



Chinese Investors: Saving the Zambian Textile and Clothing Industry?

Ina Eirin Eliassen

October 2012



**CENTRE FOR
CHINESE
STUDIES**

STELLENBOSCH · SOUTH AFRICA

Chinese Investors: Saving the Zambian Textile and Clothing Industry?

Ina Eirin Eliassen

October 2012

Abstract

Economic growth in Sub-Saharan Africa is partly driven by increased Chinese engagement. Within the discourse of China's role in African development, literature argues Chinese investments go beyond natural resource extraction, also including manufacturing activities. This report contributes to empirical research on Chinese engagement in African economies. It investigates the impact Chinese investments in the Zambian textile and clothing (TC) industry with regard to economic development in the country. Being one of the most globalised industries today; the cotton-textile-clothing supply chain is usually regarded as the first point of entry into industrialisation, and as important for poverty alleviation.

This study explores growth trends and status of the Zambian TC sector, national parameters to build the industry, and factors that impact growth of the TC sector. Furthermore, this study investigates incentives for Chinese investments in the TC industry, and maps supportive institutions and organisation of Chinese companies in the country. This study highlights how Chinese actors improves infrastructural development, which indirectly benefit the TC industry; while on the other side discovers policy needs and challenges to expand production and trade of Zambian TC goods.

Despite discussions about broad Chinese investments in the Zambian textile and clothing industry, this study identified only two projects of Chinese TC investments in the country. As these are not operational, the impact on economic development is obviously limited. Findings from this study show that Zambia remains an exporter of cotton, and has little TC industry to speak of. Instead, the imports of low-priced TC items cover the majority of the market for TC nationally. Overall, this study highlights the challenges to industrialise in the context of a liberal market and with the global competitive pressure. Regardless of Chinese involvement or interest, insufficient framework conditions in Zambia have prevented the TC industry from being profitable. Zambian leaders therefore will need to provide strategic plans and direction for foreign investors, channel investments into priority sectors of the economy, and overall ensure poverty alleviation through creating acceptable employment.

This discussion paper is based on research conducted and presented as part of a Master degree of Arts (International Studies) at Stellenbosch University. Primary data was collected in Lusaka, Zambia in June 2011, consisting of semi-structures interviews with employees within the Zambian cotton-textile-garment industry (5); academics at research institutions and the University of Zambia (5); Zambian government officials (3); and interest organisations (3). In addition, observations while being in Lusaka have fed into the report. Secondary information include news articles on the topic, and publications gathered from institutions in Zambia, such as the Friedrich-Ebert-Stiftung, the Centre for Trade Policy and Development, the Zambia Business Forum, the Royal Norwegian Embassy in Lusaka and the Zambian government. Furthermore, academic data from scholarly journals, conference papers, books and policy papers was utilised, processing the state of the literature until April 2012. This paper was written as part of an internship at the Centre for Chinese Studies. Any mistakes or lack of clarity is to blame entirely on the author.

Abbreviations

ACCZ	Association for Chinese Corporations in Zambia
AGOA	African Growth and Opportunity Act
AU	African Union
BOC	Bank of China
CAMI	Conference of African Ministers of Industry
CADFund	China-Africa Development Fund
CDB	China Development Bank
CmiA	Cotton made in Africa
CNMC	China Nonferrous Metals Corporation
COMESA	Common Market for Eastern and Southern Africa
CSOZ	Central Statistical Office Zambia
CTPD	Centre for Trade Policy and Development
DRC	Democratic Republic of Congo
EAC	East African Community
EBA	Everything but Arms
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FNDP	Fifth National Development Plan
FOCAC	Forum of China- Africa Cooperation
FTA	Free Trade Agreement
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
ICBC	Industrial and Commercial Bank of China
IMF	International Money Fund
ILO	International Labour Organisation
ISI	Import Substitution Industrialisation
JCTR	Jesuit College of Theological Reflection
LDC	Least Developed Country
LINCO	Lint Company of Zambia
MCTI	Ministry of Commerce, Trade and Industry

MFA	Multi Fibre Agreement
MFEZ	Multi Facility Economic Zone
MOFCOM	Ministry of Commerce
MSMEs	Micro, Small and Medium Enterprises
NEPAD	New Economic Partnership for African Development
NICs	Newly Industrialised Countries
NTE	Non traditional export
NUCIW	National Union for Commercial and Industrial Workers
ODA	Official development assistance
PACRO	Patents and Company Registration Office
PRSP	Poverty Reduction Strategy Paper
PSDRP	Private Sector Development Reform Programme
RATES	Regional Agricultural Trade Expansion Support Programme
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
SNDP	Sixth National Development Plan
SOE	State Owned Enterprise
SSA	Sub Saharan Africa
TAZARA	Tanzania Zambia Railway
TC	Textile and Clothing
TPZ	Textile Producers of Zambia
TRIMs	Trade-Related Investment Measures
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
USD	United States Dollar
USITC	United States International Trade Commission
VAT	Value Added Tax
WTO	World Trade Organisation
Zamtel	Zambia Telecommunications Company
ZBF	Zambia Business Forum
ZCCZ	Zambia China Economic and Trade Cooperation Zone
ZCMT	Zambia China Mulungushi Textiles

ZCMTU	Zambia China Mulungushi Textiles Union
ZCSMBA	Zambia Chamber of Small and Medium Business Association
ZDA	Zambian Development Agency
ZIPAR	Zambian Institute for Policy Analysis and Research
ZRA	Zambia Revenue Authority

Table of Contents:

Abstract	4
Abbreviations	5
1. Introduction:	9
1.1. Background on Zambia	11
1.2. Chinese investments in Zambia	13
2. Manufacturing industry and development	14
2.1. Manufacturing and light industry matters	14
2.2. Textile and clothing industries and development	15
2.2.1. The cotton-textile-garment supply chain.....	15
2.2.2. The TC industry- an entry into industrialisation for LDCs.....	16
3. The Zambian TC industry: state of, institutions and challenges	19
3.1. Growth trends for the Zambian TC industry	19
3.1.1. Cotton, textiles and garments.....	19
3.1.2. Market access.....	22
3.2. Zambian responsibility for development: national plans and institutions	23
3.2.1. The Fifth National Development Plan (2006-2010).....	24
3.2.2. The Sixth National Development Plan (2011-2015).....	25
3.2.3. The Zambia Development Agency – making short-cuts for development?.....	26
3.3. Contextual factors impacting growth of sector	28
3.3.1. Where the Chinese are helping.....	28
3.3.2. Policy needs – balancing consumption and production needs.....	29
3.3.3. Protectionism is not an option.....	31
3.3.4. Troubled trade agreements.....	32
4. China’s failed engagement in Zambia’s TC industry	33
4.1. Incentives for investing in TC in Zambia?	33
4.2. Supportive institutions and organisation of Chinese companies	34
4.3. Chinese companies in the Zambian TC industry – few and no success	36
4.3.1. Zambia-China Mulungushi Textiles – joint venture in the TC industry.....	37
4.3.2. Reasons for Zambia China Mulungushi Textile’s failure.....	39
4.3.3. Lusaka East Multi Facility Economic Zone.....	41
5. Are Chinese investments saving Zambia’s TC industry?	42
Endnotes:	46

1. Introduction:

Within the African development discourse, recent literature argues that without a growing industrial sector, African economies will find it increasingly difficult to sustain growth and to participate fully in global economic activity (Page, 2010:4; UNIDO, 2009). From 1990 to 2007 Africa remained outside the greatest expansion of manufacturing production and export by developing countries in (world) history (ibid). The level of industrialisation remains low, industry is technological backwards, leaving an industrial revolution to lie in the future for most of Sub-Saharan Africa (SSA) (McCormick and Rogerson, 2004:3; UNIDO, 2009:120,121; Brautigam, 2009:230). African countries need to take a fresh look at industrial development, as they are dependent on market access to create the number of jobs needed to ensure sustainable livelihood for their people and to reduce poverty (McCormick and Rogerson, 2004:3; Brautigam, 2009). In this way, industrialisation is considered a precondition to participate in the global economy and necessary for economic growth and development.

Western countries¹ give little assistance to manufacturing industries in Africa, which potentially could provide thousands of jobs (Brautigam, 2009:91,92). Not unrelated, aid for the past sixty years is often criticised as an effective tool for development and for poverty reduction (Moyo, 2009; Brautigam, 2009). Chinese development assistance, for its part, includes commitment to foreign direct investment (FDI) and industry. The Chinese government seek to build strategic economic relations with African countries, as part of South-South cooperation, for resources, markets and political backing in its global rise (Grimm, 2011). Recent debates argue that Chinese engagement in African countries no longer is confined to natural resource extraction, as a significant proportion of FDI from Chinese actors go to manufacturing and service activities (Asche and Schüller, 2008:28; Cissé, 2012).

Through the Forum of China-Africa Cooperation (FOCAC), the overarching institution coordinating China-Africa relations, the Chinese government encourages and promotes overseas activities of Chinese actors. These actors comprise state-owned enterprises (SOE), the private sector and individuals, and are supported by strong state policies and institutions to foster domestic development in China (Baah and Jauch, 2009b). By 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 clothing (TC) manufacturing abroad (Brautigam, 2009:91). In 2006, the Chinese government established a special fund for Chinese textile companies to encourage them to move, while costs for producers who stayed in China increased (ibid). The same year, the decision to build economic zones in African countries was announced at FOCAC (Qiang, 2010:63). Chinese leaders see economic zones as important measures to help African countries develop industries and expand local employment, nonetheless, Chinese enterprises also set up industrial zones outside the Ministry of Commerce² (MOFCOM) programme (Brautigam and Tang, 2011:28). The Chinese government see their experience with industrialisation and open door to foreign investments, as partly responsible for their remarkable reduction in poverty (Brautigam, 2009:193). In this way, the Chinese government has shown some sensitivity to the negative impacts that trade in Chinese manufactured goods has on African industry, with initiatives to promote local industries in some African countries (Baah and Jauch, 2009a:50).

The TC sector, as light industry located under the manufacturing sector, is considered to be the first step into industrialisation (Gereffi, 1999; Kamau, 2010). Historically, the first phase of the industrial revolution in the West, from around 1780s, started with textile industry in North England; creating new production patterns and economic links between people (Hobson, 2004³). Newly Industrialised Countries (NICs) in East Asia have also shown an industrialisation process sparked by economic zones and labour-intensive assembly of imported inputs, especially in the TC industry (Gereffi, 1999; Kamau, 2010). In this way, the TC industry is considered to be a great choice for least developed countries (LDCs) entry into industrialisation, as it offers excellent starter opportunities for growth and development for at least three reasons.

First, the industry is important for employment creation. As a typical light industry the TC industry is labour intensive, has low capital requirements, and spend little on research and development (McCormick and Rogerson, 2004; Kamau, 2010:109). The industry is capable of absorbing large numbers of unskilled and semi-skilled workers, it costs little to create one formal job in the sector, and in comparison to much of African industry, which tends to be dominated by men, the TC industry offers employment opportunities for both men and women (*ibid*). Offering employment opportunities and incorporating women into the economy will impact poverty levels in a positive way (Keane and te Velde, 2008; Thomas, 2005).

Secondly, the TC industry is important for transfer for skills and technology. The industry offers significant learning opportunities for unskilled and skilled workers, with potential to upgrade to more sophisticated goods (Brautigam, 2009; Gereffi, 1999). Contact with foreign firms can serve as a role model, and offer opportunity for skill transfer and subcontracting. The demand the TC industry creates for backwards and forwards links in the economy, such as for cotton farming, ginning, spinning, weaving, designers, garment manufacturing, shops and so on, has obvious benefits to skills and employment creation in a national economy, and offer opportunities for industrial clusters or links (Kamau, 2010; Brautigam, 2009). Although, the TC sector is a global industry, activities of production are carried out in a local context and therefore affect local and national economies.

A third reason for choosing the TC industry for growth and development for LDCs, relate to the potential for trade and export earnings from TC goods. From 1974 TC exports were negotiated bilaterally and governed by the Multi Fibre Agreement (MFA) through a system of quota and preferences for textile and clothing producing countries (Nordås, 2004:13,14). With the establishment of the World Trade Organisation (WTO) in 1995, after the Uruguay Round of trade negotiations (1986 -1994), textile trade was brought under jurisdiction of the WTO with the decision to gradually dismantle the MFA (*ibid*). The MFA expired 1 January 2005, meaning liberalisation of the global TC industry (van Dijk, 2009b:167; Brautigam, 2009:216). In light of changes in global trading rules, Western countries grants preferential market access to support TC production and economic development in LDCs; the European Union (EU) through Everything But Arms (EBA) and USA through the African Growth and Opportunity Act (AGOA). Regionally, trade agreements within the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) offer opportunities for African countries such as Zambia to develop through trade in manufactured TC products.

Chinese engagement in African countries has intensified the last decade, through channels of aid, loans, FDI and trade. Although, there are critics highlighting the threats of economic relations with Chinese actors, regarding implications of debt and ownership (Dubosse, 2010; Huse and Mwuyakwa, 2008), environmental repercussions (Kabemba, 2010; Brautigam, 2009), and trade

in Chinese goods undermining export-oriented industrialisation in Africa (Kaplinsky et al 2008; Kaplinsky and Morris, 2008; Carmody 2009); the relationship offer opportunity for African countries to industrialise (Brautigam, 2009; Cheru and Obi, 2010; Kragelund, 2009b; Carmody and Hampway, 2010). African countries are scarce in capital and thus dependent on FDI to industrialise and develop their manufacturing sectors (Brautigam, 2009; Kragelund, 2009a). In context of reduced aid from traditional donors and the changing modalities of aid, FDI from non-traditional development partners as China has become an important driver for development agenda's in African countries (Baah and Jauch, 2009b; Kragelund, 2012, Kragelund, 2008). As, FDI does not automatically lead to economic growth and poverty reduction, and since there is no single "Chinese model" for economic cooperation; it is up to African leaders to ensure institutions and policies to reap the benefit of FDI (Brautigam, 2009; van der Lugt et al, 2011).

This paper takes Zambia as a case, a landlocked country at the centre of the SADC, categorised as one of the least developed countries (LDCs) in the world⁴. Zambia was reclassified from being a low-income country to a lower-middle income country in 2011, against the background of high economic growth, due to Chinese demand for copper and favourable prices for metals on the world market (Bretton Woods Project, 14 September, 2011). Despite upgrade, the informal sector, the poverty levels and inequality are rampant⁵ (Carmody, 2009; Muneku, 2009:164).

As this study is based on field research there are obvious limitations to the study. These relate to language obstacles, cultural differences, identification of sources of information and lack of updated numbers and research in Zambia. Interviews include Zambian nationals, in government, academia, civil society and the TC industry, and not Chinese actors in Zambia⁶. It is important to acknowledge that this study discusses the development impact of Chinese FDI in one specific sector of the Zambian economy, the TC industry, and therefore does not aspire to grasp the impact of Chinese FDI on a national scale. The Zambian TC industry was struggling prior to the rise of Chinese investments in the country, and status of the industry needs to be seen in context of the domestic and international environment.

Chinese investments in manufacturing projects in Zambia offer opportunity for industrialisation, but yet we know little about impact on specific sectors, such as the TC industry. After having provided some background on Zambia, the subsequent part of this study will explain the importance of light industrial development for LDCs, and how TC industry is especially relevant for employment creation, skill transfer and market creation. Part three will explore the state of the Zambian TC industry and market access for Zambian TC products, before investigating how the Zambian government aims to build the sector, through looking at national plans and institutions in place to foster economic development in the country. The last section of part three, highlight and discusses contextual factors impacting growth of the TC industry. Part four asks if Chinese investors are the rescuer of the Zambian TC industry. Through looking at motivations for establishing TC industry in Zambia, supportive institutions for investors, and through examining Chinese companies within the TC sector, this study seek to answer how Chinese investments in the Zambian TC industry impacts economic development.

1.1. Background on Zambia

Historically, Zambia is a mono-economy built around mining of minerals such as copper and cobalt. 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 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 Zambia's major cash crops includes cotton (Naumann, 2002). 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 was significantly built up through national plans from 1964 to 1971, and through Import Substitution Industrialisation (ISI) profit from mining was used to subsidise state-owned manufacturing companies and consumers (Fraser and Lungu, 2007:7; Saasa and Carlson, 2002). Through developing Zambia's potential, President Kaunda created jobs in the state-owned mines, where workers were supported by "cradle to grave" welfare policies⁷, which included high wages, houses, education and health care (Fraser and Lungu, 2007:8). Ferguson (1999) describes the socialist labour regime under Kaunda, as following a "myth" of modernity, a social context of imagining the nation as moving forward. The real Zambianisation of the economy did not last long, with international copper prices deteriorating through the financial crises of the 1970s, the foreign debt burden increased (Kragelund, 2009a:647). By 1973/74 Zambia accepted its first conditioned loan from the International Money Fund (IMF), given to finance government expenditures (Fraser and Lungu, 2007:9). Debt led to substantial external influence on development plans in Zambia, where the World Bank introduced Structural Adjustment Programmes (SAPs) from 1983 (Tandon, 2008:45). These aimed to correct imbalances of government spending, increase revenue and raise the productive potential of Africa economies (Kragelund, 2009b:489). By 1984, Zambia had become one of the most indebted countries in the world relative to its size (Saasa and Carlson, 2002:39). Aid⁸ was given to cushion the social and economic impacts of adjustment (Fraser, 2007:6). By the 1990s the Zambian national budget had become more than 40 per cent donor dependent (ibid). This signalled significant influence over national plans both by international financial institutions and Western donors. SAPs were followed by the Poverty Reduction Strategy Paper (PRSP) in 2000, which introduced a new system of aid negotiation, based on including stakeholders beyond the Zambian government, namely civil society and donors in the domestic policy process (Larmer, 2007:25,26). Furthermore, due to incentives of debt reduction, through the Heavily Indebted Poor Countries (HIPC) Initiative from 1996 to 2006, Zambia reinforced liberal policies and privatisation. As no vibrant private sector stepped into the vacuum left by privatisation, the effects were de-industrialisation, unemployment and poverty (Fraser and Lungu, 2007; McCullough et al., 2000).

Since mid-2000, Zambia has enacted a number of reforms to foster economic development and to improve the investment climate through the Private Sector Development Reform Programme (PSDRP) (Chisala, 2008:13). Despite some improvements in recent years, Zambia has challenges with contextual factors on the supply side such as poor infrastructure, policy inconsistency, weak institutions, corruption and limited credit available for the productive sector (Brenthurst Foundation, 2010; van der Lugt et al, 2011). The most important financial flows to Zambia are FDI, official development assistance (ODA) and from trade (Ndulo et al, 2009:27). The Zambian economy stabilised by 2008 and began to reap the benefit of readjustment; showing to nine years with positive economic growth; reduced foreign debt burden; almost ten-fold increase in FDI between 2000 and 2008; and four-fold growth in total export between 2002 to 2008 (Brenthurst Foundation, 2010).

With improved economic management and macroeconomic stability, rising copper prices, and external support from bilateral and multilateral donors, the financial crisis in 2008 set in, just as Zambia was getting optimistic about prospects of economic growth and poverty alleviation (Ndulo et al, 2009). Both trade and donor support to the national budget are affected by the financial crisis, which threatens to undermine the process of resolving issues of employment creation and poverty reduction (Kragelund, 2012; Reuters Africa, 9 October 2010; Ndulo et al, 2009:49). How well Zambia will do out of the crisis, depends on the ability to diversify the economy, by spreading economic dependence beyond the mining sector. This indicates the importance of financial mechanisms as FDI⁹ for Zambia's economic development, and filling gaps in the national economy through doing business.

1.2. Chinese investments in Zambia

Due to historical ties through diplomacy and aid relations¹⁰, the liberal investment climate and natural resources, Zambia has become a preferred destination for Chinese goods and investments. Studies looking at the development impact of Chinese trade, aid, loans and FDI in Zambia have in recent years received more attention from scholars, media and civil society. This paper will focus on impact of investments, but not unrelated start with the impact of Chinese trade on national industrial development.

From 2000 to 2010 bilateral trade grew from USD 108 million to USD 2.85 billion, leaving China to become the second-largest destination for Zambian copper export by the end of 2010 (Alves, 2011:1). Although, increased bilateral trade has positive aspects, it also causes negative impact on national industry for at least two reasons. Firstly, the appreciation of the Kwacha due to Chinese demand and import of copper, have had a negative effect on Zambian exports such as textiles, as it made textiles more expensive in major markets (Asche and Schüller, 2008:67; United States International Trade Commission, USITC, 2009:4-75). This is referred to as Dutch Disease, where appreciation of a local currency causes a series of side effects for other industries that compete in the export market (ibid). Secondly, Chinese export of cheap consumer goods such as textiles and clothes undermines export-oriented industrialisation in Zambia (Carmody, 2009). Most countries in SSA will be largely excluded from the global market and face significant threats to their domestic markets without trade preferences over Asia, as the biggest producer of TC products (Kaplinsky and Morris, 2008). In this way, the Zambian economy may become jammed in a mercantilist cycle¹¹ with China, by exporting raw materials and importing back finished goods (Carmody and Hampwaye, 2010:97).

In the 2000s Chinese actors become an important source for FDI in Zambia; the majority channelled through state-own enterprises (SOEs), concentrated in sectors such as mining, mining related activities and in infrastructure (Carmody, 2010; Haglund, 2008; Koyi and Kamwanga, 2009; Petersen and van der Lugt 2010; Kragelund, 2009b). Chinese actors are now located in all sectors of the economy (such as manufacturing, agriculture, technology, energy supply and telecommunications) (Kragelund, 2009a: 649; Alves, 2011). In 2006, the Chinese government announced intentions of supporting and building economic zones in Zambia, where the Zambia government in 2007 passed Multi Facility Economic Zone (MFEZ) regulations providing incentives and legislation for industrial activity in the country. This might be good news for industrial development in Zambia.

Compared to state-owned investments in mining and construction sectors, the literature argues that smaller and privately owned investments from China will become more frequent and

important in the future, although, some of it should be discouraged as it might cause displacement of local producers (Kragelund, 2009b; Carmody and Hampaye, 2010). Most Asian companies in Zambia are located in the manufacturing sector (Carmody and Hampwaye, 2010:90). To this date little is said about the interface between Chinese investments and the impact on specific sectors of the economy (Kaplinsky et al 2008; Haglund, 2008:548). This paper seeks to investigate whether China is effectively contributing to sustainable development in Zambia or if China's primary concern is to access Africa's raw materials and open up new markets (Asche and Schüller, 2008). Furthermore, it is of interest to explore what Chinese actors in Zambia does to change the negative impact their manufactured goods has on African TC industry, through building the Zambian TC industry, and thereby accepting its responsibility for Zambian development (Grimm, 2011). Research that look at the socio-economic effects 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.

The "World Report" by Human Rights Watch, shows governments at an international level tend to use a quiet approach to human rights abuses (Roth, 2011). The shifting global balance of power with the rise of China, intensified competition for markets and resources at a time of economic crisis and declining moral standing for Western powers, have made many governments less willing to publicly be in favour of human rights (ibid). At a national level, impact of Chinese investments continue to fuel debate regarding poor labour standards; investments not being linked to national priorities; and does not trickle down to the majority of Zambians (Mwanawina, 2008; Taylor and Carmody, 2010; Fraser and Lungu, 2007). Kragelund (2009:646) adds, what triggers the debate in Zambia is not FDI in itself, but a combination of domestic politics, and the real and perceived role of Chinese investors in the Zambian economy. For the sake of feasibility and because development is a contested concept, economic development in this paper is defined by the following four elements: (i) formal employment creation, (ii) skill and technology transfer, (iii) improved state revenue, and (iv) market creation.

To clarify central concepts, raw cotton or cotton seed is the purest form of cotton, then transformed through ginning to cotton lint (Bennett et al 2011; Tschirley and Kabwe, 2010). Spinning machines process cotton lint to yarn, which further is inserted into knitting or weaving activity to make fabric (ibid). The textile industry is capital intensive, as transformation of yarn to fabric requires an industrial process. The three activities: spinning, weaving and finishing, are often undertaken in integrated plants (Nordås, 2004). In order to be internationally competitive, investments in textile industry is necessary, and in many cases access to modern technology is a bottleneck in the production chain, and what separates developing countries, dependent on natural resources, with industrialised countries (ibid). The clothing sector is less capital intensive, but highly labour intensive in the sense that it absorbs unskilled labour and does not require expensive machinery or technology. The three concepts: clothes, apparel and garments, are made from textiles, and will in this paper be used synonymously.

2. Manufacturing industry and development

2.1. Manufacturing and light industry matters

Africa holds a great share of the world's natural resources, but most economies are 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. Countries with

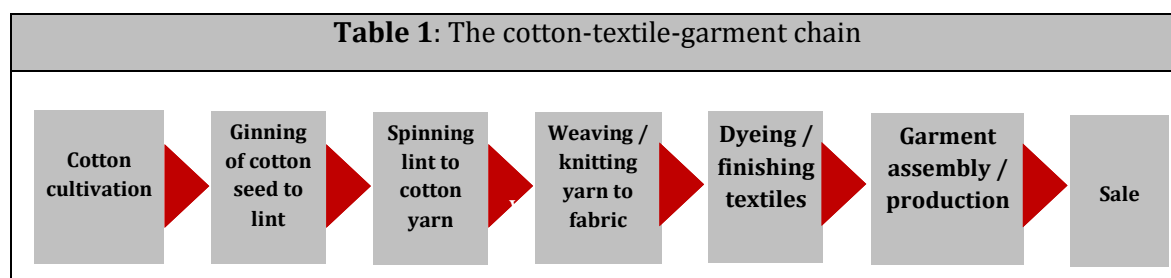
more diversified production and export structures have higher income per capita (Imbs and Wacziarg, 2003; Carrère et al, 2007; UNIDO, 2009; Page, 2010; Hausmann et al, 2007). The manufacturing sector is of specific importance to developing countries if it uses light industry to absorb employees, in contrast to industrialised countries, using high technology to reduce the labour numbers (McCormick and Rogerson, 2004). African countries with natural resources and a pool of unskilled labour should according to trade theory be expected to produce what currently (has been) is imported (Sandrey and Edinger, 2011:7).

A set of factors impacts the speed and level of industrialisation in LDCs. The business environment are often characterised by features as: small market size, limited infrastructure, poor governance and legal systems, lack of human capital, lack of access to manufactured inputs and price volatility (Tybout, 2000:13). In landlocked countries such as Zambia, the lack of ports also adds to the price for food and fuel, which also impact prices for trade (USITC, 2009). These factors illustrate the importance of long term industrial policies, which aims to link investments to the needs in the domestic economy.

2.2. Textile and clothing industries and development

2.2.1. The cotton-textile-garment supply chain

As illustrated in Table 1, the cotton-textile-garment value chain consists of: cotton farming, ginning plants make cotton lint, cotton lint is spun to yarn, yarn is transformed to fabric through weaving and knitting, fabric is then dyed or printed to finished textiles, lastly textiles is used for garment manufacturing before it is ready for sale (Zambia Development Agency, ZDA, 2008).



Source: Own illustration based on Schneider (2010:9)

Cotton is the primary input for the TC industry, and appropriate for African countries industrialisation effort when the industry can make use of local resources (Brautigam, 2009:195). The importance of cotton, both for poverty alleviation at the household level and in terms of sustainable development cannot be overemphasised. Zambia has a comparative advantage in TC manufacturing, as cotton is the most significant cash crop for farmers (Bennett et al, 2011). Zambian cotton is grown in rain-fed conditions, making it more sustainable than in countries using irrigation (Peltzer, 2011). The crop is grown by small-scale farmers, who use less pesticides compared to large cotton plantations (ibid). Cotton can be used (also in combination with synthetic fibres) to make woven or knitted fabrics for clothing production (McCormick and Rogerson, 2004:4). Since the end of 2009, significant price increases for cotton on the world market have pushed cotton prices higher, making cotton attractive to African smallholders (Peltzer, 2011). 95 per cent of African cotton farmers have an income of less than USD 1.5 a day, which makes cotton a key in fighting poverty in Africa (ibid). In the early stages of development and industrialisation, the TC industry provides opportunities for diversification away from agriculture and export of raw materials, to export of value-added products (Kamau, 2010:110). The TC sector in developing countries has higher wage earnings than in the

agricultural sector, although it is lower than in other manufacturing activities (Keane and te Velde, 2008:16).

The TC industry is especially important for economic development as it stimulates for backwards and forward links in different sectors of the national economy and benefit local economies (Brautigam, 2009:194). Textile production creates demand for cotton and clothing production, and offer opportunities for subcontracting, with potential for employment creation for small-scale producers (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. Both textile and garments are located under non-traditional export (NTE) products, which are trade-intensive in the international economy, implying there is a great potential for international trade, which can contribute to foreign exchange earnings, FDI and technological transfer (Brautigam, 2009).

2.2.2. The TC industry- an entry into industrialisation for LDCs

The TC industry is a typical starter industry for countries engaged in export-oriented industrialisation, and perceived as one of the strategic industries within the manufacturing sector spearheading the early stages of the development process, as it has played a central role in the industrial revolution in the West, and more recently in NICs industrialisation process (Kamau, 2010; McCormick and Rogerson, 2004). The clothing industry is one of the oldest and largest export industries in the world (Gereffi, 1999). Clothing has become an increasing part of our social world, as clothes represent a symbol of status, age, interest, geographic location, identity and so on (Ferguson, 1999; Hansen, 2000). One of the effects of globalisation is increased demand for lower priced fashion clothing and TC goods fitted markets in all societies. Most nations produce for the international TC industry; making it the most global of all industries (Dickerson, 1995:6; cited in Gereffi, 1999:40).

African leaders have recognised the need for appropriate policies to improve national, regional and global links, as economic performance since 1995 has improved (Page, 2010:2). 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 (McCormick and Rogerson, 2004:4). The Conference of African Ministers of Industry (CAMI) with support of the United Nations Industrial Development Organization (UNIDO) has identified textile and garments as one of three sub-sectors in a regional capacity building initiative (ibid). At a national level, the TC sector in Zambia is the fifth priority sector where the Zambian government provide incentives to attract foreign investors (Fifth National Development Plan, FNDP, 2006).

Based on literature on the topic, three main areas are identified where industrialisation through the TC sector impacts local economic development, namely through: (i) employment creation, (ii) skill and technology transfer, and (iii) through the market potential created by trade in these products.

2.2.2.1. Employment

The TC industry is a significant candidate for the industrialisation effort in developing countries, as the sector has low capital requirements and high labour intensity (McCormick and Rogerson, 2004). Particularly with 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 adding 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.

The TC industry offers African countries job opportunities for both men and women (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 (Nordås, 2004; Keane and te Velde, 2008:28). The cost of globalisation is spread unevenly, where feminization of poverty refers to the growing proportion of women and their children living in poverty (Pettman, 2005:676). As women everywhere are overwhelmingly responsible for family and household maintenance, cut backs of state services in social sectors (as suggested by the World Bank and IMF), has especially affected women's employment possibilities in developing countries. Although, women compared to men are more likely to be informally employed, be on temporary or subcontract level, less paid, and work at lower skill and value added sections of the TC value chain; offering women formal employment will benefit the local economy, through strengthening women's economic role and transforming social structures (Keane and te Velde, 2008:31; Thomas, 2005). According to UNIDO (2009:xiv) in places where the manufacturing sector does not develop, women have fewer opportunities to gain economic status. 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 (Kamau, 2010:109).

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). Jobs in the TC sector currently fail to meet the full potential for poverty alleviation, owing to precarious employment conditions; although wages still form an essential part of workers livelihood and make enormous contribution to family income (Oxfam, 2004:7,8). The early stages of industrialisation are almost universally dirty, machinery is frequently unsafe, accidents occur and working conditions are characterised by long hours and few rights (Brautigam 2009:191; Blankert, 2009). Also seen in China, wage levels for workers in the TC industry tend to be low and without formal employment benefits (Baah and Jauch, 2009b). Brautigam (2009:191,193) argues the transition from low to higher income occurs through a sustained period of industrial transition, upgrading and through creating industrial linkages. Furthermore, Van der Lugt et al (2011:35) underline that the shift towards a more multi-polar world and due to international requirements and regulations being established mainly by actors in the West, it is suggested that these standards and requirements might need revision.¹² This argument highlight the important role African governments have to ensure acceptable and poverty reducing employment.

2.2.2.2. Skills and technology

Investments in TC industry offer potential for transfer of skills and technology; presenting African countries with significant learning opportunities. Contacts with foreign firms can catalyse local industry, serve as a role model and foreign companies might subcontract parts of their work to local firms (Brautigam, 2009:193). In this way, contacts with foreign firms might provide workers in the TC industry with ideas, feedback and help to meet the standard demanded, and thereby spin off waves of innovation (ibid). Through industrial contracting and subcontracting between local and foreign manufacturers, the learning opportunities are bigger (Gereffi, 1999:40). Spill-over tend to happen where industrial clusters of firms of the same type gather, since proximity speed the mobility of ideas, input and labour (Brautigam, 2009:194). 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 (ibid).

The ability to catalyse industrialisation is affected by the local skill level and the technological gap. Countries with a higher share of their population receiving tertiary education also have a lower share of TC exports as part of total manufactured exports (Keane and te Velde, 2008:22). Whereas, countries with a high proportion of primary enrolment rates compared to secondary and tertiary enrolment, have a high share of TC exports as share of total manufactured goods (ibid). This signals the potential relevance of TC for the group of LDCs, where Zambia is located, as the majority of the population is limited to primary education (UNDP, 2011). Although Tybout (2000:14,15) adds, low rates of secondary education, scarcity of technicians and scientists, will affect the goods manufactured and the ability to absorb new technology.

Nevertheless, with a significant technology gap and low degree of formal education, the TC industry which is based on low-tech and basic skills, provides African countries with significant learning opportunities, as employees can self-attain the knowledge needed to do the job. If the level of technology is not too advanced, a foreign-owned factory can serve as a role model. Skills can 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 (Brautigam, 2009:193). It is worth to note that spill-over of skills and technology will be more likely when a foreign firm is away from its home base, as transport costs and convenience will give an incentive to source more input locally (Brautigam, 2009:194).

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 (Humphrey and Schmitz, 2000; Kaplinsky and Morris, 2001; Brautigam, 2003). 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). Technological processes require labour to adapt, learn new skills and take on jobs that may not have existed before (Blankert, 2009). As the TC industry is labour intensive, it provides an important avenue to attain skills for workers, to upgrade and develop higher level of skills through experience.

2.2.2.3. Market access and trade

A third reason for building the TC industry in LDC's industrialisation process, relate to export potential and trade in TC products. 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). Production only for the export market, will give less benefit for local economic development. 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 and to industrialise, African countries need to combine export production to regional and international markets with production for local and national markets (McCormick and Rogerson, 2004:3,4).

Global trade in TC rose throughout the 1980s and 1990s; 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.

Changes in global trading rules and trade agreements have brought new opportunities for African countries to export to regional and international markets, and to develop through trade. The TC industry was liberalised with the ending of the Multi Fibre Agreement (MFA) of quotas in 2005 under the WTO. USA and the EU imposed temporarily restrictions against TC products from Asia up until late 2008, as the termination of the MFA resulted in a surge of imports mainly from China (Brautigam, 2009:216). Through preferential trade agreements with developing countries internationally, USA and EU aims to increase trade through duty-free and quota-free entry of selected goods into their markets through two similar programmes, AGOA and EBA, as a tool for poverty reduction. EBA and AGOA can therefore be seen as incentives to develop the TC industry in less industrialised countries. Regionally, COMESA and SADC offer incentives to improve regional trade and regional industrial links, through free trade agreements and preferential access to Zambian export.

With these theoretical benefits in mind, the next section starts with looking at the state of the Zambian TC industry, before exploring how the Zambian government promote industrial development, while the last part identifies factors impacting growth of the Zambian TC sector.

3. The Zambian TC industry: state of, institutions and challenges

3.1. Growth trends for the Zambian TC industry

3.1.1. Cotton, textiles and garments

The Zambian cotton sector was organised around the state-owned Lint Company of Zambia (LINCO) from 1977 to privatisation of the sector in 1994 (Tschirley and Kabwe, 2010:5). Zambia's shift towards a market-led economy, has led to an unquestioned success of the cotton sector. After a first phase of rather integrated privatisation, the government has engaged more in the cotton sector from 2005, with mixed results (Tschirley and Kabwe, 2010). Since 2005, a significant number new players at the ginning level of the cotton industry has entered, in

addition to a recurrence of the credit default crisis¹³ of the late 1990s (Tschirley and Kabwe, 2009:3). Since 2007, cotton production has grown and is suspected to be on its second recovery (Tschirley and Kabwe, 2010:6). Based on information from the Zambian Development Agency (ZDA) (2008:11) these are the ginning companies in Zambia:

- Alliance Cotton, 2 locations (multinational).
- Birchand Cotton Limited, 1 location (Tanzania, multinational).
- Cargill Cotton Company, 3 locations (USA, multinational).
- Chipata-China Cotton Company, 2 locations (China).
- Continental Cotton, 1 location, (local).
- Dunavant Cotton Limited, 6 locations (USA, multinational).
- Great Lakes Cotton Company¹⁴, (South Africa, multinational).
- Lungwa Ginnery Limited, 1 location, (local).
- Mulungushi Cotton and Cooking Oil Company, 1 location, (Zambia/China).
- Yustine Cotton and Cooking Oil Co, (Malawi).

As seen, the composition of ownership in ginning involves mainly foreign actors. The entrance of so many new and aggressive buyers in the Zambian cotton industry has had implications for governance of the sector, as many of the ginning companies operate on different forms of out-grower schemes to support cotton farmers and to access the cotton output (Tschirley et al, 2008). The two largest ginning companies and ultimately cotton growers are the American multinational affiliates, Dunavant Cotton Limited and Cargill Cotton¹⁵. These 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). This provides gins with a fixed price for cotton, although the Cotton Task Force (2006:16) notes that the fixed price is normally very low and discourages farmers to increase production.

An interviewee from the private cotton industry in Zambia informed that Dunavant holds 66 per cent of the market share of cotton in Zambia (Interview 9). A government official questioned the big role Dunavant has in the cotton sector, and what impact it has on access of cotton lint for local textile manufacturing (Interview 6). Since 2000, independent cotton traders¹⁶ have largely disappeared, while Dunavant and Cargill are part of some of the largest private owned businesses in the world (Tschirley and Kabwe, 2010:15). Dunavant sells cotton lint to or through Europe, whereas Cargill is and has for the past thirty years been on the forefront with cotton trade to and from China (Cargill Cotton webpage, 2011; Dunavant Entreprises webpage, 2011). Both companies have launched programmes to mainstream cotton production through public private partnerships in Africa, through developing the brand "Cotton made in Africa (CmiA)" (Tschirley and Kabwe, 2009:23; Schneider, 2010; Peltzer, 2011). Key aspects include improvement in cotton production techniques, food security, health care and schools, environmental sustainability and gender issues (ibid).

Zambia is now among the top ten producers for cotton in SSA (USITC, 2009:1-4). Cotton made in Zambia has due to out-grower schemes become among the best in the region (higher quality and price compared to cotton from South Africa, Mozambique and Tanzania) and international competitive (Bennet et al, 2011:13; Interview 9; Estur, 2008). Based on information from the Zambian government, they are currently developing cotton clusters; to promote local processing and consumption of cotton related businesses (Interview 4; Interview 6; ZDA, 2008). Also, COMESA encourages investments through public private partnerships in these cotton clusters (COMESA, 2011). On one hand, cotton production has improved both in terms of production,

quality and price, due to liberalisation of the sector. On the other hand, the ownership of the sector is largely on foreign hands, which might impact the ability for cotton to create a spin off for the national economy.

Moving further up the value chain, weaving and knitting sectors are dependent on spinning mills transforming cotton lint to yarn to supply the TC industry. In 1970, Zambia had about 85 textile mills; increasing to more than 140 by 1991 (Slotterbackset, 2007:11). The 1990s witnessed some major investments into the weaving, knitting and garment sub-sectors, such as in the Mulungushi Textiles in Kabwe, which benefitted from a joint partnership between the Zambian and the Chinese government (Koyi, 2006:262). Since then, Zambia's once thriving TC industry has contracted in terms of production and number of enterprises. Shortly after the election of President Chiluba in 1991, Zambia was opened for foreign trade and tariffs were repealed. Second-hand clothes were valued at USD 0, which allowed massive import to the price of transportation (Slotterbackset, 2007:11). This proved to be catastrophic for the national TC industry, which could not compete. Due to imports of second-hand clothes, 30,000 out of 34,000 textile jobs were lost (ibid). Furthermore, more competition was brought on by global trade liberalisation of TC in 2005, especially from low-cost producers as China. As a consequence, many local industries downsized and laid off workers, others closed down production or relocated to neighbouring countries¹⁷, where production costs were perceived to be lower (Seshami and Simeo, 2006:3).

Two Zambian government officials explained that the industry manufacture finished textiles and garments at a very low scale, as there is less than five textile manufacturing enterprises left (Interview 4; Interview 6). Only four textile manufacturers have confirmed their existence in Zambia in 2011¹⁸. For clothing producers, two companies are located in Lusaka, although, most likely there are others both in Lusaka, Ndola and Livingstone. Literature explains the number of companies in the Zambian textile industry has contracted from about 140 companies in 1991, to less than fifty in 2002 (Slotterbackset, 2007:11; Chikoti and Mutonga, 2002:2). In December 2004, only ten of these companies had the capacity to compete regionally and internationally, while in 2007 the number went down to eight manufacturers (Koyi, 2006:263; Lee, 2007). In addition, the Zambia-China Mulungushi Textiles (ZCMT) closed down production in 2007, as well as some of the integrated industries, followed by the Swarp Spinning Mills in 2008 and in January 2011 the closure of Kafue Textiles was announced due to financial difficulties¹⁹ (Brooks, 2010; United States International Trade Commission, USITC, 2009:4-75; Post of Zambia, 28 January 2011). From employing between 15,000 to 25,000 in the TC industry in the 1980s²⁰; by 2002 the employment numbers was below 2,500 (Cotton Task Force, 2006:19; Chikoti and Mutonga 2002:1).

As seen during fieldwork, the textile industry in Zambia is in dire straits. The impact of imported TC products has resulted in a decline of the national TC industry and employment opportunities in the formal sector, leading to an informalisation of the Zambian workforce.

Representatives for the TC industry in Zambia (Interview 5; 7; 13; 14) and an academic interviewee (Interview 2) explain how the remaining clothing manufacturers in Zambia have focused on niche products as a strategy to stay in business. The Lusaka Clothing Factory and City Clothing Factory are big and established clothing manufacturers based in Lusaka; producing items such as shirts, school uniforms and protective wear. A worker at the City Clothing Factory explained that the business had been dependent on contracts with the Zambian government, to produce uniforms for police and army to remain in production (Interview 7). Similarly, the

Lusaka Clothing Factory has benefitted from being under the City Council of Lusaka and receiving contracts to produce for the Zambian government. As the clothing market was liberalised in 2005, the City Clothing Factory no longer use any meaningful amount of domestically produced textiles as input to their garment manufacturing, as Asian textiles are produced more cost-effective. Despite 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 domestically produces textiles, results in limited benefit for domestic textile producers.

One of the few remaining textile manufacturers is the Mukuba Textiles in Ndola. According to a representative at the factory, Mukuba Textiles operates with five per cent production and is struggling due to shortage of working capital (Interview 13). The factory mainly produces mutton cloth from cotton yarn, for the mining sector as the market for cleaning materials has been steadily increasing. 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. Over the last ten years, the market has been taken over by imports from China, India, Indonesia and Pakistan, and currently almost all the cotton yarn from Zambia is exported to South Africa (ibid). Seen during fieldwork, Excel Textiles Limited in Ndola is still operational under Indian owners. Towel Textiles in Kitwe is currently employing 38 people, but has halted production awaiting new yarn supplies according to a representative at the factory (Interview 14). Carmody and Hampwaye (2010:88) argue Sakiza Spinning has seen investments from Asian companies. Ohno (2007) explains that Sakiza Spinning is run by a Kenyan-Indian owned company, who are investing in new equipment for further expansion. No data supports evidence of Kays Textiles Limited being active in 2011; according to the textile news site Fibre2Fashion (22 September, 2006) the company last filled a vacancy for a manager in textile industry in 2006.

3.1.2. Market access

Responses from academic interviewees (Interview 1; 2) and government officials in Lusaka (Interview 4; 6) concerning markets available for Zambian TC products can be summarised in the following: it is well and good to talk about big market(s), but the market is of no use without anything to sell. Export of cotton dominates over TC exports, and increased import of TC has an additional impact, perpetuating the lack of competitive producers nationally. As a consequence, Zambian TC producers do not have much to offer under preferential trade agreements. Already before the MFA ended in 2005 (2000-2004 period), export of textiles dropped while primary agricultural exports increased, despite the industry being stimulated by increased cotton production, direct exports under AGOA and increased investments in cotton processing (FNDP, 2006:124,115). This again shows that the Zambian TC industry was in trouble already before liberalisation of the industry in 2005.

Regarding cotton exports, a Zambian government representative explains that over 90 per cent of cotton produced in Zambia is exported (Interview 4). A study by the United States International Trade Commission (USITC) (2009:4-75,4-76) shows that in 2007, Zambia's export of TC inputs totalled USD 14.5 million, where cotton yarn accounted for 98 per cent the TC export. As seen in table 2, Zambia does not export to USA, but EU has been the leading destination for Zambian TC inputs. In 2007, as much as 93 per cent of Zambia's yarn export ended up in EU. Countries in SSA accounted for about five per cent of the export of Zambian TC inputs in 2007, down from 41 per cent in 2003 (ibid). Muneku (2009:166) argues Chinese imports from Zambia

are mainly in the commodities copper and cotton. Cotton export to China has however not appeared in official statistics from the Central Statistical Office Zambia (CSOZ) in 2011, although this could be a sign of unofficial export channels (CSOZ, 2011).

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 (December 3, 2008) cited in USITC (2009:4-76).

Looking at import of TC inputs, which totalled USD 12.3 million in 2007, more than a half consisted of woven fabric, where major suppliers were India (USD 3.9 million) and China (USD 3.2 million) (USITC, 2009:4-76). Zambia's TC import increased by 25 per cent during the period from 2003 to 2007, whereas import of woven fabrics declined, while import of knit fabrics, man-made fibre²¹ 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 (ibid). Worn clothing and other worn articles appear on the list from CSOZ, accounting for 2.1 per cent of total imports from the United Arab Emirates (UAE) with a value of Kwacha 2.4 million²² (ibid).

Markets available for TC products in SADC and COMESA countries have significantly diminished after the end of the MFA in 2005 (Kaplinsky and Morris, 2008; Brautigam, 2009). Besides cotton yarn export, the leading markets for Zambia's export of niche products were the Democratic Republic of Congo (DRC), Malawi, Zimbabwe, Tanzania and South Africa (USITC, 2009:4-77). Numbers from the CSOZ (2011:14,15) in March 2011²³ confirms that TC products, contributes very little to the overall export from Zambia.

There are opportunities to improve local consumption of cotton through integrated TC industries. Due to the competitive pressure under a liberalised TC market, Zambia's demand for TC products is met by imports. The textile industry is in trouble, where clothing procurers opt for using imported TC inputs due to availability and price. A survival strategy for TC producers has been to produce niche products for Zambia and neighbouring countries. Ultimately, the country loses benefit in terms of value addition, employment and market creation.

3.2. Zambian responsibility for development: national plans and institutions

From 2004, the Zambian government committed to facilitate development through the private sector (Kragelund, 2009b:488). As the Zambian economy is capital scarce, the government attached importance to making Zambia an attractive destination for FDI. During the past years economic growth and prospect for economic development have improved in Zambia. The next task is to channel FDI to enhance economic development and diversify the economy to reduce the impact of external price shocks on the national economy. National plans and industrial policies, especially over the longer term, are essential for LDC to develop in the liberal environment. As seen, industrialisation through the TC sector could be one option to diversify

the economic base and create employment through the links it may create across different economic sectors in the economy.

3.2.1. The Fifth National Development Plan (2006-2010)

The Fifth National Development Plan (FNDP) named: “Broad based wealth and job creation through citizenry participation and technological advancement” is a principal national document outlining strategies and programmes to be implemented from 2006 to 2010²⁴ (FNDP, 2006). Policies to build the manufacturing sector under the FNDP were oriented towards promoting higher levels of domestic and foreign investment, to stimulate economic growth and poverty alleviation mainly through employment creation. The plan acknowledges that TC manufacturing offer key opportunities to expand trade; is an important tool for economic growth; and a prerequisite for long-term poverty reduction (FNDP, 2006:123,125). Although, the FNDP (2006:115,116) recognises micro, small and medium enterprises (MSMEs) potential to create employment and wealth, it has proposed a more general approach to tackle some of the constraints faced by the manufacturing sector, these are:

- a) Assisting with finance to the private sector.
- b) Removal of administrative barriers to establish business enterprises.
- c) Improve infrastructure and ensuring access to affordable modern technology.
- d) Improve regulatory frameworks.
- e) Build MFEZs to enhance export and locally oriented manufacturing industries.

With this approach, the FNDP does not show strategies or goals to build the sub-sectors of the manufacturing sector, as it handles the industry at a general level.

The manufacturing sector is meant to contribute 15 per cent to the GDP in 2011. Despite this vision, only an average of 10.2 per cent was achieved (Sixth National Development Plan, SNDP, 2011:133). The growth rate for the manufacturing sector declined from 5.8 per cent to 2.5 per cent from 2006 to 2009 (SNDP, 2011:134). The sub-sector showing most negative growth are textile and leather products in terms of contribution to the GDP between 2005 and 2009 (ibid). The textile sub-sector experienced a significant drop throughout the FNDP period, due to reduced domestic demand in favour of imported TC products, the high cost of doing business and the impact of the recent global financial crisis (SNDP, 2011:134,135). As a consequence, textile exports dropped significantly to regional and international markets due to the inability to compete (ibid).

During the FNDP the business environment for foreign and domestic investors became more conducive as institutional and legislative reforms were undertaken (SNDP, 2011:133). An academic interviewee highlighted that the FNDP provides good discussion of how to diversify the economy and create employment, but the strategies itself and tools of implementation were not there (Interview 1). Another academic interviewee explained that the FNDP has employment as theme, but the plan’s weakness was that employment was not set as an objective in the macroeconomic framework (Interview 2). Furthermore, the FNDP was not anchored on a well thought-out strategic approach that filtered down to implementation of the specific sub-sectors. According to the interviewee, the sectors in the FNDP stand alone, without any coordinating mechanisms or institution with a clear mandate to drive employment creation. The FNDP is developed by the Ministry of National Planning; a ministry that does not have a division or department for labour creation. The Ministry of Labour and Social Security for its matter, is mandated for the administrative aspects of labour, but not labour creation (ibid). Evidently, the

FNDP does not have clear targets to how much employment it intends to create or from which sectors employment creation will come from. Although, the FNDP as such marked a return of development planning, it became a wish list donors could choose and pick from instead of national priorities for the Zambian economy (Kragelund, 2012:10; Mwanawina, 2008:22; Fraser, 2007). The FNDP was underfinanced and ended up as a political document side-tracked by the donors due to lack of own resources (Kragelund, 2012:10).

3.2.2. The Sixth National Development Plan (2011-2015)

In February 2011, the Zambian government started implementing the Sixth National Development Plan (SNDP), named “Sustained economic growth and poverty reduction”, as the FNDP period just ended. According to the Zambian Institute for Policy Analysis and Research (ZIPAR, 2011) it is noteworthy that while the FNDP recognizes all sector of the Zambian economy, the SNDP focuses on only six sector programmes or areas of focus, which are critical to achieving economic growth and poverty reduction. By comparison to the FNDP, the SNDP can thus be seen as more influenced by the Zambian government, and more detailed in terms of planning and monitoring (Kragelund, 2012:9,10; SNDP, 2011). The SNDP resources are concentrated around infrastructure (50 per cent), human development (33.9 per cent) and growth sectors (11.9 per cent) (SNDP, 2011). The manufacturing sector is located under growth sectors; other sectors of the SNDP include crosscutting issues, support sectors and regional development (ibid).

The SNDP continues to pursue liberal trade policy at regional and international levels, aimed at enhancing domestic, regional and multilateral trade, expand the scope and coverage of multilateral, regional and bilateral arrangements such as free trade agreements (FTAs)²⁵ and economic partnership agreements (EPAs)²⁶ to ensure better access to markets, trade and investment opportunities (SNDP, 2006:140). The SNDP focus on attracting 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. The plan can thus be seen to explicitly target products with high export potential, such as TC in addition to agricultural products as cotton²⁷ (SNDP, 2011:142). The plan recognises the manufacturing sector as essential for economic development through its backward and forward links in the economy, export potential and employment creation (SNDP, 2011). Strategies to increase export and employment are through the five following programmes (SNDP, 2011:136):

- a) Develop Multi Facility Economic Zones (MFEZ)/ industrial parks.
- b) Joint ventures and public-private partnerships.
- c) Private sector development.
- d) Promote micro, small and medium enterprises (MSMEs).
- e) Develop rural based industrial enterprises.

Output matrix and key performance indicators are used to monitor and evaluate the implementation of the sector programmes under the SNDP. Targets for the manufacturing sector are to double the share of total export from two to four per cent from 2009 to 2015, while increasing the share of total employment in the sector from 3.22 per cent to four per cent in the same period (SNDP, 2011:138). Compared to the FNDP, the strategies and targets under the SNDP are also developed to support the manufacturing sector at a general level, without clear targets and strategies to build the sub-sectors of manufacturing, create employment in the TC industry or handle some of the contextual factors impacting growth of the TC sector. However,

positive developments include focus on improving infrastructure and the business environment; where legislative and institutional developments have taken place. Among these, the MFEZs initiative is important in terms of providing a foundation for investors wanting to establish light industrial production in the country.

3.2.3. The Zambia Development Agency – making short-cuts for development?

The Zambia Development Agency (ZDA) emerged in 2006, as an amalgamation of five institutions. Its creation was deemed important in order to reduce bureaucratic procedures (FNDP, 2006:37; Mwanawina, 2008:5). The institution was established to promote economic growth by encouraging FDI, promoting export, facilitating and supporting SMEs, and is perceived as a one-stop-shop for foreign investors (Chisala, 2008; Kragelund, 2009a:647). Additionally, the Zambian government passed the MFEZ regulations in late 2006, which allows the establishment of MFEZs throughout Zambia (Kragelund, 2009b:492).

ZDA is in the process of implementing MFEZs, which generally are targeted at large and high-tech companies and will have the necessary infrastructure for easy commencement of business activities (Chisala, 2008:13). According to a government interviewee, the MFEZ programme is to catalyse industrial and economic development through increased activity in the manufacturing sector; a model provided by the Asian miracle economies, and thus seen as new economic strategies for development in Zambia (Interview 6). As the majority of natural resources and agricultural materials are exported in raw form from Zambia, a process of value addition is essential to enhance both domestic and export-oriented businesses (Ministry of Commerce, Trade and Industry, MCTI, 2011:19). In this way, the MFEZ initiative in Zambia is considered an important initiative to build the manufacturing sector and to create much needed employment.

Out of six locations²⁸ earmarked for MFEZs and industrial parks²⁹, two are Chinese pilot zones, developed by a Chinese state-owned enterprise (SOE) (MCTI, 2011). Officially the Chinese pilot zones are called Zambia-China Cooperation Zone (ZCCZ), however Zambians use the name Chambishi MFEZ, with the sub-zone Lusaka East MFEZ (Xinhua, November 6, 2009). MFEZ regulations were developed independently from Chinese investors, who were among the first to take advantage of the incentives provided (Brautigam and Tang, 2010:30). Investors are open to suggest areas to develop and land identification for MFEZs, but the ZDA has developed a list over national priority sectors, to provide incentives and link investors to the needs of the Zambian economy (MCTI, 2011). Legally, local and foreign investors have equal opportunities to invest in any MFEZ or industrial park, but the MFEZ regulations requires investments on not less than USD 500,000 for investor to benefit from the incentives. 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 Investors handbook 2011, these incentives include (MCTI, 2011:12):

- 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.

In order to obtain a licence to invest in a MFEZ, investors have to demonstrate according to the Qualification Criteria of ZDA [2006 Act] how the Zambian economy will benefit³⁰ (MCTI, 2011:9). The following list provides a summary over the key criteria's needed for a company to obtain a licence for MFEZ production (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.
- Outline introduction and transfer of technology.
- Show the level of investment and how the business plans to attract further domestic investments and FDI, make use of local raw materials and intermediate goods, and if the project will lead to expansion of local production.
- To what extent will the investments impact the environment, diversification of the economy, and lead to increased foreign exchange earnings?
- Is the business is export-oriented and to what extent does the project lead to import substitution or make use of preferential trade agreements?
- To what extent does the business leads to social development?

As seen from the list above, the investor needs to demonstrate impact on employment, skills and technology, state revenue and market creation. This can thus be seen as a positive development of ZDA legislation, as investors are required to signal how investments will benefit the Zambian economy. The ZDA [Act of 1996] compared, had no requirements regarding local content, technology transfer, equity, employment or use of subcontracting by foreign investors; but urged 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 (Kragelund, 2009b:492). This detail, however, has a downside: 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 countries with simpler procedures for establishing a company. It would be interesting to see how companies answer the qualification criteria application, how these applications are judged by the ZDA and ultimately see how easy (or hard) is it to get a licence for MFEZ production. It is expected that this information should be found in the Master Plan specifically developed for each individual MFEZ³¹.

As the ZDA stipulates a minimum investment target for setting up production in an MFEZ, this may discourage Zambian entrepreneurs to take part and to benefit from incentives for value addition in MFEZs. Information from the Zambian Business Forum (ZBF) for the MSMEs in Zambia, highlights that finance is a start-up issue for these companies, which also was confirmed by literature (Interview 12; Chisala, 2008; Clarke et al, 2010; Conway and Shah, 2010). Consequently, concerns were raised that some Chinese companies do not consider entering into joint venture projects with locals (Muneku, 2009). In line with this observation, Kragelund (2009b:492) argues that industrial policies in Zambia lack the focus on forming links between local and foreign companies.

National plans in Zambia have created a better business environment, focused on infrastructure development and put down a foundation that will ease economic development in the future. However, they could be more specific in terms of planning and strategies to build specific sub-sectors of the economy such as the TC industry. Specifically important for export earnings and

ultimately labour creation are links between sectors of the economy. The national plans do not show targets to where or how much employment the Zambian government intends to create in the different sub-sectors of manufacturing. The ZDA was established to reduce bureaucratic procedures, facilitate a better business environment and promote economic development. ZDA is responsible for MFEZ regulation and providing incentives for investors. One positive aspect of the MFEZ initiative is that it attracts large foreign investments for business activity in manufacturing for the longer term. These investments may lead to employment creation, skill and technology transfer and expanded opportunities for trade. On the other side, challenges are linked to the accessibility for locals to benefit in terms of investing in, enjoying incentives for business creation and employment creation for local workers. Yet, there has been some change to the MFEZ legislation with regard to the national benefit. Overall, MFEZ developments still are at an early stage, where it is too early to fully grasp the impact.

3.3. Contextual factors impacting growth of sector

3.3.1. Where the Chinese are helping

Chinese actors in infrastructure and construction sectors are instrumental in supporting economic development in Zambia, and solving some of the contextual factors hindering growth within the TC sector. Chinese actors reduce costs and improve trade links through supporting infrastructure developments as railway, roads and bridges; helps the shortage of power by constructing and providing loans to build power plants; and facilitating a better business environment by making telecommunication more accessible. Chinese actors in construction and infrastructure sectors have become especially important after the recent economic crisis and withdrawal of donor support (Davies, 2010:23; Kragelund, 2012). The high cost of infrastructure, namely rail and road transport and electricity, impact on the productivity and growth of the TC sector. As Zambia is landlocked, access to ports also adds to delivery times and freight costs (USITC, 2009:4-79; Page, 2010). Although, infrastructure projects often are linked to extractive industries and tied to China's resource scarcity, they are indeed expanding and facilitating transportation access and regional integration within and between African economies (Davies, 2010:21). Economic zones in Zambia also drive the demand for rail, road, electricity, and has helped to spur the demand for more modern airport facilities (Kabange, 2010). Chinese policy banks provide concessional financing as the lending hand for the government; state-owned and state-align companies usually focus on infrastructure and construction projects, while private Chinese companies are involved as contractors (Davies, 2010:12,21).

As some illustrations for the role of China in Zambia: The TAZARA (Tanzania-Zambia Railway) was built and financed with an interest-free loan by the Chinese government between 1970 and 1975, to eliminate economic dependence and to provide an alternative trade route (Brautigam, 2009; Koyi and Kamwanga, 2009:22). Throughout the 1980s and 1990s, the Chinese government continued to provide interest-free loans for spare parts and rehabilitation, in addition rescheduling payment of debt when necessary (Brautigam, 2009:84, 128). A government representative informed the railway is now planned for an overhaul, and to be linked to Angola to help Zambia's industrialisation process (Interview 6; Lusaka Times, 1 December 2011). This has, however, been on the planning table for the Zambian government since independence (Interview 2).

With regard to improving roads in Zambia, the Lusaka-Kaoma Road was financed by a interest free loan from China in 1967 and the Serenje-Mansa Road in 1974; both symbols of Chinese development projects after independence (Kragelund, 2009a:648; Mwanawina, 2008:12). More recently, a part of the Lusaka-Chirundu Road was rehabilitated by a Chinese contractor in 2009 (Lusaka Times, 20 March 2009). The Lusaka-Chirundu Road is part of the North South Corridor project³² linking Zambia to the Southern neighbours, developed in four sections, where three of the road links have been financed by the Chinese government and the World Bank (TradeMark Southern Africa, 2012). In 2006, China also expressed interest to assist Zambia in constructing the Chembe Bridge across the Luapula River, on the border between Zambia and DRC (Carmody, 2009:1199; 2010:90; Mwanawina, 2008:12). Obstacles such as unreliable electricity supply in Zambia also impact the growth of the TC sector (USITC, 2009). Chinese actors have initiated several projects to improve power supply in Zambia. China Development Bank (CDB) and the Zambian government signed in August 2010 a USD 1.5 billion deal to develop Kafue Gorge Lower power station, through the Beijing-based Sinohydro Corporation, to alleviate bottlenecks Zambia is facing in terms of hydropower (Lusaka Times, 11 May 2010; Lusaka Times, 13 August 2010). The Industrial and Commercial Bank of China (ICBC) provided a USD 285 million loan for a 365km stretch of hydroelectric power line linking Southern and Eastern Africa (Reuters Africa, 30 May 2011). Construction is expected to start in June 2012, building two high voltage electric power transmission lines, which is expected to feed into new mining and agricultural projects, including cotton (Reuters Africa, 13 March 2012). Construction of power stations are also linked to improving power supply for the mining industry, such as the building of Lumwana Power Project to supply the Lumwana Copper Mine (Baah and Jauch, 2009b:13).

Telecommunication is also an important part in improving the cost of doing business and improving infrastructure. Carmody (2010) argues China as the leading exporter of less expensive high tech products as mobile phones, open opportunities for services and business. In Zambia, the Chinese company Huawei Technologies in addition to supplying cheap cell phones, is a equipment supplier in the process to build national fibre-optic infrastructure for Zamtel (Zambia Telecommunications Company) (Balancing Act, 5 March 2008). Both Chinese and Indian investors are investing in the Zambian telecommunication sector, where operators are deploying more GSM cellular sites and 3G base stations to serve the growing demand for mobile telephony (Transformanz, 21 March 2012).

3.3.2. Policy needs – balancing consumption and production needs

As discussed, second-hand clothes from Western countries³³ and low-cost TC goods from Asian countries³⁴ are creating a difficult environment for the Zambian TC industry to compete. Especially, low priced clothing takes over a large share of the domestic market for locally produced TC products. This was highlighted by most interviewees in government (Interview 4; 6), in academia (Interview 1; 2; 3) and in the industry (Interview 7; 13) in Zambia, and can be found in the literature (Koyi, 2006:260; Brautigam, 2009:219; USITC, 2009:4-77). Based on information from informal markets around Lusaka, Zambian traders fly to China to buy TC products, in addition takes models of fashion clothes to China to produce cheap and affordable replica (Interview 5; Interview 1). Academic interviewees explain that Zambians are becoming fashion conscious and although the purchasing power is low, cheap Asian TC goods are especially suited for this market (Interview 3; 1). On one side, influx of cheap TC products is positive as it provides Zambian consumers with choices and provides alternative for employment for traders, even if in the informal sector (Muneku, 2009:167). The flip side of this

argument is that increased informal employment activity as trading, creates a counter effect for the national economy, as it makes it specifically difficult to build a TC industry (Interview 1). As seen in Lusaka, there is an increase of street vending involving youth selling Chinese merchandise, which provides little added value to Zambia's economy (Muneku, 2009:167). While the majority of Zambian MSMEs are in agriculture (70 per cent), followed by retail/wholesale (21 per cent), both sectors having predominantly informal employment; import of low-cost TC products expands the informal sector (Conway and Shah, 2010:4,5).

Central factors in explaining the difficult situation for the Zambian TC industry are out-dated and obsolete technology. Old equipment restrains productivity, quality, costs and competitiveness (USITC, 2009:4-70; Regional Agricultural Trade Expansion Support Programme, RATES, 2003:25). Most machinery (95 per cent) of existing weaving companies is more than 15 to 20 years old, and some had already been second-hand when originally installed (RATES, 2003:28). Many 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 (Cotton Task Force, 2006; RATES, 2003; USITC, 2009). Lack of modern technology used in weaving, restricts the manufacturers 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 school wear that largely are consumed domestically, as these products struggle to compete according to price and quality in the export market (ibid).

Lack of skilled labour, training facilities together with low worker productivity impacts competitiveness. Workers trained as electricians or engineers tend to relocate to the mining sector when copper prices are high, offering higher wages (USITC, 2009:4-78). There is no textile training available nationally, and companies need to conduct training at own expense (ibid). However, Indian investors were said to be planning textile training in the Copperbelt (Interview 3). Not unrelated, Zambia is ranked as having the lowest worker productivity in manufacturing, as measured by value added per worker in Sub-Saharan Africa (USITC, 2009:3-11). Value added per worker in a medium-sized manufacturing firm in Zambia was USD 1,773, while India had USD 15,238 and China USD 14,198 compared (ibid).

Although, trade unions are important institutions to push for improved rights for workers in a local economy, the trade unions in the TC sector has been slow to react in Zambia (Koyi, 2006:272). When Mulungishi Textiles closed in 2007, the National Union for Commercial and Industrial Workers (NUCIW) lost one fifth of its membership (Baah and Jauch, 2009b:22). Sibanda (undated) argue the collapse of the textile industry also led to the death of the body representing the interest of the sector, the Textile Producers of Zambia (TPZ); the body representing the TC industry is currently placed under the Association of Manufacturers (ZAM).

In contrast to cotton production in USA, European countries³⁵ and China³⁶; cotton in Zambia is produced without help of government subsidies. China, India and Argentina criticised USA for not doing enough to reduce cotton subsidies, as it provides an unfair market advantage over cotton farmers from poorer nations (Cotton 24/7, 2 July 2010). Although, the subsidies were aimed to protect American farmers from subsidised Chinese cotton imports, the impact is felt for African cotton producers (Brautigam, 2009). Zambia is not in a situation for the government to subsidise cotton to improve crop efficiency or price. For Zambian TC manufacturers, the result is that the price of the end product will resemble the price of the raw material. Consequently, for Zambia to compete with countries who subsidises cotton, labour costs will have to be significantly reduced as a strategy to cut costs. Several Africa governments are currently facing

the dilemma between creating employment through relaxing labour laws to absorb labour, or creating few but formal and decent jobs. Some developing countries [Argentina, Egypt, Vietnam] exporting agricultural products, have become increasingly protectionist after the agricultural commodity price started to increase in 2007, through either restricting their export or introducing export taxes (Van Dijk, 2009b:167). This also raises the question: can the Zambian government introduce policies to protect the infant TC industry, with its backward links into cotton farming³⁷?

3.3.3. Protectionism is not an option

In Zambia, policies of protectionism are currently very unlikely due to at least four factors: WTO membership, the need to attract FDI, the historical context of nationalism, and cost implications for local consumers.

Firstly, in 1995 Zambia became member of the 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 Trade-Related Investment Measures (TRIMs) agreement 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 protect the national TC industry. Also the expiration of the MFA under the WTO in 2005, meant liberalisation of the global TC industry (van Dijk, 2009b:167; Brautigam, 2009:216). As a result, Zambia's manufacturing industry was exposed to compete on "equal" terms with the rest of the world. Not being able to protect domestic enterprises from more cost effective producers, has had a negative impact on the Zambian TC industry.

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 (Fraser, 2007).

Third, an academic interviewee highlights that protectionism is unlikely due to the historical context of nationalism under President Kaunda, which was marked with a race to the bottom in Zambia (Interview 1). Although, nationalism does not necessarily involve protectionism, Kaunda used protectionist policies restricting import 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, it ended up in food riots in the beginning of the 1990s (ibid). Coming from a history where the Zambian government was in every sector of the economy; the government moved away from parastatal companies when they were failing to deliver in the early 1990s (Interview 1).

The fourth factor explaining the unlikeliness of protectionism relate to domestic politics. An academic interviewee notes that if the Zambian government is to create policies to protect the national TC industry, they would 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 imports into Zambia, as imports would become more expensive, to the favour of local products. The backlash may come from two levels. First, the majority of the Zambian population is working in the informal sector, with a limited income. Raising taxes could result in more expensive clothes, which again would reduce the purchasing power of Zambians. Secondly, people in the formal sector are not necessary able to buy clothes from modern shopping malls, and is negatively affected as their expenses would increase, reducing their purchasing power. Although, the quality is lower for cheap imports and second-hand clothes, people buy what they can afford. Raising tariffs in a protectionist move could further push people into the informal sector of the Zambian economy and would make the Zambian government very unpopular (ibid).

3.3.4. Troubled trade agreements

As the output of the Zambian TC industry is very low, and producers struggle to meet the standard required for international trade; the Zambian economy does not fully benefit from preferential market access. However, issues are also identified on the granting side of these agreements, which will be explored accordingly.

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).

The tenth AGOA conference was held in Zambia in 2011 (AGOA Civil Society Forum, 2011). Although, Zambia has been AGOA eligible for textiles since December 2001, and has preferences for apparel manufacturing with inputs from third countries under specific rules, this has not translated into significant trade gain. Zambia has not taken advantage of textile or garment export under AGOA since the Mulungushi Textiles closed down production in 2006³⁸ (Chutha and Kimenyi, 2011:21; USITC, 2009:3-19, 4-77). The AGOA Civil Society Forum (2011) in Zambia voiced concerns about termination of the multi-fibre provision³⁹ in 2012 and the expiration of AGOA's preferential market in 2015. Currently, only South Africa has the capacity to source textiles externally for their garment industry; they are, however, not eligible for the third country multi-fibre provision (Times of Zambia, 31 May 2011). Both deadlines create major challenges for the sustainability of trade gains and the civil society in Zambia is pushing for extending them (AGOA Civil Society Forum, 2011). The USA Department Africa Bureau prioritises to extend AGOA's preferential market throughout 2025 and lengthen the third country multi-fibre provision to 2022 (Times of Zambia, 31 May 2011). 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, who would benefit for having a regional market for their textiles within SADC (ibid).

The EBA programme, generally allows duty-free and quota-free entry into the EU for all goods from LDCs except armaments (Brautigam, 2009:96). 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). The EBA disappointments mainly came from the complex rules of origin; granting duty-free access to products made only from inputs from the same region (Brautigam, 2009:96; USITC, 2009:3-20). Under strict rules of origin, garments

exported from Africa generally have to be made from strictly African sub-sectors such as African produced textiles, buttons, zippers and even pocket lining; which will not be feasible for African countries to produce in the liberal TC market⁴⁰.

Zambia's membership in COMESA and SADC offer preferential market access to 25 regional markets (USITC, 2009:4-78). 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 and have plans to form customs unions; but progress in COMESA has been limited to country-level implementation problems, while progress in SADC has been hampered by complicated and restrictive rules of origin (ibid). Issues also relate to countries being at different economic stages. Member countries within SADC and COMESA includes countries who have specialised within the TC sector, such as Kenya, South Africa, Mauritius and Egypt, which will provide hard competition for Zambian produced TC products (RATES, 2003:8). Although, the Zambian government has pushed for better integration into regional groups as COMESA and SADC, it will be difficult for Zambia to compete given the free trade agreements an academic interviewee argued (Interview 1). Furthermore, Kenyan producers are able to take advantage of the COMESA market, while Zambia will have to reduce tariffs under the free trade area and will not be able to compete with those who have specialised. Overall, the regional market for TC products has also contracted, and countries as Zambia should opt to specialise to stimulate regional industrial links.

4. China's failed engagement in Zambia's TC industry

4.1. Incentives for investing in TC in Zambia?

The Chinese economy is restructuring, and the Chinese government aims to shift labour intensive and less competitive industrial activities abroad (Brautigam and Tang, 2010). In 2006, the Chinese Ministry of Finance and Commerce established a special fund Chinese textile companies could draw on to encourage them to move offshore, while costs for those textile producers who stayed in China increased (Brautigam, 2009:91). In this context, Chinese textile companies either had to give up their labour intensive production at home, upgrade technology and product quality or move production. Also part of the restructuring plan, the FOCAC 2006 summit announced the creation of special economic zones in Africa and the China-Africa Development Fund (CADFund), to help Chinese companies moving abroad, and by the same time help Africa's shortage of consumer goods (ibid).

Zambia has become a more attractive destination for Chinese FDI (Muneku, 2009:165; Van der Lugt et al, 2011:55, 57). An explanation for the surge of Chinese migration to Zambia relates to the historical ties between the countries going back to independence in 1964. Along with other development projects in the 1970s, the Mulungishi Textiles was built with Chinese aid between 1977 and 1981, and operated between 1982 and 1996 as a parastatal company (for more information see Mwanawina, 2008; Muneku, 2009; Brautigam, 2009). Zambia has a long record of peace compared to the neighbouring countries. Abundance of natural resources, largely untapped markets, the lack of competitors and the opportunity of learning how to internationalise, are all factors pulling Chinese companies to African countries (Kragelund, 2009b:480; Carmody and Hampwaye, 2010:92). Relaxed laws and regulations in Zambia, due to institutional problems and corruption, could also be seen as a motivation for investing in the country (Interview 8).

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 in the mining sector; the TC industry may be associated with less financial risks. Access to natural resources and a large informal sector in Zambia, may act as a motivation for Chinese actors investing in the TC industry. After all, those labour intensive industries unable to upgrade, are the ones currently being pushed out of China (Brautigam, 2009:91). Chinese companies (SOE and private) in the TC sector are usually mature industrial actors, which potentially could provide learning opportunities for the industry in Zambia (Brautigam, 2009). Access to cotton, create the potential for industrial links and ultimately to maximise benefits through controlling the whole cotton-textile-clothing value chain (ibid). Helping Zambia reinvigorate its manufacturing sector is one way of achieving access to resources through consent (Carmody, 2010:91).

The agreement to build economic zones in Zambia includes not only high technological zones, but also industrial parks and MFEZs for light industrial activity. This support has the potential to build capacity in promoting industrial development of the TC sector 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 Tang, 2010; Kragelund, 2009b:487). Tax benefits for investing in economic zones, also makes Zambia an attractive destination for Chinese FDI (Van der Lugt et al, 2011:56).

One of the factors behind China's economic success lies in the commitment to export. Chinese investments in the Zambian TC industry provide Chinese companies with access to local Zambian markets, regional markets as well as the global export market (Kragelund, 2007:172). Chinese investments would be important if it entails helping Zambian producers meeting international quality standards, so that Zambia can expand trade and make use of trade agreements (Kragelund, 2007:175). Agreements at an international scale (EBA and AGOA) as well as at a regional level (SADC and COMESA), potentially offer Zambia preferential export access of products within the TC sector. This could act as an incentive to invest in the Zambian TC sector, although it does not make up for the loss of preferences previously provided by the MFA (Kragelund and van Dijk, 2009:94). However, these preferences reduced in value as the industry liberalised. From a Chinese perspective, it was no longer necessary to make use of Zambia's preferential trade agreements to access markets in the West after 2008 (Brautigam, 2009:216; Van Dijk, 2009b:168). Incentives for investments in Zambia's TC industry thus have to be elsewhere.

4.2. Supportive institutions and organisation of Chinese companies

Chinese institutions are instrumental in reducing risk for Chinese companies to operate in a foreign setting. 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 (Kragelund, 2009a:649). Through official state visits, the Chinese and Zambian government negotiate terms of Chinese investments (ibid). At the highest level, the government of China supports Chinese investors in Zambia through FOCAC (Muneku, 2009:168; Mwanawina, 2008). The Zambian political elite provides Chinese investors with a very direct channel of communication with Zambian authorities, which may have facilitated advantageous investment terms compared to other investors (Bastholm and Kragelund, 2009:126; Mwanawina, 2008:24).

The Chinese government has set up concrete supportive measures to support Chinese investors in their day-to-day activities in Zambia. The most important institution for Chinese investors in Zambia is the Chinese Embassy, in particular the Economic Counsellor's Office, which help facilitate a positive attitude towards Chinese investors among the political elite and authorities in Zambia, provides investment opportunities and advise for investors, and makes inter-Chinese cooperation possible (Bastholm and Kragelund, 2009:126; Kragelund, 2009b:486). The Embassy is the extended arm of the Chinese political leadership and directly involved in investment negotiations (ibid).

The Association of Chinese Companies in Zambia (ACCZ) falls under authority of the Economic Counsellor's Office in Zambia (Bastholm and Kragelund, 2009:127). Established in 2005, it functions as the Chinese Chamber of Commerce in Zambia with around sixty Chinese member companies. The ACCZ takes care of the interests of Chinese companies in Zambia vis-à-vis the Zambian public and Zambian authorities, 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 on 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, 2009:127).

The Chinese Centre for Investment Promotion and Trade (CCIPT) was established in 2002, and like ACCZ, a parastatal organisation built by the MOFCOM, seeking to smoothen the process of Chinese companies in Zambia (Bastholm and Kragelund, 2009:127). 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. The CCIPT also help facilitate contacts with relevant Zambian authorities for potential or newly arrived Chinese investors (ibid).

In 1997, the state-owned commercial Bank of China (BOC) opened a branch in Zambia, as the first Chinese financial institution in SSA, with the purpose of facilitating operations of Chinese investors and facilitate day-to-day activities of Chinese companies in Zambia (Brautigam, 2009:82). The BOC has not made any profits and is used for facilitating daily banking operations, and is in this way a strategic investment that reduces difficulties Chinese investors may have to manage their banking affairs in a foreign setting (Bastholm and Kragelund, 2009:127).

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 loans⁴¹. Exim Bank is potentially important for African development, as it provides a new source of capital especially in the much needed infrastructure sector, where deliberate state policies are used to accelerate development (Mwanawina, 2008:3; Brautigam, 2009:80). Exim Bank is state-owned, and has rapidly become one of the largest export credit agencies, although it operates independently of prevailing export credit rules (Large, 2007). Other policy banks include the China Development Bank (CDB), as the managing entity for the China-Africa Development Fund (CADFund), created in 2006⁴² (Grimm et al, 2011:18).

CDB set up a Zambian team to provide funding and support for Chinese industrial zones and the China Nonferrous Metals Corporation (CNMC) activities in Zambia, although the CADFund did not invest directly in the Chinese pilot zones⁴³(Brautigam and Tang, 2011:34). The industrial zones will directly benefit the state-owned company CNMC, which has been assign by the

Chinese government to manage the zones and attract private investments (Bastholm and Kragelund, 2009:127).

The composition of Chinese FDI is dominated by large, state-led, policy driven and publicly owned companies, although small-scale investments have gained more importance (Kopinski and Polus, 2011:185). While some Chinese companies benefit from large-scale investments of SOEs, others are not related to these investments at all. These have rather been pushed out of China due to increasing demand for technological capabilities and lower profit margins (Kragelund, 2009b:493). It is challenging to gain an overview over Chinese individuals providing small-scale investments in Zambia, as the Chinese institutions in place mainly support large-scale investments. The majority of small-scale Chinese companies approach Zambian authorities directly, thereby bypassing two central institutions, 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 in Zambia 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 Lusaka⁴⁴ (ibid). A list from the PACRO head office Lusaka in June 2011, listed 542 Chinese companies in Zambia⁴⁵. Most of them established from 1992 onwards in the areas of general trading, import/export, construction, mining related business, manufacturing and farming. Based on the PACRO list, it is not possible to identify which or how many companies directly involved in TC manufacturing. According to information from the PACRO head office, some Chinese investors register a company and only then choose what type of business to set up (Interview 10). As a part of overcoming bureaucracy, companies register their overall activity, for example in manufacturing, and do not specify what they will manufacture to avoid going back to PACRO to register again (ibid)⁴⁶.

4.3. Chinese companies in the Zambian TC industry – few and no success

Mapping the Zambian TC industry and Chinese companies in Zambia, this paper found only two instances of Chinese investments in the Zambian TC industry: the joint venture Zambia-China Mulungushi Textiles (ZCMT) and TC production in the economic zone, Lusaka East MFEZ.

The Mulungushi Textiles was initially built by Chinese aid in late 1970s. From 1982 to 1996, it operated as a Zambian parastatal, where the Zambian government was assisted by Chinese technicians; but closed already in 1994 due to mismanagement and financial difficulties during a period of national economic crisis affecting manufacturers (Brooks, 2010:114; Muneku, 2009:171). From 1997 the factory ran under the name Zambia-China Mulungushi Textiles (ZCMT), a joint venture between the Zambian government and the Chinese state-owned company, Qingdao Corporation. ZCMT closed in 2007, and does thus no longer 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, as part of moving industry through building economic zones, Chinese investors are planning TC integrated industries in Lusaka East MFEZ. The zone is currently under constructions; expected impact of the project will be measured according to available information so far in the process.

4.3.1. Zambia-China Mulungushi Textiles – joint venture in the TC industry

In 1995, then-Chinese vice-premier Zhu Rongji suggested to turn the Mulungushi factory into a Zambia-China joint venture, to bring the factory back to life (People's Daily China, 27 November 2003; Taylor, 2006). 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; the Zambian part of 34 per cent was held through the Ministry of Defence (Muneku, 2009:171; Brooks, 2010:114,115). The investment to rehabilitate the factory was provided by Qingdao Textile Corporation, a Chinese SOE that is considered a mature industrial actor being over a century old, originating from the Qingdao City Centre of intensive clothing manufacturing on China's eastern seaboard (Brooks, 2010:114; Qingdao Textiles website, 2011). To ensure the new joint venture had enough operating funds, Yuan 200 million in low interest loan was provided (People's Daily China, 27 November 2003). Kabwe Business News (2010) notes the recapitalisation was arranged through investment of USD 24 million, obtained from Exim Bank of China.

Qingdao's investment was initially welcomed and seen as a fresh localised opportunity for development in Kabwe, as it was associated with re-employment and new employment at the factory (Brooks, 2010:119). Kabwe is a mining centre that declined economically and socially after closure of industry in the 1980s and 1990s (ibid). The Chinese investments in Mulungushi Textiles came at a time when other international investors were reluctant to commit to the declining Zambian economy; the factory reopened in 1997, at a time when Chinese corporations invested in African textile industries as it was clear that the MFA was set to expire in 2005, meaning the end of exporting under quota restrictions (Melber, 2007; van Dijk, 2009b:167).

From January 1997, about thirty management and technical staff from Qingdao Textile Corporation came to Zambia, using about twenty days to restart the factory, drafting new rules and regulations, repairing equipment and recruiting workers (People's Daily China, 27 November 2003; Taylor, 2006:178). The main management positions, chairman of the board of directors and general manager were Chinese (ibid).

After the resumption of production, the first problems at the factory related to poor product quality, low efficiency, insufficient varieties of products and long delivery periods (People's Daily China, 27 November 2003; Taylor, 2006:178). This indicated the need for replacing out-dated 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 improved the quality and variety of products. The second problem for ZCMT was supplying cotton for the factory as a monopoly over the raw cotton market in Zambia made it difficult for ZCMT to source it locally at a reasonable price. This forced the factory to import cotton from Tanzania, which resulted in higher costs. The problem of sourcing reasonable priced cotton for ZCMT led to its own engagement in cotton production in 1998 (ibid).

Chinese investors at ZCMT solved problems of cost and efficiency, in line with theory of interconnected businesses, by forming downstream companies and thereby obtaining control over the sub-sectors in the TC industry. Companies that ZCMT used as its subsidiaries, based on Kabwe Business News (2010:12), were:

- Mulungushi Textiles Development Company Limited
- Mulungushi Cotton and Cooking Oil Company Limited
- Mulungushi Garment

- Flamingo Bedding Company Limited
- International Trade Centre
- Chipata Cotton Company Ltd⁴⁷

Within a few years, ZCMT became Zambia's largest textile company, and the only company that grew cotton. Through 5,000 contracted farmers, it controlled 10,000 hectares of cotton farms, and was engaged in ginning and spinning cotton, weaving yarn into textiles and producing garments; controlling the whole supply chain from cotton to finished garments (Kragelund and van Dijk, 2009:94). ZCMT's main activity was the production of textiles with African prints known as chitenge⁴⁸ in Zambia, commonly used all over Africa and among the African diaspora (Kabwe Business News, 2010). The factory also produced drills, poplins and loom state to add value to textile products, in addition to making shirts, shorts, bed sheets and modern khaki fabrics (ibid). ZCMT provided cotton farmers with out-grower schemes⁴⁹, and was by 2002 the third largest cotton purchaser in Zambia, buying 9,000 tonnes of cotton in 2002 and 5,000 tonnes in 2003 (People's Daily China, 27 November 2003; Taylor 2006:178).

Domestic markets were reached through retail markets in Kabwe, Chipata, Lusaka, Kasama, Solwezi and through a number of satellite shops (Kabwe Business News, 2010). Through a marketing network, ZCMT had 18 stores around Zambia, with two subsidiary companies in Tanzania and Namibia, and ZCMT products was sold throughout Southern Africa (People's Daily China, 27 November 2003; Taylor, 2006:178). To further generate foreign exchange, ZCMT exported fabrics to Botswana, Malawi, Mozambique, Tanzania and Zimbabwe (Kabwe Business News, 2010). In addition to meet own cotton demand, ZCMT exported 2,000 tonnes of cotton from 2002 to 2003 due to high demand in China (People's Daily, 27 November 2003).

The only record of ZCMT taking advantage of AGOA was in 2000, delivering 11,000 shorts to USA; being the largest single export of textile products to USA by a Zambian company (Taylor, 2006:178). ZCMT has historically been the largest TC manufacturing cluster set up in Zambia, hence the only company with capacity to produce according to international standards at a large scale. Two agreements were made in 2003 to finance expansion of production and make use of AGOA preferences, the first with Wyler Team International Corporation⁵⁰; the second between the Zambian and Chinese government to build an industrial park with interconnected TC business linked to ZCMT (People's Daily China, 27 November 2003; Taylor 2006:178; Daily Mail Zambia, 10 November 2003). However, none of the planned ZCMT expansions did happen. ZCMT ceased production in December 2006, while workers were retrenched between November 2006 and February 2007 (Brooks, 2010:129). The Chinese management suspended business due to operational challenges (Kabwe Business News, 2010). The closure of ZCMT also resulted in problems for the integrated supply industries; most of them also closed down production. Mwanawina (2008:8) argues 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. Two Chinese companies are still involved in cotton production, the Chipata Cotton Company and the Mulungushi Cotton and Cooking Oil Company, where the latter exports cotton to China (Brooks, 2010:120). The Post of Zambia (26 June 2011) reported that workers at the Chipata Cotton Company were complaining about low wages and bad working conditions.

Employment creation was an important question prior to the election in October 2011, and news reports should thus be seen in the light of pre-election campaigning. According to the Post of Zambia (26 January 2011), Mulungushi Textile factory had been turned into a piggery and poultry. The Zambian government refuted this as a false media report by (then opposition

leader, now president) Michael Sata, stating that the Chinese government was searching for a suitable company to invest in and replace equipment at ZCMT, according to the newsite UrTextile (27 January 2011). Lusaka Times (28 March 2011) wrote before the presidential election that President Banda announced negotiations of reopening the factory. By April 2012, it was clear that the Chinese government no longer was supporting troubled ZCMT (Times of Zambia, 5 April 2012). Furthermore, the Zambian government is now in the process of acquiring 100 per cent of the shares of the company and resolving issues of outstanding debt (ibid). Negotiations about reopening the ZCMT did not succeed. ZCMT is locally described as “a white elephant”, needed for a resemblance of industrial life in Kabwe (Kabwe Business News, 2010).

4.3.2. Reasons for Zambia China Mulungushi Textile's failure

The Chinese investment in the Mulungushi Textiles is usually held up as the example of successful cooperation between China and Zambia, alongside the TAZARA (Taylor, 2006:178). There are several discussions explaining what caused the factory to close.

As already explored, international factors such as the end of MFA in 2005 and liberalisation of the Zambia economy, caused heavy external competition for TC producers in Zambia, ultimately also to the ZCMT, who had to compete globally according to price and quality. Kabwe Business News (2010:13) explains the closure of ZCMT with undercapitalisation⁵¹ of the factory, similar to reasons for the first closure of the factory in 1996 (Koyi, 2006). The problem of undercapitalisation was due to high costs of production, unfair competition, obsolete equipment, erratic supply of raw materials, failure of clients to settle debt, in addition to a bloated workforce (Kabwe Business News, 2010:13). Although, efforts were made to attract investments for recapitalisation, in addition to effort made by management and shareholders to revive the factory, it was not enough for the factory to remain in production (ibid).

Koyi (2006:269) argues the Chinese investments in ZCMT were presented as an intervention to revive a collapsed factory, but was in reality a case of systematic quota hopping. ZCMT provided Qingdao Corporation with an export market for the produced goods through AGOA (ibid). By late 2008, the temporary restrictions for Chinese TC products into USA and EU's markets were removed under the WTO (Brautigam, 2009:216). Chinese companies no longer needed to manufacture in African countries with preferential market access, as Chinese TC products could be exported directly to markets in the West. As seen by 2008, production at the ZCMT factory was already history in Zambia.

According to Brooks (2010:130) the ZCMT trading strategies developed into new structural means for surplus extraction, where the Chinese management extracted profits from Zambia to the parent Qingdao Corporation in China. An academic interviewee claimed that the quality of products from 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 the Zambian government had allowed the Qingdao Textile Company to export higher-quality ginned cotton to China through Mulungushi Cotton, where cotton used at ZCMT was of lower quality. In this way, the Qingdao Textile Corporation supported China's great demand for cotton, while importing duty-free spare parts from China for ZCMT. Consumer items such as clothing and televisions were reported covertly imported from China and sold in Chinese-owned shops that used the Mulungushi name (ibid).

Muneku and Koyi (2008) argue perpetual reorganization at the textile plant, brought about job losses and suffering for workers. Mutesa (2010:172) highlights disparities in salaries between

Chinese and Zambian workers performing the same tasks; the Chinese assistant general manager was paid about Kwacha 17 million while the Zambian deputy general manager got Kwacha 3.5 million. Already in 2004, the Zambian government had demanded the management at ZCMT to not lock workers into the factory at night (the *Frankfurter Rundschau* of 5-2-2007; cited in Asche and Schüller, 2008:60). When then-president Hu Jintao visited Zambia in February 2007, the anti-Chinese feelings in Zambia were at the level of xenophobia, with part of the protest by former ZCMT workers, who planned to protest the closure and lack of payments (Mutesa, 2010:177). These protests were stopped by the police (ibid). Asche and Schüller (2008:60) argue workers at ZCMT protested outside the Chinese Embassy because of low wages and temporary closure of the factory in 2007. Based on Brooks (2010) detailed ethnographic research among ex-factory workers at ZCMT, working conditions and low wages are highlighted as key issues to explain the closure of the factory. Brooks (2010) key points to explain the closure includes:

- Introduction of casual labour practices, where the workforce was divided in permanent and casual workers. The group of casual workers was gradually expanded, workers were easily replaced, the management ignored social wage and access to basic services and protection, workers received low or no wage and performed repetitive tasks.
- The Chinese management pushed for increased production through close supervision, restriction on movement of workers, using machines to lower costs, and to control and discipline the workers.
- Low wages and bad working conditions did not fulfil Zambian workers expectation of modernity, and workers had to seek alternative employment to sustain a livelihood⁵². Workers tried negotiating better wage, without success, which led to riots and strikes.
- Issues with language, cultural difference and lack of interaction led to misconceptions and negative perceptions about the Chinese management by the Zambian workforce.
- The Zambian government introduced a minimum wage in 2006, which made wage levels at ZCMT illegal. The Chinese management answered with paying the minimum wage of Kwacha 268,000; although, efforts to suppress wages still continued, leaving the workers to feel betrayed. As a result, labour unrest was re-ignited up until closure (from Brooks, 2010).

An academic interviewee explains that 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. The factory needed to improve existing equipment and was not back on its feet, before the workers started demanding (ibid).

Despite transfer of technology and building interconnected businesses, the Qingdao Corporation's investment failed to deliver local economic growth and material benefit. Labour reforms, rather than a high wage model with welfare policies, were seen as key to run an efficient and profitable business (Brooks, 2010). Casual employment at the ZCMT was often not enough to sustain a livelihood, did not contribute to state revenue through employment taxes, or transfer skills leaving Zambian workers better equipped in the future. Restrictions on the workplace, repetitive jobs and limited interaction with the Chinese management, do not support evidence of skill transfer to Zambian workers. The market created for TC products was also lost

with ZCMT's closure.

Although, TC industry is a starter industry for industrialisation as it absorbs large segments of unskilled labour, the Zambian workers at ZCMT did not accept terms of employment. In this way, the strict labour regime has not worked in Zambia for low-cost producers, contrary to positive experiences in the sector in China.

4.3.3. Lusaka East Multi Facility Economic Zone

A second possibility for the promotion of TC industry could be the establishment of a Multi-Facility Economic Zone. The Lusaka East MFEZ is important as the first light industrial zone in Zambia, setting up production for domestic and export markets, and tailored to accelerate diversification of Zambia's export sector (Shout- Africa, 11 August 2010). Lusaka East MFEZ is considered a sub-zone of the Chambishi MFEZ in the Copperbelt, and was inaugurated with USD 500 million in January 2009 close to the Lusaka International Airport⁵³ (Kragelund, 2009b:487). The zone aims to focus on service and light industrial clusters⁵⁴, which include textiles and its supportive links (MOFCOM, 13 May 2011). The government of Zambia is also planning cotton clusters, which might feed into the industrial cluster (ZDA, 2008). In this way, Chinese investments are in line with Zambian national development priorities, by building manufacturing activities to improve local consumption of natural resources.

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). In mid-2011, the land was cleared and the process of building roads had begun. Alves (2011:3) notes that almost three years after its launch, the zone was still at an early stage of infrastructure construction. As there were reports about interested entrepreneurs, the Lusaka East MFEZ was expected to start receiving investors by April 2012 (ibid).

Relating development of the zone, information from fieldwork shows that the ZDA and the local Zambian government, Lusaka City Council, are involved in developing the Master Plan for the zone, in addition Alves (2011) adds the Ministry of Commerce, Trade and Industry and the Ministry of Finance on the Zambian side. Part of the process of developing the Master Plan on the Chinese side includes the Zambia-China Cooperation Zone (ZCCZ), who also is responsible for the construction and development of the zone (MCTI, 2011:15). The state-owned China Nonferrous Metals Corporation (CNMC), plays a key role in managing the ZCCZ, and CNMC is supported by the Chinese Ministry of Commerce, Association of Chinese SEZ and the local Chinese Embassy in Lusaka (Alves, 2011). The ZCCZ is responsible for providing infrastructure, including roads, telecommunications, electricity, water supply and facilities for administration, commerce, exhibitions and training, in addition to attracting private investors for the zone (Alves, 2011:3). Based on information from a Zambian government official, only Chinese companies are planned for the zone so far (Interview 4).

Looking at the impact on economic development, the Lusaka East MFEZ is expected to create 13,300 jobs (Alves, 2011:3). It is also hoped that the zone will lead to technology transfer, as the MFEZ Act incentives include 0% import duty on machinery for five years, deferment of VAT on machinery and equipment imports (MCTI, 2011). It can also be expected that the Lusaka East MFEZ will support market creation and trade in TC products, as the zone's production is planned for the domestic and export market. In contrast, the zone will have a limited impact on state revenue through tax earnings for the host government in the early phases⁵⁵. While, lack of duty on import

of raw materials might not encourage local consumption of specifically cotton (ibid). Serious obstacles might limit the prospects for success of the zone, not only with regard to TC industries.

According to Alves (2011) obstacles relate to implementation more than to policy and design; there was need to make the process less elitist and secretive. Due to loose regulations on local content, language and culture barriers between Zambians and Chinese; Chinese investors tend to rely on own supply chains as a much cheaper option (Alves, 2011:4). Specifically labour practises, as there is a large gap between Chinese practises (longer hours, lower salaries and safety standards) and local work ethics (shaped by Western standards) have caused serious misunderstandings in Zambia in the past, and should be tackled before the Lusaka East MFEZ becomes operational (ibid). Questions have been raised about domestic spill-overs, as the investment target is USD 500,000 for setting up a business in a MFEZ, and thereby too high for the majority of the Zambian business community to take part (Interview 12; Clarke et al, 2010). Brautigam and Tang (2010:48) note from experience with other economic zones in Africa that training programmes are yet too short to enable African officials to acquire the skills needed to operate in the zones. Furthermore, too much local participation too early in the process of setting up a MFEZ, may hinder the ability for the zone to be successfully launched (Brautigam and Tang, 2010:47). Also from experience with zones in Africa, Giannecchini (2011:13) suggests as increased domestic involvement in these MFEZs beyond lower skilled employment and the supply of raw materials remains low; locals should rather invest in links around the MFEZ, to provide supply links to the industries located within.

When the Lusaka East MFEZ is complete, it may serve to transfer technology, generate local employment and help market creation through TC trade, according to a Zambian government official (Interview 4). Yet as critics note, the MFEZ could turn out to advance Chinese interest through manufacturing Zambia's natural resources without links to African development objectives (Brautigam and Tang, 2010:49; Giannecchini, 2011:13). For the Lusaka East MFEZ to benefit the Zambian economy, the government needs to address employment creation and develop supply programmes between the zone and domestic sectors.

5. Are Chinese investments saving Zambia's TC industry?

This paper set out to further our understanding of how Chinese investments in the Zambian TC industry impacts economic development, as a sector important for employment creation and ultimately poverty alleviation. Although, Chinese investments in the Zambian TC industry offer opportunities for economic development; this paper shows that Chinese investments in the sector failed. Through mapping the Zambian TC industry and Chinese companies in Zambia, this paper found only two instances of Chinese investments in the Zambian TC industry, being the joint venture Zambia-China Mulungushi Textiles (ZCMT) and TC production planned for the economic zone, Lusaka East MFEZ.

Initially, ZCMT successfully sold TC products domestically, regionally and internationally through AGOA, but closed down production in late 2006. The most important factor explaining the ZCMT closure, relate to the impact of liberalisation of the TC industry in 2005 and undercapitalisation at the factory. The factory was unable to produce cost effectively in the international market, and the Chinese management had to take measures to reduce costs. Compared to Chinese labour practises in the mining industry, also reorganisation of the workforce at ZCMT brought job losses and suffering for workers. Casualisation of the workforce

meant that workers were easily replaced, the management ignored access to basic services and protection, and workers complained over low wages. Casual employment at the ZCMT was often not enough to sustain a livelihood, or transfer skills leaving Zambian workers better equipped in the future. Also, framework conditions for the TC industry in Zambia changed rapidly. By late 2008, the temporary restrictions for Chinese TC products to the West were removed under the WTO; Chinese companies no longer needed to manufacture in Zambia to reach markets in the West. Although, ZCMT successfully created industrial links to provide control over all the factors in TC production; the plant was not profitable enough and terms of employment not acceptable for the Zambian workforce.

The second Chinese investment, the Lusaka East MFEZ, does not contribute to economic development, as not yet operational. However, a number of challenges related to local impact and implementation have been raised: regarding local employment creation, supply links to domestic sectors and benefit for local entrepreneurs. A large gap between Chinese labour practices and local work ethics has caused serious misunderstandings in Zambia in the past, and should be tackled before the Lusaka East MFEZ becomes operational. When the Lusaka East MFEZ is complete, it may serve to transfer technology, generate local employment and help market creation through TC trade; 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. Therefore, it is up to the Zambian government to set terms, make the process less secretive, address some of the contextual factors and provide clear leadership in terms of creating acceptable and poverty reducing employment in the TC sector.

Through national plans (FNDP and SNDP), the Zambian government aims to link investors to the needs in the domestic economy, diversify the economic base, create employment, and ultimately reduce poverty. On the positive side, the plans have removed administrative barriers to establish businesses in Zambia, addressed infrastructural deficits, improved regulatory frameworks, created the MFEZ initiative to foster investment into manufacturing activities, and overall improved the business environment for foreign investors. In this way, the Zambian government has established a foundation that will ease economic development in the future. However, the FNDP proposed a general approach to tackle some of the constraints faced by the manufacturing sector, and lacked targets and strategies to build manufacturing sub-sectors, such as the TC industry. Although, the FNDP (2006-2010) focused on attracting investments to stimulate economic growth and poverty alleviation through employment creation, the sub-sector showing the most negative growth within the manufacturing sector was textile and leather products between 2005 and 2009. The SNDP was more targeted and an improvement over the previous development plan. However, a lack of implementation make the national development plans mostly theory.

The initiative to establish dedicated economic zones (MFEZs) is important in terms of providing a foundation for investors wanting to establish light industrial production in Zambia and keeping the area manageable for Zambian administration. Establishment of the Zambian Development Agency (ZDA) was certainly a positive step. The ZDA is responsible for regulating and implementing the MFEZ initiatives, which are seen as new economic strategies for economic development through catalysing industrial activity. The MFEZ initiative is important as it attracts larger scale investments for business activity in the manufacturing sector for the longer term; which may lead to employment creation, technology transfer and expanded opportunities to benefit from trade. On the others side, challenges are linked developing supply links between

the MFEZs and domestic industries, the accessibility for local businesses to enjoy incentives for business creation, and employment creation for local workers in the zones. Although, there have been some changes in the MFEZ regulations for the sake of national benefit, and as it is too early to fully grasp impact of MFEZs for economic development; it needs to be a clear link between foreign investments and national benefit in terms of employment creation and domestic value addition.

Looking at the current state of the Zambian TC industry, market liberalisation has had a positive impact on cotton production, which has grown and become international competitive in terms of price and quality. However, liberalisation has led to large foreign ownership in the cotton sector. While large foreign ownership might make local consumption and benefit of cotton difficult; there are only four textile mills left in Zambia. Domestic capacity to add value is thus very limited, and ultimately demands for investments in integrated industries to improve local consumption of cotton. Due to the competitive pressure in the liberal TC market, Zambia's demand for TC products is met rather by imports of cheap consumer goods from China and other Asian producers, and by second-hand clothes from the West, leaving the domestic textile industry in limbo. Cotton exports to China have not appeared in official statistics; figures of 2011 show that TC products contribute little to the overall export from Zambia.

Factors contributing negatively to the growth of a TC industry and where policy is needed, include firstly, unrestricted TC imports take over the market for domestic produced products and creates a difficult environment for Zambian TC producers to compete. Secondly, the textile industry needs investments to upgrade machinery and technology to produce according to international standards and to absorb local cotton. Subsidised cotton in countries as China, USA and in Europe, provide an unfair market advantage over TC producers in Zambia, and put additional pressure on reducing costs. Protection of local industry in Zambia is not seen as an option due to the commitment to a liberal investment climate, membership in the WTO and due to the history of nationalism in Zambia. In addition, raising TC tariffs in Zambia would reduce people's purchasing power and make the government unpopular.

Confusing legislation surrounding preferential trade agreements are identified as factors to account for to improve prospects for trade. As it is suggested to extend AGOA's preferential market access to 2025, and lengthen the third country multi-fibre provision to 2022, this would be important for investments in the Zambian TC industry with opportunities for trade gain. Also, if South Africa is granted AGOA multi-fibre provision for their clothing production, it could become an important incentive to invest in AGOA eligible countries such as Zambia, who would benefit from having a regional market for Zambian produced textiles. It would also be of benefit to encourage industrial links regionally, and thereby loosed up strict rules of origin for EBA and AGOA. Trade within SADC and COMESA is hampered due to overlapping memberships and hard competition between the most specialised and developed economies, compared to less specialised TC production in countries such as Zambia. Overall, after trade liberalisation the regional market for TC products has contracted, where countries as Zambia should opt to specialise to stimulate regional industrial links and to increase competitiveness. In this complex setting: Can Chinese investors come to the rescue of Zambian TC industry? Based on past experience, this seems unlikely.

There are a number of positive aspects of Chinese engagement, including for the TC industry in Zambia. Chinese investors are without question important actors in the Zambian economy in the 2000s, where the Chinese and Zambian government has developed a set of tools to provide

incentives and institutions to help Chinese actors in the Zambian setting. Indirectly, Chinese actors in infrastructure and construction sectors are instrumental in supporting economic development in the Zambia, and solving some of the contextual factors hindering growth within the TC sector. By providing support to improving transportation costs, telecommunication and power supply, Chinese actors are ultimately important as reducing the cost of doing business for the Zambian TC sector.

Overall, unfortunately, Chinese investors are not saving the Zambian TC industry, as the projects currently do not impact on economic development as measured by this paper. Although, there are Chinese actors in the cotton sector, this has little benefit to Zambia. Moreover, Chinese actors in the TC industry are not changing the negative impact import of Chinese TC products has on national industry. Today the situation is that Zambia exports cotton and in return buys finished textile and garment products. In this way, the country loses out in terms of employment creation and state revenue; it has not moved up the value chain. As a result, Zambians are pushed into the informal economy, which are bad news for national industries and a tragedy for Zambian development. Chinese TC producers could make a difference for the Zambian TC industry; however, the global competitive pressure and insufficient framework conditions in Zambia have prevented textile industry in Zambia from being profitable. As numerous publications highlight, the Zambian government needs to take charge, provide strategic plans and concrete leadership to diversify the economy and through setting terms for foreign investors to contribute to employment creation. In light of the recent financial crisis, employment creation and poverty reduction need to be at the centre of national development priorities.

This paper demonstrated the challenges to industrialise in the context of a liberal market and the globalised international economy. This case study explored 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. This study illustrates just how difficult it is for LDCs to make the first steps into industrialisation, regardless of Chinese involvement or interests.

Endnotes:

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, 2009:91). Traditional donor countries give less than one per cent of their aid to industry (ibid). While the private sector in Europe and USA has largely chosen not to invest in African factories (Brautigam, 2009:92).

² The process of Chinese development cooperation is highly complex in detail, as a multiplicity of institutions are involved in decision-making and implementation (Asche and Schüller, 2008:31). The most important ministry for implementing development cooperation is MOFCOM, which is responsible for both incoming and outgoing development-assistance funds and for bilateral development policy. Within MOFCOM there are various departments with particular development cooperation responsibilities (ibid). More recent additional information, see Grimm et al (2011).

³ In this critique to ethnocentrism, Hobson (2004) in his book "The Eastern Origins of Western Civilization" show example of how important sides of the British industrial development within the textile industry was based on technology in the Chinese silk industry. Hobson (2004) calls Britain an industrial latecomer, as ideas and inventions originated from the east.

⁴ 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 countries (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, 2012).

⁵ The informal economy accounts is 88 per cent of the total labour force of 4.9 million, aged between 15 and 64 years (CSOZ, 2007). In 2006, 64 per cent were registered living in poverty, divided on 80 per cent in rural poverty, towards 34 per cent living in urban poverty. For more information see Central Statistics Office Zambia (2007) "Labour Force Survey Report 2005", which seems to be the latest updated numbers used by most research papers on Zambia.

⁶ The researcher was in contact with the Economic Counsellors office, but unable to make an appointment. Former president Frederick Chiluba died during this period; over one week was declared national mourning, with official duties for embassy personnel.

⁷ President Kenneth Kaunda followed an African socialist-styled philosophy called "Zambian humanism" (Fraser and Lungu, 2007).

⁸ Aid relations are complex in Zambia. For more information see Saasa and Carlson (2002), Fraser (2007) and Kragelund (2012).

⁹ Other major sources of FDI include Australia, USA, Switzerland, Canada, South Africa and India, although this study focuses on FDI from China (Ndulo et al, 2009:11; van der Lugt, 2011).

¹⁰ Zambia is one of the countries with the longest relationship with the Chinese government, building an embassy in Lusaka in 1964, followed by the TAZARA and the Mulungushi Textile factory in 1960s and 1970s (Ferguson, 1999; Taylor, 2006).

¹¹ Mercantilism refers to a type of capitalism where the state apparatus is used to advance national business interests (Holslag, 2006). China's "Go out" policy can be placed within this theoretical perspective of neo-mercantilism, as strong state institutions is used to accelerate own industrialisation (ibid).

¹² This was discussed during the Second FOCAC Legal Forum held in Beijing in September 2010 (van der Lugt et al, 2011:25).

¹³ The first crash (1999-2000) was a severe credit default crisis, brought on due to a competitive scramble for cotton (Tschirley and Kabwe, 2010:5,6). Companies operating on out-grower schemes suffered from increased loan default as competing firms, some of which did not provide input on credit and, hence could offer higher prices, purchased cotton from farmers financed by other firms. This is called side-selling of crops and as a result loan repayments dropped. The second crash (2006-2007) is explained by a sharp appreciation of the Kwacha, domestic politics, increased firms in the sector leading to another serious credit default crisis and dropping production (ibid).

¹⁴ 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.

¹⁵ These firms also operate in other southern African countries, see more in Tschirley et al (2008). The Zambian company Clark Cotton was bought by Cargill Cotton in 2006 (Cargill Cotton webpage, 2011).

¹⁶ 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).

¹⁷ Some relocated to countries such as Zimbabwe, Tanzania, Botswana and South Africa (Seshami and Simeo, 2006:3).

¹⁸ Do not know if the companies Sakiza Spinning Mills Limited, Kays Textiles Limited and Unity Garments are operational in 2011.

¹⁹ Indian investors bought Kafue Textiles under the name African Textiles, and are currently being investigated for using the machinery stripped from Kafue Textiles for textile industry in Tanzania (Lusaka Times, 26 April 2011; Post of Zambia, 28 January 2011).

²⁰ As industries were protected by high tariffs and often state support prior to liberalisation in the 1990s, the employment number was higher than economically necessary (Koyi, 2006:261).

²¹ Manmade fibre is chemically produced fibre created through technological means from chemicals or combinations of chemicals and natural materials (USITC, 2009:vi).

²² The clothes do not necessarily originate from UAE, but used as a middle station. Kwacha 2.4 million represents about USD 460, which is a low amount on a national scale.

²³ Zambia's major export destinations: Switzerland (58.9 per cent), China (14.4 per cent), followed by South Africa (11.9 per cent), the DRC (3.7 per cent), Zimbabwe (2.1 per cent) (CSOZ, 2011:10).

²⁴ 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.

²⁵ A free trade agreement (FTA) is a trade treaty between two or more countries (MercaTrade Dictionary, 2009). 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 (ibid).

²⁶ 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). EPAs replaced the Cotonou Agreement of preferences in January 2008, and aims to liberalise trade between African countries and the EU in line with the WTO (USITC, 2009:3-20). EPAs are aimed at promoting sustainable development and growth, poverty reduction, better governance and gradual integration of ACP countries into the world economy (European Commission, 2010).

²⁷ 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).

²⁸ Other nationalities taking advantage of the MFEZ incentives include South Africa, Japan and Malaysia. For more information see "Investors Handbook 2011" (MCTI, 2011).

²⁹ An industrial park is a smaller version of an MFEZ with an area of minimum 15 acres (MCTI, 2011:13).

³⁰ The conditions attached for participating in an MFEZ are that a business enterprise cannot within a MFEZ carry out activities that is not authorised by permit or licence, 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).

³¹ The author was given the MFEZ Master Plan for the Lusaka East on a flash drive from the Lusaka City Council. Unfortunately, the document did not open.

³² The North South Corridor promotes regional integration in east and southern Africa; was established in 2009 with member states, business and civil society organisations working within the COMESA-EAC-SADC Tripartite. For more information see TradeMark Southern Africa (2012).

³³ 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)

³⁴ The epicentre of export-oriented apparel production has been in East Asia, including countries such as China, India, Bangladesh and Taiwan.

³⁵ For more information on the destructive impact of European cotton subsidies on African cotton farmers see the webpage Fair Politics (2009).

³⁶ Chinese subsidies were estimated to be USD 1.96 billion in 2009/10. 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).

³⁷ Introducing protectionist policies for TC in Zambia could in theory help the industry get on its feet before competing on the global market. Protectionist policies may include measures such as subsidised cotton, export taxes on cotton, and tariffs on textiles and clothing imported into Zambia.

³⁸ Two Zambian companies have exported to USA under AGOA: Unity Garments and Zambia-China Mulungushi Textiles (USITC, 2009:4-77).

³⁹ The multi-fibre provision allows textile producers in AGOA countries to source their raw materials from other countries and still maintain their preferential access to the American market (AGOA Civil Society Forum, 2011).

⁴⁰ Sixty per cent of the world's buttons are made in the Chinese town Qiaotou, producing 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, undated). In this sense it will not be feasible for Zambia to produce buttons and zips.

⁴¹ 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)

⁴² CADFund provide management, consulting and financial advisory services for all types of Chinese enterprises, to promote economic cooperation between China and African countries and to advise Africa's economic development (Grimm et al, 2011:18).

⁴³ In comparison CADFund invested in pilot economic zones in Nigeria, Mauritius and Egypt (Brautigam and Xiaoyang, 2011:34)

⁴⁴ Other pilot provinces include the Copperbelt, the Southern Province and in the Eastern Province (FNDP, 2006:37).

⁴⁵ By comparison, these are some of the previous records of Chinese companies in Zambia: Bastholm and Kragelund (2009) recorded more than 200 state-owned and private Chinese companies. Carmody and Hampway (2010:86) argue Chinese investments cover over 140 officially projects in various sectors.

⁴⁶ This was also confirmed by literature, 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 (Yan and Sautman, 2010:315,316). During fieldwork, the researcher was in contact with the Zambian Revenue Authority (ZRA). After handing in a question sheet, the ZRA answered about a week later 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.

⁴⁷ 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 (Daily Mail Zambia, 10 November 2003). Chipata Cotton Company was established as a response to the Zambian government's encouragement of rural development (Mwanawina, 2008:18).

⁴⁸ Chitenge is very versatile, and used for as a wrap to protect clothes, baby carriers, dresses, men's suits and many other household uses (Kabwe Business News, 2010).

⁴⁹ Similar to out-grower schemes under Dunavant Cotton, providing credit to farmers, access to seeds, fertilisers and pesticides; in return the cotton produced by farmers are bought by the company providing inputs.

⁵⁰ Wyler Team International Corporation is an agent of the retail giant Wal-Mart.

⁵¹ Undercapitalisation refers to a situation where a company has insufficient capital in relation to its current or expected activity (Encyclo Online Encyclopedia, 2011).

⁵² Wages paid to both permanent and casual workers at the ZCMT were well below the amount for a basic need basket (Brooks, 2010:121). The basic need basket is calculated by the Jesuit College of Theological Reflection (JCTR), and set to require Kwacha 917,140 per month 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).

⁵³ The airport recently changed name to Kenneth Kaunda Airport.

⁵⁴ The other industries and services include: international trade centre exhibition; international logistics centre; business and luxury hotels; up-market residence development; building materials; wholesale markets; food processing; bonded warehouse; shopping mall; and home appliances assembly (MOFCOM, 13 May 2011).

⁵⁵ Companies investing in MFEZs are freed from tax from dividends for five years from the first year of first declaration of dividends; 0 per cent corporate tax for five years from the first year of profits; 50 per cent of profit will be taxed from year six to eight, while tax increases to 75 per cent in year nine and ten (MCTI, 2011:12).

Bibliography:

- AGOA (African Growth and Opportunity Act) Civil Society Forum (2011): "Communiqué" Presented to the 10th AGOA Ministerial, 9 June 2011 at Mulungushi International Conference Centre, Lusaka: Centre for Trade Policy and Development (CTPD).
- African Union; (2012) "Economic Partnership Agreements (EPAs)" Accessed 2 February 2012: [<http://www.africa-union.org/root/au/AUC/Departments/TI/EPA/epa.htm>]
- Alves, A. C (2011): "The Zambia-China Cooperation Zone at a Crossroads: What Now?" SAIIA Policy Briefing 41, accessed 23 May 2012: [www.saiia.org.za/china-in-africa-project/china-in-africa-project-publications.html]
- Asche, H. / M. Schüller (2008): "China's Engagement in Africa - Opportunities and Risks for Development." Accessed 8 September 2011: [www.giga-hamburg.de/dl/download.php?d=/english/content/ias/pdf/studie_chinas_engagement_in_afrika_en.pdf].
- Baah, A. Y. / H. Jauch (eds.) (2009): *Chinese Investments in Africa: A labour perspective*. African Labour Research Network. Accessed 14 June 2012: [<http://sask-fin.directo.fi/@Bin/082b385da0ccb270c0af1fc0a8751eb4/1347198680/application/pdf/298928/China-Africa%20Report%202009-final.pdf>].
- Baah, A. Y. / H. Jauch (2009a): "Chapter 2: Chinese Investments in Africa." Pp 35-84 in Baah, A. Y. / H. Jauch (eds.) (2009): *Chinese Investments in Africa: A labour perspective*. African Labour Research Network. Accessed 14 June 2012: [<http://sask-fin.directo.fi/@Bin/082b385da0ccb270c0af1fc0a8751eb4/1347198680/application/pdf/298928/China-Africa%20Report%202009-final.pdf>].
- Baah, A. Y. / H. Jauch (2009b): *Chinese Investments in Africa: Opportunity or Threat for Workers?* Windhoek and Accra: Friedrich Ebert Stiftung and African Labour Research Network.
- Balancing Act news (5 March 2008) "Huawei adds Zambia's Zamtel to its list of national fiber backbone roll-outs." Accessed 15 August 2012: [www.balancingact-africa.com/news/en/issue-no-428/internet/huawei-adds-zambia-s/en]
- Bastholm, A. / P. Kragelund (2009): "State-driven Chinese investments in Zambia: Combining strategic interests and profits." Pp 117-140, in van Dijk, Pieter Meine (ed.) (2009): *The New Presence of China in Africa* Amsterdam: Amsterdam University Press.
- Baylis, J. / S. Smith (eds) (2005): *The Globalization of World Politics*. London: Oxford University Press.
- Bennett, M. / A. Salm / D. Greenberg (2011): "Technical Report: Southern Africa's cotton, textile and apparel sector: a value chain analysis." AECOM International Development/ USAID Southern Africa. Accessed 17 May 2012: [www.satradehub.org]
- Blankert, J. W. (2009): *China rising: Will the West be able to cope?: the real long-term challenge of the rise of China*. New Jersey: World Scientific Publishing Co.
- Brautigam, D. (2003): "Close encounters: Chinese business networks as Industrial Catalyst in Sub-Saharan Africa." *African Affairs*, Vol. 102, Pp 447-467.
- Brautigam, D. (2009): *The Dragon's Gift – The real story of China in Africa*. New York: Oxford University Press.
- Brautigam, D. / X. Tang (2011): "African Shenzhen: China's special economic zones in Africa." *Journal of Modern African Studies*, Vol. 49, No. 1, Pp 27-54, Cambridge University Press.

- Brenthurst Foundation (2010): "Mobilising Zambia." Discussion paper, No. 2. Accessed 17 May 2011: [www.thebrenthurstfoundation.org/Files/Brenthurst_Commissioned_Reports/BD1002_Mobilising-Zambia.pdf]
- Bretton Woods Project (14 September 2011): "Bank upgrade of Zambia fails to impress." Accessed 20 October 2011: [www.brettonwoodsproject.org/art-568996]
- Brooks, A. (2010): "Spinning and Weaving Discontent: Labour Relations and the Production of Meaning at Zambia-China Mulungushi Textiles" *Journal of Southern African Studies*, Vol. 36, No. 1, Pp 113-132.
- Cargill Cotton webpage (2011): "Welcome" Accessed 23 October 2011: [http://www.cargillcotton.com]
- Carmody, P. (2009): "An Asian-Driven Economic Recovery in Africa? The Zambian Case." *World Development* Vol.37, No.7, Pp 1197-1207, Elsevier Ltd.
- Carmody, P. (2010): *Globalization in Africa: Recolonialization or Renaissance* Boulder, CO: Lynne Rienner Publishers.
- Carmody, P. / G. Hampway (2010): "Inclusive or Exclusive Globalisation? Zambia's economy and Asian Investment." *Africa Today* Vol.56, No. 3, Pp 84-102.
- Carrère, C. / V. Strauss-Kahn / O. Cadot (2007): "Export diversification: What's behind the Hump?" Accessed 4 May 2011: [www.hec.unil.ch/ocadot/PAPERS/Carrere_Strauss_Cadot_2007.pdf]
- CSOZ (Central Statistics Office Zambia) (2007) *Labour Force Survey Report 2005* Lusaka: CSOZ.
- CSOZ (2011): "The monthly" Vol. 97. Accessed 22 June 2011: [www.zamstats.gov.zm]
- Cheru, F. / C. Obi (eds) (2010): *The rise of China and India in Africa: Challenges, opportunities and critical interventions*. London: Zed Books.
- Chutha, R / M. S. Kimenyi (2011): "The Africa Growth and Opportunities Act: Towards 2015 and Beyond" Africa Growth Initiative, Brookings Institution. Accessed 18 October 2011: [www.brookings.edu/research/reports/2011/06/02-agoa-beyond-kimenyi]
- Clarke, G. R. / M. K. Shah / M. Sheppard / J. Munro / R. V. Jr. Pearson (2010): *The profile and productivity of Zambian businesses*. Lusaka: Zambia Business Survey.
- Chikoti, S. / C. Q. Mutonga (2002): "Textiles and Clothing in Zambia." Lusaka: Ministry of Commerce, Trade and Industry.
- Chisala, C. (2008): "Unlocking the Potential of Zambian Micro, Small and Medium Enterprises" Institute of Developing Economies (IDE), Discussion Paper No. 124. Accessed 12 August 2011: [http://hdl.handle.net/2344/725]
- Cissé, D. (2012): "FOCAC: trade, investments and aid in China-Africa relations." Policy Briefing, Stellenbosch University: Centre for Chinese Studies
- COMESA (Common Market for Southern and Eastern Africa) webpage (2011): "Investment Opportunities: Multi-Polar Cotton Cluster." Accessed 10 August 2011: [http://www.comesaria.org/site/en/opportunities_details.php?id_article=133&id_opportunities=65]
- Conway, P. / M. K. Shah (2010): *Who's productive in Zambia's private sector? Evidence from the Zambia Business Survey*. Lusaka: Zambia Business Survey.
- Cotton 24/7 news (2 July 2010): "U.S. Faces New Pressure on Cotton Subsidies" Accessed 27 August 2012: [www.cotton247.com/article/3123/u-s-faces-new-pressure-on-cotton-subsidies]
- Cotton Task Force (2006): "Promotion of Trade and Investment- Zambia: Regional Centre of Excellence in

- Textiles in Africa." Japan International Cooperation Agency (JICA)- Zambia, Lusaka: *Unpublished paper*.
- Daily Mail Zambia (10 November 2003): "Mulungushi Industrial Park" Accessed 26 August 2011: [www.zamnet.zm/newsys/news/viewnews.cgi?category=6&id=1068452021]
- Davies, M. (2010): "How China is influencing Africa's development" The Organisation for Economic Co-operation and Development (OECD) Development Centre, Accessed 30 October 2011: [www.oecd.org/dataoecd/34/39/45068325.pdf]
- Davies, M. / H. Edinger / S. Naidu / N. Tay (2008): "How China delivers development assistance to Africa" Stellenbosch: Centre for Chinese Studies.
- Dubosse, N (2010): "Chinese development assistance to Africa: aid, trade and debt" in Harneit- Sievers, A. / S. Marks / S. Naidu (eds.) (2010): *Chinese and African Perspectives on China in Africa* Cape Town, Dakar, Nairobi, Oxford: Pambazuka Press.
- Dunavant Enterprises webpage (2011): "A little about us..." Accessed 27 September 2011: [www.dunavant.com/about.php]
- Estur, G. (2008): "Quality and Marketing of Cotton Lint in Africa: Comparative Analysis of Organizations and Performance of African Cotton Sectors." Africa Region Working Paper Series No. 121, World Bank. Accessed 30 October 2011: [www.worldbank.org/afr/wps/WPS121_Quality_and_Marketing_Cotton_Lint_Africa.pdf]
- European Commission (2010): "Trade: Africa, Caribbean, Pacific (bilateral relations)" Published May 6, 2010. Accessed 3 February 2012: [<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/africa-caribbean-pacific/>]
- Fair Politics webpage (2009): "EU cotton subsidies and the African cotton farmers." Accessed 23 August 2012: [<http://www.fairpolitics.nl/europa/cases/cotton>]
- Ferguson, J. (1999): *Expectations of Modernity – Myths and Meanings of Urban Life on the Zambian Copperbelt* London: University of California Press Ltd.
- FNDP (Fifth National Development Plan) (2006): *Broad based wealth and job creation through citizenry participation and technological advancement* Lusaka: Ministry of Finance and National Planning, Government of Zambia.
- Fraser, A. (2007): "Zambia: Back to the future?" The Global Economic Governance Programme, Working paper No. 30. Oxford University College. Accessed 23 September 2011: [http://www.globaleconomicgovernance.org/wp-content/uploads/Fraser_Zambia_2007-30.pdf]
- Fraser, A. / J. Lungu (2007): *From whom the windfalls: winners & losers in the privatisation of Zambia's copper mines* Lusaka: Civil Society Trade Network of Zambia.
- Fibre2Fashion news; (22 September 2006): "Assistant Production Manager Jobs". Accessed 18 October 2011: [<http://www.fibre2fashion.com/jobs/jobdata.aspx?jobs=29314>]
- Gereffi, G. (1999): "International trade and industrial upgrading in the apparel commodity chain" *Journal of International Economics*. Vol. 48, Pp 37-70.
- Giannecchini, P. (2011): "Chinese Special Economic Zones in Africa" *The China monitor* Issue 65, Stellenbosch: Centre for Chinese Studies.
- Great Lakes Cotton Company webpage (2011): "Zambia" Accessed 30 October 2011: [<http://www.great-lakes-cotton.com/index.asp?tm=19>]

- Grimm, S. (2011): "China as responsible for Africa's Ambiguous Ally – Why China has a responsibility for Africa's development." Stellenbosch: Centre for Chinese Studies
- Grimm, S. / R. Rank / M. McDonald / E. Schickerling (2011): "Transparency of Chinese aid" Stellenbosch: Centre for Chinese Studies.
- Haglund, D. (2008): "Regulating FDI in weak African states: a case study of Chinese copper mining in Zambia." *Journal of Modern African Studies* Vol. 46, Issue 4, Pp 547–575.
- Hansen, K. T. (2000): *Salaua: The world of secondhand clothing and Zambia*. Chicago: The University of Chicago Press.
- Harneit-Sievers, A. / S. Marks / S. Naidu (eds.) (2010): *Chinese and African Perspectives on China in Africa* Cape Town, Dakar, Nairobi, Oxford: Pambazuka Press.
- Hausmann, R. / J. Hwang / D. Rodrik (2007): "What you export matters" *Journal of Economic Growth*, Vol. 12, No. 1, Pp 1-25.
- Hobson, J. M. (2004): *The Eastern origin of Western civilization*. Cambridge: Cambridge University Press.
- Holslag, J (2006): "China's New Mercantilism in Central Africa" *African and Asian Studies* Vol. 5, No. 2, Leiden: Brill. Accessed 3 February 2012: [<http://www.scribd.com/doc/50671680/China-s-new-mercantilism-in-China>]
- Humphrey J. / H. Schmitz (2000): "Governance and Upgrading: Linking Industrial Cluster and Global Value Chain Research" *Institute for Development Studies (IDS) Working paper No. 120*, Brighton: IDS.
- Huse, M. D. / S. L. Mwuyakwa (2008): *China in Africa: lending, policy space and governance* Oslo: Norwegian Campaign for Debt Cancellation and Norwegian Council for Africa.
- Imbs, J. / R. Wacziarg (2003): "Stages of diversification" *American Economic Review* Vol. 93, No. 1, Pp 63-86.
- ILO (International Labour Organisation) (2000): *Labour Practices in the footwear, leather, textiles and clothing industries* Geneva: International Labour Office.
- Jauch, H. / R. Traub-Merz (eds.) (2006): *The future of the textile and clothing industry in Sub-Saharan Africa* Bonn: Friedrich Erbert Stiftung.
- JCTR (Jesuit College of Theological Reflection) (2006): "The JCTR Basic needs basket: A tool for Action by Trade Unions" Accessed 30 August 2011: [www.jctr.org.zm/downloadsbnunion.pdf].
- Kabange, S. C. (2010): "Zambia invests in airport upgrade" Posted 17 May 2010. Accessed 23 August 2011: [<http://africabusiness.com/2010/05/17/zambia-invest-in-airports-upgrade/>]
- Kabemba, C. (2010): "The dragon is not green enough: the potential environmental impact of Chinese investments in DRC" in Harneit-Sievers, A. / S. Marks / S. Naidu (eds.) (2010): *Chinese and African Perspectives on China in Africa* Cape Town, Dakar, Nairobi, Oxford: Pambazuka Press.
- Kabwe Business News (2010): "Zambia China Mulungushi Textiles: A White Elephant that is necessary to the fabric of life in Kabwe" Third edition. Paper.
- Khandelwal, P. (2004): "COMESA and SADC: Prospects and Challenges for Regional Trade Integration" IMF working paper. Accessed 20 February 2012: [www.imf.org/external/pubs/ft/wp/2004/wp04227.pdf]
- Kamau, P. (2010): "China's impact on Kenya's clothing industry" in Harneit-Sievers, A. / S. Marks / S. Naidu (eds.) (2010): *Chinese and African Perspectives on China in Africa* Cape Town, Dakar, Nairobi, Oxford: Pambazuka Press.

- Kaplinsky, R. / M. Morris (2001): *A Handbook for Value Chain Research* Brighton, United Kingdom: Institute of Development Studies, University of Sussex.
- Kaplinsky, R. / M. Morris (2008): "Do Asian drivers undermine export-oriented Industrialisation in Sub-Saharan Africa?" *World Development*, Vol. 36, No. 2, Pp 254-273.
- Kaplinsky, R. / D. McCormick / M. Morris (2008): "China and Sub-Saharan Africa: Impacts and Challenges of a growing relationship" Accessed March 10, 2011: [www.sais-jhu.edu/academics/.../McCormicketalWorking%20Paper.pdf]
- Kaplinsky, R. / W. Wamae (2010): "Determinant of upgrading and value added in the African Clothing Sector: The contrasting experiences of Kenya and Madagascar" *The Open University, Innovation, Knowledge, Development*, Working Paper No. 59. Accessed 12 September 2011: [www.open.ac.uk/ikd/publications/working-papers/#wp-59]
- Keane, J. / D. W. te Velde (2008): "The role of textile and clothing industries in growth and development strategies" *Overseas Development Institute*. Investment and Growth Programme. Accessed 10 October 2011: [www.odi.org.uk/resources/docs/3361.pdf]
- Kitissou, M. (ed.) (2007:) *Africa in China's Global Strategy*. London: Adonis & Abbey Publishers Ltd.
- Kopiński, D. / A. Polus (2011): "Sino-Zambian relations: 'An all-weather friendship' weathering the storm" *Journal of Contemporary African Studies*, Volume 29, No. 2, Pp 181-192.
- Koyi, G. (2006): "The Textile and Clothing Industry in Zambia" in Jauch, Herbert and Traub- Merz, Rudolf (eds.) (2006): *The future of the textile and clothing industry in Sub- Saharan Africa*. Bonn: Friedrich-Erbert-Stiftung.
- Koyi, G. / J. Kamwanga (2009): "Impact of China- Africa Investment relations: The case of Zambia" Working draft, *African Economic Research Consortium*, Accessed 2 May 2012: [<http://www.aercafrica.org/documents/china-africa-country-cases/zambiainvestmentrelations.pdf>]
- Kragelund, P. (2007): "Chinese Drivers for Zambian Development: Catalyser, Competitor, or Capacity builder?" Pp. 162-181 in Kitissou, M. (ed.) (2007): *Africa in China's Global Strategy*. London: Adonis & Abbey Publishers Ltd.
- Kragelund, P. (2008): "The Return of Non-DAC Donors to Africa: New Prospects for African Development?" *Development Policy Review* Vol. 26, No. 5, Pp 555-584. Overseas Development Institute.
- Kragelund, P. (2009a): "Part of the disease or part of the cure? Chinese investments in the Zambian Mining and Construction sectors" *European Journal of Development Research*, Vol. 21, Pp 644-661.
- Kragelund, P. (2009b): "Knocking on a Wide-open Door" *Review of African Political Economy* Vol. 36, No. 122, Pp 479-497.
- Kragelund, P. (2011): "Back to BASICs? The Rejuvenation of Non-traditional Donor's Development Cooperation with Africa" *Development and Change* Vol. 42, No. 2, Pp 585-607. Institute for Social Studies, Hague and Oxford: Blackwell Publishing.
- Kragelund, P. (2012): "Donors go home: New financial possibilities and changing aid relations in Zambia" *Unpublished draft*, permission from author, accessed 12 April 2012: [<http://www.nai.uu.se/ecas-4/panels/1-20/panel-2/Peter-Kragelund-Full-paper.pdf>]
- Kragelund, P. / P. M. van Dijk (2009): "China's Investments in Africa" Pp 83-100, in van Dijk, P. M. (ed.) (2009): *The New Presence of China in Africa* Amsterdam: Amsterdam University Press.
- Large, D. (2007): "As the beginning ends: China's return to Africa" Pp 153-168, in Manji, Firoze and Marks, Stephen (eds.) (2007): *African Perspectives on China in Africa* Cape Town, Nairobi and Oxford: Fahahu.

- Larmer, M. (2007): *Mineworkers in Zambia: Labour and Political Change in Post-Colonial Africa*. London: I.B Tauris.
- Lee, M. (2007): *Eco-chic* London: Octopus Publishing Group Ltd.
- Li, P. (2010): "The myth and reality of Chinese Investors: A case study of Chinese Investments in Zambia's Copper industry" *South African Institute of International Affairs (SAIIA)* Occasional paper No. 62, Johannesburg: University of Witwatersrand.
- Lusaka Times (1 December 2011): "China to help Zambia rehabilitate the TAZARA line and link it to Angola" Accessed 20 July 2012: [<http://www.lusakatimes.com/2011/12/01/china-zambia-rehabilitate-tazara-line-link-angola/>]
- Lusaka Times, (26 April 2011): "Experts to probe Kafue textiles stripping-Mutati" Accessed 10 June 2012: [<http://www.lusakatimes.com/2011/04/26/experts-to-probe-kafue-textiles-stripping-mutati/>]
- Lusaka Times (28 March 2011): "Mulungushi Textiles coming back". Accessed 9 October 2011: [<http://www.lusakatimes.com/2011/03/28/mulungushi-textiles-coming/>].
- Lusaka Times (13 August 2010): "Zambia signs \$1.5 billion power plant deal with China" Accessed 17 August 2012: [<http://www.lusakatimes.com/2010/08/13/zambia-signs-15-billion-power-plant-deal-china/>]
- Lusaka Times (11 May 2010): "China offers Zambia \$1bn for power project" Accessed 17 August 2012: [<http://www.lusakatimes.com/2010/05/11/china-offers-zambia-1bn-power-project/>]
- Lusaka Times (20 March 2009): "Rains Damage Lusaka-Chirundu road" Accessed 17 August 2012: [<http://www.lusakatimes.com/2009/03/20/rains-damage-lusaka-chirundu-road/>]
- Manji, F. / S. Marks (eds.) (2007): *African Perspectives on China in Africa* Cape Town, Nairobi and Oxford: Fahamu.
- McCormick, D. / C. M. Rogerson (eds.) (2004): *Clothing and Footwear in African industrialisation* Pretoria: Africa Institute of South Africa.
- McCormick, D. / C. M. Rogerson (2004): "Introduction: Researching Clothing and Footwear in African Industrialisation" in McCormick, D. / C. M. Rogerson (eds.) (2004): *Clothing and Footwear in African industrialisation* Pretoria: Africa Institute of South Africa.
- McCullough, N. / B. Baulch / M. Cherel-Robson (2000): *Poverty, inequality and growth in Zambia during the 1990s*. Institute of Development Studies, Brighton: University of Sussex.
- MCTI (Ministry of Commerce, Trade and Industry) (2011): "Investors Handbook for Multi Facility Economic Zones 2011" *Unpublished paper*, Lusaka: Government of Zambia.
- Melber, H. (ed.) (2007): *China in Africa* Current African Issues No. 33. Uppsala: Nordiska Afrikainstitutet.
- Melber, H. (2007): "The (Not So) New Kid on the Block: China and the scramble for Africa's Resources – An introductory Review" in Melber, Henning (ed.) (2007): *China in Africa* Current African Issues No. 33. Uppsala: Nordiska Afrikainstitutet.
- MercaTrade Dictionary (2009) "Free Trade Agreement (FTA) definition" Accessed 3 February 2012: [www.mercatrade.com/page/definition-free-trade-agreement-fta]
- MOFCOM (Ministry of Commerce) (13 May 2011): "Recommended Investment Projects in Zambia-China Economic and Trade Cooperation Zone." Accessed 19 February 2012: [<http://english.mofcom.gov.cn/aarticle/services/supplydemandofchina/demand/201105/20110507547102.html>]
- Moseley, W. G. / L. C. Gray (eds.) (2008): *Hanging by a thread: cotton, globalization, and poverty in Africa*

Center for International Studies, Athens: Ohio University Press.

- Moyo, D. (2009): *Dead Aid: Why aid is not working and how there is another way for Africa*. South Africa: Penguin books.
- Muneku, A. (2009): "Chinese Investments in Zambia." Pp 160-202 in Baah, A. Y. / H. Jauch (eds.) (2009): *Chinese Investments in Africa: A labour perspective*. African Labour Research Network. Accessed 14 June 2012: [[http://sask-fin-directo.fi/@Bin/082b385da0ccb270c0af1fc0a8751eb4/1347198680/application/pdf/298928/China-Africa%20Report%202009-final.pdf](http://sask-fin.directo.fi/@Bin/082b385da0ccb270c0af1fc0a8751eb4/1347198680/application/pdf/298928/China-Africa%20Report%202009-final.pdf)].
- Muneku, A / G. Koyi (2008): *The Social Economic Impact of Asian FDI in Zambia*. Lusaka: Friedrich Ebert Stiftung.
- Mutesa, F. (2010): "China and Zambia: Between development and politics" pp 167-180 in Cheru, F. / C. Obi (eds.) (2010): *The rise of China and India in Africa: Challenges, opportunities and critical interventions*. London: Zed Books.
- Mwanawina, I. (2008): "China-Africa Economic Relations: The Case of Zambia" *African Economic Research Consortium (AERC)* Accessed May 15, 2011: [www.scribd.com/doc/4531232/Zambia-China-Economic-Relations].
- Naumann, E. (2002): *An analysis of the Spatial Distribution of the Textile Industry in SADC* Development Policy Research Unit, Cape Town: University of Cape Town.
- Ndulo, M. / D. Mudenda / L. Ingombe / L. Muchimba (2009): "Global Financial Crisis Discussion Series – Paper 10: Zambia." London: Overseas Development Institute.
- Nordås, H. K. (2004): "The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing" Discussion Paper No. 5, Geneva: WTO. Accessed 20 August 2011: [www.wto.org/english/res_e/booksp_e/discussion_papers5_e.pdf]
- Ohno, K. (2007): "Report on the Second Visit to Zambia" *The National Graduate Institute for Policy Studies (GRIPS)*, Tokyo, Accessed 8 September 2011: [<http://www.grips.ac.jp/teacher/oono/hp/docu02/zambia2nd.htm>]
- Oxfam (2004): "Stitched up: How rich-country protectionism in textiles and clothing trade prevents poverty alleviation." Oxfam International, briefing paper, Accessed 9 August 2012: [<http://www.oxfam.org/sites/www.oxfam.org/files/stitched.pdf>]
- Page, J. (2010): "Should Africa industrialize?" *The Brookings Institution*. Accessed 4 May 2011: [<http://www.brookings.edu>]
- Peltzer, R. (2011): "Competitive African Cotton Initiative (COMPACI) Background" Accessed 15 May 2012: [http://www.deginvest.de/deg/EN_Home/1/Download_Center/PDFs_Online-Library/Compaci_Newsletter_Nr_2.pdf]
- People's Daily China (27 November 2003): "New form of Chinese aid revives Zambia's largest textile company" Accessed 9 September 2011: [http://english.peopledaily.com.cn/200311/27/eng20031127_129097.shtml]
- Petersen, H. E. / S. van der Lugt (2010): "Chinese participation in African infrastructural development: The case of the DRC and Zambia" Accessed 2 May 2012: [<http://www.ccs.org.za/?cat=6>]
- Pettman, J. J. (2005): "Gender Issues" in Baylis, John and Smith, Steve (eds.); 2005 *The Globalization of World Politics* London: Oxford University Press.
- Post of Zambia, (28 January 2011): "Africa Textiles leases warehouses to FRA" Accessed 12 April 2011: [http://www.postzambia.com/post-read_article.php?articleId=17728]

- Post of Zambia (26 June 2011): "Chipata cotton workers complain of bad conditions" Accessed 10 August 2011: [http://www.postzambia.com/post-read_article.php?articleId=21508]
- Post of Zambia (26 January 2011): "Mulungushi Textiles turns into piggery" Accessed 9 September 2011: [www.postzambia.com/post-read_article.php?articleId=17675]
- Qingdao Textiles website (2011): "History" Accessed 10 February 2011: [<http://www.textile-cn.com/en/history.asp>]
- Qiang, Z. (2010): "China's strategic relations with Africa." Pp 56-69 in Harneit-Sievers, A. / S. Marks / S. Naidu (eds.) (2010): *Chinese and African Perspectives on China in Africa* Cape Town, Dakar, Nairobi, Oxford: Pambazuka Press.
- RATES (Regional Agricultural Trade Expansion Support Programme) (2003): "Cotton- Textile- Apparel Value Chain Report Zambia." Accessed 2 September 2012: [http://pdf.usaid.gov/pdf_docs/PNADN349.pdf]
- Reuters Africa (13 March 2012): "Zambia to build power lines for mines, cotton trade" Accessed 23 August 2012: [<http://af.reuters.com/article/zambiaNews/idAFL5E8ED3F720120313>]
- Reuters Africa (30 May 2011): "China's ICBC to lend Zambia \$285 mln for power line" Accessed 17 August 2012: [<http://af.reuters.com/article/topNews/idAFJOE74T0FR20110530>]
- Reuters Africa (9 October 2010): "Zambia says reduced donor fund won't derail budget" Accessed 30 October 2011: [<http://af.reuters.com/article/topNews/idAFJOE69807V20101009>]
- Roth, K. (2011): "A Facade of Action: The Misuse of Dialogue and Cooperation with Rights Abusers" Human Rights Watch (HRW), World Report 2011, Accessed 15 July 2012: [www.hrw.org/world-report-2011]
- Saasa, O. / J. Carlson (2002): *Aid and Poverty Reduction in Zambia – Mission Unaccomplished* Uppsala: The Nordic Africa Institute.
- Sandrey, R. / H. Edinger (2011): "China's Manufacturing and Industrialization in Africa" Working Paper Series, No 128, African Development Bank Group. Accessed 25 May 2012: [<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Working%20128.pdf>]
- Schneider, S. (2010): "Cotton Made in Africa (CmiA) and Competitive African Cotton Initiative (COMPACI)" Accessed 16 May 2012: [http://www.icac.org/cotton_school/research_associate_prog/research_program_2010/documents/schneider.pdf]
- Seshami, V. / F. Simeo (2006): "Trade liberalization and its impacts: Zambia case studies" Department of Economics, University of Zambia: Unpublished paper.
- Shafaeddin, M. (2009): "The impact of the global financial crisis on Industrialization of Least Developed Countries" Institute of Economic Research, Neuchatel University. Accessed 12 June 2012: [<http://mpra.ub.uni-muenchen.de/18788>]
- Shout-Africa news (11 August 2010): "Lumwana MFEZ creates jobs in Zambia" Accessed 15 September 2011: [<http://www.shout-africa.com/business/lumwana-mfez-creates-jobs-in-zambia/>]
- Sibanda, N. (undated): "Zambian textile industry collapsing" Accessed 9 August 2011: [www.zamnet.zm/newsys/news/viewnews.cgi?category=9&id=1178097846]
- Slotterbackset, J. (2007): Threadbare: The used clothing trade and its effects on the textile industries in Nigeria and other Sub Saharan African nations." Accessed 3 September 2012: [<http://www.docstoc.com/docs/89480354/THREADBARE-THE-USED-CLOTHING-TRADE-AND-ITS-EFFECTS-ON-THE-TEXTILE->]

- SNDP (Sixth National Development Plan) (2011): *Sustained economic growth and poverty reduction*
Lusaka: Ministry of Finance and National Planning, Government of Zambia.
- Tandon, Y. (2008): *Ending Aid Dependence* Cape Town, Dakar, Nairobi and Oxford: Fahamu books.
- Taylor, I. (2006): *China in Africa: Engagement and Compromise*. London: Routledge.
- Taylor, I. / P. Carmody (2010): "Flexigemony and force in China's resource diplomacy in Africa: Sudan and Zambia compared" *Geopolitics* Vol. 15, Issue 3, Pp 495-515.
- Technology eZine (undated): "101 of the Greatest Inventions of All Time" Accessed September 12, 2011:
[www.lilith-ezine.com/articles/technology/101-Inventions.html]
- Thomas, C. (2005): "Poverty, Development and Hunger" in Baylis, John and Smith, Steve (eds.) (2005): *The Globalization of World Politics* London: Oxford University Press.
- Times of Zambia (5 April 2012): "Govt to take over Mulungushi Textiles" Accessed 5 June 2012:
[http://www.acf.org.zm/index.php?option=com_content&view=article&id=140%3Agovt-to-take-over-mulungushi-textiles&catid=43%3Amedia-news&Itemid=179&lang=en]
- Times of Zambia (31 May 2011): "Zambia: U.S. to Extend AGOA, Multi-Fibre Provision" Accessed 12 September 2011: [<http://allafrica.com/stories/201106010471.html>]
- TradeMark Southern Africa (2012): "The COMESA-EAC-SADC Tripartite Trust Account finances US\$29.85 million North South Corridor (NSC) projects in Zambia" Accessed 17 August 2012:
[<http://www.trademarksa.org/node/9297>]
- Transformanz, (21 March 2012): "China, India invest in Zambia's telecom" Accessed 15 August 2012:[www.transformanz.com/vs_details;jsessionid=9877804E358D7218485257370B2287A6?p_p_id=101_INSTANCE_b3QX&p_p_lifecycle=0&p_p_col_id=column-7&p_p_col_count=1&_101_INSTANCE_b3QX_delta=1&_101_INSTANCE_b3QX_keywords=&_101_INSTANCE_b3QX_advancedSearch=false&_101_INSTANCE_b3QX_andOperator=true&cur=116]
- Tschirley, D. / S. Kabwe (2010): "A Case Study of Regulation in Zambia's Cotton Sector" Food Security Research Project, Working paper No. 45. Accessed 31 October 2011:
[aec.msu.edu/fs2/zambia/wp45.pdf]
- Tschirley, D. / C. Poulton / D. Boughton (2008): "The Many Paths of Cotton Sector Reform in East and Southern Africa: Lessons from a Decade of Experience." Pp 123-158 in Moseley, W. G. / L. C. Gray (eds.) (2008): *Hanging by a thread: cotton, globalization, and poverty in Africa* Center for International Studies, Athens: Ohio University Press
- Tybout, J. R. (2000): "Manufacturing Firms in Developing Countries: How Well Do They Do, and Why?" *Journal of Economic literature* Vol. XXXVIII, March, Pp 11-44, American Economic Association.
- UNDP (United Nations Development Programme) (2011): "UNDP Zambia: MDG Factsheet 2011" Accessed 24 June 2012:
[www.undp.org.zm/joomla/attachments/144_MDG%20R%202011%20factsheet.pdf?8e2474a80d13c9785641fc2923161380=wnpfzqni]
- UNIDO (United Nations Industrial Development Organization) (2009): *Industrial Development Report 2008/9 Breaking in and Moving Up: New Industrial Challenges for the Bottom Billion and the Middle-Income Countries* Geneva: UNIDO
- UN-OHRLS (United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States) (2012): "Least Developed Countries: About LDCs" Accessed 13 February 2012: [www.unohrlls.org/en/ldc/25/]
- USITC (United States International Trade Commission) (2009): "Sub-Saharan African Textile and Apparel

- Inputs: Potential for Competitive Production” Publication 4078, Accessed 22 October 2011: [www.usitc.gov/publications/332/pub4078.pdf].
- UrTextile news (27 January 2011): “Mulungushi Textiles not piggery” Accessed 9 September 2011: [www.urtextile.com/article-id-2188.html]
- Van der Lugt, S. / V. Hamblin / M. Burgess / E. Schickerling (2011): “Assessing China's role in Foreign Direct Investment in Southern Africa” Stellenbosch: Centre for Chinese Studies.
- Van Dijk, P. M. (ed.) (2009): *The New Presence of China in Africa* Amsterdam: Amsterdam University Press.
- Van Dijk, P. M. (2009a): “Competing Trade Policies with respect to Africa” Pp 101-116, in van Dijk, Pieter Meine (ed.) (2009): *The New Presence of China in Africa* Amsterdam: Amsterdam University Press.
- Van Dijk, P. M. (2009b): “The impact of the Chinese in other African countries and sectors” Pp 157-176, in van Dijk, Pieter Meine (ed.); (2009) *The New Presence of China in Africa* Amsterdam: Amsterdam University Press.
- WTO (World Trade Organization) (10 July 2012): “Textiles Monitoring Body (TMB) The Agreement of Textiles and Clothing” Accessed 10 July, 2012: [http://www.wto.org/english/tratop_e/texti_e/textintro_e.htm#MFA]
- Xinhua News (6 November 2009): “Zambian minister sees bright future of Zambia-China economic zone” Accessed 25 October 2011: [http://latestchina.com/article/?rid=4466]
- Yan, H. / B. Sautman (2010): “Chinese Farms in Zambia: From Socialist to Agro- Imperialist Engagement?” *African and Asian Studies* Vol. 9, Pp 307-333. Leiden: Brill.
- ZDA (Zambian Development Agency) (2008): “Multipolar cotton cluster Zambia - Zambia: regional Centre of Excellence for the Textile Industry in Africa” Lusaka: Zambian Development Agency, *Unpublished paper*.
- ZIPAR (Zambian Institute for Policy Analysis and Research) (2011): “The Sixth National Development Plan at a Glance” Accessed 12 May 2012: [http://www.zipar.org.zm/images/stories/sndp.pdf]