resource-rich countries characterised by high-risk governance environment and less competition (Van der Lugt et al, 2011:26). Compared to investments in capital-intensive industries such as the mining sector, the TC industry may be associated with less risk, as less capital intensive than extractive industries. In addition, Chinese SOE and private companies in the TC sector are usually mature industrial actors, which potentially could provide learning opportunities for the industry in Zambia (Brautigam, 2009). As seen in chapter two, the success of TC industry in China has been based on abundance of an unskilled labour force. In this way, Zambia with a large informal sector and large unskilled labour force, may act as a motivation for Chinese actors investing in the Zambian TC industry[89].

Trade agreements and preferential access given to textiles and garments manufactured in Zambia offer opportunity for Chinese investments in the industry. Chinese investments in Zambian TC industry provide Chinese companies with access to local Zambian markets, regional markets as well as the global export market (Kragelund, 2007:10). At an international scale, the European Union's (EU's) trade agreement "Everything but Arms" (EBA) and the United States' (US') "African Growth and Opportunity Act" (AGOA) offer Zambia preferential access of products within the TC sector. EBA and AGOA is therefore an incentive to invest in the TC sector in Zambia, although it does not make up for the loss of preferences previously provided by the MFA (Kragelund and van Dijk, 2009:94).

In 1997, a Chinese company invested in the Mulungushi Textiles as well as building supportive industrial links to the textile mill to maximise benefits. Zambia could export TC under MFA and the Chinese company could access Zambia's preferential markets. After the MFA expired in 2005, Chinese TC import to the US and EU was restricted until late 2008. Chinese companies investing in Zambian TC sector would in this way access preferential markets internationally up until late 2008[90] (Brautigam, 2009).

The agreement to build economic zones in Zambia, not only high technological zones but also industrial parks and MFEZs for light industrial activity, support building capacity to promote

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[87] Currently Zambia is ranked as the 76th out of 183 economies globally for the ease of doing business in the country (van der Lugt et al, 2011:55).
[88] In other words, underdevelopment creates a competitive advantage for Chinese (and Indian) companies (Carmody and Hampwaye, 2010:92).
[89] According to van der Lugt et al (2011:25) large amounts of unskilled labour in African countries can act as a deterrent for FDI inflows. In line with this argument the TC industry with significant learning opportunities and relatively low capital requirements, a large unskilled work force may act as a motivation.
[90] After 2008, Chinese companies could export directly to the US and the EU market (Brautigam, 2009).

industrial development of TC and supply links within the industry. MFEZ incentives provided by the ZDA are important, as it provides a foundation for investors to go to Zambia (Brautigam and Xiaoyang, 2010). As noted by Kragelund (2009b:487) without MFEZ projects, telling someone in China to invest in Zambia, they will think twice as there are no structures to attract investors. So far the Zambian government has failed to attract industry and manufacturing activity because of this (ibid). Van der Lugt et al (2011:56) argue abundance of natural resources and the tax benefits for investing in economic zones makes Zambia an attractive destination for FDI. In addition, an academic interviewee noted that relaxed laws and regulations in Zambia, due to institutional problems and corruption, could be seen as a motivation for investing in the country (Interview 8).

3.4.2. Organisation of Chinese companies in Zambia.

Kragelund (2009a:649) argues the spread of Chinese companies throughout Zambia is not accidental. Support and guidance by the Chinese government at home, in Zambia and at different levels, have made this tendency possible (ibid). At the highest level, the government of China supports Chinese investors through the FOCAC. FOCAC became the basis of the new relationship between China and Zambia, where economic and technological cooperation focused particularly on facilitating and consolidating outward-bound Chinese FDI into the Zambian economy, in addition to contract bidding and preferential loans (Muneku, 2009:168; Mwanawina, 2008).

Through official state visits, the Chinese and Zambian government negotiate terms of Chinese development assistance and FDI. Kragelund and Bastholm (2009:126) describe the relationship between the Chinese government and the Zambian ruling party Movement for Multiparty Democracy (MMD) as close and personalised, as well as the links between the Chinese government, its representatives in Zambia and the Chinese embassy in Lusaka. The government of China openly supported the MMD financially and rhetorically, and the Zambian political elite provides Chinese investors with a very direct channel of communication with Zambian authorities (Bastholm and Kragelund, 2009:126). This may have facilitated advantageous investment terms compared to other investors (ibid).

In October 2011, the opposition leader Michael Sata from Patriotic Front (PF) won the national presidential election in Zambia. Sata is known for criticising Chinese investors labour practices in the mining industry, as well as highlighting some issues of Chinese FDI not reaching the rural masses and benefiting Zambians[91]. Despite fierce comments of “throwing out” Chinese investors in Zambia, Sata has now signalled more effort to punish those who do not ably by Zambian laws and regulations (Zambian Watchdog, September 23, 2011). According to the

[91] This was seen especially before the election in 2006, see Brautigam and Xiaoyang (2011:45) and Hare (2007).

UKZAMBIAN website (October 3, 2011) the Chinese ambassador to Zambia, Zhou Yuxiao, pledged increased Chinese investments in the country under the new PF government. Furthermore, the ambassador highlighted that malpractices by a small number of businesses should not be used to deny the fact that Chinese investors are a positive and contributing factor to Zambia's development. However, Chinese entrepreneurs need to learn to improve themselves on the way forward (ibid). This signals the importance of Chinese investors in Zambia also for the future.

Concerns are raised that Zambia's agreements with Chinese actors are on a bilateral level and tied in favour of China, as the government of Zambia lacks capacity and skills for national plan formulation, coordination and monitoring[92] (Mwanawina, 2008:24). However, it might seem that things are moving and improving, although the Zambian government and Chinese actors still have some way to go.

In Zambia, the Chinese government has set up concrete supportive measures to support Chinese investors in their day-to-day activities, through establishing central organisations and institutions (Bastholm and Kragelund, 2009:126). In 1997, the state owned commercial Bank of China (BOC) opened a branch in Zambia, as the first Chinese financial institution in SSA (Bastholm and Kragelund, 2009:127). The BOC was established by political decree by the vice-premier Zhu Rongji, with the purpose of facilitating operations of Chinese investors and facilitate day-to-day activities of Chinese companies in Zambia. The BOC has not made any profits and is used for daily banking operations, making transfers to and from China easier. The BOC is in this way a strategic investment that reduces difficulties Chinese investors may have to manage their banking affairs in a foreign setting (ibid).

The most important institution for Chinese investors in Zambia is the Chinese Embassy, in particularly the Economic Counsellor's Office, which provides investors with advice, investment options and crucial support to establish contacts with Zambian authorities and the Zambian elite (Bastholm and Kragelund, 2009:126). Kragelund (2009b:486) argues these institutions help facilitate a positive attitude towards Chinese investors among the political elite in Zambia. Furthermore, it provides investors with investment opportunities, to maintain essential contact with Zambian authorities and makes inter-Chinese cooperation possible (ibid). The embassy is the extended arm of the Chinese political leadership and directly involved in investment negotiations (Bastholm and Kragelund, 2009:126). It is also worth to note that the Economic Counsellor's Office

[92] According to Mwanawina (2008:22) institutional challenges within the Planning and Economic Management Division (PEMD) of the ministry of Finance and National Planning, lack of personnel and poor conditions of service, can explain the Zambian government's lack of guidance and effective engagement with Chinese investors.

provides opportunities for Zambians in the form of scholarships for training and exchange in China, according to an academic interviewee[93] (interview 8).

The Association of Chinese Companies in Zambia (ACCZ) falls under authority of the Economic Counsellor's Office in Zambia. Established in 2005, it functions as the Chinese Chamber of Commerce in Zambia with around sixty Chinese member companies (Bastholm and Kragelund, 2009:127). The ACCZ was established and is funded through political decree by the MOFCOM, as a result of the "go out policy". The ACCZ takes care of the interests of Chinese companies in Zambia vis-à-vis the Zambian public and Zambian authorities. This is done through communicating and promoting the cause of Chinese investors directly involved with local authorities and indirectly through public media (ibid). The ACCZ is also instructing its members in Zambia's rules and regulations and on the Chinese embassy's behalf it handles immigration and labour cases for Chinese companies (Kragelund, 2009b:487; Mwanawina, 2008:18; Bastholm and Kragelund, 2009).

The Chinese Centre for Investment Promotion and Trade (CCIPT) was established in 2002, and like ACCZ, a parastatal organisation built by the MOFCOM. Both institutions are established by political decree and seek to smoothen the process of Chinese companies in Zambia (Bastholm and Kragelund, 2009). However, the CCIPT role is to promote Chinese investments in Zambia, identify suitable investment projects and provide practical support to newly established Chinese companies with such as accommodation, transport and communication (Kragelund, 2009b:487; Mwanawina, 2008:18; Bastholm and Kragelund, 2009:127). The CCIPT also help facilitate contacts with relevant Zambian authorities for potential or newly arrived Chinese investors (ibid).

Most development projects, including essential infrastructure to industrial zones, are financed by the Chinese Export Import Bank (Exim Bank), established in 1994 to back international economic cooperation by providing preferential loans[94]. According to Mwanawina (2008:3) the establishment of Exim Bank is potentially an important trend for African development, as it provides a new source of capital especially in the much needed infrastructure sector. Exim Bank is a state owned bank, which rapidly has become one of the largest export credit agencies, although is operates independently of prevailing export credit rules (Large, 2007). Furthermore, the importance

[93] About 200 Zambian students are currently studying at Chinese universities (Chinese Embassy in Lusaka, August 22, 2011). Annually, China trains about 200 Zambians, and in recent years also provided short-term training courses in areas such as agriculture, aquatic culture, SMEs, management etc. (ibid). A Confucius Institute was opened in November 2010 at the University of Zambia (UNZA), set up to promote exchange, communication, cooperation and friendship between China and Zambia, mainly though the teaching of Mandarin and Chinese culture (Interview 8; Chinese embassy in Lusaka, August 22, 2011). This can be seen as an important step towards improving understanding, cooperation and communication between Zambian and Chinese nationals.

[94] Preferential loans means in this context that loans given are conditional in the sense of being tied to Chinese companies, which are obliged to use Chinese products for the projects (Corkin, 2008; cited in Kragelund and van Dijk, 2009:86).

of policy banks like the Exim Bank in China's development model and in international economic relations, is the deliberate use of state policies to accelerate development (Brautigam, 2009:80). Other policy bank's include the China Development Bank (CDB), as the managing entity for the China-Africa Development Fund (CAD Fund) created in 2006[95] (Grimm et al, 2011b:18). CDB set up a Zambian team to provide funding and support for Chinese industrial zones and the China Nonferrous Metal Mining (CNMC) activities in Zambia, although the CAD Fund did not invest directly in the Chinese pilot zones[96] (Brautigam and Xiaoyang, 2011:34).

With reference to the Chinese pilot zones in Zambia, the Chinese government supports investments in the zones through cheap financial packages through state owned banks, by Chinese development assistance and FDI (Bastholm and Kragelund, 2009:128). These zones will directly benefit the state owned company CNMC, which has been assign by the Chinese government to manage the zones and to attract private investments (Bastholm and Kragelund, 2009:127).

Kopiński and Polus (2011:185) note the composition of Chinese FDI in Zambia with regard to its source is dominated by large, state led, policy driven and publicly owned companies, although small-scale investments have gained more importance in the country. While some Chinese companies benefit from large-scale investments of the SOEs, others are not related to these investments at all. Kragelund (2009b:493) argues that these have rather been pushed out of China due to increasing demand for technological capabilities and lower profit margins. Chinese individuals providing small-scale investments in Zambia are more challenging to get an overview over[97]. The majority of small-scale Chinese companies approach Zambian authorities directly, thereby bypassing two central institutions and leaving the Chinese embassy and the Economic Counsellor's Office unaware of the scale of Chinese small-scale investments in Zambia (Kragelund, 2009b:486).

A response to complaints from the private industry and citizens to facilitate greater business and investment creation outside Lusaka, was the establishment of the Zambian Patents and Company Registration Office (PACRO) under the FNDP (FNDP, 2006:37). PACRO was set to enhance the operating framework for business facilitation in Zambia, with provincial offices intended to remove administrative barriers to business and investment entry, operating in and outside Lusaka[98] (ibid.). Because of improvements in the ZDA, 1800 new businesses were

[95] The CAD Fund provide management, consulting and financial advisory services for all types of Chinese enterprises in order to promote economic cooperation between China and African countries and to advise Africa's economic development (Grimm et al, 2011b:18).
[96] In comparison the CAD Fund invested in pilot economic zones in Nigeria, Mauritius and Egypt (Brautigam and Xiaoyang, 2011:34).
[97] The Chinese institutions in place support large-scale investments, which means less organisation of Chinese small-scale investments.
[98] Other pilot provinces include the Copperbelt, the Southern Province and in the Eastern Province (FNDP, 2006:37).

registered in 2010 (Times of Zambia, April 11, 2010). A list from the PACRO head office Lusaka in June 2011, listed 542 Chinese companies in Zambia[99]. Most of them established from 1992 onwards in the areas of general trading, import/export, construction, mining related business, manufacturing and farming (Interview 10). Based on the PACRO list, it is not possible to identify which companies and how many companies directly involved in TC manufacturing. From information at the PACRO head office, a reason for this is that some Chinese investors register a company and then choose what type of business to set up (Interview 10). As a part of overcoming bureaucracy, companies register their overall activity, as for example manufacturing, and not specifically what they will manufacture to avoid going back to PACRO to register again (Ibid). This was also confirmed by Hairong and Sautman (2010:315,316) arguing that also Chinese investments in agriculture is difficult to quantify, given the numerous unrecorded small-scale investments and because Chinese individuals does not always do what they register for[100].

3.5. Conclusion.

As seen in this chapter, FDI is important as it bring technology transfer, access to international markets and employment creation. Zambia's investment climate has improved in recent years and the Zambian government is in the process of developing policies and structures to attract investors. Chinese FDI is seen as important due to the mix of actors, which is argued to have a longer time horizon than FDI from Western firms. As FDI is not enough to guarantee economic growth, national plans in Zambia are essential frameworks and priorities to bring improvement in the Zambian economy. External factors impacting the growth of the TC industry was the membership in WTO. The TRIMs and the ending of MFA restrict protection of TC manufacturing and facilitated liberalisation of the TC industry, which has had a negative impact on the Zambian TC sector.

Through looking at national plans, this chapter found that the TC industry recorded a drop in exports from 2000, which show that the industry was struggling prior to the MFA ending in 2005. The TC industries in Zambia were loosing not only domestic markets, but also their limited export markets, explained by the rise of cost for imports, external debt increased, the currency depreciated and increased import of textiles and clothes. The outcome of the FNDP shows a decline from 5.8

[99] By comparison, these are some of the previous records of Chinese companies in Zambia. Bastholm and Kragelund (2009) recorded more than 200 Chinese companies, state owned and private Chinese companies. Carmody and Hampwaye (2010:86) argue Chinese investments cover over 140 officially projects in various sectors.
[100] During fieldwork in Zambia, the researcher was in contact with the Zambian Revenue Authority (ZRA). After handing in a question sheet, the ZRA answered about a week after that the institution was not in a position to provide an overview over Chinese investments and companies, TC trade statistics or tax revenue from the TC sector. The ZRA advised the researcher to contact the ZDA for this type of information.

per cent in 2006 to 2.5 per cent in 2009 in the manufacturing sector, explained on background of dropping productivity in textile and clothing manufacturing. Key policies of the FNDP were relative on a general level and focused on improving regulatory frameworks, remove administrative barriers to establishing business, assisting with finance to the private sector and MFEZs. Zambia is currently in the process of implementing the SNDP (2011 to 2016). However, it seems as the SNDP also lacks clear targets for employment creation and strategies to build the TC industry, as it handles the manufacturing sector at a general level.

Interviews with academia in Lusaka highlighted some key points to why the FNDP failed to promote development of the TC industry. First, the tools and strategies of implementing policies in the FNDP was not there, as they were to general and did not filter down to implementation of specific sub sectors. Employment is the theme of the FNDP, but no institution has a clear mandate to drive employment creation. Ultimately, the FNDP is not clear in provision of where the employment will come from or how much employment it intends to create. Through the government of Zambia's private sector development focus, the thrust of employment creation is put on the private sector. An academic interviewee highlighted that the main task for the private sector is not to create jobs, but to ensure that business in viable. Another factor explaining the stagnant position of the manufacturing sector is that it consists of MSMEs, which receives little incentives from the Zambian government.

The ZDA is an important institution to reduce bureaucratic procedures and to facilitate foreign investments to Zambia. The ZDA governs FDI, promote export and facilitate and support SMEs. The MFEZ incentive is special zones for export oriented and domestic oriented businesses, to catalyse industrial and economic development though the manufacturing sector, hailed to be a short cut for development. Some improvements is seen in the legislative side of ZDA, were the investor need to demonstrate according to the Qualification Criteria ZDA 2006 Act how the Zambian economy will benefit of foreign investments. Challenges for the ZDA is to create links between foreign and local businesses, to make sure local benefit in terms of employment creation and value addition. Out of six MFEZs one is planned for Chinese companies in light manufacturing, the Lusaka East MFEZ[101].

What motivates Chinese investors in the TC industry range from opportunities for investments and livelihood in Zambia, the links in the economy the TC industry creates to lack of industrial base and ultimately less competition in Zambia. Mature Chinese industries provide significant learning opportunities for the industry in Zambia and are capable of absorbing large

[101] The Lusaka East MFEZ will be looked at in chapter five.

numbers of unskilled and semi-skilled workers. The Chinese government wants mature industries to move abroad to process African natural resources in Africa, and in this way Chinese interest in manufacturing acts as a counterweight to more obvious interest in trade and natural resources.

This chapter has shown the importance of central institutions set up by the Chinese government to facilitate Chinese FDI into the Zambian economy, which is seen as essential to explain the growth and spread of Chinese actors in the country. The Chinese Embassy in Lusaka and the Economic Counsellors Office are important in terms managing large scale FDI from Chinese companies, as well as providing information and assistance for Chinese investors. Policy banks and state owned banks are an important part of supporting Chinese SOEs and in industrial zones, providing advise, loans and capital for infrastructure. As small-scale investment from Chinese individuals and private companies are less managed by the Chinese institutions, the Zambian government set up the institution PACRO to make the business environment in Zambia more transparent. PACRO has currently an overview of 542 Chinese companies in Zambia, where the majority are private companies. Compared to previous counts of Chinese companies in the country, the private sector has grown in recent years as expected in the literature. However, due to overcoming bureaucracy, it is not clear what specific activity these private sector companies are occupied in.

CHAPTER FOUR: The TC industry in Zambia.

4.1. Introduction.

Chapter three found that the productivity for the Zambian TC industry dropped up until 2009. This chapter will take a deeper look at the situation for the industries that make up the Zambian cotton-textile-garment value chain. As seen in chapter two, the TC industry is critical in terms of employment creation, for its capacity to contribute to a country's export earnings and therefore essential for the Zambian government's desire to reduce poverty.

Chapter four is divided in three. The first part will look at the situation for cotton and the integrated industries that make up the TC industry in Zambia. Secondly, potential markets and actual trade in TC products to regional and international markets will be explored. The last section, will identify some of the obstacles the TC industry faces in Zambia.

4.2. Growth trends in the Zambian TC industry.

As stated, the first part will look at growth trends in the Zambian TC industry. The decision to divide this section into firstly cotton and ginning, then secondly into the TC industry is because the cotton sector has seen growth in production, while the TC industry has recorded a drop in production. The third section will explore how the remaining TC industry in Zambia has managed to stay in business.

4.2.1. Cotton production and ginning.

From privatisation of the cotton sector in 1990, high international prices of cotton, aggressive promotion of cotton through out-grower schemes[102] attracted new entrants both in ginning and assembly[103] (Tschirley et al, 2008:141). Several problems were associated with these developments, as ginning capacity expanded to over 150.000 tonnes, while production peaked at about 105.000 tonnes in 1998 and then declined the two upcoming years, see figure 4.1. According to Tschirley et al (2008:141) this overcapacity created a competitive "scramble for cotton" among ginners, to increase output and minimise unit-ginning costs. This scramble led to an emergence of independent

[102] An out-grower scheme refers to a contractual partnership between growers or landholders and a company for the purpose of commercial cotton production according to the United States International Trade Commission (USITC) (2009:29). The partnerships vary and can be short or long- term and growers may either act on their own or as a group (ibid). Under the out-growing schemes under Dunavant Cotton Limited, the company provides credit or loans to farmers, in addition access to seeds, fertilisers and pesticides (Tschirley et al, 2008). In return, the company buy the cotton back from the farmers (ibid).

[103] With the liberalised economic policy, the Zambian government made little attempt to limit the competition as the number of ginners and assemblers grew (Tschirley et al, 2008:141).

traders and agents in the Zambian cotton industry. Firms that operated with out-grower schemes experienced increased loan defaults, as firms that did not operate with out-grower schemes could offer higher prices to farmers for cotton[104]. The effect was that ginners estimate that loan repayment dropped from almost 86 to 65 per cent from 1996 to 1999 (ibid).

In 1999 the cotton sector reached a crisis point, which marks the beginning of the first crash of cotton production seen in table 4.1. Lonhro Cotton had been the largest buyer of cotton, but was bought by Dunavant Cotton Limited[105] in 1999[106] (Tschirley et al; 2008:141). As Lonhro Cotton had USD 2 million in unpaid loans and other out-grower firms cut back on the number of farmers they supported, cotton production were driven down to a historic level of less than 50.000 tonnes in the 1999/2000 season (Tschirley et al, 2008:141). Dunavant Cotton Limited adopted strategies of a distributor system, which dramatically improved credit repayment rates among farmers (Tschirley et al 2008:143). In addition, the distributor system was used to aggressively expand production networks and the cotton production tripled between 2000 and 2004 (ibid). Figure 4.1. shows a second crash of cotton production between 2006 and 2007, but the sector has grown since 2007 and cotton production is suspected to be on its second recovery (Tschirley and Kabwe, 2010:6).

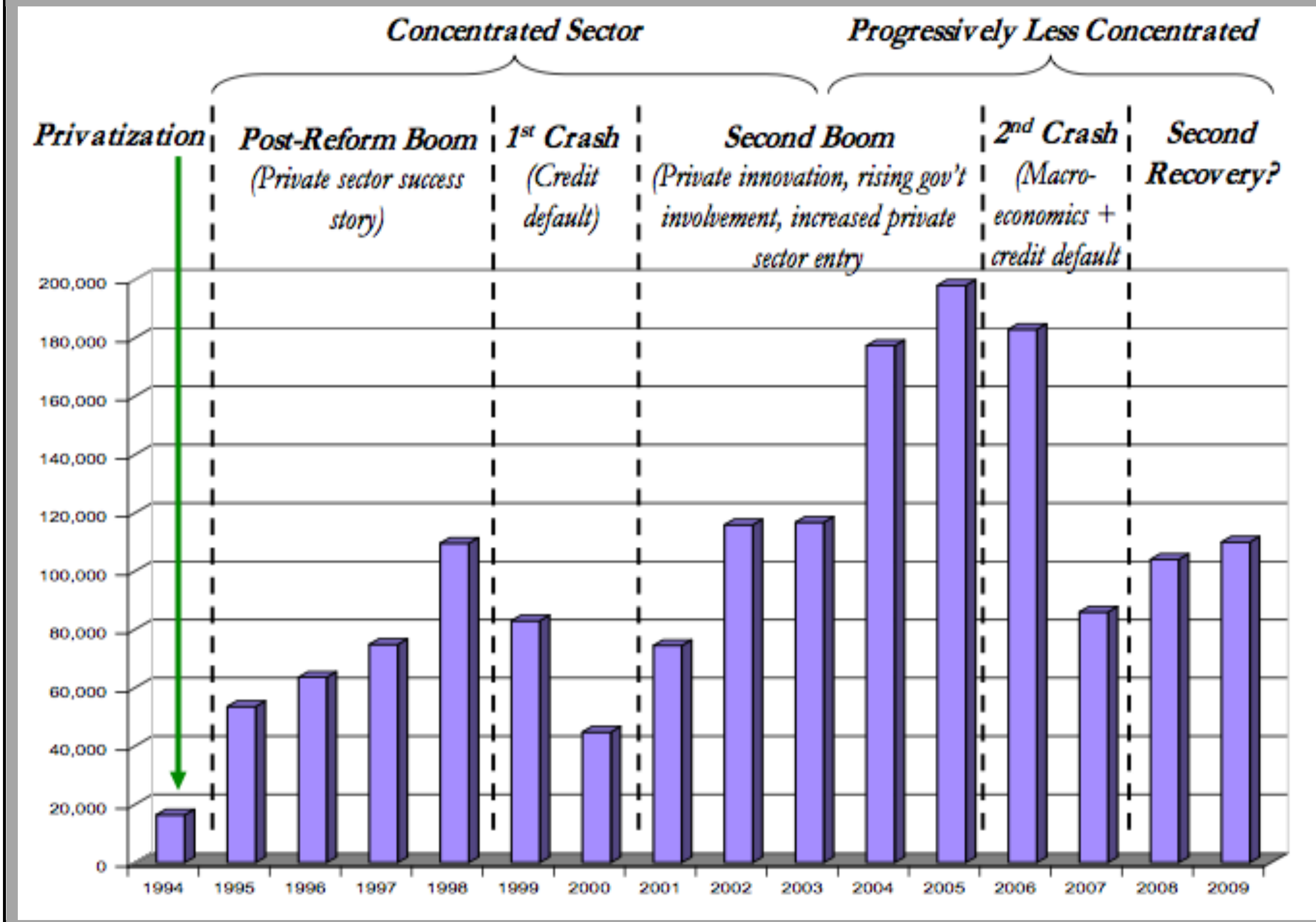
With background of growth in cotton production, these were the ginning companies in Zambia in 2008 according to the ZDA (2008:11):

- Dunavant Cotton Limited, 6 locations (US, multinational).
- Cargill Cotton Company, 3 locations (US, multinational).
- Chipata-China Cotton Company, 2 locations (Chinese).
- Alliance Cotton, 2 locations (Multinational).
- Mulungushi Cotton and Cooking Oil Company, 1 location, (Zambia/China).
- Continental Cotton, 1 location, (local).
- Yustine Cotton and Cooking Oil Co, (Malawian).
- Lungwa Ginnery Limited, 1 location, (local).
- Great Lakes Cotton Company[107], (South African, multinational).

Tschirley and Kabwe (2010) note the entrance of so many new and aggressive buyers in the Zambian cotton sector has had implications for governance of the sector. Many of the ginning companies operate with different forms of out-grower schemes, to support cotton farmers and to access output of cotton (ibid). As seen in the list above, the composition of ownership in ginning has expanded to evolve mostly foreign actors in comparison to local owners since privatisation of the industry in 1990.

[104] This is also called side selling of crops.
[105] Dunavant Cotton Limited is a private US held company with head office in Geneva (Interview 9).
[106] According to RATES (2003) Dunavant Cotton Limited bought Lonhro Cotton in 2001.
[107] Great Lakes Cotton Company was not listed in the ZDA (2008), but is noted to be active on the Great Lakes Cotton Company's (2011) webpage.

Figure 4.1: Cotton seed production since privatisation in Zambia (1990-2009).



Source: Tschirley and Kabwe (2010:6).

The two largest ginning companies and ultimately cotton growers in Zambia is currently the American multinational affiliates, Dunavant Cotton Limited and Cargill Cotton [108]. These companies provide input, pre-finance support to small-scale farmers through out-grower schemes for farmers to produce high quality cotton seed (Tschirley and Kabwe, 2010). Out-grower schemes provide gins with a fixed price for the cotton seed (ibid). The Cotton Task Force (2006:16) notes the fixed price is normally very low and discourages farmers to increase production.

An interviewee from the private cotton sector in Zambia, informed that Dunavant Cotton Limited is currently the company that plays the majority role in cotton production, holding 66 per cent of the market share of cotton in Zambia (Interview 9). Most of the cotton seed are produced by small-scale farmers, and companies like Dunavant Cotton Limited and Cargill Cotton[109] have invested substantially in out-grower schemes to improve small holders yields through improved access to inputs and extension services (ibid.). This was confirmed by the Regional Agricultural

[108] These firms also operate in other Southern African countries, see more in Tschirley et al (2008).
[109] The Zambian company Clark Cotton was bought by Cargill Cotton in 2006 (Cargill Cotton Webpage, 2011).

Trade Expansion Support Programme (RATES) (2003:19), arguing that in areas where companies support out-grower farmers, cotton yields have gone up.

During fieldwork, an interviewee mentioned that cotton in Zambia is of low quality (Interview 1). On the contrary, information from the private cotton industry in Zambia argues that the quality of Zambian cotton has become very good and international competitive, due to out-grower schemes (Interview 9). This was also confirmed by Estur (2008), showing that due to out-grower schemes, Zambia's cotton quality is among the best in the region. Contamination from polypropylene fibres, which was threatening the country's export market, has been largely eliminated and Zambian cotton receives a premium on world markets[110] (Estur, 2008; Interview 9; ZDA, 2008; USITC, 2009). The private cotton industry has noted unconfirmed rumours of instances where Chinese traders buy cotton crops without giving inputs and as a result buy from already contracted farmers according to quantity (Interview 9). Sometimes farmers put in stones and sand with the cotton seed, to make a quick sale. As a result is, the standard of cotton seed degrades because of impurities. Some cotton is said to leave the country through the east to Malawi and Mozambique. However, the quantity is perceived to be small, although the number is not known (ibid).

A Zambian government official questioned the big role Dunavant Cotton Limited has in the cotton industry and what impact it has on access of cotton lint for local TC manufacturing (Interview 6). As seen, the ownership of cotton production and ginning in Zambia is largely on foreign hands, which might jeopardise Zambians access to cotton lint domestically. According to Tschirley and Kabwe (2010:15) independent cotton traders[111] have largely disappeared since 2000. While Dunavant Cotton Limited and Cargill Cotton are part of some of the largest private owned businesses in the world (ibid). Dunavant Cotton Limited sells cotton lint to or through Europe, whereas Cargill Cotton is and has for the past thirty years been on the forefront with cotton trade to and from China (Cargill Cotton webpage, 2011; Dunavant Enterprises webpage, 2011).

A central development after 2000, was marked by more direct government involvement in the cotton sector. Firstly, the out-grower fund was launched by the Zambian government in 2002 to support export crop production (ZDA, 2008:143,144). The fund's stated objective is to increase production by increasing availability of inputs on credit and to reduce side selling by farmers (ibid). Secondly, the cotton board is a statutory body with public and private membership, with no mandate to act as a buyer or seller in the cotton market, started developing a regulatory framework

[110] The cotton in Zambia is hand-picked and this is still by far the most efficient method in harvesting cotton, the type of picking materials used such as plastic in order to avoid polypropylene contamination, and the cotton is sold in three grades, A, B and C (ZDA, 2008:9).

[111] Independent cotton traders are individuals trading in cotton that do not own and are not employed by a ginning company (Tschirley and Kabwe, 2010:15).

for the sector in 2000[112]. In addition the Cotton Association of Zambia (CAZ) was established in 2005, to provide a platform for smallholder cotton farmers to ensure the future development of the cotton industry in the country (CAZ webpage, 2011)[113].

According to government representatives in Zambia, the Zambian government promotes the development of "cotton clusters" to benefit from the current potential in cotton production and the demand of finished cotton products on the world market (Interview 4; Interview 6). This was also pointed out by ZDA (2008) arguing the cotton lint consumption by Zambia's spinning industry is approximately 14.500 tonnes, while local lint production of 72.000 tonnes exceeds local demand. It is therefore seen as vital that local consumption of lint and the other integrated processes are promoted through developing cotton clusters in Zambia (ibid). According to the Common Market for Eastern and Southern Africa's (COMESA) (2011a) webpage the cotton clusters in Zambia is for independent companies investing in growing cotton, spinning, weaving, dying, textile and garment manufacturing and all other cotton related businesses. Cotton clusters are promoted to attract investments for local consumption of lint by the domestic market. However, the market for the Zambian cotton clusters is not Zambia alone, but through the market opportunities under SADC, COMESA, EU, US and China (ibid). The concept of cotton clusters is still under planning and the Zambian government has not set any time frame for the project, according to a government interviewee (Interview 6). The Zambian government aims to develop industrial zones for investors, to attract investments for cotton clusters and integrated industries (ibid).

The cotton industry is important for employment generation, as the main cash crop for Zambian small-scale farmers (Kragelund, 2007:12). Secondly, it is important to get the full effect of the cotton-textile-apparel value chain. According to RATES (2003) cotton was grown by an estimate of 140.000 contracted small-scale farmers every year, for local industries and the export market. In a statement by the CAZ, due to the rapid strengthening of the Kwacha in the 2005/2006 season and a thirty per cent reduction in cotton prices, resulted in the exit of 100.000 farmers and between forty to fifty per cent reduction in cotton seed production in Zambia (The Post of Zambia, March 11, 2010). According to the Post of Zambia (October 14, 2010) Zambian farmers are expected to enjoy good prices for cotton due to high prices on the international market, which is likely to increase cotton production for the 2011 harvest and ultimately employment numbers.

[112] This was largely driven by the desire to avoid a repeat of the credit default crisis that nearly destroyed the sector from 1997 to 1999 (ZDA, 2008; Tschirley and Kabwe, 2010).

[113] During fieldwork, the researcher visited the CAZ in Lusaka. However, the people who could provide information relevant for this paper were out of town and the country at the time. A representative at CAZ suggested going to Dunavant Cotton Limited, as they were regarded to have good insights of the last developments within the industry.

4.2.2. The textile and clothing industry.

The weaving and knitting sectors are currently dependent on cotton yarn to supply the TC industry. Zambia's once thriving TC industry has contracted in terms of production and number of enterprises since its height in the 1980s. As Zambia undertook trade reform and SAPs, the textile industry was privatised in 1990 (Kragelund, 2007:12). The 1990s witnessed some major investments into the weaving, knitting and garment sub-sectors, such as in the Mulungushi Textiles in Kabwe. Since 1997 the Mulungushi Textiles benefited from a joint partnership between the Zambian government and the government of China (Koyi, 2006:262).

Trade liberalisation for TC in 2005, led protected industries to be exposed for external competition. As a result many local industries downsized and ultimately laid off workers, while others closed down production or relocated to neighbouring countries[114], where production costs were perceived to be lower (Seshami and Simeo, 2006:3). As a consequence, employment opportunities in the formal sector declined with trade liberalisation, pushing Zambians over in the informal sector. In the 2000s, the Zambian textile sector compromised parastatal and private companies in all spheres of textile operations, which included cotton growing, spinning, weaving, knitting and garment manufacturing (ibid). But as seen in chapter three, the Zambian TC industry dropped significantly up until 2009.

During fieldwork, a representative for the Zambian government noted that at a current level the Zambian TC industry consists of less that five textile manufacturing enterprises (Interview 4). Another representative for the Zambian government argues the TC industry manufacture finished textiles or garments at a very low scale (Interview 6). The number of companies operating in the TC industry in Zambia has shrunk from about 140 companies in the 1980s, to less than fifty companies in 2002 (Chikoti and Mutonge, 2002:2). In December 2004, only ten of these companies had the capacity to compete regionally and internationally (Koyi, 2006:263). According to Lee (2007) there were eight textile manufacturers in 2007. However, in 2007 the Zambia-China Mulungushi Textiles (ZCMT) closed down production as well as some of the integrated industries[115], following Swarp Spinning in 2008 and in January 2011 the closure of Kafue Textiles was announced due to financial difficulties[116] (Brooks, 2010; Times of Zambia, 26april 2010; The Post Online, 28 Jan 2011).

Looking at employment numbers, Chikoti and Mutonga (2002:1) argue the TC industry in the 1980s employed over 25.000 Zambians, while by year 2002 employment was below 2.500. The Cotton Task Force (2006:19) operates with a different number and state that the apparel and

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[114] Some relocated to countries such as Zimbabwe, Tanzania, Botswana and South Africa (Seshami and Simeo, 2006:3).
[115] More about the ZCMT in chapter five.
[116] Indian Investors bought Kafue Textiles under the name African Textiles, and is currently being investigated for using the machinery stripped from Kafue Textiles for textile industry in Tanzania (Times of Zambia, 26april 2010; The Post Online, 28 Jan 2011).

garment industry in the 1980s had manufacturers employing over 15.000 people. According to an academic interviewee, prior to privatisation and liberalisation of the Zambian economy, the textile manufacturing sector was the biggest employer of Zambians outside government and mining (interview 1). This was confirmed by Sibanda (undated), who argues that by 1991 the textile industry was the biggest labour-oriented industry in Zambia[117].

4.2.3. The remaining TC industry in Zambia in 2011.

According to an academic interviewee (Interview 2), and representatives from the TC industry in Zambia (Interview 5; 7; 17; 18), the remaining TC manufacturers in Zambia seem to have focused on niche products as a strategy to stay in business. This was also confirmed by literature (Koyi, 2007).

The Lusaka Clothing Factory and City Clothing Factory are big and established clothing manufacturers based in Lusaka, which produce items such as shirts, school uniforms and protective wear. According to a worker at the City Clothing Factory, the business has been dependent on contracts with the Zambian government, to produce uniforms for police and army to remain in production (Interview 7). The Lusaka Clothing Factory has benefitted from being under the City Council of Lusaka and receiving contacts to produce for the Zambian government. Furthermore, as the clothing market was liberalised in 2005, the City Clothing Factory no longer (if, very little) use domestically produced textiles as input to their garment manufacturing, as Asian textiles are produced more cost effective. Despite of buying Asian textiles from a wholesaler or retailer, these textiles tend to come out cheaper than Zambian textiles bought directly from the producer (ibid). Ultimately, choosing imported textiles over Zambian textiles, results in a limited market created for domestically produced textile items.

The Mukuba Textiles in Ndola, is of the few remaining textile manufacturers in Zambia. Currently, Mukuba Textiles reports to have only five per cent production, as they now mainly produce mutton cloth[118] from cotton yarn (Interview 13). The mutton cloth is produced for the mining activity, a market that is steadily increasing. However, the factory is struggling do to shortage of working capital. Earlier, the factory used Zambian cotton, employed 400 people to produce 100 per cent cotton yarn from which knitting and weaving mills produced fabrics for such as shirts, cotton drills and towels (ibid). A representative at the factory reports that currently almost all the cotton yarn from Zambia is exported to South Africa (Interview 13). In addition, the last ten

[117] Koyi (2006:261) argues as industries were protected by high tariffs and mostly dependent on financial support from the Zambian government as they were considered infant industries, employment in most of industry was higher than economically necessary.
[118] Mutton cloths are essentially used as cleaning material (Interview 13).

years the market has been taken over by imports from China, India, Indonesia and Pakistan (ibid). Excel Textiles Limited in Ndola is still operating[119]. Towel Textiles in Kitwe is currently employing 38 people, but has halted production awaiting new yarn supplies (Interview 14). According Carmody and Hampwaye (2010:88) the Sazika Spinning has seen investments from Asian companies. Ohno (2007) explains that Sazika Spinning is run by a Kenyan-Indian owned company that produce acrylic yarns from dyed materials imported from Turkey and Portugal, but are investing in new equipment for further expansion. Kays Textiles Limited has not confirmed their existence in 2011, but according to the textile news site Fibre2Fashion (September 22, 2006) the company filled a vacancy for a manager in textile industry in 2006. Kays Textiles Limited manufacture products such as bed sheets, bed covers, table cloth material and curtaining, while for garment manufacturing the fabric tailor garments like security uniforms, overall dust coats, aprons, nursing uniforms, trousers and work suits among other things (ibid). To sum up, four textile manufacturers have confirmed their existence in 2011[120]. For clothing manufacturers, two companies are located in Lusaka, although it could be others in Ndola and Livingstone.

4.3. Market access.

Trade and market access for Zambian TC products is essential for the sector to grow and sustain[121]. The upcoming section will take account for markets available for the Zambian TC industry and furthermore see how these are utilised.

For domestic and regional market opportunities, the largest number of textile production units has been located in Ndola[122], Kabwe, Kafue, Kitwe and Livingstone, while clothing production units have been located in Ndola, Livingstone and Lusaka (Naumann, 2002:37). TC manufacturing in Ndola, could potentially access markets in the DRC, who virtually has no existing TC sector due to weak institutional and political systems after years of conflict. Also, the town of Livingstone could provide an exit port for export of TC to the SADC South, as Livingstone enjoys a growing tourism industry and is in close proximity to Zimbabwe, Botswana, Namibia and Mozambique (ibid). To the east, Zambia shares a border with Angola.

[119] Excel Textiles Limited was operational during fieldwork under Indian owners in 2011, although this is the only information the researcher managed to get a hold of concerning the company.
[120] Do not know is the companies Sazika Spinning Mills Limited, Kays Textiles Limited and Unit Garments are operational in 2011.
[121] As seen earlier in this paper, production for domestic use will not bring enough benefit, as the purchasing power tend to be low and there is more potential for economic growth in trading with domestic and export commodities.
[122] Ndola is the capital of the Copperbelt.

4.3.1. Regional market arrangements: SADC and COMESA.

The SADC was founded with 14 member states in 1980, with objective to stimulate intra-regional trade (RATES, 2003:8). To foster trade, SADC launched a SADC Free Trade Area in 2000, which essentially put up measures to ensure equitable distribution of benefits from the trade integration for all member states. By ratifying the SADC Trade Protocol, Zambia enjoy preferential treatment (duty rate) for exports to other member states. In 2003, South Africa was the largest market for Zambia's NTEs, with a potential to increase Zambia's share of export to over USD 100 million annually given the preferential access (ibid). SADC increased its percentage market share as a final destination of Zambian exports, rising from 23 per cent in 1999 to 48 per cent in 2004 (Koyi, 2006:267). Koyi (2006:267) argues in terms of key markets for Zambia the current statistics suggest that SADC is the biggest export market followed by the EU. However, SADC may be the biggest export market for Zambia because of textile exports to South Africa, and not necessarily because of intensive trade between Zambia and the other SADC countries.

Through the SADC-MMTZ trade agreement[123], Zambian TC manufacturers have preferential access to the Southern African Customs Union's (SACU)[124] market. RATES (2003) argue the duty free quota limit on cotton yarn is 1.700 tonnes, and too low to stimulate meaningful growth in cotton exports. However, it is proposed that the quota should be increased to 10.000 tonnes (ibid).

SADC is a relatively new regional institution consisting of countries at different stages of economic development[125], but predominantly underdeveloped (SADC, 2008). SADC was originally an organisation of Frontline states to resist the influence South Africa had on the region, but transformed into a development community in 1992 (Khandelwal, 2004). Questions have been raised about the regional identity of the organisation, and if it can be regarded as a successful regional integration model. The region compromises the regional hegemon South Africa and Mauritius which have been relatively successful in building the TC industry, while the SADC also holds some of the poorest countries in Africa such as Swaziland and Zimbabwe.

In this sense, the vision of building a strong regional body to improve trade within SADC might go against Zambia's national plans of building the TC industry, as an academic interviewee pointed out (Interview 1). According to RATES (2003:8) there is too hard competition within the TC sector in SADC for the Zambian TC industry to be able to compete. This also illustrates that the LDCs in the region, are not able to take part in the competitive environment for the more developed SADC countries such as South Africa and Mauritius. Although, the TC industry in these SADC

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[123] The MMTZ is a trade agreement for Mozambique, Malawi, Tanzania and Zambia.
[124] SACU consists of the countries of South Africa, Botswana, Namibia and Swaziland.
[125] Social and economic growth and development across the region are heterogeneous, with some countries attaining high growth rates and others achieving very low growth rates (SADC, 2008).

countries also has experienced problems in the 2000s, due to liberalisation of TC imports (Kaplinsky and Morris, 2008). The SADC could provide regional links for the TC value chain and division of labour between the different countries[126], but at this point in time the market for Zambian TC is small within SADC, which will be shown in greater detail in section 4.3.3.

The establishment of the Common Market for Eastern and Southern Africa (COMESA) in 1993, opened a big market in the region. COMESA countries benefit from trade agreement of a free trade area[127]. A major problem for Zambian textiles, is that most of the COMESA countries produce cheaper textile materials and offer opportunities for buying low value, high bulk cotton fabric, high value fashion garments and styles particularly of African print, cotton yarn and lint, apparel and clothing accessories (RATES, 2003). Egypt is known for high quality cotton, Kenya has a developed a significant garment industry and Mauritius has built a strong textile and clothing industry, all located within COMESA (ibid). USITC (2009) notes that Mauritius was once an important market for Zambian yarn, but the demand has declined as Mauritius has built up its own spinning capacity. Hence Zambia cannot export to these countries (RATES, 2003; ZDA, 2008).

According to an academic interviewee, the Zambian government has through national plans pushed for better integration into regional groupings such as the COMESA and SADC, as a way to diversify the economy (Interview 1). Although, several studies have identified the problems of regional integration, things are not moving forward on the ground. The government of Zambia has through the ZDA created incentives to attract investors to Zambia, but incentives to protect and build your national economy may go against regional integration, according to the interviewee. Furthermore, Kenya are able to take advantage of the COMESA market, while Zambia compared will have to give away tariffs under the free trade area and will not be able to compete towards those who have specialised. Zambia needs to do a cost/ benefit analysis to know how much they will give away in tariffs and in order to estimate possible gain for selling products to the COMESA area (Interview 1)[128].

Zambia is member of both the regional organisations SADC and COMESA. An academic interviewee pointed to problems with overlapping membership for Zambia (Interview 2). Overlapping membership is a significant obstacle to achieve regional integration, and has led to conflicting goals and limited progress in both SADC and COMESA (Khandelwal, 2004:4). Both institutions are implementing a free trade area, have plans to form customs unions, but progress in

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[126] One example is that Zambia could manufacture textiles, which could feed into South Africa's garment manufacturing.

[127] The COMESA countries belonging to a free trade area are Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe. In total COMESA include 19 member states, where the other countries are the Comoros, Libya, Eritrea, DRC, Ethiopia, Rwanda, Seychelles, Sudan, Swaziland, and Uganda (COMESA webpage, 2011b).

[128] This may also result in Zambian TC producers opting to specialise in certain products (Interview 1).

COMESA has been limited to country-level implementation problems, while SADC has been hampered by complicated and restrictive rules of origin (ibid).

4.3.2. International markets arrangements: The US and the EU.

Outside the region (US, EU, India and China etc.) are huge markets that could be exploited for the Zambian TC industry. This section looks at markets in the US and the EU, as these provide incentives for trade with Zambian TC. Through two similar programmes, the EU's EBA programme and the US's AGOA, allow duty-free and quota free entry for some commodities (Brautigam, 2009:96). With the termination of the MFA in 2005, resulted in a surge of imports mainly from China to the US and EU. Brautigam (2009:216) argues this led Europe and the US to re-imposed restrictions temporarily as allowed under the WTO, aimed towards TC export from China and other Asian countries. These restrictions expired by the end of 2008, just as the global economy slid into crisis (ibid). EBA and AGOA, can in this way be seen as incentives to support other developing countries besides China, in building TC industry. The next section will explore the opportunity for export-led growth though these markets for the Zambian TC industry.

The AGOA was enacted by the US Congress and signed into law by President Bill Clinton in 2000, as a component of the Trade and Development Act 2000 (The Lusaka Times, May 4, 2011). The Act seeks to enhance trade and investment between the US and African countries by providing for one-way trade preferences to products from eligible AGOA countries. AGOA prioritises duty free exports of value-added and NTE products under a generalised system of preference programme (ibid). The Act allows duty-free entry of most commodities, as long as the countries were certified to have met a number of economic, political and rule-of-origin conditions (Brautigam, 2009:96). According to Kragelund (2007:12) AGOA offers increased preferential access for African export to the US market, although it may not make up for the preferences earlier provided by the MFA. Koyi (2006:267) argues the US through AGOA remains the potential target market for Zambian export, if exporters can meet the standard required by the US market.

Brautigam (2009:96) argues AGOA has been disappointing for African countries, as rules of origin have been constantly changing and due to the Congress' continuing effort to modify the legislation. This has made the rules of origin in AGOA complicated, which again has made it difficult for African countries to take advantage of the trade act. Problems are also identified on the supply side, as it takes time to respond to new incentives and potential entrepreneurs were not sure how long the incentives would remain in place (ibid). Kragelund (2007:13) argues on the contrary, that in terms of capacity building, Chinese investments in TC industry may turn out as very important if it entails that Zambia can take opportunity of the AGOA[129].

The tenth AGOA conference was held in Zambia in 2011, with the theme "Enhanced Trade Through Competitiveness, Value Addition and Deep Regional Integration" (AGOA Civil Society Forum, 2011). With focus on enhancing trade between the US and African countries, Zambia was the chair for 37 AGOA eligible countries (ibid). The AGOA extended duty-free and quota- free access to cover over 6.400 products from SSA into the US market. AGOA is seen as important for commercial and strategic relationships between US commercial interests and entrepreneurs in SSA (Chutha and Kimenyi, 2011; AGOA Civil Society Forum, 2011) [130]. The Zambian side encourage PPPs with American investors to attract investments and strengthen the capacity for Zambia to take advantage of the market provided under the AGOA (AGOA Civil Society Forum, 2011).

Zambia has been AGOA eligible for textiles since December 2001 (Chutha and Kimenyi, 2011:21). Although, Zambia has not been able to take advantage of textile or garment export under AGOA since the Mulungushi Textiles closed down production in 2007. According to USITC (2009) two companies have exported to the US under AGOA, namely the Unity Garments exporting hospital scrubs and the Mulungushi Textiles in 2000. There is no record of garment export under AGOA since then. Zambia has yet to take advantage of AGOA and translate its benefits into increased NTEs. At present, most of Zambia's AGOA exports are dominated by the mining sector [131](USITC, 2009; The Lusaka Times, May 4, 2011).

The AGOA has allowed exporters in SSA to source textiles from Asian countries[132], which has been important as it allow countries with weak or non-existent textile industries to boost employment and exports through clothing production (Kaplinsky et al, 2008:8). The result for Zambia has not been increased numbers of clothing manufacturers, but rather a crowding out of Zambian textile manufacturers, resulting in a an expanded informal sector (ibid).

The AGOA Civil Society Forum (2011) consists of the CSOs gathered for the AGOA forum in Lusaka. The AGOA Civil Society Forum (2011) has concerns about termination of the multi-fibre provision in 2012 and the expiration of AGOA's preferential market in 2015. The multi-fibre provision allows textile producers in AGOA countries to source their raw materials from other

[129] Or in other words, continue to take advantage of the AGOA, as Zambia did export under the AGOA in 2000 (Brooks, 2010).

[130] According to an unconfirmed rumour, that recent uranium discovery in Zambia, may act as a geo-political reason for the US to hold the tenth AGOA forum in Zambia. Chinese actors are seen as well established in the Zambian mining industry, although not the only nationality. In any case, as two very dominant powers in the world, the AGOA seeks to promote relationships and trade with Zambia and the region, which can be seen as a counteract to Chinese interests in Zambia.

[131] Unlike Zambia's neighbours Malawi and Mozambique, which have managed to export agricultural exports to the US market (The Lusaka Times, May 4, 2011).

[132] Or more precisely, from outside the AGOA region or the US.

countries and still maintain their preferential access to the US market (ibid). Currently, only South Africa has the capacity to source textiles from the outside for their garment industry, but are not eligible for the third country multi-fibre provision (Times of Zambia, May 31, 2011). Both the termination of the multi fibre provision in 2012 and the expiration preferential market under AGOA in 2015, are deadlines that create major challenges for the sustainability of trade gains since the passage of AGOA in 2000 (ibid).

The Lusaka Times (May 4, 2011) notes the AGOA lifespan could impact the level of investments, transfer of technology and developments in the TC industry, as it discourages long-term investments. In addition, the reaction time for a company to establish profitable production will vary depending on the contextual factors in the given country. Especially textile manufacturing is dependent on investments for machinery and technology, and has a longer reaction time than in clothing manufacturing (Nordaas, 2004). A usual problem with trade agreements is that industrialised countries tend to push implementation or to phase out agreements quicker than developing countries are able to respond. Zambia as a LDC, needs to sort out contextual factors to make profitable production possible, which makes the reaction time longer before being able to take advantage of the market preferences.

Civil society in Zambia is pushing for extending these deadlines (AGOA Civil Society Forum, 2011). According to Times of Zambia (May 31, 2011) the US Department Africa Bureau prioritises to extend AGOA's preferential market throughout 2025 and lengthen the third country multi-fibre provision to 2022. If also South Africa is granted the third country multi-fibre provision, this can be an important incentive to invest in textile production in AGOA eligible countries such as Zambia, which would benefit for having a regional market for their textiles within SADC (ibid).

The second market arrangement, the EBA programme, generally allows duty-free and quota-free entry into the EU for all goods from LDCs except armaments (Brautigam, 2009:96). According to Koyi (2006:267) the EU has previously been a major destination of Zambian TC exports, but the percentage market share has steadily declined from 53 per cent in 1999 to 26 per cent in 2004. Koyi (2006:267) argues EU's preferential access becomes very relevant to reversing this trend and spurring Zambian exports to the European market. On the other side, Brautigam (2009:96) argues that an independent analysis of the EBA shows that disappointments mainly came from the complex rules of origin. The complex rules of origin set terms of granting duty-free access to products made only from inputs from the same region. Under strict rules of origin, garments exported from Africa generally have to been made from strictly African sub-sectors such as African produced textiles, buttons, zippers and even pocket lining. It will not be feasible for African countries to produce all inputs to the TC sector in the liberal TC market[133] (Brautigam, 2009).

4.3.3. Export market destinations and import sources.

Responses from academic interviewees (Interview 1; Interview 2) and government officials in Lusaka (Interview 4; Interview 6) concerning the market potential for Zambian textiles and clothes can be summarised accordingly; it is well and good to talk about big market(s), but the market is of no use without anything to sell. This depicts the current situation for the Zambia TC sector, as not in a position to take advantage of the international markets provided under the AGOA and the EBA, and with limited access to the regional markets under the SADC and the COMESA.

Table 4.2: Export and import of Zambian textile and apparel inputs (2003-2007) (USD 1.000).

Product group	2003	2004	2005	2006	2007
Exports:					
Carded or combed fibers	77	6	37	8	0
Knit fabric	2	68	201	0	9
Manmade fibers	9	0	10	0	0
Other fabric	2	1	4	0	0
Thread	0	0	301	0	0
Trim	4	207	0	1	12
Woven fabric	350	152	69	216	188
Yarn	25,502	30,969	34,882	20,014	14,323
Total	25,947	31,404	35,505	20,239	14,532
Imports:					
Carded or combed fibers	86	55	125	31	9
Knit fabric	97	207	599	546	1,585
Manmade fibers	926	1,002	1,432	1,251	1,203
Other fabric	458	1,167	865	770	970
Thread	151	247	127	42	81
Trim	428	870	1,265	563	1,084
Woven fabric	7,103	8,434	8,325	5,073	6,876
Yarn	620	1,286	744	704	520
Total	9,870	13,269	13,481	8,979	12,328

Source: World Bank, WITS Database (Accessed December 16, 2008) cited in USITC (2009:76).

According to an academic interviewee, Zambia exports cotton lint and in return buys back finished textile and garment products (Interview 1). A representative for the Zambian government argues that currently over ninety per cent of cotton produced in Zambia is exported (Interview 4). The USITC (2009:75) show that Zambia's export of TC inputs in 2007 totalled USD 14.5 million,

[133] Sixty per cent of the world's buttons are made in the Chinese town Qiaotou, which churns out 15 billion buttons a year in addition to manufacturing eighty per cent of the world's zips, representing 124,000 miles of zip each year (enough to stretch five times round the globe or half way to the moon) (The technology eZine, 2011). In this sense it will not be feasible for Zambia to produce buttons and zips.

were cotton yarn accounted for 98 per cent of Zambia's textile exports, see table 4.2. According to table 4.3. Zambia does not export yarn to the US, but in 2007 the EU was the leading destination for cotton yarn, representing 93 per cent of Zambia's yarn export (USITC, 2009:75). Countries in SSA accounted for about five per cent of Zambian yarn export in 2007, down from 41 per cent in 2003 (USITC, 2009:75).

Table 4.3: Zambian export of textile and apparel inputs, by destination (2003-2007) (USD 1.000).

Destination	2003	2004	2005	2006	2007
SSA countries	10,658	8,605	5,217	1,898	779
EU-27	15,277	22,562	21,792	18,269	13,476
Rest of world	10	237	8,496	72	278
United States	2	0	0	0	0
Total	25,947	31,404	35,505	20,239	14,532

Source: World Bank, WITS Database (Accessed December 16, 2008) cited in USITC (2009:76).

An academic representative noted that regional trade in TC products hold some promise in terms of volume (Interview 2). According to USITC (2009:78) it is important to note that the market for TC in Zambia's neighbouring countries in SADC and COMESA also have significantly diminished after the end of the MFA in 2005. Besides cotton yarn export, the leading markets for Zambia's export of niche products were the DRC, Malawi, Zimbabwe, Tanzania and South Africa (USITC, 2009:77).

According to the Central Statistical Office Zambia (CSOZ) (2011:14,15) Zambia's five major export destinations by product in March 2011[134] shows that TC products contributes very little to the overall export from Zambia. The only exception is Switzerland, importing cotton seed from Zambia. The background of Switzerland being listed as having Kwacha 11 million[135] of cotton seed imported, can be explained by the American company Dunavant Cotton Limited is based in Geneva (Interview 9). When it comes to China, the major export products from Zambia are mineral related[136]. The list does not say anything about Chinese import of cotton from Zambia, which may be a sign of unofficial export channels[137].

[134] Zambia's major export destinations in March 2011 were to; Switzerland (58.9 per cent), secondly, to China with total exports accounting for 14.4 per cent, followed by South Africa as the third major export destination (11.9 per cent), the DRC (3.7 per cent) and Zimbabwe (2.1 per cent) according to data from the CSOZ (2011:10).
[135] Kwacha 11 million is about USD 2.093 in year 2011.
[136] The major export products to China were copper blisters, cathodes and sections of cathodes of refined copper (CSOZ, 2011:10).
[137] If there were official cotton export, it is within the category "Other Products" accounting for 0.3 per cent of total exports to China (CSOZ, 2011:10).

Looking at import, the USITC (2009:76) notes that Zambia's import of TC inputs totalled USD 12.3 million in 2007. More than a half consisted of woven fabric, were major suppliers included India (USD 3.9 million) and China (USD 3.2 million). The total of Zambia's import of TC inputs increased by 25 per cent during the 2003 to 2007 period. During the same period, import of woven fabrics declined while import of knit fabrics, manmade fibre and other fabrics and trims increased. The result was that apart from domestically produced cotton yarn, small amounts of cotton/polyester and acrylic yarns, all other inputs used by Zambia's clothing industry were imported (USITC, 2009:76).

Imports to Zambia in March 2011 are dominated by machinery for industrial production, minerals, vehicles, fuel pumps and electronics[138] (CSOZ, 2011:14,15). It is somehow surprising that TC from Asian countries is not covered over the list of major imports to Zambia[139]. However, worn clothing and other worn articles appear on the list, account for 2.1 per cent of total imports from the United Arab Emirates (UAE) with a value of Kwacha 2.4 million[140] (ibid).

4.4. Contextual factors that impact growth of sector.

Several contextual factors impact the growth and development of the TC industry in Zambia. To provide recommendations, it is important to identify the obstacles for the industry. Policy inconsistency, the high cost of infrastructure[141] and the large informal sector in Zambia impact the industry at a general level, as highlighted in chapter one. This section will highlight some of the obstacles within the Zambian TC industry.

Import of TC products is still creating a difficult environment for the Zambian TC industry. Most interviewees in government, in academia and in the industry noted that influx of textiles and clothes from especially Asian countries[142] and second hand clothes[143] from Western countries, have taken over the domestic market for TC products (Interview 1; 2; 3; 4; 5; 6; 7). This was also confirmed by literature (Chikoti and Mutonga, 2002:3; cited in Koyi, 2006:260; Kaplinsky et al,

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[138] The major import sources was South Africa (30.6per cent), followed by the DRC (30 per cent), followed by China, Japan and the UAE, which collectively accounted for 15.1 per cent of total imports in March 2011 according to data from the CSOZ (2011:14,15).

[139] This might also be a sign of unofficial channels of import of Chinese clothes, as it has flooded the Zambian TC market.

[140] The clothes do not necessarily originate from UAE, but the UAE is used as a middle station. Kwacha 2.4 million represents about USD 460, which is a low amount on a national scale.

[141] The high cost infrastructure refers to such as high cost of rail, road and electricity. In addition as Zambia is landlocked, access to ports adds to delivery times and freight costs (USITC, 2009:79).

[142] Asian countries such as China, India, Bangladesh and Taiwan.

[143] Zambia permits unlimited imports of second-hand clothing (Hansen, 2000:238-240). Zambia imposes a 25 per cent tariff on imported new and used apparel imports. Nevertheless, imported used apparel has so little value in the country of supply that these articles are imported at little or no cost (ibid).

2008:18; Brautigam, 2009:219; Hansen, 2000) and thus seen during fieldwork[144]. Before fieldwork, this area of impact was not anticipated to challenge the industry to the extent it does. USITC (2009:77) argue that most domestic demand for apparel is met by imports, where imported used apparel supplies an estimate of 60 to 65 per cent of the domestic clothing demand in Zambia, leaving essentially no domestic market for locally produced clothes and textiles.

The agricultural and retail sectors are the sectors of the Zambia economy that has the largest bulk of informal employment (Conway and Shah, 2010). In line with this argument, import of cheap textiles and garments from Asian countries may increase job opportunities for Zambians in retail. Muuka (1997) argues cheap import from Asia has become a source for rural and urban employment for traders. Zambian traders can access goods, especially associated with expansion of rural employment when Zambian traders take goods to sell in villages (ibid). According to an academic, interviewee self-employed Zambians fly to China to bring back TC products and is seen as very enterprising (Interview 1). Information from informal markets in Lusaka noted that Zambians also take models of fashion clothes to China, to produce cheap and affordable replica[145] (Interview 5). On one side, influx of cheap goods from China is good for Zambia, as it provides Zambian consumers with choices (Muneku, 2009:167,168). An academic interviewee argues Zambians are becoming highly fashion conscious and although the purchasing power is low, cheap Asian textiles and garments are especially suited for this market (Interview 3; Muneku, 2009:167).

On the other side, an academic interviewee noted that the flip side of this argument is that import of TC products further pushes the productive part of the Zambian population into informal employment, by expanding the retail sector (Interview 1). This is not a positive development, as it produces a counter effect for the national economy and makes it specifically difficult to build a national TC industry. By the end of the day, Zambian consumers are pragmatic and wants to buy affordable TC products. Unless the Zambian government does something, it will remain like this (ibid). As can be seen in Lusaka, there is an increase of street vending involving youth selling Chinese merchandise. This was confirmed by Muneku (2009:167) who notes that even though street vending provide alternative employment for youth, the dangers and hazards associated with street vending does not make it acceptable by the authorities and it remains illegal.

Outdated and obsolete technology is noted as factors that impact the growth of the TC industry. Most machinery (95 per cent) of existing weaving companies is more than 15 to 20 years old, some even second hand when originally installed (Cotton Task Force, 2006:18; RATES, 2003). Excel Textiles has the most modern equipment, being 10 to 11 years old (USITC, 2009:79).

[144] The impact of cheap import was even felt in countries who did not liberalise the economy according to the World Bank and IMF, which found themselves swimming in smuggled goods such as in Nigeria (Brautigam, 2009:217).
[145] The interviewee noted that Zambians buy cheap fashion clothes from Taiwan, while in China they can buy cheap clothes but also place order to produce copies or replica of branded fashion clothes (Interview 5).

Furthermore, many of the companies in the TC sector experience competitiveness problems due to low utilisation rates, high consumption of spare parts, inadequate cash flows, debt and the inability to add value. As a consequence, obsolete machinery restrains the productivity of the TC industry, which fails to produce high quality textile and apparel articles that could be competitive on the international market (Cotton Task Force, 2006; RATES, 2003; USITC, 2009). Lack of modern technology used in weaving, restricts the manufacturer's choice of garment to be made, due to poor quality of fabrics. Hence, the bulk of garments produced in Zambia today are uniforms, protective wear and schools wear that largely are consumed domestically, as these products struggle in the export market to compete according to quality and price (ibid). In addition, the USICT (2009:78) note that Zambia is ranked as having one of the lowest worker productivity, as measured by value added per worker in SSA.

Trade unions are important institutions to push for improved rights for workers, and for accountability and development in a local economy. Koyi (2006:272) argues that trade unions in the TC sector have been slow to react. Baah and Jauch (2009:22) note that when the Mulungushi Textiles closed in 2007, hundreds of people lost their jobs, most of them women. The National Union of Commercial and Industrial Workers (NUCIW) lost one fifth of its membership due to the closure of Mulungushi Textiles in 2007 (ibid). As seen during fieldwork, there is currently no trade union for TC manufacturers, something that may tell us that the number of employees in the TC industry has further contracted in the 2000s. This was also confirmed by Sibanda (undated) who argues the collapse of the textile industry also led to the death of the body representing the interests of the sector, namely the Textile Producers of Zambia (TPZ). The body responsible for the TC industry is currently at a general level, placed under the Association for Manufacturers[146].

At a regional level the journalist Speed (February 12, 2012) highlights that a new report from the World Bank show that high costs, taxes and corrupt boarder patrols on the African boarders are obstacles to regional trade within Africa, as millions in profit are lost when goods cross African boarders.

Looking at the global cotton production, a representative for the cotton industry in Zambia argues that US as one of the leading cotton producers, is outsourcing cotton production to China (Interview 9). As most cotton industry has shifted to China and Asian countries, the US is also outsourcing TC manufacturing as it struggles in the US (ibid). This was confirmed by Estur (2008). Under the 2005 WTO meeting in Hong Kong, China criticised the US for subsidising its cotton production (Cotton 24/7, July 2, 2010). These subsidies are seen as a tool to allow US farmers to undercut the price of cotton, providing unfair market advantage especially over cotton farmers from

[146] During fieldwork in Zambia, the Association for Manufacturers in Lusaka was not in a position to give out the last information on the current status of the TC industry.

poorer nations (ibid). Although, the US subsidies are aimed to protect American farmers from subsidised Chinese cotton import, the impact is felt for African cotton producers (Brautigam, 2009). African cotton producers are usually not in a situation where they can subsidise cotton to improve crop efficiency or price, as seen in chapter three.

For Zambian TC manufacturers, the result is that the price of the end product will resemble the price of the raw material. As a consequence, products made in Zambia cannot be produced as cost effective as in countries where the government subsidises cotton. For Zambia to compete with countries that subsidise cotton, labour costs will have to be significantly reduced. Furthermore, cutting costs also usually resemble relaxation of labour laws to absorb labour, which leads to the dilemma currently facing several African governments being; which route to follow for employment creation? By relaxing labour laws to create many jobs, or by creating few but formal and decent jobs? This also raises the question, can the Zambian government introduce policies to protect the infant TC industry, with its backward links to cotton farming[147]?

Some developing countries exporting agricultural products, have become increasingly protectionist after the agricultural commodity price started to increase in 2007. Chinese subsidies were estimated to be USD 1.96 billion in 2009/10[148]. Van Dijk (2009c:167) adds that countries such as Argentina, Egypt, and Vietnam have either restricted their export or introduced export taxes[149]. Furthermore, Zambia as well as other developing countries could benefit from the additional demand for cotton without protectionist policies in these countries (ibid).

In Zambia, policies of protectionism are currently very unlikely for at least four reasons. Firstly, an academic interviewee notes that protectionism is unlikely due to the historical context of nationalism in Zambia under President Kaunda (Interview 1). This period was marked by a race to the bottom, as protectionist policies restricted import to Zambia and favoured production only for the domestic market. With few links to regional and international markets, limited product ranges and with few possibilities to upgrade, ended up in food riots in the beginning of the 1990s (ibid). Prior to the economic crises in the 1970s, industry and consumers in Zambia were subsidised by the state (Koyi, 2006). As the price for natural resources fell during the 1970s, little revenue was left to reinvest in existing industry (ibid). Coming from a history where the Zambian government was in

[147] Introducing protectionist policies for TC in Zambia, could in theory could help the industry get on its feet before starting to compete on the global market. Protectionist policies include measures such as subsidised cotton and tariffs on textiles and clothing imported into Zambia.
[148] For more information on the Chinese cotton subsidies see the report "Production and Trade Policies affecting the cotton industry" by the Secretariat of the International Cotton Advisory Committee, (2010).
[149] Furthermore, van Dijk (2009c:167) argues that this is somehow surprising, because at the same time these countries put pressure on Europe, Japan and the US in the Doha round of trade negotiations of the WTO to be less protective with respect to agricultural products. Van Dijk (2009c:167) argues that this is risky for China, which would not be able to get the agricultural products out, which were the fruits of their investments.

every sector if the economy, the government moved away from these parastatal companies when they were failing to deliver in early 1990s (Interview 1). According to a government official it is a positive development that the Zambian government now focuses on creating a enabling environment for a private sector development approach (Interview 6).

Secondly, a government representative argues that protectionist policies are unlikely, as the Zambian government has committed to a very liberal economy to attract FDI and to create a good environment for private sector development (Interview 6). Protectionist policies could act as a disincentive for attracting investments and technology in the TC sector. As seen in the 2000s, more companies and especially Chinese investors, seem to be filling the gaps in the Zambian economy (ibid). Zambia is also dependent on foreign support, as historically the country has had a donor dependent budget with domestic scarcity of capital (Kragelund, 2008).

Thirdly, an academic interviewee notes that if the Zambian government is to create policies to protect the national TC industry, they have to be prepared to face the backlash from the Zambian people (interview 1). By raising import taxes/tariffs, the Zambian government could restrict the amount of second-hand clothes and Asian import into Zambia. As a consequence, imports will become more expensive to favour local products. The backlash may come from two levels. First, as the majority of the Zambian population is in the informal sector with a limited income, raising taxes could result in more expensive clothes, which again will reduce the purchasing power for Zambians in the informal sector. Secondly, also people in the formal sector will be negatively affected. This group are already paying employment taxes, while their expenses will go further up and reducing their purchasing power. It is also noted that Zambians in full formal employment are not necessarily able to buy clothes from modern shopping malls. Although, the quality is lower for cheap import and second hand clothes, people buy what they can afford. In other words, raising the tariffs would make the Zambian government very unpopular, and it could further push people into the informal sector of the Zambian economy (ibid).

Finally, as seen in chapter three, the WTO membership has limited the ability to protect the national TC industry through the TRIMs and the ending of the MFA.

4.5. Conclusion.

This chapter looked at the cotton- textile-garment value chain in Zambia, to understand what condition the TC sector is in. Cotton production has grown and the quality of cotton in Zambia has improved in recent years. Due to out-grower schemes offered by cotton companies, cotton farming is a significant source of employment in Zambia. However, the majority of Zambian cotton is exported to Europe and seems to be out of reach for Zambian TC industries. On the other side, the large export number could be explained by a large degree of foreign ownership over the private cotton companies that operate in Zambia. From 2000, the cotton industry has seen more government involvement. The Zambian government wants to promote and is planning cotton clusters for Zambia and the region to create linkages to the cotton-textile-garment value chain.

In contrast, the TC industry has steadily gone down since the 1980s until now. Although, the industry saw investments in the 1990s, trade liberalisation led to increased competition where many local industries as a result downsized or closed down. The remaining clothing industry seems to have opted for producing niche products. There is less than five textile manufacturers left in Zambia. Textile mills can in this way be seen as a bottleneck for the Zambian clothing industry. In addition, the remaining textile manufacturers are not able to compete according to price with Asian textile producers. From an estimate of employing over 25.000 Zambians in the TC industry in the 1980s, today the number is substantially less although not known.

The second part of this chapter explored market access for Zambian TC products, as trade is essential for the industry to grow and for economic development. Regional markets through SADC and COMESA offer potential for exports, regional links in industry and division of labour. However, these countries also struggle to compete in the international market due to trade liberalisation. Overlapping membership in COMESA and SADC, is also an obstacle to achieve regional integration, with conflicting goals and country level implementation problems. Compared to relative successful TC industries in South Africa, Mauritius and Kenya, Zambia cannot compete according to quality or price, which points to the need to specialise.

Potential international markets are provided under AGOA and EBA. AGOA has been disappointing for Zambia, as Zambian TC industry has not taken advantage of exporting under the agreement since 2000. The tenth AGOA forum was held in Zambia in 2011, seen as important for commercial and strategic relationships between the US and African countries. Concerns have been raised that the termination of the multi-fibre provision in 2012 and the expiration of AGOA preferential market in 2015 will create challenges for long-term investments in the TC industry in Zambia and for trade gains. Civil society and the US are however pushing for extending these deadlines to 2022 for the multi-fibre provision, and to 2025 for the AGOA preferential market. The market provided under EBA, has been disappointing for Zambia due to complex rules of origin.

For export of Zambian TC products, over ninety per cent cotton is exported from Zambia, going down from 98 per cent in 2007. The EU is the leading destination for Zambian cotton. Furthermore, in 2007 Zambia's leading export markets for niche products were to neighbouring countries such as the DRC, Malawi, Zimbabwe, Tanzania and South Africa. In March 2011, the TC industry contributed little to the overall export from Zambia. For imported inputs to the Zambian

TC industry in 2007, more than a half consisted of woven fabrics from suppliers as India and China. Apart from small amounts of cotton yarn, cotton/polyester and acrylic yarns, all other inputs used in the Zambian TC industry are imported. This shows that although Zambia is a significant cotton producer, it lacks the textile industry to fill the gap currently filled by imported inputs.

Thirdly, this chapter highlighted some of the factors that create challenges for growth of the Zambian TC industry. Due to trade liberalisation, import of TC products has taken over a large market share of the Zambian TC market. On one side, imports of cheap TC products increase job opportunities in retail, while the downside are increased informal employment and increased competition towards national TC industry. Besides policy inconsistency, poor infrastructure and low credit available among Zambians, the TC industry suffers from lack of investments. Outdated technology also restrains the productivity of the Zambian TC industry, as with poor quality of fabrics you will fail to produce high quality garments. The result is that domestic production of garments in Zambia remains in the country or is exported to neighbouring countries, as internationally these garments cannot compete on price or quality. In addition, African producers loose millions on regional trade due to high boarder costs within Africa. Zambia is also ranked to have low worker productivity. As for trade unions, these have not make a substantial impact on the industry.

The US, China and some developing countries are protecting or subsidising the cotton-textile-garment value chain. Zambia compared, needs to cut labour costs in order to compete towards those who subsidises cotton. This paper found that protectionist policies would be unlikely to build the Zambian TC industry for at least four reasons. The first is that protectionist policies will be unlikely because of the history of nationalism under President Kaunda, which was marked with a race to the bottom in Zambia. Although, nationalism does not necessarily involve protectionism, the impact of protectionism and import substitution in Zambia is linked to a memory of limited product rages in shops and food riots. Secondly, protectionist policies are unlikely as the Zambian government has committed to a liberal economy. Protectionist policies will act as a disincentive for attracting investors to the TC industry. Thirdly, if the Zambian government were to create policies to protect the TC industry from import, they would face a backlash from Zambians in formal and informal sectors, as TC prices would go up. The typical consumer wants to buy affordable textiles and garments. Finally, the membership in WTO as highlighted in chapter three, restricts the possibility to protect the national TC industry.

Zambia has not been able to produce TC cost effective compared to other countries already before market liberalisation. Although, some countries have removed taxes and quotas on goods from LDCs to increase trade and fight poverty, Zambia is not able to translate the market access into trade gain. The country remains a cotton producer for TC industry in other countries, while Zambia buys back inputs and finished products. In other words, there are limited industrial links within the cotton-textile-garment value chain in Zambia. In this way, Zambia loose out in terms of employment creation, value addition to cotton, market creation of TC products and state revenue.

CHAPTER FIVE: Chinese investments in the TC industry in Zambia.

5.1. Introduction.

As seen in chapter four, the Zambian TC industry has contracted and its current contribution to employment creation and state revenue is limited for national development and poverty alleviation efforts. Findings during fieldwork in Zambia, did not support evidence of current TC manufacturing under Chinese investors. As a result, this chapter will review the Chinese investments that have been identified within the Zambian TC sector. The Zambia China Mulungushi Textiles (ZCMT[150]) initially built by Chinese aid between 1977 and 1981, operated from 1997 to 2007 as a joint venture between the Zambian government and the Qingdao Corporation. The ZCMT closed in 2007, and does not contribute to economic development. Yet, the reasons for the closure will be explored in greater detail, as it may provide insights to earlier raised questions of impact on economic development. Secondly, this chapter will look at the Lusaka East MFEZ, as the first Chinese light industrial zone in Zambia that currently is under planning and construction. In this relation, this section will review the information available on the zone so far, with reference to how it is expected to benefit the Zambian economy.

5.2. The Zambia China Mulungushi Textiles (ZCMT).

5.2.1. Joint Venture Partnership (1997-2007).

In 1995, the Chinese vice-premier Zhu Rongji suggested to turn the Mulungushi factory into a Zambia-China joint venture, to bring the factory back to life[151]. After negotiations with the Zambian government, the outstanding loan of the initial investment in the factory in 1982, plus USD 1.5 million in additional capital for overhaul of the factory, was turned into a 66 per cent stake in the company (Muneku, 2009:171; The People’s Daily, November 27, 2003). The investment to rehabilitate the Mulungushi factory was provided by the Qingdao Textile Corporation, a Chinese SOE, and the name changed to Zambia-China Mulungushi Textiles Joint Venture Limited (ZCMT) (Brooks, 2010:114). The Qingdao Textile Corporation is from the Qingdao City Centre of intensive clothing manufacturing on China's eastern seaboard (Brooks, 2010). The Chinese company can be

[150] Earlier in this paper the factory is called Mulungishi Textiles. Officially the Mulungishi Textiles changed name to Zambia China Mulungushi Textiles (ZCMT) in 1997 (Brooks, 2010).

[151] From1982 to 1996 the Mulungushi Textiles was a parastatal company, where the Zambian government held 98 per cent and the rest was privately owned (Mwanawina, 2008:6). The People’s Daily (November 27, 2003) notes Chinese experts assisted the Zambian government, but withdrew due to the macroeconomic situation in 1994. Muneku (2009:171) and Koyi (2007) argue that Mulungushi Textiles closed already in 1994, due to the deteriorating economic situation and mismanagement prevailing in Zambia. The Zambian government also owed debt that was not being served (Muneku, 2009).

highly regarded as a mature industrial actor, as the company is over a century old (Qingdao Textiles Webpage, 2011). The Zambian part of 34 per cent, was held through the Ministry of Defence. To ensure the new joint venture had enough operating funds, Yuan 200 million in low interest loan was provided (The People's Daily, November 27, 2003). Kabwe Business News (Third edition, 2010) notes the recapitalisation was arranged through investment of USD 24 million, obtained from Exim Bank of China.

Qingdao's investment in the Mulungushi Textile factory was initially welcomed and seen as a fresh localised opportunity for development, social transformation and modernity in Kabwe, as the investment was associated with re-employment and new employment at the factory (Brooks, 2010:119). Kabwe[152] had been a mining centre that declined economically and socially as major industrial and mining activities decreased in the 1980s and 1990s, bringing unemployment and social dislocation. The Chinese investments in Mulungushi Textiles came at a time when other international investors were reluctant to commit to the declining Zambian economy (Brooks, 2010:115). ZCMT reopened in 1997, at a time when Chinese corporations invested in African textile industries (Melber, 2007). According to van Dijk (2009c:167) it was clear already in 1997 that the MFA was set to expire in 2005, meaning the end of exporting under quota restrictions. China was one of the countries anticipating this event by investing heavily in production capacity in African countries (ibid). On the other hand, Brooks (2010) notes an incentive for Qingdao's investment in the Mulungushi Textiles may have been trade agreements such as AGOA and EBA, giving African clothing preferential access to Western consumer markets. In this way, the Qingdao Textile Corporation can be seen as building capacity to take advantage of the trade preferences and markets offered to Zambian TC products.

At the ZCMT, it was agreed that the positions of chairman of the board of directors, general managers and all main positions would be held by Chinese nationals (The People's Daily, November 27, 2003; Taylor, 2006). From January 1997, about thirty management and technical staff from the Qingdao Textile Corporation came to Zambia, using about twenty days to restart the factory, drafting new rules and regulations, repairing equipment and recruiting workers.

After the resumption of production at the ZCMT, the first problems at the factory were poor product quality, low efficiency, insufficient varieties of products and long delivery periods. This pointed to the need for replacing outdated equipment and technology. Over the first six years, the company spent about USD 20 million on new spinning, weaving, dyeing and printing machines plus computer auxiliary design systems, which greatly improved the quality and variety of products

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[152] Kabwe is the provincial capital of Central Province, a large dusty town in the middle of Zambia with a population of approximately 250.000 (Brooks, 2010:114).

(ibid). The second problem for the ZCMT, was supplying cotton for the factory. Monopoly over the raw cotton market in Zambia, made it difficult for ZCMT to source it at a reasonable price locally, forcing the factory to import cotton from Tanzania, which resulted in much higher costs. The problem of sourcing reasonable priced cotton for the ZCMT was solved in 1998, as the ZCMT moved into cotton production (ibid).

Chinese investors at the ZCMT solved problems of cost and efficiency, by creating industrial links to the ZCMT. With the ZCMT, came projects to streamline production by forming downstream companies to obtain control over the factors in textile production (ibid). By 2003, the Daily Mail Zambia (November 10, 2003) reported that the Zambian MCTI and the Qingdao municipal government in China signed four protocols in the areas of textile, fertiliser production, industrial park and a joint venture ginnery, with the establishment of the Mulungushi Industrial Park located within the land of the ZCMT. The Zambian government pledged to support the project by creating preferential conditions and policy support for the development of the park. China on the other hand, encouraged business community and individuals in Qingdao to make investments in the Mulungushi Industrial Park (ibid).

Within a couple of years, the ZCMT became Zambia's largest textile company (Kragelund and van Dijk, 2009:94). In addition, the ZCMT was the only company in Zambia that were growing cotton seed, doing ginning and spinning, weaved yarn into cloth and produced garments. The factory had two ginneries and contracted 5.000 farmers, controlling 10.000 hectares of cotton farms (ibid). Furthermore, the ZCMT opened the companies presented in the list underneath as its subsidiaries (Kabwe Business News, 2010:12):

- Mulungushi Textiles Development Company Limited
- Mulungushi Cotton and Cooking Oil Company Limited
- Mulungushi Garments
- Flamingo Bedding Company Limited
- International Trade Centre
- Chipata Cotton Company Ltd[153]

These companies were involved in purchasing raw cotton, processing cotton seed, manufacturing textiles and related products. The ZCMT also produced drills, poplins and loom state to add value to its basic textile products. The company also started manufacturing readymade shirts,

[153] The Chipata Cotton Company Limited in Easter Province, was a ginnery joint venture between the Chinese company Qingdao Textile Company Limited and the Indian/Zambian company Nyimba Group of Companies Limited of Eastern Province, set to produce cotton and its by-products (The Daily Mail Zambia, November 10, 2003). The financial contribution by both investors was at USD 1.1 million. The Chinese held 72,73 per cent in cash and equipment while the Indian/Zambian part held 27,27 per cent in cash, land warehouses and other facilities. The company's annual capacity in 2003 was 12.000 to 15.000 tonnes of cotton seed (ibid). Mwanawina (2008:18) notes the Chipata Cotton Company was established as a response to the Zambian government’s encouragement of rural development.

shorts, bed sheets, modern khaki fabrics, and the African cotton fabric called chitenge for local and foreign markets (ibid). The ZCMT's main activity was the production of chitenge[154], commonly used all over Africa and among the African diaspora (Kragelund and van Dijk, 2009:94). The ZCMT provided cotton farmers with out-grower schemes[155], in return the farmers sold cotton to the ZCMT (People's Daily, November 27, 2003). By 2002, the ZCMT had become the third largest cotton purchaser in Zambia, buying 9.000 tonnes of cotton in 2002 and 5.000 tonnes in 2003. In addition to meet own demand for cotton, the ZCMT exported 2.000 tonnes of cotton from 2002 to 2003 due to high demand in China (ibid).

Domestic markets were reached through retail markets in Kabwe, Chipata, Lusaka, Kasama, Solwezi and through a number of satellite shops (Kabwe Business News, 2010:12). Through a marketing network, the ZCMT products reached the sub region to countries such as Mozambique, Malawi and Zimbabwe. The ZCMT had 18 stores around Zambia, with two subsidiary companies in Tanzania and Namibia (People's Daily, November 27, 2003). To further generate foreign exchange, the ZCMT exported fabrics to Botswana, Malawi, Mozambique, Tanzania and Zimbabwe while exporting raw cotton to China (People's Daily, November 27, 2003; Naumann, 2002).

The only record of ZCMT taking advantage of AGOA was in 2000, when delivering 11.000 shorts to the US (Brooks, 2010). In 2003, an agreement with Wyler Team International Corporation[156] was reached, to jointly finance the expansion of the garment factory to increase capacity to monthly produce 100.000 pants for export to the US market (People's Daily, November 27, 2003; Taylor 2006:178). The Mulungushi Garment Company pledged to make full use of AGOA and improve the quality of garments produced in Zambia, for local consumption and for the export market (ibid). In despite, the export under AGOA in 2000 is recorded as the largest single export of textile products to the US by a Zambian company (Brooks, 2010). The ZCMT has historically been the largest TC manufacturing cluster set up in Zambia, and hence the only company with capacity to produce according to a big scale and after international standards. There are no records of TC export under AGOA after 2000.

Chinese investors pulled out of the factory and the ZCMT ceased production in December 2006, while workers were retrenched between November 2006 and February 2007 (Brooks, 2010). The reasons for the ZCMT closure are still discussed. According to Brooks (2010:129) Thomas

[154] Chitenge is very versatile, and used for as a wrap to protect clothes, baby carriers, dresses, men's suits and many other household uses (Hansen, 2000).
[155] Similar to out-growing schemes under Dunavant Cotton Limited, providing credit to farmers and access to seeds, fertilisers and pesticides and in return buy back the cotton produced from the farmers.
[156] Wyler Team International Corporation is an agent of the retail giant Wal-Mart.

Muwowo, the Secretary of the Kabwe Chamber of Commerce said: “We do not even know what went wrong, even as a Chamber we do not have insights to what caused the closure.” The Kabwe Business News (2010:12) notes the original problem of under capitalisation[157] persisted at the ZCMT under Chinese management. A CSO interviewee argues industrial unrest from two levels caused the factory to close (Interview 2). One, workers laid off while the factory was under the Zambian government, were by law entitled to get paid. As these former workers were not paid, they put pressure on the new Chinese owners. At the same time, the workforce that had remained employed at the factory under Chinese management, started to push for better wages and terms of employment (ibid). The factory needed to improve existing equipment and was not back on its feet, before the workers started demanding (Interview 2; Brooks, 2010:115).

Another factor explaining the closure of the ZCMT, is that competition from international clothing and textile sources made business unsustainable (Brooks, 2010:115). The ZCMT’s textiles and garments competed towards cheap imports, and the ZCMT failed to cut production costs enough for production to become profitable. Producing in the context of a free market and international competition forces about a specific type of labour structure, to keep costs low and effectiveness up (ibid). Brooks (2010:119) argues due to Chinese experiences with socialist models in China, Chinese investors at the ZCMT introduced labour reforms to casualise the workforce and to strictly discipline the workplace. These labour reforms, rather than welfare policies and a high wage model, were seen as the key to run an efficient capitalistic enterprise and a prerequisite for developing a profitable business (ibid). Furthermore, the experience of lower working conditions and more repressive labour methods would allow the Chinese investors to realise more profitable opportunities in the existing technology in the factory, compared to their Zambian counterparts (Brooks, 2010:125).

An informant in Lusaka notes that the quality of products from the ZCMT after the Chinese take-over declined, and the ZCMT factory store outlet in Lusaka experienced that printed textiles faded and were of lower durability than previously (Interview 1). Brooks (2010:130) explains that the Zambian government had allowed the Qingdao Textile Company to export higher-quality ginned cotton to China through Mulungushi Cotton. In this way, the Qingdao Textile Corporation supported China’s great demand for cotton, while importing duty-free spare parts from China for the ZCMT factory. On the other hand, consumer items such as clothing and televisions were reported covertly imported from China and sold in Chinese-owned shops that used the Mulungushi

[157] Under capitalisation was also the situation when the Mulungushi Textiles was run by the Zambian government (Koyi, 2007). Under capitalisation refers to a situation where a company has insufficient capital in relation to its current or expected activity (Encyclo Online Encyclopedia, 2011).

name. Furthermore, cotton used at the ZCMT was of lower quality than what exported to China (ibid). Brooks (2010:130) argues that these trading strategies carried out through the ZCMT and Mulungushi Cotton developed into new structural means for surplus extraction, where the Chinese management extracted profits from Zambia to the parent Qingdao Corporation in China.

Koyi (2007:269) argues Chinese investments in the ZCMT were presented as an intervention to revive a collapsed factory, but was in reality a case of systematic quota hopping. Furthermore, the Chinese investments in the ZCMT provided the Qingdao Corporation with an export market for the produced goods through AGOA (ibid). Van Dijk (2009c:168) explains that by the end of MFA in 2005, these factories built in an earlier era of Chinese aid were no longer needed. By late 2008, the temporary restrictions for Chinese TC products into the US and the EU's markets were removed (Brautigam, 2009:216; van Dijk, 2009c:168). China no longer needed to manufacture in African countries to take advantage of Africa's market access, as Chinese TC products could be exported directly to European and American markets (Brautigam, 2009). By 2008, production at the ZCMT factory was already history. According to the Daily Mail Zambia (November 22, 2011) the ZCMT factory remains a "white elephant" in Kabwe, which essentially means a failed aid project.

5.2.2. The issue of employment.

Brooks (2010:119) argues that the Chinese management casualised and disciplined the Mulungushi workforce through introducing a new work pattern, allowed safety standards to decline and Zambian workers wage expectation were not met. Based on Brooks (2010) detailed ethnographic research among ex-factory workers at the ZCMT, working conditions and low wages are highlighted as key issues to explain the closure of the fabric. Furthermore, in the highly competitive and labour intensive world of garment industry, the maintenance of profit levels translates into cut in labour costs as well as deteriorating working conditions (Brooks, 2010:116). Brautigam (2009:190,193) argues that only through a sustained period of industrial transition, a country can move from low to higher income. Moreover, this stage of industrial production is universally dirty, characterised by unsafe machinery, accidents, long hours, low wages and few rights for workers (ibid).

The Chinese expanded the workforce from approximately 600 in 1997 to between 1200 to 1800 employees (Brooks, 2010:121). While Muneku (2009:167) notes that at the peak of production the factory employed about 2000 workers, while by the time of closure in 2007 a number of 583 workers remained. By the time of reopening in 1997, employees were divided into two occupational categories of "permanents" and "casuals" (Brooks, 2010:121). About 600 to 700

Zambians served on permanent terms, while approximately 1000 new workers were employed on a casual basis. It was mainly long serving, skilled and experienced employees that were reemployed at ZCMT under the Chinese managements category of permanent employment (ibid). The casual employment conditions neglected social wage, workers would lose pay for sick days and could get fired without notice (Brooks, 2010). Conditions documented as prevalent also in factories in China (ibid; Brautigam, 2009; Baah and Jauch, 2009).

The casual conditions of employment and low wages were not used while the Mulungushi Textiles was under Zambian management, which represented the frame of reference for the permanent workers at the ZCMT[158]. Under the Chinese management, the industrial model was based on capitalism and a labour system that suited profitable production. In the competitive environment of the global TC industry, the Chinese management had to take measures to make sure the investments carried fruits at the ZCMT. These measures included casualisation and low wages, to become profitable in the liberal international market. Brooks (2010:123) notes that the Chinese management, as a new cultural group to Zambia, did not conform to the Zambian vision of a modern or socialist industrial society.

Through law, the ZCMT employees should be granted permanent status after six months of employment, but workers at the ZCMT spent up to ten years on casual basis (Brooks, 2010:121[159]). Brooks (2010) notes the trend between 1997 and 2006 were that Chinese managers gradually retrenched permanent workers, leaving the workforce to become increasingly casualised. This is not seen as a positive development, as casual employment in reality can be compared to informal employment without access to basic services and protection at the workplace.

The basic need basket is calculated by the Jesuit College of Theological Reflection (JCTR), and set to require Kwacha 917.140 per month[160] to cover the basic costs of essential food and to live with a decent healthy lifestyle for an average sized family of six living in Kabwe (JCTR, 2006). Wages paid to both permanent and casual workers at the ZCMT were well below the amount for a basic need basket (Brooks, 2010:121). Wages could be delayed or retained, overtime could go unpaid, leaving employees at the ZCMT to seek additional alternative employment, as a part of a household's livelihood survival strategy. Brooks (2010:119) argues Chinese managers compared to Zambian workers at the ZCMT, enjoyed high wage levels. Zambian supervisors, permanent and

[158] Under the Zambian government workers were entitled to high wage levels, and an extensive welfare policy that supported employees with such as housing, education and health care (Brooks, 2010:123). In addition, the TC industry was highly protected and subsidised as an industrial model of a socialist state. The Mulungushi Textiles under the Zambian government was unable to restructure the labour force or maintain the factory as a profitable business, and in the increasingly competitive marketplace was forced to close in 1996 (ibid).

[159] From the Ministry of Defence, Zambia (2007) “Report of Inter-Ministerial Technical Committee for Labour Reduction at ZCMT” cited in Brooks (2010:121).

[160] Kwacha 917.140 is about USD 175.

casual workers complained of having low wages, even though it seems to be slightly better for Zambians employed on a permanent basis (ibid).

A Zambian supervisor at the factory claimed that with low wages, how could you expect employees to work harder, and highlights difficulties in disciplining the labour at the factory (Brooks, 2010:126). Low wages, bad working conditions and unmet expectations of modernity were identified at the ZCMT, where the Qingdao Corporation's investment failed to deliver local economic growth and material benefit. The Chinese management was coded as "bad" and "racist" by workers attempting to make sense of the relationship and the new organisation of labour at the factory (ibid). Permanent employees at the ZCMT were formally represented by the Zambia China Mulungushi Textiles Union (ZCMTU), although the union did not succeed to improve labour conditions (Brooks, 2010:128). The casual employed was not represented by the ZCMTU, although casual workers still attempted to negotiate better terms of employment with the Chinese management, without any luck. Strikes made little material effect up until 2006, but were important demonstrations of the discontent felt by the workers (ibid).

In June 2006, prior to the election in October 2006, the labour struggle changed as a national minimum wage was introduced, requiring all employers to pay at least Kwacha 268.000[161] a month (Brooks, 2010:128[162]). The ZCMT paid their casual workers less than Kwacha 268. 000, which in 2006 became an illegal act. This gave workers at the factory a new incentive for demanding the abolishment of labour practices that were coded as exploitative and abusive. The opposition leader Michael Sata also up-played the issue of low wages, late payments and safety records by Chinese firms (ibid). Brooks (2010:128,129) describes the strikes after 2006 as highly violent and on bigger scale than previous labour unrest, marked with roadblocks around the factory, petrol-fuelled barricades and workers fighting with the police. It is important to note the protest expanded beyond complaints about the Chinese management, to anger towards the government of Zambia and MMD politicians. The Chinese management's answer to the protests was to make payments of Kwacha 268.000 to ZCMT workers and then to reopen the factory (ibid).

Efforts to suppress wages still continued, where unjustified deductions were made from wages, leaving the workers to feel cheated and the labour unrest was re-ignited. In December 2006, the ZCMT ceased production, while workers were retrenched up until February 2007 (Brooks, 2010:129). Many workers hoped for compensation payments or opportunities for future re-employment on better terms at the factory (ibid). From time to time, there are rumours saying that the ZCMT factory will be reopened, although it remains closed in 2011.

[161] Kwacha 268.000 represents USD 74 (Brooks, 2010:128).
[162] From the government of Zambia (2006) "The Minimum Wages and Conditions on employment Act", Statutory Instrument No. 56 of 2006, Laws, 15:276, cited in Brooks (2010:128).

5.2.3. Skill transfer at the ZCMT.

The Chinese management ran the ZCMT 24 hours a day, with three consecutive eight hour shifts, which became unpopular among the workers. The Chinese rationale for introducing new shifts was that machines lost value whenever they were not put to use by the work force (Brooks, 2010:124). The casual labour system became a way for the Chinese management to organise labour around skills. The occupational category of a permanent workforce was used as an instrument to select and maintain skilled and experienced labour necessary for the factory's system of production, while the casual workforce could be readily replaced (Brooks, 2010:122). These occupational categories were highly socially constructed (ibid).

Chinese managers determined the social environment and exerted a moral influence of behaviour to increase production at the ZCMT (Brooks, 2010:123). Casual workers experienced to preform repetitive activities at the factory, while the permanent workforce had more challenging and stimulating activities. The majority of casual workers were preforming low-skilled and highly repetitive jobs, such as machine operators of the spinning and weaving machinery (Brooks, 2010:124). Permanent employees were occupied with more skilled work, such as engravers, fitters and office workers, which went further in meeting their expectation of formal employment. This illustrates how technology could be utilised to express a socially exploitative relationship between management and workers (ibid). By using a casualised low-skilled labour system in a context of high unemployment and with weak legal protection for worker, unproductive workers could easily be replaced to suppress costs and to expand production (Brooks, 2010:125). In this way, the existing spinning and weaving machinery provided an opportunity for greater control and discipline over the machine operators, to increase productivity and profitability (ibid).

Workers were closely supervised, where movement was severely restricted (Brooks, 2010:123). Workers at the ZCMT described working under the Chinese management as boring, and associated with being treated as school children or slaves (ibid). Experiences at the ZCMT show that when working for the Chinese, you become like a machine and can only rest when the machine has a fault (Brooks, 2010:124). In other words, it seems as casualised workers was treated as machines themselves and experiences with working at the ZCMT did not meet their expectations of formal employment, nor did it imbue their lives with dignity (Brooks, 2010:124). In addition, workers at the ZCMT complained about working without safety equipment or training, which in essence led to several accidents at the factory under the Chinese management (Brooks, 2010).

The casual labour system was not the only way the Chinese management organised labour, but also according to culture and race. Brooks (2010:126) argue that the Chinese interactions with

Zambian employees were limited and the Chinese were reported to be living in a isolated compound. Furthermore, Chinese supervisors supervised all overall production and dictated a strict work regime, although the Chinese staff changed regularly. Most of the immediate supervising was done by Zambians, which received far lower wages than the Chinese staff (ibid).

In essence, the Chinese management introduced a labour system at the ZCMT, which facilitated very limited transfers of skills to Zambian workers. Restrictions on the workplace, repetitive jobs and limited interaction with Chinese management, do not support evidence of skill transfer to Zambian workers.

5.2.4. Current situation.

The closure of ZCMT also resulted in problems for the companies established down streams, as most of them closed. The Mulungushi Cotton and Cooking Oil Company Limited still operate and export cotton to China (Brooks, 2010:120). The Post Zambia (June 26, 2011) notes the Chipata Cotton Company still operates, but workers are complaining of low wages and bad working conditions. Mwanawina (2008:8) argues the Chinese investment in the cotton sector is yet to yield positive results and of concern is that these are still pure raw materials with little or no benefit to Zambia (Mwanawina 2008:8). Muneku (2009:166) argues Chinese imports from Zambia are mainly in the commodities copper and cotton[163]. Cotton has however not appeared in official statistics over export sources from Zambia in 2011 (CSOZ, 2011).

The Post of Zambia (January 26, 2011) wrote that the Chinese had turned the Mulungushi Textile factory into a piggery and poultry. The news site urTextile (January 27, 2011) writes that the Zambian government describes this as a false media report by Michael Sata. The Chinese government is still searching for a suitable textile company in to invest in the ZCMT, to replace obsolete equipment at the factory (ibid). Of the latest news articles writing that the factory is reopening, was the Lusaka Times (March 28, 2011). This was before the presidential election in October 2011, where President Banda announced negotiations of reopening a factory that employed many people in Kabwe (ibid). In this way, this can be seen as election talk to gather voters and popularity in the time before the national election. As seen during fieldwork in Zambia, employment creation was an important question prior to the election in October 2011. In any case, the ZCMT would still not be viable under the current market conditions and needs to solve problems of price, productivity and to attract investments to bring the ZCMT back on stream. As the US and the EU's temporary protectionist measures against Chinese TC products ended in 2008,

[163] There is no source or reference attached to this statement by Muneku (2009:166).

left Zambia's preferential market access to no longer be a motivation for Chinese investors to invest in Zambian TC industry.

5.3. Lusaka East Multi Facility Economic Zone (MFEZ).

The Lusaka East MFEZ is important as the first light industrial zone in Zambia. As seen in chapter two, investments in manufacturing industry is important for economic development. The MFEZ will focus on service and light industries[164], which include textiles and its supportive links (MOFCOM, May 13, 2011). In this way, Chinese investments in the Lusaka East MFEZ symbolises that Chinese actors interest reach beyond simply resource extraction.

The Lusaka East MFEZ is considered a sub-zone of the Chambishi MFEZ in the Copperbelt[165], inaugurated with USD 500 million in January 2009 close to the Lusaka International Airport[166] (Kragelund, 2009b:487). Kabange (2010) claims the establishment of Lusaka East MFEZ will spur the demand for air transport with modern facilities in Lusaka. Completion of the Master Plan for the Lusaka East MFEZ was wrapped up at the end of 2009, with construction scheduled to commence in 2010 (Kragelund, 2009b). During fieldwork, the Lusaka East MFEZ area was under preparation, as the land had been cleared and the process of building roads had begun. The Lusaka East MFEZ is supposed to be fully operational in 2011 (Kragelund, 2009b:487). Although, by the beginning of 2012 the zone is still not operational, but in the process of developing roads, office spaces and commercial units for the light industrial zone (Zambia Daily Mail, January 13, 2012).

As seen in the national plans in chapter three, the Zambian government consider MFEZs as a new economic strategy, where Zambian MFEZs regulations are developed separately from Chinese investors (Brautigam and Xiaoyang, 2010:38). Production and processing in the textile sector involve the processing of cotton, cotton yarn, fabric and garments. The textile sector is ranked as the fifth priority sector where the ZDA seek investors (MCTI, 2011:13). In this sense, the development of Lusaka East MFEZ is in line with Zambian priorities. The Chinese developers were among the first to take advantage of MFEZ incentives in Zambia, although not the only foreign investors.

The Lusaka East MFEZ will be setting up of a production base for domestic and export markets, a programme tailored to accelerate diversification of Zambia's export sector (Shout-

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[164] The other industries and services include International Trade Center Exhibition, International Logistics Center, Business Hotels and Luxury Hotels, Up-market Residence Development, Building Materials Wholesale Market, Grain and Oil Wholesale Market, Commodity Wholesale Market, Food Processing, Bonded Warehouse, Shopping Mall and Home Appliances Assembly (MOFCOM, May 13, 2011).
[165] The Chambishi MFEZ is of the first economic zones in Zambia and at an advanced stage of production (Kragelund, 2009b:487).
[166] The airport recently changed name to Kenneth Kaunda Airport.

Africa, August 11, 2010). The Zambian government has invited the private sector to grow the manufacturing sector through enhancing value addition, expanding of the manufacturing base, creating skilled jobs and increasing foreign exchange revenue (ibid). In addition, the Times of Zambia (July 19, 2011) notes that the government of Zambia has called on the Zambian business community to apply for MFEZ plots in the Lusaka East MFEZ.

The construction and development of the zone is done by the Zambia-China Trade and Economic Zone (ZCCZ), which has finalised the Master Plan specialising in value addition, light manufacturing activities and hospitality facilities (MCTI, 2011:15). The state owned China Non-ferrous Metal and Mining Group (CNMC), subsidiary of the Non-ferrous Metals Corporation Africa (NFC), plays a key role in managing the ZCCZ (Haglund, 2009). The CNMC is responsible for attracting investments for the zone, through encouraging the private sector in China (ibid). According to information given during fieldwork, the Lusaka City Council also has been involved in the process of developing the Master Plan for the zone[167]. In the lieu, the ZDA, the local Zambian government and the ZCCZ are involved in the process of developing the Master Plan for the Lusaka East MFEZ. This was confirmed by Brautigam and Xiaoyang (2011) who argue the host government, Chinese state owned enterprises and the Chinese government indirectly through creating incentives, are involved in the establishment of Chinese economic zones abroad.

Initially, the Zambian government suggested the Lusaka East MFEZ to be solely Chinese, but the Chinese government wanted a cocktail of companies investing in the MFEZ (Brautigam and Xiaoyang, 2010:42,43). In this way, Chinese developers have welcomed diversity to the zone and are helping to attract foreign investors on Zambia's behalf. Although, the CNMC's subsidiary companies will be major investors in the MFEZ, the CNMC also focus on attracting other nationalities to the Lusaka East MFEZ (ibid). Brautigam and Xiaoyang (2011) argue when economic zones are open to more nationalities, this may increase the technology and skill transfer. During fieldwork, a Zambian government interviewee noted that so far only Chinese private companies have been planned for the Lusaka East MFEZ (Interview 4).

Questions have been raised about the ability for local Zambians to take advantage of the Lusaka East MFEZ, as it proposes USD 500.000 in minimum investment to qualify for the MFEZ incentives and to set up a business (MCTI, 2011). The FOCAC Plan in 2009, pledged to facilitate African SMEs into the economic zones (Farole, 2011:6). Giannecchini (2011) suggests from experiences with economic zones in other African countries, that increased domestic involvement in these MFEZs beyond lower skilled employment and the supply of raw materials will remain quite low. Brauitgam and Xiaoyang (2010:47) note that too much local participation too early in the

[167] During fieldwork the researcher obtained the Master Plan for the Lusaka East MFEZ on a flash drive from a representative at the Lusaka City Council. Unfortunately, the document did open later on.

process of setting up a MFEZ, may hinder the ability for the zone to be successfully launched. Furthermore, yet training programmes are too short to enable African officials to acquire the skills needed to operate in the zones (Brauitgam and Xiaoyang, 2010:48). Giannecchini (2011:13) argues that locals rather should invest in links around the MFEZs, to provide supply links to the industries located within.

Steelguru news (August 11, 2011) writes the Chinese ambassador to Zambia, Zhaou Yuxiao, asked the ZCCZ developers to speed up the process of constructing the Lusaka East zone, to increase employment levels and establish East Asian industries that produce goods and services in Zambia. Furthermore, the establishment of MFEZs in Zambia has been possible due to Zambia's favourable policies and the positive macro-economic indicators in recent years have helped the economy to grow (ibid). When the Lusaka East MFEZ is complete, it may serve to transfer technology and generate local employment according to a Zambian government official (Interview 4). Yet as critics note, the MFEZ could turn out to be a tool to advance Chinese interest through manufacturing Zambia's natural resources, without links to African development objectives (Brauitgam and Xiaoyang, 2010:49). Giannecchini (2011:13) notes with few exceptions[168], economic zones in Africa have not succeeded. The Zambian government remains positive to the Lusaka East MFEZ, and in an interview with a Zambian government official he asked for a couple of years to show the benefit from setting up a production base for the cotton-textile-garment value chain in the country (Interview 4).

5.4. Conclusion.

This chapter has reviewed the Chinese investments identified within the TC sector in Zambia. Initially, the Chinese investments in the Mulungushi Textiles were seen as an opportunity for development, social transformation and employment, in a time where investors were reluctant to invest in Zambia. The factory became a joint venture, between the Chinese state owned company Qingdao Textile Corporation and the Zambian government in 1997.

The ZCMT solved problems of cost and efficiency by investing in machinery, reforming labour systems and by creating industrial links through opening subsidiary companies for the cotton-textile-garment value chain. A marketing network was set up in Zambia and the region. In 2000 the ZCMT took advantage of AGOA, delivering shorts to the US market. Although, an agreement was reached to increase the capacity to export to the US, the only record of clothing export under AGOA was in 2000.

[168] Mauritius being one of the exceptions (Giannecchini, 2011:13).

In late 2006 production at the ZCMT ceased, while worker were retrenched up until February 2007. There are several discussions to what caused the factory to close down. One explanation is that industrial unrest hit the factory from two levels. Ex-workers at the factory pressured the new Chinese management to get paid, as the previous owner had not. At the same time, workers at the ZCMT started pushing for better wages and terms of employment. The factory needed to improve existing equipment, and was not back on its feet before the workers started demanding. Another explanation for the closure of the ZCMT, is that when the restrictions of Chinese TC into the US and EU markets ended in late 2008, meant that Chinese investors did not need Zambia's market access for TC to reach Western markets. In other words, the investment at the ZCMT is argued to be a case of systematic quota hopping for Chinese investors. Competition from international clothing and textile sources also made business unsustainable in Zambia. The Chinese investors were not able to structure labour to the extent that production became profitable. The quality of the ZCMT products degraded, the Qingdao exported higher quality ginned cotton to China and consumer goods were imported from China and sold in shops with the ZCMT name. This is argued to be means of surplus extraction to the parent Qingdao Corporation.

The terms of employment at the ZCMT are of relevance to explain the closure of the factory. The Chinese management introduced a new work pattern with permanent and casual workers. The permanent workforce was mainly re-employed from working at the factory prior to 1997, while the category of casual workers were gradually expanded and included unskilled workers. The wage levels were low and could go unpaid, leaving some employees at the ZCMT to seek alternative employment to ensure a livelihood. Trade unions did not succeed to improve the labour conditions and strikes made little effect until the minimum wage was introduced in 2006, making wage levels at the ZCMT illegal. After 2006, strikes became more violent and on a bigger scale, signalling that Zambian workers opposed the labour system at the factory. The Chinese management made payments to the workers, but efforts to suppress wages still persisted up until closure in 2007.

For transfer of skills, there were investments in technology and machines at the factory. although few records of knowledge transfer. The Chinese management asserted strong moral influence to increase production and workers were closely supervised. The casual labour system became a way to organise labour around skills, where the majority of casual workers were preforming low skilled and highly repetitive jobs. Concerning the working environment, workers at ZCMT complained about lack of safety equipment and training, leading to several accidents at the factory. A casaulised low-skilled labour system in a context of high unemployment and with weak legal protection for workers, meant that unproductive workers could be easily replaced. In this way, the Chinese management used technological and social systems to produce new structures of labour processes to suppress costs, increase profitability and productivity.

The remaining subsidiaries after the ZCMT closed were the Mulungushi Cotton and Cooking Oil Company Limited and Chipata Cotton. Of concern, is that the remaining companies produce raw materials with little benefit to Zambia. From time to time, rumours circulate about the ZCMT reopening. This depends on investors, as the Zambian government still is in debt. It is also questionable to what extent the ZCMT will receive investments under the current market environment for TC products in Zambia.

Secondly, chapter five looked at the Lusaka East MFEZ, the first Chinese light industrial zone in Zambia. The Lusaka MFEZ can be seen as a symbol that Chinese investments range beyond natural resource extraction. Inaugurated in 2009, the zone is currently being built, although not operational in early 2012. The MFEZ incentives provided by the Zambian government are important to build structures to attract investors to Zambia. The ZCCZ has finalised the master plan, where the state owned CNMC play a key role in attracting investors for the zone through encouraging the private sector. On the other hand, also the Lusaka City Council and the ZDA plays a key role in developing the Master Plan.

The Lusaka East MFEZ is open to all investors, but currently only Chinese companies are planned for the site. Although MFEZs regulations in Zambia do not discriminate between investors, it will be difficult for locals to participate, as the minimum investment required is USD 500.000. Furthermore, too much local participation in the early process may hinder a successful launch and increased domestic involvement in MFEZs beyond lower skilled employment and the supply of raw materials can be seen as unrealistic. The Lusaka East MFEZ may serve to transfer technology and generate local employment. Yet, as critics note, the MFEZ could turn out to be a tool to advance Chinese interests through manufacturing Zambia's natural resources, without links to African development objectives. As the Lusaka East MFEZ is not complete, it is left to see how successful the zone is in building the Zambian TC industry and contribute to economic development.

CHAPTER SIX: Conclusion.

6.1. Findings.

In the context of development, Chinese actors commitment to FDI and industry in African countries offer an alternative to development cooperation. Current debates highlight that Chinese engagement in African countries no longer is dominated by resource extraction, as the majority of investment projects is in the manufacturing sector. The Chinese government encourages and promotes overseas activities of SOEs, the private sector and individuals to support domestic development in China, by providing incentives for mature and less competitive industrial activities such as TC industry abroad.

Chinese FDI is confined to all sectors of the Zambian economy. The Zambian economy has grown in recent years, although challenges persist to create employment and to reduce poverty. This paper set out to explore how Chinese investments in the Zambian TC industry impact economic development in Zambia. With background in the literature, economic development is measured out of four elements namely; (i) formal employment creation; (ii) skill and technology transfer; (iii) state revenue; and (iv) market creation.

As seen in chapter two, industrialisation is considered to play an important part in development and through history seen as a precondition to take part in the global economy. The TC industry, as a sub sector of the manufacturing sector, is considered as the first step into industrialisation for developing countries. The West provides little assistance to industry, but has historically influenced development approaches in Africa. Through SAPs from the 1980s, Western countries has suggested service delivery by the private sector and reduced African leaders influence over development.

African countries are capital scarce and thus dependent on investments to develop their manufacturing sector, for employment creation and to reduce poverty. The Chinese government's approach to development assistance includes a mix of FDI, trade and aid. This approach is based on experiences with investments and aid in African industry from the 1960s, and by 2000s intensified by Chinese state institutions. Through providing incentives for different Chinese actors to establish business abroad, the Chinese government builds a long-term relationship with African countries. The Chinese experiences with industrial clusters, the establishment of economic zones and the commitment to FDI, offer African countries opportunities to industrialise.

Zambia as a LDC, has a set of contextual factors that impact the speed and level of industrialisation. The level of industry remains low in Africa, but is making its way back on the agenda for African leaders. The dependence on copper in Zambia, led to the need of diversifying the economic base to reduce impact of external price shocks on the national economy. Chapter two has shown that industrialisation through the TC industry could be one option to diversify the economic base, create economic development and for poverty reduction in Zambia.

The manufacturing industry relates to development because it adds value to natural resources and contributes to a higher income base for a country. The TC sector located under light-industry is of significance as; (i) labour intensive; (ii) having low capital requirements; (iii) employing women and men; (iv) can make use of cotton; (v) creating backward and forward links in the economy; (vi) offering learning opportunities and possibility to upgrade; (vii) require only basic skills; and lastly (viii) offer opportunity for trade. In these ways, investments in the TC industry in Zambia will possibly impact economic development.

The aim of this study is to expand on previous research, by examining the role Chinese investments has on one specific sub-sector of the economy. This study is based on primary data gathered during fieldwork in Zambia in June 2011, in addition to secondary data used throughout the research period. Most of the primary research data were collected through observation, unstructured and semi-structured interviews, which include 14 interviews divided on government officials (3), academics in Lusaka (4), representatives from the cotton-textile-garment industry in Zambia (5) and civil society organisations (2)[169]. Additional data from fieldwork were gathered from the Norwegian embassy, through newspapers, using collective transport, walks in informal markets around Lusaka and through helpful people at the University of Zambia (UNZA). This research has also benefitted from reports provided by the Ministry of Commerce, Trade and Industry (MCTI) in Zambia and from publications from the Centre for Trade Policy and Development (CTPD), the company Dunavant Cotton Limited Zambia, the research institution Friedrich Ebert Stiftung in Lusaka and the African Labour Research Network.

Only parts of the interview guide was used, as this study found no current TC manufacturing under Chinese investors. As a result, this research does not include interviews from Chinese investors, or workers in the TC industry under Chinese management. This led to the need to explore reasons for the low levels of investments in the Zambian TC industry. Chinese institutions in Zambia were contacted during fieldwork, although the researcher was unable to get an interview[170]. As a result, the initial hypotheses this paper started with, can only be tested on the ZCMT as a case of what we can learn. The Lusaka East MFEZ is currently being built, and only some of the

[169] During fieldwork there was no record of trade unions for the TC industry. The trade union for the TC industry in Zambia is currently under the Association of Manufacturers, which did not have the last information about the industry, and is therefore not included.

[170] One explanation may be that ex-President Chiluba also died during fieldwork, and over one week was declared national mourning including several official duties for embassy personnel etc.

hypotheses will be tested with reference to how the zone is expected to benefit the Zambian economy.

Chapter three shows that from 2004, the Zambian government committed to private sector development and FDI for economic development in the country. FDI is seen as important as it brings technology transfer, access to international markets and employment creation. Zambia's investment climate has improved in recent years and the government is in the process of developing policies and structures to attract investors. Chinese FDI is seen as important due to the mix of actors, which is argued to have a longer time horizon than FDI from Western firms. Both FDI and the membership in WTO are external factors that impact the growth of the TC sector. The TRIMs has restricted the possibility to protect the Zambian TC industry and the MFA ending has led to trade liberalisation in TC. Furthermore, FDI is not perceived to be enough to guarantee economic growth, where national plans in Zambia are essential frameworks and priorities to bring improvement in the economy.

Through looking at national plans from 2006 to 2016, chapter three found that the TC industry recorded a drop in export from 2000 onwards, which shows that the industry was struggling already prior to trade liberalisation in 2005. The Zambian TC industries were loosing not only domestic markets, but also their limited export markets, explained by the rise of costs for import, external debt increased, the currency depreciated and because of increased import of textiles and clothes. The manufacturing sector declined from 5.8 per cent to 2.5 per cent from 2006 to 2009, explained by dropping productivity in textile and clothing manufacturing. Dropping productivity and failure of Zambian TC products to compete, have caused significant reduction of export to regional and international markets.

Key policies under the FNDP, were relatively on a general level and focused on improving the regulatory framework, remove administrative barriers to establishing business, assisting with finance to the private sector and MFEZs. Zambia is currently in the process of implementing the SNDP (2011-2016). Although, it seems as the SNDP also lacks clear targets for employment creation and strategies to build the TC industry, as it handles the manufacturing sector on a general level.

Interviews with academia in Lusaka highlighted some key points to why the FNDP failed to promote development of the TC industry. First, the tools and strategies of implementing the policies in the FNDP were to general and did not filter down to implementation of specific sub sectors. Employment is the theme of the FNDP, but no institution had a clear mandate to drive employment creation. Ultimately, the FNDP was not clear in provision of sectors responsible for employment creation or how much employment it intended to create. Through the government of Zambia's private sector development focus, the thrust of employment creation is put on the private sector. An academic interviewee highlighted that the main task for the private sector is not to create jobs, but to ensure that business in viable. Another factor explaining the stagnant position of the manufacturing sector is that it consists of MSMEs, which receives little incentives from the Zambian government.

The ZDA is an important institution to reduce bureaucratic procedures and to facilitate foreign investments to Zambia. The ZDA governs FDI, regulates and provide incentives for the MFEZs, while facilitates and supports SMEs. The MFEZ incentive is special zones for export oriented and domestic oriented businesses, to catalyse industrial and economic development through the manufacturing sector, seen as a short cut for development. Some improvements is seen in the legislative side of ZDA, were the investor need to demonstrate according to the Qualification Criteria (The ZDA Act of 2006) how the Zambian economy will benefit from FDI. Investors are open to suggest areas for MFEZs, as long as investments are in line with the priority sectors in the national plans in Zambia. Textiles are located as the fifth priority sector of the Zambian economy, where the ZDA seeks investors. Challenges for the ZDA is to create links between foreign and local businesses, and to make sure that locals benefit in terms of employment creation and value addition. Out of six MFEZs, one is planned for Chinese companies in light manufacturing including textile production, namely the Lusaka East MFEZ.

Chinese motivations for investing in the Zambian TC industry range from opportunities for investments and livelihood, the links in the economy the TC industry creates to lack of industrial base and ultimately less competition in Zambia. Mature Chinese industries provide significant learning opportunities for the industry in Zambia and are capable of absorbing large numbers of unskilled and semi-skilled workers. The Chinese government wants mature industries to move abroad to process African natural resources in Africa, and in this way Chinese interest in manufacturing acts as a counterweight to more obvious interest in trade and natural resources. Preferential markets in Europe and the US, also offer opportunity for Chinese investments in the Zambian TC industry, although China can trade with these areas directly after 2008. The Zambian government's focus on building structures for MFEZs and incentives provided by the ZDA to attract investors, offer opportunities for Chinese investments in TC industry in Zambia.

Furthermore, chapter three has shown the importance of central institutions set up by the Chinese government to facilitate Chinese FDI into the Zambian economy. These institutions are seen as essential to explain the growth and spread of Chinese actors in the country. The Chinese Embassy in Lusaka and the Economic Counsellors Office are important in terms of managing large scale FDI from Chinese companies, as well as providing information and assistance for Chinese investors. Policy banks and state owned banks are an important part of supporting Chinese SOEs, in developing industrial zones, through providing advise, loans and capital for such as infrastructure. As seen in chapter three, the specific use of deliberate state policies to accelerate development is central to China's development model also in Zambia. On the contrary, small-scale investments from Chinese individuals and private companies are less managed by Chinese institutions. As a response, the Zambian government set up the institution PACRO to make the business environment in Zambia more transparent. Also, improvements in the ZDA has led to more knowledge over companies operating in the country. PACRO has currently an overview of 542 Chinese companies in Zambia, the majority of them private Chinese companies. Compared to previous counts of Chinese companies in the country, the private sector has grown in recent years as expected in the literature. However, due to overcoming bureaucracy it is not clear what specific activity these private sector companies are occupied in.

Chapter four looked at the cotton-textile-garment value chain in Zambia, to explain what condition the TC sector is in. Cotton production has grown and the quality of cotton in Zambia has improved in recent years. Due to out-grower schemes offered by cotton companies, cotton farming is a significant source of employment in Zambia. However, the majority of Zambian cotton is exported from Zambia to Europe and seems to be out of reach for Zambian TC industries. The large degree of foreign ownership in the Zambian cotton industry may explain why the majority of cotton in exported from Zambia and not used within the TC sector. From 2000, the cotton industry has seen more government involvement. The Zambian government wants to promote and is planning cotton clusters, these for Zambia and the region in to create linkages to the cotton-textile-garment value chain.

By contrast, the TC industry has steadily gone down since the 1980s. Although, the industry saw investments in the 1990s, trade liberalisation led to increased competition where many local industries as a result downsized or closed down. The remaining clothing industry seems to have opted for producing niche products for the domestic market and export to neighbouring countries. Although, this can explained by the failure of Zambian TC to compete according to price and quality in the international market. There are less than five textile manufacturers left in Zambia. Textile mills can in this way be seen as a bottleneck for the Zambian clothing industry. From an estimate of the TC industry employing over 25.000 Zambians in the 1980s, today the number is substantially less although not known.

Secondly, chapter four explored market access for Zambian TC products, as trade is essential for the industry to grow and for economic development. Regional markets through SADC and COMESA offer potential for exports, regional links in industry and division of labour.

However, these countries also struggle to compete in the international market due to market liberalisation. Compared to relative successful TC industries in South Africa, Mauritius and Kenya, Zambia cannot compete according to quality or price, which point to the need to specialise. Problems are also associated with overlapping membership in COMESA and SADC, which is seen as an obstacle for successful regional integration and for trade gain.

Potential international markets are provided under the AGOA and the EBA. AGOA has been disappointing for Zambia, as Zambian TC industry has not taken advantage of exporting under the agreement since 2000. In 2011 the tenth AGOA conference was held in Zambia, seen as important for commercial and strategic relationships between the US and African countries. Concerns have been raised that the termination of multi-fibre provision in 2012 and the expiration of AGOA preferential market in 2015 will create challenges for long-term investments in the Zambian TC industry and for trade gains. Civil society and the US are however pushing to extend these deadlines to 2022 for multi-fibre provision, and to 2025 for AGOA preferential market. The market provided under EBA, has been disappointing for Zambia due to complex rules of origin.

Furthermore, chapter four explored export market destinations and import sources for the Zambian TC industry. Currently, over ninety per cent cotton is exported from Zambia, going down from 98 per cent in 2007, where the EU is the leading destination. Export of niche TC products from Zambia in 2007, was to neighbouring countries such as the DRC, Malawi, Zimbabwe, Tanzania and South Africa. In March 2011, the TC industry contributed little to the overall export from Zambia. For imported inputs to the Zambian TC industry in 2007, more than a half consisted of woven fabric from suppliers as India and China. Apart from small amounts of cotton yarn, cotton/polyester and acrylic yarns, all other inputs used in the Zambian TC industry are imported. This shows that although Zambia is a significant cotton producer, the country lacks the textile industry to fill the gap currently filled by imported inputs.

Lastly, chapter four highlighted some of the factors that create challenges for growth of the Zambian TC industry. As already mentioned, trade liberalisation and import TC products have taken over a large market share of the Zambian TC market. On one side, imports of cheap TC products increase job opportunities in retail, while the downside is increased informal employment and increased competition towards national TC industry. Besides policy inconsistency, poor infrastructure and low credit available among Zambians, the TC industry suffers from lack of investments. The level of investment again impacts the level of technology. Outdated technology restrains the productivity of the TC industry, as with poor quality of fabric you will fail to produce high quality garments. The result is that domestic production of garments in Zambia remains in the country or go to neighbouring countries, as internationally these garments cannot compete on price or quality. Although, Western countries provide preferential access of goods from LDCs, this has not translated to trade gain for Zambia, which points to domestic challenges of the Zambian TC industry. In addition, border costs within Africa limit trade gain from regional trade in TC. Zambia is also ranked to have low worker productivity. As for trade unions, these have not make a substantial impact on the industry.

Countries as the US and China are subsidising their cotton industry. As Zambia does not subsidise cotton, labour costs need to be cut for Zambian TC products to compete with those who subsidises the primary input of the industry. In chapter four, questions were raised to whether the Zambian government can protect the national TC industry, as other developing countries have become increasingly protectionist from 2007. This paper found that protectionist policies would be unlikely in Zambia for at least four reasons.

Firstly, protectionist policies will be unlikely because of the history of nationalism from 1964 to 1990 under President Kaunda, which was marked with a race to the bottom. Although, nationalism does not necessarily involve protectionism, the impact of protectionism and import substitution in Zambia is linked to a memory of limited product rages in shops and food riots. Secondly, protectionist policies are unlikely as the Zambian government has committed to a liberal economy. Protectionist policies will act as a disincentive for attracting investors to the TC industry. Thirdly, if the Zambian government were to create policies to protect the TC industry from import, they would face a backlash from Zambians in formal and informal sectors, as the prices for TC would go up. The typical consumer wants to buy affordable textiles and garments. Finally, the membership in WTO as highlighted in chapter three, restricts the possibility to protect the national TC industry.

To sum up the findings in chapter four, Zambia has not been able to produce TC cost effective compared to other countries already before trade liberalisation. Chapter four found that Zambia remains a cotton producer for TC industry in other countries, while buying back inputs for garment manufacturing and finished TC products. In other words, there are limited industrial links within the cotton-textile-garment value chain in Zambia, which explain why Zambia is not able to take advantage of markets provided. In this way, Zambia is losing out in terms of employment creation, value addition to cotton, trade in TC products and state revenue.

Chapter five looked at Chinese investments identified within the TC sector in Zambia, to assess the contribution to economic development in the country. Based on literature, this paper expected to find Chinese investments in the Zambian TC industry, as a sub sector of manufacturing. Fieldwork in Lusaka found few investments in the Zambian TC industry, from China or from others. The Chinese investments identified within the industry, is the Zambia China Mulungushi

Textiles (ZCMT) operating from 1997 to 2007, and the Lusaka East MFEZ plans to build textile industry, but the zone is currently under planning and construction. As the ZCMT is closed, chapter five specifically looked at how the ZCMT contributed to economic development while operating and reasons for the closure, to provide answers to earlier raised questions of economic development. Secondly, chapter five explored how the Lusaka MFEZ is expected to benefit economic growth in the Zambian TC industry based on the available information so far.

Initially, the Chinese investment in the Mulungushi Textiles was seen as an opportunity for development, social transformation and employment at the factory in a time where investors were reluctant to invest in Zambia. The factory was a joint venture, between the Chinese state owned company Qingdao Textile Corporation and the Zambian government. When reopening in 1997, the ZCMT solved problems of cost and efficiency by investing in machinery, reforming labour systems and by creating industrial links through opening subsidiary companies for the cotton-textile-garment value chain. A marketing network was set up in Zambia and the region. In 2000 the ZCMT took advantage of the AGOA, delivering shorts to the US. Although, an agreement was reached to increase the capacity to export to the US, the only record of clothing export under AGOA was in 2000.

Production at the ZCMT ceased in late 2006, while worker were retrenched up until February 2007. There are several discussions to what caused the factory to close down. One explanation is that industrial unrest hit the factory from two levels. Ex-workers at the factory pressured the new Chinese management to get paid, as the previous owner had not. At the same time, workers at the ZCMT started pushing for better wages and terms of employment. The factory needed to improve existing equipment and was not back on its feet before the workers started demanding.

The terms of employment at the ZCMT, are of relevance to explain the closure of the factory. The Chinese management introduced a new work pattern with permanent and casual workers. The permanent workforce was mainly reemployed from working at the factory prior to 1997, while the category of casual workers gradually expanded and included unskilled workers. The wage levels were recorded as low and could go unpaid, leaving some employees to seek alternative employment to ensure livelihood. Trade unions did not succeed to improve the labour conditions and strikes made little effect before the minimum wage was introduced in 2006, making wage levels at the factory illegal. After 2006, strikes became more violent and on a bigger scale, signalling that the Zambian workers opposed the labour system at the factory. The Chinese management made payments to the workers, but efforts to suppress wages still persisted up until closure in 2007.

By using a casaulised low-skilled labour system in a context of high unemployment and with weak legal protection for workers, meant that unproductive workers could easily be replaced. The majority of casual workers were preforming low skilled and highly repetitive jobs, where the machines were operating 24 hours a day. In this way, the Chinese management used technological and social systems to produce new structures of labour processes, to suppress costs and increase productivity and profitability. The Chinese management asserted strong moral influence to increase production and workers were closely supervised. For the working environment, workers at the factory complained about lack of safety equipment and training, leading to several accidents at the factory. Chapter five found that although the Chinese invested in technology and spare parts for machinery at the factory, there are few records of knowledge transfer that better quipped Zambian TC workers.

Furthermore, competition from international TC producers made business unsustainable in Zambia, where the Chinese investors at the ZCMT were not able to structure labour to the extent that production became profitable. The quality of the ZCMT products degraded, and the Qingdao exported higher quality ginned cotton to China. Consumer goods such as clothing were reported imported from China and sold in shops with the ZCMT name, which is argued to be means of surplus extraction to the parent Qingdao Corporation. When the temporary restrictions of Chinese TC into the US and EU markets ended in late 2008, meant that Chinese investors did not need Zambia's market access for TC to reach Western markets. This may also be an important factor explaining the closure of the factory. In this relation, the investment at the ZCMT is argued to be a case of systematic quota hopping for Chinese investors.

The Mulungishi Cotton and Cooking Oil Company Limited and Chipata Cotton are the remaining subsidiaries operating after the ZCMT closure. Of concern, is that the remaining companies produce raw materials with little benefit to Zambia. From time to time, rumours circulate about the ZCMT reopening. This depends on investors, as the Zambian government still is in debt. It is also questionable to what extent the ZCMT will receive investments under the current market environment for Zambian TC products.

The second part of chapter five explored how the Lusaka East MFEZ is expected to benefit economic development in Zambia. As the first Chinese light industrial zone in Zambia, it is a symbol of that Chinese investments range beyond natural resource extraction. Inaugurated in 2009, the zone is currently being built, although not operational in early 2012. The MFEZ incentives provided by the Zambian government are important to build structures to attract investors to Zambia. The ZCCZ has finalised the Master Plan and is set to develop the zone, where the state owned CNMC play a key role in attracting investors for the zone through encouraging the private sector. On the other hand, also the Lusaka City Council and the ZDA play a central role in the development of the Master Plan for the Lusaka East MFEZ.

The Lusaka East MFEZ is open to all investors, although currently only private Chinese companies are planned for the site. As the minimum investment to establish production in an MFEZ is USD 500.000, it will be difficult for locals to participate. It is argued that too much local participation in the early process may hinder a success launch and that increased domestic involvement in MFEZs beyond lower skilled employment and the supply of raw materials will be unrealistic. The Lusaka East MFEZ may serve to transfer technology and generate local employment. Yet as critics note, the MFEZs could be a tool to advance Chinese interest through manufacturing Zambia's natural resources, without links to African development objectives. As the Lusaka East MFEZ is not complete, it is left to see how successful the zone is in building the Zambian TC industry and contribute to economic development. In any case, Zambia will very soon have a MFEZ available for the industrial links around the cotton-textile-garment chain, which may indicate structural improvements in national priority legislation.

6.2. Answer to the hypotheses.

This paper found no TC manufacturing under Chinese investors in Zambia in 2011. As a result, this section will answer the hypotheses from chapter one, as a case of what we can learn from the Zambia China Mulungushi Textiles (ZCMT). Since the textile industry planned for the Lusaka East MFEZ is not operational yet, only some of the hypotheses will be tested on the economic zone with reference to how it is expected to impact economic development. As stated, economic development is measured out of; (i) formal employment creation; (ii) state revenue; (iii) skills and technology transfer; and (iv) market creation.

Contrary to the assumption (H-1a), Chinese investments in the ZCMT did not lead to more jobs in the formal sector, as the Chinese management casualised the workforce, leading to more jobs in the informal sector. In this way, Chinese investments at the ZCMT did not improve economic development in the area where production was set up. The alternative assumption on employment creation (H-1b) is more accurate. Chinese investments in the ZCMT did however not cause displacement of local TC business due to competition. Rather the system of casual and permanent employment at the factory, meant increased numbers of casual workers which is defined as informal employment. According to (H-1b), Chinese investments in the Zambian TC industry caused displacement of workers in the local TC industry, because the formal employment number decreased through the casual labour system used at the ZCMT.

For skill transfer, Chinese investment in ZCMT led to some degree of low-technology transfer, as Chinese investors replaced technology and obsolete equipment. However, contrary to the assumption (H-2), after the ZCMT closed there is no records of Zambians being better equipped to continue or to upgrade TC activity. The ZCMT factory stands unused in Kabwe, and the Zambian government seeks investors to put in on stream again. The second assumption on skill transfer relates to the level of knowledge transferred from Chinese investors at the ZCMT. According to the assumption (H-3) workers at the ZCMT were expected to have the knowledge necessary for the job, before the job started. Experienced and skilled workers at the factory occupied the category of permanent employment at the ZCMT, and were mainly reemployed from working at the factory prior to 1997. Casualised workers were unskilled or semi-skilled and occupied the most repetitive and boring activities, were easily replaced and had few opportunities to acquire new knowledge. However, although the Chinese management at the ZCMT did not conduct formal training of staff, some Zambian workers might have upgraded their knowledge through the job.

State revenue is seen as important for a government to have means to finance the development agenda, coming mainly from employment taxes and company taxes in the TC sector. Contrary to the assumption (H-4a) findings at the ZCMT did not show that Chinese investments in the factory gave a higher tax base for local and national government in Zambia to use for sustainable development. The wage levels recorded at ZCMT were under Kwacha 268.000 up until 2006. An informant at a market in Lusaka notes that usually people do not pay taxes if they earn less than Kwacha 900.000 to 1.000.000 a month. This information has not been validated. Based on this assumption and the fact that wage levels at the ZCMT were recorded to be under Kwacha 268.000 up until 2006, may indicate that no employment tax was paid by workers at the ZCMT. The only record found on taxes, is that the factory contributed to millions of Kwacha in taxes annually (Muneku, 2009:167). However, Muneku (2009) does not specify the reference of this statement or what type of tax the ZCMT contributed with. An unconfirmed rumour in the Copperbelt notes that state revenue is used in private by the local government, as the use of new BMW cars have caused the people to riot. To conclude, contrary to the assumption (H-4a) Chinese investments at the ZCMT, did not lead to a significantly higher tax base for the Zambian government to use for sustainable development.

As different terms are offered to Chinese investors in the MFEZs in Zambia, led to the need for an alternative assumption on state revenue. According to assumption (H-4b), Chinese investors in the Lusaka East MFEZ is offered incentives such as tax holidays from the Zambian government, which limits the state revenue and funds that the Zambian government could have used to carry out their own development agenda. However, these incentives are perceived as essential by the Zambian government to attract much needed capital and FDI for economic development.

Looking at indirect impact of Chinese investments at the ZCMT, this paper found that contrary to the assumption (H-5) Chinese investments in the ZCMT has not led to significantly improvement in access to infrastructure, health and educational services. Although, the ZCMT improved industrial linkages in the TC sector, these were lost when the company closed in 2007. While according to the assumption (H-5), this paper found that establishment of the Lusaka East MFEZ is said to spur the demand for industrial links, infrastructure and transport facilities.

The last hypothesis relates to market creation and trade in Zambian TC products. In line with the assumption (H-6a), the Chinese investment in the ZCMT led to market creation domestically, regionally and internationally, as the historically the biggest integrated textile mill in Zambia. As the ZCMT closed, the main activity for the remaining subsidiary companies to the ZCMT has been cotton production, leading to loss of markets with the closure of the ZCMT. This rather confirms the alternative assumption on market creation (H-6b), as Chinese investments in the Zambian TC sector go to production of cotton, an export commodity without forward links in the economy, the impact of Chinese investments in the Zambian TC industry for economic development is limited.

6.3. Final comment.

The impact of Chinese investments in the Zambian TC industry, based on the four indicators of economic development has until now been neglible. Although, the Lusaka East MFEZ as the first light industrial zone for Zambian TC industry might indicate the possibility for economic development in the sector in the future.

This study illustrates the dynamics of one of the most globalised industries today, the cotton-textile-clothing supply chain, which usually is the first point of entry into industrialisation for LDCs. This case study illustrates just how difficult it is for LDCs to make the first steps into industrialisation, regardless of Chinese interest. Overall, this study demonstrates the challenges to industrialise in the context of a liberal market and the globalised international economy. By the end of the day, Zambia remains an exporter of unprocessed natural resources and looses out in terms of economic development from manufacturing activities. In this way, Zambia is trapped in a resource curse.

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