

## Zambia and the Central African Copperbelt



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# THE SPECTRE OF GLOBAL CHINA

**A**FTER THREE DECADES of sustained growth China, an economic powerhouse of continental proportions, is becoming choked by bottlenecks: overcapacity, falling profits, surplus capital, shrinking demand in traditional export markets and scarcity of raw materials. These imbalances have driven Chinese firms and citizens overseas in search of new opportunities, encouraged by Beijing's 'going out' policy. Their presence in Africa has drawn a vast amount of attention, despite the fact that the PRC only accounts for a tiny fraction of foreign direct investment there—4 per cent for 2000–10, compared to 84 per cent for the Atlantic powers.<sup>1</sup> In the ensuing rhetorical battle, the Western media has created the spectre of a 'global China' launching a new scramble for Africa, while Beijing for its part claims simply to be encouraging South–South cooperation, free of hegemonic aspirations or World Bank-style conditions. These seemingly opposed positions, however, share the implicit assumption that Chinese investment is qualitatively different from conventional foreign investment. What, if any, is the peculiarity of Chinese capital in Africa? What are the consequences of China's presence, and what prospects does it offer for African development?

In exploring the story of 'China in Zambia', this text will foreground two issues which are often lost in the debate about 'global China'. First, outbound Chinese investors have had to climb a steep learning curve in dealing with types of politics not found in their own country. From resource nationalism and adversarial trade unions to the moral condemnation of their work culture, struggles driven by African state and working-class interests have compelled compromises and adjustments

on the part of the incoming Chinese. In other words, China's interests and intentions in Africa have to be distinguished from its capacity to realize them. Second, these contestations have taken place on a terrain already deeply carved by neoliberal reforms imposed by Western financial institutions and donor countries, *before* the arrival of Chinese investment at the turn of the millennium. Chinese capital, like other foreign capital, has taken advantage of the liberalized labour laws and investor-friendly policies, but has also been challenged by some of the political backlash neoliberalism has generated.

The arguments presented here are drawn from a comparative ethnographic study of Chinese and non-Chinese corporations in two industries, copper and construction. In addition to interviews conducted in Zambian mining townships, government and union offices, I have spent a total of six months over the past five years in copper mines owned by multinationals registered in China, India and Switzerland. The field work included shadowing mine managers, both underground and on the surface, observing production meetings, living among expatriates in company housing and attending collective-bargaining negotiations. With the assistance of the Zambian government, I gained access to the management of the major foreign corporations in mining and construction, as well as trade unions, miners and construction workers. To investigate construction practices, I visited twenty sites run by Chinese, South African and Indian contractors, interviewed over 200 managers and workers, and implemented a questionnaire survey. I also worked with, observed and interviewed government technocrats and politicians on how they handled China–Zambia relations.

The two sectors offer a useful contrast in operational conditions: copper mining is a capital-intensive, place-bound, unionized strategic sector, whereas construction is labour-intensive, foot-loose, non-unionized and non-strategic. And while no single country could be representative of Africa, whose wide range of political-economic conditions and natural

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<sup>1</sup> A 2013 UNCTAD report ranks China as the sixth largest source of investment in Africa by accumulated stock—behind France, the US, UK, Malaysia and South Africa—and fourth by flow, behind France, the US and Malaysia, at the end of 2011. Analyzing central bank data from 40 African countries, African Economic Outlooks confirms that the EU and the US contributed about 85 per cent of FDI to Africa from 2000–05, and 83 per cent from 2006–10. The author would like to acknowledge the funding for this research provided by the National Science Foundation of the United States.

endowments defy continent-wide generalizations, Zambia is a critical case for several reasons. Though it undertook one of the fastest privatization programmes in Sub-Saharan Africa, its submission to IMF–World Bank neoliberal orthodoxy in the 1990s was entirely typical: newly elected African governments of every ideological colouration were obliged to accept structural adjustment programmes in this period, becoming ‘choiceless democracies, unable to deliver on their electoral promises’.<sup>2</sup> Zambia is also Africa’s top copper producer. On the basis of long-standing good diplomatic relations, it has become a leading destination for Chinese state-backed investment and the site of the first Chinese-run Special Economic Zones. As elsewhere in Africa, Chinese contractors have established an unrivalled dominance in construction here.

### *Zambia after ‘dual liberalization’*

Lying on the southern edge of the Central African copper belt, Zambia has a population of 13 million, concentrated around the capital, Lusaka, and the towns of the copper region. Despite the country’s resource wealth, per capita GDP is only \$1,540, and subsistence agriculture is the biggest single employer. Inhabited since the earliest times, the country is home to a range of different Bantu-language groups. The region was subdued—not without a fight—by Rhodes’s British South Africa Company in the 1880s, then ceded to London, which ruled it as Northern Rhodesia. By the 1920s, rich copper deposits were attracting mining financiers from the US, Britain and South Africa; by 1945, its copper exports amounted to 13 per cent of the world total. At independence in 1964 Zambia, led by Kenneth Kaunda’s United National Independence Party, was reckoned a middle-income country with good prospects for full industrialization. Michael Burawoy’s *The Colour of Class on the Copper Mines* (1972) provides a benchmark reference for the Zambian mining industry in this period, and helps to establish the specificity of the African context that is so often obliterated in current analyses of ‘China in Africa’. Forty years apart, we conducted fieldwork in the same mining

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<sup>2</sup> See Adebayo Olukoshi, ed., *The Politics of Opposition in Contemporary Africa*, Stockholm 1998, p. 25; Thandika Mkandawire, ‘Disempowering New Democracies and the Persistence of Poverty’, UNRISD Paper 21, Geneva 2006. Key studies of neoliberalization in Zambia include Lise Rakner, *Political and Economic Liberalization in Zambia 1991–2001*, Stockholm 2003; Miles Larmer, *Mineworkers in Zambia*, London and New York 2007; Alastair Fraser and Miles Larmer, eds, *Zambia, Mining and Neoliberalism*, London 2010.

towns, both of us examining the inter-relations between foreign investment, the Zambian working class and the state; in the interim, however, the world economy had gone through a sea change. Writing in the tradition of Frantz Fanon, Burawoy was investigating the realignment of class interests in the transition from colonial rule: despite ‘Zambianization’, with the state acquiring a 51 per cent stake in the mines, two Western companies maintained oligopolistic control. Burawoy found that political independence in the context of economic dependence produced a flawed black ruling class, whose interests converged with, rather than challenged, those of foreign capital.

By the mid-70s, the global slump in copper prices had plunged the country into heavy debt and dependency on IMF bail-outs, just as the Kaunda government assumed full ownership and management of the mines and instituted an emergency period of one-party rule. The IMF’s 1983–87 structural adjustment programme imposed wage freezes in conditions of high inflation, with sharp cuts in food and fertilizer subsidies and government spending. Growing popular and trade-union resistance to austerity culminated in the 1991 election victory of the Movement for Multi-party Democracy (MMD) led by Frederick Chiluba, head of the construction workers’ trade union. Once in office, Chiluba reversed his position to drive through a ferocious programme of IMF-backed privatizations—mining, land, transport, energy—and roll back labour rights. While tax revenue from copper had accounted for 59 per cent of government income in the 1960s, by the early 2000s it brought in an astonishingly anaemic 5 per cent, due to the extraordinarily investor-friendly development agreements signed with foreign companies after the mines were privatized.

Yet under conditions of ‘dual liberalization’—the political shift to formal multi-party democracy occurring in conjunction with the economic shift to privatization and foreign investment—these IMF–World Bank measures were confronted by the rise of a new oppositional politics of ‘resource nationalism’, in Africa as in Latin America, demanding that the people receive a greater share of the country’s foreign-owned natural wealth.<sup>3</sup> As neoliberal programmes decimated the bargaining power of organized labour, elections became the main channel for popular

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<sup>3</sup> Investors deem ‘resource nationalism’ to be the leading risk factor for the mining industry: see, for example, ‘Business risks facing mining and metals, 2011–2012’, Ernst & Young, August 2011.

discontents about labour exploitation, lack of social development and corrupt government sell-offs of national resources to foreign investors. The veteran Zambian politician Michael Sata—governor of Lusaka in the 1980s, a minister in Chiluba’s MMD government in the 90s, and founder of his own party, the Patriotic Front, in the early 2000s—ran on a pro-poor ‘Zambia for Zambians’, resource-nationalism platform, attacking the MMD government for selling out to foreign interests and accusing China of imposing slavery from Cape Town to Cairo. Chinese state-owned enterprises were a particular target, for they were seen as representing a foreign sovereign state, not just private investors.

Sata toned down the rhetoric after his electoral victory in 2011, offering a series of gestures to reassure foreign investors, especially the Chinese. In office he has moved cautiously, compared to Latin American leaders such as Chávez, Morales or Correa, raising mineral royalties from 3 to 6 per cent (calculated on the basis of sales revenue, not profit) and lifting the minimum wage from K350,000 (\$70) to K500,000 (\$100). Nevertheless, these moves have gone some way towards fulfilling pent-up expectations for social change and economic improvement, while burnishing Sata’s image as a Zambian leader willing to stand up against foreign investors. In November 2013, when the mining giant Konkola Copper Mines (KCM) announced a plan to dismiss 1,500 workers, Sata revoked its chief executive’s work permit and threatened to cancel KCM’s mining license. The Patriotic Front government has also initiated an industry-wide forensic audit to obtain full tax payments from these companies.

These major developments have redefined the politico-economic conditions shaping the entry of foreign capital into Zambia in the twenty-first century. In addition, largely thanks to coercive structural adjustment programmes imposed by the IMF, World Bank and Western donors, privatization of the mines in the 1990s served to internationalize the Copperbelt. By the time I arrived in 2008, there were not two but ten large-scale foreign mining companies, hailing not just from the Global North but also from the Global South, including India, Brazil and China, thus giving the Zambian government more leverage. The changed configuration of global capital impinges on Zambian development in ways irreducible to the classic metropolis–periphery formulation. Fifty years after independence, for all its weaknesses in a developmental capacity, Zambia today does not conform to stereotypes of a ‘predatory’ or ‘failed’ African state. The rise of the Patriotic Front shows that, while

competitive elections may fail to bring about good government, they can provide a platform for mass pressure on an incumbent administration to be more assertive towards outside investors—and that the potential for an African government to pursue national-popular interests against foreign capital does exist.

### *Varieties of capital*

The wave of foreign investment arriving in Zambia from the late 1990s thus entered a country characterized by the presence of competitive global capital interests, multi-party elections and palpable popular discontent expressed as resource nationalism. Yet the category ‘foreign investment’ also needs to be broken down. In Zambia, government and popular discussions typically identify and criticize foreign mining houses by their country of origin, with the result that race and nationality often become the all-too-convenient frames for stereotyping corporate wrong doings. The three mining companies examined in this study are conventionally designated as Chinese, Indian and Swiss, following the national origin of the parent company, its founder or majority shareholders. But national labels may conceal more than they reveal when it comes to the interests of capital. For instance, KCM in Chingola is generally referred to as Indian, because its parent company Vedanta was established in India and has major mines and manufacturing facilities there; but Vedanta is a publicly traded multinational, listed on the London Stock Exchange, and its founder and chairman is usually resident in the UK. KCM’s profit-maximization goal is no different from the ‘Swiss’ Mopani Copper Mines (MCM) in Kitwe, whose parent company is Glencore, a London-listed multinational headquartered in Switzerland, whose operations span the globe.

The generic term ‘Chinese investment’ also masks a hierarchy of capitals of varying status, resourcefulness and connection to the Beijing government. At the top of this pecking order are the central state-owned enterprises and policy banks.<sup>4</sup> Below these are provincial-level

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<sup>4</sup>The central SOEs—some 117 conglomerates—are under the direct control of the State Council’s State-owned Asset Supervision and Administration Commission (SASAC). The policy banks include the Export-Import Bank of China (China EXIM Bank), which disburses vast amounts of concessional loans for infrastructure construction, and the China Development Bank which, in addition to commercial loans, also makes equity investment through the China Africa Development Fund.

state-owned enterprises, private companies of varying sizes and, at the bottom of the heap, entrepreneurial or family firms. This research focuses on the top tier, ‘Chinese state capital’, which accounts for roughly half of total Chinese investment in Africa, through around a hundred large-scale, state-owned or state-controlled shareholding companies, concentrated in mining and construction. But even ‘ownership’ categories—for example, private versus state-owned—can be poor guides to corporate objectives. For instance in the construction sector in Africa, Chinese central and provincial SOEs can be every bit as profit-driven as Chinese private companies.

Instead of the appearance of nationality or ownership, it is the interests of capital that are of the essence, politically and sociologically. Asking the question: ‘What and whose interests does a company serve?’ leads me to differentiate two broad varieties of capital in Zambia: Chinese state capital, as defined above, serving national interests identified by Beijing; and global private capital, serving the profit-maximization interests of shareholders. These two ideal types—varieties of *capital*, it should be stressed, not of ‘capitalisms’—necessarily entail simplifications of the empirical cases, and are by no means exhaustive of all varieties of capital everywhere. Rather, they are construed from the pool of actually existing investors in Zambia’s copper and construction sectors, and are deployed here only as heuristic devices to reveal their respective dynamics. In what follows, then, I compare ‘Chinese state capital’ and ‘global private capital’ by examining Chinese and non-Chinese corporations along three dimensions of capital: logic of accumulation, labour regimes and management ethos.<sup>5</sup> I focus on copper mining, with supplementary observations from the construction sector. The final section turns to the precarious livelihoods and social fragmentation of the Zambian working class as it confronts these two varieties of capital.

## I. LOGICS OF ACCUMULATION

All the major mines in Zambia are owned and run by subsidiaries of multinationals. Among these, only the Chinese NFCA is state-owned; its parent company is the China Nonferrous-metal Mining Company—hereafter CNMC—the PRC’s leading corporation in the nonferrous metal

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<sup>5</sup> These themes acknowledge the seminal influence of Karl Marx, Max Weber and Karl Polanyi.



mining industry, with operations in twenty countries.<sup>6</sup> As noted above, the parent-companies of the other mining firms studied here—KCM, owned by Vedanta, and MCM, a subsidiary of Glencore—are publicly traded on the London stock exchange. All three mining houses began production in Zambia in the early 2000s, as the privatizations were finalized. MCM snapped up Mufulira, which produces particularly pure copper, and the huge Nkana mine in 2000. Vedanta acquired KCM in 2004—it was initially offered to Anglo-American, the original owners—driven by the profit potential of the Konkola Deep Mining Project, the jewel in the crown of the Zambian copper industry. Their imperatives were clear: maximization of shareholder value.

It is important to underscore that Chinese state investment must also return a profit. A senior NFCA executive cautioned: ‘We don’t need to maximize profit, but we need to make *some* profit. The state won’t support us if we make losses year after year. The Chinese government gave CNMC the initial capital but the company has to survive and expand by reinvesting its profit into production.’ Yet between profit optimization and profit maximization lies the space for achieving other types of return—political influence and access to raw materials. I will call this state-capital logic of accumulation ‘encompassing’, in contrast to the profit-maximizing logic of private capital. Encompassing accumulation gives CNMC an important role in China’s economic diplomacy, currently focused on Asia and Africa, with emphasis on the resource commodities that are in short supply in the PRC: oil, copper, aluminium and iron. The Chinese Academy of Social Sciences, a key government think-tank, has identified resource security as the top priority for China–Africa economic strategy over the next ten years. NFCA proudly announces itself as ‘frontline troops for China’s overseas resource development’ in its promotional literature. The significance of copper lies both in its exchange value—i.e., making profits—and its use value, as a material input needed for Chinese industry. Today, Chinese state-owned mining companies sell copper in the international market for profit. But as a senior NFCA manager foresaw, ‘One day, if there was an embargo, then Chinese companies would of course sell only to China.’

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<sup>6</sup> In 2011, a provincial SOE owned by the Gansu Government, Jinchuan Group Company, became the majority shareholder (85 per cent) of the Chibuluma mines on the Copperbelt after it bought the South Africa-based Metorex. Following the take-over, the Metorex management continues to run the mines.

The circumstances in which the Chinese acquired the Chambishi mine, one of the least profitable, were illustrative of this distinct logic. Fifteen years ago, as senior Chinese managers recalled, a white ‘old boy’s club’—Anglo-American, Glencore, First Quantum Minerals—dominated the copper industry in southern Africa, operating the largest mines with the highest-grade ores. The Zambian privatization team was reluctant to hand over a mine to a Chinese state company with little international experience. It was only allowed to purchase Chambishi after a preferred investor had withdrawn. A top CNMC official recalled:

We bought the mine for \$20 million, which is peanuts to the Chinese government today, but back then it required the signatures of all nine members of the Standing Committee of the Politburo. We got Chambishi, which even the Zambians did not want. It had been closed for almost thirteen years. When we arrived, the underground tunnels had collapsed and all the machines had been moved to other mines, except the de-watering devices. But we still found it attractive because what is considered low grade [2.1 per cent] internationally is already higher than what we have in China [1 per cent], so we thought there should be room for some profit.

As he went on to comment, there was also the Taiwan factor: ‘During the Kaunda era, China–Zambia relations were great. Under Chiluba, they were initially good, but then he began to engage with Taiwan. The MMD even invited Taiwan to participate in the bidding. Our participation in the privatization process was influenced by this factor of competition with Taiwan.’ A related concern was to secure African diplomatic support in the United Nations. The pivotal African votes in the 1971 UN decision to unseat Taiwan in favour of the PRC continued to impress upon the Beijing leadership Africa’s importance to China in world affairs.

### *Coping with crisis*

Of the three mines studied, KCM and MCM are by far the largest, producing 200,000 tons and 117,804 tons of copper per annum, compared to 26,178 tons for NFCA. Their workforces, both formal and informal, are over six times bigger than the Chinese firm’s (see Table 1, overleaf). Scale apart, however, all the mines including the Chinese share a profit-making objective, so some aspects of everyday working life are similar. The production indicators used by the parent companies to assess senior management teams put similar emphasis on economic performance, and production targets—in terms of ore tonnage, ore grades, recovery

TABLE I: *Basic conditions of three foreign-owned mines in Zambia's Copperbelt, 2012*

	MCM	KCM	NFCA
Workforce			
<i>Direct</i>	8776	8689	1209
<i>Sub-contract</i>	9800	13,217	1883
Copper production (tons)	117,804	200,000	26,178
Ore grade	2 %	3.5 %	1.73 %

rates and volume of copper cathodes—are prominently displayed on electronic bulletin boards in the mines. Cutting cost and production targets are subjects of intense and emotional verbal exchange in meetings.

Nevertheless, their different imperatives—‘encompassing accumulation’ for Chinese state capital, and ‘profit maximization’ for global private capital—have led to strikingly different corporate strategies at moments of crisis. When the global financial crisis hit Zambia in autumn 2008, copper prices plummeted from a historic high of \$9,000 per ton to \$3,000 per ton in the first quarter of 2009. Panic spread across the Copperbelt as KCM, MCM and other major mines announced massive layoffs. In all, some 19,000 workers lost their jobs—30 per cent of the total mining work force.<sup>7</sup> The Luanshya mine shut down when its Israeli-British owner pulled out, and MCM planned to suspend production in Mufulira. Collective bargaining was cancelled and wages frozen.

In the midst of this turmoil, the Chinese NFCA announced a ‘Three Noes’ policy: no layoffs, no production reduction, no salary cuts. Operating with a long-term interest in the stable production of ores, as opposed to reacting to market fluctuation in ore prices and shareholders’ short-term financial interests, NFCA’s response reflected its political and business objectives in Zambia. Invoking the official rhetoric of maintaining Sino–Zambian all-weather friendship, NFCA turned the crisis into a chance to burnish the image of the Chinese government for its stabilizing impact on the Zambian economy. CNMC also bought the Luanshya mine,

<sup>7</sup> Chrispin Radoka Matenga, *The Impact of the Global Financial and Economic Crisis on Job Losses and Conditions of Work in the Mining Sector in Zambia*, Lusaka, ILO, 2010.

thereby extending a lifeline to a mining town of 100,000 residents. The calculation was both political and economic: while emphasizing to Zambian officials their willingness to help solve the problem of unemployment in mining townships, Chinese senior management saw the crisis as a good investment opportunity. A top CNMC representative in Zambia explained:

My business judgment was that copper prices would only experience a temporary setback because China was still restructuring, and would still need resources. Also, I wanted to refurbish Luanshya with new machinery to increase productivity and lower costs. Their technology was very dilapidated and old. But its open pit at Muliashi has the potential to be profitable.

Another contrast came just before the crash, when the Zambian government tried to impose a windfall-profit tax in early 2008, as world copper prices were reaching their (speculation-driven) peak. The major mines, including KCM and MCM, were adamant in opposing this legislation, which specified a 75 per cent tax rate when copper prices soared beyond a certain level. An executive at MCM recalled that he had several emergency meetings with the Lusaka government in July 2008, with statistics in hand to show that MCM had gone from profit-making to loss-making, a month after the law came into effect. MCM threatened to shut down its operation in Mufulira, while the MMD government upped the ante by claiming it could find other buyers if necessary. Records showed that only NFCA and one other mining company complied with the new tax law before the government rescinded it in the wake of the financial crisis. Similarly, when the Patriotic Front government doubled mineral royalty taxes from 3 to 6 per cent soon after the 2011 election, NFCA voiced no objection, whereas the other mining companies attacked its supposedly detrimental effect on production.

### *China's SEZs*

Perhaps the most revealing difference to date between these accumulation strategies has been CNMC's decision to establish a Special Economic Zone—called the Zambia China Cooperation Zone (ZCCZ)—occupying nearly a third of the 41 sq km Chambishi mining concession area. A CNMC subsidiary is responsible for building the infrastructure, attracting investors and creating up to 6,000 local jobs. The zone is central to the Zambian government's 'value addition' development strategy, which has received little support from global private investors. The

senior management of both KCM and MCM considered value-addition manufacturing to be ‘economically unviable’ and outside their ‘core business’ interests. A World Bank–UKAID report similarly questioned the economic rationale of developing copper manufacturing in Zambia, citing the landlocked country’s distance from major markets, its poor infrastructure and high transportation costs.<sup>8</sup> Against this backdrop of international cynicism, a senior Chinese executive at CNMC admitted that it may or may not be a profitable proposition to build a SEZ, but his strategy is to lock in large-scale, long-term projects, to ensure his company becomes ‘influential’:

Only when you build up a large presence will you become significant in the eyes of the Zambian Government. They cannot ignore you . . . We have NFCA, CCS, Sinometal and other Chinese companies here, and we are in Zambia for the long haul, not short-term profit-making. Therefore we must consider local development and invest in local goodwill. Recently [May 2013] KCM threatened to fire 2,000 workers, and the Zambian government was very upset. We don’t want to create such tensions. KCM has to distribute profit to its stockholders, rather than invest in local society. [For us,] reward comes in local recognition and acceptance.

Another manager added: ‘The big boss of our company is the Chinese state. In this day and age, diplomacy and investment, politics and economics are all intertwined. In the eyes of the state, our meagre corporate profits don’t count as much as its interest in diplomacy and foreign relations. It cares more about whether we invest locally to facilitate China–Zambia relations.’

The process by which the Chambishi Special Economic Zone was established is also revealing of the ways in which China has had to adapt to Zambian realities and pressure from the governing elite—as opposed to imposing its ‘going out’ strategy on African states. When it initially purchased the Chambishi mine, the Chinese company had no plan to create a value-addition zone. It was the Zambian government that had been trying to copy the Asian SEZ model—after several abortive attempts, the strategy remained on the drawing board—and which had identified manufacturing as a key development objective since the 1990s.<sup>9</sup> When

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<sup>8</sup> World Bank and UKAID, *What is the Potential for More Copper Fabrication in Zambia?*, June 2011.

<sup>9</sup> Stuart John Barton, ‘A Special Place for China? How Zambia Has Used Economic Zones to Attract Foreign Investment’, MPhil Thesis, University of Cambridge, 2011.

Beijing decided to explore the possibility of building SEZs in Africa and asked the governments to submit applications, Zambia was ready with detailed plans and policies. In addition to the zone in Chambishi, it has asked for a further sub-zone in Lusaka, focusing on logistics, light industries and services. A Zambian Ministry of Commerce official explained that the idea was to turn the landlocked country into a 'landlinked' hub for the region. Here, it seems, Chinese state capital can be leveraged to facilitate Zambian development, taking on commitments that global private capital would not accept. But the essential preconditions for this are existing African development strategies and political will.

### *Credit-fuelled construction*

In the absence of these conditions, as the Zambian construction sector reveals, Chinese state capital can show another face. Since 2000, construction projects in Africa have received some \$35bn in concessional loans from China, disbursed through the Forum on China–Africa Cooperation (FOCAC). Of this, Zambia has received \$1.2bn, far exceeding its loans from the World Bank and African Development Bank. Often touted by Beijing as a form of assistance, Chinese concessional loans actually charge higher interest rates than the World Bank (2 per cent vs 1.7 per cent), have a smaller grant element (23 per cent vs 35 per cent), shorter repayment periods (10–15 years vs 20–50 years) and are conditional upon non-competitive single sourcing from China. The reason these loans are eagerly snapped up, according to Zambian Finance Ministry officials, is because the priorities of Western lenders have shifted to capacity building—social services, education, health and poverty alleviation—rather than physical infrastructure, which is still sorely needed in many developing economies. Politicians intent on securing votes in the next election are eager to sign up for Chinese loans that will deliver infrastructural projects to their constituencies in record time. They also preferred the fact that the main criterion used by Chinese officials in assessing a loan was whether the project was a Zambian government priority, whereas the World Bank would make its own decision on the project's benefits.

Despite Chinese rhetoric about non-conditionality, in practice these loans carry the implicit condition that the Chinese side decides what gets constructed, with decisions announced at FOCAC meetings. In the absence of open bidding, the price is determined by Chinese contractors with

good connections to the China EXIM Bank. A senior Zambian Finance Ministry official drew an illuminating parallel between the mechanisms of Chinese loans and those of IMF structural adjustment programmes:

Loans from China are supply driven. There is a well-oiled Chinese development machinery that loops in and out of the Beijing government, connecting many Chinese players. Typically, a concessional-loan infrastructure project is started by a Chinese vendor [contractor] on the ground in Zambia who wants to build a road, for example. He would go to the Road Development Agency and say, 'I saw some roads I could do, if you gave me the contract'. He would then go to the China EXIM Bank and tell them this would cost \$200m, before any feasibility studies were done. On paper it looks as though the Zambian government has initiated the projects, but you have to do reverse engineering in order to track the process. It's like any IMF structural adjustment reform: the IMF says you need this and that macro and micro reforms, and they identify 'distortions'. But on paper, you would see a letter from the Zambian government saying that we have identified problems, and we need help. From the outside, it looks as though Zambia asked the IMF to impose the conditions, but it is the other way around.<sup>10</sup>

Zambian officials are well aware of the risks of Chinese loans, with their hidden conditionalities, and of the political agenda that drives them. They complain about the lack of open bidding, leading to inflated prices.<sup>11</sup> In the long run, Chinese loans pose the threat of recreating Zambia's debt burden, only recently relieved by the Heavily Indebted Poor Countries Initiative. But politicians find them all too tempting, partly to bolster their own political careers but also to maintain good relations with an emerging superpower. A senior Zambian Finance Ministry official explained:

In most African states, the demand for concessional loans is incentivized by Chinese rent-seeking. Heads of state and ministers are given favours, and then decide to take the Chinese on board . . . There is a race to the bottom. Each one of us [African countries] wants to have an economic relationship

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<sup>10</sup> This account was corroborated by interviews with other technocrats handling concessional loans, an advisor to two former Zambian presidents, and Chinese contractors in Zambia who have successfully secured concessional-loan projects from China EXIM Bank.

<sup>11</sup> In 2014, Zambian officials asked the Chinese Government to reform the single source requirement, i.e. to institutionalize bidding among Chinese contractors. The Chinese side has reportedly given a positive response to this recommendation.

with the Chinese. They are a major source of financing, so we don't want to be left out in engaging them . . . When we look at the future, when we'll be in need, the Chinese may be an option. So we cannot destroy the present relationship with the Chinese.

Concessional loans therefore represent a multi-purpose tool for Beijing: a means to cultivate political influence, through the selection of recipients (countries and politicians; an investment outlet for China's foreign reserves); and a way to open up new overseas markets for its state-owned construction companies (by all accounts, only central SOEs and their subsidiaries have the necessary political connections to win these lucrative contracts).<sup>12</sup> As well as undertaking concessional-loan projects, these central SOEs compete with provincial SOEs from Jiangxi, Henan, Gansu, Anhui and Shanghai for World Bank and Zambian government projects. Many of these provincial SOEs were originally sent by the Chinese government to Zambia in the 1990s to build foreign-aid projects—government complexes, football stadiums, hospitals and roads. Having established a foothold in Zambia, they stayed on to exploit the newly liberalized construction market. All of them compete fiercely with private Chinese contractors for roads and building projects.<sup>13</sup> In contrast to the strategy of 'encompassing accumulation' in the mining and financial sectors, the motivation of Chinese construction companies, both state-owned and private, is purely commercial, just like their counterparts from South Africa, India or Zambia itself. Most companies said that the profit margin in construction in China averages 7 per cent, but in Zambia it can be as high as 30 per cent, depending on the type of project.

But state support is also a double-edged sword for Chinese SOEs, making them disproportionately vulnerable to host-country politics and resource nationalism. Beijing's interventions on the local political scene—financial support for the ruling party during election campaigns, for instance—

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<sup>12</sup> In Zambia, major Chinese players include Aviation Industry Corporation of China, China Geo-Engineering Corporation International, the Overseas Company of China Railway Seventh Group Corporation, and the China 15th Metallurgical Construction Group Company.

<sup>13</sup> Out of a total of 68 contractors with a licence to undertake large-scale projects—Grade 1 and Grade 2 contractors registered with the National Council for Construction in Zambia in 2013—36 of them originate from China.



can become a liability for Chinese companies. Opposition candidates trying to attack the government for selling out Zambian resources to overseas interests may target Chinese companies as representatives of a foreign sovereign state. This was a big issue when Michael Sata was campaigning as the leader of the opposition Patriotic Front, winning strong support on the Copperbelt. Reiterating the analogy between Western colonialism and Chinese exploitation, Sata argued:

Zambia's failure to curb violations of industrial and labour laws can be attributed to the overbearing influence of the Chinese government on its Zambian counterpart, through provision of generous gifts to the ruling MMD and the powers that be . . . European colonial exploitation in comparison to Chinese exploitation appears more benign, because even though the commercial exploitation was just as bad, colonial agents also invested in social and economic infrastructure and services . . . Just as the Africans rejected European exploitation, oppression and dehumanization, there is no doubt that Chinese exploitation and domination will be rejected too.<sup>14</sup>

As noted, Sata toned down his anti-Chinese rhetoric once in office. But the twists and turns in this relationship show how uniquely and easily Chinese state capital can be politicized in comparison to global private capital.

## 2. REGIMES OF PRODUCTION

Labour conditions in Chinese companies in Africa have attracted much critical attention in the international media. However, most of these reports lack any comparative or historical perspective—accusing the PRC of practices that are prevalent across the entire industry, backed up by global political forces that preceded China's arrival in Africa. The current debate also tends to ignore the role played by investors in determining the organization of production. This section will examine both the similarities—Zambian labour law and standardized technologies form a common backdrop—and the significant differences in production regimes between Chinese SOEs and global private capital, in mining and construction.

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<sup>14</sup> Michael Sata, 'Chinese Investment in Africa: the Case of Zambia', paper presented at Harvard University Committee on Human Rights Studies, 24 October 2007.

*General conditions*

With the late-90s privatization of the copper mines, both varieties of capital entered a landscape in which the organized power of the Zambian working class had already been decimated by the imposition of IMF structural adjustment and the policies of successive Lusaka governments. Organized labour had been a significant force in the struggle for national liberation, but in the post-independence era it succumbed to the ruling United National Independence Party's corporatist control. In the name of national interest, Kaunda declared strikes illegal; but miners were offered paternalism in the form of a cradle-to-grave welfare system, with subsidized diapers, burials, food and housing. With the collapse of copper prices from the mid-70s, and IMF-mandated austerity in the 80s, workers' already meagre living standards were squeezed. By the late 80s, the trade unions had become increasingly alienated from the Kaunda government and led a widespread resistance that brought Chiluba to power in the 1991 elections. As we have seen, Chiluba did a U-turn once in office, famously asking Zambian workers to 'die a little' for the sake of the economy.

On IMF instructions, the Chiluba government pushed through the labour legislation that laid the framework for today's production regime. The new Zambian labour code declared sympathy strikes illegal, splintered the trade-union movement, limited industry-wide collective bargaining and deregulated the labour market by extending the duration of short-term contracts. Together these measures subjected labour and assets to an intensified logic of capitalist profit-making before the arrival of overseas investors when the mines were privatized at the end of the 90s. Despite the victory of Sata on a platform of pro-poor policies, the past decade has brought no reversal in the declining fortunes of organized labour.

Changing technology has also undermined workers' bargaining power across the industry. Privatization and new investment brought about the mechanization of the mines. In contrast to the extensive use of manual labour underground observed by Burawoy in the late 60s, all the mines I visited—NFCA, KCM, MCM—used the same types of heavy-duty vehicles and machinery, from the same American or Swedish suppliers (Caterpillar, Sandvik, Atlas Copco). The Chinese technical manager at NFCA visited the other mines from time to time to see the equipment

in operation. The labour process is the same across the mines and typically involves drilling and blasting to access the ore, extracting the ore through stope-drilling and blasting, 'lashing' or moving the ore to a tip, crushing and transporting it to the concentrator for processing, where copper is extracted from the ore. The worldwide trend has been to use subcontractors for this work, who in turn offer minimal training to short-term contract workers.<sup>15</sup>

Another striking similarity across all the foreign-owned workplaces is the 'colour glass ceiling'. Expatriates dominate senior management in all foreign companies in mining and construction, accounting for 5–10 per cent of a company's workforce. There is a widespread rumour that Chinese companies import their own manual labour force instead of hiring Africans, but no empirical evidence has been put forward to substantiate this claim. A four-country survey by researchers at Stellenbosch University corroborates my own findings in Zambia that Chinese contractors, like their South African counterparts, employ a minority of skilled supervisors from their home country, but hire the majority of the workforce—some 85–95 per cent—locally.<sup>16</sup> Even in concessional-loan projects, where companies are permitted larger quotas of Chinese employees, survey data indicate a maximum of 43 per cent.

Strictly speaking, the 'colour bar' principle, prevalent during the colonial period—that no white man should be subordinate to an African—is no longer practiced in Zambia. But glass ceilings do operate, to varying degrees, so that Zambians are rarely found among the 'chiefs'—Chief Executive Officer, Chief Production Officer, Chief Financial Officer, etc. By law the Human Resources Manager has to be a Zambian, and this is often the highest corporate position that Zambians can reach. Racial discrimination at managerial level has become a muted issue today; lacking collective representation, these employees often resort to individualist strategies to climb the corporate ladder and are distrusted by many Zambian rank-and-file mining and construction workers. On

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<sup>15</sup> In construction, the use of casual and contract workers is ubiquitous. In this sector Chinese and South African contractors may import heavy equipment from their respective countries, but the types of machinery and the labour process of mixing cement, laying bricks and asphalt are similar across work sites.

<sup>16</sup> See 'China's Interest and Activity in Africa's Construction and Infrastructure Sectors', Centre for Chinese Studies, Stellenbosch University, November 2006.

the other hand, Zambian trade-union leaders and workers alike agree that interpersonal racism, in the form of expatriates' racist remarks and other misdemeanours, is aggressively disciplined by the companies and is therefore not a salient problem.

### *Diverging priorities*

Beneath these similarities in the political, technological and racial apparatuses of production, the three mines differ significantly in how they operate. The interest of Chinese state capital in stable, long-term copper production is manifest in the ways in which NFCA invests in exploration, drills for mineable reserves and makes everyday production decisions. These Chinese peculiarities stand out in contrast to the *modus operandi* of MCM and KCM, both of which are driven by what Zambian mining experts call the 'trader mentality'—the trading of copper for short-term profit, benefiting from price fluctuations—as opposed to the 'producer mentality' that characterizes NFCA. Glencore, MCM's parent company, is the world's leading commodity trader, while KCM sees processing—smelting and refining—rather than mining as its most important profit stream. This fundamental difference in mining philosophy explains the investors' different approaches to exploration, drilling and working practices.

Exploration—surface drilling to discover and measure new mining resources—is expensive, costing an average of \$200 per metre, and its commercial payoff is uncertain. A 2010 survey has noted that, whereas NFCA has consistently invested in greenfield drilling, resulting in the discovery of a large, verifiable orebody within its licensed area, KCM and MCM had done only 'cosmetic drilling'; according to a leading mining expert, this means 'drilling not to generate the quantum to produce, but only to give an impression that you are exploring'. A 2014 report commissioned by the Zambian government noted that, while KCM had spent over \$2.8 billion on the Konkola Deep Mining Project, there had been 'no significant improvement in production in the last five years', while management had 'diverted funds from operations to finance capital projects, resulting in a failure to invest in exploration activities'. Mine managers at KCM and MCM also confirmed that drilling for development—accessing the ore, in preparation for the actual extraction—came to a halt during the 2008 financial crisis, leading to a 'hand-to-mouth

situation' in which the mines had, at most, only three months' of mineable reserves. By contrast NFCA did not stop development during the crisis, due to its concern about maintaining stable production. The production manager was adamant about this, stressing that even a short-term interruption would involve higher costs and more catch-up time at a later stage.

Thirdly, while all three companies subcontract mining to cut costs, KCM and MCM are under financial pressure to maintain a much larger pool of subcontractors than NFCA. KCM in particular is notoriously ruthless about making its several dozen subcontractors involved in underground drilling compete against each other to drive down unit costs. Its own mine managers complained about the tyranny of the Commercial Department over Operations when it comes to decisions such as purchasing machinery or choosing subcontractors; management practice and safety standards are compromised in order to cut costs. By contrast, NFCA uses relational rather than competitive subcontracting to ensure greater stability; it has had only one mining subcontractor, also from China, since production at Chambishi started in 2003. Since 2010, MCM is said to have shifted from a trader to a producer mentality, following the recent merger between its parent company, Glencore, and Xstrata, a global mining major.

### *Exploitation or exclusion?*

Another striking difference is that labour struggles at NFCA have persistently revolved around low wages, whereas at KCM and MCM, the greatest threat to labour is retrenchment. Since its inception, NFCA's salary level for the general workforce has been about 30 per cent lower than KCM, the highest on the Copperbelt and 15 per cent lower than MCM, the second highest. This low-wage regime is one empirical basis for the widespread criticism that the Chinese mine is particularly exploitative. (Another has been safety; in 2005, 52 Zambian workers were killed in an accident at the BGRIMM explosives factory at Chambishi, partly owned by NFCA.) Yet lower pay is compensated for by relative employment security. As a Zambian mining expert observed, 'NFCA has never laid people off, which is very important for this country'. Mass retrenchment, as in 2008, is the typical first response by global private companies to copper-price fluctuation or production-cost pressures. In 2013 KCM

twice threatened to retrench a total of 3,500 workers due to low copper prices and a purported 'mechanization' plan.

Both Chinese state capital and global private capital are exploiters of labour, but they offer different bargains: stable exploitation—secure employment at low wages—versus flexible exclusion: precarious employment at higher wages. The explanation is in part historical: on privatization, the new investors inherited varied labour regimes in the different mines; but it is also partly due to the respective interests of these two varieties of capital. NFCA's interest in copper as a physical, rather than a financial, resource allows it to plan for expanded production, which requires labour stability. According to Zambian officials, NFCA is the only company that has always met its production targets. Paradoxically, NFCA's low-wage policy can also be traced to its logic of encompassing accumulation. The decision to acquire Chambishi was not taken purely on grounds of profitability, as we have seen, and NFCA had to adopt a low-wage regime if it was to turn a profit with the mine's low-grade ore. The company also had few legacy obligations, because the mine had been closed for thirteen years: only fifty maintenance workers were taken over with pre-privatization conditions of service—that is, permanent-employment status and union membership. The rest of the workforce was newly hired on fixed-term contracts and much lower wages. The Chinese had no domestic experience of autonomous unions or collective bargaining, and the management tried to stall union recruitment for several years. These practices gave NFCA the reputation of being the worst employer on the Copperbelt. Over the years, persistent pressure by the unions on NFCA to match the industry norm in terms of medical coverage for miners' dependents, classification of job grades, and basic salaries played a big role in bringing about gradual improvement. In most years, the rate of salary increment reached through collective bargaining is on par with other mines. Yet due to the low base level at Chambishi, its wages remain the lowest on the Copperbelt.

At KCM and MCM, global investors took over large, functioning mines and were compelled to offer their workforce the same salary levels and conditions of service as under state ownership. Workers at KCM and MCM were better organized and their union leaders were more forceful negotiators at the bargaining table. But if wages are higher, these

firms are also liable to downsize and lay workers off altogether. These privately owned mines are under constant pressure to ‘show’ shareholders that they are responding to copper-price fluctuation by cutting costs. As one industry expert explained: ‘The surest and most immediate way to bring production costs down is to cut labour.’ Retrenchment, and its variant, the casualization of labour through subcontracting, therefore becomes the crucible of labour-management conflicts at KCM, and to a lesser extent MCM. The latter’s shift towards a producer mentality does not entail the ‘encompassing accumulation’ factors that drive NFCA to accommodate to Zambian priorities.

### *Labour’s strength and weakness*

Chinese state capital is thus every bit as adversarial as global private capital when it comes to labour’s demands, yielding only under extraordinary pressure—wildcat strikes backed by entire mining communities or, most critically, state intervention. Three miners’ unions organize about 90 per cent of the direct employees at the three mines. The law ensures union representatives get a seat at the negotiating table, but collective-bargaining sessions are dominated by management, which has a monopoly of financial data; the unions don’t have the research capacity to challenge management statistics on production, profits, assets and liabilities, etc. Deadlocked negotiations often produce wildcat strikes and work stoppages over which the unions have little control. Informal and laid-off workers can become the source of violent radicalization during such strikes, as angry and unemployed locals seize the moment to paralyze the mines. Such militancy has at times been a bargaining chip for the unions, who can threaten recalcitrant management with community agitation, even though the unions themselves are hard pressed to control the crowds. All three mines have experienced strikes that were joined and escalated by laid-off casual workers in the townships, who have nothing to lose and everything to gain from a strong show of force against the mines. A miner who witnessed a 2012 strike at KCM explained:

Even the bar tender or the street kids would like to see a bigger pay rise for the miners. When miners have more money, they spend more in the local community. But some of them are thugs who wanted to steal and vandalize company property during the riot. They threw stones at workers whom they suspected were going back to work. They terrorized and assaulted union leaders, saying they’ve accepted bribes from the mines.

Government intervention can tip the class balance in labour's favour, but this is rare and happens only in mining, not construction. After Sata's victory in 2011, workers in both sectors staged protests in major cities, demanding pay hikes of up to 100 per cent on the strength of Sata's campaign slogan, 'More Money in Your Pocket'. The Patriotic Front Labour Minister Fackson Shamenda gave strong backing to the miners' demands, sending officials to the Copperbelt companies to demand a \$400 rise across the board. Though the management protested, the combined agitation by workers and the state did result in significant concessions in that year's collective bargaining. After workers pulled off a rare 20-day strike, NFCA agreed a 22 per cent pay raise, the largest increment among the mines. The CEO of NFCA explained: 'Because it was a new government, we thought a higher increment would be a good gesture from us.'

Down the road, MCM workers also protested, and the Minister of Labour pushed management to raise its offer from 12 to 17 per cent, against the unions' demand for 30 per cent. In 2013, the government successfully blocked KCM's plans to retrench first 2,000 and then 1,529 workers. In 2014, a video clip featuring Anil Agarwal, majority owner of Vedanta, went viral on the internet. It featured Agarwal bragging about making an easy profit of \$500m each year since his purchase of KCM from the Zambian government for a mere \$25m, though the company has declared losses every year since its inception. At this the Patriotic Front government mustered the political will to launch a forensic audit at KCM, and announced that this would soon be expanded to all the mines.

The situation is starkly different in the construction sector. It is hard to imagine now how strong the Zambian construction workers' union was in the days when the state dominated development. (The union famously provided the launch-pad for the political career of multi-millionaire ex-president Frederick Chiluba.) These days, the construction of large-scale civil engineering projects, roads and buildings is dominated by foreign contractors, above all from China and South Africa. Casualization is rampant: most are day labourers, or casual workers with a 6-month contract; workers with a one-year contract are called 'permanent'. In our survey of twenty construction sites, only two had seen any signs of unionization, although workers on all sites reported work stoppages, sabotage or theft of tools when wages were paid late or, in some cases,



not at all. Though construction workers protested along with the miners in 2011, they did not receive nearly as much help from the Sata government. Unlike copper, construction is not seen as a strategic sector and the Zambian government has not formulated a strategic vision for the industry, beyond the generic ‘citizen empowerment’. By law, all projects tendered by foreign contractors should have at least 20 per cent subcontracted locally, but the policy is poorly enforced and is easily short-circuited by ‘briefcase contractors’, Zambian nationals who sign up as partners on paper only.

Working conditions on Chinese-run construction sites, private and state-owned, are not significantly different from their South African and Zambian counterparts. Though Chinese contractors have been criticized for abnormal exploitation, our comparative data show that all contractors run sites with abysmal working conditions and pay poverty wage rates, in line with the abysmal government-sanctioned minimum wage. Workers on all twenty sites surveyed reported accidents, inadequate safety procedures, disputes with management and late payment of wages. Privately owned Chinese construction companies and some Zambian firms were responsible for the worst conditions, whereas state-owned Chinese companies, both provincial and central, had similar labour standards to South African ones. Many construction workers pointed to the lack of government regulatory oversight as the main culprit for their predicament. Fearful of losing their jobs, hampered by the casual and mobile nature of construction projects, they have not been able to wring many concessions from employers of any sort.

### 3. MANAGERIAL ETHOS

All foreign companies in Zambia face widespread popular criticism of their corporate ethos. Interestingly, though, the flashpoints of cultural contestation are construed differently for these two varieties of capital. Chinese work culture is assailed as over-intensive and inhumane; it has fuelled the damaging rumour that Chinese employees in Africa are ‘prison labour’ sent by Beijing.<sup>17</sup> Serious industrial incidents—such as the 2005 explosion at Chambishi and a 2012 workers’ protest at the

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<sup>17</sup> Yan Hairong and Barry Sautman, ‘Chasing Ghosts: rumours and representations of the export of Chinese convict labour to developing countries’, *China Quarterly*, vol. 210, June 2012.

Collum coal mine, owned by a private Chinese company in the south of the country, which ended with the killing of a Chinese manager—have seared the image of exploitative Chinese investors in the national consciousness. At the same time, the reputations of multinationals such as KCM and MCM have been marred by reports of financial fraud and tax evasion. There was public outrage over a leaked 2010 report by an international auditing firm showing that MCM had engaged in extensive transfer pricing with its parent company Glencore. The intense public anger over the 2014 Vedanta video, noted above, has prompted politicians to talk of nationalizing KCM.<sup>18</sup>

### *Eating bitterness*

Ultimately more important for understanding these distinct varieties of capital is the contrast of managerial ethos inside the companies. International capital depends on expatriate foot soldiers to realize its interests, and their way of life offers a unique window into its peculiarity. The most striking aspect of management culture in Chinese state mines and construction sites is what they call ‘eating bitterness’. This combination of individual moral compulsion with corporate control imperatives echoes Max Weber’s memorable depiction of an ‘inner-worldly asceticism’.<sup>19</sup> The difference is that the Chinese ethos is collective rather than individualistic, patrolled from a distance by the Chinese state and the CCP. In contrast, the managerial ethos in global private companies is much more individualistic and entrepreneurial, with a clearer boundary between corporate and personal domains.

Who are these Chinese managers? Many senior and middle Chinese managers working in Zambia today have come from impoverished backgrounds in interior provinces—for example Shanxi, Jiangxi, Anhui, Henan and Yunnan. There are roughly two generations of expatriates. The senior managers are mostly men in their 40s and 50s, who have spent most of their careers climbing up through the ranks of state-owned mines or construction companies. The younger generation consists of college graduates, with degrees in engineering, mining or management, who speak better English but have no prior experience of working in SOEs. Women account for about 5 per cent of the Chinese employees,

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<sup>18</sup> The Sata government nationalized the Collum coal mine in 2013.

<sup>19</sup> Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, Los Angeles [1930] 1996, p. 63.

mostly working as interpreters, human resource officers or accountants. The vast majority are on two-year contracts, a reflection of China's own labour-market informalization. To Zambians they are expatriate managers, but in the Chinese social structure, they confront employment conditions like those of migrant workers struggling in Chinese cities. No wonder some of them half-jokingly described themselves as 'higher class migrant workers'.

As poverty is visible everywhere in Zambia, everyday conversations are often peppered with memories of abject poverty in China, and how it was overcome through the unique capacity to eat bitterness. For instance, on the way to the annual collective-bargaining meeting, as we drove along a bumpy, pot-holed road, the NFCA HR manager lamented: 'Zambia will never develop because of the laziness of the people, their inability to eat bitterness.' Angered by union demands for a double-digit pay rise, he lectured his HR staff about the Chinese merit of frugality during breaks in the negotiations:

If you work hard, you'll get what you want. This is what we Chinese believe in. In our five thousand years of history, we never wanted to beg for money or borrow. We'd rather tighten our belt than shamelessly ask others for money. We are so different from our Zambian workers. They cannot earn but want to consume. They are lazy but want an increment every year.

The Chinese use the phrase 'eating bitterness' to convey their willingness to endure hardship, postpone gratification, submit to company discipline, save and reinvest for personal and corporate development. Invoking this narrative usually involves strong moral censure and a sharp nationalistic division between themselves and the Zambians. Indian, South African and Peruvian expatriates also contrast their hard-working culture with African indolence, but without the moral, nationalistic subtext of the Chinese. An Indian engineer who had been working in Zambia for 35 years attributed Indians' diligence to their childhood experience in a poor and populous country, not to their Indian-ness:

I still remember growing up in my home village, I fought every day with many other kids to get on an overloaded cow-drawn cart to go to school. If you didn't get out of bed earlier than others, you wouldn't be able to get on the cart. If you were not strong and competitive enough, you would fall off the cart. We learned at an early age that to survive, you have to compete and work hard.

For their part, Zambian workers do not contest that absenteeism and lack of commitment exist, but argue that the cause is precarious employment rather than African culture or national character. A Zambian trade unionist at NFCA explained:

For the Chinese, who have no families here—they are here only to work—the sooner they finish their project, the sooner they get to go home. For Zambians, as soon as they finish their work, they think they will be out of a job. The other reason is that Zambians are not well paid. With a minimum income, you are not able to take good care of your family. You have to worry every day whether there is food on the table for your kids and wife, so you clock off early, or you take leave to look after them, or take on extra jobs. It's not that Zambians are lazy by nature.<sup>20</sup>

### *Inside the China House*

The 'China House', the generic name given by locals to the residential compound housing Chinese employees of a particular company, resembles an informal total institution. A collective timetable is built into the organizational design of the China House, producing a uniform collective rhythm of everyday life and bodily discipline that is rare among other expatriate communities. With striking uniformity across many Chinese firms, the canteen serves breakfast at 6am, lunch at noon and dinner at 6 pm. Employees wait in line with their personal chopsticks and enamel bowls, which they also wash after each meal. Apart from senior managers, who have cars allocated to them, the company buses are the only means of transport for Chinese expatriates and are used not just for work but also for weekend supermarket trips. On Saturday mornings, the bus takes employees to and from the local Shoprite. On many remote construction sites there are no official holidays for Chinese employees. NFCA is the only Chinese company that has a two-day weekend; its smelter and subcontractor run a six-day working week for Chinese employees, leaving Sunday the only rest day for staff to catch up on sleep, do laundry and talk to family and friends via the internet.

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<sup>20</sup> Interview in Kitwe, 7 July 2009. Discourses about African indolence were an integral part of colonial ideology, but were also used in the post-independence era by the Zambian political elite, from Kaunda to Chiluba, to exalt citizens to contribute to national development. Michael Burawoy found that Zambian workers actually worked harder than many of their counterparts in the world, using rates of absenteeism and strikes as indicators: Burawoy, 'Another Look at the Mineworker', *African Social Research* 14, December 1972.

There are usually basic recreational facilities—a basketball court, facilities for table tennis and badminton; joggers run in circles inside the compound as they do not feel safe running in the neighbourhood. Some companies have a formal curfew at 8pm, and most have an informal rule that employees should notify their superiors if they plan on staying out beyond that time.

The aspect of China House culture that seems most suspicious to Africans is the absence of family life. Only a tiny minority of Chinese expatriates bring their spouses and children to Zambia, whereas most Indians, South Africans and Peruvians come with their families. People wonder how the Chinese can endure the prolonged absence of emotional support and intimate companionship. Initially, many Chinese companies had a policy forbidding long-term stays by employees' family members. When the negative impact on emotional stability and work performance became obvious, companies either relaxed the restrictions for senior managers or provided subsidies to encourage short-term visits. From the employees' point of view, eating bitterness demands sacrifices, and separation from those they love is just one of these. They also point to the competitive education system in the PRC and the exigencies of the job market as reasons not to uproot the whole family. The main compensation for these sacrifices is their salary, which is on average twice or thrice what they would get in China. To Africans and non-Chinese expatriates, prolonged separation from one's family represents yet another example of the extreme asceticism of the Chinese, suggesting a curious streak of inhumanity.

Nor do Chinese employees complain openly about what outsiders would consider to be abnormal conditions of confinement in the China House compound. They have come to accept it as a necessary price for safety in Africa, and see it as an overseas version of *danwei*, the socialist work-unit model. They relish the convenience of company-managed systems of collective consumption, and the time and money they save. In some China Houses, the company continues the tradition of distributing special rations of fruit, juice, milk, shampoo and toothpaste on what employees jokingly call 'Socialism Day'. The Communist Party maintains an inconspicuous presence in state-owned companies in Zambia, with party cell meetings for members to learn about major policy documents and leadership directives. Party discipline is also enforced by regular visits from Beijing. For instance, in the summer of 2013 the CCP Secretary

of CNMC led a delegation to implement a campaign on ‘frugality and the mass line’ proposed by the new Chinese leadership under Xi Jinping. Senior managers were interviewed one by one, and middle managers in small groups; they were expected to talk in these meetings about how their work style would dovetail with the current Party line.<sup>21</sup>

The younger cohorts have the most difficulty in adjusting to the loneliness and the tight control. Describing the morning commute to work as ‘going from a small prison to a large prison’, an auditing clerk in her thirties told me how much she missed her toddler and her husband in China. A young graduate technician working in the chemical laboratory of the smelter told me she cried a lot when she could not handle the claustrophobic, monotonous and ‘meaningless’ work-only life in Zambia. ‘Life after work is still work’, she said, deploring the lack of contact with the outside world. A common refuge from the erasure of personal life takes the form of ‘illegal’ cooking inside the dormitory, to which companies usually turn a blind eye. With a rice cooker and an electric stove, preparing their own food at weekends is a popular pastime and a rare opportunity to savour some personal space, style and taste in an otherwise controlled environment. Senior management knows it is only human to allow employees a modicum of freedom and a break from month after month—for many, year after year—of canteen food. Spices and dried goods brought from China and cooked according to home-town recipes bring disproportionate comfort. Making dumplings from scratch, for instance, is a treat the

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<sup>21</sup> There is no official or institutional representative for Chinese investors, state or private, in Zambia. The two top Chinese officials posted in Lusaka by Beijing are the Chinese Ambassador, sent by the Ministry of Foreign Affairs, and the Economic and Commercial Counsellor, sent by the Ministry of Commerce. Neither has any legal authority or organizational command over Chinese citizens and corporations in Zambia. By all accounts, the liaison between these two government organizations and the Chinese population is voluntary and random, especially among private investors, taking the form of Chinese New Year banquets, periodic informational sessions, informal counselling about corporate practices, etc. In recent years, these two ministries have been locked in competition in Beijing to be the dominant driver of China–Africa relations, with the Ministry of Commerce reportedly gaining the upper hand over the Foreign Ministry. In Lusaka, the growing power of the former was on public display when it opened an imposing, state-of-the-art office and residential complex for the Economic and Commercial Counsellor and his staff in 2013, several kilometres away from the Chinese Embassy. On the rivalry between the two ministries, see Lucy Corkin, ‘Redefining Foreign Policy Impulses toward Africa: the Roles of the MFA, the MOFCOM and China EXIM Bank’, *Journal of Current Chinese Affairs*, vol. 40, no. 4, 2011.

Chinese offer friends who visit on Sundays, even though it is logistically laborious and messy in the absence of a real kitchen.

In the construction sector, central SOEs practice the same kind of control over their Chinese employees. Unlike South African expatriates, who live in apartments in town, complete with maid service and a four-wheel-drive personal vehicle, Chinese building-site workers live in spartan, make-shift housing, sometimes converted from cargo containers. They cook their own meals and, in the most remote sites, even raise chickens and goats as a source of meat. Their salaries are usually paid quarterly or bi-annually, often deposited directly into the employee's account in China in the name of security, convenience and forced saving. The result is that Chinese construction-site management and workers have little local currency to spend, while the remoteness of many projects reinforces the proclivity to minimize local interactions. Based on an analysis of the cost structures in bids submitted by Chinese and non-Chinese contractors, it seems that on average Chinese site managers cost 30 per cent less than other expatriate managers, due to their inferior living and employment conditions, listed under the rubric of 'preliminary and general expenses' in bid documents. Zambian officials and Chinese managers alike maintain that this 30 per cent difference is the reason their bids always outcompete other contractors in terms of price.

### *Other lives*

In copper mining, too, the monastic and reclusive Chinese lifestyle contrasts with that of other expatriates. Until 2009, Indian expatriates working for KCM in Chingola secured their own private housing to rent, but the company found the local market too unregulated to provide stability for their employees and eventually built a residential compound for Indian middle managers, which locals nicknamed 'Bombay Village'. In 2013 it housed around seventy families in three-bedroom apartments with a proper kitchen and living room. Unlike the Chinese, most Indians bring their families to Zambia. Expatriate housewives form their own ladies' club to do charity work for local communities; the children go to local schools and find playmates among their neighbours in the compound. Indian women have often had to give up their own professional careers, as teachers or nurses, for instance, so that the family can stay together, despite the loss of income. Each household has its own car and daily routine, and eats its own family meals. When their children reach

the critical secondary-school stage, the whole family will move back to India or to another country where they can find quality education.

At MCM, expatriates find their own accommodation in different parts of Kitwe. There is no collective or company housing district. The need to maintain individual family life—for example, by hiring Zambian maids or getting to know Zambian teachers through their children's school—compels more interaction with local Zambians than the Chinese, whose personal lives are organized collectively by the company. Scattered in different residential neighbourhoods in town, expatriate managers at KCM and MCM are also more involved in local communities through their religious affiliations. A Peruvian manager at MCM who had worked in Zambia for ten years explained:

The [Peruvian] wives who came with their husbands volunteer for orphanages. Just last week, they held a *braai* and donated the proceeds to help local kids. I sit on the board of a Catholic congregation that runs classes for girls, teaching them sewing, French, computer skills. Some younger Peruvian guys even meet their local girlfriends there.

Another contrast in managerial ethos lies in the greater entrepreneurial ambition of expatriates from global private firms. An MCM manager head-hunted by KCM for a senior post had turned down the offer after learning about the tyranny of the Commerce Department over production staff at the 'Indian' firm. But he is open to other international or local opportunities, whereas his Chinese counterparts find it hard to compete in a truly international labour market. 'KCM tried recruiting me in 2008, and Glencore was enticing me to go to Congo with an irresistible salary', he said with a smile. 'I could retire after a few years with that salary. But because of my family, and because I like it here in Zambia, I declined.' Having obtained his residency status, he talked to me excitedly about his plan to invest in a \$120,000, four-bedroom home on a large lot in Kitwe.

Underlying Chinese expatriates' reclusiveness is a palpable sense of fear and insecurity. In face of the myth about Chinese firms using convict labour—which, despite Beijing's denial and a total lack of evidence, has gone viral in Africa, disseminated by think-tanks, government reports and election campaign speeches, as well as popular websites—and other negative publicity, including a critical 2011 Human Rights Watch report, Chinese managers have tended to retreat into helpless silence. Such



cultural assaults are seen as confirmation of China's victimization by the West, a view of history long nurtured by the CCP government. The Party Secretary at the Chambishi Copper Smelter put forward a common view:

China has missed out on all previous historical opportunities to develop as quickly as the West since the Qing Dynasty, when the West had their chance to go get resources from the rest of the world . . . Then we had socialism and the planned economy, which built a good base for today's economic growth. Look at India: I see headaches—so poor, so little education, bad roads . . . China is better because of state investment under the planned economy era. But the copper in China is of low quality, so we need to go overseas. The media in the West then speaks of exploitation. That's a terrible word . . . Because our mine had been abandoned for a long time, we had to invest more than the others, and we cannot pay wages as high as MCM and KCM. But they call this exploitation.

Uniquely among expatriates in Zambia, Chinese SOE managers, who bear the brunt of popular criticisms about the PRC's 'going out' as a nation, resort to the state-sanctioned, subaltern doxa that casts China as the victim, and embrace the 'eating bitterness' ethos as the essence of Chinese identity. The ideology brings cultural empowerment and solace in a hostile and foreign world, even though the cultural boundaries it draws obfuscate the exploitative relationship between Chinese state capital and themselves as its employees.

#### 4. CHINA AND THE ZAMBIAN WORKING CLASS

In assessing the impact of China, the interests of governing elites have to be considered separately from those of African labour. Similarly, aggregate growth figures are poor indicators of the living conditions of ordinary Africans. Thanks to a spike in global copper prices, driven by the 'super-cycle' of commodity demand from China and India, Zambia's annual growth rate averaged 7 per cent for 2006–13. Foreign direct investment has revived output and job creation in the copper-mining and construction sectors. From 2011, the Patriotic Front government's increase in the minimum wage benefited the many Zambians working in low-paid casual jobs, while the hike in mineral royalty taxes and rural infrastructural projects raised hopes for a new era of national prosperity. Popular euphoria in the mining communities soon subsided, however, when it became clear that the tax revenues would benefit Lusaka, not the

Copperbelt. In mining townships such as Kitwe, Chambishi, Chingola, and Chililabombwe, people complain daily about the deterioration of roads filled with potholes, strike-prone public schools where teachers go unpaid, and hospitals which lack medicine. In many densely populated compounds, miners still live without electricity or plumbing. Strikes are virtually illegal and the mining companies have installed surveillance cameras to identify the 'instigators' of industrial action.

For Zambian workers, the distinction between Chinese state capital and global private capital does not amount to much. A labour regime predicated on low-wage exploitation is no better than one driven by casualization and retrenchment. Both entail permanent precariousness, a reality that is restructuring the life-world of the Zambian working class. Hanging onto their current jobs as best they can, many copper miners—often the only wage earner in a household with six or more dependents—find their familial financial responsibilities far outweigh their earning capacity. One of the main functions of the trade unions since the privatization of the mines, and the cuts in subsidies and in-kind benefits, has been organizing micro-loans for their members. Barclays, Bayport and Finance Bank have found an eager market among the minority of Zambians with formal employment contracts. The loans come with interest rates of around 20 per cent and a repayment period tied to the length of the worker's contract. The mining companies operate an automatic deduction system to repay the banks from workers' pay cheques.

According to the unions and Human Resource managers, over 90 per cent of the workforce has applied for at least one loan. Quite a few get zero take-home pay after all the deductions, leaving them little motivation to even show up for work. When company-mediated loans are not sufficient, many resort to 'shylocks'—loan sharks charging 50 per cent interest with a one-month repayment period—and find themselves mired in debt traps. Unions and management alike complain about miners squandering their money on drinking, womanizing and second-hand cars, resulting in marital disputes, absenteeism and low productivity. Others use the loans to invest in sideline businesses such as a chicken run, a market stall or a taxi. But most of these ventures cannot survive any slight vagaries in the economy, and end up as financial losses that require more loans.

*Ex-proletarians?*

Visiting miners in the compound by the KCM mine, I was greeted by an incongruous sight: private cars parked outside makeshift mud houses, their flimsy roofs precariously held down only by rocks or bags of sand. On a Saturday afternoon, with the whole township congregated at the football stadium to watch a local soccer match, the roads looked like a jam-packed second-hand car show. I was with a trade-union shop steward nicknamed CNN, who has worked underground at Nchanga for twenty years. He had seen it all, having worked under the Zambian state company ZCCM, Anglo-American and now Vedanta. But his major source of income over the past thirteen years was not his job at the mine but his television repair shop (hence the nickname). In a small space rented from the privatized racket club, old VHS machines were piled up on the shelves and television sets dropped off by his customers were stacked on all sides. His take-home salary was about K1m, around \$200, but the repair business brought in a monthly K3m, or \$600. He complained that the mindset of the miners today was very different from the past; there was no commitment to mining and no illusion about depending on the mines for security—or the government.

Another KCM miner, Chilando, summed up the changing worldview: ‘We are moving from a culture of employment to a culture of entrepreneurship. We are on our own. There is no security in jobs.’ As a second-generation miner, his experience is emblematic of the radical change in the conditions and mentality of Zambian labour. His father worked as an underground miner at Luanshya and returned to his village to farm after he retired in 1979—a typical trajectory for that time. Born in the township, Chilando has no village to retreat to. He joined ZCCM in 1996 at the age of 24 as an underground worker. Articulate and thoughtful, he recalled,

I was walking through town one day when I stumbled upon Chiluba’s visit to Nchanga to announce the privatization of the mines and the sale of housing to sitting tenants. He was politicking and people were clapping. People had never expected to own their own homes. Being a Grade 8 worker and single, I was at the end of the long waiting list. After they sold all the houses, I realized I was left with no house . . . Chiluba promised a rosy future which was never realized. But today we do not see any future . . . I am using my K800,000 loan to build a house. Once you can settle your family and don’t have to pay rent, you can be self-employed. I will venture to set up my business after I build my house. The loans we have now are good for moving

forward because they help us build our own homes, buy cars and invest in business opportunities for ourselves or our wives.

The generational divide demarcated by privatization operates as a major fault line between Zambian miners. In Chambishi there is a sharp cleavage between veteran miners, who started their careers under state ownership and who benefited from the sales of ZCCM housing stock, and their younger counterparts who missed the boat. The division shows up in residential patterns and unequal financial capacity for entrepreneurship. Older and nicer homes built in the ZCCM era, with electricity and plumbing, are found in the township section in Chambishi. Some of these veteran miners have the financial wherewithal to run small businesses, selling groceries and cellphone recharge cards, or supplying parts or services to the mines. Ex-trade unionists now run a small business association from their homes. Others have moved elsewhere, renting their homes to generate an income. Glaringly adjacent to the township is the compound, where younger miners and casual workers live. Shoddy mud houses cram together amidst open sewage, and the whole area is strewn with white mealie bags that residents piece together as fences to create some privacy. There is no electricity or indoor plumbing. Abject poverty is in plain view—children too poor to go to school, young men and women who drink their days away in rowdy neighbourhood bars serving strong, dirt-cheap local brews. These divides—based on generation, employment status, and financial well-being—fragment even the most organized segment of the working class from within.

The influx of foreign investment and growth figures that inspire the rhetoric of a 'rising' Africa coexist incongruously with increasing precariousness in employment and livelihood. Despite the rise in global copper prices, most mining communities witness pervasive poverty. More taxation does not necessarily translate into more social spending, just as aggregate economic growth does not always bring about better livelihoods for the people.

## 5. CONSTRAINTS AND CONTRASTS

'Global China' is neither the imperialist hegemon feared and condemned by the West, nor the egalitarian partner of win-win development trumpeted by Beijing. Opening the Pandora's box of 'varieties of capital',

this essay has argued that Chinese state capital has a peculiar logic, practices and ethos of its own, distinct from those of global private capital. The experience of Zambia over the past fifteen years suggests that Chinese state capital can be both more accommodating *and* more dangerous to African development than profit-maximizing global private capital, depending on the political will of the local governing elite and the bargaining power of organized labour; the comparison between copper and construction throws into sharp relief the centrality of sector-differentiated politics, on both sides. It is also clear that Chinese state investors have no capacity to undermine the prevailing neoliberal order, nor any interest in replacing it.

Several recent studies concur with the argument made here that the outcomes of Chinese investment in Africa are determined by improvisation and negotiation in specific political-economic locales. Even in the developing world, there is no guarantee that Chinese domination can be purchased with massive investment by Beijing. Debunking what the Western media has touted as the ‘Angola model’—China extending ‘oil-backed loans’ to Angola, exchanging resources for infrastructure—Lucy Corkin has brought to light the formidable negotiating capacity of the Angolan elite in dealing with China.<sup>22</sup> From the pricing of its oil shipment to the PRC, to thwarting Chinese companies’ access to equity in Angolan oil fields, negotiating for higher local content in concessional loans and diversifying its international credit lines, the Angolan political elite are far from helpless. Autocratic, corrupt, but seasoned by decades of involvement in a proxy Cold War, its agency has to be foregrounded in any discussion about China in Angola.

In Sudan, as Luke Patey has shown, Chinese oil companies have had to navigate a much more treacherous political terrain, negotiating with and sometimes submitting to local leaders. It was Khartoum that drove out US oil interests and imposed a joint-venture agreement on Chinese, Malaysian, Canadian and Indian investors to develop the Sudanese oilfield. Like the CNMC in Zambia, the China National Petroleum Corporation ventured overseas in the mid-90s with little international experience and relatively backward technology. Its managers were ‘babes in the wood’, in the eyes of Western oil executives, and were using Sudan

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<sup>22</sup> Lucy Corkin, *Uncovering African Agency: Angola’s Management of China’s Credit Lines*, Farnham, Surrey 2013.

as training ground for further global expansion. The steep learning curve they had to ascend involved civil war, armed attacks by local communities and negotiations with the newly formed and precarious South Sudanese regime.<sup>23</sup> In Latin America, too, recent comparative studies of Chinese state investment in mining and oil underscore how Beijing's economic statecraft is constrained by the institutional structures of these different industries and resource markets, and the regulatory capacity of the respective host countries.<sup>24</sup>

Analyses of the fragmented and competitive interests among Chinese state players—for example, corporate interests of the China Development Bank and national oil companies against Beijing's policy interests—also caution against the facile assumption that 'global China' is a grand strategy, seamlessly and effectively deployed by an autocratic party-state in Beijing.<sup>25</sup> Back in Zambia in summer 2014, when the Chinese director in charge of the Chambishi Special Economic Zone looked out of the windows of his palatial office, he saw many empty factory premises waiting for investors to take up residence. Time will tell if the zone will flourish or falter, but at present it seems that the Chinese state has been in no position to command its capital to fulfil Zambians' development dreams.

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<sup>23</sup> Luke Patey, *The New Kings of Crude: China, India, and the Global Struggle for Oil in Sudan and South Sudan*. London 2014.

<sup>24</sup> Ana Cristina Alves, 'Chinese Economic Statecraft: A Comparative Study of China's Oil-backed Loans in Angola and Brazil', *Journal of Current Chinese Affairs*, vol. 42, no. 1, 2013; Amos Irwin and Kevin Gallagher, 'Chinese Mining in Latin America: A Comparative Perspective', *Journal of Environment Development*, vol. 22, no. 2, 2013; Elizabeth Economy and Michael Levi, *By All Means Necessary: How China's Resource Quest is Changing the World*, Oxford 2014.

<sup>25</sup> Erica Downs, 'China Development Bank's Oil Loans: Pursuing Policy—and Profit', *China Economic Quarterly*, December 2011.