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### Translating China's Foreign aid to Zambia differently: From view point of recipient Country

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#### Abstract

China and Zambia established diplomatic ties on 29 October 1964. Over fifty-one years, Chinese and Zambian officials have continuously stated that this relationship is affirmed in the interest of both the Chinese and Zambian people, and it is a new type of strategic partnership portraying political equality and mutual trust, economic win-win cooperation and cultural exchange. Thus, China-Zambia bilateral relationship is an example that promotes as a new strategic relationship befitting the interest of both the donor and recipient countries. China enshrined these principles in its 'China's Africa Policy document' in which the People's Republic of China reassert that the relations with African countries as that of Zambia is based on the principles of

sincerity, friendship and equality, mutual benefit, reciprocity and common prosperity, and mutual support and close coordination between both countries. Both the Chinese and Zambian government have upheld the four defining principles: a new strategic partnership, economic win-win cooperation, friendship and sincerity, and mutual support and mutual benefit. As a reflection of this bilateral relations, China's foreign aid in form of the flow of huge capital investment continues to fuel Zambia's economic development, by engaging in a Descriptive and Single Case-Study research with a view from a Big Push Theory, this paper seeks to uncover whether or not the stated principles are positively working in Zambia's case.

**Keywords:** Foreign Aid, China- Zambia Bilateral Relations, Mutual Benefit and Win-Win, Economic Development

#### Introduction

The diplomatic established ties between China and Zambia were made five days just after Zambia gained its independence from Britain on the 29 October 1964. For more than 5 decades now, officials from the two countries have continually stated that the long existing bilateral relationship is affirmed in the interest of both the Chinese and Zambian peoples. This relationship seen as a new type of strategic partnership depicting political equality and mutual trust, economic win-win cooperation and cultural exchange. Today the new China-Africa relationship is proving to be a new strategic relationship benefiting the interest of the Chinese and African peoples. The principles guiding the People's Republic of China's government foreign policies to Africa are published in the China's Africa Policy document (China's Africa policy document, 2006). In this document, the Chinese government reasserts that China-Zambian bilateral relations, as that of other African countries, is very much based on the principles of sincerity, friendship and equality, mutual benefit, reciprocity and common prosperity, and mutual support and close coordination between both countries.

Even though both Zambia and China are considered to be 'southern' countries, or developing countries, it is of no doubt that China is significantly more developed and powerful than Zambia, based on the fact that it is arguably the second largest economy after the United States of America. Thus, in this Bilateral relationship, China plays the 'donor' role while Zambia is the recipient. Hence the 'Aid' game is the main center of the friendship.

Therefore, the paper seeks to take a closer look into the actuality of this seemingly good 'Aid' based bilateral relationship by looking it the flow of aid from China to Zambia during the past fifty plus years. This will be achieved by examining into the specific case studies that the Zambian government and its people can testify of to justify the degree to which China's official assistance has benefited the developing Zambia.

This research paper inspiration is derived by the constant important questions scholars of international development ask; Why do countries give foreign Aid? And what do the receiving countries do with it? How is the received aid distributed?

Zambia represents one of the worst cases of economic decline and buildup of foreign debt in Africa and has frequently been quoted as an example by many scholars of Development studies. Like most African countries, it has undergone a series of

adjustment programmers like the IMF SAPs<sup>1</sup> to restore economic equilibrium and growth. There has been progress with regard to some macroeconomic balances such as the external account, but there has not been any vigorous investment response. The extra resources have primarily been used to restore the external balance, and since Zambia had built up large foreign debts before the adjustment efforts, most of the extra resources have had to be devoted to debt service. This has meant that it has been very difficult for Zambia to increase domestic investment from the previous extremely low levels.

Shifting its main economic dependence solely on foreign assistance from the Bretton woods institutions and the Western donor countries, the economic ailing Zambia found refuge in China's constant interest to directly invest in the country. Considering the impressive economic growth rate of more than 9% China has shown in the past three decades (it has declined to over 7% since 2013<sup>2</sup>), its growing foreign direct investment and its ability to lift its more than 500 million citizens from poverty (measured by the World Bank poverty threshold of \$1.25 day<sup>3</sup>), has proven China to be both a significant economic player and an economic development partner for Zambia.

According to the WITS (World Integrated Trade Solution) in 2013, China's outbound direct investment stock in Zambia reached US\$2.2 billion up from US\$144 million in 2003. In the same year, direct trade between the two countries reached \$3.1 billion, up from US\$10 million in 2003<sup>4</sup>. With no doubt China's huge capital investment in Zambia has contributed to the creation of thousands of jobs in Zambia. Further, this capital has been used to build valuable infrastructures for the benefit of the Zambians, that includes roads, bridges, hospitals, schools and housing units for the locals.

The figures described this far are merely a fraction of how the two countries are engaged in helping each other's economies. There is strong evidence that China's investment in Zambia has benefited the Zambian economy and that China's approach to fight poverty and promote development might serve as a guide to the Zambian government in its stride to alleviate poverty and unemployment in Zambia.

### Chinese Aid in perspective

The starting point of trying to digest China ways of foreign aid engagement is to first understand the difference in approach and ideology of China's aid as compared to the common traditional aid donors of the OECD-DAC. This qualitative study analysis will mainly focus on descriptive and case-studies research to analyze the effectiveness of China's aid flow to Zambia and finding an alternative translation of the foreign aid from the recipient (Zambia) view point.

In order to well understand China's aid approaches and ideology, it is worth imagining that when developing its overseas aid policies, China probably had at least some options to consider: follow the existing aid architecture and

join the OECD DAC, overlook the OECD DAC but implement aid ideologies, modalities, and mechanisms identical to their outline, or completely design from the scratch its own aid industry. As its now existing foreign cooperation policy, China has chosen the third option, not joining the OECD DAC and its existing aid models.

Therefore, using Zambia as a good example we can explore these questions and attempt to explain Chinese Aid model:

1. Why China's style of aid policies is viewed as being more attractive by Aid recipient countries like Zambia?
2. Should commonly accepted ideologies be the driving force for giving aid?
3. How China's non-intervention and no conditionality aid policies has proven to be more effective?

Based on an educated assumption, China's decision to seek its own new way of dealing with aid was based solely on the fact that OECD DAC aid policies were simply ineffective in promoting growth in least developed countries of the south. Today, this is a commonly acclaimed view especially by those who subscribe to the view that the west use aid programs as a means of attempts at imposing their own systems of democracy and their own forms of capitalism into Africa and other poor regions, and this is one of the reasons why many countries are trapped in poverty.

On the other hand, the reasons why China chose to sidestep the OECD when developing its aid policies may have been due to national interests and a long history of mutual cooperation based on a rational-cooperative logic. As in the example of Sino-Zambia relations, China's aid policies today are largely the result of a historical process that dates back to South-South cooperation during the early Cold War period.

Therefore, China's continued cooperation with most of the nations of the south can be explained by a revisionist framework with the 'Big Push' theory at core. The existing new China's aid paradigm is part of the "Beijing Consensus", and specifically, the policy of "rational" non-conditionality as one of the fundamental differences from existing traditional aid paradigms (Kurlantzick, 2013).

To this regard, China's foreign assistance to other developing countries is more likely to be based upon the 'Big Push' theory, and in relation to Zambia the more 'Big Push' oriented China's aid policies are, the more the country's economy is growing. Also looking at China's continued massive investments in Zambia and how this has been of benefit from both sides, it can be concluded that the more 'Big Push' centered cooperation, the more aid effectiveness. Therefore, in exploring the puzzle of the non-conditionality and 'Big Push' of China's aid, China's increasing development cooperation to Zambia is considered in the larger context of an example of South-South cooperation.

### The 'Big Push' model

The macroeconomic theoretical basis to promoting financial aid first appeared in 1950s and had the starting point of the "Big Push Model". In the African context, this model briefly states that Africa is poor because the continent is stuck in a "poverty trap" and to get out of the poverty trap, they need a large aid finance increased in investments, which would be the "Big Push". In the book "The Bottom Billion" Paul Collier extensively explains the main causes of how a

<sup>1</sup> <http://www.imf.org/external/np/pfp/1999/zambia/>

<sup>2</sup> <http://www.forbes.com/sites/ckgsb/2015/09/07/chinese-economy-slowdown-the-really-worry-is-debt/>

<sup>3</sup> WorldBank

<sup>4</sup> <http://wits.worldbank.org/CountryProfile/Country/ZMB/StartYear/1999/EndYear/2003/TradeFlow/Export/Indicator/XPRT-TRD-VL/Partner/CHN/Product/all-groups>

poverty trap arises<sup>5</sup>. Furthermore, the Harrod-Domar growth model can be extensively be used to discuss the mechanisms of how a country can end up in a poverty trap. The model explains that “a determined level of savings is necessary to promote stability and growth of the economies and if saving is too low to keep up with population growth and the depreciation of capital, then per capita growth will be zero or negative (Easterly 2005)<sup>6</sup>. Thus, some development economists in postulate a desirable per capita growth rate and calculate the “investment requirement” to meet this target; the distance between the low domestic saving rate and the “investment requirement” which is called the “Financial Gap”. In this sense, the role of aid in accordance to the ‘Big Push’ theory is to fill this financial gap.<sup>7</sup>

By modifying the growth model and introducing the trade deficit, the two-gap models developed by Chenery and Bruno (1962) introduced the fiscal gap as another constraint requiring external financing to explain government’s tax effort in a noninflationary way. The two major conclusions that emerge from the literature of economic development with respect to the effectiveness of aid are that:

1. Foreign aid should aim at raising domestic savings to a level sufficient to finance the investment needed to sustain the targeted growth rate of GDP.
2. Foreign aid should not discourage the recipient countries from seeking to relieve the foreign exchange constraint by improving competitiveness and export diversification.

On a contrary, it is worth mentioning that empirical relationship between the size of foreign assistance and its impact on both the GDP growth rate as well as domestic savings behavior has been extensively debated by numerous scholars of both development studies and political scientists. Some studies have questioned the usefulness of aid and showed that there is little or no correlation between aid inflows to developing countries and their GDP growth rates (Mosley, 1987) <sup>[30]</sup>. He also argued that there is a negative impact of increased foreign aid on domestic savings. However, other studies do not confirm these relationships and there are a multitude of studies that have generally concluded that aid has been beneficial to the growth prospects of developing countries (Moyo, 2009) <sup>[13]</sup>.

### Aid dependent Zambia

Zambia is a very challenging country to study the effectiveness of foreign aid not only because of lack of availability of recorded documents on the received aid but it’s also the reason of the government not being in control of managing and regulating the flow of all sought of foreign aid. As argued in a report of the World Bank, in Zambia more than in most other sub-Sahara African countries, financial aid from the international donor community over the last two decades has been tied to the implementation of economic policy reform<sup>8</sup>. But it is arguable that the conditionalities combined with a complicated relationship

between donors and the government of Zambia have damaged the effectiveness of a big amount of money which was one of the major fluxes of aid in this developing country for many years. Thus, the relationship with the government of Zambia with the donor institutions as well as to the bilateral relations with China is something very important to this thesis analysis especially when considering the problem of lack of ownership.

Since the independency from England, in 1964, Zambia has been extremely dependent on foreign aid mostly from the western donors and Bretton wood institutions, while at the same time an increasing number of Zambians have constantly seen their social and economic conditions worsening. As the World Bank data on Zambia indicates, there is evidences that over the last 35 years the indicators of poverty have had increased in a sense that puts this country as one of the poorest in sub-Saharan Africa.<sup>9</sup> Further the WB data shows how for the most of the 1990s a staggering 65-70 % of the population has been living on or below the poverty line. Given the political and economic role of foreign aid in the country it is highly relevant to inquire how well the aid from the long-time aid donors reflects the pressing issue of poverty reduction.

Until 2005, after Zambia like many other Sub-Sahara Countries reached the HIPC<sup>10</sup>, most of its aid was in loan form from the western donors. But its international relations shifted towards favoring China’s assistance and since then China has surpassed the western donors in terms of official assistance to Zambia. Additionally, as many other China’s aid beneficiaries in Africa, Zambia is very unique in a sense that massive investments from China can be traced back to the US\$400 million, in the form of a long-term interest-free loan for the massive construction of the TAZARA Railway.<sup>11</sup> Also unlike other recipient countries, Zambia’s development cooperation with China is clearly inclined in the MoU and all the new projects of constructions and trade related aid have to abide by the agreements made by the two government. For example, the use of primary resources in infrastructural development has to be sourced in Zambia and usually the projects consist of at least more than 50% of domestic sub-constructors and only high expatriates can be imported from China.<sup>12</sup>

### China Aid in perspective

With the world’s second largest economy, China has proven its capacity to engage in substantial programs of development assistance and government investment in any and all of the emerging market countries. In the first decade of the 21st century, it has expanded and directed this capacity in 93 countries for both the benefit of the recipients and its own interests. (Charles Wolf, 2013)

Up until the early 2000s little was known about the extent of China’s activities but this has been changing in recent years. By using several data sources and aggregation methods, researchers at RAND built a database to describe China’s foreign assistance programs.<sup>13</sup> It assessed the scale, trends, and composition of these programs in six regions including

<sup>5</sup> Collier, P. (2008). The bottom billion: Why the poorest countries are failing and what can be done about it. Oxford University Press.

<sup>6</sup> Easterly, William the Ghost of Financing Gap How the Harrod-Domar Policy Paper L807, 1997

<sup>7</sup> Ibid.

<sup>8</sup> <http://data.worldbank.org/country/zambia>

<sup>9</sup> Ibid.

<sup>10</sup> [www.imf.org/external/np/sec/pr/2005/pr0580.htm](http://www.imf.org/external/np/sec/pr/2005/pr0580.htm)

<sup>11</sup> See case study on TAZARA Railway

<sup>12</sup> Zambian Government Ministry of Transport, Works, Supply and Communication. <http://www.mtwsc.gov.zm/>

<sup>13</sup> RAND National Defense Research Institute

Africa. Finally, it derived references and insights from the analysis that may enhance understanding of these programs and policies pertaining to them. In this study the main interest is understanding the scale, trends, and composition of China's foreign aid and FAGIA in Zambia

In most bilateral cooperation, China's aid program has shifted over the years, with emphasis on development of increased foreign supplies of energy resources, as well as supplies of ferrous and nonferrous natural mineral resources. Long term interest-free loans finance many of these programs and feature substantial subsidization, but are also accompanied by some meticulous debt-servicing conditions that distinguish China's foreign aid from the grant financing that characterizes development aid provided by western nations of the OECD-DAC.

Furthermore, China's FAGIA is much broader than development assistance programs conducted by the Traditional donors like the United States.<sup>14</sup> Official Chinese sources explicitly distinguish three categories of FAGIA: grants, interest-free loans, and concessional loans. The first two are funded by China's state finances, while the Export-Import Bank of China funds the third. Many of these programs fall below the grant element of at least 25 percent that characterizes foreign aid programs of other nations and also have requirements that goods purchased for them be at least 50 percent of Chinese origin. (Charles Wolf, 2013)

It can be argued that before 2000, China's FAGIA was distinctly limited in scale and content, as, indeed, was China's role in the global economy. As a result of its remarkable and sustained economic growth, China's shares of global trade and global product increased, as did the resources available to expand its FAGIA<sup>15</sup>. Because future growth of the Chinese economy depends on increasing supplies of natural resources, especially energy-related resources, much of China's assistance has sought to help countries developing such resources. The financial muscle of China's aid is mainly provided by large loans from China's Export-Import Bank, the China Development Bank (CDB), and the China Africa Development Fund (which is within the CDB) (Brautigam, 2009)<sup>[14]</sup>. Several state-owned enterprises, including China's National Overseas Oil Company, the China National Petroleum Corporation, and the China Petrochemical Company, provide technical and financial support.<sup>16</sup> The FAGIA formal management structure is topped by the Ministry of Commerce, which is responsible to China's State Council, and ultimately to the Standing Committee of the Communist Party's Political Bureau, the pinnacle of decision-making<sup>17</sup> power in China. Much remains unknown about this structure, including the precise role of the major state-owned enterprises in the planning, decision making, and operation of China's programs, as well as how independently the CDB operates in providing aid.

The research findings by the RAND researchers show the scale of China's FAGIA is very large, shockingly many times larger than the separate grant-aid development assistance programs conducted by the United States, Europe,

Japan, and other donor countries (Charles Wolf, 2013). Newly pledged aid from China was \$124.8 billion in 2009, \$168.6 billion in 2010, and \$189.3 billion in 2011, all far above the \$1.7 billion it pledged in 2001. The 2010 and 2011 pledged amounts were equivalent to about 3 percent of China's gross domestic product. It is worth mentioning that this scaling may be misleading because China's FAGIA programs, are financed by subsidized loans and also most of the available data is controlled by the state.

### **China Aid Approach to Africa- 'Mutual Benefit and Win-Win'**

The institutionalization of China's foreign aid policy began in the 1960s with the announcement of the "Eight Principles of Chinese Foreign Aid". During a press conference in Ghana in 1964, China's Premier Zhou Enlai introduced the eight characteristics of Chinese aid:

(1.) Equality and mutual benefits; (2) respect for sovereignty and no conditionality; (3) reflecting the needs of the recipient countries; (4) assistance in self-reliance; (5) emphasis on quick results; (6) high-quality material and equipment; (7) full acquisition of technology by the local staff; and (8) Chinese aid experts meeting the same standards as local counterparts.<sup>18</sup>

China's no conditionality, the promise of fast results, and "win-win" scenario attracted many countries to seek aid from the new emerging donor. Also, what was unique is that China's aid mostly consisted of building industrial infrastructure and sending experts to aid recipient countries. According to Brautigam, "China's engagement in Africa simply repeats patterns established by the West, and especially Japan *in* China". China also realized that foreign aid was successful in vying support from newly independent African nations. Votes at the United Nations, skillfully organized by Tanzania, gave China its seat back, which was occupied by Taiwan. Soon after, China began aid programs in thirteen additional African countries and by 1966 there were 36 aid recipients of China's aid in Africa alone (Brautigam, 2009)<sup>[14]</sup>. From the beginning, China saw the power of foreign aid. The country continues to use foreign assistance to achieve its diplomatic goals in reducing support for Taiwan.<sup>19</sup>

China's foreign assistance to Africa is for sure not a new phenomenon. It dates back to 1950 one year after the PRC was established. China's foreign assistance program to the African region gradually transformed throughout the decades, yet it remains to embody the East Asian Aid Model of linking aid, trade and investment. From the years 2010 to 2012, Africa received the most amount of aid from China's foreign assistance fund at 51.8 percent with most of the assistance going towards infrastructure and economic development projects. China's engagement in Africa can be described as commercially driven in which investments bring in returns (Brautigam, 2009)<sup>[14]</sup>.

<sup>14</sup> Ibid

<sup>15</sup> (Charles Wolf, 2013)

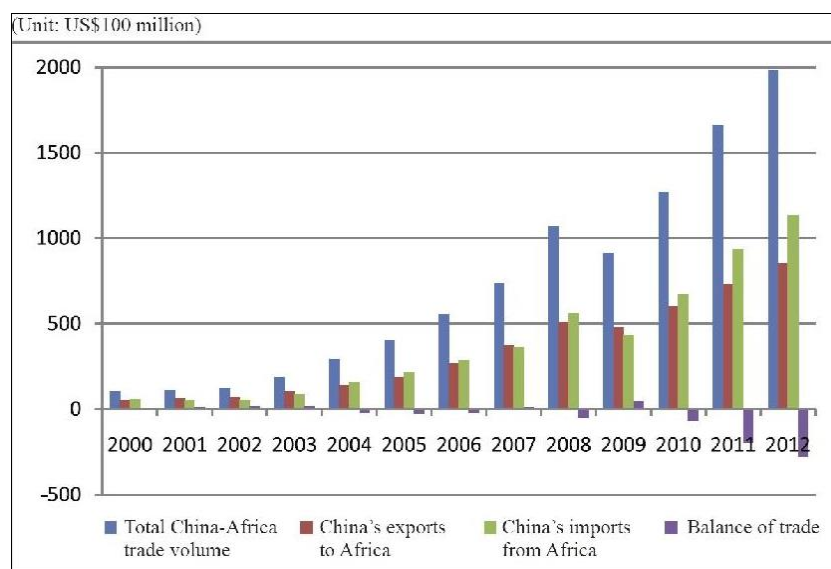
<sup>16</sup> (Brautigam, 2009)

<sup>17</sup> Ibid.

<sup>18</sup> China-Africa Economic and Trade Cooperation (2013) Information Office of the State Council.

<sup>19</sup> Ibid.





Source: White Paper. China-Africa Economic and Trade Cooperation (2013)

Fig 1: Illustrates China-Africa Trade volume

Trade and access to natural resources have increasingly played a central role in its current aid program, but it is not the only purpose for assistance. China describes its relationship with African countries as a win-win situation. It provides large amounts of foreign assistance and investments into development projects, while upholding strong trade and economic relations. China created an investment fund solely for African nations called the China-Africa Development Fund (CAD), which helps to stimulate Chinese investments on the continent. Every three years China and Africa gather for the Forum on China-Africa Cooperation (FOCAC)<sup>20</sup> to discuss political, economic, and social relations between the two sides.

President Xi Jinping's first overseas trip as Head of State was to Africa. The visit is not an uncommon practice for Chinese leaders. However, President Xi's visit showed the evolving patterns of China's policy toward Africa. In 2013, China's special envoy for African Affairs, Zhong Jianhua, visited Africa more than ten times to mediate the conflict in South Sudan. This move was unprecedented for a country that prides itself on not interfering in other countries' domestic affairs. China's significant oil stake may have prompted the intervention, but regardless of the motive, the country is making its presence known in the region.<sup>21</sup>

Fast forward, RANDS researchers found out that Africa came in second in terms of aid received from China. Prior to 2004, many of the programs of China's aid focused on other forms, such as debt cancellation and humanitarian aid. But since then, and especially following China-Africa summits in 2003 and 2006, assistance shifted to a mix of natural-resource programs and, especially, infrastructure; including hydropower, road, and railway projects across Africa<sup>22</sup>. As part of China's diplomatic efforts, the programs have also included construction of stadiums and parliamentary buildings. Oil was the purpose of most natural-resource development programs in Africa, but other projects have sought to develop resources of gold, platinum, diamonds, uranium, and aluminum.

Furthermore, between 2001 and 2011, 49 countries in Africa received approximately \$175 billion dollars in pledged assistance, making it the second largest regional recipient of aid behind Latin America with \$186 billion. Overall, China's interaction with Africa during this time reflected both political and economic interests displayed in triennial China - Africa summits (Brautigam, 2009) <sup>[14]</sup>. China's engagement throughout the region grew steadily, peaked in 2008, and declined between 2009 and 2011.

Today, China's foreign aid policy remains to reflect upon the "Eight Principles of Chinese Foreign Aid". According to the country's second white paper on foreign assistance published in August 2013: When providing foreign assistance, China adheres to the principles of not imposing any political conditions, not interfering in the internal affairs of the recipient countries and fully respecting their right to independently choosing their own paths and models of development. The basic principles China upholds in providing foreign assistance are mutual respect, equality, keeping promise, mutual benefits and win-win.<sup>23</sup>

The white paper, which is an overview of the country's foreign aid from 2010-2012, closely resembles the policies from the 1960s. It strictly abides to no conditions, no interventions in the recipient country's domestic affairs, and overall, equal and mutual benefits for both parties.<sup>24</sup>

In the white paper, China details the allocation of its foreign assistance. From 2010 to 2012, the country appropriated a total of 89.34 billion yuan (\$14.41 billion) in foreign assistance. China's foreign aid consists of three types. Concessional loans account for most of the foreign assistance at 49.76 billion yuan (\$8 billion) or 55.7 percent and were mainly used in manufacturing projects, infrastructure projects and providing machinery and electronic supplies. Grants account for 32.32 billion yuan (\$5.2 billion) or 36.2 percent of the total value and were mainly used for social welfare projects, emergency humanitarian aid, funding human resources development, etc. Meanwhile, interest-free loans comprise 7.26 billion

<sup>20</sup> See <http://www.focac.org/eng/>

<sup>21</sup> (Brautigam, 2009)

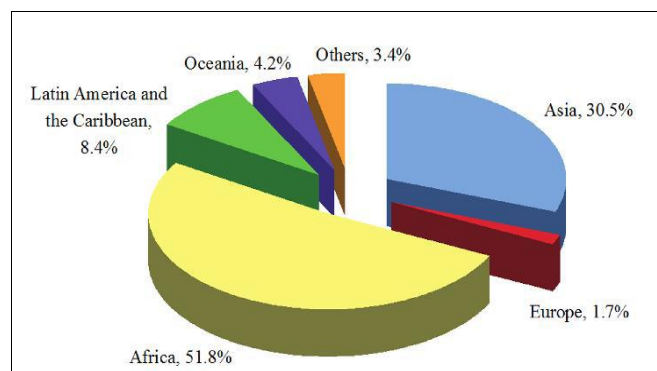
<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> White Paper. China-Africa Economic and Trade Cooperation (2013) Information Office of the State Council

yuan (\$1.16 billion) or 8.1 percent of the foreign assistance value and were mainly used to construct public facilities and projects to better people's livelihoods.

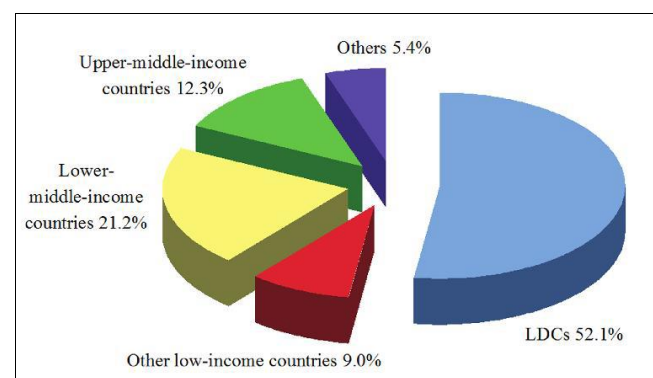
In the three years examined, China provided foreign assistance to 121 countries. These include nine in Oceania, twelve in Europe, nineteen in Latin America and the Caribbean, 30 in Asia and 51 in Africa. Most of China's foreign assistance went to Africa at 51.8 percent and Asia received the second most amount at 30.5 percent. Latin America and the Caribbean, Oceania, Europe and other unspecified regions received 8.4, 4.2, 1.7, and 4.2 percent, respectively. The distribution of assistance by region follows the same pattern as the United States' allocation.



**Source:** White Paper. China-Africa Economic and Trade Cooperation (2013)

**Fig 2:** Illustrates the distribution of China's foreign assistance by geographical region, 2010-2012

Additionally, Majority of China's foreign assistance was allocated to the least developed countries at 52.1 percent. Most LDCs are located in Africa, which aligns with China giving the largest amount of its foreign aid to the African region.



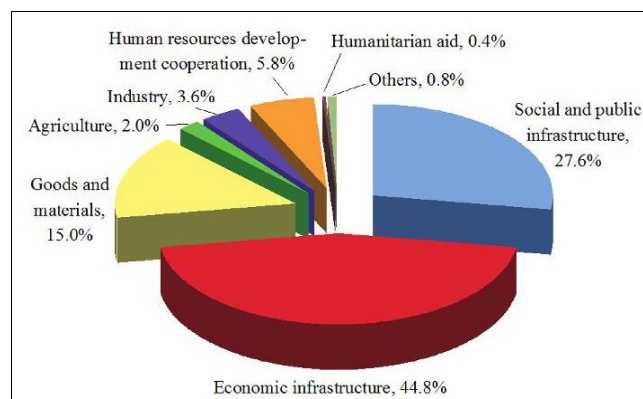
**Source:** China's White Paper on Foreign Aid 2010-2012

**Fig 3:** shows a graph of China's foreign assistance distribution by income level

The white paper further reviews that most of China's foreign assistance was used for economic infrastructure followed by social and public infrastructure, which accounted for 44.8 percent and 27.6 percent of the projects, respectively.

China's white paper points out the importance of "Improving Infrastructure" in which it explains the assistance "to help recipient countries with much needed infrastructure construction". Other sectors that received assistance were in agriculture, industry, goods and materials,

human resources development cooperation and humanitarian aid. According to the white paper, China engaged in projects such as conducting technical cooperation, dispatching medical teams and volunteers and providing goods and supplies.



**Source:** China's White Paper on Foreign Aid 2010-2012

**Fig 4:** Illustrates the distribution of China's foreign assistance by sector

This important document also illustrates China's efforts in capacity building and the importance of global partnership, both of which can be seen as China's soft power.<sup>25</sup> The document mentions of human resources development in which Chinese nationals have been sent overseas to share their knowledge and expertise to those in developing countries like in the case of Zambia for the past three decades have been receiving Chinese medical experts. In addition, foreign officials have been invited to China to participate in seminars that covered topics from economics and management to vocational education. China also held training sessions for about 10,000 personnel from countries receiving aid on areas of health care, environmental protection, and disaster relief and prevention to name a few.<sup>26</sup>

China's white paper was solely used to indicate how much African countries have benefited more from the China's aid compared to other regions. Also, with the seriousness of enforcing efforts in reducing poverty and improving the livelihoods of developing countries in the world, China seems more determinant in achieving this as it has always been clear that its aid is mutual based cooperation for economic and social development.

### China-Zambia relations

The Post-independence Zambia's desire and respect for sustainable development has helped to continue fostering strong economic and diplomatic ties of the China-Zambia relations. This has been more prevalent since the introduction of multiparty political system in Zambia in 1991, whereas because of tight electoral competitions, elected officials are enticed to design policies aimed at increasing foreign direct investment (FDI) flows into the country and help Zambia's export sector for development purposes. In the preamble of the 2006 Zambia Development Agency Act<sup>27</sup>, with the consideration that

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> The Zambia Development Agency Bill, 2006

most sectors in the Zambia's economy are dependent on foreign capital, the government of Zambia has to attract more foreign direct investment to enhance trade between Zambia and other countries. Therefore, China has this far proven as the best partner Zambia can rely on for the much need FDI, and China's one area of interest in exerting its foreign policies is to have trade cooperation with small economies like that of Zambia's.

The bilateral relations between the two countries have been constantly been reaffirmed by high-level officials from both China and Zambia through brandishing the four defining principles guiding their cooperation: a new strategic partnership, economic win-win cooperation, friendship and sincerity, and mutual support and mutual benefit. These are signs of the distinctiveness of China-Zambia relations from Zambia's relations with other countries especially those from the western world. For instance, during his trip to China in 2015, President Lungu emphasized that "China remains a sincere friend and good partner to Zambia"<sup>28</sup>.

In the assistance aspect, Zambia-bound assistance from China has undergone rapid transformations over the five decades of bilateral relations. Prior to 2004, the majority of aid was in the form of grants and debt cancellation. Following 2004, a mix of infrastructure and natural-resource development programs came to dominate China's aid programs with Zambia. Infrastructure has remained the major portion of annual assistance even presently there are numerous infrastructural developments being undertaken by the Chinese.<sup>29</sup> Also it is worth noting that infrastructure and natural-resource programs are increasingly appearing to be complementary. Of the large amounts of funding for natural-resource development being received, most appreciable infrastructure funding is being allocated as well. Natural-resource programs generally precede infrastructure programs. It can be concluded that this mix of infrastructure and natural-resource programs appears to follow Chinese needs: "Once mineral extraction agreements are in place, China seeks to provide infrastructure funds to meet local development needs to deliver resources" (Brautigam, 2009) [14].

However, it would be false to portly China-Zambia relations as always very perfect. In some incidents the unethical practices of some Chinese companies operating in Zambia stands to be a challenge on the view that China-Zambia cooperation is an all-economic win-win relationship, and a new strategic partnership in the interest of the Zambians, at least, the majority of local Zambians. It should be pointed out that the suitability of China's development strategies for African countries is still not very clear and hence debatable. This is partly because some essential factors such as infrastructure development, capital investments, large market and growing neighboring economies which has played significant roles in China's extraordinary economic growth rate, are deficient in most economies in Africa.

To show how China's aid to Zambia is not all beautiful, in 2011 the Human Rights Watch released a detailed report reviling the extensive labor abuse, union collapse and 'poverty wages' paid by some Chinese mining firms to their Zambian employees. Also, in the report included the subsidiaries of China Non-Ferrous Metal Mining Company

(CNMC) a State-owned enterprise (SOE)<sup>30</sup> unethical vices. According to the report, there was overwhelming evidence suggesting that salaries paid by CNMCs subsidiaries in Zambia were among the lowest wages paid by foreign mining firms operating in Zambia. Further, the report stated that some Chinese employers in Zambia denied to allow their employees from joining any trade union. More distressing revelations were revealed of the worse working conditions, longer working hours with no rest, no paid holidays, and no retirement benefits to some Zambian employees in the Nonferrous China Africa (NFCA) a subsidiary of CNMC.

Therefore, it is important that the People's Republic of China's government, the Chinese companies and the government of Zambia cooperate to adequately address these shortcomings. Certainly, at the moment that is what is being done, but the process has to be dealt with urgently. In a keynote address in Sanya, then President Lungu stated that "Chinese firms in Zambia should respect local Zambian laws, and should use local laborers and local contractors in order to ensure that China-Zambian relations is in the interest of both countries"<sup>31</sup>. It can be questioned as to what extent the president's comments will be implemented as to improve on previous positive actions from the Chinese companies in Zambia is still yet to be seen but surely the relationship of the two governments is still very strong.

China's constant growing economic power over the past three decades has been impressive and it is of no doubt that its keen interest in deepening ties with Zambia has led to a growing presence of numerous Chinese investments in Zambia. While Chinese capital is evidently benefiting the Zambian economy and her local citizens, but the practices of some Chinese companies stationed in Zambia draw some doubts on the claims that this economic based partnership is good for both sides. More still has to be done by the existing governments so as for the Chinese and Zambian people to equally benefit from the cooperation.

### **Examples of Case Studies of Chinese Foreign Aid to Zambia**

The criteria used to derive on these three cases studies were mainly based on the conclusive observation and availability of the information on specific cases. After carefully understanding the donor's motives in this case China and also understanding the approaches a recipient country like Zambia bases its selection of aid donor, three main criterial have been recognized each feature representing one case study 1. Loan funded project; constructing of TAZARA Railway, 2) Grant plus Loan: Lusaka General Hospital, and 3) Grants; education scholarship programs.

#### **I Infrastructure: The TAZARA Railway**

The TAZARA Railway was designed and constructed between 1968 and 1976. The 1,860 km long project was built with financial and technical assistance from China, amounting to over US\$400million, in the form of a long-term interest-free loan. Known as the "Freedom Railway" or the Great Uhuru Railway (by the Tanzanians), TAZARA was conceived to provide the critical outlet to the sea that

<sup>28</sup> Zambia Report News

<sup>29</sup> See. <http://www.zda.org.zm/>

<sup>30</sup> "You'll Be Fired if You Refuse" Labor Abuses in Zambia's Chinese State-owned Copper Mines

<sup>31</sup> Zambia Reports News



landlocked Zambia needed in order to break free from its dependency on Rhodesian, Angolan and South African rails and ports that proved to be very inconvenient and expensive for the cooper rich Zambia. TAZARA was therefore a transnational as well as a Pan-African project, intended to serve as a symbol of revolutionary Third World solidarity and resistance to the forces of colonialism, neocolonialism and imperialism.

China's participation in this and other projects, which also included sending technical experts and doctors to Africa and granting Africans with scholarships for study in China, had less to do at the time with economic considerations than with political ones: it formed an obvious part of Beijing's ideological strategy to counter the influence of the Soviet Union in East Africa. Moreover, the support of African countries was sought and needed to bolster Beijing's attempts to reclaim its seat in the United Nations (Brautigam, 2009)<sup>[14]</sup>.

A link between Zambia and Tanzania had originally been envisaged by Cecil Rhodes but this imperial dream was never realized. Between 1963 and 1966 a number of feasibility studies for the construction of the line were conducted both the Zambian and Tanzanian engineers and then requests for finance were submitted to Britain, the United States, Canada, West Germany, France, the Soviet Union the World Bank, and the African Development Bank. But no firm offers were received from any of these and the Tanzanian and Zambian Governments therefore turned to China. After numerous discussions a Chinese team arrived in August 1965 to briefly study conditions of the Tanzanian section of the proposed project. In September 1967 a tripartite agreement was signed in Peking China under which China undertook to make a full survey of the line and formally committed itself to build and finance the railway. Further negotiations between the three countries in April 1968 (Dar es Salaam) and November 1969 (Lusaka) led to the signing of the final agreement in July 1970 (Peking).

The cost of the railway was estimated at US\$400 million and if the actual costs were higher than the extra sum would be given by China as a grant. The GBP400 million was provided in the form of an interest-free loan, since the Chinese never charged interest on any of the aid they provided. The loan would be repayable over thirty years, after a grace period of a decade, which meant that repayments would be due between the years 1983 and 2012. During the 1980s, a number of multi-national agreements, this time including Western donors as well, saw to it that the operational costs of the railway, acquisition of rolling stock and other expenses were met.

Construction of the railway began in April 1970 and work proceeded ahead of schedule with the track crossing into Zambia in August 1973. In terms of engineering, the construction was no small feat, particularly on the Tanzanian section where the track rises from sea level to almost 6,000 feet. All in all, 22 tunnels and 300 bridges needed to be built in Tanzania alone. Up to 15,000 Chinese and 45,000 local workers were engaged on the project during the peak period. The railway was completed in 1975 and operations began in July 1976.

Following the formal transfer of the railway in 1976, some 1,000 Chinese experts originating from 36 different railway "work units" (*danwei*) throughout China, stayed on in either Tanzania or Zambia as Chinese Railway Experts to continue

the task of technology transfer in the operations period. These Experts Teams operated under the immediate leadership of the Chinese Embassy and its Economic and Commercial Representative in Tanzania. In China they were directly affiliated with the Department of Foreign Aid of the Ministry of Railways; after 2003, they were administered by the China Civil Engineering Construction Company (CCECC) under the authority of the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) and the Ministry of Commerce.

At present, TAZARA is still in operation, having survived falling revenues, maintenance backlogs, worker discontent over reduction and pension plans, etc. Its operating costs have been secured with a new infusion of Chinese financial aid (US\$ 40 million in December 2010), leading to the projection that the operation will turn a profit in 2011, for the first time since the railway was taken into operation.

Although TAZARA is still seen as China's most ambitious project in Africa, its functions have evolved from an ideological one into an economic one, emphasizing resource acquisition. In the process, the China's involvement has shifted from active participation in surveying and construction, to undertaking joint-management with the African partners, to providing management advice and technical guidance. As such, it very much reflects the past five decades of development of Zambia and also changes in China itself. On both ends of the railway, China has developed, or is in the process of developing, Special Economic Zones that will facilitate further economic growth for all the three countries. Now that China is increasingly interested in economic cooperation with African nations, TAZARA serves as a powerful symbol of Beijing's early and continuing commitment to and support for African nations.

## II Health: Lusaka General Hospital

In this case study an example of mix type of aid by China is depicted. It is mixed because this official assistance does combine the grant aid and consensual loan given to the Zambian government. Even though this case study lacks adequate information in terms of figure, it is estimated that the Lusaka General Hospital aided by the Chinese government loan amounting to about \$8 million. The construction of the first ever general hospital in the capital was first started in 2009 was completed in 2011 and the construction was done by the China Jiangsu International.

The Lusaka General Hospital rests on 1.84 hectare of land along Great East Road in the Zambian capital Lusaka, with floor space of about 7,472 square meters. The hospital is equipped with CT, X-ray, 4 surgery rooms and 159 beds, casualty, dental and maternity wards as well as laboratories, combining medical and emergency together and with daily outpatient capacity of 477 person-times. The hospital being now the second largest in the city treats 2,600 patients and delivers 260 babies each month on average and among the 477 staffs, 11 are Chinese.

In commissioning the opening of the newly constructed hospital, the then Zambian president Rupiah Banda mentioned of how "Zambia has over the years enjoyed the all-weather bilateral friendship with China, which is based on mutual benefits of the two peoples, and the commission of the Lusaka General Hospital will largely improve health delivery system and bring access to cost effective health



care to the country”.<sup>32</sup> He further thanked the Chinese government and people for the generosity and their continuous effort in helping Zambia in the health sector.

While speaking at the same event, then Chinese Ambassador to Zambia Zhou Yuxiao said “the construction of Lusaka General Hospital is one of the major contents from the Forum on China–Africa Cooperation (FOCAC) and the health sector is one of the priority areas of the bilateral cooperation between China and Zambia”.<sup>33</sup> He further assured China's continuous support in the health sector to the southern African country, while 11 doctors will be deployed at the Lusaka General Hospital and the 16th Chinese Medical Team of 28 doctors is due to departure China for Zambia.

Construction of Lusaka General Hospital is not the only assistant received from China in the health sector.<sup>420</sup> Chinese volunteer doctors in 15 groups have worked in rotation in Zambia since 1978. These medical personnel's work in various health institutions all over the country; like in the University Teaching Hospital, Ndola Central Hospital, Livingstone General Hospital, Kitwe Central Hospital and Kabwe General Hospital. They carry out mostly complicated diagnoses and treatment to patients of different kinds, also conducting sophisticated surgeries, and train thousands of local health practitioners. Additionally, China has provided the Zambian government with a preferential loan to build mobile hospitals. These mobile hospitals have been set up and they are serving in different provinces to offer good and affordable health services to patients in remote rural areas.<sup>34</sup> Furthermore, an Anti-malaria Center has been built with China's assistance in Zambia's National Malaria Control Center, facilitating scientific researches and experiment on prevention and treatment of malaria and batches of anti-malaria drugs have been donated by China since 2006.

In the ambition to make the Lusaka General Hospital into a first ever Zambia ultra-modern Hospital, the Zambian government in conjunction with the Chinese government on March 28<sup>th</sup> 2015 agreed to commence the expansion project of the Hospital. With the budget estimated at \$90 million, China has already promised a grant of USD \$8 million (10 million Yuan) to undertake the restock of the Lusaka General Hospital with advanced medical equipment and supplies. (The expansion work to transform the hospital into a university teaching hospital is under way by the time the article was published)

Chinese experts have since visited the country to assess the re-designing the General Hospital, which will be expanded into a specialist hospital at a cost of US\$90 million. The hospital will be transformed into a fully-fledged specialized hospital with a bed capacity of between 800 and 1,000 beds.

### III Education: Chinese Scholarship for Zambians

Scholarship program for Zambian students is another good example of grant aid given to Zambia by the Chinese government. In April 2015 ambassador Yang Youming emphasized that China and Zambia cooperation covers all fields including education.<sup>35</sup> Since 1978, China has provided

584 scholarships to Zambian students including the 32 scholarships this year. The scholarships range in different fields of university studies. About 400 Zambian students are currently studying in Chinese universities under the Chinese government scholarship for both undergraduate and post graduate programs. According to the records at the Chinese embassy in Lusaka, China trains about 200 Zambians annually; has helped build two rural schools in Kapiri Mposhi district and Lusaka respectively; has constructed an agricultural technology demonstration center and set up a Confucius Institute in University of Zambia (UNZA)<sup>36</sup> China does realize and appreciate the importance of education to the country's economic development, hence China's bilateral relationship with Zambia is also very much based on education. By offering free scholarships to many Zambian young brilliant students, China uses this stratagem as on mean of technology transfer, in most high demand majors like computer sciences and technology, engineering, medicine and economics. This can be inferred from a simple statistic that from 1978 up to 2015, Chinese government has made 700 scholarships available to Zambia, about 160 of the scholarship students studied and are studying medical science in China. Also, on average of 40 students annually who are going to study on Chinese government scholarships, 13 of them major in medicine. The medical scholarships are aimed at helping Zambia's capacity-building in the health sector, which is equally essential for keeping the nation healthy.<sup>37</sup>

In the tradition annual address to the new scholarship students, the Chinese ambassador always emphasizes to the students to be patriotic and be able to come back and serve Zambia after successful completion of their studies. Based on the specialties they have chosen which include engineering, medicine, information technology, finance, international trade, and international politics. The ambassador points out how Zambia is a promising country of development and there are broad prospects of cooperation in various fields between China and Zambia. Thus, great opportunities lie ahead for you to display your talents the ambassador claims. “I am looking forward to your smooth accomplishment of study in China, and afterwards your commitment to the strengthening of exchanges and cooperation between China and Zambia, your great contribution to China-Zambia friendship and to the growth of Zambia”.<sup>38</sup>

According to the Statistical Office, in 2015 about 1700 Zambian students, including scholarship and self-sponsored students, are studying in China. This soling figure does not only demonstrate the close people-to-people exchanges between China and Zambia, but also a great inspiration for two countries' furtherance of bilateral exchanges and cooperation in educational field in the future.

### Discussion

In this chapter, the paper does openly look into intensive possible future outcomes and predictions on the bilateral relationship of China and Zambia. This paper did not just focus on the analytic side of the follow of China's aid to Zambia, but also the importance of structural changes in

<sup>32</sup> <http://www.theguardian.com/global-development/2013/apr/29/china-aid-build-hospital-zambia>

<sup>33</sup> <http://zm.chineseembassy.org/eng/sgxxx/dsjh/t920631.htm>

<sup>34</sup> Ibid.

<sup>35</sup> <http://zm.chineseembassy.org/eng/sgxxx/dsjh/t920631.htm>

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.

how the well the cooperation can of great benefit to both parties.

On the first instance, 'China's aid a good alternative for Zambia' will be investigated thoroughly and a conclusion will be reached. Secondly the core theme of China's aid 'Mutual benefit and win-win' will be challenged and on this too the paper will provide a conclusion. Finally, the third aspect will be a prediction centered answering 'what lies ahead for China-Zambia Relations?'

### **China's Aid a good alternative for Zambia**

From the analysis this far, it is clear that Zambia has found a good friend in the Chinese and seems to enjoy every bit of the foreign aid interactions. Thus, Zambia has to some extent ignored the relations with the western traditional donors when it comes to issues concerning its development desire.

To understand why China's style of aid has extremely attracted 'the hungry for development' Zambia, revisiting China's foreign aid policies by looking into the famous China's "Eight Principles for Economic Aid and Technical Assistance to other Countries"<sup>39</sup>:

1. The Chinese government always bases itself on the principle of equality and mutual benefit in providing aid to other countries. It never regards such aid as a kind of unilateral alms but as something mutual.
2. In providing aid to other countries, the Chinese government strictly respects the sovereignty of recipient countries, and never attaches any conditions or asks for any privileges.
3. China provides economic aid in the form of interest-free or low interest loans, and extends the time limit for the repayment when necessary, so as to lighten the burden on recipient countries as far as possible.
4. In providing aid to other countries, the purpose of the Chinese government is not to make recipient countries dependent on China but to help them embark step by step on the road of self-reliance and independent economic development.
5. The Chinese government does its best to help recipient countries complete projects which require less investment but yield quicker results, so that the latter may increase their income and accumulate capital.
6. The Chinese government provides the best-quality equipment and materials manufactured by China at international market prices. If the equipment and materials provided by the Chinese government are not up to the agreed specifications and quality, the Chinese government undertakes to replace them or refund the payment.
7. In giving any particular technical assistance, the Chinese government will see to it that the personnel of the recipient country fully master the technology.
8. The experts dispatched by China to help in construction in recipient countries will have the same standard of living as the experts of the recipient country. The Chinese experts are not allowed to make any special demands or enjoy any special amenities.

Although Chinese Premier Zhou Enlai announced these principles in 1964, many years before the OECD Accra High Level Forum (HLF) during a visit to Ghana, nine years

earlier in India, he announced the similar "Five Principles of Peaceful Coexistence".<sup>40</sup>

1. Mutual respect for sovereignty and territorial integrity
2. Mutual non-aggression
3. Non-interference in each other's internal affairs
4. Equality and mutual benefit
5. Peaceful coexistence

These two major announcements are the philosophical guidelines of China's aid policies, and two major features, 1) non-conditionality and 2) non-intervention, that distinguish it from the existing aid architecture.

The rigidity by the Chinese governments to always abide to the philosophical guidelines of its foreign aid policies has surely been the main reason developing countries in three major regions: Africa, Asia, and Latin America are very attracted to it.

Like other African countries, Zambia's aid dependence on China's aid has been increasing continuously<sup>41</sup> simply because of the discipline China upholds in sticking to the underlined principles are clear and straight forward. While unlike the unfair conditionalities and conflicting ideology intervention approach by the traditional aid donors from the west. Furthermore, the culmination of Sino-African cooperation which was the first ministerial conference of Forum on China-Africa Cooperation (FOCAC), held in Beijing in October 2000<sup>42</sup>. Its creation was suggested by a number of African countries including Zambia, was created "In order to further strengthen the friendly cooperation between China and Africa under the new circumstances, to jointly meet the challenge of economic globalization and to promote common development."<sup>43</sup> The FOCAC is also just another assurance Zambia has to know and trust that China's flow of investments and aid is never stopping anytime soon, it will last longer.

The underlined "equality and mutual benefit" in the preamble of the MoU between China and Zambia, promotes both political dialogue and economic cooperation and trade, with a view to seeking mutual reinforcement and common development.<sup>44</sup> Clearly, China is being seen as an alternative source of development assistance due to its aid policies which stand in stark contrast to those of OECD DAC donors.

### **'Mutual Benefit and Win-Win'**

The center phrase of "Mutual Benefit and Win-Win" in most speeches given by high officials from both the Zambian and Chinese side in reference to the long existing bilateral relationship is of great importance, hence deserve being questioned. Some practices of some Chinese companies in Zambia, however portray some of the negativities of China's capital flow in Zambia and which leads into questioning the authenticity of widely held belief that China's investment in Zambia as that of other African countries is a "mutual benefit and win-win" for economic cooperation. A good

<sup>40</sup> <http://www.zhouenlapeaceinstitute.org/en/five-principles-of-peace-2/>

<sup>41</sup> Zambia Development Agency. See [www.zda.org.zm](http://www.zda.org.zm)

<sup>42</sup> See. <http://www.focac.org/eng/>

<sup>43</sup> Ibid.

<sup>44</sup> 2011 White Paper on China's Foreign Aid

<sup>39</sup> 2011 White Paper on China's Foreign Aid

example would be the commonly referred to incidents; in the year 2005, 51 Zambian copper miners were killed while working in a Chinese explosive factory in the copperbelt, Zambia's copper rich province. In 2010, two Chinese coal mine managers, Xiao Li Shan and Wu Jiu Hua, were charged with attempted murder for shooting 11 Zambian workers who were protesting over poor pay and work conditions at the Collum coal mine in the country's southern town of Sinazongwe.<sup>45</sup>

In 2011, Human Rights Watch released a report<sup>46</sup> detailing extensive labor abuse, union busting and 'poverty wages' paid by some Chinese mining companies to their Zambian employees, including subsidiaries of China Non-Ferrous Metal Mining Company (CNMC) a State-owned enterprise (SOE). According to the report, there was extensive evidence suggesting that wages paid by CNMCs subsidiaries in Zambia were among the lowest wages paid by foreign mining companies operating in Zambia. Further, the report argues that some Chinese employers in Zambia refused to allow their employees to join any trade union. More distressing details were revealed of the appalling working conditions, long working hours with no rest, no paid holidays, and no retirement benefits to some Zambian employees in Nonferrous China Africa (NCA) a subsidiary of CNMC.

However, some of the shortcoming of CNMCs activities and the poor labor and environmental practices in other Chinese companies operating in Zambia might lead into arguing the claims that Chinese capital in Zambia is an economic "mutual benefit and win-win" might be based on sweeping generalizations and are questionable. Again, this is not to argue that all Chinese capital in Zambia is not in the interest of local Zambians, far from it, given that strong evidence to showing that China's capital has significantly benefited the Zambian people, but instead the analysis is to challenge the relevant stakeholders to rethink; to what extent is Chinese capital in Zambia an economic "mutual benefit and win-win", new and in the interest of local Zambians? And what can be done to mitigate the negativities associated with some Chinese capital, in order to establish sincere and economic win cooperation.

There is evidence that efforts are being made by the Chinese and Zambian governments to ensure that Chinese companies operating in Zambia comply with local labor and environmental regulations and for sure some companies are changing their labor relations with local employees. For example, in 2007, NCA arrived at an agreement with its employees to transfer the majority of its casual workforce to permanent contract basis. Further, in 2009, CNMC released a statement indicating that it would outsource 75% of its non-vital works to local Zambian contractors. These efforts are indicative of arguments that Chinese firms in Africa, including those in Zambia, are undergoing a gradual learning process to improve their relations with local

stakeholders. (Brautigam, 2009)<sup>[14]</sup>. But still more work still has to take place in the interest of local Zambians. It is therefore important that the Chinese government, Chinese companies and the Zambian government collaborate to adequately address these shortcomings. In a keynote address in Sanya, President Lungu emphasized to the audience that Chinese firms in Zambia should respect local Zambian laws, and should use local laborers and local contractors in order to ensure that China-Zambian relations is in the interest of both countries.

China's growing economic power over the past three decades and its keen interest to deepen ties with Zambia has with no doubt led to a growing presence of Chinese companies investing in Zambia. While Chinese capital has evidently benefited the Zambian economy and local Zambians, the practices of some Chinese companies in Zambia cast doubts on the claims that this cooperation is good for both sides. More still has to be done by the relevant stakeholders from both countries for the Chinese and Zambian people to equally benefit from the relations. Only then will the relationship be worthy of being called "a win-win economic cooperation."

### What lies ahead for China-Zambia Relations?

There is no doubt that China-Zambia bilateral relationship will continue; China providing aid in form of massive capital, while Zambia enjoys the FDI and this will be the description of the vicious circle. But as Zambia being the sole focus of this thesis, there are advices on provided in this session that will help this potential young country escape the aid trap and achieve economic development through participation in fair trade.

#### a. Aid and effective policies

(Boon, 1996)<sup>[1]</sup> was one of the first scholars to consider the relation between aid and political environment. He was extremely critical to the effects of foreign aid to political institutions. But most interesting Boone has stated that aid does not significantly increase investment and growth, nor benefit the poor as measured by improvements in human development indicators, but it does increase the size of government. He further emphasizes that the impact of aid does not vary according to whether recipient governments are liberal democratic or highly repressive. This may be due to greater empowerment of the poor under liberal regimes even though the political elite continues to receive the benefits of aid programs. An implication is that short term aid targeted to support new liberal regimes may be a more successful means of reducing poverty than current programs<sup>47</sup>. Considering this intensive literature by Peter Boon, it is up to Zambia to take up the challenge and analyze its dependence on China's aid. With all the inflow of the Chinese capital, is the distribution fair enough to benefit more of the Zambian ordinary citizens or maybe as Boon put it; the Zambian political elites benefiting more from the aid while only a small share is divided to the majority poor. Now for the foreign from China and elsewhere to work effectively for Zambia, a good enough governing system has to be in place.

Several scholars of foreign aid have included the political environment aspect to the analysis of aid effectiveness like

<sup>45</sup> Read full story on

<http://www.newyorker.com/business/currency/china-zambia-and-a-clash-in-a-coal-mine>

<sup>46</sup> See. "You'll Be Fired if You Refuse" Labor Abuses in Zambia's Chinese State-owned Copper Mines

<https://www.hrw.org/report/2011/11/04/youll-be-fired-if-you-refuse/labor-abuses-zambias-chinese-state-owned-copper-mines>

<sup>47</sup> Boone, P. (1996). Politics and the effectiveness of foreign aid. *European economic review*, 40(2), 289-329.

similar of what Boone<sup>48</sup> mentioned. (Craig Burnside, 2000) Follows a much more liberal perspective and does find a relation between growth and aid. Their main argument is that "aid accelerates growth in developing countries with sound institutions and policies, but has less or no effect in countries in which institutions and policies are poor". This result is argued to be quite intuitive; a corrupt, incompetent government is not going to use aid wisely and outside donors are not going to be able to force it to change its habits. True to this assumption, Zambian government has to free its self from corrupt officials selfishly benefiting from the aid resources meant for good intentions. It is never China's duty to clear up the Zambian system from corruption or misappropriation of aid allocations. As long as aid is a business, it is not the donor's burden to make aid work, as long as its profiting more out of the aid the problem will always be on the recipient government.

"Selectivity" approach does not apply to China's aid, but it should be the recipient government to set up mechanisms that will question the accountability and transparency of the aid monitoring system.

In line of establishing good institutions for good aid monitoring and management, scholars have usually arrived to two important problems when analyzing suggestions made by (Craig Burnside, 2000). The first one is how to define "good institutions". In this sense some researchers question the long list of "things that must be done" and the causal chain from good governance to development, by exploring the particular histories of developed countries, suggesting that specific conditions of good governance are basic characteristics needed for sustained development. For example, secure property rights and contracts, while other governance factors emerge over time in conjunction with or in consequence of economic growth and poverty reduction. Furthermore, the World Bank has suffered much criticism by prescribing a model of governance based on Western values of democracy and free market.<sup>49</sup>

The second problem is the idea of selectivity. Assuming that the foreign aid will just have a positive impact on countries with a sound policy, countries with "bad policies will be excluded of aid, then what to do with their population. The Paris declaration has embodied the principle of selectivity in order to improve the quality of aid and specially to serve as an incentive to countries with poor policies, to pursue the improvement of the institutions. But in this second problem considering China's lack of concern of selectivity in its foreign aid policy, it is up to Zambia to adapt commonly accepted policies so as to still keep other donors.

## b. Ownership

Considering lack of access available data on foreign aid flow to Zambia either from China or other traditional donors, it is unarguable that Zambia has the ownership problem with concern to foreign aid. Van de Walle<sup>50</sup> considers that ownership is of the main problems of effectiveness of foreign aid in Africa. In accordance with

this author, recipient governments have the ownership of a financial activity of the foreign aid when they are convinced that the aid will enforce their power and their interest.<sup>51</sup> The simple reality is that if a country owns a program, it has the right to insist on making the final decisions without coercion on the contents of a program. In addition, if a recipient country like Zambia accepts the full ownership of whatever aid funded program, it will accept without coercion the obligation to take full responsibility for the outcome of the program and hence for the welfare consequences to its citizens and for certain external effects on noncitizens. Furthermore, the right to ownership and obligation would be generally acknowledged by all other parties such as creditors, international organizations, and other countries who have anything to do with the program.<sup>52</sup>

All in all, it would be a great approach if Zambia also learns from China's past experiences in relations to aid recipient. It is astonishing how China even though is still considered a developing country, it has arguably the second largest economy, distribute aid to numerous countries, but its successive history is not long enough. This has all been possible of because of strategic approaches China takes. For example;

Chinese leaders had a solid idea of the type of assistance they needed from the Soviet Union when they were aid dependents. In 1948 then President of the People's Republic of China, Liu Xiaqi, laid out four specific requests for assistance from the Soviet Union: (1) Introduction of the Soviet's experience in converting to a socialist economy; (2) dispatch of Soviet advisors and experts to China; (3) transfer of capital; and (4) assistance in formulating China's economic plans. China was keen on following the Soviet Union model while also maintaining its ownership over the assistance. Chinese leaders saw foreign aid as an effective tool in acquiring what they needed and took initiative in asking for specific requests.

This Chinese approach in 1948 can be possible today, and the Zambian government can make similar requests to China too.

## Conclusion

Throughout this paper, almost all the studies reviewed and the full descriptive analysis have in common the analysis of the role of aid under macroeconomic aspects. This study may be considered a simplistic view because it started with the assumption that just a flow of capital from China entering the treasures of the recipient country Zambia can have a positive effect that would generate the economic growth and that economic growth would reduce poverty. Paradoxically, existing evidences show that most of these assumptions did not hold much grip due to lack of intensive data or previous non-biased researches made on China's aid. In this accord, it is very important that the limitations encountered while writing this paper be registered as part of the conclusion. Firstly, on the availability of the useful data, literatures both print and non-print from both countries of focus (Zambia and China) was very discouraging and frustrating, as there was or is no much primary sources for scholarship. In the case of this would be assumed to as the result of strict monitoring and restrictions of dissemination

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

<sup>50</sup> See. Van de Walle, Nicolas, and Lise Rakner. "Zambia." In *Aid and Reform in Africa*, by Devaraja Shantayanan, David R Dollar and Holmgren Trogn, 535-623. Washington, DC: The World Bank, 2001.

<sup>51</sup> Ibid.

<sup>52</sup> Johnson, O. E. (2005). Country ownership of reform programmes and the implications for conditionality. UN.



of information pertaining to the government as the communist government keep the closure policies. Furthermore, the readily available scholarly works (by mostly Western scholars) is not much to admire as there are numerous loopholes of dishonesty or simply biasness in the writings. Hence the challenges encountered while trying to thoroughly examine through all the publications related to the topics of interest. On the other hand, Zambia is the opposite of the communist controlled China. In the case of Zambia, the government is open but even though it may seem to have all the information needed to be easily accessed, the opposite is the reality, there is no impressive effective information available. Unfortunately this is the country even in 56 years of independence still have non-functional websites, and if lucky on certain days the relevant websites were accessed, there was no much information at all worth using as references or in the literature reviews. Most of the government official websites are not far much different from that of a young youth old Myspace page, as there were no frequent updates of the page and most depressing is the lack of relevant quarterly or annual detailed reports. Nonetheless, despite these setbacks the primary sources were gathered from the Zambian local newspapers, interviews with a government official in the ministry of Finance and National Planning and also of course from the country in the International Organizations (World Bank, United Nations, International Monetary Fund, and OECD). Just as the situation with China's data, consciousness of possible fabrications in the available data and literature was observed so as not to write a one-sided view of the world-wide known state of Zambia.

The Big Push Theory was the main theory used as the bases of the paper, arguing that the more capital flow a donor country pumps in a recipient, the more likely the indicators of development will be noticed. On the other hand, it is arguable if all the huge monies spent on infrastructure development in Zambia by the Chinese capital can be used as a bases of proving Zambians life improvement and poverty reduction. Because their GDP is not impressively improved as expected to be.

By examining China-Zambia cooperation in three case studies, the different ideologies, modalities, and mechanisms that make up the new Chinese aid paradigm are made readily clear. It is true that China's self-interest drives much of its aid, but manifests itself in a much different way by non-conditionality and non-intervention. Additionally, the research did vigorously explore why China's aid approach is different from that of the OECD DAC. Further areas of research could examine the effects of Chinese aid policies on that of traditional donors, comparison research.

Also, from the assumptions derived from the first ever white paper on China's foreign Aid, all the principles inclined in the documents non conditionality and non-intervention were the main summary of the aid policies while emphasizing on mutual benefit and win-win. But this attractive sentiment has some fault too, like the practices of some Chinese companies with not regards of abiding by the Zambian laws, made the "mutual benefit and win-win" be doubted.

Thus, the failure to mitigate the occurrence of environmental pollution and labor abuses in some Chinese companies in Zambia might deprive local Zambian workers of their workers' rights and might prevent local communities from benefiting from Chinese investment. It might also undermine the ability of the Zambian government to be the

'responsible sovereign' actor, that is, to protect the rights of its citizens and provide for their basic welfare and it might as well negatively impact on China's image and interest as in Zambia.

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