

AFRICA CONNECTS



ZAMBIA, MINING, AND NEOLIBERALISM

BOOM AND BUST ON
THE GLOBALIZED COPPERBELT

EDITED BY

ALASTAIR FRASER AND
MILES LARMER



“Although previous calculations had estimated that Zambia’s copper will be exhausted by 2020, thanks to new technologies it is now estimated that there is enough copper that can be mined profitably until almost the end of the present century. Hence, notwithstanding current attempts at diversification of the economy away from mining, Zambia’s mining sector, including copper, cobalt, and gem stones, will continue to act as a principal engine of growth and development for quite some time to come. This reader provides comprehensive coverage of the historical, economic, political, social, and technological issues relating to mining in Zambia. It makes for compelling reading for students of development and compulsory reading for those interested in Zambia’s mining sector.”

—Venkatesh Seshamani, Professor of Economics,
University of Zambia

“This excellent collection will alternately enrage the reader with its documentation of the astoundingly unfair conditions of the privatization of Zambia’s copper mines—which have so far succeeded in preventing any fair distribution of the economic benefits of the post-2004 boom in copper prices—and bring hope with its insightful accounts of the determined struggles by Zambian people to change this iniquitous situation. This book is a wonderful contribution to the rich literature on the Zambian Copperbelt which has for so long been a testing ground for the complex inter-relationships between mineral-dependent economic growth, global forces, internal development trajectories, and political and social change in developing countries.”

—Deborah Potts, Cities Research Group,
Geography Department, King’s College London

“Zambia’s copper mines are back in business . . . in a very different world with an increasing variety of capitalisms. Zambia now has to relate to the BRICs and not the NAM; to a China of the Olympics rather than Tazara. But the developmental vision of such novel resource governance remains almost as problematic as when Cecil Rhodes had a dream. A new, engaged generation of analysts examine local to global prospects at the turn of another decade and era.”

—Timothy M. Shaw, Professor and Director,
Institute of International Relations at
The University of the West Indies

“The scholarly research that has gone into this book shows the critical importance for Africa to secure control over both its natural resources

and the financial, managerial, and technological support structure to harness those resources. The moral of the story behind Zambia's copper industry is that if assistance is needed from outside, it must not be part of a donor-driven aid package."

—Yash Tandon, author of *Ending Aid Dependence*

"So-called policy reform in Zambia, driven by the World Bank and the IMF, was a scandal that deindustrialized the economy, impoverished the Copperbelt, and fostered rampant corruption. Fraser and Larmer's *Zambia, Mining and Neoliberalism* offers the definitive analysis of this sorry tale."

—John Weeks, Professor Emeritus, SOAS, University of London

"Fraser and Larmer's book *Zambia, Mining and Neoliberalism: Boom and Bust in the Globalized Copperbelt* is perhaps one of the best books to be written on the Zambian copper industry in the last four decades. This collection of essays analyzes the contemporary political economy of Zambia's copper industry and locates the struggles for the control of the country's mineral wealth within the context of globalized capitalism. Rich in empirical detail, this book provides a fresh theorization of the problems faced by resource-dependent economies in negotiating favorable terms from their mineral wealth when faced with pressures from foreign multinationals on one hand and local communities on the other, under an uncertain international economic environment. This is a remarkable, ground-breaking contribution to the literature on African development in general and mining development in particular, as it uses the Zambian case to illustrate the difficult choices that political leaders have to make and the pressures they face in trying to realize realistic returns from mineral wealth. It should be essential reading for anyone who wants to understand how global capitalism impacts the negotiating power of resource-rich developing countries and how mineral price volatility has constrained the space for political leaders to extract attractive concessions from multinational corporations with negative effects to their populations."

—Neo Simutanyi, Executive Director,
Centre for Policy Dialogue, Lusaka, Zambia

"This uncommonly tight, timely, and intellectually sharp volume sets the recent history of boom and bust in the Zambian mining economy in a longer historical timeframe. Its key contribution lies in demonstrating precisely why neo-liberal orthodoxies have served Zambia so poorly."

—Paul Nugent, Professor of Comparative African History,
University of Edinburgh

Zambia, Mining, and Neoliberalism

AFRICA CONNECTS

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This scholarly series stands at the intersection of globalization and development studies, examining the social, political, and economic effects of these processes on the African continent. For advocates and critics alike, globalization and development are inescapable “facts of life” that define the parameters of social action not just in Africa but throughout the world. Yet while academic debates and policy discussions careen between praise and criticism, too little attention is given to how these processes actually operate in African settings. Rather than simply reacting to the mainstream scholarly literature, books in this series seek to creatively engage with contemporary debates as a way of developing new perspectives that establish and analyze the linkages between globalization and development.

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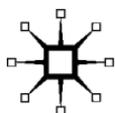
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ZAMBIA, MINING, AND NEOLIBERALISM

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First published in 2010 by
PALGRAVE MACMILLAN®

in the United States—a division of St. Martin's Press LLC,
175 Fifth Avenue, New York, NY 10010.

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registered in England, company number 785998, of Houndmills,
Basingstoke, Hampshire RG21 6XS.

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ISBN: 978-0-230-10498-3

Library of Congress Cataloging-in-Publication Data

Zambia, mining, and neoliberalism : boom and bust on the
globalized copperbelt / edited by Alastair Fraser, Miles Larmer.
p. cm.—(Africa connects)

ISBN 978-0-230-10498-3 (hardback)

1. Copper industry and trade—Zambia. 2. Zambia—Economic
conditions—1964— I. Fraser, Alastair, 1974— II. Larmer, Miles.

HD9539.C7Z339 2010

338.2'743096894—dc22

2010022458

A catalogue record of the book is available from the British Library.

Design by Newgen Imaging Systems (P) Ltd., Chennai, India.

First edition: December 2010

10 9 8 7 6 5 4 3 2 1

Printed in the United States of America.

Contents

<i>Acknowledgments</i>	ix
<i>Abbreviations</i>	xiii
<i>Map of Zambia</i>	xvi
<i>International Copper Prices—Figures</i>	xvii
<i>Contributors</i>	xix
1. Introduction: Boom and Bust on the Zambian Copperbelt <i>Alastair Fraser</i>	1
2. Historical Perspectives on Zambia’s Mining Booms and Busts <i>Miles Larmer</i>	31
3. The Economics of the Copper Price Boom in Zambia <i>Christopher S. Adam and Anthony M. Simpasa</i>	59
4. From Boom to Bust: Diversity and Regulation in Zambia’s Privatized Copper Sector <i>Dan Haglund</i>	91
5. Raw Encounters: Chinese Managers, African Workers, and the Politics of Casualization in Africa’s Chinese Enclaves <i>Ching Kwan Lee</i>	127
6. African Miners and Shape-Shifting Capital Flight: The Case of Luanshya/Baluba <i>Jan-Bart Gewald and Sebastiaan Soeters</i>	155
7. Contesting Illegality: Women in the Informal Copper Business <i>Patience Mususa</i>	185

8. The Mining Boom, Capital, and Chiefs in the “New Copperbelt” <i>Robit Negi</i>	209
9. Conclusion: Mining, Dispossession, and Transformation in Africa <i>Ray Bush</i>	237
<i>Bibliography</i>	269
<i>Index</i>	287

Acknowledgments

In 2006 Fr. Misheck Kaunda of the Catholic Commission for Justice, Development and Peace (CCJDP) in Ndola, Zambia, proposed a study of the impacts of the privatisation of Zambia's copper mines on the communities in which he worked. Although his parishioners suffered from low wages, insecure employment, terrible local amenities, and a despoiled environment, a boom since 2004 in the long-depressed global market price of copper meant that international mining companies were making huge profits by exploiting Zambia's deposits.

Father Kaunda, staff at the Civil Society Trade Network of Zambia (CSTNZ) in Lusaka, and Kato Lambrechts at Christian Aid in London developed terms of reference for a study. They commissioned one of the editors of this collection, Dr. Alastair Fraser (Cambridge University), and Prof. John Lungu (Copperbelt University) to research and write it, and the report was published in Lusaka in January 2007 under the title *For Whom the Windfalls? Winners and Losers in the Privatisation of Zambia's Copper Mines*.

Largely because it unearthed and published secret "Development Agreements" in which the government guaranteed mining companies very favorable terms of investment, the report had a major political impact within Zambia. Citizens for a Better Environment, CCJDP, CSTNZ, the Jesuit Centre for Theological Reflection, the Mineworkers Union of Zambia, the National Union of Miners and Allied Workers, and the Zambian Confederation of Trade Unions led local campaigns on the issues raised by the report. They received invaluable support from three campaign groups based in the United Kingdom: Action for Southern Africa, Christian Aid, and the Scottish Catholic International Aid Fund (SCIAF). The report and the Development Agreements were then made available on a new website: www.minewatchzambia.com.

The site hosted Dr. Fraser's blog, which updated a growing Zambian and international readership on responses to the report and other developments in the Zambian mining sector. It also sparked a number of researchers working on the Copperbelt to contact the author, and with

support from Dr. Marja Hinfelaar (National Archives of Zambia), scholars shared with each other their research objectives and provided practical advice on research and life on the Copperbelt. The MineWatchZambia conference, which took place in Oxford in September 2008, enabled a meeting of those involved and provided an opportunity to generate an exchange between two generations of Zambianists: young researchers who had just completed fieldwork on the political, economic, social, and ecological impacts of the privatisation of Zambia's copper mines and senior African, European, and North American Zambianists who could help put these recent findings into perspective. Most of the chapters included here were first presented at that conference, and contributions from a wide range of other authors are available on the MineWatchZambia website. After a decade of academic neglect regarding Zambia, the 20 papers tabled at the conference suggested that historians, anthropologists, political scientists, economists, and geographers were returning to a country that had told us so much in the past about the local impacts of global capitalism.

Feedback at the conference from Prof. Oliver Saasa (University of Zambia), Prof. Jeremy Gould (University of Helsinki), Prof. Jim Scarritt (University of Colorado), Dr. Nic Cheeseman (University of Oxford), and Dr. Adrienne LeBas (University of Oxford) provided a massive contribution to the quality of debate at the event and thus the quality of chapters presented here. Although Professor Lungu was unable to attend the conference, he submitted an influential essay, and his willingness to share his intimate knowledge of the inner workings of the mining industry informed a good number of the papers. The Department of Politics and International Relations, the Oxford Research Network on Government in Africa (ORENGA), and the African Studies Centre—all at the University of Oxford—supported the gathering.

The conference demonstrated that an important new wave of scholarship on Zambian mining was emerging which demanded publication. Dr. Miles Larmer (University of Sheffield) proposed the edited volume presented here, and he and Dr. Fraser started to prepare a manuscript. However, as the conference occurred, the global economy was showing the first dramatic signs of the instability that continues to rock it; before gathering this edited volume, the editors invited a group of authors to think through how the boom turning to bust, and potentially back to boom again, affected their analysis. The editors' principal debt is to these scholars, who contributed the chapters presented here. It is their conviction that the authors' contrasting and conflicting analyses of a number of key issues, arising from both their varied disciplinary approaches and intellectual convictions, is a strength, rather than a weakness. In addition, everyone involved has been forced to refresh their empirical material and

to rethink assumptions and analysis about what came to be thought of as the “short boom” of 2005–2008 and the instability that quickly followed it. Many authors have reworked their material repeatedly in response to comments and to rapidly developing events. They have done so professionally and with good grace.

Palgrave Macmillan quickly saw the potential for a publication of this kind and agreed to publish this book. ‘Africa Connects’ series editors Garth Myers and Martin Murray, Chris Chappell, Luba Ostashevsky, Sarah Whalen, and Samantha Hasey at Palgrave Macmillan have been both patient and enormously generous with their time and energy in supporting the project. Corin Throsby provided invaluable proofreading assistance, and Rosemary Cole prepared the index assiduously.

The book is dedicated to Father Kaunda, who commissioned the *Windfalls* report. He died in 2009 after a lifetime campaigning to raise awareness of the plight of workers and communities on the Copperbelt. The book emerged from a process of collaboration and research that he started. It is hoped that it will provoke further new collaborations, research, publications, awareness, and change.

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Abbreviations

AAC	Anglo American Corporation
AIDS	acquired immunodeficiency syndrome
AMP	African Mining Partnership
AMWU	African Mineworkers' Union
AU	African Union
BBC	British Broadcasting Corporation
BGRIMM	Beijing General Research Institute of Mining and Metallurgy
BSA	British South Africa Company
BSGR	Bein Stein Group Resources
CAF	Central African Federation
CAMEC	Central African Mining and Exploration Company
CDC	Commonwealth Development Corporation
CDF	Constituency Development Fund
CIPEC	Intergovernmental Council of Copper Exporting Countries
CNMC	China Nonferrous Metal Mining (Group) Co Ltd
CoM	Chamber of Mines
COZ	Credit Organization of Zambia
CSR	corporate social responsibility
CSTNZ	Civil Society Trade Network of Zambia
DAs	Development Agreements
DEA	Drug Enforcement Agency
DRC	Democratic Republic of Congo
EBITDA	earnings before interest, taxes, depreciation, and amortization
ECZ	Environmental Council of Zambia
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
ENRC	Eurasian Natural Resources Corporation
EPs	Equator Principles
EPPCA	Environmental Protection and Pollution Control Act
FDI	foreign direct investment

FFTUZ	Federation of Free Trade Unions of Zambia
FQML	First Quantum Minerals, Ltd.
FTSE	Financial Times Stock Exchange
GDP	gross domestic product
GRZ	Government of the Republic of Zambia
HIPC	Highly Indebted Poor Countries
HIV	Human Immunodeficiency Virus
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for the Settlement of Investment Disputes
ICT	Information and Communication Technology
IDA	International Development Agency
IFC	International Finance Corporation
IFIs	international financial institutions
ILO	International Labour Organisation
IMF	International Monetary Fund
IMR	International Mineral Resources
INDECO	Industrial Development Corporation
ISG	international study group
ISI	import substitution industrialisation
ISO	International Organization for Standardization
JSX	Johannesburg Stock Exchange
KCM	Konkola Copper Mines
K	Zambian kwacha
LCM	Luanshya Copper Mines
LME	London Metal Exchange
LSE	London Stock Exchange
MCM	Mopani Copper Mines
MD	managing director
MEMACO	Metal Marketing Corporation of Zambia
MMA	Mines and Minerals Act
MINDECO	Mining Development Corporation
MMD	Movement for Multi-Party Democracy
MP	Member of Parliament
MSD	Mines Safety Department
MUZ	Mineworkers' Union of Zambia
NAs	Native Authorities
NCCM	Nchanga Consolidated Copper Mines
NEPAD	New Partnership for Africa's Development
NGO	nongovernmental organization
NERP	New Economic Recovery Program

NFCA	NFC Africa Mining Plc
NRC	National Registration Card
NUMAW	National Union of Miners and Allied Workers
OAU	Organization of African Unity
OECD	Organization for Economic Co-operation and Development
OHSAS	Occupational Health and Safety Advisory Services
OPEC	Organization of the Petroleum Exporting Countries
PF	Patriotic Front
PNT	Privatisation Negotiating Team
PRC	People's Republic of China
PS	Permanent Secretary
RAIDS	resource-based African industrialization and development strategy
RAMCOZ	Roan Antelope Mining Corporation of Zambia
RCM	Roan Consolidated Mines
RST	Rhodesian Selection Trust
SAAF	South African Air Force
SAP	structural adjustment program
SITET	Special Investigation Team for Economy and Trade
SOE	state-owned enterprise
TANU	Tanzanian African National Union
TAZARA	Tanzania-Zambia Railway
TNC	transnational company
TSX	Toronto Stock Exchange
TTC	total tax contribution
TUICO	Tanzania Union of Industrial and Commercial Workers
UN	United Nations
UNECA	United Nations Economic Commission for Africa
UNCTAD	United Nations Conference on Trade and Development
UNIP	United National Independence Party
UPND	United Party for National Development
UPP	United Progressive Party
WB	World Bank
ZCCM	Zambia Consolidated Copper Mines
ZCCM-IH	Zambia Consolidated Copper Mines Investment Holdings
ZCTU	Zambia Congress of Trade Unions
ZDA	Zambia Development Agency
ZIMCO	Zambia Mining and Industrial Corporation
ZPA	Zambian Privatisation Agency
ZRA	Zambia Revenue Authority

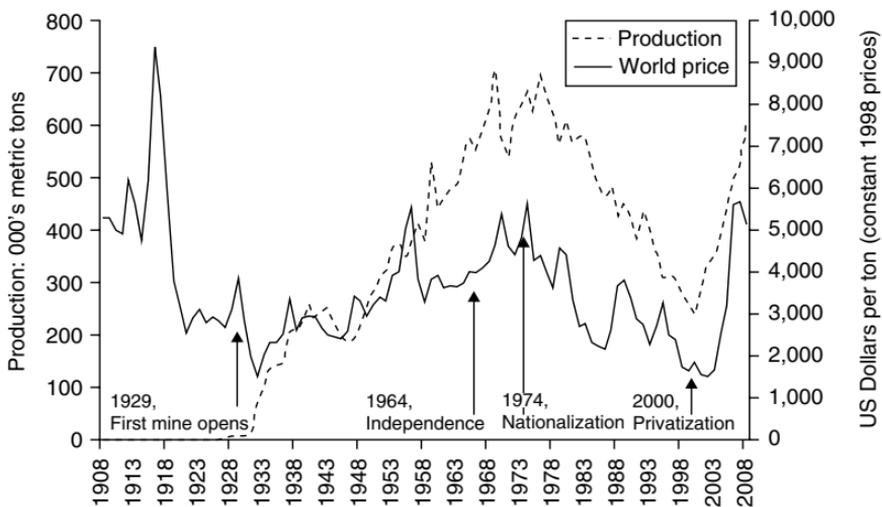
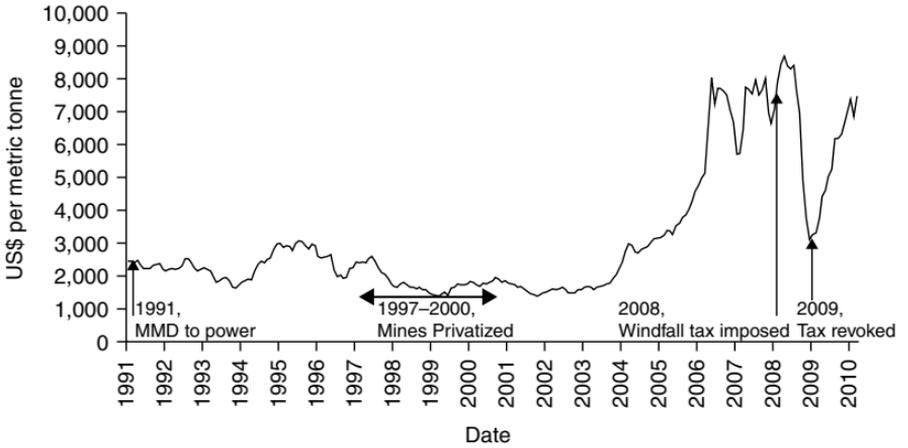


Figure 1 A century of copper production. Unit value is the value in actual U.S. dollars of 1 metric ton (t) of refined copper apparent consumption, estimated from the “Annual Average U.S. Producer Copper Price.” The Consumer Price Index conversion factor, with 1998 as the base year, is used to adjust unit value in current U.S. dollars to the unit value in constant 1998 U.S. dollars.

Source: U.S. Geological Survey statistics, in T. D. Kelly and G. R. Matos, comps., “Historical statistics for mineral and material commodities in the United States: U.S. Geological Survey Data Series 140,” available online at <http://pubs.usgs.gov/ds/2005/140/>. Accessed March 20, 2010.



US\$ per metric tonne of copper, grade A cathode, LME spot price, CIF European ports.

Figure 2 Monthly global copper prices, January 1991–March 2010. U.S. dollars per metric ton of copper, grade A cathode, LME spot price, CIF European ports.

Source: www.imf.org/external/np/res/commod/index.asp and www.indexmundi.com/commodities/?commodity=copper&months=300.

Contributors

Christopher S. Adam coedits the *Oxford Bulletin of Economics and Statistics* and the *Oxford Review of Economic Policy*. He is the coeditor with Paul Collier of a new book series on the economics of Africa published by Oxford University Press. His research spans economic theory and applied economics and has recently focused on monetary and fiscal policy responses to volatile capital flows. Dr. Adam is reader in development economics, Department for International Development, and research associate of the Centre for the Study of African Economies, University of Oxford.

Ray Bush has worked in and on Africa for 25 years, focusing on the political economy of economic reform and rural transformation. His latest book is *Poverty and Neo Liberalism: Persistence and Reproduction in the Global South* (London: Pluto Press, 2007). He is deputy chair of the *Review of African Political Economy*. He is professor of African Studies and Development Politics at the University of Leeds.

Alastair Fraser researches how Western donors, NGOs, and multinationals promote their preferred economic and social agendas in Africa and how African states and popular movements respond to these influences. His published work focuses on Southern Africa and spans topics including aid negotiations, participatory planning, mining, and African populism. Dr. Fraser is Philomathia Fellow and lecturer in politics at Trinity Hall, University of Cambridge.

Jan-Bart Gewald is a social historian of Africa who is particularly interested in the relationship between people and technology. He has published widely on a variety of subjects and is currently preparing a monograph dealing with the relationship among people, technology, transport, and colonial society in Zambia. Dr. Gewald is senior researcher at the African Studies Centre in Leiden.

Dan Haglund earned his PhD with research on the political economy of Zambia's privatized mining sector, focusing on the evolution of state-firm

relations in a context of growing complexity and fragmentation. His interdisciplinary research on Chinese investment in Africa and its implications for regulatory policy making has been published in the *Journal of Modern African Studies* and *China Quarterly*. Dr. Haglund is currently managing the environmental, social, and governance rating products of Maplecroft, a global risk-advisory firm.

Miles Larmer is a leading authority on the history of Zambia. His book, *Mineworkers in Zambia: Labour and Political Change in Post-Colonial Africa, 1964–1991*, was published by I. B. Tauris in 2007. He has published 12 articles in prominent academic journals on past and present political change in Africa and eight book chapters in important studies of African politics. Dr. Larmer is lecturer in international history at the University of Sheffield.

Ching Kwan Lee is the author of *Against the Law: Labor Protests in China's Rustbelt and Sunbelt* (University of California Press, 2007) and *Gender and the South China Miracle: Two Worlds of Factory Women* (1998). She is the coeditor of *Reclaiming Chinese Society: New Social Activism* (with Youtien Hsing, 2009), and *Re-envisioning the Chinese Revolution: Politics and Poetics of Collective Memory in Reform China* (with Guobin Yang, 2007). Professor Lee is professor of sociology at the University of California, Los Angeles.

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Sebastiaan Soeters is conducting PhD research on the socioeconomic history of Tamale, the largest city in Northern Ghana. Specifically, his research examines the relationship between motorized transport and socioeconomic development. He is a researcher affiliated with the history faculty of the University of Leiden and its African Studies Centre.

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Introduction: Boom and Bust on the Zambian Copperbelt

Alastair Fraser

Zambia is the tip of the tail of the global dog. When the dog is happy we find ourselves merrily flicking from side to side; when the dog is miserable, we find ourselves coiled up in a dark and smelly place.

—*The Post*¹

Throughout the twentieth century, studies of life on a narrow strip of land in central Africa shaped the way academics understood relations between the rich world and the poor. Anthropologists, economists, historians, and political scientists described how booms and busts in the global copper market repeatedly raised and dashed hopes of prosperity for communities living on the periphery of the international economic system but on top of mineral deposits of significant value to that system. These accounts of life on the “tip of the tail” of global capitalism frequently revealed deeper truths about the dog itself.

In the twenty-first century, most people living on the Zambian Copperbelt remain at least partially dependent on the price of one primary good, the value of which soars and plummets as a result of forces beyond their control. At a time of profound instability in the global economy, this book investigates how they have struggled to secure the benefits when global copper prices are high and to survive when they are not. At first glance, Figures 1 and 2 (xv and xvi) suggest that the country has been spectacularly unlucky. Just as the

first mines started to produce copper in 1929, the Great Depression struck. Soon after independent Zambia nationalized the mines in 1974, the global price took a sharp turn for the worse. Prices remained at rock bottom until the turn of the millennium, when the losses the mines were incurring and pressure from Western donors forced the government to privatize them. Soon afterwards, the world copper price shot through the roof, and some new private owners made huge profits. Because the state had virtually given the mines away, it secured few benefits. In an effort to claw back some revenue, the Zambian government imposed a windfall tax in 2008. As soon as it did, the price tumbled, and the companies claimed that the new taxes threatened their viability. Fearful of mines closing in the global recession, Zambia removed the windfall tax—and the price shot straight back up.

This series of events has been so traumatic that many imagine that Zambia has fallen victim to a grand global conspiracy. It is also often assumed that these price fluctuations explain everything about the country's history. Although there is a little truth in both suggestions, the studies presented here portray a more complex reality. All has not been well during the booms, and the busts offer opportunities for some and costs for others. The winners are not always foreign, the losers not always Zambian. The chapters that follow describe a precarious economic, political, and moral context. Shady investors shift money in and out of towns historically defined by civic pride centered on the mine but where many now survive unemployment by “stealing” from the companies for which they used to work. Tribal chiefs, sometimes seen as relics of pre-modern history or hangovers from colonial rule, revel in their new positions as interlocutors with global mine multinationals. Meanwhile regulatory bodies scramble to define a useful role for the ‘modern’ state in managing the companies. Government ministers and political parties appear utterly disoriented, advocating policies that oscillate between extreme deregulation and greater state interference, between increasing mining taxes and lowering them, between nationalizing mining companies and bailing out struggling private firms, and between continued dependence on Western donors and companies and a turn to new sponsors in India and China. For their part, Chinese mine managers resent their posting to a country which they perceive to be going nowhere but where frayed Zambian aspirations for development increasingly rest on continued demand from their country's burgeoning economy. The studies presented here build on and form part of a long tradition of research designed to

illuminate the structure and meanings of the global economic system through close investigations of its working in one locale.²

This chapter provides a historical sketch of the economic and political development of the Copperbelt and seeks to place the findings reported in the book in their historical and intellectual context. As Larmer argues in the next chapter, one should not start with the assumption that all of the trends identified in previous booms and busts are doomed to be repeated. Contemporary instabilities cannot be understood by adopting old categories and assumptions. In particular, though price fluctuations might be familiar, they now occur in a deinstitutionalized and depoliticized context. The ideological frameworks that helped previous generations make sense of an unstable world—capitalism, liberalism, socialism, nationalism, and anti-imperialism—have all been embarrassed by the lived experience of the Copperbelt. Institutions that were animated by those ideas are in crisis. Faceless institutional investors dictated to by risk-averse bankers have largely replaced the self-confident prospectors and entrepreneurs of a previous age. Zambia’s famous trade unions are shadows of their former selves, and the tribal authorities, political parties, and government agencies that framed life on the Copperbelt have lost their vital connections with society. We are left with a chaotic context in which investors arrive one year, making grand announcements about returning ghost towns to their former glories, and leave the next; in which populist political entrepreneurs forward radical new agendas, only to U-turn six months later; and in which the workforce explodes in violent protest on a relatively frequent basis but to little apparent long-term effect. The Zambian context has implications for how we think about the causes of and solutions to current global economic instabilities, about hopes for resistance to “neoliberalism,” about potential new drivers of global development such as China and India, and about the possible emergence of more dynamic and just economic models. This chapter closes with some speculations on these issues but starts by exploring the history and peculiarities of the Copperbelt.

The Emergence of the “Copperbelt”

The Copperbelt’s unsteady emergence as a mining region featured feats of imagination, bravery, and risk taking by prospectors, explorers, politicians, and mine workers. From the 1890s, Cecil Rhodes and his British South Africa Company (BSAC) had been extending British influence into the region, encouraging white settlement, and

securing mineral prospecting rights from local chiefs. The Northern Territories (BSA) Exploration Company, working for Rhodes, first 'discovered' copper deposits (though they were well known to local populations) in 1895 and the BSAC subsequently agreed deals with the Rhodesian Selection Trust and the Anglo American Corporation to exploit the new mines. Northern Rhodesia was formed in 1911 under a charter administered by the BSAC and then in 1924 became a protectorate administered by the British Colonial Office. BSAC held on to the mineral rights. Europeans with a hazy notion of the local geography and mineral potential plunged into the unknown, hoping to build a new world and their own fortunes. They enlisted local guides and labor to find the copper and to drag massive machines across a terrain many thought untamable.³ Many people, mainly Africans, suffered terribly in the process, but they built one of the greatest concentrations of industry and urban development on the African continent.

The new mining centres quickly attracted academic interest. In 1938 Roger Wilson established the first local anthropological facility in an African colony. Researchers at the new Rhodes-Livingstone Institute studied the Copperbelt's social and economic spaces as a means to understand wider phenomena: modernization, industrialization, capitalism, race and ethnicity. Epstein's classic study reveals how the earliest transformations of the bush into a center of industry depended on global economic trends. On the very first page, he describes how rising global copper prices stimulated drilling at Luanshya in 1926; within four years 30,000 men were employed; and almost as suddenly as the process began, the Great Depression hit, most of the new mines were mothballed, and the workforce shrunk to just 7,500 men by 1932.⁴

The men (and they were initially mostly men) who moved to new towns, which were built from scratch to house mine workers and European owners and managers, experimented with new urban lifestyles. The Rhodes-Livingstone scholars described an "African Industrial Revolution," which attracted local populations as they sought to transform their own, their families', and later their nation's way of life. Many who joined the industry moved from rural to city life, subsistence to wage labor, loyalty to chiefs to participation in trade unions and political parties. These breaks may not have been as stark or permanent as the somewhat breathless literature initially assumed, but very profound changes occurred in social lives and structures on the Copperbelt.⁵ As prices rose again in the 1940s

and soared to new heights in the 1950s, white, and then black trade unions were formed as workers sought to secure maximum benefits. Inspired by other nationalist movements, black mine workers became central to the agitation for greater African political empowerment. In an effort to pre-empt independence, white Northern Rhodesians pursued a Federation with Southern Rhodesia (now Zimbabwe) and Nyasaland (now Malawi). The Central African Federation, established in 1953, lasted only ten years. Northern Rhodesian Africans had enjoyed greater political influence before Federation than their Southern neighbours and their resistance to federation and ability to disrupt the flow of wealth from the mines was central to the achievement of a negotiated decolonization.

Throughout this process, protagonists on all sides saw themselves as active agents of history and collectively developed new ideas and institutions to pursue their aspirations. The conflicts among their visions played out in protracted political struggles over the distribution of benefits among the colonial and then-independent state administrations, mine workers, local communities, and the two private companies running the mines. Whereas the companies used “tribal” organizations to recruit labor and to communicate with their workforce, mine workers’ determination to self-organize led to the development of the Copperbelt’s famously powerful unions. Larmer has described how, throughout the mines’ history, managers sought to constrain popular demands by co-opting mine workers’ leaders and unions, while militant workers repeatedly “took bodies imagined by their creators as mechanisms of control and remade them in their own interests.”⁶

Although sometimes now interpreted as pampered beneficiaries of the “company model,” in which the mining companies took on many of the roles in infrastructure and welfare provision typically imagined as the responsibility of the state, mine workers pressed for all of these benefits and more. Northern Rhodesia provided rich source material in these periods for studies of African nationalism and, once Zambia achieved independence, for research on postcolonial class formation (for more on both of these developments, see Larmer’s chapter in this volume).⁷

Mining and Independence

At independence, the Copperbelt was a dynamic urban and industrial region. Largely on the basis of its copper industry, Zambia was seen

as a model for a continent seeking to move from political self-rule towards economic independence and to end poverty. In 1969 Zambia was classified a middle-income country, with one of the highest per capita GDPs in Africa—three times that of Kenya, twice that of Egypt, and higher than Brazil, Malaysia, Turkey, and South Korea.⁸ By 1973 Zambia had an urban population of one million out of a total population of four million. Some 750,000 were in waged employment.⁹ Initial hopes for economic and political development in an independent state were premised on the same objective that animated anti-colonial mobilization: to redistribute revenues from copper exports to build a prosperous, non-racial society. Income from the mines was used initially to subsidize urban consumers, state-owned companies, and a series of five-year National Development Plans aimed at developing infrastructure, education, and health systems.¹⁰

However, the economic model inherited from the colonial era involved the sale of all minerals through the London Metal Exchange (LME), with foreign mine owners repatriating profits from the mines and providing limited benefits to the Zambian exchequer. The Zambian state struggled to alter these arrangements. Across Africa, newly independent countries dependent on raw material exports faced multiple difficulties. According to Richard Bissell, these included unpredictable “variability in export earnings, cost of imports of capital equipment, informal cartels among importers, currency fluctuations, and vertically organised industries.”¹¹ Most debilitating in Zambia’s case was the country’s extreme exposure to unstable global commodity prices (for more on this, see Adam and Simpasa’s chapter in this volume).

Recognizing that Zambia was a “price taker” in an unequal global economic bargain, independent Zambia’s first President, Kenneth Kaunda, worked with other leaders of the Non-Aligned Movement to campaign in the UN for a New International Economic Order (NIEO). In 1967 Kaunda attempted to give the campaign some economic muscle, gathering leaders of four of the world’s main copper-exporting countries (Zambia, Chile, Peru, and the Congo/Zaire) in Lusaka, with the aim of establishing a price- and quota-fixing copper cartel along the lines of that recently announced by oil-producing countries when they formed the Organisation of the Petroleum Exporting Countries (OPEC) in 1960. The new body would be known as the Intergovernmental Council of Copper Exporting Countries (CIPEC).¹² OPEC supported the NIEO and was expected to offer financial backing for new commodity cartels, which would

demonstrate the “reverse dependence” of the rich world on access to underpriced primary goods. Although Kaunda’s aspiration was that the group would coordinate reductions in production and force global prices up, the members were divided on the degree of confrontation they should pursue with consumer nations. The Chilean Minister of Mines told journalists in Lusaka, “We are not going for their throats. This will not be a cabal.”¹³ Although CIPEC was subsequently joined by Australia, Indonesia, Papua New Guinea, and Yugoslavia, it only ever acted as an information exchange; CIPEC’s inability to organize or police output cutbacks gradually made the organization irrelevant.¹⁴ The fundamental problem was that the ability to stockpile copper reserves, central to the management of supply, depended on access to capital that was not present in “extraverted” postcolonial states. New rulers had secured political power at independence but remained dependent for resources on unequal relationships with the governments and companies of the former colonial powers. Bissell concluded, “The International Monetary Fund and the International Bank for Reconstruction and Development have refused financial assistance to CIPEC to finance stockpiles. The much-vaunted offers of Venezuela and other OPEC members to support stockpiles of commodities in 1974 have shown few concrete results.”¹⁵ The states involved were simply too poor to force concessions from rich countries unwilling to support a project designed to reduce dependence.

Larmer’s chapter in this volume demonstrates that subsequent nationalization of the mines was principally driven by domestic political calculations. However, Kaunda’s inability to alter the distribution of benefits at the global level through CIPEC provides vital context not only for his efforts to transform the domestic economy but for any understanding of Zambia’s plight over the next three decades. In the late 1960s the NIEO’s claim that the fundamental structures of the global economy had been designed to maximize the extraction of wealth from Europe’s colonies was broadly accepted, even in the rich world. However, the inability of developing country coalitions to press their collective negotiating capital to drive change, and the refusal of the rich countries to support new institutions, allowed materially dominant countries to continue setting the rules by which everyone else must play.¹⁶ African policies ever since have been made in recognition that the global system remains beyond reach and that only local policies and ownership patterns are subject to conscious management by Africans (Bush’s conclusion to this book discusses a number of contemporary initiatives that are still seeking, with limited

success, to overcome these problems through collective action by African states). A number of developing countries initially responded by seeking to generate capital through nationalizing major mining companies. Bissell concluded at the time that nationalization gave African states only “marginally greater control over the ultimate target of such a move: prices and export earnings. Such is not to argue that nationalisations should not occur—only that they may not mean much.”¹⁷

So it proved in Zambia. In 1968 Kaunda publicly criticized the failure of the two companies that owned the copper mines to invest in them since independence. When the companies argued that the royalty taxation system dissuaded investment, Kaunda replied by announcing their nationalization. In 1969 all rights of ownership of minerals as well as exclusive prospecting and mining licenses reverted to the state. The mining companies were forced to sell 51% of shares in all existing mines to the state. The two nationalized companies were later combined in to form a giant mining conglomerate, majority owned by the state: Zambia Consolidated Copper Mines (ZCCM). The wealth generated by mining in the early years of nationalized industry had an important impact on how people on the Copperbelt imagined themselves, and supported the self-confident, cosmopolitan identity that the Rhodes-Livingstone scholars had earlier identified. Zambians saw themselves as active participants in the production of global wealth and in global cultural and political trends. Copperbelt life featured an unusually high concentration of motor cars, fashionable hairstyles, and European-style nightclubs.¹⁸ Football teams sponsored by the mines appeared as worthy opponents for leading international sides on tour, and Zambians paid close attention to their teams’ fortunes in the domestic leagues.

In spite of (perhaps as a result of) this self-confident outlook, the sharing of the significant fruits of the mining industry continued to be subjects of serious political confrontation. In the Zambian “state capitalist” system, in which the state and multinational companies shared ownership, disciplining the unions was as important to the state as an employer as it was to the private companies. Kaunda’s ruling party, the United National Independence Party (UNIP) offered the unions a corporatist deal which shifted the locus of initiative within the union away from the grass roots and towards officials. UNIP constrained the right to strike and reduced officials’ accountability by providing a closed shop, allowing workers’ dues to be removed straight from their pay slips and increasing access for union leaders to state decision

makers.¹⁹ Under these arrangements, ZCCM also supplied amenities much wider in scope than those offered to workers during the colonial period. Alongside subsidized housing and food, ZCCM, in response to union demands, provided free education for miners' children, electricity, water, and transport in the townships, operating a "cradle-to-grave" welfare system that subsidized diapers and burials.

UNIP's deal with the union leadership held only held while it was supported by relatively high global copper prices. However, soon after nationalization, the limits of a domestically oriented development strategy based on mineral exports started to emerge. Wages started to fall in real terms from about 1969 and commodity prices tumbled after the first global oil crisis in 1973. After the second, in 1979, a long-running decline of copper values dragged Zambia's terms of trade and its general economic performance into a slump of unprecedented proportions right through to 2004 (see figure 1, p. xv). The Zambian state initially borrowed from a range of private Banks and bilateral donors in order to maintain the progress that had been made in social provisions. However, after the second oil crisis, interest rates shot up and the country was thrown into a severe debt crisis that lasted almost 30 years. Throughout the economic crisis, ZCCM was treated as a "cash cow," milked without corresponding investment in machinery and prospecting ventures. No new mines were opened after 1979, and as ore bodies within the existing mines were found deeper underground, the cost of production rose. ZCCM production collapsed from a high of 750,000 tonnes in 1973 to 257,000 tonnes in 2000.²⁰ Between 1974 and 1994, per capita income declined by 50%, leaving Zambia the 25th-poorest country in the world.²¹

As the recession hit, Kaunda lived in fear of a political rebellion emerging on the Copperbelt and closed down political competition both within the party and nationally (again, see Larmer's chapter in this volume for more detail). As such, UNIP faced two dominant and competing pressures. On the one side, the unions defended subsidies and benefits. On the other, the collapse in the country's terms of trade, a severe debt crisis, and a lack of access to capital forced UNIP to consider economic liberalization under World Bank and IMF supervision. Robert Bates's influential studies of urban and rural economies, and policy making under the one-party state, suggested that the Zambian government had been operating a systematic "urban bias," favoring a large and growing urban population featuring a "labor aristocracy" that was overpaid in comparison to the rural population.²² Although it has been widely argued that Bates was wrong in his analysis of

migration and wage patterns in Zambia (see Gewalt and Souters' chapter), let alone anywhere else, his argument shaped World Bank and IMF thinking and inspired the structural adjustment programs (SAPs) that would eventually be imposed on the third world in the 1980s and 1990s.²³ Zambia engaged with "adjustment" hesitantly in 1983–1985 and then more convincingly from 1990 to 1991, cutting jobs and wages and ending subsidies supporting cheap basic goods for urban populations.²⁴

As the Copperbelt felt the pain of adjustment, James Ferguson's classic study, *Expectations of Modernity*, provided an "ethnography of decline."²⁵ Whereas the Rhodes-Livingstone scholars described how earlier copper booms catalyzed aspirations for Zambians to join the cosmopolitan global community, Ferguson's study discussed the personal, social, and political coping strategies adopted on the Copperbelt as those dreams turned sour. The unemployment and deprivations suffered by mine workers, among others, catalyzed resistance to the one-party state. At the end of the cold war, the one-party system was left devoid of credibility at home and in the eyes of donors. After a first quarter-century of independence, political resistance, initially in the form of food riots on the Copperbelt, not only derailed the SAP but catalyzed a transition to multipartyism and the defeat of UNIP.²⁶

The Rise of the MMD, the Fall of the Unions

In the early 1990s Zambia thus became the first African one-party state to undergo democratization. Mine workers and their unions played a lead role in bringing down Kaunda.²⁷ The pattern at the moment of democratic transition was one that Western governments hoped would prove infectious across the continent. The trigger for this optimism was the landslide victory of Frederick Chiluba's Movement for Multi-Party Democracy (MMD) in the 1991 election. The MMD owed its original momentum to trade-union-led resistance to adjustment. However, by the time of the elections, the unions had made common cause with the business and political communities and civil society, and the MMD ran on a manifesto that promised to liberalize the Zambian economy, privatize state-owned industries, and secure a new democratic dispensation.²⁸ In power, the MMD continued with, and then dramatically extended, Zambia's existing SAP.

The party was initially able to restrain the labor movement and pursue a massive privatization program not only because it was led by

Chiluba, a former union leader, but also because workers had suffered as badly as anyone else from the mismanagement and low investment in state companies. Unions identified institutionally with the MMD and endorsed a project to break a political system in which UNIP structures were tied to parastatals and institutions for the supply of agricultural and industrial subsidies.²⁹ The hope for international aid donors was that an energetic, reforming government, backed by the unions, could lead a popular privatization process. Donors offered significant financial assistance, projecting Zambia as a success story that affirmed the “dual transition” thesis, popular at the end of the cold war, that in formerly socialist one-party states, economic and political reform processes—capitalism and democracy—could be mutually reinforcing.³⁰ They sought to secure a massive privatization program by “buying” the MMD an extended political honeymoon. Aid poured in, and the budget became more than 40% donor dependent.³¹

Zambia’s initial political transition was lauded internationally as Kaunda stepped down from the presidency peacefully. The World Bank and IMF hailed the vast program of privatizations as a success five years into the process.³² However, warning bells about both aspects of the “dual transition” were already ringing, and uncritical support for the MMD both inside and outside the country was short lived. The privatization process, although rapid and wide ranging, was accompanied by a spectacular looting of the national fiscus, negative growth rates, deindustrialization, deepening debt, and increasing poverty.³³ Antidemocratic restrictions were rapidly imposed on the opposition and civil society, with Chiluba refusing demands to reduce the power of the presidency, clamping down on protest and enforcing two states of emergency. By the second multiparty elections in 1996, half the original MMD cabinet had resigned or been purged. Polls in 1996 and 2001 left few convinced that either elections or parties had been successfully established.³⁴

Having backed the MMD in the 1991 elections and having recognized the need for some economic liberalization, workers were encouraged by their former trade union leader Chiluba to “die a little” to revitalize the economy.³⁵ When they did eventually resist, they did so from the back foot; in the period 1992–1996, between 30,000 and 50,000 workers were sacked as the formal sector shrank dramatically. Membership of the Zambia Congress of Trade Unions (ZCTU) fell by 43% between 1990 and 1995.³⁶ In 1997 the government introduced legislation to end the “one-industry, one-union” rule, and the new

Federation of Free Trade Unions of Zambia (FFTUZ) was launched as a competitor to ZCTU. During the crucial years of the liberalization process, Zambia's unions were consumed by infighting (for more on this, see Larmer's chapter in this volume).

Privatizing ZCCM

Easing the loss-making mines out of state hands was the donors' single greatest concern, and loan conditions mandating feasibility studies and then the sale of the mines were included in almost every World Bank and IMF credit agreement from 1991. Although the ZCTU and MMD both argued for some privatizations before the 1991 elections, neither endorsed the sale of ZCCM. In the 1992 public debate over the World Bank's request for ZCCM to be sold, the ZCTU, the Mineworkers' Union of Zambia (MUZ), the churches, much of the press, and some of the MMD cabinet opposed the proposal, saying the process could wait 20 to 30 years.³⁷ The ongoing investment crisis in the mining sector then led the MUZ to move toward active support for privatization; as popular and governmental skepticism deepened in response to the failures of other privatizations, the MMD reverted to the "stop-start" pattern of cooperation and resistance to donor-driven liberalization policies familiar from the last years of UNIP.³⁸

The World Bank's Highly Indebted Poor Countries (HIPC) initiative helped to overcome Zambia's resistance. In order to enter a scheme that could secure relief from Zambia's massive debts, the World Bank made it clear that ZCCM privatization would have to begin. Chiluba's administration "unbundled" and sold ZCCM, starting in 1997 and concluding with the two most significant of the seven "packages" of copper mines and smelters, which were sold in 2000.³⁹

The process featured accusations of corruption on the part of the team selling the mines, concerns on the part of the Zambian state that private buyers were colluding with international aid donors, and lengthy negotiations that did Zambia no favors (see Gewalt and Souters' chapter in this volume). With every delay, the losses at ZCCM mounted, the world copper price hit new record lows, and the pressure from the donors increased. As prospective buyers knew all of this, their leverage gradually increased, and the terms of the sales became worse (see Adam and Simpasa, this volume).

The eventual sale of the mines was precisely the economic and political embarrassment the MMD had feared. The party had shifted from attempting to justify unpopular measures as meritorious policies

to defending them simply as sacrifices necessary to secure debt relief and donor support. Whether this was admirably honest, it was not a politically successful approach. In 2001, facing constitutional term limits, Chiluba attempted to alter the constitution to secure a third term as President. He was pushed from office as “civil society,” largely quiescent since the popular uprising that brought UNIP down in 1991, reemerged. Campaigners pressed the MMD to save itself by preventing its leader, widely regarded as corrupt and a likely personal beneficiary of the privatization process, from running again.⁴⁰ The MMD’s legitimacy crisis continued even after Chiluba stood down. His anointed successor, Levy Mwanawasa, won the presidency on a mandate of just 29% of the vote in the 2001 elections. These were again condemned by international observers.⁴¹ Although the MMD was left intellectually and politically bankrupt, it was able to retain power because, throughout the liberalization process, the ruling party did not face coherent party political opposition. The lack of any coherent political alternative to the MMD’s liberalization was symbolized by the fact that the main opposition leader, Anderson Mazoka, was a business-friendly former Zambia Director of Anglo American. No opposition political candidate provided a channel for popular frustrations or a coherent alternative vision for national development.

If the terms of sale of the mines had been humiliating, worse was to come. Less than two years after acquiring their assets very cheaply, two of the purchasers pulled out. In the case of the mines at Luanshya Copper Mines (LCM), one iconic mining town was left devastated when an incompetent investor folded, leaving behind mass unemployment and unpaid bills and pensions (see Gewald and Soeters’s and Mususa’s chapters for more on these events). When the giant mining multinational Anglo American decided that even it could not turn a profit at the biggest and most important package of mines at Konkola Copper Mines (KCM), its departure was seen as an economic catastrophe and was described as “the biggest failure of privatisation in Africa thus far.”⁴²

New Copperbelt, New Boom

After Zambia’s long experience of decline and depression in the copper sector, Anglo’s departure suggested that Zambia’s mining story might be over. Policy makers and international aid donors discussed whether the end of copper might be a blessing in disguise, freeing Zambia’s “nontraditional exports” from the dead weight they had

been carrying so long. The country explored the potential for small-scale “artisanal mining” to provide alternative employment.

However, unexpected increases in global copper prices, which began in 2004, dramatically altered the calculations (see figure 2, p. xvi). Anglo’s departure from KCM suddenly looked not like the logical outcome of a long-running tragedy but a massive strategic error. Vedanta Resources bought 51% of KCM for a nominal fee and proceeded to reap significant windfall profits. As Adam and Simpasa report (in this volume), privatization did eventually start to deliver some of what it promised. Those new companies that survived the chaos of the first few years brought more money into mining, saving pits threatened with closure and opening new mines (see Lee’s chapter in this volume for a discussion of the reopening of the mine at Chambishi). Production and profits significantly increased (see figure 1).⁴³ Plans for the first new railways to be built since the 1970s reawakened lost dreams that, rather than being seen as a “landlocked country” doomed by geography to export unprocessed primary products, Zambia might become a central Southern African hub of information, light manufacturing, and transport, adding value to its copper.⁴⁴ As Negi describes in his chapter in this volume, it was not just the revitalization of old ZCCM plants that raised these hopes. The discovery of newly profitable seams also led to a “new Copperbelt” in Lumwana. A whole new town—with roads, electricity, hospitals, and thousands of jobs—has emerged in the bush, in the same way that the original Copperbelt grew in response to the booms of the 1930s, 1950s, and 1960s.

And yet the predominant political story of the copper boom of 2005–2008 has been of a deepening crisis of legitimacy both for the Zambian state and the new mine owners. After decades of job cuts and declining living standards, communities on the Copperbelt, rather than simply welcoming the new boom, resented the companies unexpected opportunity to generate unforeseen profits from unprecedented world copper prices. There were good material reasons for this cynicism. In the five years from 1995, as the Zambian government prepared ZCCM for sale and sold it, employment in the mines had halved from 45,000 to 22,000. This had improved to 31,000 by 2004, but unemployment on the Copperbelt was still 22%, compared to 6% nationally.⁴⁵ Although new investments did create some new jobs, companies took advantage of weak unions and non-enforcement of employment laws. Around 45% of those working in the mines were unable to access permanent, pensionable contracts (see Lee’s chapter in this volume for a discussion of casualization, and resistance to it).⁴⁶

The same critique of international exploitation of a national resource that led to the original nationalization of Zambia's mines re-presented itself. However, the new era occurred in a very different global ideological context compared to the late 1960s. As part of the liberalization process, the Investment Act and the Mines and Minerals Act withdrew many existing state controls on the behavior of the mining companies. The free market model that emerged involves a claim that private-sector companies and governments should work in partnership to deliver poverty reduction. The principal responsibility of the new mine owners is to invest much-needed capital, revitalizing the regional economy and generating employment for workers and a market for local producers. The role of the state, is to provide an "enabling environment," meaning a low-tax economy and light-touch regulation of labor, health and safety, and environmental laws. Investors, workers, and local communities should then be able to demand from government that it uses the taxes the companies pay to provide social services—health, education, and infrastructure such as roads.

The Zambian state certainly succeeded in the first part of the task: keeping the new companies happy. However, in satisfying their needs, a number of social, economic, and political problems emerged. Firstly, companies took advantage of the fact that the Zambian state was desperate to secure new investment to negotiate their purchase of ZCCM assets under Development Agreements (DAs), which exempted them from covering most of ZCCM's liabilities, including pensions for ZCCM employees; from paying most taxes; and from many national laws, for example on environmental pollution. These agreements had a highly unusual legal status, only otherwise accorded the Zambian Constitution. They could not in theory be contradicted by future legislation, as "stability clauses" ensured the policies in place when agreements were made could not be changed for between 15 and 20 years. As Adam and Simpasa demonstrate in their chapter in this volume, the tax incentives "locked in" under these terms were so generous that the Zambian state was applying an effective tax rate of 0%. Any money that was made from mining was expatriated before Zambians could see the benefits of the "boom." Many of the presumed benefits for the local economy from privatization also did not materialize, as most new investors relied on suppliers and manufacturers outside Zambia. Many local suppliers, unable to compete on quality and price with foreign suppliers, lost the business they previously conducted with ZCCM.

Secondly, as Haglund argues in his chapter in this volume, many investors took advantage of the fact that Zambian state institutions

were too weak to effectively regulate their behavior, particularly in the context of an increased diversity of mining firms with different standards and expectations for relations with regulatory authorities. The state itself also developed political relationships with certain mining houses that resulted in health and safety, labor, immigration, and environmental laws being ignored with impunity.

The fact that the DAs themselves were also kept secret deepened this failure of regulation. A decade after they were signed, trade unions, Members of Parliament (MPs), local government, even the regulating authorities that were supposed to keep the companies to the promises they made in the agreements, had not seen them. Secrecy surrounding the DAs was particularly problematic. Although the new investors sought to minimize the responsibilities they would accept, arguing that their “core business” was mining, and that the provision of social infrastructure went beyond this remit, in those contracts, the companies did in fact agree to meet some of the social needs of Copperbelt communities previously provided by ZCCM. The secrecy surrounding DAs meant companies could avoid even the limited commitments they had made in them.

Toward the end of the ZCCM era, much of this social activity was collapsing. With the new private companies refusing to provide adequate provision, the state was expected to step in. However, the Zambian government’s strict fiscal constraints resulting from conditional lending agreements meant it could not cover the liabilities and responsibilities shed by the companies.⁴⁷ The results were felt by ordinary Copperbelt residents. Cuts in the preventative health systems that ZCCM had run quickly led to significant increases in absenteeism, as a result of increased malarial prevalence. By 2004 a quarter of recorded deaths of the Copperbelt were a result of malaria and more than 30% of the population suffered from malaria in any year.⁴⁸ Although some companies recognized that it was in their own interest to restart anti-malarial spraying programs in the communities where their workers and the wider community lived, and to develop comprehensive HIV-AIDS policies, others lagged behind.⁴⁹

As the chapters in this volume by Gewald and Soeters and Mususa make clear, the effects on populations living around the mines have been devastating. Mususa describes how impoverished women living in Luanshya secure a minimal livelihood by “re-mining” the tailings dumps left behind by historic mining operations. As new technologies have come onstream and the price of copper has risen, it has now also become increasingly profitable for the companies themselves to

“re-mine” the dumps. They have sought the support of law enforcement agencies to deal with the “illegal miners,” and violent conflict is not uncommon between mine police and these individuals. The irony, as Gewalt and Soeters demonstrate, is that the companies themselves operate outside the law as much as do their unwelcome squatters. As has been demonstrated by the global credit crunch, “complexity” in global financial and corporate institutions can be designed to evade regulation. These authors suggest that the tangled web of institutions that have either claimed or denied ownership of Luanshya Copper Mines (LCM) since privatization create a “corporate veil” behind which the individuals who in fact own and operate the mine remain hidden. Using rapid changes in name, address, and corporate identity, the investors consciously “shape-shifted” to evade responsibility (and the courts).

The China Crisis

Investors operating in Luanshya were not the only controversial new firms on the Copperbelt. The companies that bought into ZCCM arrived from South Africa, Britain, Australia, and Canada, long established in the mining industry, but also from India and China. It was the Chinese who attracted by far the most attention, both within Zambia and internationally.

In fact, of the seven post-ZCCM “packages,” only one small mine was originally bought by a Chinese company. Chambishi Mine was purchased by NFC Mining Africa Plc (NFCA), a Chinese state-owned enterprise. NFCA’s investment immediately extended a closed mine’s life and offered hope of jobs to former miners living in the already-depressed Chambishi Township. Having been reopened by NFCA, by 2006 the mine was employing more than 2,100 people.

Nonetheless, NFCA and, by extension, the Chinese in general were commonly understood to be the worst investors in Zambia. Along with complaints about well-publicized health and safety failings at the mine, the company was accused of union busting and of casualizing the workforce. In 2006 the company paid the lowest wages of any of the Copperbelt firms and, even then, only allowed a tiny share of the workforce into permanent, unionized contracts, making extensive use of subcontracting firms that paid even less.

As Lee discusses in her chapter in this volume, frustrations at the treatment of the workforce have, since the mine was privatized, frequently boiled over into violence. The 2006 election campaign gave

those frustrations political focus and placed them in the spotlight. Presidential candidate Michael Sata of the Patriotic Front (PF) successfully mobilized popular sentiments by vehemently criticizing Chinese companies, promising to expel foreign investors who abused their workforce, and threatening diplomatic confrontation with the Chinese state. What was surprising about Sata's campaign was that no institution had previously managed to articulate what were widely understood as serious problems on the Copperbelt. Although MUZ had previously dominated the Copperbelt landscape and was institutionally designed to channel mine worker complaints to companies, the media, and the national policy-making process, it seemed absent at Chambishi. The MMD itself had grown by taking on MUZ's mantle as the "voice" of the Copperbelt and had organized originally through MUZ branch structures. Both of these institutions had collapsed, institutionally and ideologically, on the Copperbelt. The absence of effective union representation (see Larmer's chapter in this volume) left a space into which stepped a new force in Copperbelt politics. Sata organized on the Copperbelt largely by taking over wholesale existing (MUZ) union and (MMD) party branch structures and turning them into PF organizations.

The 2006 presidential elections took place in the middle of the 2004–2008 "boom." The MMD candidate, Levy Mwanawasa secured the presidency with 43% of votes cast. On the face of it, the election represented an endorsement of the MMD, the huge HIPC debt relief package it had negotiated, and the emerging growth of the economy. However, the rapid and largely unanticipated emergence of the PF, and particularly its wholesale takeover of the Copperbelt, caused shockwaves in the political establishment. Sata won 29% of the presidential vote; PF MPs won every urban parliamentary seat on the Copperbelt.⁵⁰ Minor riots occurred in Kitwe on the night the results were announced, as it became clear that Sata had failed to win the presidency. Most commentators interpreted the election not as an endorsement of the ruling party but as a rebellion against it.

Sata's angry campaign rhetoric reflected the urban electorate's concerns in a way that few Zambian politicians had attempted in the past. He intimated that a corrupt alliance between domestic political and business networks and a set of international sponsors (including foreign businesses, foreign states, and international financial institutions) was failing the country. In a country where variants of "socialism" and "capitalism" had been imposed with equally devastating results, and in which the significant winners from the latest liberalizations

appeared to be foreign investors and traders, it was perhaps unsurprising that the ideology the PF used to generate grassroots support was a slogan-heavy, ideology-light form of “populism” or economic nationalism. PF’s slogan demanded “Zambia for Zambians.”⁵¹

Renegotiating Privatization

Although the MMD managed to retain power, its response to the PF’s electoral success was to move closer to its policy positions on tax, regulation of mining companies, and labor law reform. The MMD had announced even before the elections that it wanted to renegotiate the mines’ taxation regime. Pressure on the government to act increased after the election with the publication by civil society campaigners of the secret DAs; with key documents in the public realm for the first time, media and parliamentary debate focused on the injustice of the long-term tax breaks enjoyed by the companies.⁵² The Zambian government was offered technical assistance from a number of bilateral donor agencies who felt that the DAs unfairly disadvantaged Zambia. All donors, however, insisted that any changes in the tax regime had to be agreed with the companies, respecting the principle that a contract (the DAs) could not simply be ripped up. Both sides publicly stated a willingness to negotiate. However, the companies, relying on their binding contracts, felt little need to approach the government to initiate talks, and the state seemed unclear how to proceed.

In January 2008 President Mwanawasa surprised Parliament, donors, and the companies by announcing the one thing donors and companies had insisted he avoid—the unilateral imposition of new windfall taxes on mining multinationals. The companies had believed their DAs guaranteed that massive tax incentives were “locked in”. However, in his January 2008 budget announcement, the Zambian finance minister laid out the detail of a new mining tax regime, effective from April of that year, and designed to capture a greater share of windfall profits. Parliament voted to approve the budget. Adam and Simpasa’s chapter in this volume lays out in detail how little mining revenue was making it into the Zambian exchequer before the new tax was announced and how much the windfall tax might theoretically have raised. The key political point was this: in spite of the donors’ declared preferences, in spite of the companies’ legalistic bluster, Mwanawasa demonstrated that African governments and parliament ultimately retain some autonomy of action, some legalistic sovereignty.

The announcement took the companies, donors, and the Zambian media by surprise, particularly when deputy finance minister Jonas Shakafuswa confirmed that the decision was a direct result of public pressure and announced that there would be no negotiations with the companies; rather, the new regime would be imposed through an executive decision:

Our colleagues should understand that the Zambian people are in a hurry to develop and they should not frustrate this because this decision was made by the government based on the wishes of the Zambian people. . . . So if they decide to resist these changes, they will be leaving a bad legacy not only for themselves but for all international companies. And remember, these changes are a call of the people, so if they want to frustrate this decision, then they will face the wrath of Zambian people.⁵³

Even after Zambia's Parliament announced and ratified these unilateral changes in the law, the mining companies continued to resist. They insisted on a right to "negotiate" whether they should comply with the sovereign law. As Adam and Simpasa discuss at length in this volume, the companies lobbied for a range of alterations to the scheme. Patriotic Front MP Guy Scott led the attacks on the companies, warning that if they continued to resist paying the new taxes, he would personally lead marches on their plants.⁵⁴ Outside the committees, Sata argued, "This government should be as bold as Dr. Kenneth Kaunda. We don't need to nationalize the mines but if they don't want to pay, they must get out of the country."⁵⁵

Two months after the taxes were announced, Sata stunned many of his supporters by reversing his position and writing to the government to request the abandonment of the windfall and variable taxes. In doing so, Sata appeared to overrule leading members of his own party. Nonetheless, the government welcomed an opportunity to take a step back, calming nervous company executives by clarifying that only one of the windfall and "variable rate" taxes would apply at any time. All but two companies continued to resist, refusing to submit reports.⁵⁶ The state threatened that the companies would be treated as defaulters before completely removing the windfall tax in 2009 as the world copper prices fell spectacularly in response to the credit crunch. Throughout, the preference of the mining companies was for a tax regime themed on profit rather than revenue. The Zambian Revenue Authority (ZRA) was nervous about returning to that principle in

part because the institution itself was so weak and incapable of preventing the practices of “transfer pricing” and overinvoicing to minimise reported profit and avoid tax.⁵⁷ As Mukanga put it,

Multi national corporations love profit variable taxes because it is easy for them to hide their profits through inflated costs and so forth. Simply put, the mining companies have smarter accountants than the Government. This is why the mining companies pushed for removal of the windfall tax.

The speed of change in an unstable global economy left many Governments embarrassed. In Zambia particularly, the state never seemed to get its timing right. Just after withdrawing the windfall tax copper prices bounced back from the shock of the credit crunch, copper production massively increased and opposition MPs and civil society activists again started lobbying for the reintroduction of the windfall tax. The Government resisted, proposing instead to increase revenues through an audit designed to clamp-down on false accounting.⁵⁸

They found a surprising ally in Michael Sata. By 2010, the PF President wrote an open letter to President Banda accusing the Government of having too confrontational an approach to the companies that many of Sata’s supporters still considered the cause of the country’s problems:

I am distressed to learn that your current Minister of Finance and his cohorts are pressurising the mines to capitulate to the previous government’s demands. I know this is because I can see all the investments that should be taking place and creating jobs are just not happening. I wouldn’t be surprised, if he continues down this road, to see our country launched into a very public international legal case brought about because your party doesn’t honour agreements. This will no doubt cause us to lose even more investment and jobs... Zambia needs international investors more than they need us. In order to retain and attract these investors, we must honour our agreements and also establish a stable, predictable, attractive and unambiguous tax regime.⁵⁹

Even while some of the aid donors that had pressured Zambia to adopt its extreme form of liberalization had begun to balk at the social costs of privatization, the figurehead of populist opposition of 2006 appeared to have completed his conversion to neoliberal mantra.

Moderating Anti-Chinese Sentiment

If the credit crunch disoriented campaigners for increased taxation it also transformed the discussion about Chinese investors. The strikingly negative view of Chinese investment expressed in Sata's 2006 election campaign resonated with Western analysts concerned about China's role in a new "scramble for Africa." Following a trip to the Copperbelt, right-wing British commentator Peter Hitchens summed up the radical version of that position, arguing that "China's cynical new version of imperialism in Africa is a wicked enterprise. China offers both rulers and the ruled in Africa the simple, squalid advantages of shameless exploitation."⁶⁰ Hitchens's view revealed more about Western elite anxieties about the failures of the free-market development model than the realities on the ground in Zambia. The image of frustrated Western investment potential, African passivity, and harsh Chinese exploitation can be challenged on every level.

Firstly, despite the popular image of a new "scramble for Africa," Chinese investment in Africa typically fits in around the edges of more established global firms, picking up apparently unattractive assets that Western capital investors have lacked the interest in or courage to pitch for. Secondly, as Kragelund argued, where Chinese firms can be seen to exploit African resources without contributing to the local economy, their behavior is typically best explained not as resulting from a particularly brutal mode of Chinese business, but as a typical outcome of the liberalized investment policies and deregulated institutional environments established in many countries under the tutelage of Western donor agencies. Put simply, the irony is that it was Western-imposed liberalization that created the space into which investment by Chinese state-owned companies flowed.⁶¹ Finally, the assumption that Chinese investment and corporate behavior depend upon collaboration with African state elites overestimates the power of the central state in many countries. As Lee shows in her chapter in this volume, militant worker action matters perhaps more than the attitudes of states themselves. In Zambia they have had a significant impact on the popular political consciousness and, via that, on Zambian government policy and Chinese company approaches to employment and community relations. Chinese firms are learning. Although NFCA, the first and dominant Chinese firm operating in the Zambian mining sector, made itself highly unpopular in its first ten years in Zambia, Lee argues that the firm is slowly adapting to the social and political realities that confront it.

Conclusions

It is much too soon to achieve analytic perspective on events provoked by the most recent global economic instabilities. Nonetheless, one clear pattern since the onset of the global recession has been that Chinese firms have continued to promise and deliver investment. Where Western firms pulled out of Zambia in the credit crunch, such as at LCM, Chinese investors (in the form of NFCA) stepped in and bought themselves a second company. If global financial instability represents a working out of global trade imbalances between China and the West, the Zambian government's close relationship with China may present an opportunity rather than a threat. A country long understood as the tail of a Western dog might now be increasingly wagged by a beast with better prospects of long-term health. As Lee suggests, one result of witnessing the stability of Chinese investment has been that popular criticisms of Chinese firms in Zambia have been somewhat blunted. The promise of jobs, as always, trumps concerns with corporate social responsibility, environmental impact assessments, the resource curse, and "Dutch disease." (see Adam, this volume).

The ability of these Chinese firms to "clear up" where Western investors faltered appears to reflect in part a different view of the economic world and in part different sources of credit. Whereas Western firms were funded by highly leveraged sources of short-term investment, NFCA enjoyed support from the Chinese government-owned EXIM Bank, which provides loans under non-market conditions and is flexible with regards to repayment terms. Chinese investors were thus able to convince both the Zambian government (and to an extent the wider country) that, in the case of a temporary setback in world copper prices, the company would not be forced to pack up and leave. The *Mail and Guardian* reported in May 2010 that: "Five months after restarting mining operations, they had already spent \$40-million on equipment and the rehabilitation of the plants, and CNMC President Luo Tao had promised to bring production at the mine back to full capacity."⁶²

If China is on the rise, how should we understand the relationship of Zambia to crisis-ridden Western capital? In particular, how should we understand the relationship between risk perception and investment stability? James Heartfield, writing about the collapse of industrial investment in Britain, noted,

Of course capitalist ideology tells us that entrepreneurs embrace risk. But the real record of British business is the opposite.... Risk aversion

among business leaders is their reaction to the industrial conflicts of the 1980s. The capitalist class' historic mission to revolutionize production belongs to another era. These days they prefer stability to change. It is not that entrepreneurs have given up on the pursuit of profit, just that chasing profit is an activity that is increasingly divorced from material innovation.⁶³

From Anglo onward, a series of Western investors in Zambia have shot themselves in the foot by seeking and acting as if they are in a "footloose" investment environment, rather than engaging in the long-term business of material production. The companies became so skittish about financial and political risks in particular that they failed to invest and secure maximum production and profits in Zambia when the prices were high. Western firms are typically now so heavily leveraged by exotic investment instruments that they do not have much of their "own" capital to invest. Mine managers are increasingly risk averse because their financiers are. Much of the negotiation during the windfall tax debate was driven by investors/bankers in Canada and London, not by mine managers in Zambia.

The Zambian state and Zambian people are negotiating now in a politically and ideologically chaotic situation. As we have already seen, the previously populist Patriotic Front made a dramatic swing towards neoliberalism during the financial crisis. Bizarrely, following the Western Bank bailouts, one of the first reactions of MMD politicians to the threat of mining companies sacking workers was to discuss nationalization, an idea previously thought largely discredited. The proposal disappeared as quickly as it arrived. The political instability of the ruling party, the opposition, Zambia's aid donors, and its investors is suggestive of the deinstitutionalized context of the Copperbelt. Suggestive of this crisis of meaning and legitimacy of modern institutions Negi provocatively discusses how the company operating at Lumwana has "returned" to the colonial practice of working with local chiefs to mediate disputes over land, water resources, and labor.

None of the most "powerful" actors in Zambia over the last five years appear to have reliable representative relationships with any competing interests or social movements in the country. Panicked corporate, local, national, and global elites are able to invent and reverse policies precisely because they have little accountability or responsibility and partly because no one else has enduring interests or clear proposals against which they need to orient themselves. The Chamber

of Mines is as weak and insecure as the MUZ. Both spend much of their time complaining that they do not feel listened to or respected either by the government or Zambia's donors. It is not always clear what they would say to someone who was listening.

We should not be surprised that the patterns of the past do not repeat themselves in economics or politics. One of the most striking aspects of Copperbelt life that emerged from the writing of anthropologists studying earlier booms was that optimism and confidence played a key role in transforming society. In particular, the global emergence of discourses of racial equality, modernism and self-determination interacted with the lived experience of the Copperbelt to fuel dreams of Zambia as a potential equal of the European nations, culturally, economically, and politically. The decline and collapse of mining on the Copperbelt was a long and drawn out process, profoundly eroding the confidence of individuals, families and institutions. It has also coincided with a deepening cynicism amongst 'the international community' of the ideals of modernism and industrialisation, a trend that became evident with the failure of mine privatization. The possibility of an urbanised, industrialised, even a rich country, transformed by its resource wealth was utterly eclipsed. Zambia appeared to donors in the early years of this century as a 'normal case' of African poverty. Donors and foreign NGOs paid little attention to the disintegration of the Copperbelt, focusing instead on the standard prescriptions for agricultural exports and 'poverty reduction' in rural areas. Local diplomats were taken entirely by surprise by the urban uprising represented by the 2006 election.

While Western donors, further disoriented by the collapse of their own economies seem an unlikely source of ideas for the future, hopelessness and cynicism do not need to be imported to the Copperbelt. Mususa's chapter in this book provides a clear description of the way the livelihoods of people living on the Copperbelt have been devastated over the last three decades. The death of dreams that Zambians might become equal participants in the global economy is mirrored by the state of the Zambian football league. With company-backing significantly reduced (though team sponsorship is maintained by some companies under the rubric of 'corporate responsibility'), few Zambians now attach their loyalties to a local football club. Instead, the English Premier League provides the majority of televised sports events in bars, and the shirts of Chelsea, Arsenal, Liverpool and Manchester United are those most commonly seen on the streets of Kitwe or Luanshya. Komakoma suggests that Zambian fandom serves as a reflection of

frustrated material aspiration. Fans attach themselves to teams considered successful in the hope that their ‘power’ will rub off on powerless individuals yearning for membership of the ‘Premier League’ in the world economy.⁶⁴ What hope for a revival of Zambian soccer? A vastly expensive new national stadium is currently under construction in Ndola on the Copperbelt. It is being built by the Chinese.

In a hollowed out context in which politicians, companies, donors and unions continue to look to the outside world for inspiration and encouragement, the institutional, intellectual and social bases for the rebirth of a self-confident, dynamic Copperbelt will take time to establish. In the midst of this chaotic context, the clarity of analysis offered by the contributors to this volume may help us all to orient our thoughts.

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Historical Perspectives on Zambia's Mining Booms and Busts

Miles Larmer

Introduction

What will be the long-term consequences on the political economy of Zambia of the short-lived boom in the prices of copper and cobalt, which lasted approximately five years from 2004 until 2008? For the majority of the youthful Zambian population, the boom was their first experience of a period when the mining industry, regarded as strategic to the national economy, operated as a potential benefit and not a burden. Until around 2004, Zambia had experienced almost 30 years during which its profound economic dependency on the mining industry came to be perceived as a major cause of its economic decline. During this period Zambia went from being one of Africa's richest countries, with visions of becoming a "modern," "developed" country—as illustrated in the work of James Ferguson—to one of the continent's poorest and most indebted countries.¹ The recent mining boom appeared to represent a clear break from this period, generating new and challenging questions for analysts, politicians, civil society organizations, and, most importantly, ordinary Zambians. With the onset of the current global economic crisis, it is as yet unclear whether Zambia is any better placed to cope with wild fluctuations in copper prices than it has proven to be in earlier periods. In a national economy dominated by a single product, the price of which is prone to drastic fluctuations, the question that has consistently arisen is how to ensure short-term profits made in the mining industry are converted into

long-term benefits for Zambians themselves. The historical evidence suggests that there has never been a direct or causal relationship between the fortunes of the mining industry on the one hand and the general prosperity of Zambia or Zambians on the other.

One of the ways in which we might understand some of the dynamics and potential outcomes of the contemporary mining industry's booms and slumps is through an analysis of the country's previous experience of such phenomena. The central argument, that the outcomes of mining booms and slumps are in no way predetermined, challenges two unhelpful rhetorical tendencies in the contemporary discourse in Africa regarding the impact of the recent mineral price boom. On the one hand, there is the assumption (common in popular and political discourse within Zambia) that increases in revenue earned from mining will lead to development and societal progress, while on the other, the "resource curse" argument (prevalent among international observers) presupposes that mining revenue will intensify state-based elite accumulation (otherwise known as corruption) and a loss of effective state accountability. Both positions are overly deterministic and unhelpful in understanding both the historical and contemporary realities. In practice, not only is the outcome of any mineral boom uncertain, but also the meaning of any "development" that flows from it is always politically contested; one person's development is usually another's lost opportunity.

In the late 1920s the establishment of the copper mines of what was then Northern Rhodesia transformed a colonial backwater into one of sub-Saharan Africa's most important producers of strategic minerals. The mines were not, however, consistently profitable; the global Depression of the 1930s led to a drastic curtailment of mine development and the laying off of many of the industry's recently recruited migrant workers. Demand after World War II was sustained by the post-war long boom that, except for a brief but significant downturn in the late 1950s, kept the mining industry profitable and expanding until the early 1970s. Throughout its existence, the industry and the fortunes of Zambia as a whole have been closely tied to global mineral markets and corporations—and the consequences of periodic global booms and slumps have had profound consequences for Zambia and its people. Arguments about the mining industry have consequently been central to conflict over the political direction of the nation and its colonial predecessors. In the 1950s and 1960s, those with political control over Northern Rhodesia and those who sought to gain control over it had competing visions of how the wealth generated

from mining would be utilized for contrasting “development” plans. Whereas the colonial authorities directed mining revenue to support the agricultural activities and living standards of white farmers, mostly in Southern Rhodesia, Zambian nationalists envisaged utilizing the same revenue to construct a state designed to achieve “development” for their supporters. However, nationalists were themselves divided about how to convert the country’s apparently abundant mineral wealth into sustainable development, economic diversification, and increased living standards. Their arguments and decisions regarding how to achieve this effectively dominated political discourse during the First Republic (1964–1972).

From the mid-1970s, the debate shifted to how best to manage Zambia’s precipitate decline, closely linked to the falling copper price. This cruelly exposed the failure of the United National Independence Party (UNIP) government to achieve meaningful economic diversification in the years of plenty. During the 1980s, key decisions regarding the country’s economy were increasingly made by the international financial institutions, while UNIP manipulated the mining industry for political purposes. Both tendencies generated opposition among the urban population in general and the labor unions in particular, whose base in the still-strategic mining industry provided vital organizational support for the Movement for Multi-Party Democracy’s (MMD) successful challenge to UNIP in 1990–1991. However, the MMD’s radical neoliberal policies only accelerated economic decline, leading to enforced privatization in the late 1990s.

This chapter seeks to examine Zambia’s late-colonial and (in particular) its post-colonial history to shed light on ways in which politicians and activists sought to address the challenges of boom and bust and the conflicts that arose from their attempts to do so. It examines how political conflict revolved around the appropriate usage of mining revenue, feeding into intra-UNIP conflict and contributing to the declaration of the one-party state. It explores how previous attempts to ensure national control over Zambia’s most valuable resource were frustrated by global markets. The chapter also shows how conflicts between the state and labor were shaped by the contested distribution of mining revenue in ways that influenced the prodemocracy movement of the early 1990s. Finally, it explains why previous attempts to achieve diversification of the economy have failed. Each of these factors, replicated in some respects in the recent boom, suggest that learning from recent history may usefully inform the contemporary challenge of ensuring Zambia’s mineral assets are a benefit and not a curse.

Mining Revenue and Political Conflict in Zambia's First Republic

Two of the most important related issues that emerged from the recent mining boom (and that are central to the history of Zambia's political economy) relate to the appropriate level of taxation to be applied to the mining industry and the appropriate distribution of the resulting revenue to support what has again become known as "national development." It has never been the case that mine profitability has automatically meant large revenues accrued to the Zambian state or its predecessor. From the advent of the mining industry, the vast majority of its profits flowed out of the territory and into the coffers of the international companies that owned the mines. The Northern Rhodesian colonial state received little direct income from Anglo American and Roan Selection Trust until the period shortly before independence—the colonial administration was small and marginal to development initiatives.

Generally, the late-colonial period saw a boom in developmental spending in Africa as Britain and France sought to justify their colonial possessions to an increasingly skeptical world.² Northern Rhodesia was not immune to this change, but it was evident to critical observers that the main beneficiaries of such developmental largesse were not black Africans. The establishment of the Central African Federation (CAF) in 1953 ensured that the vast majority of state revenue flowed to the Federation's capital in Salisbury and to the Federation's white settler population (mostly in Southern Rhodesia)—who were, until the late 1950s, generally envisaged as the drivers of agricultural development.³ Indeed, a great deal of the limited social services available to Africans in the colonial period was provided not by the state but by the mining companies to their employees and their families; and these were not provided out of goodwill but in response to specific demands by militant and recently unionized mine workers.⁴

Grievances arising from this particular distribution of mining wealth were therefore central to the specific shape that Zambian nationalism took in the 1950s. African nationalism in Northern Rhodesia had much in common with parallel movements across the continent—the primary demand of its leaders was indigenous control of political institutions rather than the wholesale redistribution of wealth. Nevertheless, the particular vision of African nationalists for an independent state was framed in an assumed context of mine profitability. Nationalist discourse developed in direct opposition to the Federation and mobilized support specifically around the idea of

capturing a significant share of the revenue generated by mining and utilizing it for “national development.”

On the eve of independence, UNIP (assisted by the outgoing British colonial authorities) successfully negotiated the transfer of mining royalties, which were still being paid to the remnants of Cecil Rhodes's British South Africa Company, to the new Zambian state.⁵ This cemented what became, in the initial period after independence, an effective alliance between the UNIP government and the international mining companies that would ensure expansion of the industry, with both the companies and the government taking their carefully negotiated share of what was assumed would be an ever-increasing cake of mining profits. This was the core strategy of Zambia's first development plans: the 1964 Seers Report, which set the framework for national development in the First Republic (1964–1972), envisaged that mine revenue would fund rural investment but, in accepting that the London Metal Exchange (LME) would continue to set the value realized by Zambia's copper, effectively ruled out any more radical challenge to Zambia's market-oriented approach to the sale of its minerals.⁶ There was therefore a requirement to attract foreign investment to fund development of the mines and other areas of the economy and a consequent need to ensure an attractive environment for such investment. In the words of the Seers Report, “The main interest of the companies (a safe and growing body of profits) is not incompatible with the chief concern of the Government (to be able to rely on an upward trend in revenue to finance its development plans).”⁷ The country succeeded in achieving modest economic growth and development in the years after independence, in spite of the considerable challenges that the regional context of racist settler regimes and ongoing liberation struggles provided. So long as state revenue grew on the back of the copper price and production expanded (from 632,000 tons in 1964 to 747,000 tons in 1969), the UNIP government was initially able to avoid difficult decisions, maintaining its popularity through largesse, patronage, and the funding of a significant expansion in education, health, and social welfare activities.⁸

It can be argued that what ultimately scuppered the tacit alliance between the state and the mining companies, leading to partial and then more complete nationalization of the mining industry in the late 1960s, were conflicts within the UNIP leadership generated in large part by the limited success of the ruling party in meeting the expectations of its rank-and-file supporters for the transformation of their living standards once independence arrived. These expectations arose

from the promises nationalist politicians made in mobilizing mass support for the independence movement. The UNIP archives reveal that, in much of the country, local party officials were besieged by angry complainants bemoaning the lack of real development in their villages.⁹ Such demands had a significant impact on the country's political leadership and the contestation for state power at the center.¹⁰

Faced with such pressure, many UNIP leaders, whose position rested in part on their capacity to speak for their localities in central politics, claimed in their defense that there was an unfair regional distribution of resources, which flowed from their lack of adequate representation at the national level. In the party's traditional strongholds in the Copperbelt and northern Zambia in particular, such demands were fueled by a belief that the leading role Bemba speakers played in the nationalist struggle was not being adequately rewarded and that wealth generated by Bemba-speaking mine workers was not being fairly distributed.¹¹ Ultimately, the leading Bembas' challenge at the 1967 UNIP Conference at Mulungushi—which led in the short term to Simon Kapwepwe becoming Zambian Vice President and in the long term to the breakaway of Kapwepwe and his followers into the United Progressive Party (UPP) five years later—can be traced back to both interregional competition over the distribution of government revenue funded by mining and to the populist political measures that Kenneth Kaunda adopted in response to this challenge, primarily nationalization. The motivations for nationalization have long been debated: some observers argued this was a progressive attempt to generate additional income for the state from a resistant mining industry; others have linked it to international trends toward state-dominated development via control of the economy (see Fraser, this volume). This author has argued elsewhere that Kaunda's motivations for the initial stage of 51% nationalization in 1969 were primarily driven by domestic politics—an attempt to both assuage some of the Bemba-speaking radicals who were increasingly agitating for more aggressive nationalist policies and to outflank the supposedly radical Kapwepwe, whose lieutenants wanted to challenge Kaunda for the UNIP leadership and who were busy mobilizing support for such a challenge.¹²

National Control of a Globalized Commodity

In practice, political independence and the state's new majority ownership of the mining industry did not equate to effective control over it. Nationalism and nationalization were ultimately ineffective in

controlling Zambia's segment of a global industry for which supply and demand, and the price that resulted at the LME, lay outside their control.

What lessons can be drawn from such experiences for Zambia's contemporary mining boom and bust? Frustrations at the failure to channel mineral wealth into effective development have been at the heart of recent debates around the mining industry. During the 2004–2008 minerals boom, these frustrations found clear expression in the populist rhetoric of the opposition Patriotic Front and in the debates around the Development Agreements and the new mining tax regime introduced in 2007. The specific nature of this tax regime was in some respects an attempt to overcome the “national” limitations of the Zambian state's previous efforts to gain more effective control over its principal economic resource. In particular, the windfall tax, because it was linked to the LME price, targeted the international value of copper and cobalt rather than the far lower value of these goods at the point at which they are exported from Zambian territory. The sudden and dramatic slump in mineral prices, with the onset of the global recession since the end of 2007, has, on the face of it, undermined the assumptions underlying the envisaged redistribution of wealth. The suspension of the new tax regime in 2009 was a sign of the government's willingness to accept mining companies' claims that the recession requires the creation of new incentives for them to continue their operations in Zambia.

A second major contrast lies in the nature of the contemporary Zambian political class and its relations with a very different generation of mining companies. In the late 1960s Zambia's mines were owned by RST and Anglo American, two companies that cooperated closely in their relations with the Zambian state. Some form of nationalization had long been forecast, and indeed, on the eve of independence, RST Chairman Sir Ronald Prain welcomed the Seers Report proposal that the government might take a share in the mines.¹³ For the mine companies, partial nationalization with full compensation provided increased security for their investment in a context of increasingly unstable mineral prices. As *The Economist* put it,

the shrewdest businessmen in that part of the world have argued for some time that 49 per cent stake in a business whose success is underwritten by government participation may be more valuable than 100 per cent of a concern exposed to all the political winds that blow.¹⁴

The nationalization process of the late 1960s and early 1970s did not represent the introduction of a qualitatively different economic system.

INDECO (Industrial Development Corporation), under Managing Director Andrew Sardanis, had pioneered the development of joint ventures between the state and international companies, and Western government investment agencies such as the Commonwealth Development Corporation (CDC) supported such policies. Sardanis, as permanent secretary in the new Ministry of State Participation, played a leading role in the mine nationalization process, which was negotiated with the mine companies throughout the second half of 1969, culminating in an agreement that Zambia would pay US\$178 million over 12 years, a fee widely regarded as generous to the companies at a time when a fall in international copper prices had long been forecast.

The mine companies' main concern, expressed in confidential negotiations, was that the existing system of industrial relations should not be substantially affected and that nationalization would not allow political concerns to interfere with the right of mine General Managers to manage. In 1969 senior managers of both companies were "assured there would be no interference with the operation of the mines as a result of the Government shareholding."¹⁵ Sardanis later made a "[c]ategorical statement that takeover of mines was between Government and shareholders only, and would not affect employees, management and running of mines at all."¹⁶ What UNIP claimed represented "popular participation" in the ownership and administration of the mines equated in practice with the appointment of senior government and union officials to the boards of the new holding companies. Kaunda became chairman of Zambia Mining and Industrial Corporation (ZIMCO), with Sardanis as its Managing Director. The Mining Development Corporation (MINDECO) was established as a subsidiary of ZIMCO to be the holding company for the government's interests in the renamed mining concerns.

Mine nationalization was part of a series of developments in the late 1960s and early 1970s that appeared to secure UNIP's control of Zambia's economic and political life. In retrospect, however, nationalist interventionism was unable to address Zambia's marginalization in the context of an increasingly unstable global economy. The introduction of the one-party state in December 1972 was closely followed by international economic and political developments over which the ruling party could have no control and which had a decisive impact on the country in the long term. The major rise in global oil prices from the end of 1973 and the subsequent worldwide recession led to a severe and long-lasting decline in international metal prices. Having steadily risen in the 1960s and fluctuated in the early 1970s, the

copper price peaked at £1,400 per ton in April 1974 before collapsing in 1975 to £500–£600 per ton. Copper values never recovered in real terms until the boom of the first decade of the twenty-first century (see figure 1, p. xv).

Zambia's prominent position in the regional wars of national liberation against white settler colonialism multiplied its economic woes. Zambia sought to reduce its dependence on and integration into mineral export routes controlled by its regional enemies, particularly Rhodesia. In January 1973, Rhodesia sealed its border with Zambia, a closure that Zambia subsequently enforced until 1978 and which substantially added to the costs of copper exports. The Angolan civil war and the resultant closure of the Lobito railway (a key mineral export route) in 1975 was a devastating blow to the wider Zambian economy, not significantly alleviated by the opening of the new Chinese-built TAZARA (Tanzania-Zambia Railway) route to Dar es Salaam the following year. Private manufacturing and construction companies closed or substantially reduced production: 20,000 jobs were lost in 1976 alone. Foreign exchange reserves fell by 80% in 1976.¹⁷ The kwacha was devalued 20% in July 1976. Zambia substituted for the lost copper revenue by international borrowing, initially via the burgeoning Eurodollar market and, when commercial debt could not be repaid, from Western donors and the International Monetary Fund, with which Zambia signed its first standby agreement in May 1973.¹⁸ Job creation and economic diversification envisaged in ambitious, but increasingly unrealistic, development plans were not achieved.

Notwithstanding UNIP's policy of economic self-reliance, the falling copper price starkly demonstrated Zambia's inability to reduce its dependency on the international economy, into which it was integrated solely as a supplier of a single raw material. The chairman of Roan Consolidated Mines (the former RST) noted in 1977, in terms familiar to a contemporary audience, that

The consumption of copper is one of the most sensitive and significant indicators of world industrial activity, and the failure of the industrial nations to stimulate the world economy has led to an immense stockpile in warehouses of unsold copper. This now stands at just over two million tons, while new mines, planned in better days, are coming into production only to increase [supplies to] the already over-saturated market.¹⁹

Zambia's attempts, via the Intergovernmental Conference of Copper Exporting Countries (CIPEC), to prop up the international copper

price by agreed cuts in production, failed in 1974 when Chile resumed full production. CIPEC, created in 1967, represented an important attempt by major non-Western copper producers (Chile, Zambia, Congo-Zaire, and Peru) to influence the price of copper by managing supply, on the model of OPEC.²⁰ Unlike OPEC, however, CIPEC member states controlled less than 60% of world copper trade and less than half of identified reserves. Major producers such as Canada did not join, and in contrast to the Arab oil states that formed the core membership of OPEC, CIPEC members (despite their broadly “third worldist” outlook) did not in practice act in a concerted manner; the short-term imperative to earn revenue outweighed the long-term need to manage supplies. This was in large part because copper, unlike oil, operates in a context of relatively elastic demand, in which high prices prompt the substitution of copper with aluminum or plastics.²¹

UNIP attempted to compensate for its evident lack of control over the global value of its primary natural resource with an increasingly interventionist approach to the national economy. Kaunda unexpectedly announced the redemption of the bonds held by the international mining companies in 1973, repudiating their contracts for management and marketing. This was justified as a radical step toward local control, although it has been suggested that the decision was designed to benefit particular international businesses with links to UNIP leaders.²² Although the redemption was publicly justified as necessary to end the flow of foreign exchange abroad, additional foreign borrowing was necessary to redeem the bonds, which simply shifted the debt to the commercial lending market. Minister of Mines Andrew Kashita assured London metal marketers that the changes would have no impact on the commercial relationship with the mine companies:

Arrangements were to be made so that senior staff of the present metal marketing Companies in London would in future work for Memaco and customers would find that they were largely dealing with the same people, “but with a different label over their heads.”²³

In 1974, as part of the Zambianization process, the mine companies appointed their first Zambian Managing Directors (MDs), with Wilson Chakulya being appointed MD of Nchanga Consolidated Copper Mines (NCCM), the mines formerly owned by Anglo American). Day-to-day control, however, continued to rest with division General Managers, who ran their mines with a great deal of autonomy; in this respect, Zambianization did not qualitatively

affect the mines' labor and environmental policies. However, declining foreign exchange earnings, resulting from falling copper prices, severely hampered the mines' capacity to purchase necessary inputs. This was one of the main causes of a severe fall in mine productivity during the 1970s. The mine companies, like the state, steadily accumulated large and, retrospectively, unpayable debts. In 1978 the government increased its shareholding in the mine companies to 60%, which effectively represented a substantial state loan to the financially troubled NCCM.

The inability of Zambia to protect its national asset from external control became increasingly clear. The merger of the existing nationalized mine companies into the single Zambia Consolidated Copper Mines (ZCCM) in 1982 was driven in large part by the World Bank, which provided major loans to the new corporation, conditional on extensive job cuts. The need for increased workplace discipline was emphasized; an appeal was made to mine workers to avoid wildcat strikes.²⁴ The prominent role of the World Bank was spelled out to the mine workers' union:

[T]he performance of the Mines in the next five years was of crucial importance both to the Company and the Nation as a whole.... The World Bank had people going round our Divisions checking on how we were implementing the various measures we had pledged to implement. Any shortcomings were being reported back to the World Bank.²⁵

In practice, however, the establishment of ZCCM created greater opportunities for the political manipulation of mine revenues. Foreign currency borrowed by ZCCM funded politically prestigious projects and luxury consumption by senior politicians.²⁶

With the return of mining profitability around 2005, the Zambian state was again faced with the challenge of achieving more effective control over its single strategic industry and the companies that controlled it. In comparison to earlier negotiations, the actions of Zambia's Ministry of Finance and National Planning, as well as the significant role the National Assembly's Economic Affairs Committee played in negotiating with the mine companies over the increase in taxation, demonstrated a far greater expertise and awareness of the limitations of state intervention than occurred during the nationalizations of the late 1960s and early 1970s. Compared to the consistently unified positions adopted by the effective cartel of Anglo American and RST, the modern mining companies (with their diverse origins

and capital composition) were publicly divided in their reactions to the mining tax proposals, enabling the government to play them against each other with some success.

It remains to be seen, however, whether the Zambian government can effectively utilize these strengths in the more challenging contemporary economic situation; the reversal of the increased tax regime was not a positive sign. However, the election of 2008 demonstrated the continued appeal of resource nationalism, articulated in the Patriotic Front's brand of populism—despite the party's internal divisions, it again came close to defeating the ruling MMD, demonstrating the continued unpopularity of the mining companies and popular support (in urban areas at least) for measures designed to ensure greater control over their activities. An important part of the context for this is the collapse of international support for neoliberalism in the wake of the global banking crisis and the evident willingness of Western governments to intervene in their domestic economies, through protectionism and even nationalization if necessary. The new MMD government under President Rupiah Banda, himself a veteran of UNIP governments of the 1970s, has shown some willingness to intervene—suggestions in January 2009 that the government might prop up or even nationalize ailing mining companies during the slump were indicative of how much the ideological context has changed in the last few years. However, the limited effects of Zambia's previous efforts to bring its globalized mining industry under effective national control should inform such policy debates.

Labor, Mining Communities, and the Distribution of Spoils

Throughout Zambia's history, the country's distinctive urbanity and consequent social and political structure have shaped, and been shaped by, debates about the distribution of the benefits of the mining economy to a number of interrelated communities: the mine workers and their families; the wider Copperbelt, rural areas linked by kinship and migration to mining communities; and the nation as a whole. The riots and unofficial strikes of 1935 and 1940 were a powerful challenge to the mining companies' capacity to extract revenue from Northern Rhodesia. The managed introduction of trade unionism in the late 1940s was an attempt to depoliticize sectional wage negotiations, but

legalized labor organizations, particularly the African Mineworkers' Union (AMWU), established in 1949, consistently posed their demands in ways that linked the vast profits of foreign-owned mining companies generated in the post-World War II economic boom to questions of self-government and democratic accountability in the 1950s. Indeed, nationalist opposition to the Central African Federation (CAF) in Northern Rhodesia was framed in terms of resistance to white settler control of the territory's mining resources.

By the early 1950s, the colonial authorities, the mining companies, and African nationalist organizations identified the AMWU's proven capacity to use industrial action to achieve significant improvements in wages and living standards as a powerful political weapon that needed to be controlled and/or harnessed for political ends. However, mine workers, though consistently supportive of broad nationalist aims and in the forefront of anticolonial political activity, resisted the sublimation of their organization to the priorities of nationalist parties. Indeed, as independence approached in the early 1960s, tensions arose as UNIP sought to gain control over the mining unions, with UNIP portraying the unions as unpatriotic and "apolitical." Henry Meebelo, author of the most detailed history of colonial labor relations, articulated UNIP's position:

[T]he AM[W]U, the wealthiest, the best organized and the most powerful African trade union in the country was, for all its might and its strategic position... apparently too inward-looking to play the rightful political role against colonial exploitation and oppression.²⁷

The stage was set for a wave of confrontations in the immediate post-independence period as mine workers sought what they regarded as fair compensation for their labor. UNIP sought to frame debates over the utilization of mining revenue in the national development discourse suggested by the Seers report, which suggested that the central danger was not the continued profits of the mining companies but rather rising mine workers' wages, threatening the accrual of income to the state. Seers stressed the need to control wages in order to channel funds into development. UNIP's attempts to do so resulted in a wave of wildcat strikes, as organized workers sought to realize the rewards they believed would result from their leading role in the independence struggle. Mine companies and the state worked together to curtail and suppress the demands of mine workers, who were viewed as "wage setters" for the wider labor force.

Union leaders framed their wage demands in relation to the international industry in which they worked and its capacity to pay high wages to expatriate workers. The mine companies argued that black Zambian wages were already among the highest in sub-Saharan Africa and

explained that expatriate and local rates had to be based on quite different principles. Expatriates had to be sought in the world market and offered an inducement to leave their home countries and accept temporary employment in a foreign land.²⁸

In contrast,

The Union representatives explained that they...had been guided mainly by the rates previously paid...to expatriates. In their view the Companies' proposals made too wide a gap between expatriate and local rates and to some extent this gap should be bridged.²⁹

The union made wider arguments explaining why such claims were fair:

African Workers...contribute, and indeed have contributed greatly to the country's economy. The unfounded fears by the Mining Companies that paying Africans 75 to 80% of the expatriate earnings would disrupt the economy of the country must be discarded in favor of improvements in the earnings of the local workers. This will have a two-fold result:

- (a) Increase in the African purchasing power to the advantage of the industries which will create local markets for perishable products. At present the African only contributes to the growth of the industry by man power and very little by economic purchasing power.
- (b) The African will improve his standard of living like non-Africans within the country.³⁰

Although the union ultimately accepted the mining companies' 1966 pay offer, mine workers themselves rejected the agreement and began an unofficial Copperbelt-wide strike. Kaunda appealed to mine workers' sense of patriotism, unintentionally reinforcing their self-importance:

As you are all aware, the mines are the economic lifeblood of the nation and the wealth produced by the mining industry is vital in the struggle

against ignorance, poverty and disease. For those reasons I now ask you all to go back to work immediately.³¹

During a subsequent Commission of Inquiry, the mine companies cited the government's policy of wage control to justify their position. The commission nevertheless recommended a 22% wage increase for all African miners as a step toward the achievement of African wages equivalent to two-thirds of expatriate wages.

This outcome increased the government's urgency in achieving control over mine workers. When a process led by the Ministry of Labour established the new Mineworkers' Union of Zambia (MUZ) the following year its new President, David Mwila, utilized a nationalist analysis to equate mine workers' interests to those of Zambia as a whole:

To day [*sic*] in the new world it is a duty for every true Trade Union leader to comply with the national development....higher productivity is not an end in itself but a means of Social Progress....It is therefore in the interest of a working class, particular[ly] of a developing country like Zambia that the national wealth should be boosted so that they can have a larger share of the national cake.³²

When Kaunda announced the nationalization of the mining industry, he claimed it would create a "classless society" that would allow ordinary Zambians to control their economy.³³ This had important consequences for industrial relations:

The State...holds industrial investments, not for its own good, not merely for the good of those directly employed in the State enterprises, but for the benefit of Zambians everywhere. Thus, for a union to push a claim against the State is to push a claim against the people.³⁴

Burawoy rightly argued that "the proposed nationalization...cemented [the companies'] co-operation and identification with the Zambian government, giving them much greater security if faced with opposition from...their black labour force."³⁵ Nationalization aimed to increase both the effective control of strategic mineral resources and the human resources vital to their exploitation.

Ordinary mine workers, however, did not accept this framework of nationalized industrial relations. Indeed, unrest increased after a new agreement, signed in 1970, once again failed to deliver equal pay with expatriates.³⁶ Grassroots frustrations at the failure of the MUZ to articulate mine workers' discontents led to the emergence of a

dissident leadership; in 1971 rank-and-file representatives threatened a new strike to oust the MUZ leadership. Fifteen dissident leaders were arrested and restricted to their home villages, while 100 striking workers were arrested and released only when they agreed to return to work. The grassroots mine workers' movement was successfully suppressed and the incumbent MUZ leadership defended. Their position was further entrenched with the declaration of a one-party state in 1972.

It was, however, the international decline of copper prices in the mid-1970s that led to a substantial decline in the levels of industrial action in Zambia's copper mines. Mine workers' awareness of the parlous state of their globalized industry forced them to restrict pay demands. As the copper price stagnated and then declined rapidly from 1975, conflict between mine workers and the state instead focused on the latter's utilization of the foreign exchange earned by the mining industry. By the early 1980s, copper mining, although unprofitable, was the only significant source of foreign exchange that the state-based elite utilized to support prestige political projects and its own patterns of consumption. The leaders of the Zambia Congress of Trade Unions (ZCTU), Newstead Zimba and Frederick Chiluba, criticized this emergent state capitalist class. Though consistently declaring their political loyalty to UNIP and Kaunda, they reserved the right to represent and publicly comment on the "industrial" interests of the labor movement. At a stage removed, these leaders reflected discontent among urban workers with the rising cost of living and shortages of essential commodities.

In its battles with organized labor, UNIP portrayed itself as the representative of national interests. In the early 1980s, UNIP sought to reduce the amount of mine revenue spent on the mine workers' communities. This resulted in a major conflict over the integration of the mine townships, previously managed by the mine companies and overseen by Mine Township Councils directly elected by mine workers themselves, into District Councils, in which UNIP members indirectly elected councilors.³⁷ Within days of the elections, the entire Copperbelt mine workforce went on strike in protest.³⁸ The local government strike was quickly followed by two other major disputes over food supplies and skilled mine workers' perennial demand for equal work for equal pay.

Following these events, the Zambian labor movement was increasingly recognized as the de facto political opposition to UNIP.³⁹ In the 1980s the ZCTU moved from cautious critic to active opponent of the one-party state. The labor movement criticized the increasing role

of the international financial institutions (IFIs)—the International Monetary Fund and the World Bank—in the management of the Zambian economy, as well as the close relationship between multinational capital and state-owned corporations. This analysis found widespread resonance among the urban Zambian population, particularly mine workers, whose own pay and conditions were threatened by a tacit alliance of the ruling party, the nationalized mining industry, and the IFIs. As the economic crisis worsened, as industrial action proved insufficient to prevent falling living standards, and as state intervention in their industry and union increased, mine workers came to believe that only political change could address their declining situation.

In 1986 Chiluba condemned the IMF for putting African governments on a collision course with their peoples and warned against the proposed removal of food subsidies.⁴⁰ Nevertheless, in December 1986 the removal of subsidies led to a doubling of the price of mealie meal, sparking widespread looting and rioting in the Copperbelt mining towns.⁴¹ In the wake of the riots, Chiluba claimed further concessions to the IMF would make the rich richer and poor poorer. Zambia, he declared, was the only “socialist” state implementing monetarist policies.⁴² The rioting, in which 15 people were killed, led to the immediate restoration of food subsidies and played a significant part in the government’s decision to break off cooperation with the IMF in May 1987.⁴³ This reversal of government policy revealed the one-party state’s vulnerability to popular pressure and encouraged opposition to it. In the late 1980s many local MUZ leaders organized underground political opposition to UNIP, meeting secretly with other activists to discuss how to remove UNIP from power.⁴⁴

In December 1989 Chiluba became the first prominent figure to publicly declare that Zambia should consider the reintroduction of a multiparty political system.⁴⁵ Kaunda conceded a referendum on multipartyism in May 1990 but argued that it would reignite tribalism.⁴⁶ In June donor pressure again led to the removal of food subsidies and the doubling of the mealie meal price.⁴⁷ Riots and a coup attempt followed, further encouraging overt political opposition. In August 1990 the unregistered multiparty movement held its first rallies in Copperbelt towns, with Chiluba the most prominent speaker.⁴⁸ Mass rallies, enabled by the use of union resources, helped prevent the movement’s suppression during its period of ambiguous legal status.⁴⁹ Kaunda initially postponed the planned referendum and then declared that Zambia would hold multiparty elections in 1991.⁵⁰

Mine workers, like other Zambians, voted overwhelmingly for the MMD in the 1991 elections, expecting that it would begin to address the radical decline in wages and living conditions they had experienced during the 1980s. This was based in part on the prominent role that the labor movement as a whole had played in the MMD and was reinforced by their participation in illegal underground political opposition and subsequent MMD organization on the Copperbelt. This participation, however, was not reflected in the effective representation of mine workers' interests in the MMD. The labor movement did not seek a direct influence over MMD policy making and had no explicit ideological basis or program of demands to inform its relationship with the new government.⁵¹ Their experience of, and discontent with, state economic control and the particular relationship with both international capital and international financial institutions that this entailed led them to accept MMD pledges that the removal of state intervention would improve salaries and living conditions, for themselves and other Zambians. For the first time in 40 years, mine workers lost their autonomous analysis of how international economics shaped their capacity to meet their aspirations, placing their hopes instead in their new national government.

It is clear in retrospect that the union movement was weakened by its close relationship with the MMD and President Chiluba in the 1990s. With amendments to labor legislation in 1993 and 1997, the ZCTU lost its legal monopoly over union affiliation, while the Commissioner of Labour retained substantial powers over union registration. Most strikes continued to be illegal, and the police retained powers to arrest those encouraging workers to strike.⁵² Privatization and the implementation of civil service "reform" reduced union membership from a peak of 358,000 in 1990 to less than 240,000.⁵³ The union movement's disarray, particularly over its policy toward privatization, culminated in a split in the ZCTU in 1994, with four major unions including the MUZ breaking away. Three of these rejoined in 1999; in the context of increasing popular disillusionment with the MMD, the union movement recovered some of its former autonomy and militancy, albeit with a greatly reduced influence. This was reflected by an increasing number of public-sector strikes in the early twenty-first century challenging deteriorating pay and conditions and the non-payment of terminal benefits to retrenched workers. The ZCTU, meanwhile, became increasingly critical of structural adjustment policies, producing a survey of their impact in Zambia.⁵⁴

Membership of the MUZ was similarly decimated, both through retrenchments by ZCCM in the 1990s and further job cuts by the new owners of the mines after privatization. Having peaked at around 60,000 in the late 1980s, MUZ membership fell to a low of 15,600 in the early twenty-first century.⁵⁵ The ineffectiveness of MUZ leaders, and the widespread belief that some of them took bribes from privatized mining companies, led to the establishment of the breakaway National Union of Miners and Allied Workers (NUMAW) in 2004.

Today union organization is evidently far weaker than in the 1950s and early 1960s. However, the recent boom saw signs of a modest recovery, with membership of the MUZ reaching 27,000 in 2008.⁵⁶ NUMAW claims approximately 10,000 members, although because mine workers regularly move from one union to the other, exact membership is hard to determine.⁵⁷ There has also been a significant rise in industrial action, with wage demands again being framed in relation to LME copper prices as they rose from 2004 onward. For example, in July 2005, workers at Konkola, Nchanga, and Chambishi mine struck to demand higher pay. As so often in Zambian history, the strike was unofficial and violent; although the MUZ appealed to its members to return to work, striking workers passed a vote of no confidence in both unions and elected a local leader of the dispute.⁵⁸ The leader of the Patriotic Front (PF) party, Michael Sata, seeking to mobilize electoral support among current and former mine workers, utilized their history of industrial militancy. Sata declared, "What has happened at KCM is just the tip of the iceberg. PF will bring back the same militancy that existed in the mine unions during the days of the late Lawrence Katilungu and Justin Chimba."⁵⁹ Electoral support for PF in the 2006 and 2008 elections was based on Sata's articulation of the perceived maldistribution of mine profits among mine workers and their communities. However, the end of the boom appeared to lead both government and opposition parties to return to a tacit alliance with the country's mining investors, a circumstance that has not apparently altered with the recovery of the LME copper price.

Nevertheless, the recent and short-lived return to mine profitability brought back memories of the union's militancy in earlier periods of boom. It may be that the more enlightened of the new mining companies will, like their predecessors, come to see effective union structures as a strength rather than a weakness, providing an outlet to relieve pressure and acting as a restraining influence on rank-and-file workers. The capacity of unions to play a significant role rests,

however, on their willingness to draw links between the profits made by international mining companies and their members' salaries and (like their predecessors) on being prepared to act to advance their interests. To date, the leadership of both MUZ and NUMAW has done little to reflect the enduring discontents of mine workers with the distribution of wealth generated by their labor. Historical precedent suggests that, if an effective challenge to the current distribution of wealth emerges, it will come not from union leaders but from the rank and file.

Mining Booms and the Funding of Diversification

Zambia's periodic experience of mining booms and slumps has also shaped the country's particular relationship between urban and rural populations, areas, and identities. Zambia's unusual early (in comparative African terms) urbanization was shaped by the growth of the Copperbelt in the 1930s and 1940s and reinforced by the stabilization of African labor in the late-colonial period. Migrant and then relatively settled Copperbelt residents were the subject of intensive sociological study by the Rhodes-Livingstone Institute in the 1950s, which identified them as representing a new type of urban "modern" African.⁶⁰ A significant debate has subsequently taken place regarding the extent to which this analysis reflected the material realities of Zambia or simply the modernist imaginings of Western intellectuals.⁶¹ Later writers have demonstrated that the extent of urbanization in Zambia (and elsewhere in Africa) has been significantly overstated, in part because it did not take into account cyclical migration between town and village.⁶² Copperbelt Zambians, while developing distinct urban cultures and outlooks, were never separated in any meaningful sense from their rural kin and areas of origin: indeed, what really defined Zambia was not urbanization per se but the dynamic exchanges between town and village that it enabled—in terms of people, resources, ideas, and opportunities—and that continually reshaped both urban and rural areas. Nevertheless, the perception that Zambia was a highly urbanized (or overurbanized) country (whatever the material reality) was important in shaping urban Zambians' sense of identity.

In addition, the elite's fear of uncontrolled urbanization became a major theme in the country's post-colonial political discourse. From independence, UNIP adopted the antiurban rhetoric of Rene Dumont, arguing that "authentic" development was that which took place in rural areas and replicating colonial anxieties regarding the dangers

of urban migration.⁶³ A major preoccupation of UNIP was the post-independence influx of Zambians into urban areas. The removal of colonial population controls and the failure to achieve substantial rural development led to a significant growth in the urban population and the establishment of unofficial settlements, at a time when there was already little growth in private employment opportunities (virtually all new jobs were in the state sector: public-sector employment rose from 22,500 in 1964 to 51,000 in 1969).⁶⁴ Policy statements warned of the dangers of a highly expectant new urban population unable to find jobs or economic opportunities. Kaunda repeatedly emphasized the need for people to remain in their villages and not to be attracted by the “bright lights” of the towns. His ideology of Humanism suggested that the authentic Zambia was that of villagers and agricultural production. Consistent appeals were made for the unemployed to go “back to the land” and a range of initiatives, such as the Zambia Youth Service, were introduced to provide skills training in agriculture. Although this mirrored a colonial anxiety about potential urban unrest, UNIP was unable and/or unwilling to impose effective influx controls, although there were periodic crackdowns on shanty-town dwellers and informal traders in Lusaka and other urban centers.

One answer to this urban influx was to channel development spending into rural areas. Although Seers acknowledged the need to diversify the economy to overcome dependence on copper, he argued that there was an initial need to increase investment in the copper mines in order to earn the foreign exchange required to fund this diversification. This inevitably restricted the level of investment in rural development in the decade after independence, when mine revenue was available for this purpose. Theoretically, rural development would make commercial agriculture a potentially attractive way of life for Zambians who would otherwise migrate to the towns. While the copper price remained high, some funds were channeled into loans for emergent farmers to boost production. This expenditure did not, however, provide the basis for self-sustainable economic development. Agricultural loans were treated as non-refundable rewards for political support and were the subject of corrupt manipulation by prominent national politicians.⁶⁵ A series of rural credit schemes, which served in practice as a form of UNIP patronage, collapsed from the non-repayment of loans. The Credit Organization of Zambia (COZ), established in 1966, was declared bankrupt in 1969 for this reason.⁶⁶ The Grain Marketing Board operated (as in the colonial period)

primarily to ensure the production of affordable food for urban areas rather than to build a sustainable rural economy.⁶⁷

UNIP policy toward rural areas lacked any coherence or consistency. Government policy initially supported rural cooperatives, but these did not receive consistent support, and many had ceased to operate by the late 1960s. Policy then switched to encouraging the growth of small African commercial farmers, but this was hampered by the fact that the most prosperous farming area, Southern Province, was also a stronghold of the opposition African National Congress. As Gertzel et al argued, "Access to loans, licences, employment opportunities and the early emphasis on agricultural co-operatives favoured local U.N.I.P. officials and strong U.N.I.P. regions."⁶⁸ Rural farmers remained significantly poorer than farmers along the line-of-rail, who had easy access to urban consumer markets. In practice, UNIP was unable to convert mine income into significant and sustained rural development. Agricultural exports remained stagnant, and domestic food production struggled to keep pace with the growing population. The government was forced to import maize in the late 1960s, using valuable foreign exchange resources.⁶⁹ With economic decline in the mid-1970s, the resources available to the UNIP-dominated state to direct to rural areas, whether as developmental aid or in the form of political patronage, were drastically curtailed. In the late 1970s and 1980s, the need for economic diversification was repeatedly stressed in Kaunda's rhetoric and in increasingly unrealistic development plans, but the state's capacity to address the issue had substantially declined.

Despite this failure to achieve any sustained diversification of the economy, the rhetoric of rural development (supported by various expatriate development advisors) remained a central theme in appeals to control urban wages, based on the nationalist-developmental assumption—not backed by any economic analysis—that wages not taken in urban areas would somehow find their way into rural investment. This policy ignored the fact that urban wages remitted to relatives, particularly from the Copperbelt, provided a substantial source of investment in commercial ventures in rural areas. For example, relatively prosperous mine workers channeled significant remittances to their areas of origin, arguably achieving significantly more rural development in those areas than the government did during the same period. Mine workers and the wider urban population commonly believed that the revenue their labor generated ended up in the pockets of state bureaucrats and formed the basis of party patronage, while doing nothing to reduce the poverty of their rural kin.

There is here a wider question about whether states can really play a successful role in bringing about economic diversification and sustainable development. Despite the general failure of UNIP to achieve agricultural development, and the attempt of the Chiluba administration to absolve itself of responsibility for economic activities, it is striking that many Zambians hold to the idea that it is the responsibility of the state to at least coordinate the achievement of sustainable development, however that is defined. It is widely believed that if previous governments have failed to achieve this, it is not because states are incapable of doing so but rather that their political leaders did not have the national interest at heart.

Nevertheless, the historical evidence strongly indicates that there is no inevitability that additional revenue earned by the mines will enable either economic diversification or rural development. Additional income flowing to the state can simply feed the growth of that state and its potential for patronage if there is no effective democratic accountability or control over those funds. It remains unclear whether Zambia's democracy has developed sufficiently to enable a popular debate over how mine revenue will be utilized that does not degenerate into ethno-regional conflict. What is clear, however, is that, historically at least, effective rural development tends to be sidelined in periods of mining profitability. Here is the irony: in periods of prosperity, diversification is rhetorically emphasized but not acted upon because the state's requirement for revenue is satisfied by income from the mining sector. In periods when mines are unprofitable, there is a greater urgency in attempts at diversification, but the means to achieve it are not available.

Conclusion

This chapter has argued that the outcomes of fluctuations between mining booms and busts are not predetermined. Historical evidence suggests periodic increases in mining profits have created heightened competition for the distribution of that revenue between distinct actors in Zambia's highly unequal and uneven society, an unevenness shaped in large part by the country's distinctive identity as a mineral-rich post-colony that has struggled to establish a meaningful autonomy from the market tyranny of the London Metal Exchange. The high copper prices of the 1950s were seen by white settlers as their source of a good colonial life, but they also enabled African nationalists to imagine a very different outcome—the industrialized country

in the heart of Africa with living standards to match those of Europe. The early 1960s saw a victory for a particular nationalist vision of a politically independent Zambia, but the achievement of meaningful economic independence proved harder to attain. Contestation over mine revenue and the promise it held for prosperity and development continued within Zambia, between different regions of the country, between different classes, between rural and urban areas, and between different political parties and factions of the one-party state. This contestation declined and became less important in the 1980s and 1990s, during a period in which Zambia's mines came to be seen as more of a liability than a resource. However, the historic importance of the mining industry provided the basis for the urban-based, union-led challenge to UNIP rule in the form of the MMD.

During the recent boom, many of the older questions regarding the utilization of mine revenue for development and how to balance the aspirations and demands of different actors—mine companies, mine workers, communities, and the state—were again raised in new forms. The current slump does not mean all those questions have automatically disappeared; the collapse of international neoliberal orthodoxy, particularly in the West, has created considerably greater space for policy makers and civil society to raise neodevelopmentalist and social democratic formulations.

What is specific to the contemporary context is that Zambia is more of a *functioning* democracy than it has ever been. As we have argued elsewhere, this is not primarily the result of the adoption of formal multiparty democracy in 1991 and not at all a reflection of donor pressure for political accountability, as some might believe.⁷⁰ It certainly results in part from the achievement of debt relief in 2005, which has enabled national politicians to at least consider the possibility of setting their own development agenda in a way that—in a context of structural adjustment, indebtedness, and aid dependence—has been effectively unthinkable for much of the last 20 years. More than anything, however, it reflects a popular political aspiration, which developed in the Copperbelt in the 1940s and 1950s, spread to the wider rural and urban population, and has survived both one-party authoritarian rule and economic liberalization—that the Zambian people should be the primary beneficiaries of the country's internationally significant mineral wealth and that they must be prepared to act politically to ensure such a circumstance is brought about.

The recent mineral boom—taking place as it did in a context of a competitive electoral system, an increasingly free media, and a

society in which such a discourse can be fairly openly expressed—provided at least the opportunity for such aspirations to be raised, and it is likely these will continue to be articulated even in the context of the current slump. What happens next will undoubtedly be determined in part by the actions of the international mining companies and LME traders, reflecting as they do the vagaries of the international economy. Politicians and state officials may likewise seek to evade such questions or alternatively play upon them in forms that increase interregional and ethnic tensions. But the Zambian people will also have a significant say in determining whether the country's recent boom and slump result in some form of meaningful development or simply economic growth and decline alongside sustained poverty.

Notes

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57. Interview, Goodwell Kaluba, general secretary, National Union of Miners and Allied Workers, Kitwe, Zambia, May 28, 2008.

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The Economics of the Copper Price Boom in Zambia

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Introduction: The Economic Challenge of Managing Copper Wealth¹

Ever since the discovery of extensive copper reserves in the 1920s, the same challenge continues to confront Zambia: how to convert this natural wealth into an equitably distributed and sustainable flow of resources to the citizens of the country. This raises questions of how to support employment and growth in the non-mineral economy and how to do so without destroying the incentives for mining exploration and production.² These are profoundly difficult challenges.

First, despite being major producers throughout the twentieth century, the Zambian mining companies have never been large enough to exert market power; they have always been price takers in the global market, a market that is very difficult for small producers (see figure 1, p. xv). Historically, war and global investment booms—particularly real estate booms—have driven the demand for copper, which means that world copper prices tend to be much more volatile than many other commodity prices. Outside the long armaments-driven boom from the 1930s to the 1960s, price booms have tended to be relatively short lived. Cashin and McDermott, for example, estimate the half-life of mineral booms to be less than four years.³ Local supply factors often exacerbate price volatility emanating from global demand factors. Copper mining is capital intensive, particularly in underground mining regions such as Zambia. Uncertainty about future prices and

the cost of production—reflecting a complex local geology combined with the substantial costs incurred during exploration activities, environmental legacies, and geographical isolation—creates conditions in which it rewards private investors to hold off large-scale and costly investment until prices move substantially above their long-run average.⁴ This so-called “option to wait” creates the effect of a “feast-or-famine” pattern to investment, which is uneven over time and strongly procyclical at both the local and global levels.

Second, outside of the enclave mining sector and its immediate local economy, Zambia suffers from many of the disadvantages of the resource-scarce, landlocked economies of Africa: it is a long distance to key export markets; the domestic population density is low, which reduces domestic market size and raises the cost of delivering public services; and it suffers from an unpromising neighborhood.⁵ The priorities for development, then, are twofold. The first is the penetration of regional exports where possible, and the second is the development of activities either that are not distance critical (such as e-commerce) or that can exploit other natural advantages (such as horticulture, tourism, and, increasingly, time zones for back-office processing for corporate clients to the west and the east). The common theme is that all elements of this strategy require the provision of complementary inputs—in the form of physical infrastructure in transport, power, and communication networks; in terms of a flexible and well-trained skilled labor force; and in terms of a strongly export-oriented trade policy.

Third, the intrinsic geology of mining in Zambia makes it a high-cost producer dependent on an import- and capital-intensive technology. Combined with a less-than-advantageous geography, this has meant that not only does the sector have weak market links to the rest of the economy, but the potentially taxable economic rents from mining—the flow of value that could potentially be consumed or reinvested elsewhere in the economy—are limited on average. Only in particularly good times does the sector generate potentially transformative economic rents, but then policy makers are confronted with the well-known range of problems associated with ensuring that large resource inflows do not inflict long-term damage on the non-resource sectors of the economy.

Price Booms and the “Dutch Disease”

Income windfalls, be they from natural resource discoveries, commodity price booms, or even aid surges, are remarkably difficult to

manage well. Most directly, the strengthening of the local currency that will inevitably accompany the windfall undermines the international competitiveness of the non-windfall sector of the economy, resulting in a very unbalanced pattern of prosperity, a process often referred to as the “Dutch disease.”⁶ Exporters find it difficult to compete in international markets, while domestic producers find it increasingly difficult to compete against (now cheaper) imports. The collapse of export agriculture in Nigeria from the early 1970s following the discovery of oil in the Niger Delta and indeed of manufacturing in the United Kingdom in the early 1980s as North Sea oil revenues surged are two high-profile examples of the Dutch disease. In aggregate, the economy gains—but at the expense of key sectors. If, as is often the case, these sectors are politically important or are key inputs to long-run sustainable growth, Dutch disease effects can be serious.

Dutch disease problems tend to be compounded if windfalls are relatively short lived—as they will be if the cause is a price boom rather than new resource discoveries. The optimal response will be to save a large proportion of the windfall income and use these savings to build up the capital stock of the economy so as to raise incomes over the long run. But investing well is remarkably difficult. Many countries have been plagued by the long-run consequences of rapid “investment booms” in which the volume of investment surges, particularly in the construction sector, but inefficiently so: when the boom passes, the economy is littered with high-priced and low-productivity projects (the “white elephants” and empty real estate). The final Dutch-disease-related problem is that the proceeds from commodity booms typically accrue, at least in part, to governments, placing systems of economic governance under enormous stress. Issues of corruption and misappropriation aside, even well-managed fiscal regimes can find it difficult to resist hard-to-reverse spending pressures (such as from public-sector wage demands), which stoke fiscal pressures in the postboom period.

A Dual Strategy: Smooth Mining Output and Strong Fiscal Response

Given these conditions, mining production would optimally be strongly procyclical, with producers choosing to leave resources in the ground when prices are below their long-run trend (mothballing mines as required) and vice versa when prices are high. Indeed, this is exactly what happened in Zambia in the 1930s when most mines were small and were still on or close to the surface.⁷ Over time, however,

fixed costs in Zambian mining have risen sharply, partly as a result of the geology (mines went deeper underground, and Zambia now has a number of very wet deep mines that require constant pumping) and geography (Zambia is a long way from markets). Costs have also risen as fixed costs of employment increased (exacerbated by low investment) and, through the 1970s and 1980s, sharply rising non-mining costs as the remit of the state-owned Zambia Consolidated Copper Mines (ZCCM) widened beyond its core mining business into manufacturing and transport activities as well as providing health, education, and other social services on the Copperbelt. As a result, the scale of production can adjust less easily to changes in price. Flexibility may be possible, of course, through active inventory management. Fine copper is neither bulky nor perishable: active inventory management should be integral to efficient resource management.

These characteristics shift the macroeconomic burden onto trade and supply-side policies and particularly onto fiscal policy. At the same time, they put pressure on monetary policy to minimize the adverse transmission of short-run price volatility in the mining sector to the rest of the economy through excess volatility in the exchange rate and/or inflation.

Economic theory identifies two central fiscal policy challenges in these circumstances. The first is to generate high public savings from periodic temporary price booms. Given the ownership structure in the sector, this has direct implications for the design of the tax regime. The second is to provide for sufficient flexibility in public expenditure so that the authorities can credibly commit to adjusting expenditure downward as mining revenues peak and then decline. The required degree of expenditure flexibility depends on broader fiscal flexibility (e.g., whether government can efficiently substitute non-resource taxation for mineral-based taxes in the downturn) and the country's capacity to smooth out revenue instability, either through external borrowing or accessing (deep) domestic debt markets.

The Evidence: Macroeconomic Management Since Independence

After a brief honeymoon period in the late 1960s, the three decades of majority state ownership heralded by Kenneth Kaunda's Matero Declaration in 1969 were a disaster for the mining industry in Zambia and for the economy as a whole. Bad luck played a major part: almost as soon as government had acquired majority control of the industry,

world copper prices started their long decline, the geological conditions in mining became more challenging, and the geopolitical environment of Southern Africa severely disadvantaged landlocked Zambia's engagement with the world economy.⁸ Poor economic management compounded bad luck. Both the government of Zambia and their international financiers and advisers treated the temporary positive shock of 1973–1974 as if it were a permanent indicator of the stable state of the global copper price and the subsequent price decline as if it were a temporary deviation from the norm. The authorities thus chose not to save during the boom and sought to sustain expenditure (both public and private) during the long slump through extensive external borrowing. This was compounded by the lack of checks and balances to control the enormous expansion in unprofitable non-core activities and outright rent-seeking activities that accompanied the progressive dissolution of the boundaries among the state, Kaunda's United National Independence Party (UNIP), and ZCCM.⁹ By the early 1990s, ZCCM had been drawn so far into the indirect financing of state and party activities that rents in the mining sector had been all but eliminated.

The 1980s: Standoff and Failed Reform Initiatives

From the late 1970s, it was increasingly clear to Zambia's creditors (and to many in Zambia itself) that a substantial economic adjustment was required, and arguments over how to manage this process and the resulting political tensions came to characterize the government's engagement with the International Monetary Fund (IMF) and World Bank throughout the next two decades. A sequence of failed adjustment programs throughout the 1980s saw policy makers turn to ever more distortionary economic policy measures in an attempt to avoid the painful exchange rate devaluation that was central to bringing national expenditure back in line with (now lower) income. Controls on exchange rates, trade, prices, and interest rates—as well as the preservation of already swollen levels of government protection—may have afforded short-run protection to the previously privileged urban populations of Lusaka and the Copperbelt. This was short lived, however. Adjustment, when it eventually came, was very costly.

The denouement of the failed adjustment efforts of the 1980s, and indeed of Kaunda's Second Republic, began in May 1987 when the government broke off relations with the IMF and instead policy took a more populist turn. Zambia abandoned the latest IMF-backed economic reforms and adopted the slogan "Growth from Own

Resources” to explain its New Economic Recovery Program (NERP). Ironically, this period coincided with a brief but important recovery in copper prices, which, arguably, would have eased the adjustment costs entailed by the donor-supported reform program. Exchange rate reforms were reversed, price controls reinstated, and debt service payments limited to 10% of export earnings. Open and disguised unemployment rose dramatically. With the rents from the mining sector exhausted, any remaining political support for the program and its principal sponsor, Kaunda, also dissolved. The NERP collapsed in 1989, and Zambia agreed to a new reform package with the IMF. The details of the 1989 program are relatively unimportant; much more significant was that reengagement with the IMF—which included the humiliating appointment of an IMF-approved expatriate governor of the central bank—was a critical nail in the coffin of the economic and political model of the one-party state of the Second Republic.¹⁰ Within a year, Kaunda had acceded to pressures to hold competitive multi-party elections and in October 1991 suffered a landslide defeat at the hands of the Movement for Multi-Party Democracy (MMD).

Although the election of 1991 was not fought explicitly on the issue of ZCCM and the copper industry, the change of regime ushered in a shift in the thinking about the state’s role in economic management and, as a consequence, in the management of natural resources in Zambia. The realization that the state-driven model had come close to destroying the mining sector saw discussion over the nature of ownership of the mining sector, including the possibility of privatization to foreign investors, emerge into mainstream political debate.

The 1990s: Stabilization, Liberalization, and Privatization

On taking office, the MMD government immediately embarked on an aggressive program of macroeconomic stabilization and reform, transforming Zambia from one of Africa’s most dirigiste economic regimes in the 1980s to one of the most liberal. By the mid-1990s the state had divested itself of the vast majority of the roughly 400 state-owned non-mining enterprises that had been built up over the preceding 30 years, including iconic organizations such as Zambia Airways, which was closed down in early 1995.

The MMD government was broadly successful in achieving short-term stabilization objectives during this period. The exchange and trade regimes were liberalized, a measure of short-run fiscal control was established, and, with donor aid inflows restored, inflation was brought to a shuddering halt. Within less than a year, inflation fell

from well in excess of 200% per annum from 1992 to 1994 to less than 10% per annum by the end of 1994.¹¹ Yet this proved difficult to sustain. Weaknesses in governance and mounting political tension within the MMD saw the reformist zeal of their early years in government rapidly dissipate as the political rivalries that had been successfully subordinated to the common objective of overturning Kaunda's and UNIP's hegemony broke the surface, causing the associated goodwill of donors to dissolve.¹² Even without these problems, stabilization would have been hard to sustain as a sequence of poor harvests hit the economy and the parlous state of the mining sector further exposed by the continued decline in copper prices. With losses at ZCCM escalating, there were substantial risks that the gains posted in the early part of the 1990s would be relinquished.

It was against this background that the privatization of ZCCM was launched. There was none of the fanfare or evangelism of the non-mining privatization program. Instead, there was an air of inevitability that the endgame had arrived prevailed.

The Privatization of ZCCM

Initially, given the totemic position it occupied in Zambian society, the mining sector was not even considered suitable for privatization. However, by the mid-1990s the steady decline in world prices, worsening geology, and continued rent seeking saw the fortunes of ZCCM collapse precipitously. Investment expenditure had fallen to less than a quarter of its value in the early 1970s, production was prematurely halted at a number of mines, and no resources were being devoted to prospecting.¹³ Between 1997 and 1998, ZCCM's reported pretax losses totaled approximately US\$650 million—almost \$1 million per day—equivalent to more than 20% of total turnover. By the time the first components of the ZCCM conglomerate were privatized in 1998, mining output was 42% of its level at independence in 1964 and only one-third of its peak 1969 production (see figure 1, p. xv).

The Privatization Process

The steady deterioration of ZCCM's financial condition dictated the pace and the options for privatization. Recognizing that no investor was prepared to absorb the whole of ZCCM, the government quickly decided that the conglomerate would be broken up and sold in a set of separate packages, with the state retaining a range of contingent

liabilities arising principally from pension and environmental obligations.¹⁴ These component parts were sold one by one through often opaque bilateral negotiations with preselected preferred bidders in a process led by a presidentially-appointed agency under the chairmanship of Francis Kaunda, former chairman and chief executive officer of ZCCM. The appointment of Kaunda, whose handpicked team included former senior managers of ZCCM, raised concerns among donors and others that the task force was fundamentally opposed to the privatization program and would seek to frustrate the sale process.¹⁵

Although the government retained the services of top-flight advisers (London-based merchant bankers N. M. Rothschild and lawyers Clifford Chance), bargaining power lay overwhelmingly in the hands of the eventual purchasers. World copper prices remained depressed through most of the negotiation period, and losses mounted across ZCCM. Meanwhile, a combination of brinkmanship by potential purchasers—frequently based on “revelations” from the execution of due diligence investigations into the financial accounts of ZCCM—and relentless pressure from the donor community to conclude the process saw both strike prices and the general terms of sale move sharply against the vendor. Given the pessimistic outlook for the world market prevailing at the time, though, it was seen as a major success to have sold most of the components of ZCCM as going concerns for a positive cash price; the potential problems of negotiating away such generous fiscal terms were heavily discounted. It was only when market conditions recovered that the full consequences of the sale conditions became apparent.

The government team’s delays and apparent unwillingness to finalize the sale of the core assets—the Nchanga, Konkola, and Konkola Deep mining divisions, which accounted for the lion’s share of current and potential output—created substantial uncertainty, particularly in the eyes of the World Bank, the IMF, and other donors.¹⁶ The IMF withheld balance of payments support, as did other donors, effectively forcing the government back to the negotiating table. Eventually, in August 1998, Anglo American Corporation was invited to bid for the core assets. A further protracted negotiation ensued, with Anglo finally acquiring a controlling interest in the Nchanga, Konkola, and Konkola Deep mining divisions (renamed Konkola Copper Mines, KCM) in March 2000.

The privatization process did not get off to a good start. First, the company that had taken over the relatively small array of mines at Luanshya folded (see Gewald and Soeters’s and Mususa’s chapters in

this volume). Then, in January 2002, less than two years after acquiring a controlling interest in KCM, and citing the inability, given the low price of copper, to secure capital to invest in the Konkola Deep Mining Project (KDMP), Anglo American announced its decision to withdraw completely from the mining industry in Zambia—after almost 80 years as the dominant private player in the sector. Anglo’s equity was initially returned to the Zambian government and eventually acquired by Vedanta Resources, a London-listed Indian mining house.¹⁷

In retrospect, given the subsequent copper price boom, Anglo’s decision to withdraw from Zambia may appear to have been an example of desperately poor timing. However, the decision also reflected the changing nature of Anglo American at the time. In 1999 it had moved its corporate headquarters to London and was expanding its global operations away from Southern Africa. The close historical links it had forged with Zambia, especially during the era of the Second Republic, had been broken. The company’s exit was seen as a national disaster in Zambia and seemed to support an analysis that the industry as a whole was doomed.

Development Agreements and the Tax Regime

Although the sale of each component of ZCCM was negotiated on a bilateral basis and embodied a range of specific conditions—contained in what were known as “Development Agreements” (DAs)—each instituted broadly similar tax arrangements so that by the conclusion of the privatization process, the de facto tax code for mining was as follows:

- corporate income tax was levied at 25% on taxable profits (compared with 35% for the non-mining sector);
- the royalty rate was capped at 3% on gross proceeds. In practice, however, all new mining companies paid royalties at a rate of only 0.6%;
- recurrent and capital inputs were exempted from import duties;
- interest costs and repatriated dividend income were fully tax deductible;
- capital expenditure was fully expensed in the year in which it was incurred; and
- loss carry-forward provisions were extended for up to 15–20 years.

Two further provisions completed the standard DA packages. First, new mining companies were relieved from assuming financial

liabilities and environmental legacies originally incurred by ZCCM, which were transferred to ZCCM-IH Ltd. And second, each DA established a “stability period” of between 15 and 20 years during which the agreed terms and conditions were guaranteed.¹⁸

By international standards, the tax structure embedded in the DAs was liberal and, when viewed from the narrow perspective of “optimal tax theory,” embodied many of the design properties of an efficient mining tax regime.¹⁹ It was, however, also very generous to the mining houses and biased toward the taxation of rents, which, at the time of negotiation, were historically low. The effective royalty rate of 0.6% of gross proceeds was particularly low and well below both the global average of between 2% and 5% and the IMF estimate of between 5% and 10% for developing countries (see table 3.1).²⁰

Summary

The privatization of ZCCM sought to achieve two financial goals. The first was to stem the operating losses that were borne by the public budget and that were crowding out already low public expenditure. The second was to reverse the 30-year trend of underinvestment in exploration and production, which, in large measure, was responsible for the losses. It was anticipated that, with sufficient investment, the mines would return to profitability and remain viable at expected long-run prices, generating public revenue directly through mineral taxation and indirectly through the local multiplier. Central to the sale strategy, therefore, were the investment commitments made by the new mining companies under the DAs.

Although the government had limited instruments to enforce investment commitments, capital inflows to the sector have been substantial since privatization and have exceeded the commitments originally anticipated (whether the companies would have honored the investment commitments if prices had remained low is a moot point). The bulk of this investment was initially for the rehabilitation of existing mining and smelting operations but was followed by new investment, most notably at KCM in the context of the KDMP and with the opening of the Lumwana mine in Solwezi by the Australian-Canadian consortium Equinox. This new mine, built in the bush and opened at the end of 2008, is projected to be the largest copper mine in Africa (see Negi’s chapter in this volume). Initial projections anticipate a steady-state output of around 125,000 tons per year, equivalent to 20% of current Zambian output, over a 40-year horizon.

Table 3.1 Comparative mining taxation 2008

<i>Country</i>	<i>Profit Tax Rate (%)</i>	<i>Expensing of Capital Expenditure</i>	<i>Limit of Loss Carry Forward</i>	<i>Royalty Rate</i>
Australia	36		None	5% gross sales
Argentina	33		5 years	3% gross sales
Bolivia	25		None	n.a.
Botswana	25		None	15% net sales
Brazil	33		None	3% gross
Canada	29	Yes	10 years	20% on profits
Chile	15		None	n.a.
Guyana	35		None	5% gross sales
Indonesia	30	Yes	8 years	variable \$/Kg
Mexico	34		10 years	n.a.
Peru	30		4 years	variable \$/Kg
South Africa	43	Yes	None	n.a.
Suriname	35		10 years	2% gross sales
USA	35		20 years	2.25% gross sales
Venezuela	30		3 years	3% gross sales
Zimbabwe	38		None	0.875% gross sales
Zambia (DAs)	25	Yes	10–20 years	0.6% gross sales
Zambia (post-2008)	30 plus variable profits tax		10–20 years	3% gross sales + windfall tax

Source: Pricewaterhousecoopers (2008).

The 2003–2008 Commodity Boom

The combination of above-trend prices and new foreign owners' investment in the sector has led to a substantial increase in productive capacity, principally from KCM and Mopani Copper Mines (the sector's two largest producers), and in prospecting, resulting in a sharp upward revision in the prospective economic life of the

industry. In 1974, for example, it was estimated that copper mines would be exhausted by around 2020; current estimates extend this to at least the final decades of the twenty-first century. A portion of this increase reflects the application of new mining technology. For example, recent technological developments in extracting copper from the accumulated waste materials from the past century of mining (the tailings dumps) have effectively presented the mining houses with new precrushed surface ore bodies, which can be “re-mined” for copper (see Mususa’s chapter in this volume for discussion of potential tensions with local communities over these dumps). Most of the revision, however, reflects an intensification of exploration and prospecting. Although geography and geology mean that Zambia remains a high-cost producer, even after the overburden of ZCCM’s non-core activities has been removed, the long-run viability of the sector has been restored. Moreover, the sector was better placed to take advantage of the commodity price boom that occurred between 2005 and 2008.

The Boom: Savings, Investment, and Public Finance

In terms of world market conditions, the privatization of ZCCM could not have occurred at a worse time. Between the issue of tenders in March 1997 and the decision by Anglo American to relinquish its equity in KCM in January 2002, world copper prices, in constant U.S. dollars, fell by almost 40%, reaching an all-time low (see figure 2, p. xvi). The average price in 2002 was US\$1,514 per ton, compared to a previous low of US\$1,520 in 1932 and a long-run average for the twentieth century of around US\$3,560 (see figure 1, p. xv). It was these consistently falling prices that forced repeated renegotiation downward of the sale price.

In retrospect, the Anglo American withdrawal from KCM occurred at the very bottom of the market. The return of the mines to the government coincided with the turnaround in the market, which heralded the start of a dramatic but relatively short-lived boom in copper prices, fueled in the main by the global investment boom led by China and other emerging economies and by the speculative trading activities of highly leveraged hedge funds.

Between 2002 and the top of the market in April 2008, copper prices rose sixfold, from around US\$1,500 per ton to over US\$9,000 per ton (in current prices). Cobalt prices rose by a similar multiple. Between April and December 2008, however, prices fell by about 70% to just under US\$3,000 per ton before stabilizing. By mid-2009

prices had returned to approximately US\$6,000 per ton (see figure 2, p. xvi). Even adjusting for the falling long-run value of the U.S. dollar, this price boom dwarfed anything seen since independence. Prices at their peak in 2008 were 20% higher than their 1974 peak and double the average price since the end of the World War I. The only time in the last century that copper prices were higher was when the combatants on the Western Front were hurling millions of copper-tipped shells at each other in 1916 (figure 1, p. xv).

With this increase, combined with rising production, exports earnings from the mineral sector rose from US\$670 million in 2002 to US\$4 billion in 2008, an increase of almost 500%. To put this in perspective, we can compare copper revenues to aid flows. In 2002 earnings from copper were around twice as large as net overseas development assistance; in 2008 the ratio was approximately seven to one. In gross revenue terms, therefore, the commodity boom was large.

To further understand the importance of this boom and how the authorities responded to it, we calculate the scale of the windfall accruing to Zambia from the copper and cobalt price booms and examine the private- and public-sector responses. The details of these calculations are provided in tables 3.2, 3.3, and 3.4. We start by measuring the scale of the income windfall (table 3.2). This is computed as the increase in net exports over an assumed baseline for the duration of the boom. The boom can be expressed both in terms of initial GDP and as a contribution to permanent income.²¹ We assume that, without the boom, prices would have stayed at their real 2002 levels but that the increased level of production would have occurred anyway (reflecting investments in capacity that occurred prior to the price boom).

On the basis of these assumptions, and combining the results for copper and cobalt, our calculations suggest that the total net windfall income accruing to the economy from 2002 to 2008 was K (kwacha) 14.8 trillion, equivalent to around 66% of the base-year GDP. The vast bulk of this accrued from the copper price boom, the boom in cobalt contributing only around 8% of the initial GDP.

This was a very substantial boost to income. The boom was short lived, however, so the contribution to national wealth is somewhat more muted. Computing the annuity value of the addition of the windfall to national wealth, and using a discount rate of 8%, suggests that the boom has increased permanent income by around 5.3% of the pre-boom GDP.²²

The next step in the analysis is to consider how the public and private sectors responded to this increase. By definition, domestic

Table 3.2 The 2003–2008 mineral boom

<i>Year</i>	<i>[1] Price per Ton (K 000s)</i>	<i>[2] Quantity (000s Ton)</i>	<i>[3] Value of Exports (K bn)</i>	<i>[4] Counter- factual Value of Exports (K bn)</i>	<i>[5] Windfall in Current Prices</i>	<i>[6] Import Price Index</i>	<i>[7] Windfall in Constant Prices</i>	<i>[8] Windfall as % GDP</i>
1. Copper								
2002	6,715	367.4	2,467	2,467	–	1.00	0	0.0
2003	8,046	361.5	2,909	2,428	481	1.17	344	2.1
2004	12,498	414.1	5,175	2,781	2,394	1.28	1,293	8.0
2005	15,068	449.6	6,775	3,019	3,755	1.34	1,637	9.5
2006	27,149	491.7	13,350	3,302	10,048	1.45	3,555	21.6
2007	26,680	490.9	13,098	3,297	9,801	1.37	3,359	18.9
2008	30,348	587.1	17,818	3,943	13,875	1.93	3,042	15.7

2. Cobalt

2002	59,237	7.4	440	440	–	1.00	0	0.0
2003	84,351	10.5	884	621	263	1.17	188	1.1
2004	222,737	6.2	1,380	367	1,013	1.28	547	3.4
2005	129,988	5.7	738	336	402	1.34	175	1.0
2006	137,520	4.9	669	288	381	1.45	135	0.8
2007	208,830	4.8	1,004	285	719	1.37	247	1.4
2008	331,751	4.6	1,529	273	1,256	1.93	275	1.4

3. Cumulative Windfall

	Constant Price (K bn)	As % Nonboom 2002 GDP
Copper	13,230	58.7
Cobalt	1,567	7.5
TOTAL	14,797	66.2
Change in Permanent Income as % 2002 GDP		5.3

investment plus the net accumulation of foreign assets (the sum of capital account outflows plus the accumulation of official reserves) must exactly equal domestic savings. The top panel of table 3.3 reports domestic investment and the accumulation of foreign net claims, and the lower panel identifies the shares of gross investment and foreign asset accumulation attributable to the mining sector. Summing these two components, we estimate the net present value of total windfall savings to have been approximately K 6.5 trillion at 2002 prices out of a windfall income (computed on the same basis) of K 10.9 trillion, which implies a savings propensity of 60%.²³ Of this, approximately half was represented by domestic fixed investment, with the remainder represented by a change in the net asset position of the economy.

Table 3.3 Saving, investment, and financial flows: The distribution of mining revenues

1. Asset Accumulation Out of Windfall

Year	<i>Gross Fixed Capital Formation</i>			<i>Capital Outflows^a</i>		
	[1]	[2]	[3]	[4]	[5]	[6]
	<i>Actual</i>	<i>Counterfactual</i>	<i>Windfall</i>	<i>Actual</i>	<i>Counterfactual</i>	<i>Windfall</i>
2002	3,252	3,252	0	-2,374	-2,374	0
2003	4,512	4,017	495	-2,618	-2,137	-481
2004	4,827	4,236	591	-1,560	-2,253	693
2005	4,673	4,445	227	-2,022	-2,365	343
2006	5,384	4,710	673	389	-2,506	2,894
2007	6,023	5,001	1,022	-2,124	-2,660	536
2008	5,901	5,292	609	-2,645	-2,815	170
Net Present Value of Windfall Asset Accumulation						6,548
as Share of Windfall Income						59.9%

2. Distribution of Asset Accumulation

	<i>Attributable to Mining Sector^b</i>	
Gross Fixed Capital Formation	46.5%	62.4%
Foreign Capital Outflows	53.5%	73.9%

Notes: ^aCapital outflows are defined as the sum of official net foreign asset accumulation plus private capital outflows.

^bThe mining sector's share of foreign outflows consists of dividend payments to foreign shareholders; the remainder is principally official reserve accumulation.

Superficially, this represents a remarkably high overall savings propensity and is much higher than during the boom of the early 1970s, while the disposition of savings would appear to be consistent with an efficient expenditure response to a temporary resource boom: savings were initially accumulated in the form of foreign assets and then drawn down to accumulate domestic capital formation as the limits of the domestic investment capacity dictate. However, as a result of privatization, this simple picture is significantly incomplete because a substantial share of the windfall income actually accrued to the foreign owners of the mines in Zambia. Given the generous tax regime, a substantial proportion of the measured foreign asset accumulation was, in fact, repatriated through the balance of payments as profits and the payment of dividends by Zambia-based mining houses to their foreign shareholders. The lower half of table 3.3 computes the mining-sector share of gross capital formation and foreign savings, suggesting that almost 60% of the fixed investment can be *directly* attributable to (foreign) investment in the mining sector, while almost three-quarters of all the net capital outflows can be attributed to profit and dividend remittances by the mining houses.

Public Finance and Public Investment

Although there is clearly a powerful *local* multiplier effect from the mining sector to the economy of the Copperbelt, these calculations underscore the enclave nature of the sector. Indeed, the bulk of the non-mining investment response to the boom represents substantial construction activity on the Copperbelt and Solwezi deriving directly from the growth in the mining sector (including the development of the Lumwana mine). It remains the case, nonetheless, that income from the windfall has accrued overwhelmingly in the form of rents to the mine owners, which, net of investment, were in turn almost entirely remitted offshore in the form of profits.

Given this structure, the burden of transferring some of these rents to the domestic economy lies with the tax system. In practice, this did not occur; arguably, the failure of the government to be seen to capture any amount of the rents accruing during the boom fueled the sharp rise in support for opposition parties in the presidential and parliamentary elections of 2006, most notably the Patriotic Front (PF), led by Michael Sata. Nic Cheeseman and Marja Hinfelaar, for example, argue that the MMD government's decision to revise the mining tax code in 2008 was a direct response to growing political

support for Sata's populist anti-foreign investment platform and his declared intention to revisit the tax regime if elected.²⁴

Table 3.4 illustrates the extent to which the tax regime embodied in the DAs failed to generate fiscal revenue from the boom and shows the complete absence of any fiscal response to the mineral boom prior to tax reform. Tax revenue as a share of GDP remained more or less constant at just under 18% over the boom period, with virtually no revenue accruing directly from the mining sector. The revenue yield attributable to specific tax measures levied on the sector in 2007 amounted to only 0.2% of GDP, virtually all of which was earned through the royalty on production.²⁵ Conventional profit taxes in the mining sector yielded precisely zero revenue to government, reflect-

Table 3.4 Central government revenue, 2001–2008 (% GDP)

	2001	2002	2003	2004	2005	2006	2007	2008
Total Revenue and Grants	24.9	26.2	24.9	23.8	23.7	21.6	22.9	22.0
Tax Revenue	19.1	17.9	18.0	18.3	17.2	17.2	18.4	18.2
Tax on Incomes and Profits	7.2	7.6	7.2	7.8	7.4	7.5	8.1	7.8
Individuals	5.7	5.9	5.6	6.5	6.0	5.7	5.5	5.4
Corporations	1.5	1.7	1.6	1.3	1.4	1.8	2.6	2.4
Of Which Mining Company Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.23
Taxes on Goods and Services	4.9	4.7	4.3	4.1	4.2	3.6	2.7	1.8
Of Which Mining License	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01
Mineral Royalty	0.05	0.02	0.04	0.02	0.12	0.11	0.17	0.39
Taxes on International Trade	6.5	5.2	5.1	5.6	5.1	5.1	6.7	7.5
Other Revenue	0.5	0.3	1.4	0.8	0.4	0.9	0.7	0.7
Grants	5.7	8.3	7.0	5.5	6.4	4.4	4.5	3.7
Direct Taxation on Mining								
Mining Taxes (US\$ m)		0.69	1.86	1.15	8.90	10.19	20.84	69.01
A Share of Total Revenue	0.27	0.10	0.24	0.12	0.71	0.67	0.95	3.41
As Share of GDP	0.05	0.02	0.04	0.02	0.12	0.11	0.18	0.62

Source: Bank of Zambia.

ing the twin effects of large loss carry-forward provisions afforded to the mining houses and the provision for full expensing of investment expenditure.²⁶ Together these reduced the tax liability to zero.

Some share of the rents did accrue to government indirectly through its residual equity participation in the sector. During the privatization process, although the mining company ZCCM ended all operations the Zambian state retained a share of each of the mines, held by a company called ZCCM Investment Holdings (ZCCM-IH). However, although dividends and “price participation fees” were paid to ZCCM-IH, this income was used entirely to meet operating costs: ZCCM-IH has not declared a dividend to its shareholders since privatization.²⁷

Thus, by 2007 the copper price boom had yielded virtually no revenue to government. IMF and government projections, following the budget reforms in 2008 (which we discuss in the next section and are further addressed in Fraser’s chapter), anticipated sharply rising revenues. IMF estimates made in June 2008 suggested that by increasing mining taxes, in breach of the stability clauses in the Development Agreements, the Zambian government would raise revenues equivalent to 3.2% of GDP in 2008 and almost 5% in 2009, compared to 0.6% of GDP in 2006, thus providing for a significant increase in public expenditure (or, equivalently, a reduction in dependence on aid).²⁸

The Renegotiation of the Tax Regime

The apparent failure of government to extract any substantial revenue from the copper boom increased the pressure on the government to redefine its relationship with the mining industry. Populist opposition to the mining privatization, or more particularly to foreign ownership and control in the sector, had been on the increase, spearheaded by Sata’s increasingly popular PF. Sata won only 3% of the popular vote in 2001, but this rose to almost 30% in the 2006 presidential elections on the basis of a campaign portraying the ZCCM privatization as a sellout to foreign investors.²⁹

In early 2007 the government embarked on a delicate process of seeking to renegotiate the DAs with the mining houses but without halting the burgeoning investment both in exploration and exploitation that followed privatization (see also Haglund’s chapter in this volume). Given that the DAs had initially been negotiated on a sale-by-sale basis and most included clauses securing the terms for periods of not less than ten years, the government initially sought to establish a revised code for new mining investment by

renegotiating the existing agreements individually. Even with the support of the donor community (including public support from the IMF) and an unexpected element of goodwill from some within the industry itself, a coordinated, transparent renegotiation of all 11 Development Agreements proved elusive.³⁰ The government therefore initiated a more direct legislative strategy, announced in the 2008 budget, which canceled the preexisting DAs and established a new fiscal regime for the sector.

The new tax code consisted of two main elements. The first shifted the tax code decisively in favor of generating a larger revenue flow to government, principally through an adjustment to the royalty rate. The central elements in this were:

- an increase in the corporate income tax rate to 30% from the 25% previously applied (at the same time, the corporate tax rate in the non-mining sector was reduced from 35% to 30%);
- an increase in the mineral royalty rate on base metals from 0.6% to 3% of gross revenue (the royalty rate for other precious metals was raised from 2% to 3%);
- the reintroduction of withholding tax on interest, royalties, management fees, and payments to affiliates or subcontractors for all mining companies at a standard rate of 15%; and
- a reduction of capital allowances from 100% expensing to a conventional 25% per annum straight-line allowance (and deductible only in the year production commences rather than in the year the expense is incurred).

The second key element was the introduction of a degree of progressivity into the tax code through two channels:

1. a variable-profit tax rate under which the marginal tax rate would rise from 30% to 45% when taxable profits exceeded 8% of gross revenue; and
2. a graduated windfall (royalty) tax levied at a rate of 25% on gross proceeds when the copper price exceeded US\$2.50 per pound (US\$5,600 per ton), at a rate of 50% when the copper price rose above US\$3.00 per pound (US\$6,720 per ton), and at a rate of 75% when the price exceeded \$3.50 per pound (US\$7,840 per ton).

Finally an export levy (of 15% on value) was introduced on the export of copper concentrates, ostensibly as an incentive to produce finished copper products (bars, ingots, cathodes).

Dispute, Revision, and Assessment

The reforms significantly increased the notional effective tax rate on mining. The IMF suggested that, at prevailing 2008 copper prices and aggregating over all instruments, the average effective tax rate on mining in Zambia rose from around 31% to 47%, taking Zambia from one of the lowest to one of the highest tax regimes among developing countries, although much of this increase was due to high prevailing prices and the strong progressivity of the graduated windfall tax.³¹ As noted later in this chapter, the steep gradient of the graduated windfall tax was subsequently scaled back and eventually abandoned. Given the level of investment at the time and the accumulated losses still being carried forward, the actual tax yield was somewhat less than 47%. At prevailing prices, the 2008 budget measures were estimated to raise mining revenue from the US\$20 million earned in 2007 to approximately US\$400 million in 2008, equivalent to a tax yield of 10% of gross mining proceeds.³²

Nonetheless, the 2008 measures immediately drew sharp criticism—from the mining houses and their representatives and from the international donor community, including the IMF. In part this reflected the sense that government had reneged on its commitment to negotiate the new regime. This was true, even though from the perspective of government, direct negotiation left it exposed to potentially collusive behavior on the part of the mining houses and to a range of other holdup problems. The legislative route, conversely, had the advantage of being transparent—redressing one of the key criticisms of the DAs—and arguably shifted the burden of coordination onto the mining houses by presenting them with a take-it-or-leave-it option. The main force of the criticism levied at government, however, was the genuine concern that the new regime radically increased both the marginal burden of tax and the degree of price distortion it entailed. There were three principal elements to this. First, at the prices prevailing at the time of the budget debate, mining houses were initially liable to the graduated windfall tax at the top marginal rate of 75%. Given that the windfall tax was non-deductible (unlike the basic royalty rate), it was claimed that this would result in extremely high marginal rates on profits (potentially exceeding 100%). The second concern was that given the highly variable geology of Zambian mining—from the Konkola Deep Mine to the new Lumwana open-cast pit—which creates very different unit costs of production, the shift toward royalty-based taxation created significant spatial variation in effective tax rates quite unrelated to profitability. Third, it was

suggested that the export duty proposal was unnecessary and failed to recognize current realities in the sector. The explicit objective of the export duty was to encourage the domestic production of value-added goods through smelting. However, given current constraints on capacity and the highly import-intensive nature of smelting, the potential contribution to value-added was felt to be limited.³³

Government reacted rapidly to some of these concerns. It quickly clarified that when the graduated windfall tax was operative, the variable profit tax would not be, and vice versa. In addition, it removed the top two bands of the graduated tax in July 2008, leaving only the single-step rate. Taken together, these two adjustments substantially reduced the maximum marginal rates generated by the structure. The government subsequently announced the complete removal of the windfall tax in the 2009 budget. Given the collapse of world copper prices, the windfall tax was, in fact, not generating any revenue at this time and was not projected to do so in 2009. This adjustment removed the most distortionary and most contentious element of the 2008 fiscal reforms. The government did not, however, cede ground on the basic royalty rate or on any of the other elements of the 2008 package.

The 2008 reforms highlight many of the difficulties in implementing mining tax regimes that are capable of generating revenue for government but also limit disincentive effects on mining companies. The pragmatic shift toward royalty-based taxation and the reintroduction of withholding taxes on cross-border payments served to secure a current revenue stream as well as obviate administrative difficulties (and delay) in administering a tax based solely on rents, including the risk that taxable profits can be shifted out of the jurisdiction, even though this came at the cost of moving farther from the benchmark “first-best” efficient mining tax regime discussed earlier. This shift was far from smooth, and as discussed in Fraser’s chapter in this volume, the government was challenged at each turn, with mining houses threatening legal action against the government’s negation of the DAs’ stability clauses and, in extremis, disinvestment. The sensible retreat by government to cede the more egregious distortions created by the graduated windfall tax, however, appears to have defused much of the tension. The likelihood is that the 3% royalty and the variable profit tax regime will remain central to the tax code and—assuming the sector remains profitable and that high front loading of investment expenditure tapers off—loss carry-forward and investment offsets against taxable profits will decline, ensuring that the conventional profit tax will begin to yield revenue to government.

Although the revision of the mining tax code could have been better handled, there appears to be a consensus from all parties that a shift in the balance of returns was necessary and that the regime beginning to emerge is broadly reasonable, especially after the postbudget revisions announced by the government in 2008. Quoting the president of an international exploration company, the Fraser Institute noted, “Zambia has a history of mining, and understands the risks involved. Even with new regulations on taxations and royalties, these will only take it to the similar levels to other African countries. Even then, the government is prepared to negotiate and discuss.”³⁴

This episode reveals much about the politics of the economic management of mineral resources and how, even in the relatively unified and peaceful environment present in Zambia, negotiations over both the privatization of ZCCM and the renegotiation of the tax regime were suffused with suspicion. Although there has been little public enthusiasm for renationalization of the sector, parliamentary and popular opposition did coalesce around the charge that, at least viewed from the middle of the copper price boom, foreign mine owners had received too-favorable terms during privatization and that, as a consequence, government’s primary objective was to redress the balance.

However, given the precipitous decline in copper prices in the second half of 2008, these short-run projections were clearly overly optimistic and by a large margin. Taxation from the mining sector did rise sharply following the implementation of the 2008 budget measures, accounting for more than 3% of total revenue and 0.6% of GDP, but the subsequent retreat in prices limited the revenue increase.

Given that Zambia is a relatively high-cost producer, rents in the mining sector are likely to remain modest so that, barring a major expansion in (low-cost) production from open-cast mines, revenue flows will also be limited. Unless world copper prices return to (or even rise above) their 2008 peak, higher rents on their own will not generate the 2% to 4% of GDP per annum in revenue anticipated by the IMF in 2008. Generating this revenue will still require a very substantial improvement in fiscal performance. However, even if this recovery in revenue were achieved—and this would represent an outstanding turnaround compared to the late 1990s, when ZCCM’s losses approached 10% of the GDP per annum—mining revenues are likely never to be transformative for Zambia. Nonetheless, good management of this enhanced revenue could allow the Zambian government to pursue a public investment program commensurate with its

level of development without excess debt accumulation. To put this in perspective, official aid flows to the central government, excluding debt relief, average between 5% and 7% of GDP per annum.

Spending the Revenue

The projected revenue consequences from the 2008 tax reforms were not included in the 2008 budget. Given the lack of a budgetary mandate, it was decided that identifiable mining revenues would be saved, initially by the government increasing its deposits with the Bank of Zambia, which would, in turn, accumulate foreign assets. At the same time, the Ministry of Finance and National Planning engaged in an extensive consultation aimed at developing an appropriate institutional structure for spending. With the recognition that the scale of revenues is likely to be modest and volatile and that current investment needs are substantial, there is no strong case for the creation of an offshore “future generations” fund along the lines of that adopted by Norway to manage its oil revenues. Rather, attention has been focused on developing a coherent public expenditure strategy in which additional resources are devoted to investment in priority public infrastructure projects to support diversification away from mining and into the growth of regional and non-traditional exports. This means investment in the domestic and regional transport system, communications, IT provision, and power generation, as well as in long-established weak areas in skills and training. The government’s policy announcements surrounding the proposed public savings and investment response to the windfall were exemplary. However, as the boom passed and substantially enhanced revenues failed to materialize, the rhetoric remained essentially untested. Nonetheless, the pressure remained (and still remains) on the government to demonstrate that the 2008 tax reforms were sufficient to deliver some greater share of the mining sector’s future prosperity to the people of Zambia.

The Copper Boom and Non-traditional Exports

As noted previously, successful long-run economic management requires that price booms do not severely undermine the growth prospects of the non-mining sector of the economy. This was clearly evident in the 1970s and 1980s, when ill-conceived policy choices imparted a profound anti-export bias in economic policy toward the non-mining sector and at the same time failed to maintain adequate

investment in mining itself. The most damaging biases were slowly unwound with the stabilization and liberalization measures of the 1990s, albeit against a background of low growth and low investment. By the eve of the boom, the macroeconomic policy stance was pretty conventional. Monetary policy was anchored by an inflation target (defined as inflation less than 10% per annum) and a commitment to a floating exchange rate and was implemented by an increasingly independent central Bank. The fiscal stance was increasingly conservative, and the government maintained its commitment to a broadly liberal trade and capital account regime.

Inevitably, however, the copper boom has been associated with a strong appreciation of the exchange rate as export earnings surged. Between January 2003 and the height of the boom in mid-2008, the real exchange rate appreciated by around 30% against the U.S. dollar. Although this helped the Bank of Zambia hit its inflation target—as imports became cheaper in kwacha terms—the appreciating currency also undermined the competitiveness of the export- and import-competing sectors of the economy. These pressures, coming directly from high earnings in the copper sector, were exacerbated by (technical) policy errors by the Bank of Zambia, which overtightened monetary policy in the face of the copper price boom. Private foreign investors flooded the short-term government debt market to take advantage of high local interest rates, further driving up the exchange rate. Overshooting the exchange rate placed non-traditional exports under severe pressure, contributing to the closure of many export firms and choking off growth opportunities for others. The monetary policy error in the midst of the copper boom was serious, but Zambia was not alone: many countries in the region and farther afield committed the same policy error, which stemmed directly from the vulnerability of the monetary regime in the face of export surges when capital accounts are fully liberalized.

Subsequent research has helped central Banks understand the appropriate monetary policy response in such circumstances, but what is more important is that in sharp contrast to earlier decades, the policy error was short lived and the authorities moved very quickly to reestablish a coherent (and apparently credible) monetary framework.³⁵ Thus, from mid-2006 the stance of monetary policy was relaxed and the excess appreciation of the exchange rate was eliminated.

Despite the correction of the monetary policy stance, the continued copper boom ensured that the real exchange rate continued to appreciate. This appreciation has inevitably raised fresh concerns

about the risks of Dutch disease effects adversely affecting the non-mining export sector and increased calls for the authorities to lean more heavily against the trend appreciation so as to benefit the non-mining sector.³⁶ From a macroeconomic perspective it is not obvious that the Zambian authorities should have sought to engineer a more depreciated real exchange rate during this period or, indeed, whether the instruments were available to do so. Fundamentally, engineering a depreciation in the real exchange rate requires a reduction in domestic expenditure. As noted already, however, the income flow to the public sector from the copper boom has overwhelmingly accrued to the foreign private sector and not to government. A reduction in domestic expenditure would therefore require a reduction in private spending (which, as noted, is overwhelmingly investment expenditure in the mining sector) or a tightening of the fiscal stance. It was not self-evident that the former was desirable at the time. Nor was the latter. The cost of using fiscal policy to engineer a real exchange rate appreciation is foregone public expenditure: given the parlous state of the public infrastructure in Zambia and the clear evidence that the binding constraints to the export sector are deficient complementary inputs (see later), the case for a fiscal tightening during the boom period was, at best, weak.

In any case, the pessimism expressed by Weeks and others about Dutch disease effects on non-traditional exports does not appear to be borne out in the data.³⁷ More precisely, concerns about poor growth in this sector have much more to do with structural policies and weaknesses on the supply side than they do with copper-boom-induced real exchange rate misalignment. During the 1970s and 1980s, the non-traditional export sector was tiny and accounted for only a few thousand employees.³⁸ In the first decade of the MMD government, the sector grew only very modestly, from around 10% to 12% of total exports, even as copper exports declined. The real takeoff has occurred since 2002 so that, despite the strong appreciation of the kwacha and the growth in copper exports, the share of non-traditional exports in total exports has risen sharply, accounting for almost 24% by value of total export between 2002 and 2007.

Though real exchange rate movements did impact at the margin—non-traditional export growth dipped sharply in 2006 in the face of the sharp appreciation—survey evidence and interviews suggest that the binding constraints to further export diversification are on the supply side rather than resulting from movements in the real exchange rate or, critically, from an incoherent macroeconomic stance. The

macroeconomic reforms of the 1990s, combined with the broadly successful conduct of monetary and fiscal policy in the current decade, have removed the extreme overvaluation of the real exchange rate and consequent antiexport bias that plagued Zambia in the 1970s and 1980s. The key constraints now are overwhelmingly structural. The lack of reliable and competitively priced infrastructure dominates in all surveys of constraints to exporting.³⁹ The World Bank's "Doing Business Survey" of 2009 ranks Zambia 100th out of 181 countries overall, with the most serious constraints identified as inflexibility in labor markets (Zambia ranks 135th out of 181); administrative costs in the construction sector, particularly in the cost and provision of utilities (146th); and the costs of cross-border trade (153rd), where the transport and related costs per standardized container facing exporters are estimated at US\$2,700 compared to an OECD average of US\$1,000 and a regional average of US\$1,800.⁴⁰ In all cases, these high costs can be traced to the same underlying constraints: decades of underinvestment, which has left transport and energy provision expensive and unreliable; telecommunications and ICT services that are still too expensive and underpowered for Zambia-based firms to compete effectively in areas such as e-services; and long-run weakness in education and training, which drive up real wages for skilled labor relative to key competitors and reduce the flexibility of labor markets.

Conclusion

It has often been said that it was Zambia's good fortune to be "born with a copper spoon in its mouth," although, for much of the 45 years since independence in 1964, natural resource dependence has been more of a curse than a blessing. The central economic challenge facing Zambia at the time of independence and the central challenge now and in the future is to find the right model for the efficient exploitation of its natural resource endowment and the equitable distribution of the rents arising from this exploitation. Since independence, there has been a radical shift in the way the state has sought to exploit this endowment. In the first decade following independence, the prevailing view was that state ownership of the industry offered the best means of capturing and distributing the rents to the people of Zambia. The subsequent dramatic, indeed traumatic, 25-year failure of the state to efficiently manage the volatility in the copper market and its fundamental inability to avoid the dysfunctional rent seeking that flourished in the state-dominated economy meant that when the

pendulum eventually swung away from state ownership and control, it did so decisively. Though the sale of ZCCM proved successful in reinvigorating the mining industry and staunching the state-owned company's mounting losses, it did so by not only divesting the state of the direct responsibility for managing the industry but also on terms that more or less completely eliminated its capacity to share in the rents from the sector, at least over the medium term.

The popular press and opposition politicians in Zambia have described the recent copper price boom as a "cashless boom"—one in which the unfavorable terms of privatization meant that the people of Zambia saw few of the benefits from the boom, either in terms of employment or other transfers, but bore the costs associated with the appreciation of the exchange rate. This starkly illustrated how much the previous decades of mismanagement had forced the government's hand during the privatization process. However, the boom also allowed for two vitally important and positive developments for the mining industry and the economy as a whole. The first is that the favorable price conditions meant that the investment commitments made by the new mine owners at the time of privatization were not just realized but substantially exceeded. Mining industry investment is powerfully procyclical, and for once in its history, conditions in the sector combined with reasonable macroeconomic stability and a broadly credible economic policy regime to allow a substantial and efficient mining investment boom to occur. Existing mines and supporting plants were rehabilitated and new activities, most notably the Lumwana mine, were brought on line, while the intensification of exploration activity identified substantial new economic reserves of copper and other minerals on the fringes of the Copperbelt. Barring a catastrophic collapse in the long-run price of copper, the recent copper boom has thus allowed the mining industry in Zambia to be reset. Although Zambia will remain a relatively high-cost mining location, the investment boom has served to stabilize and lower unit mining costs and leaves the industry better placed to generate profits in the medium term.

The second major effect of the boom was the renegotiation of the tax code. The boom starkly exposed the imbalance in the distribution of gains from positive price developments. The renegotiation of the mining code was far from straightforward, but it represents a crucially important milestone in economic policy making in Zambia, both to the extent that the government was able to put in place a new code (which, broadly speaking, appears to successfully balance

the revenue imperative with the requirements of a competitive tax regime) and to the extent it was able to modify and fine-tune the code in response to criticism and reactions from stakeholders. Moreover, it would appear that the revision of the mining taxation structure has not undermined investors' perceptions that the government remains committed to maintaining a competitive and non-opportunistic tax and regulatory regime in the non-mining economy.

Huge challenges still remain in Zambia. Enormous obstacles must be negotiated to reverse the legacy of the past mismanagement of the economy. And there is the challenge of managing expectations about future public spending capacity when needs are so high but the rents from mining are likely to remain modest. Nonetheless, the last five years have witnessed a number of encouraging developments, including the rehabilitation of the mining sector and a clear articulation of a coherent strategy for growth and development of the non-mining sector. Realizing this strategy will be a formidable challenge, but there is little doubt that Zambia exited this boom in a stronger position than it entered it and in a much stronger position than it exited previous copper price booms.

Notes

1. This chapter is based on a longer paper written for a project entitled *Case Studies of Resource Management*, undertaken by the Oxford Centre for the Analysis of Resource Rich Economies (Oxcarre) at the University of Oxford and with the support of the Revenue Watch Institute. We are grateful to the project coordinators, Paul Collier and Tony Venables, and to the editors of this volume for comments on earlier versions of the paper. All errors and opinions are our own.
2. This challenge was clearly articulated by Austin Robinson (one of the inner circle of young economists who congregated around John Maynard Keynes in Cambridge in the 1930s), who, as early as 1933, contributed to the London Missionary Society's inquiry into the impact of the "modern industry" of mining on the livelihoods and (spiritual) well-being of the people of the Copperbelt region. Robinson's analysis differs very little from modern treatments of the challenges to managing natural resource endowments. See E. A. G. Robinson, "The Economic Problem" in J. Merle Davis, ed., *Modern Industry and the African*, 131–226 (London: Macmillan, 1933).
3. Paul Cashin and C. John McDermott, "The Long-run Behavior of Commodity Prices: Small Trends and Big Volatility," *IMF Staff Papers* 49, no. 2 (2002): 175–199.
4. This so-called "option to wait" can more readily be exercised when, as in Zambia, property rights are secure and the threat of expropriation is low.

5. Paul Collier and Stephen O'Connell, "Opportunities and Choices" in Benno J. Ndulu, Stephen O'Connell, Robert H. Bates, Paul Collier, and Charles C. Soludo, eds., *The Political Economy of Economic Growth in Africa 1960–2000, Volume 1*, 76–136 (Cambridge: Cambridge University Press, 2007).
6. The term "Dutch disease" was coined to describe the collapse of the manufacturing sector in Holland following the discovery of gas in the North Sea in the 1960s.
7. Francis L. Coleman, *The Northern Rhodesia Copperbelt 1899–1962: Technological Development up to the End of the Central African Federation* (Manchester: Manchester University Press, 1971).
8. During the 1980s, Zambia's geographical isolation was exacerbated by regional political crises that cut off natural transport routes through (the then) Southern Rhodesia, Angola and Mozambique, and South Africa, while the economic crisis in Tanzania at the time severely reduced the throughput at the port of Dar es Salaam. At times during the late 1970s and early 1980s, ZCCM considered shipping copper by air. See Robert I. Rotberg, *Ending Autocracy, Enabling Democracy: The Tribulations of Southern Africa 1960–2000* (Washington, DC: Brookings Institution, 2002).
9. Robert H. Bates and Paul Collier, "The Politics and Economics of Policy Reform in Zambia," *Journal of African Economies* 4, no. 1 (1995): 115–143.
10. Jacques Bussière, from the Bank of Canada, was appointed governor of the Bank of Zambia from 1990 to 1992 before being replaced by the first MMD-appointed governor, Dominic Mulaisho.
11. Christopher Adam, "Fiscal Adjustment, Financial Liberalization and the Dynamics of Inflation: Some Evidence from Zambia," *World Development* 23, no. 5 (1995): 335–370.
12. Nic Cheeseman and Marja Hinfelaar, "Parties, Platforms and Political Mobilization: The Zambian Presidential Elections of 2008," *African Affairs* 109, no. 434 (2009): 51–76.
13. World Bank, "Zambia: Privatisation Review, Facts, Assessment and Lessons," Report prepared at the request of the Minister of Finance and National Planning, 2002.
14. In each of the sales, government retained an indirect minority equity share through its majority ownership of ZCCM Investment Holdings (ZCCM-IH), an investment company that served as the residual legatee for the management of legacies arising from former ZCCM operations.
15. World Bank, "Zambia: Privatisation Review."
16. Francis Kaunda's personal memoir of the privatization process offers a conflicting version of events surrounding the (non)sale of the core assets to the Kafue Consortium, made up of U.S., Canadian, and U.K. mining companies. Kaunda casts the Kafue Consortium not simply as a commercial cartel but as a thinly disguised front for pursuing donor interests. See Francis Kaunda, *Selling the Family Silver: The Zambian Copper Mines Story* (Lusaka, Zambia: Printpak Books, 2002).
17. The Anglo American ownership of KCM was indirect and was one element in a complex structure. KCM was 65% owned by Zambia Copper Investments (ZCI) (in which Anglo held a 51% controlling interest), 7.5%

- by the International Finance Corporation of the World Bank, 7.5% by the Commonwealth Development Corporation, and 20% by ZCCM-IH. Anglo held the management contract for KCM. Postsale, Vedanta acquired a 51% equity stake in KCM, with 20.6% held by ZCCM-IH and 28.4% by ZCI. Vedanta also holds a call option over the full amount of the ZCI equity.
18. The specifics of the various DAs are laid out in a table in the appendix to Alastair Fraser and John Lungu, *For Whom the Windfalls? Winners and Losers in the Privatization of Zambia's Copper Mines* (Lusaka, Zambia: CSTNZ, 2007). Available online.
 19. Robin Boadway and Michael Keen, "Theoretical Perspectives on Resource Tax Design" (International Monetary Fund, unpublished mimeo, 2008). Optimal mining taxation seeks to tax profits ("pure rents") rather than the value of output ("land rents"). This typically means adopting a regime free of royalties but one in which capital expenditure is written off against tax in the first year (i.e., expensed) and profits and losses treated symmetrically, with the former taxed at the marginal rate and the latter attracting a tax credit at the same rate. An equivalent treatment of losses entails a perpetual loss carry-forward provision with an appropriate rate of interest.
 20. PricewaterhouseCoopers, "Comparative Mining Tax Regimes: A Summary of Objectives, Types and Best Practices" (unpublished mimeo, 1998).
 21. Permanent income can be thought of as the annuity value of national wealth. The windfall represents an addition to national wealth that can sustain a *permanently* higher level of national expenditure.
 22. In other words, assuming the increment to wealth can be used to generate a return of 8% per annum and that no further shocks are to hit, the economy as a whole could sustain a level of expenditure in perpetuity some 5% higher than prior to the boom.
 23. Total windfall savings are computed as the net present value (NPV) of total investment in gross fixed capital formation plus the NPV of foreign asset accumulation *less* the NPV of imputed saving out of the permanent income arising from the boom.
 24. Cheeseman and Hinfelaar, "Parties, Platforms and Political Mobilization."
 25. In 2007, for example, royalty payments of approximately US\$20 million were raised from proceeds of US\$3.4 billion, a yield of precisely 0.6%, as established in the DAs.
 26. The data reported here derive from the detailed revenue reporting of the Ministry of Finance and National Planning. These do not, however, identify the share of wage taxes or VAT attributable to the mining sector and therefore underestimate the direct and indirect revenue productivity of the mining sector.
 27. ZCCM-IH is a publicly listed company. The government of Zambia holds 87.6% of the equity with the remaining 12.4% spread widely across some 2,500 shareholders in Zambia and the rest of the world. It is anticipated that the Zambian government will dispose of its shareholding through a public offering in due course. In 2005 (the last year for which financial statements are available) ZCCM-IH dividend income was approximately US\$5 million and price participation US\$33 million, approximately 2% of the

- total export proceeds of the sector. See ZCCM-IH, "Report of the Directors and Financial Statements" (2004–2005).
28. International Monetary Fund, "Zambia: Request for Three-year Agreement under PRGF: Staff Assessment," *IMF Country Report* 08/187, 2008.
 29. Popular discontent increased sharply following a decline in safety standards in the sector, which saw fatalities rise sharply from less than ten per year between 1997 and 2002 to more than 70 per year in 2004. Fatalities hit a new high in 2005 after a deadly explosion at the Chinese-owned explosives factory at Chambishi Mine in which around 50 Zambian workers were killed. The owners' delay in making compensation payments to victims' families and the low level of the compensation awarded further stoked discontent.
 30. Interview with Nathan Chambisa, Chair, Chamber of Mines (July 2008).
 31. Interview with IMF Resident Representative (July 2008).
 32. Interview, Ministry of Finance and National Planning (July 2008). The tax measures also eliminated the price participation schemes. Although this had no revenue implications for the central government budget, it stands to erode the income base of ZCCM-IH, which drew the bulk of its income from these schemes, thereby possibly drawing government into either recapitalization of the company or providing an increased current subvention.
 33. An alternative but more politically controversial interpretation of the duty is that it was introduced to limit transfer pricing and smuggling by the mining houses.
 34. Fraser Institute, "Fraser Institute Annual Survey of Mining Companies (2007/2008)" (Vancouver, BC: Fraser Institute, 2008).
 35. See Christopher Adam, Edward Buffie, Stephen O'Connell, and Catherine Pattillo, "Monetary Policy Rules for Managing Aid Surges in Africa," *Review of Development Economics* 13, no. 3 (2008): 464–490.
 36. Massimiliano Cali and Dirk Willem te Velde, "Is Zambia Contracting Dutch Disease?," Overseas Development Institute Working Paper 279, Overseas Development Institute, 2007. Available online; and John Weeks, "Is a 'Resource Curse' Inevitable in Resource-Rich Countries? Comparing Policies in Azerbaijan and Zambia," *Development Viewpoint*, no. 13, Centre for Development Policy Research, School of Oriental and African Studies (SOAS), 2009. Available online.
 37. Weeks, "Resource Curse."
 38. The principal non-traditional exports from Zambia include goods and services directly linked to the mining sector (electricity, semiprecious stones, and copper wire); agricultural products (sugar, animal products, horticulture, and floriculture); processed foods; textiles and garments; other manufacturing; and tourism.
 39. World Bank, *Doing Business 2009: Comparing Regulation in 181 Countries*. (World Bank, 2008) and interviews with Zambia Business Forum, Zambian Development Agency.
 40. *Ibid.*

From Boom to Bust: Diversity and Regulation in Zambia's Privatized Copper Sector

Dan Haglund

The proper governance of companies will become as crucial to the world economy as the proper governing of countries.

—James Wolfensohn, former President of the World Bank¹

Introduction

The global economic crisis that began with the “credit crunch” of 2007 intensified in the second half of 2008, resulting in a sharp drop in global trade and investment. In 2008 foreign direct investment (FDI) to developing countries fell by 30% (to US\$385 billion)—the first such fall since the East Asian crisis of 1997.² International commodities markets tumbled; at the end of 2008, copper prices closed at US\$3,060 per tonne, about a third of the all-time-high prices of US\$8,844 per tonne ten months earlier.³ Many investors found themselves unable to raise capital (to repay existing debt or finance new projects) from international banks, that quickly shifted their focus toward limiting their own risk exposure. Governments of many developed and developing countries responded with assertive fiscal stimulus policies, and as market confidence began to return, by the end of 2009 copper prices had rebounded to US\$7,326 per tonne. The extreme volatility of commodity markets, coupled with investors’ dependence on

international debt-financed investment, had significant implications for actors in Zambia's copper sector.

Zambia is heavily dependent on foreign investment in its copper mining sector, which accounts for around two-thirds of the country's foreign exchange earnings. Persistent low prices for copper from the 1980s through 2004 focused policy attention on diversifying the economy away from the "traditional" sector of copper mining. Yet these projects have largely failed to dent the dominance of copper in the local economy of mining regions. Following privatization in 1997–2002, the copper mining sector expanded significantly, in tandem with rising international prices. However, as identified in preceding chapters, the contribution of the mining sector to local development is often called into question. The regulation of the sector's fiscal, environmental, and labor practices has been a focus of political pressure on companies as well as the state.

The objective of this chapter is to investigate the regulation of international business in the context of boom and bust within a commodity-dependent African country. The chapter first discusses Zambia's post-privatization regulatory regime for governing the mining sector, including how its interventionist political culture shapes state-company relations. Second, it discusses how the mining sector has become increasingly diverse since privatization by accommodating companies from different institutional and cultural backgrounds. This results in a varied set of business practices that reflects differences across voluntary standards and international agreements, as well as informal norms and values. The chapter then presents a brief overview of corporate and policy responses to the global economic crisis, highlighting the disruptive nature of the crisis on local actors and the countercyclical investment of several Chinese investors. Fourth, it proposes—through a case study of environmental and health and safety regulation—that regulatory relations can be understood as based on an ideology of partnership. The chapter discusses the potential limitations of such regulation in the Zambian context. It shows that this approach is poorly suited to regulating the mining sector in an environment characterized by an interventionist political culture, increasing diversity of business practices and aims, and volatile international markets. The chapter draws on fieldwork conducted in Zambia in 2007 at the height of the mining boom as well as telephone interviews in 2008 and 2009.

Research focused on four case-study firms: NFC Africa Mining Plc (NFC Africa, eight interviews with management staff), Konkola

Copper Mines (KCM, seven), First Quantum Minerals, Ltd. (FQML, eight), and Chambishi Metals (six). These firms together represented approximately half of Zambia's copper production in 2007 (see table 4.1). NFCA is a subsidiary of China Nonferrous Metal Mining (Group) Co Ltd (CNMC), a state-owned enterprise (SOE) that was China's 29th-largest outward investor in 2006.⁴ NFCA, alongside its mines at Chambishi, manages the Chambishi Multi-Facility Economic Zone (the first of the Chinese "special economic zones" in Africa announced at the 2006 Forum of China-Africa Cooperation). KCM's parent is Vedanta Resources, India's largest mining company, listed on the London Stock Exchange but majority owned by the Agarwal family. FQML is headquartered in Vancouver, with stock market listings in Toronto and London. Chambishi Metals is owned by Enya Holdings, which until May 2009 also owned Luanshya Copper Mines (LCM). Its operations focus on cobalt and copper refineries. Enya Holdings is an unlisted joint venture between Swiss-based International Mineral Resources and Bein Stein Group of Israel (see Gewald and Souters's chapter in this volume for more detail on the composition of this firm).

Zambia's Post-privatization Regulatory Framework

This section introduces the institutional environment that governed state-firm relations in Zambia's post-privatization copper mining sector. It first surveys the regulatory frameworks applicable to fiscal, environmental, health and safety, and labor issues. In doing so, it identifies systemic capacity constraints facing government agents charged with monitoring and enforcement of regulations in the mining sector. It then identifies some slightly less formal but equally important influences on state-firm relations. These include Zambia's political culture as well as the political pressures arising from a popular sentiment that mining sector regulation had failed to address key economic, environmental, and social concerns.

The Fiscal Regime

When the state-owned Zambia Consolidated Copper Mines (ZCCM) was broken up and sold to foreign investors between 1997 and 2002, state-firm contracts were negotiated on a case-by-case basis with incoming investors. These Development Agreements (DAs) stabilized fiscal, environmental, and other regulations, as agreed between the

Table 4.1 Zambia's copper mining sector in 2007

<i>Mine</i>	<i>Owner/ "Nationality"</i>	<i>Listing</i>	<i>Year of Acquisition</i>	<i>Former Owner</i>	<i>Refined Copper Production (Kilotonnes)</i>			
					2004	2005	2006	2007
Kansanshi	First Quantum (Canadian)	FTSE, TSX	2001	Phelps Dodge (Canadian)	–	78	127	164
Konkola Copper Mines	Vedanta (Indian)	FTSE	2004	Anglo American (British/South African)	192	164	142	154
Mopani Copper Mines	Glencore (Swiss-registered)	Private equity	2000	ZCCM (Zambian)	160	133	131	122
Chambishi Metals	Enya Holdings (Netherlands regulated)	Private equity	2003	Avmin (South African)	16	22	22	58
Bwana Mkubwa	First Quantum (Canadian)	FTSE, TSX	1997	N/A (Greenfield)	42	48	51	25
NFC Africa	CNMC (Chinese)	Gov't owned	1998	ZCCM (Zambian)	15	19	23	24
Chibuluma	Metorex (South African)	JSX	1997	ZCCM (Zambian)	–	–	3	13
Total Zambian Production					425	464	498	561

Source: Bank of Zambia. Table excludes small and medium-size companies, as well as companies at various stages of prospecting and development.

Zambian government and the investors. They also provided fiscal and other concessions to the mining companies, including corporate tax and royalty rates that were among the lowest in the world, at 25% and 0.6%, respectively.⁵ The DAs, which (controversially) did not require parliamentary approval, were provided for under the Mines and Minerals Act (MMA) of 1995. This legislation gave the Minister of Mines and Minerals Development (henceforth Minister of Mines) significant discretionary power, allowing him to vary fiscal terms of the DAs largely without involvement from the Ministry of Finance and National Planning (henceforth Ministry of Finance).⁶ A 2006 World Bank report subsequently argued that “if government wants to design a progressive and more certain fiscal regime for future mining projects the scope of ministerial discretion needs to be sharply curtailed.”⁷

The state’s capacity to collect tax revenue from the privatized mining sector was hampered by the limited capacity and expertise of the Zambia Revenue Authority (ZRA). The ZRA lacked specialist competence to audit an increasingly sophisticated mining sector. Stressing the limited transparency surrounding the sector, the aforementioned World Bank report also noted that, “without further attention, it can be expected that transfer pricing is occurring and will increase as the number of processing plants increases over the next few years.”⁸ To address these issues, donor support to the mining sector (led by Norway, the European Commission, and the United Kingdom’s Department for International Development) in 2007 included technical assistance to increase ZRA capacity and establish a “mining tax unit” with sector-specific expertise. A second and donor-linked initiative pressed the Zambian government to adopt the Extractive Industries Transparency Initiative (EITI) principles for transparency of fiscal payments. The process was initiated with a World Bank scoping report in 2007 that met with a mixture of support and indifference from the mining companies. Nonetheless, in May 2009 Zambia became an EITI “candidate country.”⁹

Environmental and Health and Safety Regulations

Mining companies’ compliance with environmental and health and safety legislation is monitored and enforced by the Environmental Council of Zambia (ECZ) and the Mines Safety Department (MSD). The ECZ was set up in 1992 under the Ministry of Environment and Natural Resources and has a mandate (provided for in the Environmental Protection and Pollution Control Act 1990, henceforth

EPPCA) to regulate environmental issues when they occur *outside* of the plant area. It is a semiautonomous body, partly funded by fees charged for licenses and reviews of environmental impact assessments. The MSD is mandated to enforce safety regulations and operates directly under the Ministry of Mines. The MSD covers environmental and health and safety issues *within* the plant area of mining companies. In addition to oversight through the MSD, the Ministry of Mines is charged with direct monitoring of the mining sector through a range of reports to the ministry (which companies are obliged to submit under the DAs).¹⁰ Until the formation of the ECZ in 1992, all environmental and health and safety issues were handled by the MSD, and some areas of overlap remain. To address this issue, a memorandum of understanding was drawn up to allocate responsibilities across the ECZ and the MSD.¹¹ However, mining company representatives allege that some confusion (e.g., over reporting requirements) remains.

Even before copper prices began to rise rapidly in 2005 and the mining sector expanded, regulatory agencies appeared to be severely overstretched. A respondent at Chambishi Metals noted the need for MSD and ECZ to “boost their capacity and manpower so that they can regularly visit the mines.”¹² In particular the MSD, reliant on financial support from the Ministry of Mines, faced significant capacity constraints. Several high-profile regulatory failures are symptomatic of this lack of regulatory capacity. The largest health and safety incident since privatization occurred at BGRIMM, a subsidiary of NFCA, when its explosives manufacturing plant was leveled to the ground in an explosion in April 2005.¹³ The aftermath of the accident—which took the lives of around 50 Zambian workers—highlighted breaches in safety and labor standards and served to galvanize anti-Chinese sentiment ahead of general elections in October 2006.¹⁴

Regulatory failures in the environmental sphere have been equally significant. A large-scale environmental incident took place at KCM in November 2007 and resulted in pollution of the Kafue River, one of Zambia’s main water arteries. The ECZ wanted to bring charges against KCM, but the government intervened through a provision in the EPPCA that gives firms the right of appeal to the Ministry of Environment (if unhappy with ECZ decisions).¹⁵ In the end, the firm was instead asked to “make good” by committing to improving its internal systems and drilling boreholes in surrounding communities.

These environmental, health and safety regulatory failures became a significant issue for both mining companies and the state

following privatization. An environmental regulatory reform agenda emerged in 2007 that included simplification of licensing procedures, reassessment of standards to reflect modern mining methods (seen as an issue by several mining company respondents), and legislative reform to reduce political interference.¹⁶ Within health and safety policy, proposals to reform the MSD emerged around the same time, with a focus on making the agency more autonomous from the Ministry of Mines and increasing its capacity, by allowing it to charge user fees as the ECZ does.

Labor Standards and Enforcement

Labor relations are governed by the Industrial Relations Act, which enshrines workers' rights to collective bargaining and freedom of association. The Factories Inspectorate is responsible for monitoring labor practices of firms, as stipulated in the Employment Act.¹⁷ However, Zambia's labor regulation suffers from three weaknesses. First, it is virtually impossible to strike legally, given the various procedural requirements.¹⁸ The fact that workers cannot in practice carry out legal strike action reduces the legitimacy of industrial action and thereby the power of unions to express grievances.

Secondly, the outdated labor law makes an ambiguous distinction between temporary and permanent employees. This makes it easy for employers to "casualize" labor: workers are hired for short periods of time, often with no benefits, only to be dismissed once their probation expires and then rehired.¹⁹ Casualized labor presents a particular concern in the mining industry because of the dangerous nature of the work.²⁰ An official at the Ministry of Labour argued that casualization was not a major issue among those directly employed by the mines on the Copperbelt.²¹ However, in the case of contractors—whose employees may constitute up to half of the workers on a typical mine site—it appears that casualization (in the employment of unskilled workers) remains the norm.²²

Thirdly, although the district labor commissioner is involved with the mines in the nonsupervisory role of signing off "on all new contracts," monitoring and enforcement capacity is weak. A Ministry of Labour respondent attributed this to a lack of resources as well as the proliferation of actors following economic liberalization and privatization.²³ As reasons for the failure of effective regulation he pointed to the proliferation of new mining companies, as well as the increasingly common practice of outsourcing projects to smaller contractor companies.²⁴

Political Culture and Interventionism

Regulation of the mining sector must be seen in the historical context of state-firm relations in the Zambian postcolonial state. Key characteristics of African postcolonial states described by Michael Bratton and Nicholas van de Walle include a concentration of state power in the presidency, clientelism, and the appropriation of state resources by the political class.²⁵ With limited parliamentary oversight and ministries that are often filled with loyalists, “the presidency emerges as the dominant arena for decision-making, to the point that regular ministerial structures are relegated to an executant’s role.”²⁶ This “presidential” system engenders an interventionist political culture in which political leadership emerges as a dominant force for change.²⁷

In Zambia, policy making under Kenneth Kaunda (President from independence in 1964 to 1991) was highly centralized.²⁸ The groundswell of support for the Movement for Multi-Party Democracy (MMD) that led to the return of multi-party democracy to Zambia in 1991 appeared to herald the start of a political transformation. Yet as Jan-Kees van Donge illustrated, there were many continuities between Kaunda and the new President, Frederick Chiluba. The constitution that brought Chiluba to power was highly presidential, with only marginal changes to the system under Kaunda.²⁹

The subsequent administration of Levy Mwanawasa (from 2001 to 2008) continued in the spirit of Kaunda’s one-party state in several respects. When Mwanawasa sought to break with the Chiluba administration’s focus on privatization, there was, as Miles Larmer argued, “an increasing tendency [for Mwanawasa] to reflect Kaunda’s nationalist mode of governance, stylistically and in more substantive ways.”³⁰ Reflecting on Mwanawasa’s mode of governance, an official at the World Bank noted, “All decisions are highly centralised, you will not find Permanent Secretaries or ministers making any decisions when they are not sure what the President thinks.”³¹ The director of Transparency International Zambia observed that the President determined all significant appointments, in some cases—as with the Anti-Corruption Commission—without parliamentary ratification.³²

Government intervention in the business sector is pervasive, illustrated by the practice whereby ministers or politicians take tours of businesses and official agencies and make pronouncements—referred to in the media as “courtesy calls.” The director of the Private Sector Development Association, a lobby and research group, argued that political interventions result in “de facto policy,” undermine formal

regulations, and are in fact “the biggest hindrance to private sector development.”³³ In the mining sector, major foreign investors are expected to visit the president to brief him on their investment plans.³⁴ These practices have persisted following the election of Rupiah Banda as President of Zambia in October 2008. I discuss changes and continuities following this regime change in more detail below.

Public Perceptions and the Move to Unilateral Action

The way in which privatization of the mining sector was managed reflects the political culture of Zambia. In the mid-1990s the government lifted the privatization of ZCCM out of the general privatization process managed by the Zambian Privatisation Agency (ZPA) and appointed former ZCCM executive Francis Kaunda to lead the privatization of ZCCM. This involved considerable autonomy in negotiating discretionary fiscal terms with the mines, with limited oversight by the Ministry of Finance. The process surrounding the privatization of the mining sector was widely seen as lacking in transparency and accountability, with evidence that some foreign mining companies obtained preferential terms through corruption in the process.³⁵ The low tax and royalty rates that were negotiated meant the Zambian government in 2007 collected only US\$142 million in royalties and corporation taxes, equivalent to a mere 3% of US\$4.7 billion in copper and cobalt export revenue.³⁶

Low fiscal contributions led to a sense—among workers, communities, and civil society as well as suppliers—that mining companies were not allowing local actors their “fair” participation in the boom and that reform was necessary.³⁷ The large-scale environmental and safety incidents discussed earlier reinforced the argument that the mining sector was failing in its promise to develop the country.³⁸ Critics also pointed to how inactive new mine owners were in social service provision in comparison to pre-privatization ZCCM, which had operated a paternalistic model of “cradle-to-grave” welfare policies.³⁹ New mine owners neither saw it as their duty to provide a full range of social services nor did they have the contractual obligations (in DAs) to do so.

Popular disillusionment over the state’s inability to regulate and capture equitable rents from the resource boom fueled the political opposition. Ahead of the 2006 general elections, the main opposition party Patriotic Front campaigned very successfully on an anti-foreign investment platform that singled out Chinese investors (the PF took taking 28% of the vote against the MMD’s 42%). Sensing the urgency of this

issue, the government approached mining companies in mid-2007 to renegotiate the existing DAs. The agenda for renegotiation focused on raising royalties and corporate tax rates (from 0.6% and 25%, respectively, to 3% and 30%), establishing a windfall tax, and transferring fiscal policy making to the Ministry of Finance. After initial opposition, all the major mines had by the second half of 2007 agreed to negotiate these issues with the Zambian government. After a series of false starts to these negotiations, Mwanawasa unveiled in his January 2008 budget speech a unilaterally developed new tax regime (passed into law on April 1, 2009).

It appeared to take the mining companies by surprise.⁴⁰ As companies sought clarification of the details of the new regime, some companies (FQML and Mopani Copper Mines, or MCM) threatened to go to international arbitration if the government went ahead with it. Others appeared to wait for clarification and, in the case of Equinox's Lumwana mine, argued that new rules did not apply to their company (whose more recent DA was signed in 2005). The Chinese company NFCA was the only one not to issue any form of response through public channels.⁴¹

The industry association, the Chamber of Mines, argued during parliamentary hearings that the new fiscal regime would lead to cut-backs in capital expenditures and jobs, in particular for the older mines with higher operating costs. One mining manager corroborated the view that mining companies really did see this new regime as having a material impact, observing how MCM had advanced plans of investing US\$200 million in a new shaft but "shelved those plans" as soon as the government introduced the new fiscal regime.⁴²

Regulating an Increasingly Diverse Mining Sector

Two key characteristics of the Zambian mining sector in the post-privatization period has been its rapid expansion and growing diversity. This reflects the fragmentation of the sector resulting from privatization (as ZCCM was broken up) as well as a broader trend of growing "south-to-south" foreign investment.⁴³ New entrants included fast-growing mining companies from China and India, as well as companies based in Canada, South Africa, Israel, Australia, and Switzerland. This situation stands in stark contrast to the decades leading up to privatization in the late 1990s when the whole mining sector was managed by the state-controlled ZCCM, using fairly homogenous business policies and practices. Understanding how companies' different "institutional

backgrounds” shape their behavior in Zambia can illuminate the challenges facing Zambian regulators in holding the mining companies to account.

Diversity across firms’ processes, strategies, technologies, and norms (collectively referred to as “organizational routines”) may persist long after a company has entered a new market. Adaptation is slow because change in organizational routines and objectives are associated with transaction costs.⁴⁴ Therefore, when faced with a shift in the external environment, “[a]s a first approximation . . . firms may be expected to behave in the future according to the routines they have employed in the past.”⁴⁵ Path-dependent organizational routines thus shape how international mining companies engage with taxation, environmental, labor, and broader corporate responsibility issues.

This section surveys the variations across the four case-study companies in terms of five areas: international standards (including rules emanating from capital markets), relations with “home” government and other actors, labor practices, norms, and technology. Firstly, international standards can complement national standards in shaping companies’ behavior. In Zambia a senior ECZ official argued there is “very good evidence” that such standards influence mining companies: “[C]ompanies that are coming from countries with strong environmental regulations, I’m talking about the Western world generally, Canada, Australia and so on. They bring those standards with them.”⁴⁶

International standards shaping organizational routines and aims come in different guises, some of which relate to *mandatory* capital markets standards. For instance, any company that wishes to list on international stock markets will need systems in place to report on its financial and operational (and, increasingly, sustainability) performance. Firms raising debt capital on international project finance markets are often required to demonstrate compliance with the Equator Principles (EPs). These provide guidelines for social and environmental management, including assurance mechanisms whereby independent consultants conduct annual on-site audits.⁴⁷ In Zambia the EPs affect the environmental and social management at Chambishi Metals as well as FQML, that together represented a quarter of Zambia’s copper production in 2007.⁴⁸

Prominent *voluntary* standards companies that serve as international “best practices” include the ISO 14000 (standard for environmental management systems) and the OHSAS 18000 (standard for health and safety). At the time of fieldwork in 2007, KCM was in

the process of implementing these, as was Chambishi Metals. FQML was in the process of implementing the ISO 14000 standards but will not seek certification. An environmental manager at the company explained, “[T]here is an element of continuous improvement to the certification scheme... the yearly independent audit will look for these improvement... and it may not always make business sense... but failure to improve can be associated with bad publicity.”⁴⁹ Among the mines studied, NFCA was the only one that did not have any recognized international standards in place.

There are indications that these international standards can have real value in a context of capacity-constrained local regulators. For example, the potential for the EPs to complement local regulations in Zambia is illustrated by an environmental manager at FQML who observed that “the only difference” between the EPs and the Environmental Impact Assessment legislation in Zambia is the fact that “the former is enforced.”⁵⁰ FQML and Chambishi Metals are both EP compliant and were frequently referred to by regulatory agencies as having the most sophisticated and compliant reporting.

Relationships with home government and the head office also shape the behavior of a foreign investor. For enterprises that are state-owned, including the majority of Chinese mining investors, links to home-country governments appear to be significant.⁵¹ As Randall Morck, Bernard Yeung, and Minyuan Zhao have observed, close links with the political leadership of the People’s Republic of China provide a degree of flexibility in a context of credit constraints and falling commodity markets.⁵² Close links to a large home-country parent company appear, in the case of Chinese investors, to be a disincentive to procure locally: in Zambia most of NFCA’s procurement takes place through its parent company, CNMC, which because of its scale and market proximity can obtain favorable prices. This contrasts with the approach of KCM, which appears to use the Indian market as a *benchmark* in negotiating prices with local suppliers.⁵³ FQML and Chambishi Metals, on the other hand, have no such “home-country” connections—more than 80% of FQML’s copper was produced in Zambia in 2008.

Variations in labor relations across firms arise from different labor practices vis-à-vis mine workers as well as managerial employees. The directly employed mine workers (i.e., employees on the mining company’s payroll) at my case study firms were generally members of either the Mineworkers’ Union of Zambia (MUZ) or the National Union of Miners and Allied Workers (NUMAW). All were either permanent

employees or on fixed-term contracts. Variations among companies in their relations with unions appeared limited, with the exception of NFCA; an MUZ official argued they have used “delaying tactics” and “appear not familiar to the practices of trade unionism...we have had to induct them to play the ball. They have played along, but there is a lot of push and pull and pull.”⁵⁴

Firms also varied in their approaches to management-level employees, for instance, regarding the employment of Zambians in senior positions. NFCA stood out as the only company without Zambians in senior positions.⁵⁵ It also had the highest turnover of managers: at NFCA the typical time Chinese managers spent in Zambia was three years (see Lee’s chapter in this volume for further discussion of NFCA and NFCA-union relations). The other companies surveyed tended to retain managerial staff, even following changes in shareholders (e.g., at KCM in 2004 and at Chambishi Metals in 2003).⁵⁶ First Quantum similarly retained many managers and staff who had been with the firm since the late 1990s.⁵⁷

The formal approaches and strategies of doing business are interdependent with norms of behavior in relation to local stakeholders. For example, when expatriate managers spend longer abroad, their understanding of social norms in labor relations—and of what constitutes “acceptable” behavior—tends to evolve. An employee in NFCA’s administration observed how Chinese staff who have stayed longer in Zambia are more likely to let Zambian staff take leave to attend funerals, which are of great sociocultural importance.⁵⁸

Short stays also lead to incentives to focus on near-term production and profit, with implications for investment in environmental and safety standards and longer-term community relations.⁵⁹ One respondent noted that safety issues are particularly prominent in NFCA’s semiautonomous “Mining Department [which is]...directly linked to the mining underground and the production...[and has] people that do not even know how to speak English....It is very dangerous, that is why we used to experience a lot of accidents. You know NFCA was the company with most fatalities, excluding BGRIMM, underground, because of lack of communications.”⁶⁰

Finally, technology choices differ between companies and shape environmental as well as labor practices. One ECZ official noted that ECZ has “faced real challenges with the Chinese investors, because their technology is so dirty.”⁶¹ She suggested this may be either due to a desire to minimize costs or because they are “experimenting” with technology. She observed, “The Australians [operating Lumwana

mine], on the other hand, they are ready to comply. They are proactive, they approach ECZ and say ‘what should we do?’”⁶²

Zambia’s Copper Sector and the Economic Crisis

This section first discusses the impact of the economic crisis on Zambia’s copper sector. It explores the varying responses among mining companies, including the countercyclical expansion of Chinese investment. It then discusses the influence of the crisis on the politics and policy reforms affecting the mining sector.

Mining Sector Responses to the Crisis

The onset of the global economic crisis in 2008 had a significant impact on Zambia’s mining sector, which until the advent of the crisis was forecast to produce 1.2 million tonnes of copper per annum by 2009.⁶³ By mid-2009 this forecast was halved, but following a rebound in prices toward the end of the year, Zambia produced 675,000 tonnes of copper in 2009.⁶⁴ An estimated 10,000 workers were made redundant, seen in the context of approximately 30,000 employed in 2007, according to an MUZ official.⁶⁵ Redundancies included 1,740 employees at LCM and some 350 at Albidon’s Munali nickel mine, with the remainder largely split between KCM and MCM.⁶⁶

Judging company responses solely on the basis of public accounts can, however, obscure the nuanced approaches taken by companies to reduce costs; an employee within NFCA’s administration noted,

[The] Chinese are using other ways to reduce on workforce... all who are near retirement are being given early retirement and all with small disciplinary cases are being dismissed. There are no salary increments of course and basically [there is] low morale among workers who have no choice [be]cause there are basically no other jobs on the Copperbelt. Everyone depending on the mines has been affected.⁶⁷

The responses of mining companies to the crisis had widespread impacts on their local suppliers. Many closed down in response to falling demand, and those that remained faced worsening payment terms, which stifled economic activity by reducing suppliers’ liquidity.⁶⁸ Worries were raised that pressures to cut costs, in the absence of effective enforcement of regulations, might lead to lower standards. Reflecting on fatalities at NFCA and MCM in April and March 2009, MUZ secretary general Oswald Munyenembe expressed concern

that “with this credit crunch, mining firms have compromised safety standards.”⁶⁹ Concerns grew that wide-ranging economic and social impacts of the crisis might increase the risk of social unrest and instability.⁷⁰ Although there were some reversals in redundancies and a return to “normal” trading as prices recovered, these responses clearly demonstrate Zambia’s dependence on international commodity and financial markets.

There are three explanations for cuts in planned investment by mining companies in response to the crisis. First, some suggested that their long-term confidence in the government had been dented following the unilateral imposition of a new fiscal regime and other policy volatility during the period 2007–2009. As noted earlier, at the time the crisis began, at least some companies were already adjusting their investment plans. Following the unilateral tax increase in 2008, one manager at FQML thought mining companies remained “very suspicious” because “there is no guarantee of stability, the government can turn around again any time.”⁷¹ Another respondent claimed FQML “will continue to put money into existing projects, but [is] not looking at major new ones.”⁷²

Secondly, Zambia is more sensitive to volatile international markets because its mining sector is dominated by “junior” international mining companies. These have less diversified asset portfolios than larger firms and are more likely to exit when faced with worsening conditions. As Chris Adams of Macquarie Bank observed, “[W]hen capital markets dry up you’re more likely to find seniors.”⁷³ Third, many of the older mines have relatively high-cost structures, due to the old infrastructure inherited at privatization, the exhaustion of near-surface and “easy” copper deposits, cost inflation and high fuel prices. Operating costs rose significantly in the years leading up to 2010, and a manager at FQML noted, “Because of energy prices, steel prices, there is actually quite significant inflation for the mining industry.”⁷⁴

However, despite the economic challenges many investors faced, overseas Chinese investment sustained its momentum through the crisis. Worldwide Chinese FDI into nonfinancial sectors, of which almost half was focused on the extractive industries in 2006, grew to US\$41 billion in 2008 (a year-on-year increase of 64%).⁷⁵ Most of this investment in extractive industries was through state-owned companies, with financing typically arranged through China’s state-controlled banks. Having faced greater restrictions on the use of “exotic” financial instruments, these banks were less impacted by the financial crisis and were able to continue their lending when credit from Western Banks dried

up.⁷⁶ In fact, the relative insulation from international capital markets enabled Chinese investors to take advantage of opportunities resulting from the inability of many Western companies to refinance debts.⁷⁷ In Zambia rumors were rife that the Chinese were “now looking for some bargain[s].”⁷⁸

Evidence of increasing Chinese investment in Zambia’s mining sector includes Jinchuan Group’s (China’s largest nickel producer) injection of capital to recommence operations at Albidon’s Munali nickel mine in return for a shareholding.⁷⁹ Representatives of a Chinese firm called Zhonghui Mining also expressed an interest in exploring and developing deposits in Mwinilunga, North-Western Province, demonstrating their ability to raise capital and invest at a time when western companies were frozen out of capital markets. At a meeting in March 2009, Minister of Commerce Felix Mutati said the government was “grateful” that despite the global economic recession, Zhonghui’s investment budget had continued to increase. In February 2010, the company was awarded a prospecting license.⁸⁰

The most well-publicized instance of Chinese expansion in the copper sector during the crisis was the acquisition of Luanshya Copper Mines by NFCA in May 2009.⁸¹ NFCA was chosen over two other front-runner bidders: Vedanta Resources and a consortium called Luanshya Mineral Resources.⁸² NFCA has agreed to invest US\$400 million to restart production at Baluba mine and to develop production at Muliashi.⁸³

The announcement was met with reservations among Luanshya residents who raised concern over NFCA’s reputation for poor labor standards. These local communities had witnessed firsthand the exploitation of LCM under the previous ownership of foreign investors the Binani Group.⁸⁴ An anonymous respondent at NFCA thought the benefits of the company’s “saving” of LCM were questionable:

They are the guys who pretend to be helping by not going away... their help... is not very good... yes they will employ people but their salaries are so low that living conditions enjoyed by those in Luanshya will reduce a lot. [P]eople will not get what they deserve... they are too corrupt and that unfortunately is being entertained by our new government.⁸⁵

The government’s handling of the LCM sale was kept secret. A donor representative explained that the government did not, for reasons that are unclear, proceed with a donor proposal to involve consultants (hired to give technical assistance to the ZRA) in the government’s

bid assessments.⁸⁶ There was also speculation that NFCA may have promised to remain a committed investor and avoid large-scale retrenchments, even in a prolonged crisis.⁸⁷ Eventually, in a significant transformation of attitudes to the Chinese as investors, at least among formal bodies, the unions and other stakeholders decided to broadly support the move.⁸⁸

Political and Policy Changes

The economic uncertainty of global markets coincided with domestic political and policy uncertainty in Zambia. President Mwanawasa passed away in August 2008, shortly after the new fiscal reforms were introduced. The subsequent election of Rupiah Banda (formerly Vice President) as President in October 2008 heralded further changes to government policy, including the fiscal framework for the mining sector. An editorial in *The Post* noted how:

[a] lot of our people questioned what plans Rupiah had for Zambia. Instead of providing concrete answers, Rupiah and his friends said they would continue with Levy Mwanawasa's legacy, although they did not tell the country what this legacy was. The moment Rupiah got to State House, he appeared to be more eager to undo almost everything that Levy did.⁸⁹

With respect to the mining sector, the Banda administration quickly took steps to marginalize the Ministry of Finance in tax negotiations.⁹⁰ The presidential and centralized mode of governance of the Banda administration nevertheless appeared to be a continuation of the Mwanawasa regime. Banda himself had commercial interests in the mining sector, and one respondent said there was a sense that governance of the mining sector had become even more "personality-based."⁹¹ The new administration seemed less keen to engage with the mines through the regular bureaucratic channels. An FQML manager noted with reference to energy policy—a looming issue for the industry—that the mining sector was not getting much feedback.⁹²

As in many African countries, Zambia's response to the crisis was constrained by its less-developed financial markets, which provided limited scope for borrowing and spending on stimulus packages. Instead, the new government's policy responses to the crisis in the mining sector included greater investor incentives and greater state participation in the mining sector. First, the government sought to maintain economic activity by providing incentives to investors. The

fiscal regime for mining was amended again in 2009, reversing several of the provisions introduced a year earlier.⁹³ The most controversial of these was the removal of the windfall tax, seen as a major concession to the mines, as well as the reintroduction of capital allowances.⁹⁴

The windfall tax had been economically significant and accounted for a large share of the high growth in Zambia's mining sector's fiscal receipts in 2008 (to US\$274 million), despite the slump in copper prices.⁹⁵ These changes to the fiscal regime were therefore unpopular among those calling for more demonstrable contributions of the mines to local development. The government also sought to generate political consensus around the reform through provisions that would allocate some tax receipts specifically to the development of local constituents (an idea also floated as part of the renegotiation debate of 2007). This would transfer wealth to Patriotic Front Members of Parliament (MPs), who retained a majority of Copperbelt parliamentary seats and local councils in the 2008 elections. As Vice President George Kunda told Parliament, "I know you are determined to fight but there is a lot we can benefit from this Bill. There is Constituency Development Fund where a lot of us MPs can benefit by building clinics, hospitals and schools."⁹⁶ With a majority of seats in Parliament, the MMD was easily able to pass the bill.

A second change in policy was the focus on increasing state participation in the mining sector. The failure of the mines to promote development during the boom, coupled with the evidence of investor fickleness as markets fell, appeared to relegitimize the government as an active force in the mining sector. In early 2009 the government periodically hinted that it would increase its direct participation in the mining sector by raising its shareholdings in major mines from 15–20% to 25–35%. This intention was most clearly voiced by Minister of Mines Maxwell Mwale at the World Economic Forum in South Africa in June 2009, with the ostensible aim of preventing further mine closures.⁹⁷ A more proactive state role in the mining sector also resonated with unions, who have normally been critical of the state's failure to support their cause.⁹⁸ As MUZ general secretary Rayford Mbulu put it, "We are against investors who abandoned the mines because people should appreciate that copper prices can go up or come down."⁹⁹

These expressions of a more assertive state were coupled with state inaction in other areas. Under the Banda administration, much-needed reforms of environmental and health and safety regulation

have met with little progress.¹⁰⁰ Only those reforms linked to donor initiatives were pursued through the crisis and changes in the political administration. For example, a donor-funded initiative to strengthen capacity at ZRA through technical assistance and capacity building has maintained momentum, and by April 2009, ZRA prepared to audit the large mines. Mining companies were recalcitrant but broadly accepted the need to “open up their books” to local scrutiny. One donor respondent at the Norwegian Embassy attributed this openness to the concessions the Banda administration made to the mining companies in the area of taxation.¹⁰¹ Additional institutional strengthening through the EITI was also pursued despite the destabilizing effect of the crisis, with the World Bank about to implement its EITI “workplan” for Zambia in mid-2009.¹⁰²

The Partnership Approach to Regulating the Mining Sector

To highlight the challenges in regulating an increasingly diverse business sector and to explain the limited progress of proposed reforms, this section presents a case study of environmental and health and safety regulation. I first show how the Zambian regulatory regime can be conceptualized as based on a “partnership” approach to state-firm relations, rooted in the neoliberal economics that dominated thinking among Western donors during the 1980s and 1990s.

Defining the Partnership Approach to Regulation

The view of government regulators as “partners” to support and enable private-sector interests originates in a view of the state as an enabler of private-sector growth. However, the policy objective of promoting and enabling the private sector must be delicately balanced with societal requirements on the state to monitor and minimise negative impacts of corporate behavior, in what Barbara Harriss-White called an “inherent tension” in modern capitalism.¹⁰³ David Graham and Ngaire Woods have argued that this view of the state is part of an ideological shift, reflected in the recent decades of donor conditionalities, structural adjustment, and liberalization of developing countries.¹⁰⁴ Based on the idea that economic development is more sensitive to state failure than to market failure, greater involvement of the state in the development process was often seen as impeding private-sector-led growth.¹⁰⁵ This resulted in greater marketization of economic and social life and

an effective “retreat of the state,” in part manifested through reduced investment in public-sector capacity.¹⁰⁶

As international investment expanded, many developing countries were thus unable to ramp up domestic regulatory capacity to match the growing sophistication of international capital. In response to the resultant “capacity deficit,” cooperative approaches to regulation rose in prominence on policy agendas.¹⁰⁷ The World Bank and other donors advocated for greater self-reporting and use of incentives, rather than direct command-and-control regulation.¹⁰⁸ Reflecting this ideology of partnership, an ECZ director explained, “the basic thrust has been that companies should be at the forefront of reporting on their activities,” emphasizing that “the onus should be on the regulated.”¹⁰⁹ He elaborated, “[t]he idea is that we need to come up with a win-win situation, so that when we regulate, we regulate such that they are more than willing and glad to comply.”¹¹⁰

The articulation of mining regulation in Zambia fits within this partnership framework, which has three notable characteristics. First, regulation is in practice heavily reliant on *self-reporting*, with companies expected to self-report their performance semiannually (to the ECZ) and quarterly (to the Ministry of Mines). There appears to be a degree of flexibility in this: ECZ officials review this six-monthly data, using their judgment, and if values are “off” in one month but not others, no action may be taken.¹¹¹ Second, processes of regulatory reform are highly *consultative*, in part reflecting the stability provisions given to mining companies at privatization. Under these provisions, the government cannot force costly amendments on the companies and thus needs to get big companies to voluntarily cooperate in order to implement legislative reform. The environmental manager of KCM noted that the proposed reform to environmental regulations from 2007 “is not in bad faith, if you like. That’s why we have been invited as stakeholders. It is not a brand new legislation, it is just amendments. The basics are there.”¹¹² The general manager of the Chamber of Mines (CoM) added, “It is the trend now, for example the mining policy is being revised, and we have been consulted together with other stakeholders.”¹¹³ Proposals to reform the MSD have been equally consultative. Finally, regulation is based on *mutual accountability*. Taking the case of the ECZ, its accountability toward the entities it regulates is enshrined in the law. As a senior ECZ official explained, “also ECZ can be sued, we are liable to being sued. We can be sued actually for maybe divulging information that we are not supposed to share.”¹¹⁴

The Partnership Approach and Regulatory Effectiveness

Surprisingly little progress has been made since privatization in reforming environmental and health and safety regulation in Zambia. This section analyzes the implications of partnership regulation in the context of the commodities boom, greater diversity of business practices, and limited policy clarity. It then discusses how political interference undermines the partnership approach by providing room for multiple articulations of state-firm relationships. Finally it discusses how the partnership approach opens up space for diverse articulations of state-firm relationships but at the expense of excluding wider civil society.

The boom in copper prices affected regulatory effectiveness in two ways. Already overstretched regulatory agencies faced increased competition for skills, reducing the capacity of already overstretched state agencies to oversee the mining sector. Foreign mining companies that could afford to offer higher salaries often “poached” mining engineers, metallurgists, and geologists from government agencies. The senior inspector of the MSD referred to his agency as a “training ground” for subsequent employment by the mining companies.¹¹⁵ A senior mining engineer at the Ministry of Mines recalls how the ministry attempted to employ 18 geologists in early 2007 but was unable to recruit a single one.¹¹⁶

The boom also weakened any potential for international standards such as the Equator Principles to complement national regulatory oversight. The rapid expansion of the global mining sector during the boom led to shortages of the consultants used by companies to conduct the operational feasibility studies needed to access international capital markets. Companies thus ended up doing much of their expansion planning in-house. At the same time, windfall profits gave many companies sufficient internally generated funds for expansion, obviating the need to raise funds on international capital markets (and follow international standards promulgated by these markets). This was, for example, the case at KCM as well as NFCA.¹¹⁷

Different business practices among companies increase demands on regulators. These differences may be nuanced, but a senior inspector at the MSD suggested they do vary “to a certain degree.”¹¹⁸ He claimed most of the mines “are quite confident, they don’t get bothered so much [by inspections], most of the time they have their house in order. But our colleagues the Chinese are still adjusting to certain impositions of the law, so they get worried that you will find them wanting in this or that area.”¹¹⁹ These differences hamper

collective regulation and reduce the effectiveness of a consensus-based approach to state-firm relationships. Progress has been slow despite mining companies indicating—through stakeholder consultations—that they support strengthened regulation, by the ECZ as well as MSD.¹²⁰

A lack of clarity over standards also undermines regulatory effectiveness, resulting in confusion over reporting requirements. As a manager at FQML explained, “On environmental management sometimes there is a bit of confusion . . . because you also have MSD, and within that you have the environmental department. And sometimes one party does not always know what the other party is doing.”¹²¹ More specifically, self-reporting was complicated by a lack of common standards and reporting formats amongst different investors. Because companies were given asset-specific exemptions from statutory environmental and health and safety regulation, they lacked standardized self-reporting protocols.¹²² A reliance on self-reporting in the absence of such guidelines means that companies’ reporting comes to reflect what information is already collected and monitored using systems in place. A company with pre-existing sophisticated reporting systems (such as those required by the Equator Principles) that “routinely” produces detailed and relevant data can easily provide regulators with this information.

Threats of political intervention and discretion further undermine regulation that is based on consultations and mutual accountability. Although policy is *developed* through consultations involving the mine companies, the central government and ultimately the presidency are intimately involved in its *execution*. On the big issues in particular, the state retains the right of ultimate arbiter, as illustrated by how unilateral changes to the tax regime in 2008 were instituted without formal consultations with the mines. Moreover, the threat of political intervention means that regulators become cautious: enforcing agents may fear upsetting political state-firm relationships that they, because of acute information asymmetries, are unlikely to be fully informed about.¹²³

This effect is amplified in the context of a close-knit mining community: experience of ECZ “unfairness” with one mine is likely to be shared with others, including the CoM, which can then challenge government (and perhaps threaten—by extension—the jobs of ECZ officials).¹²⁴ The emphasis on mutual accountability can also make regulatory agencies unwilling to “open up their books” to the wider public. Doing so might undermine relationships with mining companies and subject regulators to criticism were it later shown

that oversight had been inadequate. The idea of mutual accountability also sits uneasily with a culture of secrecy. The DAs, which contained contractual commitments the mining companies took on when they bought the mines, were kept secret; this meant civil servants routinely lacked knowledge of the standards against which companies should have been held accountable.¹²⁵ Some DAs were made public by campaigners in 2007.

This interventionist political culture provides room for the articulation of formal as well as informal state-firm bargaining—firms may opt to follow the “formal” procedures or to cultivate personal and “informal” relationships, or both. For example, firms may pursue stability either through direct channels or by improving their reputations. NFCA appears to have sought stability by letting the Zambian government “broker” its social contract.¹²⁶ For example, on a visit to Zambia in February 2008, the Chinese deputy minister of commerce, Gao Hucheng, called on the Zambian government to ensure that meetings were held with stakeholders to brief them on projects and their impacts.¹²⁷ FQML, on the other hand, takes on this role itself, cultivating direct relationships with local stakeholders: “if you talk to the Copperbelt PS, and Copperbelt Ministers, which company is doing most CSR, and FQML will always come up. And that does open doors. However, it is one of economic benefits that you cannot quantify.”¹²⁸

Finally, although the contemporary articulation of state-firm relations brings regulator and regulated closer, in the process it closes off space for wider consultations with civil society. The potential for actors such as NGOs, church groups, and wider civil society to compensate for weak regulations is reduced under a partnership approach based on mutual accountability.¹²⁹ An ECZ director explained,

In the past there have been cases where a company is taken to court by some residents... the company could also say, “how did this information get to these people?” The only place where we share this information is ECZ, so ECZ you have broken the confidentiality agreement [in] the EPPCA that obliges us not to divulge certain information that, once in the wrong hands, it may actually put the company in the wrong light.¹³⁰

This can explain the approach chosen by local NGOs, such as Citizens for a Better Environment, to engage with the mines on the basis of legal confrontation rather than more constructive dialogue.¹³¹

Conclusion

This chapter has argued that Zambia's current regulatory framework is based on an ideology of "partnership" between regulators and the regulated. This approach is probably well suited to regulating a stable and transparent mining sector. However, it performs poorly in a context of rapid change caused by volatile commodity and capital markets, a political culture of interventionism, and the growing diversity of business practices and ownership in the mining sector. Diversity in business practices and organizational routines places greater requirements on regulators, who must accommodate a heterogeneous set of interests. This is a challenge for already overstretched regulatory agencies and risks undermining fiscal as well as environmental, health and safety, and labor regulations. This is particularly a problem in the context of an interventionist political culture that enables formal as well as informal articulations of state-firm relations to be sustained simultaneously. Diversity also undermines collective action among the mines, making it more difficult for the regulator to reach the consensus between regulator and regulated on which the partnership approach to regulation relies.

The economic crisis and the responses it generated by firms as well as the Zambian government illustrate the weaknesses of the existing regulatory framework. First, the global economic crisis and downturn in the commodities cycle appeared to have a disruptive effect on government policy making toward the mining industry and the economy as a whole. This was seen in a shift toward short-term objectives, whereby essentially longer-term governance questions relating to environmental and health and safety issues became a second-order priority. The ruling administration appeared to be "firefighting" to secure the separate objectives of assuring investors as well as workers and communities that it had their interests at heart. Thus, reforms to improve investor incentives were coupled with talk about partial nationalization, generating uncertainties in particular for those investors that rely on formal channels of state-firm communication.¹³²

Second, the countercyclical expansion of Chinese investment during the boom introduced greater variation of practices, values, and norms into the sector. Over the long term, this shift may further destabilize relationships among firms, enforcing agencies, and the political leadership. In the absence of greater regulatory capacity to enforce a level playing field, it is likely to result in greater variation

in environmental, labor, and related compliance; firms' self-reporting practices are more likely to reflect routines and technologies already in place, dictated by a mix of voluntary and mandatory commitments arising externally to Zambia.

The changes taking place in Zambia's mining sector reflect a broader dual shift in the landscape of international investment. On the one hand, states are faced with the complexities of regulating more diverse business sectors, following the entrance and growing dominance of companies (including Chinese SOEs) that are better able to weather the crisis. On the other hand, there are signs of convergence in international standards and practices. As China's own institutional frameworks develop, initiatives emerge to strengthen environmental and other standards of its overseas projects.¹³³ In March 2009 the Global Environmental Institute of China reported new guidelines for the conduct of overseas Chinese companies, requiring all projects to undertake precommissioning environmental impact assessments.¹³⁴ These standards, which have recently included Equator Principles–like safeguards for commercial banks, will likely eventually trickle down to Chinese companies operating in Africa's resource sectors.¹³⁵

Indeed, greater convergence in international standards can compensate for some of Zambia's current regulatory challenges. There is some evidence of convergence in business practices, which may re-create the more unified approach to the articulation of mining company interests that existed in the First and Second Republics (see Larmer's chapter in this volume). For example, officials from both the ECZ and the MSD acknowledged significant improvements in compliance since the Chinese arrived in the copper sector in 1998. There have also been some tentative steps toward greater participation by NFCA in the collective activities of the Chamber of Mines, which appears to be playing an increasing role in providing a unified "voice" for the mining sector.¹³⁶ There is some evidence of convergence in labor practices: at NFCA some employees have recently moved from being on fixed-term contracts to being permanent employees (see Lee's chapter in this volume).¹³⁷

Nevertheless, the disruptive political and economic effects of the commodities cycle highlight the clear limitations of the current regulatory regime. This regime is based on assumptions of stability and, sits uneasily with rapid change—be it due to the uncertainties arising from the boom and bust of commodities markets, the lack of continuity implied by a presidential and interventionist political

culture, or changes in the makeup of the mining sector. To ensure that foreign investment makes a lasting contribution to national development, regulatory frameworks are needed that take into account both political and international economic contexts of Africa's extractive industries.

Notes

1. The Economist, *The World in 1999* (London: Economist Intelligence Unit, 1999).
2. See World Bank, *Global Development Finance 2009* (Washington, DC: World Bank, 2009), 57; and Economist Intelligence Unit, "Manning the Barricades: Who's at Risk as Deepening Economic Distress Fosters Social Distress" (London: Economist Intelligence Unit, 2009). Available online.
3. Sandy Shore, "Newmont 3Q Profits Fall 51 Percent on Higher Costs," *USA Today*, October 29, 2008. Available online.
4. Randall Morck, Bernard Yeung, and Minyuan Zhao, "Perspectives on China's Outward Foreign Direct Investment," *Journal of International Business Studies* 39, no. 3 (2008): 337–350.
5. The perceived importance of offering an attractive investment environment reflected, in part, the conditions of donor aid that the World Bank made on successful privatization. It also reflected a global context in which Peru, Kyrgyzstan, and Uzbekistan were all privatizing their mining sectors at the same time as Zambia, thus increasing the supply of investment opportunities. See Patricia Feeny, "The Relevance of the OECD Guidelines for Multinational Enterprises to the Mining Sector and the Promotion of Sustainable Development" (2002). Available online.
6. Interview, Senior Technical Assistant, Mining Sector Diversification Programme (MSDF), European Commission Programme within Ministry of Mines, Lusaka, Zambia, October 1, 2007.
7. World Bank, "World Bank Minerals Sector Fiscal Review" (2006). Aide-Mémoire from Mission to Zambia, November 28–December 7, 2006, 52. The IMF similarly recommended that no new DAs be negotiated until a new mining policy was in place, that granting of fiscal provisions be removed from Ministry of Mines, and that future price participation follow some formula. See International Monetary Fund, "Zambia: Fiscal Arrangements for the Mining Sector—A Further Review," International Monetary Fund Fiscal Affairs Department, August 15, 2006, 9.
8. World Bank, "World Bank Minerals Sector Fiscal Review," 41. Transfer pricing includes the practice of charging a subsidiary above arms-length prices on purchases from the parent company (or another affiliated entity), thereby minimizing the taxes payable within the subsidiaries fiscal jurisdiction.
9. World Bank, "Extractive Industries Transparency Initiative (EITI) Scoping Study for the Republic of Zambia" (Washington, DC: World Bank, 2007). Available online.

10. Reporting requirements include, *inter alia*, quarterly reports on mined ore and average grades, finished copper produced, amount of copper ore refined by third parties, and general progress on investment plans set out at privatization. However, there is some evidence that companies were often noncompliant with these requirements. An official at the Ministry of Mines noted that lacking organizational capacity, which he attributed to "the inability to retain technical staff," meant that inspections and follow-up verifications were not forthcoming. Interview, Ministry of Mines senior mining engineer, Lusaka, Zambia, July 27, 2007.
11. Interview, ECZ legal counsel, Lusaka, Zambia, September 11, 2007.
12. Interview, Daniel Chihili, superintendent environmental/health/safety, Chambishi Metals, Chambishi, Zambia, November 1, 2007.
13. BGRIMM stands for Beijing General Research Institute of Mining and Metallurgy. See BBC News, "Dozens Killed in Zambia Explosion," April 21, 2005. Available online.
14. It emerged the company had not kept adequate records of workers: one employee recounted how identification of those perished required company representatives going into the nearby township to search for weeping families. Interview, NFCA employee 1, Chambishi, Zambia, September 8, 2007. Accountability over the incident was limited: an official at the ECZ is clear that there was a report, presented to Parliament but not made public, highlighting lacking safety standards and training in the handling of detonator devices. Interview, ECZ legal counsel, Lusaka, Zambia, September 11, 2007.
15. For an illustrative example of this kind of intervention, see *Times of Zambia*, "Zambia: Parley Committee Takes ECZ to Task," May 15, 2007. Available online.
16. Interviews, Chihili and Yotham Phiri, ECZ environmental manager, Chingola, Zambia, October 12, 2007.
17. Interview, James Chansa, senior labor officer (labor inspections), Ministry of Labour and Social Services, Lusaka, Zambia, October 25, 2007.
18. Interview, Charles Muchimba, MUZ director of information, Kitwe, Zambia, August 3, 2007. The interviewee indicated how the union must, at first, "indicat[e] a dispute, you have to 'agree with employer' [to disagree]. You then have to agree on what course to take [to court or arbitration. Then, suppose you want to go to strike, you are supposed to ballot for your members, and two-thirds must vote, and supervised by principal labor officers, whose staff complement is small, they don't have mobility. Then, once you have voted to go to strike, you have to wait for ten days. And how can you get annoyed today and wait ten days to throw the branch? And within those ten days, the minister has power to go to court and get an application to declare your intention to go to strike not in the public interest. . . . So in terms of MUZ flexing its muscle, it has virtually been impossible."
19. See C. Petrauskis, "Employee Vulnerability in Zambia: A Policy Guide to Casualisation, Minimum Wage and the Dignity of work," Jesuit Centre for Theological Reflection policy brief, 2006.
20. There were proposals in the Ministry of Labour to issue a statutory instrument to regulate casualization in 2005, but by the end of 2007 this was only

ever a policy that served to make outplacement (or “labor hire” firms) illegal in 2006. See Alastair Fraser and John Lungu, *For Whom the Windfalls? Winners and Losers in the Privatisation of Zambia’s Copper Mines* (Lusaka, Zambia: CSTNZ, 2007); Chansa interview.

21. Chansa interview.
22. Telephone interview, Lameck Malema, managing director of Loma Enterprises (mining supply company), November 30, 2007. A second respondent confirmed that although KCM did not employ any casualized labor, this was an area where KCM “ha[s] found some contractors wanting”: Sophie Masupha, vice president human resources, KCM, Chingola, Zambia, October 12, 2007.
23. Masupha interview. To put these resource constraints in perspective, in a 2000 census there were 68,000 “employment companies” registered with the Ministry of Labour, and in 2006 a total of 98 labor inspectors visited 1,500 companies (Chansa interview).
24. Chansa interview.
25. Michael Bratton and Nicholas van de Walle, *Democratic Experiments in Africa: Regime Transitions in Comparative Perspective* (Cambridge: Cambridge University Press, 1997), 63.
26. Nicholas van de Walle, “Presidentialism and Clientelism in Africa’s Emerging Party Systems,” *Journal of Modern African Studies* 41, no. 2 (2003): 297–321, 310.
27. Merilee S. Grindle, “In Quest of the Political: The Political Economy of Development Policymaking,” in World Bank, *Frontiers of Development Economics: The Future in Perspective* (Washington, DC: World Bank, 2001).
28. Robert H. Bates and Paul Collier, “The Politics and Economics of Policy Reform in Zambia,” *Journal of African Economies* 4, no. 1 (1995): 115–143.
29. Jan-Kees van Donge, “Zambia: Kaunda and Chiluba: Enduring Patterns of Political Culture,” in John A. Wiseman, ed., *Democracy and Political Change in Sub-Saharan Africa*, 193–219 (London: Routledge, 1995), 209.
30. Miles Larmer, “Reaction and Resistance to Neo-liberalism in Zambia,” *Review of African Political Economy* 32, no. 103 (2005): 29–45, 41.
31. Interview, World Bank staff member, Lusaka, Zambia, October 22, 2007.
32. Interview, Goodwell Lungu, executive director, Transparency International Zambia, Lusaka, Zambia, October 22, 2007.
33. Interview, Yusuf Dodia, director, Private Sector Development Association, Lusaka, Zambia, September 13, 2007.
34. Interview, senior technical assistant, MSDF.
35. See Larmer, “Reaction and Resistance,” and Jan-Kees van Donge, “The Plundering of Zambian Resources by Frederick Chiluba and His Friends: A Case Study of the Interaction Between National Politics and the International Drive Towards Good Governance,” *African Affairs* 108, no. 430 (2008): 69–90. One high-profile example of possible corruption involved FQML’s bid for Luanshya Copper Mines. Hours before the stated deadline, the government received a bid from the Binani Group, which was

then selected instead of FQML. Lawyers representing FQML challenged the bid with three pieces of evidence but were not heard, and Binani proceeded to asset strip the company. See also Gewald and Souters's chapters in this volume.

36. Pres. Levy Mwanawasa, opening of 10th National Assembly speech, January 2008. Available online.
37. See, for example, Christian Aid, "A Rich Seam: Who Benefits from Rising Commodity Prices" (London: Christian Aid, 2007). Available online. Note that the good "deal" obtained by companies is not a simple reflection of their ability to bargain hard but is at least in part explained by the long decline in commodities markets that preceded privatization. As a former ZCCM manager put it, "at privatisation, people felt there was no future in the Zambian mining industry, as late as 2002–2003. Those guys couldn't get any more money than they got, that's what the mines were at the time." Interview, Roland Lwiindi, commercial director, Copperbelt Energy Corporation, Kitwe, Zambia, August 31, 2007. Moreover, not all companies were actively involved in negotiating the low tax and royalty rates of the sector; rather, KCM and MCM managed to negotiate these terms, which only later were applied across the sector, following lobbying by some mining companies. Interview, Peter Sinkamba, executive director, Citizens for a Better Environment, Kitwe, Zambia, August 1, 2007.
38. It remains difficult to discern the true extent of environmental and health and safety noncompliance: the capacity of independent media to proactively scrutinize is limited, and workers may lack incentives to report malpractice. At NFCA, one respondent noted that if "some guy wants to complain, they'll just give him money. If they see that they are going to get into trouble they will bribe that person." Interview, NFCA employee 2, Kitwe, Zambia, March 31, 2009.
39. See John Lungu and C. Mulenga, "Corporate Social Responsibility Practices in the Extractive Industry in Zambia" (a report for the Catholic Commission for Justice, Development and Peace [CCJDP], the Development Education Community Project [DECOP], and the Zambia Congress of Trade Unions [ZCTU]), 2004.
40. Appearing before the Parliamentary Committee on Estimates, the Chamber of Mines (CoM) said the mines had letters from April 2007, signed by the president, stating that the government would not unilaterally change the fiscal regime. See "Mines Resist Tax," *The Post*, February 12, 2008.
41. "Mines Reject Tax Regime," *Lusaka Times*, February 12, 2008. Available online.
42. Interview, FQML Manager 1, Ndola, Zambia, November 6, 2007.
43. Dick Aykut and Dilip Ratha, "South-South FDI Flows: How Big Are They?," *Transnational Corporations* 13, no. 1 (2004): 149–176; see also UNCTAD, "World Investment Report 2006. FDI from Developing and Transition Economies: Implications for Development," New York and Geneva: United Nations, 2006. Available online.
44. Richard R. Nelson and Sidney G. Winter, "Evolutionary Theorizing in Economics," *Journal of Economic Perspectives* 16, no. 2 (2002): 30.

45. Richard R. Nelson and Sidney G. Winter, *Evolutionary Theory of Economic Change* (Harvard: Harvard University Press, 1982), 134.
46. Interview, ECZ director, Ndola, Zambia, November 19, 2007.
47. The Equator Principles (EPs) are voluntary guidelines adopted by international banks representing around 80% of the global project finance market. Lending above US\$10 million from any of these banks typically requires demonstrable adherence to the EPs, as well as regular audits. See www.equator-principles.com and Frank Amalric, "The Equator Principles: A Step Towards Sustainability," Center for Corporate Responsibility and Sustainability, Working Paper Series, 2005. Available online.
48. Chambishi Metals has made its processes EP compliant in preparation for a listing on the London Stock Exchange. Chief financial officer Anil Bangur explains that the long-term nature of mining means equity investors "like to see these costs taken out at an early stage" (i.e., incorporated into financial forecasts). Interview, Chambishi, Zambia, October 4, 2007.
49. Interview, FQML manager 2, Ndola, Zambia, September 17, 2007.
50. Ibid.
51. Dan Haglund, "Regulating FDI in Weak African States: A Case Study of Chinese Copper Mining in Zambia," *Journal of Modern African Studies* 46 (2008): 547–575.
52. See Morck, Yeung, and Zhao, "Perspectives on China."
53. Interview with Grant Gatchell, operations manager, Voyagers Zambia (supply company), Ndola, Zambia, November 26, 2007; telephone interview, Lameck Malema, November 30, 2007.
54. As Muchimba further stated in his interview, "Let's take the BGRIMM as a case. Those unfortunate souls that perished, they had expressed their desire to join this union almost a year and a half before they met their death. During that period, management had stood their ground, and used delaying tactics. And they never came to have a voice. We are having similar situation with some of the other companies that are coming up, from the time that you give them a simple draft [resolution] agreement, it will take a whole bureaucratic way of doing things, where they would send it to China, have it translated in Chinese, get it back. And it is taking a year now, again. And workers become frustrated, they don't have a voice.... We want to work with investment that operates on good governance principles, and is conscious of good CSR."
55. Interview, NFCA employee 1, Chambishi, Zambia, September 8, 2007. Following the BGRIMM accident, a Zambian manager of human resources was appointed, but the same NFCA employee notes that this appointment is "more like remote control." Interview, NFCA employee 1, Chambishi, Zambia, December 2, 2007.
56. Masupha interview; interview with Anne-Marie Mwenya, Chambishi Metals Company secretary, Chambishi, Zambia, October 4, 2007.
57. Interview, FQML manager 1, November 6, 2007.
58. Interview, NFCA employee 1, December 2, 2007.
59. Dan Haglund, "In It for the Long Term? Governance and Learning Among Chinese Investors in Zambia's Copper Sector," *China Quarterly* 199 (September 2009): 627–646.

60. Interview, NFCA employee 1, September 8, 2007.
61. Interview, ECZ legal counsel.
62. Ibid.
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114. Interview, ECZ director, August 8, 2007.
115. Interview, MSD senior inspector, Kitwe, Zambia, August 27, 2007.
116. Interview, Ministry of Mines senior mining engineer.
117. Interview, Xiang Gao, NFCA deputy chief executive officer, Chambishi, Zambia, August 21, 2007; interview, Joel Chitambala, KCM business controller, Chingola, Zambia, September 17, 2007.
118. Interview, MSD senior inspector.
119. Ibid.
120. Ibid. According to the Superintendent of Environment, Health and Safety of Chambishi Metals, “there is a lot of management support” for a more independent MSD at his company. He recounts how he “was in the meeting when Derek Webbstock [CEO of Chambishi Metals and LCM] said ‘we have no problem contributing to that, we fully support it,’ those were his words.” Chihili interview.

121. This respondent argued that sometimes “the best thing to do is just to report everything to everybody.” Interview, FQML manager 3, Ndola, Zambia, October 22, 2007.
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Raw Encounters: Chinese Managers, African Workers, and the Politics of Casualization in Africa's Chinese Enclaves¹

Ching Kwan Lee

Introduction

China's return to Africa beginning in the late 1990s flows from decades of political, ideological, and economic ties cemented since the Bandung Conference in 1955. Although the Bandung rhetoric of anticolonial, third world-ist development still finds faint echo among elite and ordinary people alike in Africa, the more prevalent public discourse these days is the one the United States and former colonial powers in Western Europe promote. It focuses on China's capitalist, even "imperialist" impulses—its hunger for raw materials, its financial prowess, and its wide-ranging investment portfolio throughout Africa.² A frenzy of alarmist media reports, as well as a rapidly growing academic literature on China in Africa, have recycled many aggregate statistics on the volume of Chinese investments, casting China as a formidable competitor for global energy resources and diplomatic influence. Yet without comparative and grounded analysis on how these investment projects operate—the diverse agents and local conditions that enable and embed their interplay with workers, unions, and communities—analysts remain trapped in sweeping and unproductive generalizations. Neither Chinese capital nor Africa is singular, and the dynamic of their encounters, raw in many ways as this chapter will show, can be grasped only from within and across these Chinese enclaves.

This chapter examines one of the preeminent logics of global capital flow—the pursuit of flexible labor regimes—as a window through which to explore the interaction between Chinese investments and African communities. Casualization (alternatively termed “informalization,” “precarious employment,” and “nonstandard jobs” in the academic literature) has become a global problem, afflicting even the advanced industrialized world. In Africa it is being discussed with great urgency among trade unionists whenever Chinese investment is the subject, even though casualization plagues all kinds of foreign investment projects.³ This study will analyze the respective “politics of casualization” in the Chambishi Mine on the Zambian Copperbelt and the Tanzania-China Friendship Textile Mills (or “Urafiki” as the firm is known in Swahili) in the port city of Dar es Salaam. Both Zambian and Tanzanian workers have witnessed and resisted precipitous informalization of employment since the Chinese assumed full or majority ownership in the late 1990s. Workers staged wildcat strikes in both cases. Nevertheless, Zambian copper mine workers, but not Tanzanian textile workers, seem to have successfully halted this tendency of casualization. After several years of struggles, Zambian mining unions signed new collective agreements in 2007 with the Chinese management, which agreed to gradually convert all casual and contract jobs into “permanent” pensionable ones. Why?

Just as the “labor question” was key to European colonial domination and postindependence political struggles, it is also the fulcrum of Chinese capitalism in Africa today. By explaining the divergent outcomes of these two cases of labor resistance, this chapter aims to identify the major factors shaping the encounter between Chinese managers and African workers. This involves an understanding of the worldviews and mutual expectations of both parties, rooted in their classes and national histories, particularly their respective experiences with socialism and postsocialism. The first part of this chapter highlights the historical, political, and economic parallels across the two cases, providing a baseline for comparison and the backgrounds that inform the behavior and mentality of the Chinese managers and African workers discussed in the second part. The third section analyzes grassroots militancy and how Zambian mine workers have been able to exploit a hike in copper prices in the global market and a related revival of “resource nationalism” in national politics to arrest the trend of casualization, at least for now. Lacking these favorable conditions, Tanzanian textile workers’ resistance has not been as effective.

Of Mines and Mills: From African Socialism to Structural Adjustment to Chinese Investment

Copper mines and textile mills in Africa have been the sites of hopes, struggles, and desperation from the colonial period to postindependent socialism and more recently neoliberal privatization. Nowhere in the continent was China's role in African development more prominent than in Zambia and Tanzania. Presidents Kenneth Kaunda and Julius Nyerere were household names in China. They established close ties with the Chinese Communist government and proclaimed their pursuit of African socialism (or Humanism in the case of Zambia) after their respective countries gained independence in 1964. China constructed the famous TAZARA (Tanzania-Zambia Railway), "the Freedom Railway," between 1965 and 1975, linking the Zambian Copperbelt to the port city of Dar es Salaam and liberating landlocked Zambia from its dependence on railways running through white-ruled colonial regimes such as Rhodesia.⁴ In the same period, China also built more than 100 factories in Tanzania, its largest beneficiary of aid in Africa, including the Tanzania-China Friendship Textile Mill, the largest fully integrated textile mill in East Africa when it was completed.⁵ Not even the chaos of the Cultural Revolution raging through China at that time affected these foreign projects.

The Zambian Copperbelt had inspired intense expectations of modernity: it was where an epochal "African Industrial Revolution" would transform postindependence Zambia from a middle-income country to one gaining "ultimate admission to the ranks of the developed world."⁶ In 1969 Kaunda announced the nationalization of major industrial and financial concerns, including all mineral companies. Zambia Consolidated Copper Mines (ZCCM) was formed in 1982, with the Zambian government holding the majority share. ZCCM yielded to worker militancy and operated a cradle-to-grave policy—free education for mine workers' children, subsidized housing, food, electricity, water, and transportation, even burial arrangement for the dead. Plummeting copper prices following the oil crisis in the mid-1970s and 1980s and huge insolvency and mismanagement problems led to a deepening production crisis at ZCCM and a debt crisis for Zambia. Between 1974 and 1994, little investment was made in mining equipment and machinery, no new mines were opened, and national income per capita declined by 50%, leaving Zambia the 25th-poorest country in the world. Zambia entered

its first World Bank Structural Adjustment Program in 1983, which entailed the devaluation of currency, a 5% cap on wage increase, liberalization of prices of essential commodities, and removal of subsidies on maize and fertilizers. Violent food riots, strike waves, and an abortive attempt by Kaunda to abandon the structural adjustment program ushered in a newly elected government in 1991 headed by Frederick Chiluba, the leader of the national trade union federation. Between 1997 and 2002, ZCCM was unbundled into seven different units and sold off to investors from countries including Canada, Britain, India, Switzerland, and South Africa. Chinese investors bought the Chambishi Mine.⁷

In Tanzania, after the 1967 Arusha Declaration emphasizing socialism and self-reliance, parastatals were established in all economic sectors: beer, textiles, diamonds, coffee, cashew nuts, publishing, timber, railways, city transportation, and so forth. The textile sector, growing from four textile mills in 1968 to 35 mills by 1980s, became the largest employer in the country (retaining about 37,000 people), the third largest taxation contributor to the government, and the largest exporter of manufactured goods. Even though much less industrialized, Tanzanian parastatals were equally beset by problems of mismanagement and corruption as those in Zambia. In Tanzania the problem was exacerbated by a near breakdown in infrastructure, production, and distribution in the late 1970s.⁸ By the mid-1980s even Julius Nyerere, the architect of Tanzanian socialism, agreed to implement market reform. Just as China launched its own market liberalization at around the same time, and as the developed capitalist world came under the sway of neoliberalism, Tanzania embarked on major structural adjustment programs in the mid-1980s. In 1995, after Prime Minister Zhu Rongji's visit, the Chinese government decided to invest US\$1.7 million in the Tanzania-China Friendship Textile Mills and became the majority stockholder (51%) of the revamped joint venture with the Tanzanian government.

Casualization Under the Chinese

Casualization was among the most salient results of privatization on the Copperbelt and in Tanzanian textiles, even *before* the Chinese returned in the 1990s. It was and is driven by a capitalist logic of accumulation rather than by uniquely Chinese practices. On the Copperbelt, new international investors reduced employment by almost one-third, stripping the workforce from 31,000 at the sale

of the first mine in 1997 to 19,145 in 2001, compared to a peak of 62,222 in 1976 under ZCCM.⁹ When employing new workers, the privatized mines either offered casual positions—including day jobs and fixed-term contract jobs with no pension and no security—or subcontracted entire units to other companies. The traditional “permanent” positions, those of open-ended duration and with pension contributions by employers, now account for only half of all mining jobs in the five major mining companies.¹⁰

In line with this industry-wide trend, the Chinese company NFC Africa Mining Plc (hereafter NFCA), which became the new owner of the Chambishi Mine, adopted a similar flexibilization strategy in managing its workforce. NFCA is a subsidiary of the state-owned China Nonferrous Metal Mining (Group) Co Ltd (CNMC). Like many Chinese state-owned companies, it responded to the new Chinese government policy of “going out,” or outward investment, announced in 1997. “Going out” is meant to create externally driven economic growth, find new raw material supplies and investment opportunities for state companies, and in the process make them more globally competitive. The Chinese bought the Chambishi Mine for US\$20 million and have since invested over US\$150 million in updating its technology. Among the major mining houses, the Chinese have had the highest proportion of casual and contract workers. Before the Chinese signed the 2007 collective agreement with the two mine workers’ unions, out of a total of about 2,063 employees, only 56 were on permanent contracts. They are among the original 218 ZCCM employees the Chinese decided to keep when they arrived in 1998 and who have not yet reached the retirement age of 55. There were 189 Chinese “expatriates,” occupying major managerial and technical positions. The major drilling and underground mining work, performed by more than 979 mine workers, had been subcontracted to a company called Mining One, and the remaining 1,028 employees in the smelter, foundry, exploration, and other mechanical departments were either casuals or on fixed-term contracts lasting between six months to three years.¹¹ These casual workers were not receiving a pension, only an end-of-service gratuity, and they were entitled to smaller housing, medical, and educational allowances than permanent workers. In mid-2007 the Chinese were widely known to be paying the lowest wages among all major mining companies. Workers called them “slave wages,” ranging from K 1 million to K 2 million, or US\$250 to US\$500. Only the highest paid among the unionized workforce was able to cover the costs of the basic food basket computed by a Zambian civil society group.¹²

Similar casualization took place under Chinese management in Urafiki in Tanzania. The first Chinese general manager sent to head the mills in 1996 emphasized that the Chinese government at that time already had a transformed notion of “friendly assistance”: “It could not be like foreign aid in the past. It has to be financially viable, although the joint venture is also partially politically motivated,” he said.¹³ The 25-person management team came from a Chinese provincial state-owned textile company in Changzhou City in Jiangsu Province, which won the bid for undertaking this project. In 1998 the Chinese selected 1,923 employees from Urafiki’s original roster and instituted the three-shift production. The workforce was gradually reduced to about 1,260 by December 2002. The company began recruiting casual workers in 2003, initially at about 200 a year, or one-fifth of the workforce, increasing to more than half of all the employees (869 casual to 818 permanent workers) by December 2006.¹⁴

As in Zambia, casualization is an industry-wide phenomenon: the entire Tanzanian textile industry witnessed a dramatic turn toward casual employment between 1991 and 2004. Temporary jobs, which accounted for about 90% of textile-sector jobs by 2004, have almost totally substituted permanent ones, accounting for 98.5% of employment in the industry in 1991.¹⁵ In November 2007, as a new minimum wage law stipulating higher minimum wages was to take effect, Urafiki summarily dismissed all casual workers, throwing into sharp relief the precariousness of casual employment.

In short, casualization is part and parcel of the respective postsocialist transitions in Tanzania, Zambia, and, not the least, China. By the 1990s all three countries had dismantled their socialist employment system. For Chinese managers in all three sites, adopting the casual employment system was a natural response to the political and economic circumstances in China and Africa. China’s own state-owned enterprise reform had smashed the “iron rice bowl” and stripped the enterprises of all welfare functions. Twenty years of reform has shed about 55 million workers from the state and collective sectors.¹⁶ But China’s postsocialist reform has been undertaken largely independently of the dictates of the World Bank and the IMF, which thrust upon these two African countries extremely unpopular austerity measures without bringing about the economic growth that China has achieved. These conditions have converged to produce a consequential irony: China has become a compelling and effective, if most unexpected, conduit of capitalism in Africa. Chinese state-owned enterprises are no less relentless in pursuing casualization

than private capital. The country's unparalleled rise from a third world socialist country to the growth engine of the world economy, achieved largely independently of the international financial institutions, have lent it enormous credence as a model of development for many African countries struggling to catch up. China's preeminent "model" status has been enhanced by the strong foundation of Sino-African "socialist" friendship in previous decades. However, whereas African governments and political elites welcome China's return, African workers are less sanguine. They bear the brunt of a total collapse of the socialist social contract and encounter most directly a cadre of Chinese managers convinced by reform at home that China *and they* know the way to break out of poverty and underdevelopment.

Inside the Chinese Enclaves: Managerial Ideology and Worker Consciousness

The notion of "enclaves" as distinct territorial, cultural, or social units enclosed within or as if within foreign territory aptly describes the Chinese presence in Africa. The Chinese translation of "enclaves"—*feidi* 飞地, meaning "flying lands"—even captures the alien nature of these spaces. But there are significant variations among these enclaves, some more socially embedded and integrated with the local society than others. This section will show that, despite maintaining similarly strong social and cultural boundaries, the Chinese company in Chambishi has been compelled to develop a greater community presence than the one in Dar es Salaam. This is due to the different imperatives of the respective types of capital and varied pressure from workers and civil society in each locale.

The Chinese management teams in both firms lead segregated lives from the local workforce. The "China Houses" in Chambishi and Kitwe (a major town on the Copperbelt about 15 miles from Chambishi) and the "Chinese Compound" across the street from Urafiki are secluded residential quarters for the Chinese personnel, complete with their own security guards, cooks, kitchen, satellite dishes, television and karaoke rooms, videos and DVDs from China, Ping-Pong tables, and basketball courts. Inside the Chinese Compound for the 25 Urafiki managers, engineers, and office staff, there is a huge vegetable garden where African caretakers grow Chinese vegetables and raise pigs, ducks, and chickens. They rarely buy food from the local market. They even dug their own wells. A Chinese-style stone

bridge, with engraved Chinese characters spelling “friendship” on the side, crosses a small creek. Traditional Chinese New Year couplets and paper decorations adorn the entrance to the dormitory quarter. The Chinese are chauffeured every day from the factory to the canteen in the compound for lunch and dinner, even though the distance is only half a mile. The China House in Kitwe, Zambia, is a similarly spacious compound, with basketball fields, large areas of greenery, and low-rise staff quarters, but is more heavily guarded than the one in Dar es Salaam.

Over lunch, a Urafiki manager explained why the Chinese managers do not get paid locally:

Our staff doesn't get paid in Tanzania. Their salaries go directly to their bank accounts in China, where their families can withdraw the money. This way, they can save. Everything they need here is provided for. But they need some local money to buy little things like fruit or toiletries. So we give them allowances every month, which amount to an annual bonus of 10,000 Yuan per person. We also advise them not to go to downtown or mingle with the locals, for their own safety.¹⁷

Language barriers only reinforce the company policy of Chinese employees not venturing into town, going to the movies, or hanging out in entertainment venues. Chinese managers in their 40s and 50s usually speak little English, and younger ones who speak English complain about the “impure” English that Zambian and Tanzania workers speak with heavy accents. Almost none of the Chinese speak Bemba (the Zambian language commonly used on the Copperbelt) or Swahili (the national language of Tanzania). At Urafiki, a young college graduate with a degree in Swahili was recently hired to provide translation for the managers, and the human resource managers in both Chambishi (until recently) and Urafiki are Africans who have spent time studying or working in China and can speak fluent Mandarin. African workers complain all the time about the Chinese playing games with the language gap. Their general observation is that when African workers make demands, the Chinese pretend they do not understand English. But when vendors or government officials come visit, the same people suddenly become conversant in English. A trade union representative in Chambishi who has met with the senior managers several times during the annual collective bargaining session said:

They do not speak to us directly, only to their translators. But it is obvious that they speak English very well. I saw one manager who did

not utter a word of oral English sat across the table and started correcting errors in the draft of the collective agreement while the translator did all the talking.

More profound than the communication barrier is the gap between what managers called “work ethics” and what workers see as “exploitation.” Disputes reflect colonial discourses of African indolence and the lack of a work ethic. Efforts to impose “time discipline” inside today’s Chinese enclaves provoke conflicts with a post-socialist twist on the colonial experience.¹⁸ Both sides articulate their logic through their respective experience with socialism and underdevelopment.¹⁹ Chinese managers in both locales have typically come to Africa with personal career experience in reformed state-owned enterprises and have themselves rejected the socialist firm as a viable form for economic development. They often attribute China’s emergence from backwardness and poverty to its abandonment of the iron rice bowl mentality and practice. They demand of their African workers the same work ethic and sacrifice they believed have allowed the Chinese to develop, which have yet to be adopted by the African workforce. In contrast, Zambian and Tanzanian workers typically appeal to the moral economic standards and labor rights that were established during “the government periods” and insist foreign investors today should at least match those conditions of service. The socialist ethos lingers, in the form of a widespread demand for a fair return to labor, an ethos that the Chinese (along with other foreign investors) deem unproductive and are keen to wipe out.

The manager of Urafiki’s finance department reflected on his experience with Tanzanian workers at the end of a nine-year stint at the textile mill. He was about to return to China for good. Contrasting African workers’ “backward” work ethic and their unwillingness to make sacrifices with his own efforts in breaking out of poverty, he insinuated racial stereotypes:

Maybe because they have lived a much longer time in a primitive state. So much land with so little industry. You see Africans sleeping under the trees all the time and when they wake up they look for fruits on the trees. They are content with having enough to eat.... Workers said our wages are too low. But they do not want to work harder for more. I understand their lives are hard, prices are high and they have to support six to twelve people in the household. I told them to be more serious about work. I grew up in very poor and backward rural areas in Anhui province. Before I turned seventeen, I had never tasted

milk. When I first arrived at Changzhou, I did not have enough to eat. No rice, just porridge, a bit of cabbage, salt and oil. Three times a day, the same porridge. Now these Africans all spend their money on Coca-Cola. They could use the same money to buy eggs or milk to get more nutrition. Chinese would never waste their money on Coke. We Chinese will save their money for the family. But here whenever they have money in their pockets, they just spend it without thinking. One month's wage can only support half a month's expenses. Then they turn to stealing.²⁰

Indolence and poor work ethic constitute the frame through which managers interpreted the union's rejection of a more flexible and intensive work schedule at Urafiki. To the Chinese management, the cyclical product market requires flexibility of employment. Each year, the high season for kangas (the cloth that Urafiki produces) runs from July to October because those are the months when farmers obtain cash after their harvests and buy kangas for themselves and as gifts. Orders and the requirement for labor then shrink from December to June. Management has repeatedly demanded a 12-hour work schedule during busy months, but the union does not approve of overtime work because they say workers do not want to work more than eight hours a day. To the Chinese, this just confirms their view that African workers are lazy and slothful at work.

If the Chinese managers see themselves as imparting more a modern work ethic and discipline to the Africans, they are quick to refer to their own current working conditions and hard work as living proof. Chinese managers constantly referred to "eating bitterness" when speaking about their experience in Tanzania. The first general manager of the mills recalled with grueling detail how the Chinese staff suffered and overcame a serious drought in 1997:

Altogether I have worked here for eight years. I have many stories of eating bitterness. When I first arrived in September 1996, it's really really harsh. Power and water stoppage was so frequent and irregular that we did not even count that as hardship. In China, we had rolling blackouts; here no plans, no warning, that's Tanzania's national situation... I went to the electricity bureau and water bureau numerous times, all days, asking their heads to give us special consideration. The living conditions, sanitations and housing for Chinese personnel were really terrible. Only in 2002 did we renovate the Compound. We had the money but at that time we wanted to uphold the principle of productive investment first, living conditions second. Bitterness first, enjoyment later, this is our old Chinese wisdom. We only had oil lamps

in the dormitory. I still remember the historic drought in 1997. When we ran out of water, we found a large tank of dead water inside the factory, covered with dead rats and cockroaches. The 23 of us removed the dirt and sterilized this dead water for our daily use for an entire month. Still we could not use that as drinking water. So, we went to the Chinese expert team at TAZARA who shared with us their well.²¹

Similar stories of overcoming hardship were related by Chambishi managers:

The geological conditions here are very complex. We have to dig down to 900 meters below the ground to find any ore. The British only dug down to 480 meters. Only the Chinese have the technology to do this, the Zambians cannot do it themselves. This mine was abandoned for years when we bought it.²²

At the level of the company, in Chambishi Mine and at Urafiki mills, Chinese “work ethic” and China’s particular experience with reforming old socialist practices are ubiquitous refrains among managers, Chinese and African alike. Work ethic—understood to be a devotion to work, a willingness to make sacrifice without concomitant demand for rights, rewards, or privileges—is invoked by these managers to explain China’s recent economic development and to justify their demands on workers. At Chambishi Mine, the Zambian human resource manager related what to him was the most “inspiring” moment of his visit to NFCA’s headquarters in Beijing:

This lady in the head office is amazing. She works so fast, walks so fast in the office that she was literally running from one desk to another, only two meters apart, to grab things for her work. She is a high achiever, very motivated, but not necessarily for the salary. Here [in Zambia] you see people dozing off at their desks. Zambian government employees are four times slower than us here in the mines whom I think are slow. We don’t have a clocking system yet, and everyone was up in arms when I tried to introduce one. Now I am trying a “discipline campaign,” to raise consciousness among our employees about the importance of being on time, putting in effort at work, etc.²³

Chinese managers would use their own hard work as an example to demand similar sacrifices from their African workers. Echoing a popular saying in postsocialist China, managers in these two plants in Africa constantly state that “sacrifices are necessary for economic takeoff,” and workers are the implicit sacrificial lambs.²⁴ At Urafiki a Chinese

senior manager related the experience of his Tanzanian human resource manager, who spent seven years in Shanghai as a foreign student:

Mr. Swai has seen how China was once backward and poor too. People did not have cell phone or televisions. Why did the country develop? We eat bitterness and make sacrifice. [African] Workers do not see that the Chinese made sacrifice for progress. Here they think because this is a Chinese owned factory, that we have come to assist them so it's natural that we should feed and pay them everyday they are alive. They don't have any ambition, or motivation to improve themselves or work hard. China's reform experience has taught us that you need sacrifice. Our own industrial enterprises have turned the corner from losing money to making profits by intensifying the labor process and reducing manpower.²⁵

Workers, however, have an alternative standard of fairness. Despite their different capacity to assert their demands on the Chinese, as the following section explains, Zambian and Tanzanian workers share a similar understanding of worker rights that has roots in their respective "government periods." Zambian mine workers in particular have been accustomed to a rather paternalistic labor regime since the colonial period, when the Rhodesian Selection Trust and the Anglo American Corporation ran the mines. The government-controlled ZCCM continued many of the welfare provisions, including housing, free water and electricity, medicine for mine workers and their dependents, and football teams. What were then the standard terms of employment now have to be fought for under the Chinese. Whereas the Chinese allowed medical coverage of one child per family, Zambian mine workers demanded all dependents, usually four to six, be included, as was the case in every other major privatized mining house. "How could the Chinese impose such painful choice on us? All four are my children and they make me choose only one? Can you do that? During the government period, all mine workers' children were covered. We are not Chinese who only have one child!"²⁶

Whereas Chinese managers draw moral boundaries between themselves and Africans around the theme of "work ethics," the latter explicitly talked about class exploitation, especially in Urafiki, where workers' pay rates are lower and the Chinese managers make fewer concessions to workers' demands, a difference explained later. At Urafiki, comments about "cruel" Chinese "exploitation" were common and reminiscent of a long tradition of antagonistic discourse against foreign and non-African exploitation.²⁷ Even as many noted that their

own government officials were not better managers when they were in control of Urafiki, workers made the following comments:

During the government period, we had thieves [corrupt officials] but the stolen wealth was maintained in our country. But in the current period, the Chinese steal our labor power and wealth and profits and send them to China.²⁸

The Chinese are cruel: they don't treat us like people, but like animals. Many workers only get little transport allowance but have to travel 16 or 20 kilometers to get home. The Chinese live in the Compound across the street but they have a car to take them back and forth. They don't even want to walk that short distance.²⁹

Even the dogs owned by the Chinese were well off compared to the Tanzanian workers.³⁰

If you want your cows to get more milk, you have to give them more grass, but the Chinese give them less grass. They are really bad employers. White colonialists were better, at least they greet you. The Chinese don't greet you when they pass by you. Last year, there was a leaking problem, I asked the Chinese to buy some tarmac but the Chinese said to me that I am Tanzanian and therefore I cannot give him advice. A year later, they finally bought the tarmac, but from China, at a price three times higher than local Tanzanian tarmac.... The Chinese are thieves. They steal our wealth and send it to China. Everything used in the mills is from China. Even second hand and poor quality machines are from China, bought with Tanzanian shillings.³¹

On the Copperbelt, on the other hand, people's views are more mixed and layered. The intense public discontent caused by the fatal explosion in an NFCA-affiliated facility in 2005, killing around 50 casual workers (see later in this chapter), is still palpable, but it is counterbalanced by the prosperity the Chinese have brought to the community. Assailing the Chinese for treating them as cheap labor, many mine workers also credited the Chinese for reopening a bankrupt and abandoned mine and creating employment. Their Zambian government managers during the ZCCM period had failed them abysmally, and Chambishi was resuscitated by the infusion of Chinese capital and technology. Some mine workers also appreciated the Chinese work style, especially when compared to expatriates of other nationalities on the Copperbelt. Comments like these are common:

The thing I like about the Chinese is that if a Chinese is not designated as a boss, they will bring him down to work with us and they will not

discriminate in his favor because he is a Chinese. He will do the same job as everyone else. I had Chinese guys working under my supervision. This is something you don't see a Boer, a Canadian or Indian doing. To me, who has worked with them closely, I like them because they are down to earth.³²

There was massive unemployment in Chambishi... But with the coming of the Chinese you find that almost everybody, as long as he can work, is now employed in the Chinese mines. So we are happy... the Chinese are able to give us at least an income to feed and keep our children. Before the Chinese came people would just be loitering on the streets while some will go into the plant to steal things like cables and scrap metals but those are things of the past. So despite the poor conditions being offered we appreciate what the Chinese are doing.³³

New investments by the Chinese have also created a sense of optimism:

This town has been designated a Free Economic Zone and the Chinese are to build a multi-facility economic zone. As such workers are to benefit because by next year worker housing will be built, two big colleges and two stadiums, a shopping complex and a smelter, which is in progress.³⁴

The difference in the degree of class and racial tension between the two cases also throws into sharp relief the need to distinguish different types of Chinese capital, with their varied degree of (dis)connection from local communities. The parent company of NFCA is one of China's largest state-owned enterprises and has branches in many countries. Chambishi has also been designated the site of the first of the five special economic zones the Chinese government has pledged to construct in Africa. On the other hand, the Changzhou No. 2 Textile Company that holds the majority share of Urafiki is a provincial-level shareholding company and does not carry the same level of state economic and political mission. The nature of these industries also generates different incentives arising from their relationship to their respective local societies. Copper mining is place dependent, whereas textile mills are more footloose. The different interests of these two investment projects produce different patterns of engagement with the local communities. NFCA's long-term interest in Chambishi and the Copperbelt region makes it very sensitive to local popular sentiments, and attempts are made to improve its image as a good corporate citizen. For instance, in 2007 NFCA launched a Corporate Social Responsibility Plan, which

covers the repairing of roads, building bus station shelters, establishing public recreation facilities on the Copperbelt, donating stationery to Chambishi schoolchildren, and participating in malaria and HIV/AIDS campaigns. In contrast, at Urafiki, Chinese managers have no plans to make similar social investments. In short, the more capital-intensive extractive project in Chambishi turns out to be more constrained by and responsive to local pressures than a manufacturing concern in a competitive sector. This difference also shows up in the ways the two companies react to worker resistance and cautions against an undifferentiated view of “Chinese capital.”

Grassroots Militancy and Its Divergent Outcomes

In the two enterprises in this study, strikes occurred after the Chinese became owners, staged by disgruntled workers demanding higher wages and more secure terms of employment. Zambian mine workers’ misgivings about “low” wages arose in relation to wages at other foreign-owned mines on the Copperbelt and to the windfall profits the Chinese were reaping with the sharp rise in copper prices from 2005. Thanks to the transparency of the global copper trade, centralized and priced at the London Metal Exchange, mine workers know the value of the commodity they produce and use it to claim better conditions of work:

We are lowly paid compared to other mines. Even when you compare our wages with Chambishi Metals which is in the Chambishi area, we are paid less. If you compare with other mines like KCM, Kansanshi Mines and Lumwana Mines, the disparity is even greater. It is like we are just paid to get some strength to work in the plant, and not to live. At Kansanshi Mines, workers are getting about five million Kwacha per month, and what about us, we only get one million.³⁵

For workers, this became particularly unacceptable when copper prices rose from US\$1,400 a ton in November 2001 to about US\$7,000 a ton by April 2006.³⁶ Mine workers refer to the BBC broadcasts on FM radio on the Copperbelt and their company magazine as sources of information on copper prices and are enraged by the gap between corporate profits and worker salaries.

At Urafiki, livelihoods are even more precarious than on the Zambian Copperbelt, if only because workers’ earnings are much lower. Mine workers take home on average US\$250–\$500 per month

at Chambishi, but casual workers at Urafiki are paid only US\$50 and permanent workers US\$65, inclusive of transportation allowance and a sick leave allowance. Workers reported accruing multiple debts, cutting back on food, eating only beans and rice without meat or fish, not being able to send their children to school, and having to rely on irregular incomes from informal jobs (usually peddling vegetables and other sundry items on the streets). When asked what the main differences are between the government and the Chinese periods at Urafiki, most workers pointed first and foremost to the decline in living standards. They earned less in terms of shillings during the government period but were able to afford more food, clothes, and services. But unlike copper mine workers, textile workers in Urafiki cannot easily establish how much surplus value is produced and extracted by their employers, as there is no international pricing mechanism for textiles.

Zambia: Putting Fear Among the Chinese

In Chambishi, workers discussed two strikes (in June 2004 and July 2006) that have occurred since the Chinese came, both of which were instigated by workers without the blessing of their unions. The first strike was brief and was caused by discontents about differences in pay among different categories of workers: permanent workers were paid more in wages and benefits than casuals on contract, and those directly employed by NFCA were paid more than those in the subcontracting company called Mining One. One worker said,

Most of us are not happy because why should my friends with similar qualifications and doing the same job get double my salary.... After we heard that the management had refused to give in to our demands, we didn't even wait for a report from the union representatives. We started the strike right away. The corrupt union [Mineworkers' Union of Zambia] was able to convince us to go back to work and I guessed they were just bought off by management.³⁷

The second strike, also initiated by workers without union approval, turned violent and became more frightening to the Chinese management. A branch union representative who participated in the collective bargaining with the Chinese said that "it was this strike that has put fear among the Chinese.... It was illegal but it was necessary because it was the quickest way to achieve our goal."³⁸ It took place as negotiations were going on between the two unions and the Chinese management. The Chinese had actually agreed to pay workers some

back wages. Unfortunately, some calculation mistakes occurred in the payroll department, and instead of the workers being paid the back wages, deductions appeared in workers' pay slips. When the night-shift workers saw the pay slips before they started their work, they became furious. They decided to show up at the front gate but refused to go in to start their shift. The day-shift workers came at 7:00 a.m. and joined them, and then the 2:00 p.m. shift workers also joined in. All stopped working. Workers' wives and children had gathered at the main gate, annoyed, holding stones in their hands. There were talks about blasting the shaft, but the union people talked workers out of their plan. They assured them that they were going to sit down with management that night and come the following morning everyone would get what was owed them. But then things turned ugly. A union representative at the scene recalled:

Upon hearing this they started cheering as a way of congratulating us but the head of the security thought the noise indicated a riotous mob, and that the workers wanted to beat up or manhandle the union leaders. They started firing tear gases to disperse the workers.... Workers had stones in their hands so they reacted and caused lots of damages with the stones.³⁹

Another worker recalled:

[W]orkers burned the trucks loaded with copper, trashing paper documents in the offices, and even attacked the China House on the edge of Chambishi township. The Zambian police used rubber bullets and one miner was shot in his leg. Workers also blocked the main road going to Chingola and set logs on fire to prevent passage. Twenty-four hours later everyone went home, and two weeks later, management signed the new agreement.⁴⁰

In the 2007 collective agreement, NFCA agreed to a basic pay raise of 23%, with the actual total increment including allowances amounting to a 65% increment. Jobs that were previously on contract became permanent, and casuals were given contracts of one to three years, with the promise that these would be changed to permanent jobs in the near future.

Tanzania: Shedding Fish Tears

At Urafiki, low wages and casualization have also been the major grievances among the workers. But workers could only accept casual

jobs and suffer quietly, like “shedding fish tears,” as one worker put it vividly in Swahili.⁴¹ Also, many of the casual workers the Chinese recruited were relatives and family members of the permanent workers. Such nepotistic casualization has helped assuage some of the discontent among workers. Nevertheless, there have been three strikes since the Chinese started operation, in 1997, 2002, and 2005. In addition, there were inconspicuous “cold strikes” or go slows, according to workers in the weaving and spinning departments. What is remarkable about these strikes is that over time, workers seemingly became more demoralized by the futility of their action. The Tanzanian government has staunchly supported the Chinese management, and the union representing the textile sector—the Tanzania Union of Industrial and Commercial Workers (TUICO)—has a penchant for bureaucratic arbitration rather than mobilizing workers for strikes. Demoralized, workers either continue seeking the intervention of the government and the union or simply acquiesce to deteriorating employment conditions.

According to a worker who was part of the 2002 strike:

Workers made 14 demands, including back pay of 10,000 shillings per worker for ten years, and reducing working hours from 12 to eight. But the Chinese refused. Workers called in the Minister for Industry, and when he failed to resolve the issue, workers chased after him and the police had to come and rescue him. Then the workers went to the Prime Minister, Mr. Sumaye, who also came but he said to us, “those who want to work, keep working, those who do not want to work, off you go.” The Prime Minister is backing the Chinese so they dare to ignore us because they know the government is supporting them. The Chinese finally agreed to give us a paltry 2,000 shillings raise. The government supports the Chinese because the two governments are in good relations, and the Chinese government gives aid to the Tanzanian government, but they do no good to the ordinary Tanzanians. No party dares to declare themselves anti-Chinese because they are big investors.⁴²

The following account of the second strike in 2005, given by the current branch union secretary at Urafiki, also illustrates how workers were demobilized by their own unions:

In 2005, two weeks before the strike, the TUICO regional office called together all the workers in the social hall and discussed the issues. Workers voted to strike by a three-quarters majority. They demanded the entire Tanzanian management team to step down, because they all were supporting the Chinese. The strike lasted for five days. A rumor

circulated that workers would all be fired if they did not return to work. Scared, workers went back to work. But later they realized that it was the union leaders who spread the rumors. Angry workers later voted out the TUICO branch leaders. In the end, the Chinese did not fire anyone, but deducted four days' wages from all workers.⁴³

When 725 casual workers were summarily dismissed in November 2007, the branch union secretary persuaded the worker representative not to strike or become violent but to file a complaint with the Commission of Mediation, charging that the Chinese illegally denied them formal contracts, which are required under the 2004 labor law. These workers had been at Urafiki for at least one year and some even five years. The retrenched workers managed to organize a small protest on the day when they were told to return to the factory to collect their last paycheck. The intervention by a Member of Parliament and extensive reporting in the local media resulted in no change in the Chinese decision. The workers were dismissed.

In short, the Chinese made significant concessions to Zambian mine workers' strikes but not the Tanzanian textile workers. The notable difference in the effectiveness of the strikes is that Zambian workers were able to leverage a boom in the world copper market. Workers' bargaining power was also bolstered by a palpable "resource nationalism" in Zambian public discourse, which has been forcefully articulated by opposition politicians. Conversely, there is no equivalent windfall in the textile industry to increase their bargaining power with the Chinese. Although the boom and bust of the product markets are not predictable, the difference in workers' political sensibility (i.e., the spontaneity and autonomy of rank-and-file workers) between the two cases is also partly rooted in their respective working-class history.

Organized labor in Tanzania has been politically weak, but rank-and-file workers have also been relatively acquiescent, except for a brief period of strikes in the early 1970s instigated by the Marxist-Leninist faction of the ruling Tanzanian African National Union party (TANU). The Tanzanian government has obtained industrial peace not just by restricting the right to strike and the right to engage in collective bargaining but also through a system of state paternalism. It gave workers minimum wage protection, and average earnings in parastatals were 1.4 to 1.7 times higher than the wider economy between 1967 and 1977. Moreover, workers obtained "new substantive rights, ranging from greater financial and tenurial security to industrial democracy and workers' education."⁴⁴ These entitlements

were eliminated as parastatals were privatized and the labor law legalized casual employment in the early 1990s.

An enduring feature of the Zambian Copperbelt is grassroots militancy. The widespread skepticism and distrust among the rank-and-file mine workers toward their union leaders that came up in almost all the mine worker interviews conducted for this chapter has a long pedigree in the working-class history of that region. From Michael Burawoy's study in the late 1960s to Miles Larmer's more recent research in the twenty-first century, disunity within and among the unions and schisms between mine workers and their union officials are consistent themes. These clashes gave rise to spontaneous and periodic outbursts of worker militancy that are not susceptible to control by the unions, political parties, or arbitration committees. To the Copperbelt mine workers, an iron law of oligarchy has jinxed the unions for decades. Throughout the 1970s and 1980s, short localized strikes (despite being made illegal) continued to arise from grievances about food subsidies, racial hierarchy in wages, fees for medical service, and pension schemes, championed by mine workers and their branch representatives, who tended to respond to increasing repression and declining terms of service and livelihood with more confrontational strikes.⁴⁵ Their targets were not just the government and the companies but also the union bureaucracy, and this remains the case today, as this miner explained:

When they [union leaders] negotiate with management, usually they fail to reach an agreement. They don't have that zeal and courage... all the strikes we have staged have been started by the workers themselves and not the unions. They are cowards.... Since it is not possible for us to speak to management at the same time, it pays to belong to a union. But in terms of forcing management to raise our pay, it's the workers themselves who do that. A strike is most effective, but the union is always against it. In most cases, the unions will agree to terms which we don't like and usually force things they have agreed with management on us.⁴⁶

Corruption is a perennial problem that plagues the national offices of the two mine workers' unions.⁴⁷ Under the Chinese, free trips to China for union leaders invite the most suspicion among mine workers:

Corruption is very serious in the current NUMAW. We have heard that many of the union officials are being sent to China not to work but to have leisure. The big question is what work did they do to deserve this?

Small things like this make us question the credibility of our union representatives. Those trips are usually done in secret without the knowledge of union members. Why? So to me it simply shows that there are bigger things happening behind our backs which we don't know and probably will never know.⁴⁸

During the Zambian presidential election in 2006, Chinese labor practices became a national political issue. A year earlier, a tragic and deadly industrial accident enraged the local community and lent enormous moral legitimacy to mine workers' argument that the Chinese were truly exploitative of Zambian casual workers. In April 2005 the single most deadly disaster in 35 years happened at the Chinese-owned Beijing General Research Institute of Mining and Metallurgy (BGRIMM) in Chambishi. All the more than 50 workers who died in the incident were Zambian casual workers who were paid only US\$15–\$30 a month for working in such a hazardous environment. A national day of mourning was observed to mark the mass funeral of the deceased. Popular outrage was directed at both the Chinese and the government for failing to impose adequate safety standards in foreign-owned mines (see Haglund in this volume). Anger continued to simmer after compensation of about US\$10,000 per killed employee was paid. The Chinese President Hu Jintao's planned visit to Chambishi to lay the cornerstone for a new US\$220 million copper smelter in February 2007 was called off because of threats of mass protests.⁴⁹

In 2006 Michael Sata of the opposition party Patriotic Front, who was President Levy Mwanawasa's main challenger, made China's presence in Zambia's copper mining and trading sectors a campaign issue. "They ill treat our people and that is unacceptable. We are not going to condone exploitative investors. This country belongs to Zambians," Sata said of Chinese investors. Mwanawasa defended the Chinese when Sata first made the threat to review state contracts should he come to power. Later Mwanawasa agreed with the general complaint about the quality of investment, saying he would order the arrest and prosecution of investors in the copper mines who broke labor laws. Sata's populist "Zambia for Zambians" campaign did not make him the president, but he won the majority vote in Lusaka, where Chinese traders had antagonized many locals, and on the Copperbelt.⁵⁰ Sata's articulation of "resource nationalism" has parallels in other parts of the developing world—by political leaders in countries with reserves of oil, natural gas, and minerals resources—from Russia and Iran to Bolivia and Venezuela. It is founded on widening income inequality

amid soaring world commodity prices and demands by the disenfranchised citizens for a larger share of the profits from their natural resources.⁵¹

Conclusion

China's intentions in Africa have been widely criticized.⁵² The rhetoric of Chinese colonialism (e.g., China's "scramble for Africa," "conquest of Africa," "the new sinosphere") underscores the angst of Western powers about the rise of a formidable rival but reveals little about the varied capacities, interests, and constraints of the foot soldiers of Chinese projects on the ground. Preliminary findings from this comparative research on the labor politics of Chinese capitalism in Southern Africa challenge the mistaken notion, prevalent in current debates and reports, that there is a singular "Chinese" interest always capable of imposing itself on a singular and vulnerable Africa that lacks any political leverage in its encounters with the Chinese. Moreover, instead of imposition, this chapter highlights interactions and the many forces from African states and societies that are shaping the terms of those interactions with uneven effectiveness.

Specifically, the comparison generates several working hypotheses. Different investors have varying capacities and interests, and they encounter the local labor force with varied collective histories and power. The Chinese at Chambishi and Urafiki resort to casualization as a means to cut costs, but at Chambishi the company's interest in securing long-term, territorially specific development in the form of a new multifacility economic zone has hamstrung their relentless pursuit of casualization, forcing them to yield to pressure generated by grassroots militancy that rode on a wave of resource nationalism during a global hike in copper prices. Chinese investment in the competitive textile sector, in contrast, has a shorter time frame, fewer political burdens, and thinner profit margins. Lesser investors may ironically turn out to be more formidable adversaries for workers. A fruitful line of inquiry is to reevaluate the different logics and impacts of, for instance, extractive, industrial, and merchant capitals from China, all of which are active in today's Africa.

Another issue worth further exploration is whether Chinese capital behaves differently from capital of other nations. The presence of a number of multinationals originating from different countries on the Copperbelt provides a natural experiment to examine whether class relations take on different forms under different "national"

management. For a start, mine workers constantly make comparisons between the mining houses and realize that they all share the interest of making profits from their native resources and labor. For instance, all major international mining houses are found to employ casual labor, and some of them subcontract more of their core activities to other companies than the Chinese. Wildcat strikes protesting low wages and casualization have occurred in the past few years at mines owned by Indian investors. Yet the Chinese became the sole target of resource nationalism. Whatever the reasons for this bias, the vigilant international spotlight, cast more on the Chinese than on capital from other countries (e.g., India), may itself generate real effects on Chinese capital behavior on the ground.

Postscript

Recent developments on the Copperbelt seem to confirm the major arguments advanced in this chapter. The global financial crisis and recession that started at the end of 2008 sent the LME copper price plummeting from a high of US\$8,900 a ton in July 2008 to US\$3,900 a ton by May 2009. Mines shed nearly 10,000 permanent workers and thousands of contractors and suppliers. Those numbers are significant in a nation with a formal workforce estimated at 400,000—10% of which is employed in mining. Amid public anxiety, the Chinese NFCA made a public announcement that all its employees would stay on the payroll. When the Swiss and Israeli joint venture closed the Luanshya mine at the beginning of 2009, retrenching more than 1,700 workers, NFCA made a successful US\$50 million bid in June 2009 for the mine and promised to invest over US\$400 million, install a state-of-the-art leach plant, and create more than 4,000 jobs (for more on the nature and impact of the previous owners, see Gewald and Soeters and Mutasa, this volume). By this time, the copper price had recovered much of its lost value, and by early 2010 it was hovering around the US\$7,500 level (see figure 2, p. xvi, this volume). The Chinese takeover incited the usual opposition political leaders' criticism of casualized and exploitative Chinese labor policy, citing short-term contracts of only three to six months for Luanshya employees. NFCA insisted those were provisional measures and no contract will be less than one year.⁵³ Moreover, the vice president of NFCA emphasized a key characteristic of Chinese investment: "Our investment in Zambia and in Luanshya aims at long-term development rather than for the profits in a short time. What we value is to make a contribution to

the economic cooperation and inheritance of the traditional friendship between China and Zambia.”⁵⁴ The result of the negotiations between the unions and the mine management will indicate whether workers in Luanshya have to go through the same suffering and violent resistance that their colleagues at Chambishi did in order to win secure and rewarding employment. But one thing seems certain: to many Zambians, the latest financial crisis only proves once again the exhaustion of the Western model of development. They are looking ever more eagerly to China as the key to the future of the African continent.

Notes

1. The author wishes to thank Ron Aminzade, Michael Burawoy, Peter Evans, Alastair Fraser, Amy Hanser, Gary Herrigel, Miles Larmer, Jamie Monson, and Mark Selden for their helpful comments on an earlier version of this chapter.
2. The Committee on International Relations, House of Representatives, U.S. Congress, “China’s Influence in Africa,” Serial no. 109–174, July 28, 2005, available online at http://www.house.gov/international_relations; “Age of the Dragon: China’s Conquest of Africa,” *Spiegel* (online), May 30, 2007; “Chinese Influx Revives Colonial Fears,” *The Guardian Weekly* (online), August 3, 2007.
3. The author has attended two continent-wide trade union conferences in the past two years on “China in Africa,” and both highlighted casualization as the main challenge for African workers employed by Chinese companies.
4. Jamie Monson, *Africa’s Freedom Railway: How a Chinese Development Project Changed Lives and Livelihood in Tanzania* (Bloomington: Indiana University Press, 2009).
5. Gail A. Eadie and Denise M. Grizzell, “China’s Foreign Aid, 1975–1978,” *China Quarterly* 77 (March 1979): 217–234.
6. James Ferguson, *Expectations of Modernity: Myths and Meanings of Urban Life on the Zambian Copperbelt* (Berkeley: University of California Press, 1999), 6.
7. Alastair Fraser and John Lungu, *For Whom the Windfalls? Winners and Losers in the Privatisation of Zambia’s Copper Mines* (Lusaka, Zambia: CSTNZ, 2006).
8. John Loxley and John S. Saul, “Multinationals, Workers and the Parastatals in Tanzania,” *Review of African Political Economy* 2, 2 (1975): 54–88.
9. Fraser and Lungu, *For Whom the Windfalls?*, 21.
10. Fraser and Lungu, *For Whom the Windfalls?*, appendix 4, 73.
11. Interview with the human resource manager at NFCA, August 28, 2007. For instance, in 2002 they employed 627 casuals and 306 contracts; in 2004 the respective figures were 588 and 232.
12. Fraser and Lungu, *For Whom the Windfalls?*, 23.
13. Interviews with Urafiki management, August 22, 2007.

14. Data compiled by the Urafiki branch secretary of Tanzania Union of Industrial and Commercial Workers (TUICO), December 15, 2007.
15. George Kebelwa and Josaphat Kweka, "The Linkage Between Trade, Development and Reduction (TDP): A Case Study of Cotton and Textile Sector in Tanzania," Economic and Social Research Foundation (June 2006), 13.
16. Ching Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt* (Berkeley: University of California Press, 2007), chapter 2.
17. Interview with Urafiki management, Dar es Salaam, Tanzania, August 24, 2007. Thanks to Jamie Monson, who pointed out to me that this salary payment practice was already in place in the 1960s and 1970s.
18. See, for instance, Frederick Cooper, "Colonizing Time: Work Rhythms and Labor Conflict in Colonial Mombasa," in Nicholas B. Dirks, ed., *Colonialism and Culture*, 209–245 (Ann Arbor: University of Michigan Press, 1992); Keletso Atkins, "'Kafir Time': Preindustrial Temporal Concepts and Labour Discipline in Nineteenth Century Colonial Natal," *Journal of African History* 29, 2 (1988): 229–244.
19. In Tanzania, during the construction of the Tazara, the Chinese at that time also demanded and demonstrated an ethic of "hard work," a desire for haste and for accomplishing tasks ahead of schedule, in the name of the superiority and efficacy of socialism. Monson, *Africa's Freedom Railway*.
20. Interview with Urafiki management, Dar es Salaam, Tanzania, August 23, 2007.
21. Interview with Urafiki management, Dar es Salaam, Tanzania, August 22, 2007.
22. Interview with NFCA management, Chambishi, Zambia, July 1, 2007.
23. Interview with NFCA management, Chambishi, Zambia, August 28, 2007.
24. Jamie Monson described similarly insulated living arrangements, relentless work pace, and an ethic of hard work among the Chinese sent to build the Tazara in the 1970s. See her *Africa's Freedom Railway*.
25. Interview with Urafiki management, Dar es Salaam, Tanzania, August 24, 2007.
26. Interview with a union representative, Chambishi, Zambia, August 29, 2007.
27. James Brennan, "Blood Enemies: Exploitation and Urban Citizenship in the Nationalist Political Thought of Tanzania, 1958–1975," *Journal of African History* 47, no. 3 (2006): 1–25; Ronald Aminzade, "From Race to Citizenship: The Indigenization Debate in Post-Socialist Tanzania," *Studies in Comparative International Development* 38, no. 1 (2003): 43–63. There are differences in African perceptions of Chinese versus European, South Asian, and white domination, but this requires a separate analysis.
28. Interview with a female electrical engineer at Urafiki, Dar es Salaam, Tanzania, October 20, 2007.
29. Interview with a female weaver at Urafiki, Dar es Salaam, Tanzania, December 12, 2007.
30. Interview with a male technician at Urafiki, Dar es Salaam, Tanzania, October 15, 2007.

31. Interview with a construction department worker at Urafiki, Dar es Salaam, Tanzania, December 10, 2007.
32. Interview with a miner, Chambishi, Zambia, August 29, 2007.
33. Interview with a worker in the concentrator, Chambishi, Zambia, August 28, 2007.
34. Interview with a shop steward, Chambishi, Zambia, August 28, 2007.
35. Interview with a NFCA miner, Chambishi, Zambia, August 28, 2007.
36. See chart of LME copper prices, figure 2, p. xvi. Also Paul Stathis, "What's Really Driving the Price of Copper?," August 20, 2007; available online at http://www.electricalsolutions.net.au/feature_article/article.asp?item=1435.
37. Interview with a miner at NFCA, Chambishi Township, Zambia, August 28, 2007.
38. Interview with the union branch secretary at NFCA, Chingola, Zambia, December 4, 2007.
39. Ibid.
40. Interview with a miner at NFCA, Chambishi Township, Zambia, July 4, 2007.
41. This is a Swahili saying for those who are oppressed but cannot access any help. When a fish cries, tears are washed away by water so no one can notice that it is crying. Interview with a male technician at Urafiki, Dar es Salaam, Tanzania, October 15, 2007.
42. Interview with a worker at Urafiki, Dar es Salaam, Tanzania, December 10, 2007.
43. Interview with the union branch secretary at Urafiki, Dar es Salaam, Tanzania, December 10, 2007.
44. Dudley Jackson, "The Disappearance of Strikes in Tanzania: Income Policies and Industrial Democracy," *Journal of Modern African Studies* 17, no. 2, 1979: 251.
45. By 1980 expatriates represented only 4.7% of the workforce, down from 16% in 1964. Zambians earned between half and two-thirds of the wages of expatriates doing the same job, the latter also receiving additional benefits. Larmer, *Mineworkers in Zambia*, 107–108. See also Larmer, *Mineworkers in Zambia*, chapters 4 and 5.
46. Interview with a miner at NFCA, Chambishi Township, Zambia, August 28, 2007.
47. Challenging the close ties between MUZ and the government, a new rival National Union of Miners and Allied Workers (NUMAW) was registered in 2004, representing mine workers who are new recruits in the privatized mining houses. At NFCA, NUMAW represented all but the 50-plus permanent employees staying on after privatization.
48. Interview with a miner at NFCA, Chambishi, Zambia, August 28, 2007.
49. Yaroslav Trofimov, "In Africa: China's Expansion Begins to Stir Resentment," *Wall Street Journal*, February 2, 2007, p. A1.
50. Isabel Chimangeni, "Chinese Presence Met with Resistance," IPS News online, July 18, 2006, <http://ipsnews.net/news.asp?idnews=35152>. See also Joseph A. Schatz, "Zambian Hopeful Takes a Swing at China," *The Washington Post*, September 25, 2006, p. A16; Miles Larmer and Alastair

Fraser, "Of Cabbages and King Cobra: Populist Politics and Zambia's 2006 Elections," *African Affairs* 106, no. 425 (2007): 611–637.

51. The Economist Intelligence Unit, "Latin American Politics: Resource Nationalism Revived," April 6, 2007; available online at <http://www.viewswire.com/index>; Joshua Kurlantzick, "The Coming Resource War, Crude Awakening," *The New Republic*, October 2, 2006.
52. For historical and contemporary analysis of Chinese state interests in Africa, see Chris Alden, *China in Africa* (London: Zed Books, 2007); Philip Snow, *The Star Raft: China's Encounter with Africa* (Ithaca: Cornell University Press, 1988). An overview of China's new south-south policy. as the larger context of China-Africa relation is Alex Fernandez Jilberto and Barbara Hogenboom, "Developing Regions Facing China in a Neo-liberalized World," *Journal of Developing Societies* 23, no. 3 (2007): 305–339.
53. "Luanshya Mine Refutes Kambwili Claims," *Times of Zambia*, January 8, 2010.
54. Valentine Chanda, "China Puts \$768 Million in Zambian Mines," Orato.com, August 28, 2009. Available online at <http://www.orato.com/world-affairs/china-puts-768-million-zambian-mines>.

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African Miners and Shape-Shifting Capital Flight: The Case of Luanshya/Baluba

Jan-Bart Gewald and Sebastiaan Soeters

An African miner is a miner, an African townsman is a townsman.¹

First there is predatory intent, and then institutions are moulded around that, instead of institutions being determinant.²

Introduction

Since the early 1980s, Zambia—under structural adjustment programmes (SAPs) enforced by the World Bank and International Monetary Fund (IMF)—has liberalized and privatized its economy so as to make the country attractive to foreign investors. The privatization of Zambia's national assets brought about enormous profits for well-placed Zambian businessmen, as well as substantial economic opportunities and profits for a number of transnational investors, venture capitalists, and international companies. Central to the national assets of Zambia was its copper industry, the country's largest industry, employer, and foreign exchange earner. Yet the wholesale liberalization of Zambia's national assets was disastrous, not only for the tens of thousands employed by the mining industry, but more specifically for the millions of dependents of those employed within the industry. Zambian academic and former World Bank employee Dambisa Moyo has recently argued that development aid has destroyed Africa.³ This is true insofar as development aid foisted

upon Africa by the World Bank and the International Monetary Fund has enforced this devastating market liberalization.

Between 1997 and 2000 the jewel in Zambia's crown, Zambia Consolidated Copper Mines (ZCCM), was split up, privatized, and sold off to investors. However, the incentives offered to entice investors also meant that these investors could pull out when and if they wanted. This had disastrous results for Zambian mine workers and their dependents. This chapter focuses on the case of the Luanshya and Baluba mines owned by the privatized mining company Luanshya Copper Mines (LCM), from which the investors decided to withdraw in early 2009. In doing so, it also outlines the history of the relationship between international financial institutions (IFI) and the copper mining industry in Zambia. The LCM mines have a long and distinguished history in Zambia, and attention is given to the social history of the mines, particularly with regard to the establishment of social amenities for mine workers and their dependents between 1935 and 1991. Imposed liberalization in general, and privatization of the mines in particular, had far-reaching consequences for these people. Through these cases, the chapter seeks to reveal and describe the investors who made use of Zambia's liberalized investment climate to gain ownership of the country's greatest economic resource. The study shows that foreign investors made use of the opportunities created by IFIs to operate with scant regard for the social and economic conditions of mine workers and their dependents. Operating in a manner typical of modern corporations and financial markets (a model of behavior that recently brought the global economy to the edge of collapse)—using rapid changes in name, address, and corporate identity—foreign investors have consciously engaged in “shape-shifting” in response to changes in the market for copper, leaving it unclear who is responsible for the economic and human consequences of their activities in Luanshya.

In March 2009 (interspersed among reports on possible economic stimulus packages to address the impact of the global recession in the United States, Japan, and the European Union), the BBC World Service broadcast a report on the effects of the global economic crisis on Zambia, focusing on that country's most important industry, copper mining, which accounts for 90% of exports and employed 50,000 workers. Reporting from the mining town of Luanshya, the correspondent noted that 3,000 people had lost their jobs overnight after mine owners declared that the mine was no longer economically viable and withdrew their investments.⁴ The

town of 60,000 residents, the majority of them dependent on the mining industry, was plunged into economic disaster for the third time in ten years.⁵

It has been suggested that Africa was to some extent cushioned from the effects of the global economic slump because it was and is not as fully integrated into the world market and economic systems as other regions.⁶ Whatever the general accuracy of this claim, it clearly does not hold true for Zambia. Its dependence on copper mining means it has been integrated into the global economy for the last 75 years. In addition, 20 years of market liberalization mean that the country is subject to the direct buffeting effects of global financial flows, bereft of any meaningful form of fiscal protection, and dependent on copper exports. Zambia accordingly suffered disproportionately as venture capitalists withdrew their financial investments as a result of the global recession. Although the subsequent partial recovery in the international copper price has led to some renewal of investment in the country's mining industry, these events clearly show how economic liberalization has made the country ever more vulnerable to economic and corporate actors beyond its control. But who or what were these corporate entities that made use of Zambia's vulnerability to invest and withdraw in the pursuit of ever greater profits? This article seeks to discover and outline the organizations and forces that determine this "flight capital."

IMF and World Bank Intervention in Historical Perspective

Since 1984 the World Bank, the IMF, and the Western donor community have forced the Zambian government to implement a series of free-market policies that have included trade liberalization, investment deregulation, privatization, cutting or abolishing subsidies, laying off civil service staff, public-sector wage cuts or freezes, and reduced state intervention in the agricultural sector. The six World Bank and two IMF loans contracted between 1991 and 1996 involved a huge array of structural adjustment conditions.⁷ From 1997 onward, the most important condition was the sale of the country's strategic mining conglomerate, ZCCM. Fraser and Lungu summarize what happened:

[S]ince 1991, under the supervision of the World Bank and IMF, Zambia has been transformed from a socialist economy dominated

by the state-owned Zambia Consolidated Copper Mines (ZCCM) into a free-market system. The division of ZCCM into several smaller companies and their sale to private investors between 1997 and 2000 marked the completion of one of the most comprehensive and rapid privatisation processes seen anywhere in the world. . . . “Development Agreements” . . . exempt them from covering most of ZCCM’s liabilities, including pensions for its employees, from most taxes, and many national laws, for example on environmental pollution.⁸

Zambia’s dependence on aid and debt relief was used to ensure all manner of laws were passed that were of benefit to international investors, particularly the Investment Act and the Mines and Minerals Act, which removed much of the previous state regulation on the behavior of companies.⁹

From 1992 onward, privatization became one of the strongest characteristics of IMF and World Bank conditionality. The World Bank hailed Zambia as having the “most successful privatization program to date [in Sub-Saharan Africa,] and the experience there offers many examples of best practice.”¹⁰ The World Bank works on the assumption that privatization is a good thing, and thus the more that privatization takes place, the more successful the program. Zambian analysts Situmbeko and Zulu, in their overview of the activities of the IMF and World Bank in Zambia, noted in an understated manner that, “This is not a true measure of success.”¹¹ This is because it does not take into account the impact of the privatization program on the “Zambian economy, workers in privatised industries and the communities in which the companies operate.”¹² A basic awareness of the fact that large extended families are supported by individual mine workers brings to the fore the true multiplied impact of the dramatic decline in employment on the mines as a result of market liberalization. Fraser and Lungu drew attention to the dramatic decline in employment brought about by enforced liberalization, even before the recent economic crisis:

In 1976 62,222 people worked in the Zambian copper mines. In 1991, prior to privatization the employment stood at 56,582. The government with World Bank and IMF declared the workforce to be bloated and in the process of preparing the mines for privatisation implemented a retrenchment programme. By 1997 employment levels had fallen to 31,000 people. After privatisation the workforce was slashed to 19,145 in 2001.¹³

Urban Bias and Faulty Data

Not only were these policies devastating for many ordinary Zambians, they were based on entirely faulty assumptions. Since the early 1980s, international financial institutions and Western donors have foisted social and economic policies upon Zambia that, as Potts has convincingly shown, were based on faulty data.¹⁴ Potts demonstrated how the concept of “urban bias,” coined on the basis of research in South Asia in Lipton’s work (*Why Poor People Stay Poor: A Study of Urban Bias in World Development* [1977]), provided the basis of the World Bank’s “bible for structural adjustment, *Accelerated Development in Sub-Saharan Africa*.”¹⁵ As Potts noted, by the end of the 1970s, “The spectre of urban bias was closely associated with Zambia... and the country came to be a prime illustration of this ‘problem’ for students and policy makers alike.”¹⁶

The World Bank’s landmark report, *Accelerated Development in Sub-Saharan Africa*, placed the blame for sub-Saharan Africa’s economic woes squarely on the alleged urban bias of African governments.¹⁷ In the words of Potts, for the World Bank,

Zambia’s presumed mistakes in encouraging continued rapid in-migration to the Copperbelt and Lusaka by maintaining excessively high urban living standards and neglecting agriculture... played an important part in this publication and its concomitant policy recommendations of reducing urban economic and social public investment.¹⁸

Accelerated Development in Sub-Saharan Africa was based in part on the work of Robert Bates, who worked in Zambia in the 1970s.¹⁹ Bates argued that in Zambia an ever increasing number of people were living in towns and that more than 40% of the population was urbanized. This “fact” was taken up in many academic and policy documents, and by the mid-1990s, assumptions that urbanization would have continued led to claims that 50% of the country’s population was living in urban areas. Western policy makers and financial institutions argued it was this supposed “urban bias” that was hampering the market, limiting economic growth, and preventing the rural areas from developing as they should. Yet as Potts showed on the basis of her analysis of census data, “in reality, Zambia’s level of urbanisation has never exceeded 40 per cent... thus Bates’ statistics, and those used by the ILO [International Labour Organization] and others, were wrong.”²⁰

In fact, Zambia's urban population had been *decreasing*, and "on the Copperbelt this process clearly set in before the era of structural adjustment policies."²¹ These policies had in part been designed to "alter the rural-urban terms of trade and income gap in favour of rural areas," yet, as Potts noted, "often the impact [of these policies] exacerbated an already existing crisis in the poor's urban consumption patterns."²² Summing up her argument and in conclusion, Potts stated:

In the face of this evidence, it is hard to maintain the position taken by Bates or the World Bank that Zambian government policies in the 1970s allocated public resources so much in favour of the urban population that the "correct" market signals that the copper-based urban economy was in decline did not influence the process of urbanisation. To the contrary, the evidence shows that net in-migration ceased or reversed on the Copperbelt and this has continued for over 20 years.²³

Nevertheless, on the basis of this faulty evidence, the living standards of the urban population of Zambia were sacrificed in the supposed interests of an allegedly marginalized rural population desperate for the blessings of a liberalized market.

Luanshya's Mining History

The copper mines at Luanshya and Baluba have a long and distinguished history and are positioned at the center of Zambia's industrialization and urbanization, as well as being central to the important school of sociological and anthropological studies of the Zambian Copperbelt.²⁴ The original Luanshya mine, allegedly named Roan Antelope after the victim of a hunting trip, was opened for production in 1931. Baluba, which lies about 15 kilometers away, was opened following nationalization in 1973.

From being no more than an undeveloped ore body, Roan Antelope received substantial investment from its owner Rhodesian Selection Trust and rapidly developed from the second half of the 1920s onward.²⁵ Following the establishment of a rail link to Ndola in 1928, enabling the export of the mine's output via the harbors of South Africa, a young colonial official S. R. Denny on his first visit to Africa described the growth of the town in enthusiastic terms:

Roan Antelope... is going to be an enormous place. The town is being laid out on Bulawayo [Zimbabwe's second largest city and industrial

center] lines and will be bigger than that. Seventeen avenues have already been surveyed.²⁶

The spectacular nature of growth in and around the mine is captured in the Annual Report to the Colonial Office for 1930, which pointed out that Roan Antelope had its own telephone exchange (a rarity in much of the world at the time) and enthusiastically described the further development of the new mining town:

Residences, hostels, club buildings, plant shop and warehouse buildings, power plant and coal power pulverizer have been worked upon and are now practically complete. . . . At the end of the year Europeans on the pay roll numbered 994 and Natives 4,894.²⁷

The rapid growth of an urban and industrial center with its own proletariat brought with it developments hitherto unforeseen in central Africa. Within ten years of the mining town being established, colonial officials were warning of the consequences of a “detrribalized” urban proletariat. The district officer for Luanshya reported the activities of “thieving youths” and drew attention to the “danger of allowing youths to grow up in the urban areas with nothing to do and without any tribal restraints.”²⁸ Five years later all the mines on the Copperbelt were brought to a standstill by industrial action, with Luanshya mine workers in the vanguard. Without consulting his parliament, the South African prime minister, Oswald Pirow, sanctioned the use of the South African Air Force (SAAF) to transfer troops to the Copperbelt and to strafe strikers at Luanshya²⁹—not that this did much to dampen the passion of the strikers, as a British officer commented laconically in the margins of a report on the strike and the SAAF deployment:

The demonstration by aeroplanes flying over the mob after the troops had been “de-planed” apparently only exasperated or amused the crowd and helped in no way towards restoring order.³⁰

The mine workers’ strikes of 1935 (and later 1940) persuaded colonial officials, against the wishes of the multinational mining companies, to establish trade unions.³¹ At the same time, from the 1930s onward the mining companies became responsible for the provision of social services and amenities normally associated with the state. Butler’s recent study of the relationship between the state and

mining companies in colonial Zambia clearly illustrates how, in the absence of adequate state finances and in return for tax dividends, the mining companies took upon themselves responsibilities and services traditionally associated with the state. In this manner, mining companies “appeared to ease the burdens on government, a factor of great importance in the case of Northern Rhodesia, whose colonial government seemed perennially short of funds, especially during the inter-war years, when the Copperbelt was developing.”³² There was much continuity in these relations after the transition to self-rule in 1964. With the nationalization of the mines and the mining industry in the late 1960s and early 1970s, the two nationalized copper mining companies that, in 1982, were amalgamated to become Zambia Consolidated Copper Mines (ZCCM) took over these services, and the mining towns in their entirety were serviced by ZCCM. Fraser and Lungu outlined the extent and importance of this for the inhabitants of the Copperbelt. From the late 1960s to the early 1990s, mining in Zambia was dominated by the state-owned companies, which was established not only to ensure that the people of Zambia were the primary drivers of the main revenue-earning industry in the country but also to act as a parastatal organization that provided services significantly beyond those typically delivered by a major mining enterprise (these policies are discussed elsewhere in this volume, in chapters by Larmer and Lee). At its height, ZCCM provided hospitals, schools, housing, utilities (electricity and water), and funding for youth groups and sports teams. It was far more than just a company; it was the heart of the social and economic development of the Copperbelt.³³

Selling the Crown Jewels

It was this company and its copper mines that, right from the start of the privatization process, were considered to be the crown jewels.³⁴ The enforced privatization of Zambia’s national resources has been well documented by many observers.³⁵ The complicated process by which the ZCCM was dismembered and offered up for sale has similarly been covered in detail and will be touched upon here only in passing.³⁶ Starting in 1993, the highly indebted Zambian government was put under pressure to begin privatizing ZCCM. A German consultancy firm was contracted to “study and recommend a mode for privatising ZCCM.”³⁷ The resultant “Kienbaum report” recommended that ZCCM be broken up into five blocks before privatization. Under pressure from the Mineworkers’ Union of Zambia, the government

“threw it out.”³⁸ However, pressed by the World Bank and anxious to qualify for Highly Indebted Poor Countries (HIPC)-linked debt relief, the Zambian government passed the 1995 Investment Act and the 1995 Mines and Minerals Act, making the privatization of ZCCM inevitable.³⁹ In 1997 the Rothschild banking corporation, operating on behalf of the Zambian government, advised on and oversaw negotiations dealing with the breaking up and sale of ZCCM in seven separate units.⁴⁰

Referred to as the “Bco Package,” the Luanshya/Baluba mining and metallurgical complex was the first of the seven units of the former ZCCM to be privatized and sold off to foreign investors.⁴¹ In the event, the package was sold following negotiations by the government newly established ZCCM Privatisation Negotiating Team (PNT), independently of the Rothschild consultants, to Binani Industries Limited. In its privatized form, the mining company owning Luanshya/Baluba on behalf of Binani was known as Roan Antelope Mining Corporation of Zambia (RAMCOZ).⁴² For the purchase of RAMCOZ, an Irish firm, “RMC trading,” was established as a joint venture between Binani Industries and “a Saudi bank called Dallah Albaraka, and Ispat International, the world’s fourth largest producer of steel, owned by one of the world’s richest Indians, Lakshmi Mittal.”⁴³

Francis Kaunda, chairman of the PNT, had an insider’s knowledge of ZCCM and the mining world; his career exemplified the intimate links between the Zambian state, ZCCM, and the global mining industry. Indeed, a month prior to his appointment, Kaunda represented the “Metorex Consortium, which, four months after his appointment, bought Chibuluma Mine.”⁴⁴ Kaunda (no relation to the former Zambian President Kenneth Kaunda) studied in the United States in the 1960s on a bursary supplied by the world’s largest copper producer, Phelps Dodge, before returning to Zambia to pursue a career in the mines. Later Kaunda worked in London as the Managing Director of the Metal Marketing Corporation of Zambia (MEMACO), which was responsible for selling Zambia’s copper to the international market. He finally became Chairman and Chief Executive of ZCCM in 1981.⁴⁵ In this position, he wielded significant economic and political power for a decade. In relation to his role as Chairman of the PNT in the late 1990s, he was in 2008 tried and found guilty in a Zambian court of law for corruption and theft of government assets relating to the privatization of ZCCM and sentenced to two years in jail.⁴⁶

A detailed report, commissioned and written for Transparency International on the privatization of ZCCM, focused on the privatization of Luanshya/Baluba as a case study and emphasized the extent of the corruption in its sale.⁴⁷ The report detailed how the “Bco package” was sold to Binani even though it was clear that there had been corruption involved in the transaction. In summary, Transparency International found that

The Privatisation of the mines was undertaken by a team appointed by the President outside the provisions of the Privatisation Act. This illegal entity [PNT] sold Luanshya Mine to the Binani Group, an Indian scrap metal dealer with no mining experience, contrary to the provisions of the Privatisation Act. Binani failed to run the mine, stripped it of its assets, got huge loans from the state owned Zambia National Commercial Bank, which nearly led to the collapse of the bank when Binani defaulted. The mine has since been closed and thousands of workers have been rendered unemployed and have been living in poverty. Luanshya has now become a ghost town.⁴⁸

In a report dealing with the wider impact of international financial institutions on Zambia, economist Lishala Situmbeko and policy analyst Jack Zulu noted, “The sale of Luanshya/Baluba copper mine in 1997 is a classic case-study of botched privatisation, nepotism, corruption, one-size-fits-all policies and the failure to take into account the broader social and economic role of large state-owned enterprises.”⁴⁹

Describing what happened at Luanshya once it was acquired by Binani, Larmer stated: “The mine was...asset-stripped; existing machinery was dismantled and removed, and the smelter furnace was allowed to break down.”⁵⁰ The terms of the takeover required Binani to take on the existing 6,294 employees at the mine, as well as to maintain the company amenities such as health centers.⁵¹ However, as Larmer noted, the company was “either unable or unwilling to cover these costs, and sought in private negotiations with the government to reduce them; in practice, these and other bills to creditors went unpaid.”⁵² In addition, retrenched and retired workers were not paid “terminal benefits” they were due, in keeping with agreements between the company and the Mineworkers’ Union of Zambia (MUZ). In the words of Larmer: “Binani appears to have believed it could behave with impunity in breaching its agreement with MUZ and its creditors because of its close relationship with [President] Chiluba.”⁵³

In exchange for regular payments to the ruling Movement for Multi-Party Democracy (MMD) and leading politicians associated

with President Frederick Chiluba, the company sought to evade its obligations. In 1998 the expression of local discontent with the company's failure to meet its responsibilities and the government's failure to address this came to a head in an eight-day strike. Zambian security services violently suppressed this strike, with two people being killed.⁵⁴ Shortly afterward, the mine went into receivership, with Binani owing millions of dollars to creditors, contractors, and service industries. Subsequently the mine was flooded and brought to a complete standstill.

Ignoring the Social

Inadequate attention was given to the social impact of the sale of the mines resulting in untold human suffering.

—*Transparency International*⁵⁵

Transparency International has detailed how the liberalization and privatization of Zambia's mines was illegal in terms of the country's laws. The IMF, World Bank, and international donors foisted liberalization upon Zambia without ensuring that adequate safeguards were in place, not only against illegal practices but also to ensure the social well-being of the Zambian populace as a whole. After the splitting up and privatization of ZCCM was complete, a 2007 World Bank report noted in understated tones that "new foreign investors have shown significantly less interest in taking responsibility for the non-core-business services which ZCCM provided to the population."⁵⁶ At the same time, the Zambian government has not been able to adequately fill the gap in the provision of social services created by the breakup of ZCCM. This gap, it appears, was to have been filled by the logic of the free market. Through the relentless pursuit of profit for investment capital, the liberalization and privatization of the mines has led to the destruction of the social structure of the mines, not only in Luanshya/Baluba but more generally.

Under the terms of the initially secret Development Agreements arranged between the mining companies and the Zambian government during the privatization of ZCCM, the mining companies divested themselves of all those activities that were not seen as being central to the core business of mining. Thus housing, education, health, water, sanitation, electricity, and so forth were all privatized, with the mining companies divesting themselves of social

responsibility. The social impact of the Development Agreements has been summed up as follows:

ZCCM provided almost everything that held society together in the Copperbelt, jobs, housing, schools, hospitals, pensions and social services....The new investors...[made it] clear that their “core business” is mining and that the provision of social services goes beyond this remit. According to free market ideology, and the Development Agreements, these services should now be provided by the local authorities or by market forces.⁵⁷

MineWatchZambia, which successfully campaigned to make public a number of these secret Development Agreements, was, however, unable to lay its hands on the Development Agreement between the Zambian state and the corporations that gained ownership of Luanshya/Baluba.⁵⁸

As the copper price rocketed between 2004 and 2008, popular pressure was brought to bear upon the mining companies to review their Development Agreements and to pay a windfall tax on their earnings, in keeping with the higher copper prices (see chapters by Fraser, Adam and Simpasa, and Haglund in this volume). It was hoped that this windfall tax could then be used to invest in the reconstruction of social amenities in Zambia as a whole. With the death of President Levy Mwanawasa in August 2008 and the subsequent collapse in copper prices, mining companies resisted and then successfully overturned the introduction of windfall taxes by the government.⁵⁹ Prominent observers of the Zambian political scene believed that, in terms of this concession, “Mwanawasa would not have moved.”⁶⁰ In contrast, the new Zambian administration of President Rupiah Banda, elected in October 2008, did not enforce the payment of windfall taxes. Instead, both the mining companies and the new administration reverted to the original Development Agreements, and in January 2009 the new tax regime was abolished in the annual budget speech. Fr. Misheck Kaunda of Caritas Ndola, under whose pastoral care Luanshya/Baluba falls, argued that the mining companies conveniently and consciously made use of the transition of administration to rescind on windfall taxes. The death of Mwanawasa was thus an opportunity for the mining companies; in the words of Father Kaunda, “they found a loophole.”⁶¹

The Zambia Privatisation Agency, initially established to oversee the sale of Zambia’s national assets and subsequently euphemistically renamed the Zambia Development Agency (ZDA), commissioned a

report to look into the effects of privatization on the mines. In an apparent amalgam of respondents' complaints, the report stated:

Before Privatization life on the Copperbelt was very comfortable. For instance, accommodation was free, schools were affordable for ZCCM (Zambia Consolidated Copper Mines) workers, hospitals were very good and provided free medicines. The residential areas were well maintained. We had streetlights; even garbage was collected and disposed of. ZCCM used to maintain our houses. If you have a problem you just report to the mines (administration) and they would come and work on it. Similarly we had plenty of sports and recreational services. When we knocked off from school we had recreational facilities, which prevented youths from misbehaving. Now after Privatization houses are dilapidated, the roads are bad; there are no more street lights. To day there is no more garbage collection, no recreation facilities. This has resulted in a lot of prostitution and diarrhoea dieses [*sic*].⁶²

The Collapse of the Soviet Union and New Forms of Venture Capital

This chapter now turns to an analysis of some of the new investors that, through economic liberalization, Zambia has succeeded in attracting. Following the collapse of the Soviet Union and the liberalization and privatization of its former national companies and industries, a number of former Soviet citizens made enormous amounts of money. Some of these new rich, with their close links to the new oligarchies in the former Soviet republics, have invested their money in Africa. The most spectacular of these is of course the Russian arms dealer Viktor Bout, who was arrested in a "sting" operation by the U.S. Drug Enforcement Agency (DEA) in Bangkok, Thailand, in March 2008.⁶³

With the implosion of the Soviet Union, Bout, as an exceptionally well-connected and talented former Soviet officer, made his fortune through selling off the military hardware of the now defunct Warsaw Pact to whomever was willing to pay. With the active support of elements of the Russian federation's security apparatus, Bout established a string of companies that ferried military hardware around the world.⁶⁴ Bout first came to the attention of the international press following his involvement in supplying arms in contravention of the United Nations' arms embargoes on Sierra Leone and Liberia in exchange for "blood diamonds."⁶⁵ United Nations reports cite Bout's involvement

in the following African countries and conflicts: Angola, Cameroon, Central African Republic, Congo (Brazzaville), Democratic Republic of Congo, Equatorial Guinea, Kenya, Liberia, Libya, Rwanda, Sierra Leone, South Africa, Sudan, Swaziland, and Uganda. Peter Hain, the former British Foreign Office minister, stated:

Bout is the leading merchant of death who is the principal conduit for planes and supply routes that take arms...from east Europe, principally Bulgaria, Moldova and Ukraine to Liberia and Angola....The UN has exposed Bout as the centre of a spider's web of shady arms dealers, diamond brokers and other operatives sustaining the wars.⁶⁶

Whereas international observers are quick (and correct) to condemn arms dealers who have benefited from the economic liberalization of both the former Soviet Union and Africa, far less is reported about other global enterprises that have arisen from the ashes of the former Soviet Union. One of these is the Eurasian Natural Resources Corporation (ENRC), an entity that acquired its initial wealth during the privatization of former Soviet assets in Kazakhstan in the 1990s. The company, which is listed on the London Stock Exchange (LSE) and is to be found in the Financial Times Stock Exchange (FTSE) 100, was founded by three billionaires—Alexander Mashkevich, Alijan Ibragimov, and Patokh Chodiev.⁶⁷ In 2002 the BBC reported that Dr. Johannes Sittard, working on behalf of the Indian steel magnate Lakshmi Mittal, gave US\$100 million to “the controversial Chodiev group for its help in the purchase of a steel plant in the former Soviet republic of Kazakhstan.”⁶⁸ Furthermore, the BBC noted that “key members of the Chodiev group are said to have had business links with organized crime in the former Soviet Union.”⁶⁹ Sittard was Mittal’s “number two” between 1995 and 2001. He negotiated Mittal’s purchase of the Karmet steelworks in Kazakhstan (which had previously supplied the whole of the Soviet Union within the planned economy) for US\$310 million in 1995. Sittard confirmed in an interview with the BBC that he had used the “Chodiev group as the go-between with the Kazakh President, Nursultan Nazarbayev, and admitted paying them a huge commission.”⁷⁰ The “Chodiev group” clearly appreciated his services, for (following his association with Mittal) Dr. Sittard became the Chief Executive Officer of ENRC, which he joined in 2001.

Sittard was therefore still Mittal’s right-hand man when the latter entered into the joint venture to purchase Luanshya/Baluba under Binani in 1997. Five years later, after the bankruptcy of Binani and

the closure of the Luanshya/Baluba mines, Johannes Sittard reappeared on the Zambian mining scene. In 2003 he was described by the journal *Africa Mining Intelligence* in the following way:

The head of the mysterious firm J & W Investment that was picked by the Zambian government to buy the copper mines of state-owned Roan Antelope Mining Corporation, Johannes Sittard, continues to raise questions in mining circles.⁷¹

Luanshya/Baluba and LCM

*And we thought they were Swiss!*⁷²

As noted earlier, the Luanshya/Baluba mines had been sold to Binani as RAMCOZ in 1997. By November 2000 the assets of the company had been placed into receivership and the mines reduced to “care and maintenance.” However, in the absence of funding, necessary pumping operations could not be carried out, and the Luanshya mine was nearly destroyed when the mine was flooded in 2001. It was thus not surprising that when a (supposedly) Swiss company, J&W Investment, expressed an interest in the purchase of the remaining assets of RAMCOZ, the Zambian government jumped at the opportunity to get the mines up and running again. This new corporation took control of the Luanshya/Baluba mining resources, now under the operating name of Luanshya Copper Mines (LCM). Fewer than 2,000 of the former RAMCOZ workforce of 6,200 mine workers were reemployed. Nevertheless, there was relief that a new investor had been found that appeared more credible than the locally despised Binani company. But who or what was J&W? As will be seen, pinning down the identity of this new company proved a difficult task.

In 2003, when negotiations between the Zambian government and the “J&W Investment Group of Switzerland” over the ownership of Luanshya/Baluba were taking place, the U.S. Geological Survey noted that the J&W Group had a subsidiary called Enya Holdings BV.⁷³ In 2004 J&W was still being publicly presented as a Swiss company; Jerry Gorman, chief executive officer of LCM in Zambia, was quoted as stating that “major acquisitions in the mining sector are expected to lead to a long-term presence in Zambia for J&W Investments of Switzerland.”⁷⁴ Gorman further emphasized J&W’s long-term commitment to Zambia: “We have got two operations here and we are established. We are going to be here for some time to come.”⁷⁵ Shortly

thereafter, *Mining Review Africa* referred to J&W as a “Swiss registered joint venture between a South African private group and Kazakhstan’s largest mining company.”⁷⁶ The U.S. Geological Survey thereafter described LCM as follows:

Luanshya Copper Mines Ltd. (Enya Holdings BV, 85% and Zambia Consolidated Copper Mines Investments Holdings Plc, 15%). Enya Holdings BV is owned by International Mineral resources AG and Beny Steinmetz Group Resources.⁷⁷

The World Bank noted in 2007 that 90% of LCM was owned by Enya Holdings BV and that this was in turn part of the J&W Group.⁷⁸ In January 2009, when the shareholders in LCM announced a complete pullout of their investment stakes in the mine (see later in this chapter), Zambian newspapers reported that LCM was owned by “Enya holdings BV, controlled by Bein Stein Group Resources (BSGR) of Israel and the International Mineral Resources (IMR) with 85% shares while 15% of shares [is] held by government in ZCCM-IH.”⁷⁹

What is clear is that at the apex of the corporate maze that surrounded both the purchasing of RAMCOZ and the subsequent sale of LCM was ENRC (see table 6A.1). ENRC is the corporate entity of which Dr. Johannes Sittard is the CEO and which was founded by the “Chodiev group” in the former Soviet republic of Kazakhstan (see table 6A.2). Here it is necessary to trace the corporate relations between Enya Holdings and the ENRC. Working backward, the parent company of Enya Holdings BV was, until February 13, 2009, Cunico Resources N.V., registered in Amsterdam.⁸⁰ According to the Cunico Resources website, “Cunico Resources N.V. is incorporated under Dutch law as the holding company for a joint venture operation owned equally by IMR and BSGR” (see table 6A.3).⁸¹ After February 13, 2009, Enya Holdings BV came to be wholly owned by International Mineral Resources BV, also registered in Amsterdam (see tables 6A.4 and 6A.5).⁸² International Mineral Resources BV (IMR) is in turn wholly owned by a company named CIM Global Investment N.V., which is registered in Luxembourg. CIM is, in the words of the ENRC investment prospectus, “controlled and beneficially owned by the Founders,” that is, the Chodiev group.⁸³ The other company mentioned, BSGR, is a part of the Beny Steinmetz Group, which is also registered in various forms in Amsterdam.⁸⁴ BSGR has the bulk of its operations in the diamond industry of Sierra Leone.⁸⁵ Following

its decision to withdraw all its investments in LCM in January 2009, BSGR sold all its assets to IMR, with which it had run the joint venture through Cunico and Enya Holdings BV.⁸⁶

Enya Holdings BV, the company registered in Amsterdam and responsible for the investment in LCM, has had a number of sole shareholders, numerous addresses, and a wide variety of directors. However, an analysis of the Chamber of Commerce records in Amsterdam shows a number of constants. For example, what are supposed to be separate legal entities actually share addresses and telephone numbers (see table 6A.6). The most impressive of these addresses is Amsterdam, Keizersgracht 62–64, which at various times has served as the address for both CIM Global Investment and Enya Holdings BV. Keizersgracht 62–64 turns out to be a fully furnished office block in the heart of the city's upmarket financial district that can be rented for anything from a single day to two years. The estate agent offering the office space for rental describes it as follows:

Business address, telephone answering and furnished offices; Immediate availability; No investments in overhead and personnel; Flexible terms of lease (From 1 day to 2 years or more) with short terms of notice; A professional appearance from day one, due to the high quality standards; highly qualified personnel and experienced management; State-of-the-art telecommunication and office equipment; Fully equipped meeting rooms. Close to Central Station, stock exchange, banks and hotels. The Center is located on the beautiful Keizersgracht canal.⁸⁷

It is difficult to avoid the conclusion that it has been made especially difficult to unearth the corporate details of the buying and selling, and consequent ownership, of the copper mines at Luanshya/Baluba. The confusion is both highlighted and confounded by the information available in the public domain. Parent and subsidiary companies are easily confused. The changes to company names that have taken place add to the confusion, as do changes in the country where companies are registered. Evidence made available by the Amsterdam Chamber of Commerce, where a surprisingly large number of these companies are registered, serves only to underscore the impression that the numerous name, address, and shareholder changes are a case of smoke and mirrors, that is, that there is a conscious attempt to hide and obfuscate in the pursuit of profit and in efforts to escape corporate social responsibility.

The End Game?

The brief trajectory of J&W's ownership of LCM followed an uncannily similar path to its predecessor as owner of Luanshya/Baluba, Binani/RAMCOZ. In January 2008 a confident Derek Webbstock, LCM's chief executive in Zambia, informed the Reuters news agency that the company expected to increase its "copper output to peak at 96,000 tonnes in the next years from 24,000 tonnes [per annum]." Furthermore, Webbstock noted that US\$354 million had been invested in the new mine at Mulyashi (also part of the Luanshya concession), which was expected to "commence full operations in February 2009."⁸⁸ In August 2008, Webbstock again publicly reiterated that Mulyashi was expected to start production on schedule in 2009: "Mulyashi is due to come on stream at the end of 2009 and everything is on course."⁸⁹ Less than six months later, shareholders in LCM announced their intention to withdraw their investments. The journalist covering the story noted laconically that "LCM chief executive officer Derrick [sic] Webbstock and operations manager James Bethel... were not answering their mobile phones."⁹⁰ Another report noted LCM's claim "that copper mining is no longer profitable and that they will only resume operations if prices for the metal rise."⁹¹ Referring to LCM's decision to withdraw from Zambia, Catholic priest Misheck Kaunda caustically referred to it as a case of "Cash and Carry."⁹²

Less than a week after the shareholders had announced their decision to withdraw their assets, Luanshya Copper Mines closed down its operations and paid off the last of its 1,740 workers on January 21, 2009, with LCM ruling out any possibility of reopening the mine.⁹³ A month later, 1,000 former LCM employees and their spouses marched in a peaceful demonstration to the district offices in Luanshya. Church leaders and mine workers organized the 14-kilometer march and presented a petition to the district commissioner, George Kapu. In their petition the petitioners called upon the government to ensure "that the people's cry to have the mine quickly re-opened was attended to."⁹⁴ The district commissioner, together with Chishimba Kambwili, the Patriotic Front Member of Parliament for the constituency, donned mine workers' helmets and "freedom togas" as they allowed themselves to be photographed by the press prior to their departure to Lusaka to petition the government. Upon their arrival in Lusaka, the petitioners were able to speak to the president. Rupiah Banda informed them that he wished to assure the

“people of Luanshya and all Zambians that your government is not sleeping over this matter.” However, he went on:

The handover of the mine is not as simple as some people may want to make it look. You can't say this mine is in Zambia and we should just take over. *We have to realise that the world has changed.*⁹⁵

Chinese Ownership

In April 2009 a Chinese mining company, Zhonghui Mining, expressed its interest in taking over part of LCM.⁹⁶ The online journal *Africa Mining Intelligence* suggested that another Chinese parastatal, NFC Africa Mining Plc (NFCA), which already had substantial assets in Zambia), was “in the pole position to buy the assets of Luanshya Copper Mines” (see Lee and other chapters for more information on NFCA).⁹⁷ The following month President Banda announced that NFCA would take an 85% shareholding in LCM.⁹⁸ Banda expressed a now familiar discourse, praising the new investor while providing no explanation of why the previous investor had pulled out so precipitately:

I want to assure you that this investor knows and understands the business of mining. This investor is not in Zambia just to make quick money and get out at the first sign of stress in the business.⁹⁹

The desperation of Luanshya residents and mine workers to see the mine continue in operation did not prevent criticism of the decision to sell it to NFCA. As noted elsewhere in this volume (see Lee, Haglund), Chinese mining investment has been controversial in Zambia. The Banda government's close relationship with Chinese companies has raised questions as to whether mining concessions are again being awarded for political reasons.¹⁰⁰ The PF MP for Luanshya stated:

It's not that we're merely against the Chinese. We're just protecting the welfare of people who have suffered at the mercy of investors who are only interested in enriching themselves at the expense of the workers.¹⁰¹

Meanwhile, the wider slowdown in Zambia's copper mining industry, which boomed until late 2008, led the country's new flexible

and “shape-shifting” investors to slough off their “excess” workers in Luanshya and elsewhere on the Copperbelt. The human costs of these actions do not find expression on the balance sheet of the myriad companies and investment vehicles that hide behind anonymous addresses in Amsterdam and elsewhere. Former mine workers, desperate to make a living, have resorted to informal mining, referred to by the state and companies as “illegal mining,” often with disastrous results (see the chapter by Mususa in this volume). The *Times of Zambia* reported one such incident in March 2009:

One person was shot dead while 12 others were wounded when Konkola Copper Mines (KCM) security officers opened fire at illegal miners in Chingola yesterday. The security officers ordered the illegal miners to disperse but they resisted and attempted to descend on the officers who were forced to open fire. The shooting incensed the illegal miners who rioted, stoning motorists on [the] Chingola-Chililabombwe road. Some blocked the road with huge stones and logs, disrupting traffic flow near the Chingola under-bridge.

Conclusion

It is evident that the government advisers and IFI officials who drew up, oversaw and enforced the economic liberalization and the privatization of the Zambian economy did ensure that investment in some parts of the Zambian economy became an attractive option. However, the selfsame factors that attracted foreign investment—the openness of the Zambian economy, the liberal tax regime, and the nonenforcement or nonapplicability of labor and environmental law to new investors—also enabled and allowed the new investors to withdraw their investments without any form of hindrance from the Zambian state. The policies the IFIs forced upon Zambia have led to a situation in which the Zambian state is not able to effectively control investment in the country in such a manner that the long-term interests of not only the companies, but also the mine workers and their dependents, are ensured. The liberalization and privatization of Zambia’s economy, coupled with the wholesale weakening of the state apparatus, have ensured that the Zambian state is not able to control, let alone pursue, investors.

One of the limits on Zambia’s ability to hold its new investors to account is their intangible nature. Zambians expect to be able to

identify the origins and identity of foreign investors so as to enable them to make judgments regarding their suitability as investors. Yet, as the story of the foreign ownership of Luanshya/Baluba under both the Binani/RAMCOZ and J&W/LCM companies illustrates, foreign investors have consciously “shape-shifted” their companies through a myriad network of addresses, investment funds, holding companies, and so forth, in such a manner that any attempt to trace those responsible becomes a well-nigh impossible undertaking.

Zambia’s privatization and liberalization has brought substantial rewards to a select few indigenous Zambians and to some foreign investors. At the same time, it is a process that has been responsible for the destruction of social capital and the future of hundreds of thousands of Zambians who, in contrast to the flexible and transitory environment of global investment and company ownership, live and work in real communities and workplaces over which they lack meaningful political and economic control.

Appendix: Organization Structure of Companies Involved in Ownership of Luanshya Copper Mines

Table 6A.1

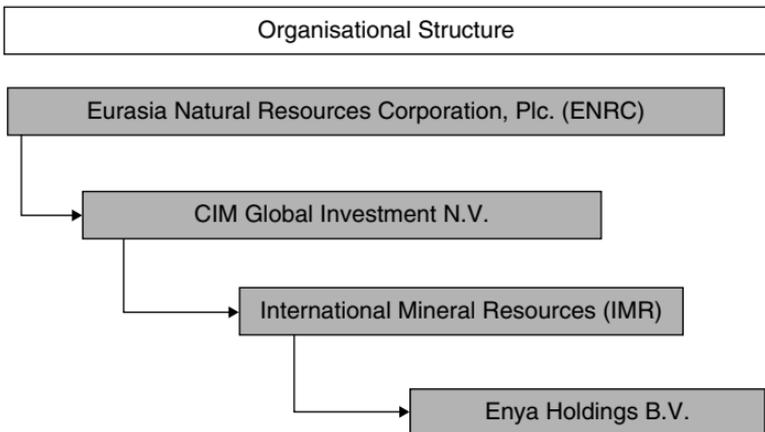


Table 6A.2

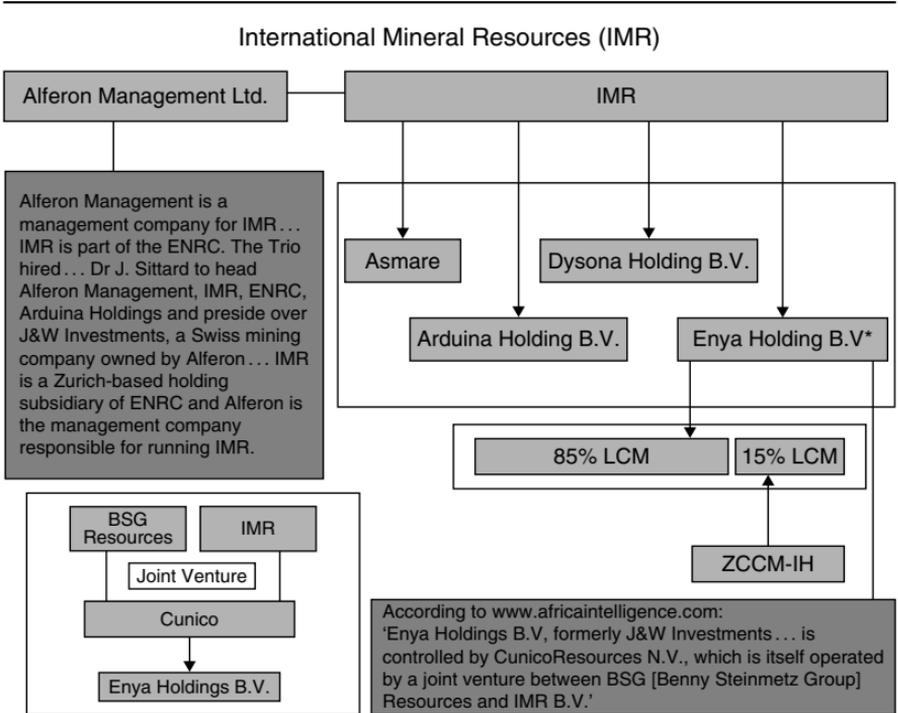


Table 6A.3

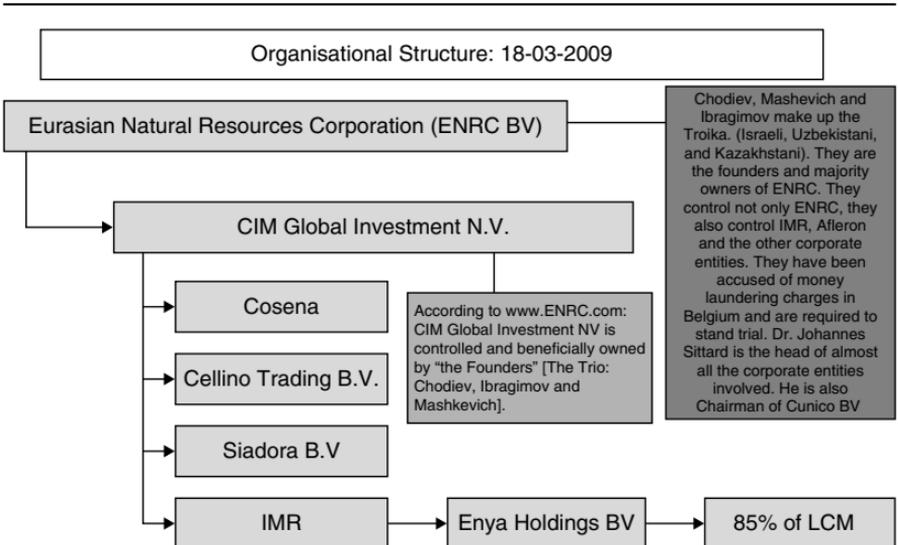


Table 6A.4

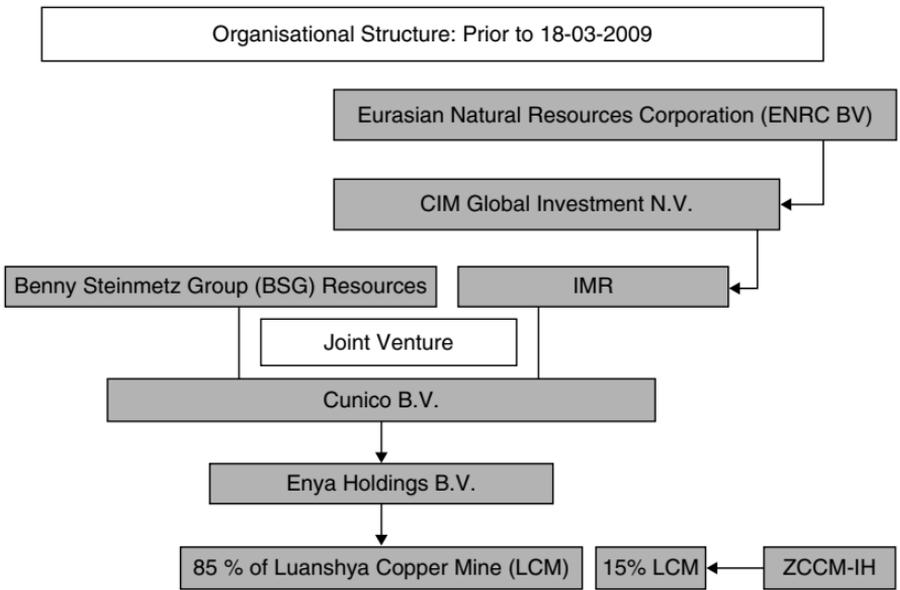


Table 6A.5

History of Enya Holdings B.V			
10-01-2002 to 29-07-2002	29-07-2002 to 23-09-2004	16-07-2007 to 13-02-2009	13-02-2009 to Present
Palazzo Holding B.V.	J&W Holding A.V.	Cunico Resouces U.A.	Enya Holdings B.V.
Parkstraat 20, 2514JK's- Gravenhage, The Netherlands	Zollikerstrasse 62, 8702 Zollikon, Switzerland	Haaksbergweg 59, 1101BR, Amsterdam Zuidoost , The Netherlands	Jan Luijkenstraat 68 1071CS, Amsterdam, The Netherlands

Table 6A.6

Senior Executives				
IMR	Enya Holdings	BSG	CIM Glob. Invest.	ENRC
<ul style="list-style-type: none"> • Sittard, J. • Huster, F • Iyer, R.V. • Timkin, M.I. • Kusgotov, I. • Saraf, J.K. 	<ul style="list-style-type: none"> • Sittard, J. • Koekkoek, V.. • PetachTikva, I. • Timkin, M.I. • Meijer, J.J. • Merloni-Horemans, S. • Pieternella, M.A. 	<ul style="list-style-type: none"> • Meijer, J.J. • Merloni-Horemans, S 	<ul style="list-style-type: none"> • Shadiev, O • Poncin, H.J.H.A • Hamelink, P 	<ul style="list-style-type: none"> • Sittard, J. • Perry, M. • Vulis, F. • Zaubekova, Z. • Shadiev, A. • Waters, P. • Chodieva, M. • Cochrane, J. • Cooksey, D. • Uteпов, E. • Dalman, M. • Eggleton, M. • Judge, P. • Olisa, K. • Ibragimov, A..

Notes

1. Max Gluckman, “Social Anthropology in Central Africa,” *Human Problems in British Central Africa* 20 (1956): 1–27, 17.
2. Jan Kees van Donge, “The Plundering of Zambian Resources by Frederick Chiluba and His Friends: A Case Study of the Interaction Between National Politics and the International Drive Towards Good Governance,” *African Affairs* 108, no. 430 (2008): 69–90, 70.
3. Dambisa Moyo, *Dead Aid: Why Aid Is Not Working and How There Is Another Way for Africa* (London: Allen Lane, 2009).
4. Steve Schifferes, “Zambian Miners Hit by Copper Slump,” BBC News, March 6, 2009.
5. Apart from LCM, a number of other copper mining industry companies have also announced their decisions to either scale down or completely close their operations in Zambia. Among these is Glencore, with holdings in Nkana Copper Mines (NCM) and Mopani Copper Mines (MCM) in Mufulira. In addition, Glencore is involved in a joint venture with First Quantum Minerals on Kansanshi Mines in Solwezi: Kangwa Mulenga and Rebecca Chileshe, “Chamber Cautions Mines Owners,” (Lusaka) *Daily Mail*, March 6–13, 2009, <http://www.daily-mail.co.zm/media/news/viewnews.cgi?category=2&id=1236680484>, accessed March 22, 2009; Anthony Mulowa, “Govt to Take over Mopani,” *Times of Zambia*, March 11, 2009, <http://www.times.co.zm/news/viewnews.cgi?category=2&id=1236749097>, accessed March 22, 2009.

6. See, for instance, Stephen Ellis, "The Financial Crisis and Africa," *Habari* 24 (March 2009): 10.
7. Lishala C. Situmbeko and Jack Jones Zulu, "Zambia: Condemned to Debt: How the IMF and World Bank Have Undermined Development," London: World Development Movement, 2004, 24.
8. Alastair Fraser and John Lungu, *For Whom the Windfalls? Winners and Losers in the Privatisation of Zambia's Copper Mines* (Lusaka: CSTNZ, 2007), 1–2.
9. Fraser and Lungu, *For Whom the Windfalls?*, 3 (emphasis added).
10. Situmbeko and Zulu, "Zambia: Condemned to Debt," 26, citing World Bank, "Privatization in Africa: The Zambian Example," World Bank Findings, Africa Region, No. 72, Washington, DC (1996).
11. Situmbeko and Zulu, "Zambia: Condemned to Debt," 26.
12. *Ibid.*
13. Fraser and Lungu, *For Whom the Windfalls?*, 21.
14. Deborah Potts, "Counter-Urbanisation on the Zambian Copperbelt? Interpretations and Implications," *Urban Studies* 42, no. 4 (2005): 583–609.
15. Potts, "Counter-Urbanisation," 589.
16. *Ibid.*
17. World Bank, *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (Washington, DC: World Bank, 1981).
18. Potts, "Counter-Urbanisation," 589.
19. Robert H. Bates, *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies* (Berkeley: University of California Press, 1981).
20. Potts, "Counter-Urbanisation," 590.
21. *Ibid.*
22. *Ibid.*
23. *Ibid.*
24. Luanshya lies at the basis of a substantial body of path-breaking anthropological literature. See A. L. Epstein, *Politics in an Urban African Community* (Manchester: Manchester University Press, 1958); J. Clyde Mitchell, *The Kalela Dance: Aspects of Social Relationships Among Urban Africans in Northern Rhodesia* (Manchester: Rhodes-Livingstone Institute, 1956); and Hortense Powdermaker, *Copper Town: Changing Africa, The Human Situation on the Rhodesian Copperbelt* (New York: Harper and Row, 1962).
25. Francis L. Coleman, *The Northern Rhodesia Copperbelt 1899–1962: Technological Development up to the End of the Central African Federation* (Manchester: Manchester University Press, 1971), 16.
26. Rhodes House, Oxford, Mss. Afr. S. 791 (1), Denny (Spencer Reeve). Typed extracts from letters home, Northern Rhodesia, 1929–1931 3 volumes Diaries and Essays 1940, 46–48 2 vols. Volume 1, Sunday, August 18, 1929, Ndola Hotel, Northern Rhodesia.
27. National Archives of United Kingdom (hereafter NAUK), CO 795/48/1, Annual Report 1930.
28. NAUK, CO 795/82/13, Native Affairs Annual Report: Northern Rhodesia 1935.

29. NAUK, DO 35 486/1, Strike in Roan Antelope Mine in N. Rhodesia 1935.
30. NAUK, WO 32/2515, Northern Rhodesia Disturbances in the Copper Belt 1935, p. 52. Comments by Lt-Col. Staff-Officer to the Inspector General RWAFF and KAR, M.G.N. Stopford.
31. Miles Larmer, "Unrealistic Expectations? Zambia's Mineworkers from Independence to the One-Party State, 1964–1972," *Journal of Historical Sociology* 18, no. 4 (2005): 321.
32. Larry J. Butler, *Copper Empire: Mining and the Colonial State in Northern Rhodesia, c. 1930–1964* (Houndmill, UK: Palgrave Macmillan, 2007), 2.
33. Fraser and Lungu, *For Whom the Windfalls?*, 8.
34. Fraser and Lungu, *For Whom the Windfalls?*, 10.
35. The best introduction to this process is to be found in Situmbeko and Zulu, "Zambia: Condemned to Debt."
36. See, for example, John Craig, "Evaluating Privatisation in Zambia: A Tale of Two Processes," *Review of African Political Economy* 27, no. 85 (2000): 357–366; John Craig, "Privatisation into Practice: The Case of Zambia Consolidated Copper Mines Limited," *Journal of Modern African Studies* 39, no. 3 (2001): 389–410; John Craig, "Twilight on the Zambian Copperbelt?," *Review of African Political Economy* 29, no. 92 (2002): 364–368; and Miles Larmer, "Reaction and Resistance to Neo-Liberalism in Zambia," *Review of African Political Economy* 32, no. 103 (2005): 29–45.
37. Francis Kaunda, *Selling the Family Silver: The Zambian Copper Mines Story* (KwaZulu Natal: Interpak Books, 2002), 31.
38. Kaunda, *Selling the Family Silver*, 32.
39. Fraser and Lungu, *For Whom the Windfalls?*, 10–11.
40. Kaunda, *Selling the Family Silver*, 39–41.
41. The official website of the Zambian Privatisation Authority noted, "PRIVATISED, CURRENT STATUS November 2006, ZCCM (B)—Luanshya Division, ZCCM (B)—Luanshya Division/Baluba mining and metallurgical complex (the 'BCo' Package) excluding the precious Metals plant was sold on competitive tender basis to Binani Industries an International company registered in both the United kingdom and India. The negotiated purchase consideration comprising cash at close of US\$ 35 million and ZCCM retained interest of 15%. Document signed June 30 1997 Privatisation complete." <http://www.zpa.org.zm/sreport.pdf>, accessed March 13, 2009.
42. Binani Industries, which was registered in both the United Kingdom and India, was linked in turn through its chairman Gokul Binani to Lakshmi Mittal, the chairman of ArcelorMittal. Dr. Johannes Sittard, who would later be part of the ENRC (Eurasian Natural Resources Corporation) management team during the purchases of LCM, previously worked for Mittal and admitted in an interview with the BBC to paying bribes to the value of \$100 million to the government of Kazakhstan on behalf of Mittal. <http://news.bbc.co.uk/2/hi/business/2146757.stm>, accessed April 16, 2009.
43. Kaunda, *Selling the Family Silver*, 46.
44. Francis Mutesa, "Transparency and the Rule of Law in the Privatization of the Zambia Consolidated Copper Mines (ZCCM) Assets," Lusaka, Zambia:

- Transparency International Zambia, 2002; summary prepared by Dr. Alfred W. Chanda, 3.
45. Kaunda, *Selling the Family Silver*, 15–24.
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Contesting Illegality: Women in the Informal Copper Business¹

Patience Mususa

Introduction

The privatization of Zambia Consolidated Copper Mines (ZCCM) in 1997 led to a severe contraction of the permanent labor force on the Copperbelt. In response, women and children entered the informal sector in large numbers, seeking to subsidize men's declining involvement in the formal sector. The end of the company model of welfare provision and the neoliberal economic framework adopted by the Zambian government in 1991 meant job seekers were driven on one hand by a realistic fear of falling into extreme poverty and on the other by a desire to "make it" in the fast-paced world of global capitalism. These two factors, coupled with a general disappointment with government economic policy, often led people to seek opportunities outside the legal framework set up by the state, including mining illegally on "dump sites" left behind by formal mining operations.

Following the long and steady decline of global copper prices from the mid-1970s, recent dramatic instabilities in the global market have reshaped not only the ownership and regulation of the mining industry but also household economic strategies and local moral and political frameworks on the Copperbelt. Although the boom in copper prices from around 2005 made the dump sites potentially more valuable assets, the global recession from 2008 led to a second wave of layoffs, increasing the numbers seeking livelihoods in the dangerous and insecure work of illegal mining.

The striking view of copper waste dumps, a common feature of the Copperbelt landscape, clearly captures the extent of the expulsion from Eden experienced since the ZCCM period. On one side of the dumps, large excavators scoop out chunks of flux stone that will later be reprocessed in local plants to extract copper. On the other side of the dumps, small groups of women and children are commonly seen digging and sorting out flux stone and copper ore with only the support of sieves, picks, hoes, and shovels. The result of the work of these small gangs fuels the informal trade in copper ore to foreign buyers and building materials to local residents.²

This chapter is based on ethnographic research carried out in July and August 2008 in two copper dump sites—one located in the Copperbelt town of Luanshya, an urban setting, the other in North-Western Province (increasingly referred to as the new Copperbelt) district of Mufumbwe, a rural setting. In both places, the author observed women and children working on the sites and carried out informal interviews with informants both on-site and at their homes. This chapter asks the following questions: Why are women and children involved in these activities? What does their involvement tell us about the drastic restructuring of the local economy? How do these activities change the way people talk about the “free market”? How is illegality justified and pursued as a legitimate moral strategy?

The aim is to provide some partial answers to these questions and to contribute to a deeper understanding of the informal economy of the Zambian Copperbelt and the body politic of neoliberalism in this context. The body politic, as explained later, is understood in the Foucauldian sense as the forces, emanated through the ideological and material structures of society, that impact the negotiating body of the actor, in this case women and children working at the copper mine dump sites.

The chapter suggests that the dual economy of the copper dump sites highlights important features of the experience of boom and bust on the Copperbelt, and in Zambia and Africa more widely. Firstly, the formal and the informal, legal and illegal economies are increasingly coming together under an unstated social contract in which cunning local entrepreneurs (named by some as “copper thieves”) “redistribute” the wealth produced by the mines through kinship and other local networks. Organised Crime Watch, a unit of the Southern African Institute for Security Studies, describes these processes as generating criminal networks on the Copperbelt.³ Locally, understandings are

less black and white. Although this trade is illegal and the mining companies that own the dump sites prohibit informal digging and mining, mine employees and policemen routinely turn a blind eye, in implicit recognition of the dump site workers' basic needs. This chapter suggests that illegality has become a legitimate survival strategy in the eyes of many living in the context of an economic system that is failing to meet local needs and a political context characterized by ever-diminishing state intervention.

Secondly, economic shifts are driving changes in gender relations on the Copperbelt. The chapter shows how neoliberalism's "free market" has co-opted women's and children's bodies into labor in what are clearly recognized as unequal circumstances by the subjects themselves.⁴ Although the more lucrative aspects of the informal trade in copper is dominated by men, who operate as middlemen to copper ore buyers and organize labor gangs, women and children are an increasingly significant feature in this trade. They are perceived by some as harder working, less likely to cause trouble, more likely to escape prosecution for trespass, and more willing to work for smaller profit margins. Although these perceptions often hold true, the dump sites are also spaces in which the distinctive moral and political voices that Copperbelt women have long constructed and defended find new articulations.⁵

The Sites of Study

Zambia's nationalized copper industry was a major pillar of President Kaunda's vision for independent Zambia; under his "benevolent dictatorship," ZCCM provided an integrated system of decent salaries and large benefit packages (including subsidized high-quality housing, education, and health). The town of Luanshya in many ways embodied the "expectations of modernity" that mining brought to previously rural areas of Zambia, and although these expectations were disappointed as the mining industry declined in the 1980s and 1990s, the nationalized mining companies were always heavily involved in the provision and maintenance of social services and infrastructure.⁶

As discussed elsewhere in this volume, between 1997 and 2002 the massive state-owned conglomerate Zambia Consolidated Copper Mines (ZCCM) was broken up and transferred to the ownership of a range of international private-sector investors. The mines in Luanshya were among the first to be broken off from the vast ZCCM and sold as a package as the Roan Antelope Mining Corporation of Zambia

(RAMCOZ). The deal also included the Baluba mines and a green-field site at Mulyashi. The initial purchaser was Binani, a consortium of Indian investors, acknowledged as metal traders that did not have the extensive experience running mines as that of the preferred bidders, the mine company First Quantum (for more on this process, see Gewald and Souters, this volume).⁷ RAMCOZ initially retained all 6,294 of the former ZCCM workers, but the inexperienced management of the company struggled from the very beginning to raise capital, to run the mine, and to pay employees and suppliers.⁸ Suspicions in Luanshya were rife that the investors asset-stripped the company, and in 2000 the liquidation of RAMCOZ represented the first major setback of the Zambian privatization process. The company laid off all but a few staff who were left to look after the care and maintenance of the plant. The failure of the company to provide even redundancy packages, known as “terminal benefits,” let alone secure pensions, meant many residents of a town built in the bush in order to service the mine experienced immediate and profound material and psychosocial difficulties. Many had their hopes briefly raised in 2003 when a severance benefit package was agreed upon by the mines, which included an option to purchase the company houses still occupied by former miners and a considerable sum in cash. This short-lived injection of cash caused an outburst of informal economic activities, often the only hope for most to make a living. It also facilitated a glut in spending, as the predominantly male former mine workforce lived a short “high life.”

Mr. Sanga, a Luanshya general dealer, described how during that period it was not unusual for a mine worker to spend up to K 10 million (ca. US\$2,500—in some cases a third of the cash benefit) in a single shopping spree.⁹ Mrs. Muleya, a hairdresser, explained how she had to obtain an injunction to prevent her husband from selling the family house, the only asset remaining, after he had spent his entire cash benefit.¹⁰ These stories were neither unusual nor historically unprecedented. The lack of fiscal discipline among male mine workers was noted by colonial anthropologists such as Epstein working on the early Copperbelt and was a concern that ZCCM sought to address in workshops for retrenched and retiring workers.¹¹ This perceived unreliability of men was one of the factors Copperbelt women (as well as men) interviewed for this study cited as a reason that drove women to seek an independent income, usually in the informal sector.

Expectations of a “return of modernity” in Luanshya were raised again in 2004, when economic growth in China and India and the

resulting increasing demand for raw materials drove rapidly rising copper prices. A new wave of foreign investment started to flow into the Copperbelt to finance a rapid expansion of copper mining. In practice, however, formal employment did not significantly increase, and where jobs were created, the conditions of employment were considerably worse than during the ZCCM period. However, the new boom did sustain and expand the fast-growing informal economy that had largely displaced the increasingly diminished arena of formal wage labor on the Copperbelt. Simutanyi, and Fraser and Lungu, provided a general picture of the negative effects of wholesale privatization on the livelihoods of people living in the Copperbelt, even during the boom.¹² However, this boom ended just as fast as it started in the aftermath of the global credit crunch in 2008. This only increased the centrality of the informal economy as the primary source of income for most Copperbelt residents.

The residents of the rural mining site of Kalengwa in Mufumbwe district did not experience the radical process of change that affected the residents of Luanshya, as mining operations had ceased there in the early 1980s. During that period, the majority of mine workers were absorbed into the other mines of the then newly formed ZCCM elsewhere on the Copperbelt, while a few retired. This left, apart from a small indigenous population, a few civil servants, teachers who ran a school, and a few retirees who had decided to settle in the area. Kalengwa, until about 2004, attracted few outsiders, as it was not very conducive to settlement. Sixty kilometers away from the district center of Mufumbwe, Kalengwa can be reached only by a dirt road in very poor condition. The mining site and settlement in Kalengwa is surrounded by dense miombo woodland. The soil in the area is stony, making it unsuitable for agricultural activity. In addition, residents complain of a peculiar taste to the water from the wells, hinting at some kind of contamination of the water table. Before the copper boom, the residents of Kalengwa had subsisted on fish, some hunting, and small-scale agricultural activities based on *chitemene*—slash-and-burn cultivation. The large mounds (or waste dumps) of the waste copper ore produced as a by-product of earlier mining operations were largely ignored by the residents. During the long period of low copper prices that lasted until 2004, these dump sites had no apparent value. It was not expected that these waste dumps would again contribute to residents' livelihood, other than forming a backdrop to the places where children played.

The Emergence of the Informal Economy in Zambia

Since the “dual” transition to democracy and the free market in 1991, the regulatory forces of the Zambian state have contracted, diminishing the surveillance capacity of the state that characterized the country under Kenneth Kaunda (see Haglund, this volume). This contraction was partly the policy choice of a new government that declared itself committed to a “market-oriented economy” and partly imposed by spending cuts arising from structural adjustment policies implemented under pressure from donors, which reduced the manpower of the civil service and its institutions. Regulatory aspects of the Kaunda-era government, which was popularly characterized by a widespread sense (even paranoia) of being under surveillance by the state, were significantly reduced. This was an important precondition for the emergence of increased informal economic activities in the country. It was not that unregulated economic activity did not occur previously, but it was much more tightly constrained and illegitimate. During the colonial period, women had engaged in the illegal brewing of beer and other informal economic activities and had gone to great lengths to conceal them.¹³ In the Kaunda era, an operation known as the Special Investigation Team for Economy and Trade (SITET) investigated business transactions, including those in the informal sector, as part of the regime’s aim to centrally control the economy. One of my informants, Mrs. Mwaba, who had worked in informal cross-border trade during the Kaunda era, narrated how, on several occasions, she was followed by officers of SITET and queried about how she gained access to foreign currency.¹⁴ The official limit placed on the procurement of foreign currency had led to a black market in currency exchange, one in which Mrs. Mwaba participated.¹⁵

In the 1990s, following the democratization of political life and the official endorsement of market principles, informal economic activities became much more visible.¹⁶ The dramatically worsened economic conditions and the massive formal-sector job losses that commonly accompany privatization also precipitated this visibility. Though the economic system opened up and there was an initial spurt of entrepreneurial activity, there were several contradictions in the regulatory system that was supposed to encourage the new free-market ideology. These inconsistencies are revealed in Tranberg-Hansen’s recent study of the eviction of street vendors from the center of the Zambian capital, Lusaka, and attempts to relocate them to a newly constructed

market.¹⁷ Tranberg-Hansen described how, on the one hand, the central state promoted informal-sector activity as part of the free-market system with the promotion of informal trade institutionalized through a vendors' desk established at State House (the official residence of the Zambian presidency). On the other hand, the Lusaka local authorities—which after 1996 and particularly 2001 had gained relative independence through an increase in the electoral representation of opposition parties—initiated forced removals of vendors and enacted a series of regulations and practices to keep them off the streets. The local authorities drew on public health discourses of law and order, highlighting the illegality of street vending. These actions, Tranberg-Hansen noted, all occurred at a time when increased economic difficulties drove more people to informal-sector activity. Marketeters, urged to move to the new markets, complained of the high rates and rentals being charged for trading space, in a wider context of great economic hardship. Since Tranberg-Hansen completed her study, there has been further gentrification of the informal-sector trade in central Lusaka, with new markets charging higher monthly rents of up to K 1 million (ca. US\$250) in 2008, an amount many street vendors could not afford. The promotion of gentrification by a state eager for tax revenue that could only be collected with a degree of formalization is a far cry from the surveillance of the centralized economy of the Kaunda era. In the seemingly chaotic context of economic life in Zambia, the dispersal of market ideology through the entanglement of both macro- and micropolitical economic relationships has significantly impacted ordinary people's efforts to “get by” in free-market Zambia. Tranberg-Hansen thus argued that, rather than treating neoliberalism as an ideology or a function of the regulatory regime, we need to examine the “meaning and empirical realities” of particular markets.¹⁸

The Moral Economy of the Informal Sector

On the Copperbelt, the contrast between the “nationalized” past and the “privatized” present is clear: many people feel they are not benefiting from foreign investment and that the cause of this is the greed of the new investors. The nationalized ZCCM mines had operated as the financier of the socialist vision of Zambia under the Kaunda regime. According to the dominant account (see Adam and Simpasa, this volume, for example), this is precisely what led to the failure of the company to set aside funds for the capitalization of new mining investments and thus to modernize production and provide a long-term developmental model.

The moral economy of mining was not, however, simply a calculation of long-term business strategy. In the minds of many Copperbelt residents, the mines were theirs. This sense of ownership was fostered, not only by an affective relation to labor, but also by the ways in which the mine company permeated many other spheres of mine workers' lives. For example, ZCCM provided diapers and baby formula for the newborn children of mine employees; they issued subsidized food and toilet paper to the household; they provided recreational facilities at the mine clubs, where alcohol could be purchased on credit, and housekeeping lessons for the wives of mine workers. Although these social provisions were welcomed, Copperbelt residents simultaneously resented the resultant control that the mine company exerted in family life.¹⁹ For example, Bridget Bwembya, a former worker in the social welfare department of ZCCM, explained that her department had authorized the disbursement of salaries to wives who had complained that their husbands neglected their financial responsibilities in the home. This entanglement of the mines with workers' families mirrored the early period of mining on the Copperbelt, when the mine companies relied on women's agricultural and other labor to minimize the costs of care and stabilize its male staff; it simultaneously created a platform where women could actively raise their claims for a better livelihood and be involved in the local political economy.²⁰ Women still aim to make political claims about mine revenues and the gendered distribution of work and income in the deinstitutionalized, post-privatization world. In 1998, for example, a year after the sale of the ZCCM Luanshya mine, the *Times of Zambia* reported that mine workers, aided by women and children, rioted over the delays in the payment of housing allowance and the unfair dismissal of a MUZ official.²¹ As is discussed later, women and children working in the illegal mining sector have also rioted over the unfairness of the workings of the "free" market.

Complaints over livelihoods on the Zambian Copperbelt should not be seen solely as a struggle for resources between a proletariat and those who control the means of production. There is an affective dimension at play, which draws upon a discourse of selfishness that James Ferguson identified when he carried out fieldwork in Zambia in the 1980s. Ferguson noted that mine workers increasingly directed the critique inward as a negative assessment of themselves.²² Rather than seeing this self-directed critique as simply the rhetoric of an anxious "imagined community" reflected in the musings of a Zambian intelligentsia, we need to examine this moral critique in relation to the corporeality of practices of livelihood and social proprieties.²³

The continuity of this practice in the contemporary period can be identified in the Luanshya family of Mr. and Mrs. Phiri, who have had relative success in the post-privatization economy of the Copperbelt. Many Luanshya residents report their suffering in the 2002–2004 period, following the retrenchment of mine workers' after Binani's collapse and before workers received their cash benefits. They described a situation in which they were lucky to have a meal; some respondents said they subsisted at times on raw mangoes. The Phiri family, in contrast to many of their neighbors, did not go hungry, even though their business in informal trade, established long before privatization, suffered. Mrs. Phiri consistently narrated how neighbors, who in better times had been careful to visit only occasionally at meal-times, had taken to visiting almost every day during meals. Mrs. Phiri understood what drove her neighbors to flout these social conventions, which she summarized as *sebanya wikute* (get embarrassed but get full); however, the awareness of their own potentially precarious economic situation led the Phiris to eat meals at irregular times so as to avoid the alternative of directly failing to offer their visitors a meal and being perceived as selfish. The perception that they fared better than their neighbors persisted. Their neighbors pointed out that the Phiris had never become thin like the rest of them. During the copper boom that coincided with my fieldwork in Luanshya, the Phiris' prosperity stood in stark contrast to their neighbors, whose circumstances, though slightly improved, were still mired in difficulty. This contrast led to accusations of Satanism being leveled at the Phiris. Despite their generosity in offering various forms of assistance—of food, palliative care, time, and money for the organization of social events like marriages and funerals in their neighborhood—they were still perceived as selfish. This strained relations between them and their neighbors, as they felt they were being fleeced. Several attempted thefts at their home intensified these feelings.

More generally, the incidence of theft in the former mine township of Luanshya is widely perceived to have risen. In a survey of 56 households carried out for this study in a former middle-class mining suburb from July to August 2008, all but three households mentioned theft-related security as being a problem. Many residents were particularly worried about what was seen as the “raiding” of the maize crop during the harvest season. Maize is largely grown as a subsistence and small-scale cash crop in Zambia, including in the rural Copperbelt. This “theft,” as it was referred to, led many residents to camp out in their fields as a preventative measure. It also led to the owners

of fields adopting violently threatening behavior, such as chasing would-be maize thieves with axes. Theft of various kinds is not a new occurrence on the Copperbelt. For example, the *Mining Mirror* reported in 1981 on the theft of explosives from the mines, which resulted in cases of injury like that of an elderly man who had been using explosives to catch fish in the Kafulafuta River on the outskirts of Luanshya.²⁴ However, research suggests that such activities have apparently intensified amid worsening living conditions and loosening social regulations and proprieties, creating an increased concern over the protection of private property. As Fiona Ross argued, such proprieties, such as the obligation to respect private property, cannot always be thought of as positive.²⁵ Actions such as the eviction of vendors from Lusaka's streets or the prevention of poaching of finite resources of food and shelter may occasionally be seen as selfish and also violating the integrity of life.

Commonly heard expressions—such as *twali chula* (we suffered), *ku toping'a* (to extend life), and *twala mona inga twa fika* (we shall see when we get there)—underline the extent to which daily life is understood as an ongoing set of struggles for survival. Although struggle and hardship characterize the fate of many in Zambia, few are considered to have “arrived,” an expression used to describe those seen as successful.²⁶ Struggle and success are in Zambia expressed on a continuum, represented by the image of the everyday: a shirtless malnourished man, urged to tighten his belt and struggle to survive amid a rhetoric of fiscal restraint and free-market ideology. At the other end is the corpulent image of the *apamwamba* (those on top), which represents the excess, indolence, and violence of greed. These two images highlight the corporeality of the relations and realities of economic life in Zambia. They also contextualize the narratives presented in the following section of women who work at copper dump sites.

***Ukubomba Ichipuba* (To Work Foolishly): Exploitation and Informality**

Before privatization, women would not have been compelled to eke out a living in the harsh working conditions of the copper dump sites. Luanshya respondents report that informal activities during the ZCCM period involved women engaging mainly in the small-scale trade of goods such as secondhand clothes and vegetables. The children spent most of their time after school exploring the surrounding

forests, playing sports at the Luanshya recreation centers, or reading in the local library. Most mine workers and their families in Luanshya had, for the majority of their working life, been employed by the mines, and so had their fathers and their grandfathers. Mine workers and their families were ill prepared for the retrenchment many experienced during and after privatization; most assumed they would be reemployed after foreign investors took over. Their expectations were not met, and many have remained jobless.

Although Binani's "asset stripping" was widely considered immoral and a symbol of the corrupt nature of both the privatization process and foreign investors, it also represented a continuity with a longer process of decline. The collapse of RAMCOZ was a disaster for all involved; in a sense the company, government, and community all suffered. Nobody was "getting fat" in the period when copper prices were low. However, the copper boom and the possibility of massive profits it enabled transformed the moral economy of formal and informal work.

"These investors want to take everything, even the waste that ZCCM left."²⁷ As she dug up flux stone with her shovel at one of the main dump sites of Luanshya, Rhoda reflected about the new wave of activity brought by the copper boom. Rhoda's husband was a casualty of privatization. Like many other mine workers, he passed away soon after losing his job. Rhoda now has to support six children on her own from the meager income she makes digging flux stone.²⁸ Her 14-year-old son works with her at the dump site, helping her ferry bags of flux stone on a wheelbarrow, which are then emptied and piled in heaps by the side of the street. For Rhoda, foreign investment after privatization has clearly coincided with a marked worsening of living conditions. The sense that foreign investment has done little to improve the lives of Copperbelt residents is captured by a Bemba expression used to describe work at copper dump sites, *ukubomba ichipuba* (to work foolishly).²⁹

In the run-up to privatization, many mine workers were thus able to buy their ZCCM-owned houses at prices well below market rates. Ownership of these houses provided a temporary safety net for many. However, most Luanshya mine workers only received the cash benefits they were entitled to several years after retrenchment, and by that time many had been forced to rent out or sell their house and move to the periurban outskirts of the town. For women whose husbands died following the privatization of the mines, several lost even the safety of their home. Cultural practices of property grabbing by the

relatives of the deceased and Zambia's intestate law (which distributes inheritance to wife, children, and dependants) in many cases forced the sale or rental of the house, in order to facilitate the sharing of the inheritance among beneficiaries who did not always reside together. In the case of Mrs. Ziyembe, a widow with two young children, when her husband (a mine company medical officer) died in 2002, his relatives demanded she sell the house—located in a low-density former mine suburb of Luanshya—immediately after his burial in order for them to collect their share of the money. Mrs. Ziyembe narrated how, considering herself a good wife and reluctant to attract the ire of her late husband's relatives, she sold the house through a dubious legal aid officer who, as well as addressing issues of inheritance, operated mainly as an estate agent. He sold the house and duly gave Mr. Ziyembe's relatives their share but retained her share and that of her children, claiming to have found a smaller and cheaper house they could move into and to have paid for it from Mrs. Ziyembe's share. It turned out that the owner had sold the smaller house to buyers other than Mrs. Ziyembe but that, when she attempted to claim back her money, the owner claimed it had already been spent. In the absence of a written contract, with the agreement dependent on the word of the legal aid officer, it proved impossible to get back the entire amount. Forced to rent in a high-density former mine suburb but unable to afford utility bills, Mrs. Ziyembe now draws water from her neighbors and uses charcoal sparingly for cooking. She, like many other Luanshya families, illegally farmed land belonging to the mines in an area aptly named *Mai Lange* (shown by myself); much of this land, unused for many years, was reappropriated by foreign investors during the recent copper boom.³⁰

The stories of many women working at the Luanshya copper mine dump mirror the experiences and difficulties faced by Mrs. Ziyembe. The women know that their hard work is unlikely to bring success, but it provides at least for minimal household basics. It also provides for a small income to purchase other goods, such as agricultural produce and secondhand clothes for resale.

Ukuibombela (To Work for Oneself): Everyday Life at a Copper Dump Site

Despite the perceived exploitative nature of working informally on the copper dump sites, women are often pragmatic about the need for

the income it enables, no matter how meager it may be. Mary, a digger at the Luanshya dump site, said she worked there because:

I need to feed my family. My husband got a job as a casual [worker] with a contractor at the mines in Chingola. He gets very little, not enough for him to share with us, so he has sent nothing since he went to work there six months ago. I don't mind working; besides he looked after us when he worked for the [ZCCM] mines. You see, us women here, if we got jobs we would work, even for these new mines, we are working right now. You see over there, the woman with a shovel, she can dig, she can be a miner. These mines only want to employ *abwapwa umulopa mumishipa* [literally "those who have no blood running in their veins", the statement refers to the perception that the mines seem to only employ people who are old, have been over worked and should have retired]. Who will employ our children? They are still sleeping in our homes. So we come to work.³¹

The current decline in formal employment has pushed more and more women into the informal economy. Whereas these informal activities generally supplemented formal-sector wages during the ZCCM period, they have now become the main source of income for most people. Women and children are increasingly expected to produce income for the household. In many cases, they are forced to do so by the death of a male breadwinner.³² In some cases, children are pushed into dump site work by the death of both parents.

An average working day at the Luanshya dump site lasts from sunrise to sunset, approximately 12 hours, with a short lunch break on the site of no more than 30 minutes. All workers, women and children, complain of respiratory problems caused by the residual dust. Workers are regularly harassed and beaten by the mining companies' security officials, who are instructed by mine management to discourage illegal digging. Several informants claimed the reason women and children were normally the ones working on the dump sites is that they are less likely to be prosecuted than men. Media reports of young men being shot dead at private mine sites show that the threat to life is real and that locals are forced to take pragmatically dangerous decisions to earn a livelihood.³³

Despite these difficulties, the women interviewed preferred to face these challenges rather than embark on transactional sex and sex work. As one informant put it, "It is easy to go with a man for ZMK 20,000 [around US\$4] but what will happen to your children when you die? *Kukosa pa ku sheta* ['you have to be strong to be able to

eat’].”³⁴ The reference here is to the risk of contracting HIV-AIDS through sexual intercourse.³⁵ Women also typically prefer dump site work to microfinance initiatives aimed at starting up other informal trades. The reasons given are that family responsibilities are at such a high level, emergencies are a regular occurrence, and it would be difficult for them to repay the loans. All in all, dump site work offers an opportunity to earn an income with no startup capital costs and a significant degree of autonomy. Any group of women and children can join the Luanshya dump site and start digging and selling flux stone without the involvement of any formal or informal third party.

***Pa Illegal Twali Beula* (During Illegal, We Made Good): “Illegal” Livelihoods**

The new ideology of entrepreneurship and market competition is now mixed with the anxiety of destitution in a world of scarce (and almost entirely privatized) resources and non-existent public welfare intervention. These two factors together have led to the rise in informal and illegal activities. Many participants in these activities clearly feel entitled to bypass Westernized notions of private property in the name of survival and individual gain. Informants displayed a pragmatic approach that values economic self-sufficiency above wage labor. Informants see wage labor as limiting creativity and the space of individual agency; they also see it as an exploitative form of activity, where the employer gains much more than the employee. The newly rediscovered valuation of individual agency through self-employment constitutes an important break from the past, when formal wage employment had a relatively high status. At the same time, it also shows a deep distrust of any form of economic development connected to the recent wave of foreign investment. This distrust also provides the foundation of the implied moral legitimization of illegality; illegal activity is regarded both as a necessity for survival and a morally justified act of redistribution. If foreign investors are here to “take everything,” then there is nothing wrong with taking some of these resources away from the investors. Informants often cite a Bemba proverb to make this point: *ubomba mwi bala alya mwi bala* (one who works in a field, eats from the field). Walker and Peters’s work on land use in Malawi finds evidence of similar arguments: when people illegally appropriate resources from private spaces, they are not actually putting forward a claim over the ownership of these

resources; rather, they are pointing out the unfair usage of those resources by their legal owner.³⁶

Trying to Make It on the New Copperbelt

The case of the Kalengwa mining dump site, in the rural “new” Copperbelt, shows what these contests for resources entail in practice and how privatization has radically changed socioeconomic dynamics on the ground. The workforce on this dump site is mostly composed of women and children. Informal operations at the dump site involve scavenging flux stone for copper extraction and surface mining of copper ore in the area of the former Kalengwa mine. Although the mine was sold to a group of local investors as far back as 1982, no formal mining took place until 2008, when a long-running dispute about licenses between two contending owners was resolved in favor of one of them. Since 2004, however, the mine dump site has been informally run by “illegal” miners who came from as far away as Lusaka to exploit the opportunity of selling flux stone and copper ore on the thriving local and international markets, fueled by rising copper prices. The mine’s owners resumed formal mining operations in April 2008, and their attempt to stop all informal mining on the site shortly afterwards resulted in rioting by the “illegal” workers. A compromise was then reached; informal miners were allowed to continue their operations but could now sell only to the mine owner. In practice, the informal miners continue to sell part of their produce to other buyers. There is no state law enforcement at Kalengwa; instead, the mine employs its own private security that occasionally confiscates copper ore accumulated for sale to other buyers. Whereas at the Luanshya copper mine dump site, women tended to work relatively independently, at the Kalengwa site, work at the dump site has increasingly been enmeshed into a gang labor system. This might be because of the looser controls the mine in Kalengwa exercised over the space and its general remoteness, making it harder for the state and mining companies to scrutinize activities there.

What is clearly at stake here are the very notions of legality and illegality. Informal miners rioted to claim their rights over what they saw as a precious material resource “abandoned” by the state and to make a point about the exploitative nature of “foreign” investment. According to informants, the general feeling was that it was unfair for the owner to stop an activity that has become the primary source of subsistence for so many destitute people.

In practice, the recent copper boom and the absence of any control over the dump site created a mini-boom in itself for the dump site workers. Informants remember this period as *pa illegal* (during illegal). The relatively high profit margins during this brief period were the main reason for the belated involvement of many males alongside the women and children, who had worked on the site for longer. This shows how unequal gender dynamics tend to structure informal markets as well as the formal economy. Following the resumption of formal control, women and children are now predominant in the dump site workforce. Predominant patriarchal family structures and values place a lower price on women's and children's labor. Women, who feel more compelled than males to provide for the basic needs of the household, now undertake activities that are not seen as viable by males.

Sarah, a woman in her early 30s, moved to Kalengwa in 2006 from the Zambian capital with her husband and her four daughters. During the height of illegal activity, Sarah and her husband used the proceeds from copper ore sales to establish other successful informal activities. Three of her children work on the dump site. Sarah herself makes and sells *lutuku*, a powerful local brew, to the local male population. Her husband set up a pig farming business, and he is now based in the capital. Sarah reminisces about the good times of *pa illegal* when she used to sell 20 containers of *lutuku* in a day:

Pa illegal twali beula ["during illegal we made good"] in a day I sold twenty containers of brew, I would get people coming to buy drink very early in the morning. This place was like town; there were small businesses and minibuses. If you had to ask a young girl to collect water for you, they would answer you back saying "did you give birth to me?" Many people left this place with sexually transmitted diseases. We made money. You see the house over there? The woman there built herself a house of concrete blocks and iron sheets and bought herself two trucks. Those from the villages came here with no shoes and left the place with shoes on their feet. It was paradise for them. *Amahule* [women involved in transactional sex] from town came here with almost nothing and got copper from boys from the villages by sleeping with them. Other women had to buy 10 tonnes [of copper] for ZMK 3.5 million [\$750].³⁷

Before the formal owner regained control of the mine, the copper boom created unprecedented wealth for people like Sarah, who would have otherwise had very few opportunities in the post-privatization economy. In Sarah's words, there was a sense of liberation and excitement about the new opportunities afforded by the "free market."

However, free market and legality are not complementary concepts in this new worldview. Furthermore, the resumption of “legality,” which equated in practice to the involvement of the mine owner in mining activities on the ground, is regarded by many as contrary to the spirit of entrepreneurship and self-sufficiency.

Katherine, a woman in her early 60s, is still involved in the buying of copper ore from the informal miners, despite the new rules imposed by the mine owner. She arrived in Kalengwa in 2006 from a distant Copperbelt town. During our first meeting, Katherine appeared distressed, talking to a small crowd outside her secondhand clothing store. The mine security staff had just confiscated 800 kilograms of copper ore that she had stashed in her shop. She spent K 2 million (ca. US\$450) on buying the copper and would have made K 2.8 million (US\$620) by reselling it. Katherine buys copper ore from children who scavenge and dig around the perimeter of the now fenced mining area. She pays the children K 2,500 (ca. 50¢) per kilogram of copper ore, considerably more than the rates offered by the mine owner. He buys low-grade copper ore at K 1,500 (ca. 33¢) per kilogram, though on rare occasions he pays up to K 2,000 (ca. 45¢) per kilogram for higher-grade copper ore. Katherine perceives the interference of the mine owner in her business as unfair and against the values of market competition:

They told us not to buy copper, what do they expect us to do? The people here, they did not cultivate because they were mining; now one buffalo [two and a half liters of ground maize] costs K 5,000 [US\$1.10]. People are now buying on credit, where will they get the money? Me, I am a widow, my husband died because there was no work when the mines closed. I look after eight children; only three are mine, the others they are orphans I look after. Me, if I had to stop buying, what will happen to the children here? I buy at a fairer price than this European does, I give them ZMK 2,500 per kilo ([US\$0.55]); and because I am buying in small quantities I give them clothes for copper. . . .³⁸ The market for copper is open! The government is only allowing Europeans to buy, what about us? I can go to the customs office, borrow from the government and do my own work. No, nothing for us Africans, we have no rights. They are taking gold, diamonds, what about us? We can organise ourselves into groups and get ourselves a license, we women can do it! . . . Here, my daughter, there is no government. We are the ones helping the people.³⁹

Katherine’s words echo Rhoda’s concerns about the greed of foreign investors highlighted earlier. They also identify the perceived absence

of government in everyday life. This, again, provides further legitimacy to “illegality.” If government is not willing or able to intervene to remedy the imbalances of foreign investment, then in local eyes it is only fair that the “people” take it upon themselves to produce and redistribute wealth. For many, the people involved in the illegal trade of flux stone and copper ore are not undesirable outlaws but popular heroes.

The cases presented herein describe illegal mining activity just before the end of the copper boom of 2004 to 2008. Although the context of illegal mining on the Copperbelt was changed by the boom, it was a livelihood activity that had a longer history. A newspaper article from 2000 anticipated the burgeoning informal mining on the Copperbelt by residents desperate to make a living in what, in the context of privatization and the decline of formal-sector mining employment, was increasingly seen as a lawful activity. The article reported a letter of complaint to the inspector general of police from Patrick Chilufya Bowa, Inter-trade Institute director, over the arrest of 20 youths for illegal mining. Bowa offered a solution to what he saw as the failure of the state to create alternative livelihoods for retrenched former ZCCM miners. He advocated bringing “bonafide small scale miners, illegal miners and retrenched miners into the main stream small scale mining commercial activity in line with Zambia’s status as a mining nation.”⁴⁰ The following year, the *Post* newspaper reported that the Zambian government, in recognition of informal mining activity, would begin to issue artisanal mining licenses to illegal miners in order to curb the unfair advantage of foreign investors.⁴¹ By 2007, when the then Zambian President Mwanawasa suggested that investors should consider passing on mine dump sites and unused mine pits to former mine employees as a way of reducing illegal mining and helping sustain livelihoods, informal mining had become an established economic activity on the Copperbelt.⁴²

Indeed, most of those involved in the informal copper business may not openly welcome formalization. The increasingly tough stand taken against illegal mining activity, such as the reported strengthening of an anti-copper theft squad and the suggestion of other preventive measures, are not likely to stop illegal mining, nor the danger associated with what is for most of its practitioners a legitimate and essential economic activity.⁴³ Although the most severe dangers posed by informal mining activity are caused by an unsafe work environment, an increasing danger is the violence with which mine property is being protected by its legal owners.⁴⁴

Conclusion

Dwindling employment in the formal sector on the Copperbelt has pushed more women into informal economic activity, which previously served the purpose of complementing their husbands' formal-sector wages. Retrenchment (arising from liberalization and privatization) and early death have been the main causes for the rapid decline of income from formal employment. The informal sector has now become the primary site of livelihood. The dominant role of women in the informal sector is closely related to local social expectations that women should provide for the household's basic needs.⁴⁵ The involvement of women in illegal labor under harsh working conditions at the mine dump sites also indicates the contradictory nature of local perceptions of women's bodies. Women are doing what was previously seen as men's work. The few men who still work as low-level mine laborers in the formal sector are witnessing the rapid casualization of their employment. Paradoxically, women and children are strategically inserted into the dangerous flows of illegal labor because they are seen as soft legal entities and therefore are unlikely to be prosecuted. Their bodies are, however, physically disciplined by beatings and by the confiscation of the products of their labor by mine security.

Gender inequalities that disadvantage women are also reflected in subsequent trade relations once the copper ore is mined from the dump sites. At all stages of the supply chain after the initial digging, men control flows, prices, and access to informal and formal markets. Women's bodies and their work are thus made invisible, as Katherine's experience shows. These concerns cast a different light over local understandings of global capitalism and strongly affect women's negative perceptions of their power position vis-à-vis the (male-dominated) "free market." Women's awareness of global copper prices, and of the minimal share they manage to appropriate from the overall price paid for copper ore, further contributes to these perceptions. Women involved in the informal copper business are also aware of the unfair advantage foreign investors have over local entrepreneurs in appropriating the largest share of the profits.

The findings of this chapter suggest the informal sector does not constitute a separate and discrete sphere from the formal sector. Rather, the two are interdependent and interact in complex ways that are not immediately obvious.⁴⁶ The inequalities of global capitalism reflected in the increasing casualization of labor and the worsening living conditions on the Zambian Copperbelt are coupled with

gendered dynamics that constrain women and children into precarious and dangerous illegal activities in order to ensure some level of subsistence for themselves and their households.

Fear of destitution, the exploitative nature of capital, and the absence of the state in the form of welfare, regulation, or other interventions set the framework for illegality as a legitimate economic strategy for survival and small-scale capital accumulation. The justification proffered for pursuing economic activity that violates the “rule of law” needs to be contextualized against the real possibility of starvation. In this context, the state loses legitimacy in local perceptions because it is seen as a constellation of factional interests pursuing their own acquisition and perpetuation of wealth and power in close alliance with foreign investors, with little concern for local development. These perceptions lead to the situation where the loss of legitimacy of legal action ultimately legitimates illegal action as a viable economic and political strategy.

The discussion in this chapter also suggests that more research is needed to uncover the nuances of local views about what constitutes legitimate action and about the relevance of Westernized notions of legality and illegality. The implications of actors’ behavioral patterns and ideologies for practical interventions on the ground by government and other non-governmental organizations also need to be further evaluated. The study of the relations between political economy and gender dynamics on the Copperbelt is part of a long-running narrative of the social history of the region.⁴⁷ This chapter has aimed to contribute to understanding the recent development of these relations in the context of the privatization of the mining industry and the recent copper mining boom.

Notes

1. The study is part of the author’s PhD research, supported by a Wadsworth African Fellowship (Wenner Gren Foundation for Anthropological Research) and the National Research Foundation (NRF) of South Africa (Grant no. 63222, *Ethnographies of the marginal*, F. Ross grant holder, and a research grant under the Gender Justice, Body Politics Colloquium funded by the NRF South Africa, S. Oldfield and E. Salo grant holders). Fieldwork in North Western Province, Zambia, was also facilitated through a research internship for the ILO and UNICEF in Zambia as part of a project to explore the conditions of children and women in Zambia. The chapter does not necessarily reflect the views of the Wenner Gren Foundation, the NRF, the ILO, or UNICEF.

2. Flux stone is an aggregate that is used for mixing concrete or on its own to pave roads and driveways.
3. Organised Crime Watch, "Illegal Mining in the Copperbelt," *Institute for Security Studies, Organised Crime and Money Laundering Programme 2* (2009), http://www.iss.co.za/dynamic/administration/file_manager/file_links/ISS2JUN09.HTML?link_id=24&slink_id=7916&link_type=12&slink_type=12&tmpl_id=3.
4. An earlier version of this chapter appeared as Patience Mususa, "Contesting Illegality: Women in the Informal Copper Business on the Zambian Copperbelt," in Ann Schlyter, ed., *Body Politics and Women's Citizens: African Experiences*, 25–34, SIDA Studies no. 24 (Stockholm, Sweden: SIDA, 2009).
5. See Jane L. Parpart, "Wicked Women and Respectable Ladies: Reconfiguring Gender on the Zambian Copperbelt, 1926–1964," in D. Hodgson and S. McCurdy, eds., *Wicked Women and the Reconfiguration of Gender in Africa* (Portsmouth, NH: Heinemann, 2001). Parpart indicates that the moral and political voice women lend to economic struggle extends to the articulation of the constraints against patriarchal power and the perception and construction of the "good woman."
6. James Ferguson, *Expectations of Modernity: Myths and Meanings of Urban Life on the Zambian Copperbelt* (Berkeley: University of California Press, 1999).
7. Zambia Consolidated Copper Mines and the Zambia Privatisation Agency faced a lawsuit in 1997 over the decision to sell the Luanshya mines to the Binani Group of companies: "Zambia's ZCCM Sued by South African Mining Company," *Deutsche Presse-Agentur*, October 8, 1997. For a justification of the decision to sell the mines to Binani rather than First Quantum, see Francis Kaunda, *Selling the Family Silver: The Zambian Copper Mines Story* (Kwazulu Natal: Interpak Books, 2002).
8. Andrew Mwaba, "Privatization of State-Owned Enterprises in Zambia: Lessons for Other African Countries," in Karl Wohlmuth, Achim Gutowski, Tobias Knedlik, Mareike Meyn, and Samuel Ngogang, eds., *Private and Public Sectors: Towards a Balance, African Development Perspectives Yearbook 2004* (Munster: LIT Verlag, 2004), 366. RAMCOZ's failure to pay workers salaries, service its payments bills to the mine drilling company Mpelembe Drilling, and settle a debt of more than US\$20 million to the Copperbelt Energy Company are reported in "Zambian Copper Mine Faces Closure Due to debt," *Panafrican News Agency*, November 2, 2000.
9. All informants' names in this chapter have been changed to protect anonymity. In the interview with Mr. Sanga on January 16, 2009, in Luanshya, Zambia, he characterized mine workers as "big spenders" and "careless with money."
10. Interview, Mrs. Muleya, Luanshya, Zambia, January 16, 2008.
11. A. L. Epstein, *Scenes from African Urban Life: Collected Copperbelt Papers* (Edinburgh: Edinburgh University Press, 1992).
12. Neo Simutanyi, "Copper Mining in Zambia: The Developmental Legacy of Privatization," *Institute for Security Studies*, paper 165 (2008); John Lungu

- and Alastair Fraser, *For Whom the Windfalls? Winners and Losers in the Privatization of Zambia's Copper Mines* (Lusaka, Zambia: Civil Society Trade Network of Zambia and Catholic Centre for Justice, Development and Peace, 2006).
13. George Chauncey Jr., "The Locus of Reproduction: Women's Labour in the Zambian Copperbelt, 1927–1953," *Journal of Southern African Studies* 7, no. 2 (1981): 146.
 14. Interview, Mrs. Mwaba January 14, 2008.
 15. A black market in foreign currency thrives in the urban areas of Zambia; see David Chibesa, "Forex Seekers Revisit Katondo Street," *Times of Zambia*, December 24, 1998.
 16. Street-side and front-yard stores have become ever more visible in Zambia's cities.
 17. Karen Tranberg-Hansen, "Who Rules the Streets: The Politics of Vending Space in Lusaka," in Karen Tranberg-Hansen and Mariken Vaa, eds., *Reconsidering Informality: Perspectives from Urban Africa*, 62–79 (Uppsala, Sweden: Nordiska, 2004).
 18. Tranberg-Hansen, "Who Rules the Streets," 62.
 19. Interview, Barbara Bwalya, former social welfare worker in ZCCM, December 18, 2008.
 20. The Roan Antelope Mines in Luanshya established agricultural plots in Luanshya in the 1930s where mine workers' wives could grow food; Chauncey, "The Locus of Reproduction," 139. Jane L. Parpart, "The Household and the Mine Shaft: Gender and Class Struggles on the Zambian Copperbelt, 1926–1964," *Journal of Southern African Studies* 2, no. 1 (1986): 36–56, details the history of women's involvement in mine strikes from the early years of mining on the Copperbelt to the late colonial period. Miles Larmer covers the same issue in the postcolonial period: *Mineworkers in Zambia: Labour and Political Change in Post-colonial Zambia* (London: I. B. Tauris, 2007).
 21. Victor Kayira, "Roan Miners Rampage," *Times of Zambia*, October 28, 1998.
 22. James Ferguson, "The Country and the City on the Copperbelt," *Cultural Anthropology* 7, no. 1 (1992): 85–86.
 23. James Ferguson, "Stillborn Chrysalis: Reflections on the Fate of National Culture in Neoliberal Zambia," *Global Networks* 3, no. 3 (2003): 271–297.
 24. "Explosives Thefts to be Curbed," *Mining Mirror*, February 27, 1981. During the period of my fieldwork in Luanshya, a former mine employee staying in Roan Townships used explosives suspected to have been stolen from the mines to commit suicide by blowing himself up in his house. "Luanshya Miner Blows Self Up," *Times of Zambia*, December 31, 2007.
 25. Fiona Ross, *Raw Life, New Hope: Decency, Housing and Everyday Life in a Post-Apartheid Community* (Claremont, South Africa: UCT Press, 2010), 40.
 26. As of 2009, about 86% of Zambians were living below the poverty line.
 27. Interview, Rhoda, Luanshya, Zambia, July 18, 2008.

28. On average, a dump site worker manages to sell about four tonnes of flux stone per month. Market price at the time of my research was K 70,000 per tonne. This would mean an income of K 280,000 per month. Most underground miners in the bottom rank would make anything between K 300,000 and 1.5 million per month. The majority of them are not permanently employed.
29. The first language of the homonymous ethnic group, Bemba has become the main lingua franca spoken on the Copperbelt by most non-Bemba residents. All vernacular quotes in this chapter are in Bemba.
30. Hansangule, Feeney, and Palmer anticipated these contests for land on the Copperbelt in a study carried out just after the privatization of the mines in the mid-1990s. The pressure for usable land is so great that most residents now use their backyards for agricultural activities and small-scale trade; Michelo Hansangule, Patricia Feeney, and Robin Palmer, *Land Tenure Insecurity on the Zambian Copperbelt* (Lusaka, Zambia: Oxfam, 1998).
31. Interview with Mary, Luanshya, Zambia, July 18, 2008. The expression *abwapwa umulopa mumishipa* articulates a criticism of the perceived continued engagement of the elderly in economic life after the period they would have been expected to retire, preventing younger people from taking up employment. Ann Schlyter's study on aging in Zambian cities corroborated these views: Ann Schlyter, *Recycled Inequalities: Youth and Gender in George Compound, Zambia* (Uppsala, Sweden: Nordic Africa Institute, 1999).
32. My own survey data show that, for example, in a Luanshya street comprising 20 households, eight wives lost their husbands in the period between 1998 and 2008.
33. "Illegal Miner Shot, 12 Wounded," *Times of Zambia*, March 6, 2009.
34. Comment made in group discussion with copper dump site workers, Luanshya, Zambia, July 19, 2008.
35. According to the Central Statistical Office figure for 2007, 14.3% of the Zambian population was HIV-positive.
36. Peter A. Walker and Pauline E. Peters, "Maps, Metaphors, and Meanings: Boundary Struggles and Village Forest Use on Private and State Land in Malawi," *Society and Natural Resources* 14, no. 5 (2001): 411–424.
37. Interview, Sarah, Kalengwa, Zambia, July 16, 2008.
38. The owner of the mine is a Zambian of foreign descent. In the Zambian context, he is seen as a "foreign" investor despite his Zambian citizenship.
39. Interview, Katherine, Kalengwa, Zambia, July 16, 2008.
40. "Zambia Is on a Potential Volcano," *The Post*, July 24, 2000.
41. *The Post*, July 16, 2001.
42. "Give Ex-Miners Disused Dumps," *Times of Zambia*, October 27, 2007.
43. See, for example, "Anti-Copper Theft Squad to Be Boosted," *Times of Zambia*, June 12, 2009. A byline, "Illegal Mining Must Be Stopped," *Post Newspaper*, June 11, 2009, suggests measures like fencing of mine dump sites to prevent the "unlawful" activity of illegal mining.
44. Reports of deaths arising from illegal mining are common. For example, in June 2009 eight illegal miners at the Chambishi Metals mine in Kitwe died

- after a tunnel they were working in collapsed; “Eight Illegal Miners Perish,” *Times of Zambia*, June 11, 2009.
45. See, for example, Schlyter, *Recycled Inequalities*; Karen Tranberg-Hansen, *Keeping House in Lusaka* (New York: Columbia University Press, 1996).
 46. Manuel Castells and Alejandro Portes, “World Underneath: The Origins, Dynamics, and Effects of the Informal Economy,” in Alejandro Portes, Manuel Castells, and Laura A. Benton, eds., *The Informal Economy: Studies in Advanced and Less Advanced Developed Countries*, 11–37 (Baltimore, MD: Johns Hopkins University Press, 1989); Caroline N. Moser, “Informal Sector or Petty Commodity Production: Dualism or Independence in Urban Development,” *World Development* 6, nos. 9–10 (1978): 1041–1064.
 47. Hortense Powdermaker, *Copper Town: Changing Africa, The Human Situation on the Rhodesian Copperbelt* (New York: Harper and Row, 1962); Chauncey, “The Locus of Reproduction”; Parpart, “The Household and the Mine Shaft”; Ferguson, *Expectations of Modernity*; Larmer, *Mineworkers in Zambia*.

The Mining Boom, Capital, and Chiefs in the “New Copperbelt”

Rohit Negi

Lumwana is a company which will make Zambia a real Zambia...[It] will bring quick development.

—Mr. Kisonge, resident of Chief Mukumbi’s area¹

I can’t allow anyone to loot my minerals without ploughing back to my community.

—Chief Chizela²

Introduction

As the single biggest “greenfield” investment in independent Zambia and the largest copper mine on the continent, the Lumwana Copper Mine in the Solwezi District of Zambia’s North-Western Province has been the poster child of the country’s mining boom of the first decade of the twenty-first century.³ In particular, the development of an entirely new town by the Lumwana company in what was until very recently “bush” has led to new “expectations of modernity” in the region, now commonly referred to as the “New Copperbelt.”⁴

This extension of mining beyond the urbanized Copperbelt is of profound significance. In places like Solwezi, historically at the margins of the Zambian political economy, multinational companies are inserted in a social historical context that is deeply inflected by the country’s colonial experience. Here, following the British legacy of indirect rule,

the modern state apparatus is weakly operational, and “traditional” authorities—under the custodianship of the chiefs—manage several state functions such as land administration. Capital in these locations therefore must enter into contingent alliances with the traditional authorities for access to land and for various other matters related to the establishment of mining activities. Consequently, as copper mining in Zambia expands outward from the Copperbelt Province, several chiefs have emerged as important gatekeepers of valuable mineral resources. In the specific case under investigation in this chapter, the apparatus linking chiefs in Solwezi to the Lumwana mine comprises a system of recruitment that reserves jobs on the mine for the local Kaonde tribe, with the chiefs acting as the intermediaries between capital and labor.

This chapter uses historical analysis and ethnographic material to argue that the mining boom has opened new resources for strategically placed chiefs to strengthen their authority on three fronts: 1) as chiefs, they are seen to bring development into their territory, which is how capital investment is popularly understood; 2) as political actors in the multiparty framework capable of shepherding rural votes, the chiefs are sought by the competing political parties; and 3) as economic agents, chiefs are presented with opportunities to acquire wealth in exchange for—among other things—alienating land to new investors and migrants.

The general claim made here about the growing importance of the chieftaincy is consistent with recent scholarship that asserts their “remarkable dynamism, staying power, and even resurgence across Africa.”⁵ It also confirms the rise of the discourse of autochthony in Africa, especially around the politics of access to the material benefits of resource exploitation.⁶ As investment from Asian and other sources diversifies and moves to areas such as agriculture and forestry, it must forge alliances with the rural state in Zambia and beyond. Questions related to the place of the chieftaincy in the African political economy, therefore, are likely to attain even greater salience. It is to advance an agenda of research in this area that the chapter examines the nascent but important processes that the emerging chief/capital nexus has set in motion in the New Copperbelt. It begins by outlining the theoretical problematic within which the empirics are located.

Capital and Authority

Capitalist accumulation entails the production of space in the form of factories and offices, physical infrastructure such as roads and

highways, and services like health care and education. In other words, capital must necessarily be fixed in place to realize surplus value.⁷ There must also be attendant governmentalities that guarantee, for instance, property rights, contracts, law, and order and enforce mechanisms of adjudication and arbitration. Capital is, then, dependent on localities for profit making and reproduction, though this dependence is uneven.⁸ To this end, capital articulates with structures of territorial authority at various scales. Specific forms of this relationship may achieve degrees of permanence, depending on the continued realization of surplus value.

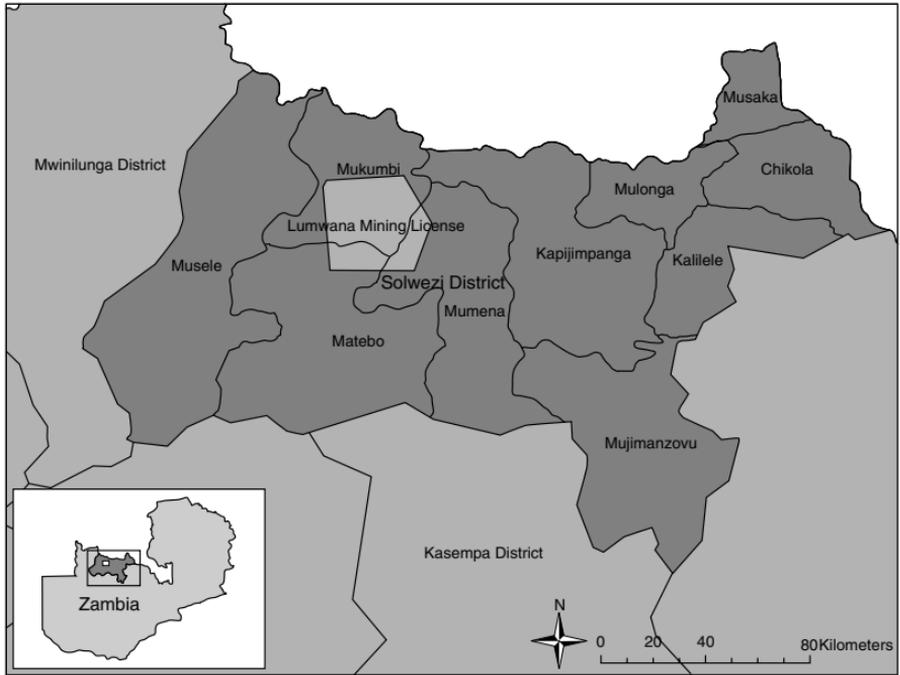
In the case of copper mining, the geography of its extraction follows geology, which means there is a severely limited milieu of locational choices available to firms. Moreover, initial investment in large-scale mining is substantial, and mines typically have a long life.⁹ Consequently, copper mines are deeply invested in the place of their operation. This explains why the state and workers have significant bargaining power with respect to mining companies, though of course a variety of factors related to the specifics of the mining enterprise and the broader political economy shape these relations. For instance, there is a considerably greater degree of permanence attached to large-scale mines such as Lumwana and several others on the Zambian Copperbelt compared to smaller operations. Other mines that seek to remove high-grade ore off the surface and subsequently leave are less concerned with building “thick” relations with the place of operation.

Speaking geographically, in the manner that mining companies are linked to world commodity markets and the way extractive capitalism has developed in Africa, firms are largely unmoored from their hinterland while staying confined to extractive “enclaves.”¹⁰ Where the tentacles of the nation-state extend for the purpose of creating and reproducing enclaves, a relationship between capital and the state evolves. In areas with weakly developed territorial regimes, as is the case in many parts of Africa, more contingent links are emergent and capital enters into negotiations with the so-called “extra-legal” groups.¹¹ The point is that the capital-state relationship is of a necessary kind, though the forms it may take are contingent and depend on a variety of factors related to the geohistorical circumstances in particular places.

Across sub-Saharan Africa, and speaking historically, the “labor question”—the creation of wage workers for the colonial capitalist economy—was tied to the “native question,” that is, the matter of

governing vast territories given the short supply of colonial administrators.¹² The problem, in the words of Sara Berry, was one of ensuring “hegemony on a shoestring.”¹³ These and other objectives of colonial governmentality translated into the establishment of indirect rule, which instituted a legal and administrative dualism related to governance and property relations.¹⁴ On the one hand, the state ruled the centers of the colonial economy (e.g., mining or administrative towns, commercial farms, and plantations) directly. On the other, it imposed indirect rule in the rest of the territory and placed “traditional authorities” in charge, with the chief as the supreme leader, accountable to the colonial authorities. There was, however, considerable unevenness in how this process played out on the ground. Despite their efforts to fashion strong chiefs capable of carrying out their orders, colonial administrators posted in and around Solwezi District constantly bemoaned the weakness of the Kaonde chiefs.¹⁵ After independence, the authority of the chiefs was further challenged by the centralizing strategies of the nationalist postcolonial regime. There existed, therefore, a feeble structure of chieftaincy in Solwezi as Zambia moved through the period of economic stagnation in the 1980s and 1990s. Despite these shifts, the material and discursive basis for the chiefs’ reproduction remained in place; they continued to be in charge of land governance, and their key position in the moral economy of rural Zambia persisted. Consequently, chiefs are widely respected among rural subjects and are thus crucial for “manufacturing consent” where the ideological apparatuses of the nation-state have limited reach.¹⁶

With a need to develop links with the state, such as it is in rural Zambia, and to tap into these resources at their disposal, the Lumwana Copper Mine developed a close relationship with the local Kaonde chiefs. The specific instrument of this negotiation included a system of recruitment that granted privileged access to Kaonde applicants who wished to join the ranks of wage laborers in the mine. Three Kaonde chiefs, whose land the mine’s license overlaps, were placed as the mediators between capital and labor as part of this mechanism (see map 1). In order for one to understand their specific role, it is necessary first to explain the position of chiefs in Zambia in general and Solwezi in particular. The theoretical background having been briefly outlined, the next two parts of the paper build the historical and empirical foundation for the arguments contained in the final substantive section.



Map 1 Chieftaincies in Solwezi District and the Lumwana mine. [Map by author]

Situating the Chiefs in Zambia

The Solwezi Chiefs

Chiefs of the predominantly Kaonde-speaking Solwezi District moved to the present territory from Congo to the immediate north over a *longue durée*.¹⁷ The historical trajectory of the various clans' (*mukoka*) relative prosperity in material life generally laid the basis for the emergence of some as royal or "chiefly" clans and others as "commoner clans" and, until the onset of colonialism, this was an ongoing process.¹⁸ As a result, the precolonial landscape of chieftaincies was extremely unstable. Many chiefs were in conflict and were often engaged in war; others were forced by their subjects to move to areas with better attributes, and in many instances, dissatisfied groups of subjects—led sometimes by rebel headmen—formed their own chieftaincies. To a colonial administrator, the Kaonde "tribal tendency to split up [was] visible at all...stages in their history."¹⁹ The Kaonde chieftaincies were consequently relatively smaller and more decentralized than those of the other groups that colonists had hitherto encountered and did not owe allegiance to a paramount

chief. This is why “the weakness of Kaonde headmen and chiefs is one of the refrains in the colonial reports right from the beginning of the colonial period.”²⁰ With the establishment of several administrative posts in the region between 1903 and 1910, the colonial authorities attempted to strengthen and stabilize the chieftaincies of the region. Initially the region was administered from Kasempa to the south, but an administrative center (or *Boma*) was established at Kansanshi and then moved to Solwezi in 1912.²¹ An important part of the *Boma*’s work was surveying the local chiefs and establishing links with them for, among other things, the efficient collection of “native taxes,” which totaled 10 Shillings a year on each adult male and one wife by 1910.²²

The extraction of taxes and workers from the district, however, was anything but straightforward, and the chiefs were often not in a position to enforce the administrators’ missives. As an official remarked, “the chiefs...have almost no control whatever over their people. This renders administration difficult for the official who is compelled to deal with the individual instead of the [tribe].”²³ For the colonial state, this presented huge problems. To enforce the colonists’ orders, the chief had to be strong relative to the rural subjects, but this was often far from the case. In the years that followed, therefore, the state sought to refashion the chiefs in this image.

After the administration of Northern Rhodesia was assumed directly by the Crown in 1924 there was a shift in policy toward the institution of indirect rule, and the state purposely set out to incorporate the chieftaincies. A precondition as well as a consequence of this process was that the restraints from below faced by the chiefs were weakened and replaced by accountability to the authority above. This institutionalization was formalized between 1929 and 1936 with the promulgation of the Native Administration and Courts Ordinances that created Native Authorities (NAs) across the colony, comprising the various chiefs and councillors under the authority of the district commissioner.²⁴ The chiefs were divided into two classes, “chiefs” and “subchiefs,” supported by paid and unpaid headmen. The state legislated that a chief should command more than 3,000 subjects, the subchief between 500 and 3,000, and headmen less than 500 people. They were each provided with distinctive badges to indicate that they were “men of authority vested with powers not possessed by common people.”²⁵

In this way, the fluid system of clans and chiefs that had hitherto existed was formalized by the administration. The NAs were

responsible for various administrative and developmental activities in rural areas, including education, health, agriculture, and public works, and met regularly to debate matters. Many councillors as well as headmen were actually relatives of the chiefs, who obtained their positions not only through their contacts but also because the administration wanted to “give them a good grounding [for] the time they may assume office” of the chief.²⁶ Additionally, the state had by now replaced tributes with a system of regular payments (subsidies) for the chiefs, but these were not very substantial, and Kaonde chiefs often bemoaned their supposed impoverishment during Native Authority meetings.²⁷ In the early 1920s a chief complained that his “people go to work but [he] gets nothing,” while another put it more bluntly: “Am I a chief? I have neither a gun nor clothes, nor a bicycle. My children gave me the blanket I am wearing.”²⁸ Officials, however, were somewhat unwilling to increase subsidies. The district commissioner justified this reluctance by saying that “even with the present rates the chiefs are managing reasonably well and if the rates are doubled they will not know what to do with the money.”²⁹ To the extent that the colonial state acted on the chiefs’ complaints, the following dilemma ensued: the more the state increased subsidies, the more the chiefs were perceived to be servants of the state both by their subjects and the colonial administration.

A few general points need to be made here. It is clear that the chiefs’ material well-being depended almost entirely on state subsidies, grants, and authorized use of unpaid labor.³⁰ The result was that the administration closely monitored them, which reduced their ability to enjoy a free reign over the subjects. Second, chiefs in Solwezi were relatively less powerful than elsewhere in Zambia and beyond, which meant that the possibilities for what Mahmood Mamdani terms “decentralized despotism” were more limited than in other contexts.³¹ In one respect, their very weakness in relation to their subjects—and the consequent absence of despotic rule—may explain why chiefs still enjoy considerable moral authority in Solwezi. They are popularly viewed as communal leaders and as representatives of rural subjects in the messy and inscrutable world of the modern state.

Colonial Capitalism and Chiefs

Theoretically, the influence and relative weight of the traditional authorities is closely related to their positioning with respect to the larger capitalist economy. This is because their moral authority has

been linked to the level of “development” of their area and the relative prosperity of subjects. Historically, however, the incorporation of their regions into the colonial economy brought with it new challenges for the chiefs. By the 1940s, some 40 to 60% of “taxable males” in rural areas of Solwezi District were involved in wage work. Some worked at the Solwezi *Boma* and others on the construction of roads in the Province, but many were employed at the mines of Kipushi and Elisabethville in the Belgian Congo and on the Copperbelt.³² In 1951, of a total of 8,799 taxable males, 3,143 worked within the North Western Province—in which both Solwezi District and the Copperbelt were then included—178 in other provinces within Northern Rhodesia, 591 in the Congo, and 27 in Southern Rhodesia, while 11 had migrated as far as South Africa.³³ Wage labor was encouraged by the colonial officials, as it created labor for the capitalist economy, taxes for the state, and a good moral grounding, which the missionaries associated with settled work, but it left the chiefs in a dilemma. They generally welcomed the flow of money into their territories, but a recurring theme during *Indabas* (public meetings) were the chiefs’ complaints that migrant workers did not respect them, refused to pay even the smallest tributes, and demanded wages in exchange for work on the chiefs’ personal farms, an activity they would previously have engaged in without cash reward.

As long as migrant workers’ wives and families remained tied to the land in their rural homes, chiefs could be relatively assured of their continued links to their territories. For this reason, Piet Konings has shown that in Cameroon there was opposition from the chiefs to the insertion of women in the capitalist economy, as their movement away meant the loss of rootedness and, with it, of subjects.³⁴ This anxiety was also expressed in Solwezi. Colonial reports show that by the late 1940s more and more wives from Solwezi were joining the men on the Copperbelt towns, and this posed a challenge for the chiefs, given that their position within the state depended on the number of subjects under their jurisdiction.³⁵ Though it was officially required for those interested in taking up wage labor outside the territory to seek the chiefs’ permission, it is evident that many left without doing so. It is in this context that Chief Kapijimpanga of Solwezi petitioned the Native Authority to “inspect” all buses leaving the area to prevent what he called “illegal” emigration of women and youth to the Copperbelt. The provincial commissioner’s reply—that “it was difficult to prevent women going to the Copperbelt” and that the “answer was to make life more attractive for [the emigrants] in the villages”—shows how

the colonial state favored continued migration, even at the cost of the chiefs' anxieties.³⁶

In sum, the chiefs in the region experienced capitalism through the institution of migrant labor and were forced to evaluate its effects on their reproduction. It also shows how the institution has been related very closely with the historical development of capitalism in Zambia, even though the forms of the relationship have shifted. The contemporary situation in Solwezi is novel because it is no longer merely a labor reserve for copper mines elsewhere but is itself in the thick of capitalist development.

Chiefs in Postcolonial Zambia

The chiefs' position during the nationalist struggle of the late 1950s and early 1960s was ambiguous. On the one hand, many chiefs came to see their interests as tied to those of the British colonialists. This is because indirect rule had incorporated them through various means, with subsidies being one such material pay-off. By the 1950s, during the postwar "developmental colonialism," the chiefs were provided further means of enrichment with the consolidation of the Native Authorities.³⁷ Simon Chipungu has argued that this period led to the creation of the so-called "Boma class," which managed to raise itself into the ranks of "petty bourgeoisie" through regular salaries, strategic misappropriations from the funds of the NAs, and the imposition of unauthorized taxes on their subjects.³⁸ All of this meant that their material interests were to some extent tied to the colonial regime. Yet to retain respect of their subjects, the chiefs also had to be attuned to the popular sentiment on the ground. As more and more areas came to support the nationalists, several chiefs backed them, too. Leaders of the African National Congress and Kenneth Kaunda's United National Independence Party (UNIP) would regularly meet with the chiefs to keep them abreast of the evolving situation.³⁹

After independence, this ambiguity was transposed to the postcolonial state. There was a widespread view of the chiefs as having been aligned with the colonialists and as being remnants of a tribal—and hence, primitive—tradition that was incapable of existing with the modern postcolonial nation-state.⁴⁰ Despite these notions, the chieftaincy remained in place under Kaunda, even though in certain other contexts—Mozambique is the clearest example here—the postcolonial state chose to eliminate the chiefs in favor of the fully modern

state. Postcolonial Zambia broadly retained the structures of indirect rule with a system comprising 4 paramount chiefs, 35 senior chiefs, and 234 chiefs.⁴¹ The relationship of the chieftaincy with the central state was, however, retooled. The state took away the official judicial powers of the chiefs, and their role in setting the developmental agenda through the Native Authority—in terms of agriculture, education, and infrastructure—was now taken over by various ministries of the central state. The state also set up a formal system for the chiefs' incorporation, in the form of the House of Chiefs, part of the National Assembly in Lusaka, which was to meet in an advisory capacity and deliberate on matters of rural development and on issues related to the chiefs.

It has been argued that indirect-rule institutions were continued because the state in newly independent Zambia was short of qualified civil servants and depended on the chiefs for local state functions.⁴² Though this was a valid concern, several other factors were also important in this approach. In part, the desire of Kaunda and other nationalists to steer clear of “traditionalist” disputes at a crucial time for Zambian nation building explains their reticence to alienate the chiefs. In addition, the hybridity of African nationalists such as Kaunda was also an important factor. Their conception of modernity included a creative reframing of tradition to add authenticity to its supposed African form.⁴³ It is here that the chiefs were considered a central part of tradition and called into the nationalist agenda as cultural artifacts.

These motives translated in practical terms to blunting the political edge of the chiefs' influence in national polity while avoiding their displeasure. Such a position is reflected in the Constitution of Zambia, which explains their position as follows: “a traditional leader or culture shall enjoy such privileges and benefits as may be conferred by the Government and the local Government or as the leader may be entitled to under culture, custom and tradition.”⁴⁴ At the same time, the chiefs' formal involvement in the sphere of politics was specifically prohibited. They were not considered suitably qualified for the world of the rational state and bureaucracy, and their claims in this regard were seen as potentially divisive, for their appeals were (and are) logically made through the language of tribal belonging and leadership, which conflicted with UNIP's demand for complete loyalty to the central state.⁴⁵

This is not to imply that the chiefs have been *outside* of state and politics. By the early 1980s, the initial hesitancy of UNIP to

include chiefs directly in the central state was abandoned, and in the party's annual conference of 1983, two chiefs were invited into the influential Central Committee of the UNIP.⁴⁶ The argument was that UNIP wished to "turn them into nationalists rather than traditionalists."⁴⁷ Since then, and especially since the institution of multiparty democracy in 1991, chiefs have been salient in formal politics.

Chiefs and Politics

Though the Zambian Constitution bars the direct participation by chiefs in partisan politics, the reality is far from what is envisioned.⁴⁸ In the case of the chieftaincy in Namibia, and building on James Ferguson's provocative phrase, John Friedman argued that "tradition is a kind of 'anti-politics machine'."⁴⁹ In other words, not only is the chiefs' disavowal of politics itself a political act, but politics also works away hidden under the cover of "tradition." Indeed, some Zambian chiefs have been politically active in their capacity as local-level kingmakers, while others have gained technically non-partisan but highly political state offices like that of the provincial governor.

The political role of the chiefs was strengthened particularly after the shift to multiparty democracy.⁵⁰ Given that elections are typically close affairs, political parties frequently jostle for the chiefs' backing. As Senior Chief Mushili said, "MPs have to be endorsed by the chiefs to be able to win from rural areas... [The politician] swallows his pride and comes back after five years, but I have told the last one that he is a thief."⁵¹ Chiefs are, for the most part, willing to exchange what are in effect their "vote banks" for the promise of "development," which means for them schools, clinics, roads, and so forth. This allows them to take credit—according to Chief Mushili, "we [chiefs] are the implementers of development"—which in turn is crucial for their continued legitimacy among their subjects.

Other representatives of the local state—such as municipal councillors—are also present in rural areas and, like the MPs, have a relationship with the rural population that turns on the exchange of votes for development. Unlike the chiefs, however, the councillors and MPs are more directly accountable to their party bosses, spend much time away from their constituents, and, most crucially, do not have the material links to the population that the chiefs possess, via their control over access to land.⁵² This is not to say that the elected

representatives are not important actors in rural Zambia, but it is important to understand that they are peripheral to the instantiation of private capital in places like Solwezi and that their legitimacy among the rural public is dubious, to say the least.

Politically, the Movement for Multi-Party Democracy (MMD) has been particularly adept at strengthening its rural base by keeping the chiefs mollified. During his seven years in power, the MMD's President Mwanawasa, among other things, reopened the House of Chiefs in 2003, increased chiefly subsidies fivefold, and gave away brand-new 4x4 vehicles to over 150 chiefs.⁵³ It was because of this careful cultivation of support that the MMD retained its grip on power in 2006 despite losing every single urban parliamentary seat in the Copperbelt and Lusaka Provinces. This pattern was repeated in the 2008 mid-term elections.

The MMD is particularly popular in North-Western Province. In Solwezi District, backed by local chiefs, it won all three parliamentary seats in 2006. However, in the mid-term elections in 2008, the Solwezi Central seat was taken from the MMD by the United Party for National Development UPND/Patriotic Front (PF) alliance. This is a constituency in which a large number of new migrants to Solwezi live, and the shift in electoral support was a reflection of this changed voter composition. In general, however, the chiefs in the region often highlight their support for MMD publicly. For instance, the *Zambia Daily Mail* reported in 2005 that Chief Kasempa had "cautioned" the opposition against hurling insults at President Mwanawasa. He was reported to have said that "as a traditional leader he had the power to bar political leaders who engaged in insults from entering his chiefdom," adding in less circuitous language that "the ruling MMD should be supported because it was bringing development."⁵⁴ Other chiefs in the province followed his lead and pledged their support to President Mwanawasa and his "New Deal" administration.⁵⁵

To conclude, although they remain an important element of the postcolonial state, chiefs have been ascribed a particular cultural and development-oriented role within it. Paradoxically, because of these reasons, they are considered representatives of rural subjects. This leads to their politicization in the context of multiparty elections, while also underlining the ambiguity their position continues to entail in Zambia. This chapter argues that the political impacts of the creation of the Lumwana mine in Solwezi can only be understood within this context.

The Mining Boom in Solwezi

The New Politics of Localism

Copper has been central to the nature of Zambian nationalism and the developmental basis of the state.⁵⁶ It is through the rapid exploitation of resources considered *national* that postcolonial development was expected to proceed.⁵⁷ The geography of the resources themselves remained secondary to the logic—once the resources were adequately tapped, the state would mediate developmental efforts by drawing on the revenues thereby generated. This is, however, a discourse that leaves little room for local mediation of the resources. In other words, because the ownership of resources and the benefits from their exploitation are framed at the scale of the nation, those who are local to the specific sites of extraction are not typically understood to have any privileged claim to the resultant development.

Most evidently, the Lamba people of the Copperbelt Province have been the historic losers from large-scale mining in their tribal territory. Dispossessed from their lands by the colonial state for the creation of mining infrastructure and the construction of a string of towns, many of the Lamba were resettled in the so-called “native reserves.”⁵⁸ For various reasons, however, they were never fully integrated into the mining economy. Some preferred to sell surplus produce from their farms to the growing populations in the towns, and others became sex workers, but most of those in the reserves subsisted in poverty. In subsequent years, the Lamba came to be considered “wild and lazy” within colonial and Zambian discursive cartographies. The continued and widespread currency of this view of the Lamba is striking, and it is in this context that the contemporary anxieties in Solwezi can be interpreted: that if nothing is done to include the Kaonde within the new developments in their homeland, they will go the way of the Lamba.⁵⁹

It is clear that the Kaonde are already considered to be lagging behind in popular notions of the scale of national development. A recent migrant to Lumwana says in this regard, “The Kaonde, they are not very developed. You see their houses they are not good, many people sleeping in the same room. Only now they are getting developed.”⁶⁰ This is a commonly held view of the Kaonde, who are seen to inhabit a place that is “backward,” only now being “woken from its sleep,” and which “although endowed with rich natural resources... has continually lagged behind in development.”⁶¹ For their part, locals often reflect on such matters in relation to notions of the progress that the

mine promises. In the words of an informant, “I am interested to work there in Lumwana mine because I need to have a standard of living in my future....I don’t want to suffer in the village.”⁶² For many the Lumwana Copper Mine, acquired by Equinox Minerals in 1999 and commissioned in late 2008, stands for the long-awaited promise of development. But to ensure this, locals must find alternate means of creating a developmental link between capital and locality, beyond the central state’s plans for *national* development. At a “development review forum” in 2005, for instance, a group of local chiefs and civil society organizations put forward their demands:

[This area] has suffered some economic malaise from independence, it was in order that people within the community should take up jobs so that development benefits the local residents....Many participants agreed that locals should be given priority on unskilled and semi-skilled labour before looking elsewhere....the Mukumbi royal establishment would be given an opportunity to intervene in labour recruitment as a control measure to avert public out-cry.⁶³

The localist position is strengthened by a collective of private firms—the North Western Chamber of Commerce and Industry—that seek to benefit from the increased business generated by the copper mines. To this end, their goal is to disqualify their competitors that have their “roots” outside the province. The chamber advocates and lobbies for the reservation of mining contracts for “local contractors.” In 2008 its then President explained the logic of this position hence:

If I’m from Lusaka and I get a contract the money won’t stay here, consumption will also be in Lusaka. Instead I do business with the locals here. I’ve built structures here and given business to many locals, including the hospitality industry. When you empower a local you can empower others. What can that guy from Lusaka do for [Solwezi]? Nothing.⁶⁴

The chamber’s key goal is thus to construct a community of “local” businesses and to channel capital through this group, an endeavor in which they stand opposed to “outsiders.” Since they are an influential lobby—with some funds at their disposal and the ability to enroll the media in their projects—this aspect of the production of the *local* articulates well with the localism for development discussed earlier. This in short comprises the impetus for the specific architecture of local development at Lumwana itself.

The Case of Lumwana

The envisioned role that Lumwana will play in local development contrasts with Solwezi's sole existing large mining enterprise, Kansanshi. Kansanshi is consistently criticized for its failure to contribute to the area's development.⁶⁵ In part, this is because Kansanshi is a more "traditional" operation; its owners bought the sporadically productive mine cheaply in 2001, then redeveloped and reopened the mine to make large profits (see later). Kansanshi initially used labor subcontractors to hire a large part of the workforce, and beyond the payment of taxes to the Zambian state, its operations have been marginal to local development. Furthermore, critics point to the piecemeal nature of Kansanshi's development efforts, which comprise activities such as the renovation of classrooms, the digging of boreholes, and the construction of a marketplace in Solwezi town. There is also a long-standing dispute between the Solwezi Municipal Council and Kansanshi related to the mine's (non-)payment of local property taxes, which the latter claims were not included in the company's Development Agreement with the Zambian state (regarding Development Agreements, see chapters by Fraser, Haglund and Gewalt and Souters). The council, while conceding this fact, still considers the tax a part of the moral responsibility that the mine owes to the locality. In short, at issue in this politics is the contentious presence of Kansanshi in Solwezi.

Conversely, Lumwana is generally considered a "better" company. Its mining license encompasses a total area of 1,355 square kilometers (see map 1), within which it already mines copper and has plans for the extraction of uranium.⁶⁶ Because this area lies outside of the country's historical mining enclaves and within the customary areas of various chiefs, the company entered into negotiations with them for the smooth takeover of the land. Any controversies at this stage could have proved cumbersome for Lumwana, in addition to bringing unnecessary bad publicity. They thus involved the chiefs from an early stage, and in 2002—seven years before the commissioning of the mine—Chief Mukumbi made the following observation:

The Chieftainship should get a certain percentage of the mine earnings. Good concession would be an understanding between the mine and the Chieftainship to be endorsed by the government....I would like to thank the Managing Director for the start in terms of relationship between the Company and Chieftainship and for involving the local leadership so it can explain the Project to its people. We have so

far enjoyed a good relationship with the Company, which has assisted the Chieftainship.⁶⁷

Although there has not been any direct transfer of earnings in the way Chief Mukumbi envisaged, the relationship between Lumwana and the chiefs has been cemented through the recruitment of local labor and through other, more piecemeal, developmental work carried out by the company. This includes the rehabilitation of classrooms and clinics in its vicinity and the setting up of a weekly market nearby.

Lumwana's legitimacy is significantly derived from a system of labor recruitment that works through the Kaonde chiefs to employ more than 1,500 unskilled and general workers. Those who wished to be employed at Lumwana had to first pass what was commonly referred to as the "NRC test." Applicants were asked to produce their National Registration Card (NRC), the Zambian national ID. Residents of Solwezi District have a code on their NRC that starts with 24; those with a different code were immediately excluded. However, even those who passed the "test" could belong to other tribes while residing in the district; at best, the number 24 identified only the applicants' "localness." As a further filter, therefore, job seekers had to register with one of the three local Kaonde chiefs, who screened the applicants and forwarded a short list of names to the mining company. The rationale for this system was that it ensured that the benefits of the mine accrued directly to the local Kaonde people, who have hitherto been marginal within the Zambian economy. This system was specifically introduced for the construction phase. However, the company rehired many of the same workers with the formal start of mining operations in April 2009, as well as training other workers locally. My research reveals that some workers who were made redundant by the transition from construction to production were provided with support for the cultivation of vegetables, poultry, and honey for sale to the increased population around the mine. However, several others have had to return to their rural homes upon completion of construction.

Lumwana entered into this arrangement for various reasons. Its Australian owner, Equinox, has until now been a mineral *exploration* firm but aims to emerge as a major copper *producer* through Lumwana.⁶⁸ The project is pivotal for Equinox's reinvention within the world of copper mining, and a lot is therefore riding on its success. Alongside the satisfaction of its shareholders, it is keen to project itself as sensitive to its "stakeholders," that is, various agents within the community where it extracts copper. Equinox cites the program

of local recruitment, and its partnerships with the national and the local-level authorities, as evidence of this commitment. In its corporate presentations, Equinox proudly displays the fact that it has created specific avenues to help “develop” the locals:

Equinox has already had a direct positive impact on the local community at Lumwana....Equinox has developed a strong bond with the three local chiefs and their chiefdoms, primarily through offering them employment on a priority basis. This has had a dramatic impact in this very poor area that in the past has been dependent on subsistence agriculture....Equinox and Lumwana will play an important role in the development of the local community as well as the broader impact on Zambia.⁶⁹

Even more detached observers have commented positively on the privileged local scale of Lumwana’s corporate citizenship. According to *Mining Weekly*, “Instead of importing mine workers from developed centres such as Kitwe and Lusaka, Equinox [has] established a comprehensive social upliftment programme, which aims to develop the immediate area surrounding the mine as well as neighbouring Solwezi.”⁷⁰

All of this has several spinoffs for the owners of Lumwana beyond enhancing the mine’s public image. Equinox conducted an Environmental Impact Assessment (EIA) for their planned uranium project. To this end, they were keen to dispel fears related to the potentially environmentally hazardous effects of uranium mining. In November 2007, Equinox conducted a public meeting on its proposals. As the traditional leaders of the area and representatives of the subjects, the local chieftaincies might have been expected to provide a critique of the planned operations. The chiefs were given a special hearing at the event, and their queries ranged from the economic benefits of the mine to its potential effects on growing embryos. In response, the representatives of the company made many guarantees but did not do so in entirely legible terms. A local speaker argued that their explanations were too technical, which meant that most locals could not follow the proceedings, nor could they contribute. Despite these valid concerns, and with the chiefs firmly by their side, the EIA was easily approved. In discussions with the management of Lumwana, it was evident that they wished to be considered different from the other mining companies, not only because Lumwana was a new mine but also because it was a more socially responsible one. This was one key discursive tools they drew upon in arguing that they should be exempt from the new mining tax regime (see chapters by Fraser, Haglund, and Larmer in this volume).

As for the labor recruitment itself, the way the system worked on the ground did not correspond neatly with the company's initially stated objectives, and many issues have emerged. First, some men who tried to get employment claimed they were asked by a chief to do "odd jobs" at his palace for a month or more to prove they were "hard working."⁷¹ This constitutes a new form of tribute (see earlier in this chapter), and if quantified, there is very little difference between a labor contractor and the chiefs in this instance. Second, it became clear upon examination that many of those recommended for the jobs were relatives of the chiefs or had some form of privileged access to their offices. The children of a chief—and others may also be involved in this—have received contracts for the supply of materials; this could be considered an instance of "corporate social responsibility" on the part of the mine. These practices led two local observers to question the changes:

How can a chief do two things at the same time? He is supposed to be a chief not a broker, maybe he should give up as chief and become a broker.⁷²

You cannot employ people from one family to such a big company like Lumwana. I mean Kaonde people; they are more like one family. As a family, a company does not last long.⁷³

The policy of recruiting locals through the chiefs should be understood within the long-term "social license"⁷⁴ that Equinox seeks in the region, in part because of the time frame of the Lumwana project, which is currently estimated at 37 years. Lumwana has accordingly sought to accrue maximum benefits out of their "socially responsible" practices.⁷⁵ However, a different reading of the policy of favoring Kaonde workers is that it may be a tactic of labor management. Workers from the traditional copper mining areas in the Copperbelt Province bring with them mining experience, but they also bring a long history of union membership and activism, something of which Lumwana may be aware. Certainly, in their negotiations with the Zambian government, Lumwana managed to get its three-year construction phase classified in state terminology as an "essential service." Under Zambia's Industrial and Labour Relations Act, such a classification prohibits any work stoppage—such as a strike or a lockout—and allows the summary dismissal of any worker deemed to engage in such acts.⁷⁶ They were able to do this without any organized opposition because the unions were not allowed to operate

within Lumwana nor represent its workers until mining operations began in late 2009. Zambia's mining unions must now negotiate their role within a workforce that the mine has clearly employed through a tribal logic.⁷⁷ How this particular process will play out is as yet unclear and needs careful empirical study.

Chiefs, Land, and Community in Solwezi

As highlighted earlier, the position of chiefs in Zambian politics is closely related to their role as the custodians of land usage. This is a position that, in a context of emergent debates on the chiefs' role in land governance, has been challenged in some respects by the passing of the Land Act of 1995. There is in neoliberal discourse a tendency to view customary land tenure as a form of "market imperfection."⁷⁸ This analysis has led to attempts to expand the commodification of land as a way to attract international investment. In Zambia the vehicle for such a transition is supposed to be the Land Act, which, among other things, was designed to undermine the chiefs' control of access to land.⁷⁹ Following the passage of the Act, customary tenure may be changed into leasehold to make the alienation of land easier. But, importantly, the Act stopped short of radical change. To obtain leasehold in customary areas, permission of the customary authority—the chief of the area—is required.⁸⁰ Interested private parties must negotiate with the relevant chiefs, who in turn are supposed to consider the best interests of their subjects before alienating land. Once an agreement has been reached with the chiefs, the interested party may approach the Ministry of Land in Lusaka with the necessary papers and a surveyed map to get approval. Though many have decried these changes on account of the potential for permanent alienation of land from the chiefs' custodianship, the Act also places the chiefs in an influential position because their approval is necessary for alienation.⁸¹

The 1995 Land Act was in a sense a compromise between, on the one hand, the need to privatize land to remove supposed barriers to capitalist investment and addressing the chiefs' dissatisfactions on the other. Importantly, there is no inevitability about individual chiefs' reactions to the Act, privatization of land, and capitalist development in their area. Relatively impoverished chiefs may be keen to make some money by exchanging land rights to outsiders in exchange for "gifts." Others may not want to lose land in their territory to a mining company or other businesses.

The continued importance of chiefs in controlling access to land means that several of them have been provided the opportunity to seek payments—monetary or in kind—in return for alienating land to investors. There are cases where chiefs have been given substantial sums of money or brand-new vehicles as “facilitation payments” in return for land.⁸² Even the Commissioner of Lands acknowledges that “there is no statutory control on how chiefs should administer customary land, and therefore, personal abuses and corrupt practices are not checked under this system.”⁸³ Senior Chief Puta of the Bwile people of Chiengi district of Luapula Province, for instance, got in trouble when he explained that his brand-new Toyota 4x4 was a “gift” from a Congolese mining company.⁸⁴ But both supporters and critics of the Land Act agree that chiefs are in a dilemma—the more land they alienate for such “gifts,” the more they weaken the material basis of their authority in rural Zambia. As one chief put it, “*chiefs are not chiefs without land.*”⁸⁵ The chiefs are presented with the opportunity to accumulate wealth because of their position as “gatekeepers” of access to land (and resources), but following the changes in the Land Act of 1995, once they alienate land it becomes private property and does not revert back to the chiefs. In the long run, therefore, the chiefs must continually balance the attractiveness of new wealth with the need to guarantee the material basis of their reproduction.

Another important aspect of this problem arises from a continuing legacy of colonialism, the tendency to view rural Africans through a tribal lens. This is the practice of recognizing their rights and claims only as a collective tribal community and not as rights-bearing citizens. Further, the articulation of these collective claims is entrusted to the chiefs as the “traditional leader” of the tribe. To be sure, one of the most common arguments in defense of chieftaincy today is the chiefs’ ability to raise matters of local concern in a broader arena.⁸⁶ Indeed, chiefs regularly leverage their influence to seek social infrastructure and emergency help like flood relief from the state and use the media effectively to this end. During long interviews with Chiefs Mushili and Mukumbi, it was apparent that the two saw their role as leaders—as acting as the voice of their subjects.⁸⁷ Nevertheless, the chiefs’ articulation of the subjects’ concerns occurs precisely because the latter lack the means to make themselves heard directly. Relevant here is the virtual absence of civil society in rural areas in Zambia, compared to the increasingly vibrant scene in the towns and cities. Interestingly, the two chiefs

interviewed ascribed the marginalization of the rural population not to a structural silencing that was initiated by the colonialists and continued under the postcolonial nation-state, but rather to their sheepish nature. According to Chief Mushili, “most people in the village do as they are told. . . . the people are ignorant, leaders have to have [a] moral obligation towards them.”⁸⁸

The fact that chiefs are considered to represent the interests of the tribe means that they are sometimes the direct beneficiaries of certain material benefits that, in theory, belong to the community as a whole. The new mines opened in Solwezi in the last few years are a case in point. The international mining–civil society relationship, following the process of privatization, is practiced through the mechanism of corporate social responsibility (CSR). In the towns, CSR is being closely monitored by civil society groups, and there has been a radicalization around it as well.⁸⁹ In rural areas, however, its practice turns on the seemingly self-evident but problematic meaning of “community.” In many cases, the chief is regarded not only the means of reaching the community but as its very embodiment. For instance, in 2006–2007 Kansanshi’s expenditure on CSR initiatives was US\$730,000, only 0.26% of its profits, and this was concentrated mostly in the town of Solwezi. Only a small amount was directed at rural areas, and within it, US\$75,000 was Kansanshi’s contribution to Chief Mumena’s “home extensions.”⁹⁰ Similarly, the Lumwana mine is paying for the construction of a new palace for Chief Mukumbi. Thus, rural development and CSR are equated in practice with improvements to the living conditions of the senior chief and his closest relatives.

A highly publicized and celebrated case has been the recent announcement that an American company, Mayfair Mining and Minerals, has entered into agreement with the Kaonde Chief Chizela to develop eight mining licenses in the next few years. These licenses are owned by the chief, who also has a 40% share of the joint venture to be established by Mayfair. The company paid Chief Chizela US\$50,000 as a “signing amount” and has promised \$500,000 in loans to be paid back from dividends on his share.⁹¹ It is questionable if this initiative will directly benefit the population of the chiefs’ area, in whose name he keeps custodianship of the land. In theory, if the development goes through, it could very well bring unprecedented riches to Chief Chizela, including the obligatory new palace and a luxury vehicle; it appears that this is what rural development has come to mean in the current structural paradigm.

Conclusion

This chapter has revealed the contingencies that are central to capitalist accumulation in a place that, like so many in sub-Saharan Africa, lacks fully established national structures of authority. To ensure local-level law and order, the effective enforcement of policies, and the “manufacturing of consent,” chiefs must here be involved in some capacity. In Lumwana’s case, they are cast as mediators between capital and labor, with the goal of supplying “tribal” labor to the mine. In this process, local pressures are important too, as groups seek a privileged access to the capital flowing into the area.

These shifts have created new sources of personal enrichment, and more importantly of authority, for a few Kaonde chiefs, who have been relatively weak historically. Experienced through the institution of migrant labor, their relationship to capital has until now been a losing proposition. Their authority was further undermined after independence, for the reasons explained. With the onset of the mining boom, however, their position as the go-between in the recruitment of wage labor and the increased value of land (access to which remains in their control) have stemmed that process. Within a context of the multiparty electoral system, these chiefs are today stronger than ever before with respect to the local and regional political economy.

Although corruption may be part of the process outlined in this chapter, what we are witnessing in Zambia is the increasing structural salience of chiefs, which turns on their relative position with respect to mining capital. This may or may not be welcome, depending on one’s perspective, but it is an undeniable ongoing dynamic. *Economically*, chiefs are better off in those areas where mining investment is taking place; this has been achieved by alienating land in exchange for gifts and in some cases by transforming themselves into fledgling capitalists through joint ventures. *As chiefs*, if they are seen to bring development to their chieftaincies—such as jobs and infrastructural improvements—they can command people’s “respect,” that is, increase their relative weight as patrons. *Politically*, the greater respect they have within their chieftaincies, the more important they become to political parties, especially during multiparty elections.

The case of Lumwana also calls for a contextual understanding of booms and busts on the Zambian Copperbelt. Investments vary in size and scope, and so macroeconomic conditions impact them unevenly. In the immediate aftermath of the 2008 global financial meltdown, copper prices dropped sharply and some smaller mining companies

suddenly closed their operations in Zambia (see Gewalt and Souters in this volume). Other, larger mining companies were, however, able to negotiate the temporary “bust” of 2008–2009 with greater success. In part, this is a function of the economies of extraction that they enjoy and is also due to specific instruments such as long-term hedging and contracts for the sale of extracted ore at certain, presumably profitable, prices. For instance, Lumwana has negotiated purchase agreements with companies like the Chinese-owned Chambishi Copper Smelter and the Ongolo Mining and Processing Company of Namibia. It also has a long projected life of more than 30 years, and it is a relatively low-cost operation, making it less susceptible to the periodic fluctuations in copper prices than those on the Copperbelt extracting copper via more expensive underground shafts. The relations and processes identified in this chapter are therefore of a robust nature and are unlikely to completely dissolve in the face of future fluctuations that will no doubt hit the copper mining sector. What is less easily foreseeable, however, are the political responses to the emergent nexus of chiefs and capital from both above (the Zambian state) and below (the rural population); this is, no doubt, a compelling research agenda for the near future.

Notes

1. Not his real name.
2. Quoted in J. Mwakasungula “Kaonde Chief Castigates Kansanshi Hetro Mines as Prostitution Chokes Solwezi,” *National Mirror*, October 10–16, 2007.
3. Consider the words of the Zambian President Rupiah Banda: “The opening of the Lumwana copper mine will be a catalyst for change in Zambia. It will be the economic turning point that the North Western province and Zambia needs to re-establish itself as a Central African economic powerhouse.” Quoted in Jonathan Faurie, “\$1 Bn Lumwana Copper Project Raises Zambian Hopes of Resuscitating Its Economy,” *Mining Weekly*, May 1, 2009; <http://www.miningweekly.com/article/catalyst-for-change-2009-05-01>, accessed December 12, 2009.
4. James Ferguson, *Expectations of Modernity: Myths and Meanings of Urban Life on the Zambian Copperbelt* (Berkeley: University of California Press, 1999).
5. John T. Friedman, “Making Politics, Making History: Chiefship and the Post-Apartheid State in Namibia,” *Journal of Southern African Studies* 31, no. 1 (2005): 23–51, 24.
6. Peter Geschiere and Francis Nyamnjoh, “Capitalism and Autochthony: The Seesaw of Mobility and Belonging,” *Public Culture* 12, no. 2 (2000):

- 423–452; Michael Watts, “Resource Curse? Governmentality, Oil and Power in Niger Delta, Nigeria,” *Geopolitics* 9, no. 1 (2004): 50–80.
7. David Harvey, *The Limits to Capital* (Chicago: University of Chicago Press, 1982).
 8. Kevin R. Cox and Andrew Mair, “Locality and Community in the Politics of Local Economic Development,” *Annals of the Association of American Geographers* 78, no. 2 (1988): 307–325.
 9. In Lumwana’s case, the cost of construction of the mine is close to US\$800 million and the mine has a projected life of 37 years.
 10. James Ferguson, *Global Shadows: Africa in the Neoliberal World Order* (Durham, NC: Duke University Press, 2006).
 11. See, for instance, Rosaleen Duffy, “Gemstone Mining in Madagascar: Transnational Networks, Criminalization and Global Integration,” *Journal of Modern African Studies* 45, 2 (2007): 185–206; James Ferguson, “Seeing Like an Oil Company: Space, Security, and Global Capitalism in Neoliberal Africa,” *American Anthropologist* 107, no. 3 (2005): 377–382; Michael Watts, “The Sinister Political Life of Community: Economies of Violence and Governable Spaces in the Niger Delta, Nigeria,” Niger Delta Economies of Violence Working Paper no. 1. (2004) (Berkeley), <http://globetrotter.berkeley.edu/NigerDelta/WP/3-Watts.pdf>, accessed June 12, 2009.
 12. Mahmood Mamdani, *Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism* (Princeton, NJ: Princeton University Press, 1996); Mahmood Mamdani, “Beyond Settler and Native as Political Entities: Overcoming the Political Legacy of Colonialism,” *Comparative Studies in Society and History* 43, no. 4 (2001): 651–664.
 13. Sara Berry, “Hegemony on a Shoestring: Indirect Rule and Access to Agricultural Land,” *Africa: Journal of the International African Institute* 62, no. 3 (1992): 327–355.
 14. Mamdani, *Citizen and Subject*; J. C. Myers, *Indirect Rule in South Africa: Tradition, Modernity, and the Customing of Political Power* (Rochester, NY: University of Rochester Press, 2008).
 15. Kate Crehan, *The Fractured Community: Landscapes of Power and Gender in Rural Zambia* (Berkeley: University of California Press, 1997); Giacomo Macola, “The Historian Who Would Be Chief: A Biography of Simon Jilundu Chibanza III, 1899–1974,” *Journal of African History* 45, no. 1 (2004): 23–44.
 16. See Louis Althusser, *Lenin and Philosophy and Other Essays* (New York and London: Monthly Review Press, 1971).
 17. Frank H. Melland, *In Witch-Bound Africa: An Account of the Primitive Kaonde Tribe and Their Beliefs* (New York: Barnes and Noble, 1923), 29–47.
 18. Crehan, *The Fractured Community*, 70.
 19. Frank H. Melland, “The Kasempa District, Northern Rhodesia,” *The Geographical Journal* 54, no. 5 (1919): 277–288, 283.
 20. Crehan, *The Fractured Community*, 109.
 21. National Archives of Zambia [hereafter NAZ], District Handbook Solwezi.
 22. NAZ BS3 A 2/1/4, Letter from Administrator, Livingstone to High Commissioner, Pretoria, December 20, 1910.

23. NAZ BS3 A 2/1/4, Memo from the Secretary of Native Affairs, August 12, 1910.
24. Lewis H. Gann, *The Birth of a Plural Society: The Development of Northern Rhodesia under the British South Africa Company* (Manchester: Manchester University Press, 1958), 285–307.
25. NAZ NW 1/10, Memo by Provincial Commissioner, Ndola, August 1926.
26. Ibid.
27. This is not to say that the system of tributes was entirely eliminated. Gifts to chiefs continued to be given on various occasions, as were spoils of hunts and part of the harvest. But generally speaking, tributes to chiefs were greatly reduced.
28. NAZ KAS A/3, Indaba with Chiefs Held at Kasempa, April 19, 1922; NAZ KAS A/3, Chief Kasonso at Indaba with Chiefs at Kasempa, November 7, 1924.
29. NAZ KAS A/3, Letter from District Commissioner, Kasempa to Provincial Commissioner, Ndola, March 3, 1929.
30. NAZ NWP 1/10, Assistant Magistrate to District Commissioner, Kasempa, April 23, 1927.
31. Mamdani, Citizen and Subject.
32. NAZ NWP 1/2/20, Annual Report on Native Affairs, Solwezi District, 1948.
33. NAZ NWP 1/2/20, Annual Report on Native Affairs, Solwezi District, 1951.
34. Piet Konings, “Chieftaincy, Labour Control and Capitalist Development in Cameroon,” *Journal of Legal Pluralism* 37/38 (1996): 329–346.
35. NAZ NWP 1/2/20, Annual Report on Native Affairs, Solwezi District, 1948.
36. NAZ NWP 1/1/4, Combined Meeting of the Kaonde and Solwezi Native Authorities, Mulopwe, July 28, 1952.
37. Frederick Cooper, *Africa Since 1940: The Past of the Present* (Cambridge: Cambridge University Press, 2002), chapter 3.
38. Simon N. Chipungu, “Accumulation from Within: The Boma Class and the Native Treasury in Colonial Zambia,” in Simon N. Chipungu, ed., *Guardians in Their Time: Experiences of Zambians under Colonial Rule, 1890–1964*, 74–96 (London: Macmillan, 1992).
39. Kenneth Kaunda (Thomas Patrick Melady, ed.), *Kenneth Kaunda of Zambia: Selections from His Writings* (New York: Africa Service Institute of New York, 1964).
40. Kenneth Kaunda (Colin Legum, ed.), *Zambia, Independence and Beyond: The Speeches of Kenneth Kaunda* (London: Nelson, 1966), 35; Wim van Binsbergen, “Chiefs and the State in Independent Zambia: Exploring the Zambian National Press.” *Journal of Legal Pluralism* 25/26 (1987): 139–201, 156–158.
41. Prithvish Nag, *Population, Settlement and Development in Zambia* (New Delhi: Concept Publishing, 1990), 27.
42. George C. Bond, “New Coalitions and Traditional Chieftainship in Northern Zambia: The Politics of Local Government in Uyombe,” *Africa* 45, no. 4 (1975): 348–362, 349.

43. Kwaku Larbiu Korang, *Writing Ghana, Imagining Africa: Nation and African Modernity* (Rochester, NY: University of Rochester Press, 2004).
44. Constitution of Zambia, Part XII 128 (c), Chiefs and House of Chiefs.
45. "Chiefs have a major role to play in the future development of Zambia....[Their] customary rights and responsibilities in respect of land will remain unaffected by the new Constitution. Chieftainships will be respected by my Government as part of our inheritance, but narrow, rigid and obstructive tribalism cannot be tolerated." Kaunda, *Zambia, Independence and Beyond*, 94.
46. van Binsbergen, "Chiefs and the State," 142.
47. *Ibid.*
48. Constitution of Zambia, Part XII (129).
49. Friedman, "Making Politics, Making History," 48.
50. Ineke Van Kessel and Barbara Oomen, "'One Chief, One Vote': The Revival of Traditional Authorities in Post-Apartheid South Africa," *African Affairs* 96, no. 385 (1997): 561–586; J. Michael Williams, "Leading from Behind: Democratic Consolidation and the Chieftaincy in South Africa," *Journal of Modern African Studies* 42 (2004): 113–136.
51. Interview, Lusaka, Zambia, September 13, 2007.
52. See, for instance, this recent news report: "Chief Mujimanzovu said in Solwezi that it was disappointing that civic leaders could abandon their wards, opting to live in the town centre where they were not doing anything progressive." "Solwezi Chief Castigates Urban Drifting Councillors," *Times of Zambia*, December 29, 2009.
53. 'Levy: True Friend of Traditional Leaders," *Zambia Daily Mail*, September 2, 2008.
54. H. Nkonde, "Chief Cautions Opposition Against Insulting Levy," *Zambia Daily Mail*, July 5, 2005.
55. C. Kaley, "Chiefs Censure Politicians," *Zambia Daily Mail*, August 23, 2005.
56. See Rohit Negi, "Beyond the 'Chinese Scramble': The Political Economy of the Anti-China Sentiment in Zambia," *African Geographical Review* 27 (2008): 41–63, 48–49.
57. Kaunda, *Zambia, Independence and Beyond*, 60, 98.
58. Brian Siegel, "Bomas, Missions and Mines: The Making of Centers on the Zambian Copperbelt," *African Studies Review* 31, no. 3 (1988): 61–84.
59. This specific point was made to me by Chief Mushili of the Lamba people (interview, September 13, 2007), who believed that the Lamba were the "first victims" of colonialism in Northern Rhodesia.
60. Interview, Solwezi, Zambia, November 7, 2007.
61. Kasuba Mulenga, "Agony of Travelling on N-West Roads," *Zambia Daily Mail*, August 20, 2002.
62. Interview, Mukumbi, May 18, 2008.
63. J. Mubambe, "New Mine Urged to Employ Local People." *Zambia Daily Mail*, February 18, 2005.
64. Interview, Solwezi, Zambia, April 2, 2008.

65. "Kansanshi Hurting Solwezi," *Bakwetu.com*, April 2008; J. Mubambe, "Kansanshi Mine is Not Benefitting Locals-UDA," *Zambia Daily Mail*, May 23, 2006.
66. Equinox Copper Ventures Limited, "Lumwana Copper Project Environmental Impact Assessment" (2005), <http://www.equinoxminerals.com/Development/Corporate-Responsibility>, accessed March 12, 2009, p. 1.
67. Quoted in Equinox Copper Ventures Limited, "Lumwana Copper Project," Appendix.
68. P. Koven, "'Junior' Hits the Big Times," *National Post* (Ottawa), March 3, 2008.
69. Equinox Minerals, "Corporate Responsibility statement" (2006), <http://www.eqr.com.au/Development/Corporate-Responsibility>, accessed June 10, 2009.
70. Faurie, "\$1 Bn Lumwana Copper Project."
71. Focus group, Solwezi, Zambia, February 26, 2008.
72. Interview, Mukumbi, April 21, 2008.
73. Interview, Mukumbi, April 24, 2008.
74. Alastair Fraser and John Lungu, *For Whom the Windfalls? Winners and Losers in the Privatisation of Zambia's Copper Mines* (Lusaka, Zambia: CSTNZ, 2007), 5.
75. A. Tassell, "Africa's Biggest Copper Mine Nears Completion," *Modern Mining*, February 20–27, 2008.
76. In November 2007 I came into contact with a group of Lumwana workers (employed by a subcontractor) totaling close to 200, who were fired because they protested the alleged nonpayment of full wages and pension contribution. Even after three months of complaints—to all levels of the state from the labor office to the district commissioner—many workers were unable either to get their full compensation or to rejoin employment.
77. It is known from the Copperbelt's history that the role of tribal authorities in the social and political life of workers weakened in time, and Zambian workers have tended to view workplace politics through a class rather than ethnic lens (see Larmer in this volume). We are, however, in a different period, and one cannot with any certainty expect a necessary repetition of history.
78. Henry Bernstein, "Considering Africa's Agrarian Question," *Historical Materialism* 12, no. 4 (2004): 115–144; Pauline E. Peters, "Inequality and Social Conflict Over Land in Africa," *Journal of Agrarian Change* 4, no. 3 (2004): 269–314.
79. This conclusion is reached in the report of the Catholic Commission for Justice and Peace, *Research on the Impact of the Land Act 1995 on the Livelihoods of the Poor and Peasants in Zambia* (Lusaka, Zambia: CCJP National Office, 2003).
80. Government of Zambia, Land Act 1995, Part II, Section 3.4.
81. CCJP, *Research on the Impact of the Land Act*.
82. Taylor Brown, "Contestation, Confusion and Corruption: Market-Based Land Reform in Zambia," in Sandra Evers, Marja Spierenburg, and Harry Wels, eds., *Competing Jurisdictions: Settling Land Claims in Africa*, 79–107

- (Leiden, the Netherlands: Brill, 2005); interview, H. Machina, Zambia Land Alliance, Lusaka, Zambia, September 9, 2008.
83. F. Sichone and K. Soko, "Land Allocation for Investment vs. the Rights of the Indigenous People," at Decision Makers Conference on Land Administration for Poverty Reduction and Economic Development (Windhoek, Namibia, December 7–8, 2006), 12.
 84. B. Saluseki, "Putu Explains His Congolese Toyota Hilux," *The Post*, January 18, 2008.
 85. Brown, "Contestation, Confusion and Corruption," 99 (emphasis in original).
 86. Interestingly, however, being too outspoken with their demands can invite the charge of "tribalism" upon the chiefs, but it is merely the flip side to the tribal logic of the state itself that is being discussed here.
 87. Although the latter, having been a three-term UNIP Member of Parliament and a former governor of Solwezi District, had imbibed certain modern democratic values, it was clear that he still viewed himself as a leader by birth.
 88. Interview, Senior Chief Mushili, Lusaka, Zambia, September 13, 2007.
 89. Several civil society groups regularly organize around the formulation and implementation of CSR policies, particularly in the Copperbelt cities. Among the more active are Civil Society for Poverty Reduction, Caritas, and Civil Society Trade Network of Zambia; see Rohit Negi, "Copper Capitalism Today: Space, State and Development in North Western Zambia," PhD diss., Ohio State University, (2009), chapter 3.
 90. First Quantum Minerals Limited, *Annual Report 2006* (Vancouver: FQML, 2006); Kansanshi Foundation, "Status Report for Kansanshi Foundation Trust," Solwezi, Zambia: Kansanshi Mining PLC, 2007.
 91. "Mayfair Mining and Minerals, Inc. Enters into a New Joint Venture Agreement to Develop Eight Mining Licenses in the Zambian Copper Belt," Press Release, *Prime Newswire*, February 26, 2008.

Conclusion: Mining, Dispossession, and Transformation in Africa

Ray Bush

Introduction

This book has detailed Zambia's resource dependency, different state strategies to deal with international mining houses, and local political struggles to win greater financial return from copper extraction.¹ The accounts offered raise issues at the heart of contested development debates that go beyond the case of Zambia and the important mining region of Southern Africa. This concluding chapter briefly explores the broader debate about mining in Africa and themes linked to characterizations of resource dependency. Countries like Ghana and Guinea, and also Mali, Tanzania, the DRC, and Burkina Faso, to select just a few, have wrestled over many years with the challenges of finding strategies to regulate and control transnational companies (TNCs), engaged in mining, facilitate increased and sustained levels of foreign direct investment (FDI), and manage the influence of the international financial institutions (IFIs)—the World Bank and the IMF. This chapter explores the nature of the problems that have beset African countries and surveys a range of diagnoses and cures promoted by individual African governments, locally based popular formations, and the IFIs themselves. It concludes by considering the potential of a recent African Union (AU) initiative intended both to secure the benefits of collective action by African governments and to promote a new “mining vision” that might avoid some of the pitfalls that this book

has highlighted and that have frustrated so many hopes for development thus far.

Commodities, Capitalism, and Companies

Africa produces many of the world's important minerals. The continent is ranked first as the source of the platinum group of minerals, for phosphates, gold, and diamonds. It is also ranked first for chromium, vanadium, and cobalt, all of which are used, among other things, for the production of strategically important special steels.² The continent also produces copper, uranium, oil, and natural gas.

Since the end of the colonial era, the IFIs have suggested that, by allowing the exploitation of this mineral wealth by TNCs, independent African countries will be able to secure their own progress. On the surface, at least, foreign investment in mining appears to offer hope and opportunity for development, promising to “unlock” Africa's resources. The IFIs have consistently promoted the holy trinity of the market, property rights, and foreign direct investment. Putting in place stable policies that underpin these three institutions has been presented as key to enabling African states to “catch up” with the developed world. In particular, the World Bank promotes a view of growth that is inextricably linked to, and driven by, Africa's extractives sectors. The bank's central recommendations, and the conditions they attach to loans, aid, and debt relief, have been designed to reduce perceived administrative and political obstacles to foreign investment and the repatriation of corporate profit.³

Mining companies thus depend for their license to operate in Africa on the ideological hegemony of modernization, on the claim that they will promote growth with equity, development with justice, and sustainability with employment and the provision of a long-term alternative to the resources they deplete and the environmental chaos they create. The dominance of this account, and the seemingly unassailable hegemony of corporate power can be linked to the transition to neoliberalism beginning in the early 1970s. They present a powerful obstacle to the investigation of (alternative) resource-related strategies for African development.⁴

The persistent hegemony of neoliberalism in Africa, as reflected by continuities of corporate and IFI rhetoric and practice, appears for the moment undented by the failure of the model at a global scale, which may yet usher in the emergence of a post-neoliberal age. Any assumption about that needs great caution of course. Nonetheless,

this book has suggested that China may offer a potential antidote to the World Bank and Western TNCs, an antidote no doubt that may only nibble at the edge of neoliberalism and that presents its own unwelcome side effects.⁵ Although Lee (this volume) helps to get the debate started, more work is certainly required to look at relations between particular Chinese corporations and individual African host countries and at how these relationships evolve over time.⁶

In spite of the massive bailouts offered to Western capitalism and the collapse of the deregulated free-market model, in the case of Africa, there have thus far been very limited political opportunities or international support for development strategies not centered on TNCs. As Larmer's chapter attests, building developmental states in the context of extractive economies, mining enclaves, continuing debt, and deleterious trade relations has proved very difficult, and Africa is the continent where the IFIs have tested neoliberalism to the limit. Critiques of the World Bank's approach have resulted in some cosmetic changes to the process of externally imposed policy failures. This book has also shown that, although China has significantly increased its investment and aid in Zambia, Lusaka has remained wedded to IMF and World Bank policy. The question needs to be raised therefore regarding the extent to which Zambia, and African states more generally, will remain tied to neoliberal reform just as states in Latin America have begun to promote alternatives to neoliberalism and have offered increased resistance to IFI prescriptions for economic reform.⁷

Where there is hope for alternatives in Africa to the time-wearied panaceas to poverty offered by the IFIs, for the moment it emerges above all from outside the mainstream economic activities of states, companies, and international agencies—from political struggles in villages and communities, households, and informal groupings of workers. The attention paid here then to the resistance to neoliberalism presented by artisanal miners (see Mususa's chapter), wildcat strikers (see Lee's chapter), and opposition parties pressing resource-nationalist agendas (see Fraser's chapter) is welcome. These developments suggest that alternative agendas to reclaim local assets will continue to emerge from the specificities of the local situations featuring inequality and exploitation. These struggles often exist beyond the reach of the state, corporations, or, more broadly, "the market." There is nothing inevitable about their success but they do sometimes challenge the workings of the capitalist system and may offer new avenues in Africa's contemporary development debate, confronting

the historically failed agendas of the World Bank and other donors as well as new Chinese alternatives.

The IFIs have, however, maintained significant control over African states' policies, limiting governments' ability to respond to popular objections to the status quo principally through conditionality on their loans and debt relief. They have, in the process, constrained the development debate, enforcing the view that globalization is the only game in town. Accepting this assumption, many academic and policy-oriented analyses start with the view that Africa's problems stem from the continent's failures (and reluctance) to become properly integrated into the world economy. Poverty reduction and economic growth, according to this mantra, will only be attainable if and when African states deregulate their domestic economy and integrate their trade and resources with the corporate-dominated world economy. Though Haglund's and Gewald and Souters's chapters offer stark warnings of the failures thus far of deregulation to secure local benefits, the IFIs seem to combine stoicism and optimism that Africa can still claim the twenty-first century.⁸ This continued optimism involves the hope that African states can be more aggressive in export-led growth and an ongoing faith in the benefits of consistently eroding regulations that allegedly create risks and inhibit investment.

This IFI and corporate agenda, among other things, fails to address two continuous themes in the mining debate. The first of these is that key decisions relating to mining are not made within national politics in African states but outside them. Ironically, while the IFIs insist on governance reform agendas to improve "transparency" and responsiveness, they critique government plans that respond to local concerns by pressing for more autonomous national or regional development and for local capital accumulation. The widespread perception within Africa that state elites fail to challenge corporate power and defend national sovereignty can lead to political disaffection—and opposition in the mineral-rich areas. The emergence of party political resistance is not unique to Zambia. Similar dynamics have been visible across Africa, including in Ghana, Mali, Guinea, and the DRC. Electorates and citizens, even where regimes are authoritarian, become disaffected if states are unable to generate basic services for the poor, especially urban workers, or if they fall short in delivering consumer durables to elites and the middle class.⁹ This is not to say that African leaders capitulate easily to demands either from workers and peasants or the economic elite, but it is an important reminder that state power is based on the ability to promote both legitimacy and authority. These

two social processes are propped up in varying degrees by the state monopoly of coercion. When states are unable to deliver their rhetorical policy of taming or controlling TNCs, or of showing the benefits of lenient tax and tariff regimes, they are likely to be pressurized to change course or advance stronger policy restrictions on mining companies. Prolonged periods of real and perceived state shortcomings in delivering tangible benefits from extractives sectors can thus lead to dissent and profound challenges to regime legitimacy. Ultimately any failure of populist opposition movements to mobilize around economic demands may create conditions that promote sectional, regional, or “tribal” politics and calls for the resurrection of traditional authority. Fraser’s chapter describes the faltering momentum of populist calls for regulation in the Zambian case. Negi’s chapter suggests the limits of traditional authorities as alternatives to an effective state. In other contexts, similar strategies have resulted in spoils politics and, ultimately, the disintegration of state authority.¹⁰

Second, it is important to note the role played by mining TNCs, and the broader extractive industry sector, within the overall character of contemporary capitalism. Mining TNCs are among the biggest global actors in the international economy. They make decisions according to global strategy rather than local needs. They challenge the authority of nation-states because of the finances at their disposal and the number of experts that saturate local knowledge holders, such as environmental protection agencies or even economic policy makers. The failure of Zambia’s attempt to impose mining-tax reforms on TNCs, discussed in this volume both by Adam and Simpasa and Fraser, suggests the manner in which unequal power relations, between states and companies, are rooted in the pattern of capital accumulation that mining companies promote. There are two dimensions to capitalist accumulation that are important in this context. The first is the relations between capitalists and wage workers and the structures of property rights, commodity exchange, and ideology that obscure exploitation and class rule. The second core dimension of capitalist accumulation is the relationship between capitalist centers and developing countries.

Mining TNCs are at the heart of both of these important dimensions to capital accumulation. They have typically argued that their actions are developmental and neutral, especially since embracing the concept of corporate responsibility, and they present themselves as necessary conduits for global integration. In developing countries they are, in many respects, the “outriders” of capitalism. Even though

there were only five mining and quarrying TNCs in the top 100 listed in the 2009 *World Investment Report*, they occupied important positions.¹¹ Together, with the exception of BHP Billiton Group for which no figures were listed, the four remaining companies had more than \$229 billion in assets and \$126 billion in sales in 2008. In 2006 there were also as many as 4,000 metal mining companies, most of which were small-scale junior companies engaged in exploration rather than resource extraction. Most of these companies are listed in Australia or Canada and have good sources of funding. These have been among the most active players in the Zambian context. Like their bigger TNC cousins, they often have limited African recruitment and use of local inputs.¹²

As a proportion of global FDI flows, investments in extractive industries are small. Yet they have a disproportionate impact constituting “the bulk of the flows to many low-income economies, particularly in Africa.”¹³ And where there has been a significant increase in FDI flows—especially linked to energy resources, but not exclusively so, to countries like Sudan, Nigeria, Mali, and Equatorial Guinea—poverty reduction has seldom improved; in fact, it has often intensified.

Although the overall contribution to world trade linked to metals and mining is relatively small, the profitability of the process of extracting and selling processed metals and precious stones is extremely high. One estimate was that for 80% of the world metal mining industry, by capitalization, net profits rose from \$4.4 billion in 2002 to \$67 billion in 2006. The increase in profit between 2005 and 2006, following the spike in commodity prices, was an extraordinary 64%—this translated into an increase of 1,423% over 2002 levels with a return on equity of 33% compared with 26% in 2005.¹⁴

In light of these massive profits, the ideological legitimation of the mining industry requires a significant investment to project a view of TNCs’ political neutrality and their developmental ethos. The instability of the global resources markets means that mining companies enjoy occasional dramatically high levels of return on equity. The companies tend to take these spikes in their stride, presenting high profits as the reward for the “high risks” they take in the light of market and political uncertainties. And yet the industry is quick to lament any misfortune, such as that witnessed when commodity prices tumbled in the fourth quarter of 2008, and to seek special treatment and protection against the impacts of the market.

The changing emphasis in the titles of articles appearing since 2000 in the magazine *Mine*, published by the influential assurance firm

PricewaterhouseCoopers, reveals much about how investors themselves imagine investment in mining as a macho world of outriders but quickly turn to special pleading for state support in hard times. The major recent phases of mining activity have been divided between the “entrance of the dragon”—China, after 2004— and letting the “good times roll” and “riding the wave” during sustained periods of high commodity prices between 2004 and 2006. In 2007 the investors were asking themselves whether that really was “as good as it gets.” The onset of financial crisis and the fall in prices and global demand for commodities in 2008 was then seen as a period of “when the going gets tough.”¹⁵ Yet the tough times were relative compared to other industrial and financial sectors, and the crisis was also understood as an *opportunity* for mining TNCs in Africa.

Beyond the complaints, the start of 2008 actually saw a continuation of the peak in corporate profits and performance. Revenues for the top 40 mining firms increased 23% compared with 2007, net assets increased by 10%, and cash flows from operations increased by 25% and for the first time exceeded US\$100 billion. Earnings before interest, taxes, depreciation, and amortization (EBITDA) were a record US\$141 billion.¹⁶ By the end of 2008, however, the sector’s performance was impacted by the freefall of commodity prices. Operating costs increased faster than revenue, by 27%, and for the first time since 2002, there was a fall in net profit for the 40 largest mining TNCs. These figures, however, are misleading. Mining companies since 2002 have experienced a sustained and meteoric corporate ascendancy. The cash flows of the corporate giants were five times higher in 2008 than those in 2002, and these funds were spent on new investments—US\$380 billion since 2002. The adjusted EBITDA of US\$141 billion was seven times higher than that in 2002, and total assets in 2008 were 3.5 times those of 2002. Though shareholder equity rose by only 3% in 2008, the average growth for the period since 2002 was a staggering 40%. As PricewaterhouseCoopers noted,

The overall increase in the market capitalisation of those companies included in the Top 40 in both 2003 and 2008 has been 82% over the seven year-end market capitalisation below that of their 2003 level. Interestingly, the same analysis using 2007 market capitalisations shows a 327% growth since 2003.¹⁷

Mining TNCs have also used the “downturn” to advance a degree of consolidation. Although deals in 2008 were 4% down year on year,

“there was an increase in bigger deals with 30 \$1bn plus transactions compared to 25 in 2007.”¹⁸ The biggest volume of deals (such as mergers, acquisitions and takeovers) were in South America and Africa. Although the value of deals fell from US\$13.5 billion in 2007 to \$9.6 billion in 2008, the number of deals in Africa rose by 39%, from 94 to 131, and these were concentrated in precious metals. The two major areas of expansion of exploration and development in Africa were precious metals and iron ore. The biggest deal was the Central African Mining and Exploration Company’s (CAMEC) purchase of a remaining 50% stake in DRC-based cobalt and copper mining holding company DRC Resources from an Israeli holding company, Prairie International, Ltd.¹⁹

Only 29 of the total 131 African deals involved bidders from within Africa; the rest involved buyers from Australia, the United States, Europe, and Asia. Gold mining received a boost in 2009 after Zimbabwe’s power-sharing government gave Zimbabweans the right to trade in U.S. dollars and gold producers no longer had to market gold via the country’s Central Bank.²⁰ Perhaps the litmus test for any downturn in the world economy, however, is the extent to which iron ore production is reduced. There seems little evidence for this having occurred, as the Chinese economy continues to demand steel-making commodities. This is evidenced by a series of iron-ore and coal resource estimates, like that announced in Sierra Leone at the African Minerals Ltd. Tonkolili project.²¹

Mining TNCs were thus generally able to weather the storm of falling commodity prices—indeed, the international financial crisis created conditions for concentration and centralization of mining capital. It also created conditions and political legitimation for cost cutting and challenges to even moderate tax collection by host countries. Cost cutting was achieved most notably through job cuts. These were greatest in South Africa, where, in the first half of 2009, some 25,000 jobs were lost in the mining sector. Anglo American cut 19,000 jobs, with 10,000 redundancies at Anglo Platinum. Possibly fearing similar job losses, Zambia abolished its 25% windfall tax, cut customs duties for heavy fuel oils from 30% to 15%, and ended duty on copper powder, flakes, and blisters. Zambia’s finance minister said these corporate-friendly measures were to safeguard the country’s economic lifeblood (for more on this process, see Adam and Simpasa and Fraser, this volume).

In spite of these retrenchments, and the companies’ evident short-termist calculations, the rhetoric of the mining companies across

Africa is dominated by the language of sustainable development, corporate social responsibility, and the need for great care with water use and environmental management. Nonetheless, the overwhelming agenda of mining TNCs is to minimize costs to boost corporate profits. To this end, a new front is being waged by the companies in the war on tax. PricewaterhouseCoopers has recently developed the concept of “total tax contribution” (TTC).²² For decades African governments have complained that mining companies either pay too low a tax and royalty contribution or avoid their liabilities all together. Yet the corporate world is now countering with the view that TTC for mining companies is higher than it is for other sectors. PricewaterhouseCoopers claimed “mining companies pay a higher percentage (12.5%) in taxes and other contributions borne to government in relation to the size of their turnover.”²³ The concern is that corporate income tax, at an average of 48% of all taxes, is only one part of a range of larger additional tax burdens. “Of the 52% of non-income taxes borne, 29% of the total, on average are additional taxes and contributions that are specific to the mining sector and effectively represent payment for extracting natural indigenous resources,” the company noted.²⁴ However, while royalty expenses increased 28% in 2008, accompanying improved revenue income tax costs actually fell 22%, and the effective tax rate fell from 29% to 27%. As the mining TNCs complained about the amount of their income eaten up by taxes, in 2008 royalties and taxes represented only 7% of operating revenue.²⁵

African Mining and Underdevelopment

If mining companies have typically continued to profit through the downturn and have manipulated it to secure political concessions, the question arises as to how African governments might respond. The first thing to say is that the importance of developing resource extraction has repeatedly been highlighted by donors and IFIs to African leaders as a powerful mechanism to achieve economic growth and poverty reduction.²⁶ On the one hand, when commodity prices are high, resource extraction is seen to empower African governments to make new deals and contracts with mining TNCs. Thus, in September 2007 Sierra Leone’s minister of mines noted that they just wanted “to make sure we are getting the best for our deposits.”²⁷ When commodity prices are high, resources are a “fatted calf” to generate wealth, reduce poverty, and secure FDI.

On the other hand, when commodity prices are low, African producers are encouraged to do all they can to encourage FDI by lowering tax and tariffs and guaranteeing profit repatriation. The United Nations Economic Commission for Africa (UNECA) has reported an improved investment climate in Africa driven by the mining sector that has improved FDI flows. Coupled with the mining boom in 2002–2007, net private capital flows to sub-Saharan Africa increased significantly, from US\$12.2 billion in 2001 to \$38 billion in 2006 and to \$56 billion in 2007. The substantial \$5.5 billion Chinese purchase of a large equity in Standard Bank of South Africa contributed to the increase in 2007.²⁸ The increased FDI flows continued in the first quarter of 2008, reaching \$88 billion during the fall in commodity prices, which did not feed through until later in the year. FDI is skewed toward Africa's extractives sector, and it has failed to diversify and offer prospects for more balanced and locally driven economic development. The biggest attractors of FDI were mineral-, oil-, and gas-rich states in North Africa. There were also significant flows each of more than US\$1 billion into Nigeria, Angola, South Africa, Congo, Ghana, Guinea, and Madagascar during 2007–2008. FDI was fueled in West Africa as well by development of new Nigerian oil projects and upgrading mining operations in Burkina Faso and Mali.

There are two salutary points to note here. The first is the very uneven flow of FDI to African states; the top ten recipients received more than 80% of inflows in 2008, and the greatest share went to Egypt, Angola, Nigeria, and South Africa. A large amount of these inflows resulted from cross-border mergers and acquisitions by European and Asian TNCs in the mining and extractives sector. The second is that despite the optimistic spin on the figures that Africa has indeed attracted a greater volume of FDI since 2000, the continent's share of global FDI remains derisory at 5.2% in 2008, up from 3.5% in 2007.²⁹ The enthusiasm shared by donors and TNCs as well as African leaders that higher commodity prices will lead to improved development has not translated into sustained growth for African raw material producers. Indeed, the higher prices for metals after 2002 has merely served to add an additional veneer to the claim that there is a "common interest," to use former British prime minister Tony Blair's adage, that companies, consumers, and producers can all benefit equally from increased trade in Africa's raw materials.

The record in Africa indicates repeated unfulfilled optimism. African states have been unable to determine prices paid by companies

in their country for raw materials or to shape world markets—they have been price takers. They have also had little influence over finished product markets, in which resources are converted into much higher value commodities for sale. Yet the high rates of economic growth in African producer states between 2003 and 2005—6% in the DRC for instance—implied confirmation of optimism that African growth was “taking off” because of record resource prices. Nonetheless, the issue of pricing needs to be put into context. In real terms, commodity prices at the turn of the millennium were just 30% of their value in 1845.³⁰ Although the dollar-priced index since October 2001 rose 76% (then fell again, then rose again), it remains unclear if continued Chinese and Indian demand for resources will promote a sustained increase in metals prices or if the historical downward trend will continue.

The issue of course is not only that the volatility of commodity prices makes it extremely difficult for African states to manage their income and expenditure. It also means that when there are spikes in prices, “windfall income” is difficult to administer. African states have no control over international commodity prices. And they have to deal with the administratively difficult sudden influx of foreign exchange when state capacity has been destroyed by decades of externally driven structural adjustment. The historical record is again important here, as it indicates that African states have been unable to diversify from a high dependence upon a small number of resources for export earnings. As the ECA and AU noted recently, even the continent’s “top performing economies are characterised by extremely limited diversification in terms of manufactured outputs and exports and lack the requirements for sustaining growth.”³¹ This has been a persistent feature of African resource economies, and table 9.1 confirms the contemporary dependency.³²

Resource dependence in Africa has failed to generate sustainable and uninterrupted revenue flows at levels that are predictable. And resource dependence has not provided employment and infrastructure that can help build nationally integrated markets to meet local need rather than the demands of TNCs and their global markets.

These failures are often explained with reference to the concept of a “resource curse.”³³ This is characterized by three broad and interconnected processes but, as Larmer argues in this volume with regard to Zambia, should not be seen as the inevitable outcome of resource availability. The first feature of the resource curse is the long-term fall in terms of trade. The second relates to the possible economic

Table 9.1 Level of dependence of 20 African countries on mineral revenue/exports as percentage of total revenue/merchandise export (2006)

<i>S/N</i>	<i>Country</i>	<i>Agriculture</i>	<i>Manufacturing</i>	<i>Petroleum/Gas</i>	<i>Other Mineral</i>	<i>Total Mineral Export</i>	<i>Total Value (Million US\$)</i>
1	Angola	0.1	0.4	97.5	1.8	99.3	30,678
2	Nigeria	3.3	0.8	95.0	0.3	95.3	46,896
3	Equatorial Guinea	1.4	3.7	94.5	0.0	94.5	3,375
4	Congo	3.4	0.6	90.3	4.2	94.5	8,135
5	Sierra Leone*		0.0	0.0	92.0	92.0	172
6	Libya	0.1	3.9	90.6	0.5	91.1	30,763
7	Sudan	7.8	1.2	87.5	3.1	90.6	5,479
8	Botswana	2.9	6.9	0.1	89.8	89.9	4,506
9	Gabon	7.5	3.7	85.6	3.1	88.7	6,015
10	Dem. Rep. of Congo	10.4	2.8	12.6	73.0	85.6	2,319
11	Guinea	11.3	3.2	5.5	78.0	83.5	976
12	Zambia	8.8	9.1	0.6	81.5	82.1	3,770
13	Mali	22.5	2.5	0.6	74.2	74.8	1,526

14	Mauritania	28.3	0.0	0.0	64.7	64.7	1,216
15	Burundi	46.2	2.9	0.0	50.8	50.8	120
16	South Africa	9.4	47.5	9.5	33.6	43.1	53,170
17	Ghana	44.7	20.6	0.4	34.1	34.5	3,614
18	Burkina Faso	89.5	7.1	0.1	1.4	1.5	483
19	Guinea Bissau	81.7	17.0	0.5	0.6	1.1	84
20	Malawi	85.8	13.9	0.1	0.1	0.2	668

Source: UNCTAD, *Handbook of Statistics* (New York and Geneva: United Nations, 2008), 122–132;

* J. G. Coakley, “The Mineral Industry of Sierra Leone,” in *U.S. Geological Survey Minerals Yearbook 2004*, Vol. 3, Area Reports International—Africa and the Middle East (2004), 34.1–34.5

consequences of a sudden increase in the prices of Africa's resources.³⁴ Between 2000 and 2004, for instance, the continent's terms of trade increased by 30%. In November 2001 Zambia's government had managed a 15-year low for the price of copper of less than \$0.60 a pound, in 2002 the price was \$1,500 a tonne, and by 2006 it was an unprecedented \$7,700 a tonne. This dramatic increase in the price of copper contributed to improved economic growth, but it also arguably led to "Dutch disease" (see Adam and Simpasa, this volume). One of the consequences of Dutch disease is that investment is often drawn away from non-resource sectors, and agriculture is often neglected. In many countries (though not to any significant degree in Zambia), the failure to invest in food production is also linked to the displacement of farmers by mine development. The first phase of Newmont's Ahafo gold mine in Ghana, begun in 2006, displaced more than 10,000 people (a number expected to rise to 20,000), and Gold Fields Ghana Limited has displaced at least 30,000 from its open-cast mine areas in the country's Wassai West region.³⁵

It is the third area of many of Africa's resource-dependent states that this chapter now focuses on, reinforcing the earlier argument that part of the continent's development difficulty is that decisions for local and national growth are not made independently by African governments but by TNCs, donors, and IFIs. Where politicians claim to be making independent decisions, but are themselves heavily dependent on controlling rents from resource flows controlled by foreign actors, they become principally accountable to those external interests, particularly as a result of their "power of non-decision," their ability to shape policy agendas and the questions that governments are seen to legitimately be able to ask by refusing to invest or offer aid. African sovereignty in this context is reduced to the ability of governments to "provide contractual legal authority that can legitimate the extractive work of transnational firms."³⁶

Although the resource curse literature points to some relevant explanations of the failures of mining to transform African developments, detailed case studies of particular African contexts suggest that reducing political economy to resource availability, rather than exploring the international and local class and social forces that shape the ways states negotiate development more generally, is not very helpful. Historical and economic case studies of resource-dependent countries, such as those presented in this book, suggest the need to offer an alternative explanation for the failures of mining-driven development.

One such alternative starts by seeking to understand why mining TNCs have so often been at the forefront of promoting “combined and uneven development” in Africa. This term refers to the simultaneous and systematic relationship between, on the one hand, growth and capital accumulation and, on the other, the impoverishment and underdevelopment of people and territory. This process does seem to take place strikingly commonly in relation to mining and to occur on a national and an international stage. It is not predetermined either along a path of modernization or of persistent dependency.³⁷ Combined and uneven development in Africa is shaped by what seems to be the *continuous* process of primitive accumulation, a term introduced by Karl Marx that refers to “the historical process of divorcing the producer from the means of production. It appears as primitive because it forms the pre-historic stage of capital and of the mode of production corresponding with it.”³⁸ Marx’s analysis of the growth of capitalism suggested that primitive accumulation would be the short-term and temporary forerunner to integrated industrial development. Yet Rosa Luxemburg and more recently David Harvey, among others, indicate that relations between imperialist states and former colonies, and the form that capitalism takes in developing countries, are shaped by persistent primitive accumulation.³⁹ In other words, after the best part of a century of operation, industrialized extractive activities in Africa have very rarely served as the forebear of a diversified national capitalist economy. Instead, the industry tends to grow by expanding spatially and, in each new location, drives

commodification and privatization of land and the forceful expulsion of peasant populations, conversion of various forms of property rights... into exclusive private property rights, suppression of rights to the commons; commodification of labour power and the suppression of alternative, indigenous, forms of production and consumption.⁴⁰

These processes are at the heart of resource extraction and the activities of mining companies in Africa. Mining companies promote a plunder of resources underpinned by limited formal employment and coercive labor regimes in areas close to mines. In many respects, this is similar to the impact of European colonial merchants in Africa’s past. Yet the contemporary companies operate modern technology and have vast amounts of financial resources compared with their host governments. And they are conduits for commodification and dispossession.

A key feature of Africa's mining economies is thus the enclave economy. There are seven important elements to the enclave economy, which is reproduced and constantly reconstructed by TNCs through the processes of primitive accumulation and resource extraction.⁴¹

The first two elements of the enclave are that it is created by foreign capital and it is characterized by capital-intensive production in a context normally of labor surplus. Villages and communities that border areas of mines and lose land and livelihoods to mining invariably report that employment promises are not met.⁴² The third feature of the enclave is that it is organized for large-scale production and the TNCs are monopolistic or oligopolistic actors. This has two consequences. First the scale of operations is intimidating. They are intimidating for local inhabitants as open-cast mining destroys and transforms everything in the area. The environmental destruction is enormous and seldom factored into the costs of production or the non-renewal element of national accounting. The second consequence of the scale of mining operations is that, as oligopolies, mining companies are often able to intervene politically. This can take place at the national level to determine minerals policy through lobbying, often directly to Presidents and Prime Ministers, and government bureaucrats. Locally, mining companies can intervene by bribing or threatening chiefs to ensure local compliance with mining operations, and if this support is not given, companies can withhold even the few job opportunities that may be offered to local youth.⁴³ The enclave thus generates two types of violence: one is political, as mining TNCs circumvent local decision makers, councils, or authorities and apply for licenses, permissions, and exploration directly with national politicians, skirting meaningful and detailed consultation with those affected in the vicinity of mine development. The other type of violence is directly coercive, as mines and the developments around them are cordoned off from local access, policed by corporate forces of "law and disorder," and fail to deliver on promises used to gain public permission at the time of mine startup.⁴⁴ Mususa in this volume discusses the dangers that face artisanal miners seeking to scrape a living on the edge of the formal mining economy. In Ghana's Wassa West district, it is common for dispossessed communities to be relocated and then abjected—dumped without local employment, sandwiched between mine concessions and forest reserves, and denied access to either—to make way for open-cast gold mines.⁴⁵

The fourth distinguishing element of the enclave is the dominant role played by expatriate labor in senior management jobs. Although

there are illustrations of host-country citizens in executive positions, in Goldfields Ghana Limited and Ashanti Goldfields in Ghana and Mali, for example, they seldom inhabit the most senior managerial roles. They are in any case accountable to their head office, in this case in South Africa rather than in Accra. The limited use of local personnel extends to mining support services (entrepreneurial opportunities for local investors and actors) in the supply and management positions, for example, that are filled by expatriate personnel. It is tempting to argue that the state in Africa is complicit in the development of the enclave. But we have already begun to trace the external intervention, the power of international capital and its advocates in the IFIs that constrain African responses and opportunity to contest the ways in which FDI bounces into particular country locations, failing to generalize growth or extend links with sectors beyond mining. There is, moreover, an incentive for states to facilitate enclave investment as the ideological power of resource extraction remains hegemonic. The enclave is thus promoted by offering tax holidays, generous tariff reductions on expatriate imports like food, building equipment, and luxury items. Rather than the enclave being a vehicle to expand and connect value created by extractive industries, it reproduces underdevelopment, sustaining and deepening mechanisms for the extraction of wealth and its removal from the site of production. In gold mining in Ghana, for example, and also in the stripping of cobalt and other precious metals from the DRC, airstrips facilitate the removal of resources immediately after they are mined.

The two remaining features of the enclave confirm the essential externalization of mineral economies. Mining enclaves have been driven historically by an outward orientation—the satisfaction of external markets and interests rather than the delivery of local need met by an internal logic of domestic capital accumulation. Mineral development has seldom been centered on promoting the expansion of home markets, the building of domestic savings and investment, and the creation of a strong, independent, and vibrant local bourgeoisie. The persistent purpose of mineral development and expansion has been to meet international fluctuating demands for resources. Thus the final element of enclavity is the way in which the enclave is connected with international markets. This linkage is structured by imperialism, as Olukoshi has noted:

Transactions between the enclave and the rest of the world were structured as that of the periphery to the centre, with very few backward

connections to the rest of the economy. So the technological intensity was not refracted, in an organic manner, with what was going on in the informal economy.⁴⁶

And the dynamics of imperialism, promoted by TNCs in the political and economic internationalization of capital, continue to structure the relations between mineral economies and the international economy. One element of this and consequence of extractive industries is the reproduction of ways in which communities bordering mines are abjected. Ferguson has summarized this term to mean the ways in which people are “thrown aside, expelled, or discarded” and also “thrown down, debased and humiliated.” He described this process in the conclusion of his work of urban life in Zambia’s Copperbelt. Abjection for him was a term best able to capture the consequence of the ways in which modernity failed to deliver the promise of “moving forward or joining up with the world.”⁴⁷ Mines become insulated from neighboring communities by barriers and fences. As Ferguson has more recently noted, economic investment in Africa has been concentrated in “secured enclaves.”⁴⁸ No doubt the quintessentially safest venture for extractive TNCs is investment in offshore oil installations secure from local resistance, but we know that even oil rigs off Nigeria’s Atlantic coast are not immune from attack by the disaffected.

Enclave (under)development is a central feature of Africa’s existing extractives sector. The enormous scale of Zambia’s Copperbelt with cities like Kitwe, with more than 550,000 people and 100,000 workers during copper boom years, is not the norm in Africa’s mineral-producing areas. And there may be many specific reasons why a crude enclave model may not apply to Zambia. These include the influence of a Southern African development model, a history of radical worker opposition and relative strength of independent governments, and the geographical location of copper. In contrast, Tarkwa in Ghana’s major mining area of Wassa West has a population of only 40,000 people. It is poor and impoverished, and so are the majority of its inhabitants. Only in 2007, after a century of gold mining and when TNCs could no longer navigate the potholed arterial road that runs through the town, did the mining companies contribute to rebuilding the road. Forest roads linking sections of the huge open-cast gold mines are destroyed during the rains and dusty and hazardous at other times of the year. In Obuasi, where Anglo Gold Ashanti boasted that “Obuasi is the mine and the mine is Obuasi,” 120,000 residents exist in harsh,

polluted conditions that suggest time has stood still, when of course it has not.

The persistence of mining enclaves confirms a view that it is unhelpful and obfuscating to talk about the *flows* of foreign capital to Africa. The language of flows implies an evenness of spread and a smoothness of coverage. The realities are very different. As Ferguson has noted, “Capital is *globe hopping*, not *globe-covering*.”⁴⁹ The gaps left between the destination of capital, between Ghana’s gold mines in Damang or Aboisso or Mali’s in Yatela and Sadiola are intentional, not accidents of capital flows being diverted or blocked by poor policy frameworks of governance. Investment is directed by the TNCs to areas of greatest perceived and actual financial return. An added dimension of this capital hopping is thus that it serves to discipline and control local populations, suggesting that across Africa, even within individual countries and companies, those workers, citizens, and polities most willing to subject themselves to all of the demands of outside investors will find favor.

Control and Regulation

If TNCs are the drivers of FDI, they have received support in the policing of international capitalism from the World Bank. The policing role protecting the security of investors runs alongside and is partly structured by the World Bank’s continuous pressure and support for political reform of governance in African states. IFI policy with regard to the extractives sector in Africa directly seeks to enhance parallel corporate strategies to maximize profits.⁵⁰

The most significant unifying theme of commentary on Africa’s mining sector has been the IFI- and TNC-led chorus for the need to integrate the continent more aggressively into the world economy.⁵¹ Underpinning this view is the neoliberal preoccupation with trade as the driver for growth, and with this too is a modernization view of development: the path to growth is unilinear and will be accomplished by “unlocking” the continent’s comparative advantage and potential by “capturing” the value of its resources. Yet we know that the ways in which value is determined and how it is captured has continually left African states at a disadvantage in their dealing with TNCs. Mindful of both its historic failures in Africa and the policy of integrating Africa into the world economy through trade and FDI, the World Bank’s mission for its oil, gas, and mining division is presented in the language of local benefit. The World Bank asserted,

“Our objective is to facilitate the extractive industries’ contribution to poverty alleviation and economic growth through the promotion of good governance and sustainable development.”⁵² After a generation of reforms under the heading of structural adjustment lending from the early 1980s, which destroyed African state capacity, the Bank’s approach has undergone significant changes. The strategy the World Bank now employs to meet its aims in the extractives sector of both reducing poverty and generating economic growth is to promote the reform of governance in African states. In particular, rather than simply cutting back the state, it has sought to increase the administrative efficiency of the state, to streamline decision making, and to increase capacity and transparency.

In the field of mining policy, the contemporary World Bank focus is the culmination of “three generations of African mining codes.”⁵³ The first generation of these codes in the 1980s was noted for the promotion of state withdrawal. The African state was accused by the newly entrenched Washington Consensus as either being inefficient or corrupt—a case exemplified for the World Bank by Ghana’s reforms in the 1980s. By the mid-1990s, when Zambia’s privatization process was planned, however, the IFIs recognized a degree of limited regulation of the mining sector as important, notably in areas of environmental protection. The preference was still for the capacity to regulate to be provided by the private sector itself rather than a return to state control—in this case, Guinea has been cited as an example of the need for limited regulation. By the end of the 1990s, however, the World Bank increasingly recognized that states were important to both facilitate investment and provide extended regulation; perhaps Mali, Madagascar, Tanzania, and Ghana can be included as relevant examples in this regard.⁵⁴ As Haglund (this volume) notes, the disastrous stripping back of Zambia’s regulatory regime has latterly provoked a limited return of bilateral donors to concerns with effective taxation and environmental regulation (though labor and mines’ safety are still largely unregulated). The evolving position of the World Bank, to recognize the importance of limited state regulation and control of African mining, should not be taken to mean that Africa’s public sector was given approval for redevelopment.⁵⁵ The World Bank only sanctioned state intervention that helped secure FDI and the sanctity of private property. As the debt crisis in the 1980s destroyed opportunities for national strategies of accumulation, the World Bank provided a key document intended to guide accumulation in Africa’s mining sectors.⁵⁶ Its *Strategy for African Mining* affirmed

the historical significance of private capital to develop the mining sector. The *Strategy* noted early in its report that its “main finding”

is that the recovery of the mining sector in Africa will require a shift in government objectives towards a primary objective of maximizing tax revenues over the long term, rather than pursuing other economic or political objectives such as control of resources or enhancement of employment. This objective will be best achieved by a new policy emphasis whereby governments focus on industry regulation and promotion and private companies take the lead in operating, managing and owning.⁵⁷

The World Bank called for “enlightened partnership” between African states and mining companies, and it stressed, perhaps somewhat self-consciously, that its proposed strategy “should not be interpreted as turning the clock back to the era when host governments were dependent on the patronage of powerful, foreign companies.” Instead, the World Bank stressed the need for the sharing of “common objectives of seeing mineral resources identified and developed in an orderly, cost efficient, environmentally sound manner to the benefit of both parties.”⁵⁸

African mining difficulties in the 1980s were, for the World Bank, the result of nationalist misconceptions that tried to regulate and control TNCs. Instead, the World Bank has stressed since its influential 1992 report, in a follow-up document in 1998 for example, that the key to Africa’s development is for the continent to benefit from risk capital provided by the TNCs.⁵⁹ In return for investment in costly and high-risk mining ventures, African states needed to “change the rules of the game” by providing security for investors. The World Bank provided a revised regulatory framework—or mining code—, necessary to ensure “long term security of tenure” and a stable investment climate. The World Bank also called for stable macroeconomic and fiscal policy to ensure free trade, free movement of goods and services, profit repatriation, and stable exchange rates. The Bank argued for institutional reforms and especially privatization of public assets. They proposed forms of regulation of artisanal mining and labor relations that maximized employers freedom to hire and fire. Finally, the World Bank noted the need for improved environmental management, which many companies were able to promote better than states.⁶⁰

If mining TNCs are at the forefront of primitive accumulation in Africa, the context of international capitalism in which this has been taking place is structured and policed by the World Bank. Even though

the total World Bank Group's funding for the sector—including the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the International Development Agency (IDA)—may represent only around 5% of total annual investment in extractives, the World Bank's influence is considerable.⁶¹ Yet the organization has been dogged in its refusal to moderate or reform its uncritical support for mining TNCs. This is particularly indicated in the way in which the World Bank responded to the *Extractive Industries Review*.⁶² World Bank President James Wolfensohn introduced the review in 2001, and the report recommendations in 2003 were targeted at trying to ensure future extractive industry investment would have a greater impact on helping the poor, especially in areas close to mining activities, such that it would protect human rights and the environment and increase the transparency of payments made between companies and governments.⁶³

The recommendations were extensive, but the World Bank has offered a series of responses, silences, and complete rejections of the *Review's* key recommendations, and they have been dealt with in detail by a number of authors.⁶⁴ Bonnie Campbell has noted how recommendations regarding the importance of consultation and the cessation of investment in conflict zones were rejected. She has highlighted how

priority [was] given to the mandate of the IFC and its role of promoting investment in the extractive sector according to the short-term logic of return to capital invested, as opposed to the developmental concerns which the mandate for the World Bank confers on this institution.⁶⁵

The influence of the World Bank Group in Africa in general and in the extractives sector in particular goes beyond the level of direct financial investment. The World Bank has its reputation invested in its reform programs in Africa, and it is in Africa that it has received the most intense criticism for its interventions. The World Bank and its partners the IFC and IDA deliver a range of administrative and technical support services in the extractives sector. This is done in the context of persistent interference designed to shape the ways in which the African state can “legitimately” intervene in national economic planning and regulate international companies.⁶⁶ In short, the World Bank establishes orthodoxy in the extractives sector with which it is very difficult for African states to disagree. Recent case-study analysis of World Bank intervention in Guinea, Mali, Madagascar, and

the DRC has highlighted how the World Bank has shaped regulatory frameworks that determine how mining projects are “designed, implemented and monitored.”⁶⁷ In short, the mining projects linked to FDI and TNCs became the singular most important feature of “development” for the countries concerned. Mining was to drive poverty reduction and result from governance reform. In promoting this strategy, the World Bank has modeled Africa on Western norms of progress and efficiency, despite little evidence for sustained and generalized growth.

Mining and Development: Still Only a Vision?

My argument has been that the most visible opportunity for an alternative to the mining mayhem this book has explored is local community and small-scale resistance and opposition to TNCs and African governments. Yet confronted with the orthodoxy of the TNCs and the World Bank, the African Union initiated in October 2008 a major and significant initiative entitled “Africa Mining Vision 2050.”⁶⁸ This initiative engages with the need for a *collective* African response to the mining TNCs. At the heart of the initiative is a serious critique of the accumulated history of resource extraction on the continent. But as we will see, despite the critique (or maybe because of it), many shortcomings remain especially with regard to how an ambitious donor shopping list can be translated into sustainable and independent African mining development.

The background to the “Vision” document was the establishment in 2001 of the New Partnership for Africa’s Development (NEPAD), which, among other things, recognized “Africa’s globally strong position as a source of natural resources and its mineral deposits as a significant component of this wealth.”⁶⁹ NEPAD called for intergovernmental partnerships of states in Africa with mining sectors to promote economic development. The responsibility to develop mining for development was given to the African Mining Partnership (AMP), founded in February 2004. The AMP proposed establishing a broad African consensus to interrogate the paradox of resource endowment and continued poverty. The objective was to establish

an equitable, balanced and mutually beneficial order through mining within the Continent; to increase inter-state economic relations and to create an enabling environment to promote AMP programmes. Specifically the good practice which AMP wanted the Continent to

share involved four broad areas of policy—mineral regulation; social issues; environmental management and member state co-operation.⁷⁰

The United Nations Economic Commission for Africa (UNECA) adopted and drove the AU initiative. UNECA chose the issue of managing Africa's resources as the theme for the 2007 Big Table discussion—specifically how African states collectively could advance “the challenges of effectively managing Africa's natural resources for growth and poverty reduction.”⁷¹ The Big Table of ministers and officials from 11 mineral-rich African countries and representatives of the AU established an international study group (ISG) of experts and officials to contribute to a strategic policy framework, one that could build on the document accepted by African ministers in February 2009, namely a mining vision for Africa.

The African Union's “Vision” aims to promote the “equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development.”⁷² On the surface there seems to be little difference between this rhetoric and the policy announcements of the World Bank or mining TNCs. This is especially noticeable as the AU stressed the importance of governance in the management of resources and the significance of investment and mutuality of interests between stakeholders in Africa's extractives sector. Harnessing natural resources and endowments are seen as key to Africa's development, again not unlike IFI and corporate mantras, and the “Vision” notes just how much more work needs to be done at the basic level of systematic geological mapping, which is inadequate in Africa but which might yield “a much greater resource base.”⁷³

There are nevertheless important departures that the AU “Vision” and subsequent ISG reports advance, which begin to frame a potential alternative to the mainstream account that I have argued still dominates the extractives sector. This alternative, however, is ultimately not bold enough and remains dependent upon the IFIs and TNCs that have interests at odds with the majority of those in Africa.

One of the most important departures of the AU analysis is a sense of historical (under)development of the continent's resources. Reference to the important but much maligned Organization of African Unity (OAU) document, the 1980 Lagos Plan of Action, provides a crucial temporal grid on which to assess the depressing history of the extractives sector on the continent.⁷⁴ The AU noted where there have historically been attempts to harness resources for development

but the plans were often “grandiose” and too ambitious, like the iron and steel mill in Ajaokuta in Nigeria. And strategies have been too confined to a “mining box” mentality—capital intensive, overdependent upon foreign inputs, and “inefficient and unsustainable.”

Crucially, and linked to the increased recognition that mining investment fails to be generalized away from the sites of mine production, the AU stressed the importance of Africa overcoming “its severe infrastructure constraints.” Africa must avoid “‘enclave’ resources development of the past, [because] Africa needs to ensure that the numerous resource and resources-based economic linkages are realised locally.”⁷⁵ The AU “Vision” noted a number of other key areas of development to transform the historical pattern of resource extraction that has failed to deliver sustainability or poverty reduction. These areas included human resource development; improved road and rail links; better beneficiation and value addition for manufacturing growth; the establishment of an industrial base with better backward and forward linkages and a range of improved links with the private sector for public-private partnerships; better R&D; and the creation of enabling markets for capital and commodities.⁷⁶

This is an impressive strategy shopping list and, like much of the radical import substitution-industrialisation ISI debate of the 1960s and 1970s, would depend in the formative period upon *increased* dependence upon the sources of finance and knowledge that the AU declares it wants to move away from—namely FDI and IFI intervention. There are nevertheless two overriding themes that are central to the optimism of the AU “Vision” and ISG documents within which there may be hope of reducing external dependence. These relate to prospects for an African industrial strategy and improvement in state capacity to negotiate with TNCs.

The “Vision” document referred to the “first step” in moving away from the historical past of resource dependence by the development of an African Spatial Development Programme. This is a program to bring African states together, to realize the potential of the continent’s resources, and to do so as a continent-wide endeavor. This is effectively to promote a resource-based African industrialization and development strategy (RAIDS) to utilize African resource endowment and promote growth in linked sectors.⁷⁷ The intention would be to enhance local linkages, up and downstream, and to promote skills within different resource clusters. The aim is to move the continent away from solely a comparative advantage (export of raw materials for high-value addition elsewhere) toward a competitive advantage

that can become independent of resource endowments. Thirteen resource-based corridors across the continent, including Sekondi-Ouagadougou in West Africa and northern Mombassa in the east, have been identified, alongside and adjacent to which opportunity is identified for broader industrial and manufacturing as well as resource beneficiation. There is also the recognition of building on Southern Africa's infrastructure and to do so through improved and sustainable revenue streams that accompany increased commodity prices.

The second important area the "Vision" indicated as necessary for Africa to benefit from its mining sector is to "improve the capacity of African states to negotiate with the resource TNCs on the resource exploitation regime."⁷⁸ The AU understands that there is an asymmetrical relationship between African states and TNCs and that the ability of African governments to establish contracts in its favor is usually problematic. The AU favors clearer safeguards at the outset of exploration that need to include equitable share of resource rents, development of local resource suppliers, local processing industries, and development of human resources and technological capacity.⁷⁹

The African Union "Vision" is compelling and assembles elements for a most important policy transformation that has the potential to reverse centuries of resource exploitation. Yet the most central ingredient to convert analytical elegance and defiance into structural reform is missing. This is a mechanism to ensure the pivotal role of African people themselves in providing the guidance and imperative of reform. To be sustainable, reform must be driven by communities and miners, including small-scale artisanal miners, rather than state and regional policy makers and bureaucrats. It is significant that the interim ISG report in 2009 identified the importance of participation to the reform process, but it has not spelled out or detailed the mechanisms for facilitating it. Participation thus seems to be limited to government reform of mining codes and mining acts. Better models exist; for example, the 2007 Nigerian Minerals and Mining Act specified the need for communities to be consulted by owners of mining rights. This is also spelled out in South Africa's 2004 Mineral and Petroleum Resources Development regulations. Similar requirements exist elsewhere in the continent, but seldom have they guaranteed community safeguards against dispossession, livelihoods security, and environmental or economic security.

Grassroots participation to promote and strengthen alternatives to the IFI and TNC extractives strategy is crucial to its delivery. The AU and its ISG have distinguished a strategy from the IFIs and TNCs by

ensuring that central to the extractives debate is a need to maximize *development* outcomes for African producers rather than profit margins for mining corporations. As the ISG second report noted,

Africa needs effective, pro-development tax regimes; catalyze infrastructure development through ingenious use of mineral rents; apply extractive practices that have minimum negative impact on the environment; and, adopt strategies that maximise critical upstream and downstream linkages with the national and regional economy.⁸⁰

The delivery of this comprehensive strategy to link resource extraction with African development will only be successful if it is also linked to popular mobilization. That mobilization will threaten many African governments that build governance around spoils politics. However, it will be the only guarantee to ensure that dispossessed and abjected communities in mining enclaves can re-create livelihoods and ensure that they form part of a broader African strategy for growth with justice and equality.

Notes

1. I am grateful to Bonnie Campbell for comments on a draft of this chapter.
2. African Union, "African Mining Vision 2050," report of the African Union Conference of Ministers Responsible for Mineral Resources Development, first Ordinary Session (October 13–17, 2008), 7.
3. See, for instance, World Bank, *Strategy for African Mining* (Washington, DC: World Bank, 1992), and the responses to the important *Extractive Industries Review* available from World Bank Oil, Gas, and Mining home page, <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTOGMC/0,,contentMDK:20188239~menuPK:5257493~pagePK:210058~piPK:210062~theSitePK:336930,00.html>.
4. An excellent range of accounts tracing the emergence of neoliberalism can be found in Alfredo Saad-Filho and Deborah Johnston, eds., *Neoliberalism: A Critical Reader* (London: Pluto Press, 2005); for the ways in which neoliberalism establishes limits to growth in sub-Saharan Africa, see Giovanni Arrighi, "The African Crisis," *New Left Review* 15 (2002): 5–36.
5. In 2008–2009 China accounted for "40% of global demand for many metals": see David Humphreys, "What Is This China," *Mining Journal* (December 18–25, 2009): 14; see also Keith Spence, "China's Fresh Stance on Outbound Mining Investments," in *Mining Journal* (November 27, 2009): 23–25.
6. Chris Alden, *China in Africa* (London: Zed Books, 2007), and a special issue of *Review of African Political Economy* 35, no. 115 (2008).
7. See, for example, the interesting accounts and analysis of Venezuela by Julia Buxton available at <http://www.opendemocracy.net/author/julia-buxton>

- (accessed March 9, 2010) and Andrew Seele and Enrique Peruzzotti, eds., *Participatory Innovation and Representative Democracy in Latin America* (Washington, DC: Johns Hopkins University Press and Woodrow Wilson Center Press, 2009).
8. Among other publications, see World Bank, *Can Africa Claim the 21st Century?* (Washington, DC: World Bank, 2000); International Monetary Fund, "Regional Economic Outlook, Sub Saharan Africa," Washington, DC: IMF (April 2009).
 9. An interesting illustration of this is the way resistance to food price rises in 2008 spread across African and elsewhere. See Ray Bush, "Food Riots: Poverty, Power and Protest," *Journal of Agrarian Change* 10, no. 1 (2010): 119–129.
 10. Chris Allen, "Understanding African Politics," *Review of African Political Economy* 22, no. 65 (1995): 301–320; Chris Allen, "Warfare, Endemic Violence and State Collapse in Africa," *Review of African Political Economy* 26, 73: 367–384; and for characterizations in which resources fuel conflict but also the error of making simple causations between resource availability and war, see David Keen, *Complex Emergencies* (Cambridge: Polity Press, 2008).
 11. The five were Rio Tinto Plc, Xstrata PLC, BHP Billiton Group, Anglo American, and Alcoa (listed as a metals and metal products company), ranked 40th, 42nd, 60th, 56th, and 82nd respectively. UNCTAD, "World Investment Report 2009: Transnational Corporations, Agricultural Production and Development," New York and Geneva: UN (2009), 228–230.
 12. Interim International Study Group Report for African Union, "Africa Mining," unpublished mimeo (2008).
 13. UNCTAD, "World Investment Report 2007: Transnational Corporations, Extractive Industries and Development," New York and Geneva: UN (2007), 82.
 14. PricewaterhouseCoopers, *Metals and Mining: Review of Global Trends in the Mining Industry: Mine. Riding the Wave 3 and 5* (2007).
 15. *Ibid.*
 16. *Ibid.*
 17. *Ibid.*, 23.
 18. PricewaterhouseCoopers, "Mining Deals, 2008 Annual Review," London: PricewaterhouseCoopers (2008), 5. Available at www.pwc.com/miningdeals.
 19. Israel's involvement in Africa in general and especially its precious minerals sector needs careful and detailed exposure. Space does not allow it to be done here, but a sense of the scale of involvement can be gained from <http://www.africa-confidential.com/article-preview/id/3270/No-Title>; <http://mining.einnews.com/israel/> and <http://www.allbusiness.com/banking-finance/financial-markets-investing/8087736-1.html>.
 20. "Year in Review," *Mining Journal*, December 18–25, 2009: 10. In December 2009, gold reached US\$1,200 an ounce.
 21. <http://www.african-minerals.com/Doc/pdf/RNSDocuments/Tonkoliliresourceanncmt-fullversion.pdf> (accessed February 28, 2010). It is noteworthy that world crude steel production increased by just 1% between

- 1990 and 2000, but by 6.8% from 2000 to 2007, most of which was due to industrial growth in China: International Study Group Report for African Union, "Africa Mining," unpublished mimeo (2009).
22. PricewaterhouseCoopers, "Mine: When the Going Gets Tough. Review of Global Trends in the Mining Industry 2009," London: Price water house Coopers (2009), 32.
 23. Ibid.
 24. Ibid.
 25. Ibid., 13.
 26. Among others, see Kathryn McPhail, "How Oil, Gas and Mining Projects Can Contribute to Development," *Finance and Development* 37, no. 4 (2000): 45–46; Department for International Development (DfID-UK) *Eliminating World Poverty: Making Governance Work for the Poor* (London: HMSO, 2006); and World Bank, *Strategy for African Mining*.
 27. Quoted in Mary Kimani, "Mining to Profit Africa's People," *Africa Renewal* 23, no. 1 (2009): 4.
 28. Economic Commission for Africa and African Union, "Economic Report on Africa 2009," Addis Ababa, Ethiopia: ECA and African Union (2009), 106.
 29. UNCTAD, *World Investment Report 2009*, 42.
 30. *The Big Picture*, "The Economist ReWeights its Commodity Price Index," February 14, 2005; <http://www.bigpicture.typepad>.
 31. Economic Commission for Africa and African Union, "Economic Report on Africa 2008," Addis Ababa, Ethiopia: ECA and African Union (2008), 43.
 32. On aspects of the historical dependency see, *inter alia*, African Development Bank, "African Development Report 1997," New York: Oxford University Press (1997); Greg Lanning, *Africa Undermined* (Harmondsworth, UK: Penguin, 1979).
 33. On the orthodox view of the curse, see, for instance, Michael Ross, "The Political Economy of the Resource Curse," *World Politics* 51 (1999): 297–322; Richard M. Auty, *Sustaining Development in the Mineral Economies: The Resource Curse Thesis* (London: Routledge, 1993). An important critique is offered by Andrew Rosser, "The Political Economy of the Resource Curse: A Literature Survey," Institute of Development Studies Working Paper 268 (2006); and see Ray Bush, *Poverty and Neoliberalism: Persistence and Reproduction in the Global South* (London: Pluto Books, 2007), chapter 5.
 34. On managing windfalls in comparative perspective, see Terry Lynn Karl, *The Paradox of Plenty* (Berkeley: University of California Press, 2001).
 35. Among others, see the work of the Wassu West Association of Communities Affected by Mining (WACAM), press release, May 26, 2008, <http://www.wacamghana.com/index.php/>. WACAM has also produced a dossier compiled by Hannah Owusu-Koranteng, "Life is More Precious than Gold" (2008).
 36. James Ferguson, *Global Shadows: Africa in the Neo-Liberal World Order* (Durham, NC: Duke University Press, 2006), 207.
 37. There is an excellent articulation of this in Patrick Bond, *Looting Africa* (London: Zed Books, 2006), 11 and *passim*.

38. Karl Marx, *Capital, Volume 1* (Moscow: Progress Publishers, 1974), 668.
39. Rosa Luxemburg, *The Accumulation of Capital* (New York: Monthly Review Press, 1968 [1923]); David Harvey, "The 'New' Imperialism: Accumulation by Dispossession," in Leo Panitch and Colin Leys, eds., *The New Imperial Challenge: Socialist Register 2004*, 63–87 (London: Merlin, 2004).
40. Harvey, "The 'New' Imperialism," 74.
41. These seven points are made by Adebayo Olukoshi in a paper discussing the work of Guy Mhone. It is cited by Patrick Bond, "Primitive Accumulation, Enclivity, Rural Marginalisation and Articulation," *Review of African Political Economy* 34, no. 111 (2006): 1–9.
42. Ray Bush, "'Soon There Will Be No-one to Take the Corpses to the Morgue': Accumulation and Abjection in Ghana's Mining Communities," *Resources Policy* 34, nos. 1–2 (2009): 57–63.
43. This was explained to me by village youth as a regular occurrence in three different mining locations in Ghana's Wassa West district and Ashanti region. Fieldwork notes, Ghana, November 2006 and August 2007.
44. The scale and the persistent and systemic character of violence is extremely well documented in Ghana Commission for Human Rights and Administrative Justice (CHRAJ), "The State of Rights in Mining Communities in Ghana," Accra, Ghana: CHRAJ, 2008.
45. My fieldwork in Ghana's western region and Ashanti has confirmed this abjection and the process of entrapment that villagers feel has been constructed to make way for open-cast mines.
46. Adebayo Olukoshi cited in Bond, "Primitive Accumulation, Enclivity, Rural Marginalisation and Articulation," 31.
47. James Ferguson, *Expectations of Modernity: Myths and Meanings of Urban Life on the Zambian Copperbelt* (Berkeley: University of California Press, 1999), 236.
48. Ferguson, *Global Shadows*, 35.
49. Ferguson, *Global Shadows*, 38 (emphasis in original).
50. See the excellent collection and important arguments in Bonnie Campbell, ed., *Mining in Africa: Regulation and Development* (London: Pluto Books, 2009).
51. A recent fear (as noted in this volume) is the Western concern that China is gaining control of the world's resources; see, for example, Mbendi Newsletter, February 19, 2010, available at www.mbendi.com, accessed February 22, 2010.
52. <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTOGMC/0,,contentMDK:20188239~menuPK:5257493~pagePK:210058~piPK:210062~theSitePK:336930,00.html>, accessed February 22, 2010.
53. Bonnie Campbell, "Revisiting the Reform Process of African Mining Regimes," *Canadian Journal of Development Studies* 30, nos. 1–2 (2010): 197–218.
54. Bonnie Campbell, ed., *Regulating Mining in Africa: For Whose Benefit?* (Uppsala, Sweden: Nordiska Afrikainstitutet, 2004), 7–8. This volume also includes excellent case studies on Ghana by Akabzaa, Mali (Hatcher), and

- Tanzania (Butler). This debate is updated and extended in Campbell, *Mining in Africa*.
55. See, for example, Graham Harrison, *The World Bank and Africa: The Construction of Governance States* (London: Routledge, 2004).
 56. World Bank, *Strategy for African Mining*.
 57. *Ibid.*, x.
 58. *Ibid.*, 10.
 59. William T. Onorato, Peter Fox, and John E. Strongman, *Assistance for Minerals Sector Development and Reform in Member Countries* (Washington, DC: World Bank, 1998).
 60. For more detail on the report and the broader context of mining regimes that helps to locate it in the historical growth of regulation, see Campbell, "Revisiting the Reform Process."
 61. In 2009, IFC investments in oil, gas, and mining sector equaled US\$1.2 billion: see www.ifc.org/ifcext/annualreport.nsf, accessed February 1, 2010.
 62. *Extractive Industries Review* (2003) available together with the range of IBRD responses at [http://web.worldbank.org/WBSITE/EXTERNAL/ TOPICS/EXTOGMC/0,,contentMDK:20306686~menuPK:592071~pagePK:148956~piPK:216618~theSitePK:336930,00.html](http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTOGMC/0,,contentMDK:20306686~menuPK:592071~pagePK:148956~piPK:216618~theSitePK:336930,00.html), accessed February 23, 2010.
 63. See the excellent summary in "Extractive Industries Review Recommendations to the World Bank," <http://www.edf.org/article.cfm?ContentID=3667>, accessed February 24, 2010.
 64. See, in particular, Campbell, "Introduction," in *Mining in Africa*, 17. An example of the World Bank's response is Andrés Liebenthal, Roland Michelitsch, and Ethel Tarazoni, *Extractive Industries and Sustainable Development: An Evaluation of the World Bank Experience* (Washington, DC: World Bank, 2005), available at [http://www.ifc.org/ifcext/ieg.nsf/ AttachmentsByTitle/Extractive+Industries+and+Sustainable+Development/\\$FILE/Extractive_Industries_and_Sustainable_Development.pdf](http://www.ifc.org/ifcext/ieg.nsf/AttachmentsByTitle/Extractive+Industries+and+Sustainable+Development/$FILE/Extractive_Industries_and_Sustainable_Development.pdf), accessed February 23, 2010.
 65. Campbell, "Introduction," *Mining in Africa*, 17.
 66. *Ibid.*; Arrighi, "The African Crisis"; Harrison, *The World Bank and Africa*; and Graham Harrison, *Neoliberal Africa: The Impact of Global Social Engineering* (London: Zed Books, 2010).
 67. Campbell, "Conclusion: What Development Model? What Governance Agenda?," *Mining in Africa*, 244.
 68. African Union, "Africa Mining Vision 2050."
 69. African Union, "Brief Report on the Activities of the African Mining Partnership and Its Affiliation to the African Union: A NEPAD Initiative 2003–2008." Presented to the First African Union Conference of Ministers Responsible for Mineral Resources Development (September 8–12, 2008), Addis Ababa, Ethiopia, unpublished mimeo, 3.
 70. African Union, "Brief Report," 10–11.
 71. UNECA and African Development Bank, "The 2007 Big Table: Managing Africa's Natural Resources for Growth and Poverty Reduction," Addis Ababa, Ethiopia: UNECA & AfDB, February 1, 2007, unpublished mimeo, 1.

72. African Union, "Africa Mining Vision 2050," 4.
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75. African Union, "Africa Mining Vision 2050," 8.
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Index

- Accelerated Development in Sub-Saharan Africa* (World Bank), 159
- accidents, 96, 147
- accountability
- and African Mineworkers' Union (AMWU), 43
 - over mineral revenues, 53
 - and privatization process, 99
- administrative centers (*Boma*), 214
- "Africa Mining Vision 2050", 259–62
- African Mineworkers' Union (AMWU), 43
- African Mining Partnership (AMP), 259–60
- African Spatial Development Programme, 261
- African Union, 259–62
- agriculture, 51–2, 250
- aid, conditions of, 12, 64, 66, 109–10, 116n
- see also* international financial institutions (IFIs); International Monetary Fund (IMF); World Bank
- Anglo American Corporation, 4, 13, 66, 67, 88–9n
- Angolan civil war, 39
- arms dealers, 167–8
- Arusha Declaration, 1967, 130
- asset stripping, 164
- Australian ownership, 103–4
- Banda, Rupiah, 107–9, 122n, 173
- Bank of Zambia, 83
- Bates, Robert, 9–10, 159
- Bco Package, 163
- Beijing General Research Institute of Mining and Metallurgy (BGRIMM), 96, 120n, 147
- Bein Stein Group Resources (BSGR), 170–1
- Bemba (language), 134
- Beny Steinmetz Group, 170
- Binani Group, 164–5
- Bissell, Richard, 6, 8
- black market currency exchanges, 190
- Boma* (administrative center), 214
- booms
- commodity prices, 60–1, 69–82
 - consequences for savings and investment, 70–5
 - construction activity, 75
 - and demand for copper, 59
 - effect on regulatory regimes, 111–13
 - and exports, 82–5
 - growth of mining sector, 243–4
 - mineral prices, 70–1
 - and New Copperbelt, 13–17
 - participation in by Zambians, 15, 77, 99
 - and phases of privatization/state ownership, 86
 - public investment, 75–7
 - Solwezi District, 221–7
 - and tax regimes, 62
- Bout, Viktor, 167–8
- brewing, 200
- British Colonial Office, 4
- BSAC, 4
- budgets (government), 19–20, 21, 78, 79, 80–1
- see also* fiscal policies; monetary policy; tax regimes

- Burawoy, Michael, 45, 57
 business sector, 98–9, 222
- Campbell, Bonnie, 258
 capital accumulation, 241–2,
 251, 257–8
 capital allowances, 78, 108, 122n
 capital inflows, 68
 capital inputs, 67
 capital outflows, 74, 75
 capital, requirements to realize surplus
 value, 211
- Cashin, Paul, 59
 casualization of employment,
 14, 17, 130–3, 147
see also contracts of employment
- Central African Federation
 (CAF), 34
- Chamber of Mines (CoM),
 100, 110
- Chambishi Metals, 102, 103
 Chambishi Mine, 131, 137, 139–41,
 142–3, 147
- chiefs, 213–20
 authority of, 210, 212, 228
 and land rights, 227–8
 map of chieftaincies, 213
 and migrant workers, 216
 negotiations with Lumwana mine,
 223–4
 personal enrichment, 229, 233n
 political role, 217–20
 relationships with mining companies,
 252
- child workers, 186, 197
- Chiluba, Frederick, 11, 13, 46,
 47, 98
- China Nonferrous Metal Mining
 (Group) Co Ltd (CNMC), 102
- China, People's Republic of
 economic rise of, 132–3
 exploitation of Africa, 22
 historical ties with Zambia, 129
 investment patterns, 23–4, 105–6,
 140, 148–9
 outward investment policy, 131
- Chinese ownership, 127–50
 antipathy to, 22–3, 139, 147
 and casualization, 17, 128, 130–3
 effects of global financial crisis on
 investment, 149–50
 enclaves, 133–41
 exploitation of workers, 17–18, 147
 and increased prosperity,
 139, 140
 management comparisons Zambia
 and Tanzania, 145
 management-level employees, 133–5
 parent companies, 140–1
 procurement, 102
 and variations in regulatory practices,
 114–15
see also mine ownership
- Chipungu, Simon, 217
- Chizela, Chief, 229
- Chodiev group, 170
- CIM Global Investment N.V., 170–1
- civil society, 113, 228, 229
- clan system, 214–15
- cobalt, 70–1
- colonialism
 economic legacy, 6, 7, 251
 investment in development, 34
 and Luanshya mine, 160–2
 and tribal communities, 214, 228
- Commission of Inquiry into wage
 settlements, 45
- commodity prices
 boom periods, 60–1, 69–82
 and development, 245–6
 excuse for job cuts, 244
 and globalization, 242–3
 global oil crisis, 9
 management of volatility, 247
- communication problems, 103, 134–5
- communities, local
 and business sector, 222
 and Chinese ownership, 128, 140–1
 role in mineral exploitation,
 254, 262–3
see also development; localism
- community relations, 193–4
- competitiveness, 83
- conflict zones, 258
- Constituency Development Fund, 108
- Constitution (Zambian), 13, 218
- contracts of employment, 97, 115, 124n,
 131
- copper
 concentrates, 78
 effect of global market on demand,
 59–60
 extraction from waste, 70
 mines, *see* mines

- production 1908–2008, *xvii*
- production of value-added goods, 80
- see also* mineral resources; mineral revenues
- Copperbelt
 - early history, 3–5
 - period of independence, 5–10
 - see also* mining sector; New Copperbelt
- copper prices
 - 1991–2010, *xviii*
 - booms in, 14, 70–1, 166
 - declines in, 12, 21, 38–40, 63, 70
 - effect of oil crisis, 129
 - effect on industrial relations, 46, 49, 141
 - and management of supply, 40
 - and privatization process, 66
 - volatility, 1–2, 59
- copper wealth
 - management challenges, 59–62
 - management of the commodity boom, 69–82
 - management post independence, 62–5
 - see also* mineral revenues
- corporate income tax, 67, 78
- corporate social responsibility (CSR), 16, 140–1, 174, 225, 226, 229
- corruption, 12, 41, 51, 99, 163–4
- councillors, municipal, 219
- coup attempt, 47
- credit, 23, 102, 201
 - see also* global economic crisis, credit crunch
- Credit Organization of Zambia (COZ), 51
- Cunico Resources N.V., 170–1
- currency exchange, 41, 46, 190, 247
- currency exchange rates, 64, 83–4, 84–5, 257
- customs duties, 244

- Dallah Albaraka (bank), 163
- debt crisis, 9
- debt service payments, 64
- demand elasticity, 40
- demonstrations, 172–3
 - see also* industrial relations; strikes
- Denny, Spencer Reeve, 160–1
- development
 - contribution of mineral revenues, 99, 221–2, 243–4, 251, 259–63
 - contribution of mining taxes, 108
 - and international sources of finance, 261
 - lack of government control, 250
 - in non-mining areas, 60
 - and role of chiefs, 219
 - sustainability of, 53, 256, 261
- Development Agreements (DAs)
 - disputes, 79–80
 - and fiscal regime post-privatization, 93–5
 - and provision of social amenities, 165–6
 - and regulatory standards, 113
 - renegotiation, 77–8, 100
 - secrecy of, 16
 - stability clauses, 15, 68, 77
 - and tax regimes, 67–8
- dividend income, 67
- donor agencies, 22, 250
- donor aid, *see* aid
- drought (Tanzania 1997), 136
- Dutch disease, 60–1, 84, 250

- earnings
 - under Chinese ownership, 17, 131, 141
 - equal pay, 46
 - and expatriate workers, 44
 - income levels, 9
 - link to copper prices, 46, 49, 50
 - and migrant workers, 52
 - in relation to profits, 147–8
 - wage demands, 43–5
- earnings before interest, taxes, depreciation, and amortization (EBITDA), 243
- economic crisis, *see* global economic crisis
- economic management
 - and adjustments, 63–4
 - colonial model, 6
 - diversification, 52, 53
 - fluctuation minimization, 61–2
 - and international financial institutions (IFIs), 47, 63, 250, 258–9
 - liberalization, 64–5
 - and resource dependence, 85, 247
 - stabilization, 64–5
 - volatility of commodities, 247

- economy, domestic
 deregulation, 240
 and economic rents, 75, 77, 81, 262
 expenditure during slumps, 63
 fixed investment, 74, 75
 and global economy, 7–8
 government revenue 2001–2008, 76
 growth in early independence period, 35
 liberalization, 64–5, 165, 174–5, 239–40
 and mineral exploitation, 253–4
 net asset position, 74
 savings, 73–5
see also informal economy
- elections, 13, 18, 48, 64, 75–6, 219–20
- employment
 casualization, 128, 131
 conditions of, 15, 144
 contracts, 97, 115, 124n, 131
 expatriate, 131
 levels of, 6, 14, 104, 132, 149, 158, 244
 management-level, 40, 131
 and privatization, 111, 130–1
 recruitment systems, 224, 226
 social ethos of, 132
 socialist ethos of, 135
 technical employees, 131
 and urbanization, 51
see also labor force
- Employment Act, 97
- enclaves, 133–41, 252–5, 253–4
- energy supply network, 122n
- English (language), 134–5
- environment
 destruction of, 252
 liabilities, responsibility for, 67–8
 protection of, 256, 258, 263
 regulations, 95–7, 101–2, 256
- Environmental Council of Zambia (ECZ), 95–6, 103–4, 110, 112–13
- Environmental Impact Assessment legislation, 102
- Environmental Impact Assessments (EIA), 115, 225
- Environmental Protection and Pollution Control Act 1990 (EPPCA), 95–6
- Enya Holdings BV, 170–1
- equal pay, 46
- Equator Principles (EPs), 101, 111
- Equinox, 68, 224–5
- Eurasian Natural Resources Corporation (ENRC), 168
- exploration investment, 68, 70, 86, 246
- exports
 and domestic growth, 71, 247, 253
 levies, 78, 80
 non-mining sector, 82–5
 and redistribution of revenues, 6
 routes, 39, 60, 88n, 129
- Extractive Industries Review*, 258
- Extractive Industries Transparency Initiative (EITI), 95
- extractives sector, *see* mining sector
- Factories Inspectorate, 97
- Farmers, *see* agriculture
- Federation of Free Trade Unions of Zambia (FFTUZ), 12
- Ferguson, James, 10, 31, 192, 254
- First Quantum Minerals, Ltd (FQML), 102, 103, 113
- First Republic (1964–1972), 34–6
- fiscal policy, 62, 64, 84, 93–5, 108, 257
- flux stone, 186, 195, 207n
- food supplies, 46, 47, 51–2
- foreign direct investment (FDI), 242, 245–6
see also investment, international
- Fraser, Alastair, 157, 158, 162
- Free Economic Zone, 140
- free market
 and informal economy, 186, 187, 190–1, 192, 200–1
 model, 15, 157–8, 239
- Friedman, John, 219
- gang labor system, 199
- GDP, 6, 71, 72–3, 76, 81
- gender dynamics, 188, 192, 200, 203–4
- geography of mining areas, 60, 211
- geologists, 111
- geology of mining areas, 60, 62, 63, 137
- Ghana, 250
- global economic crisis
 credit crunch, 21, 105
 and foreign investment, 23–4, 149–50
 and government policy, 21, 42, 114
 and informal economy, 189
 and mining sector, 104–9, 243–4
- global economy
 recession, 38–9

- restrictions to Zambian participation, 7–8, 26, 63
- globalization
 - and international financial institutions (IFIs), 240
 - market effect on copper demand, 59–60
 - resources markets, 242–3
- gold mining, 244, 254–5
- governance, 240, 256–7, 258, 260
 - see also* corporate social responsibility (CSR)
- government policy
 - and global economic crisis, 114
 - interventionism, 98–9, 113, 114, 202
 - investment incentives, 107–8
 - redemption of bonds, 40, 56n
 - relationship with mining companies, 21–2, 38
 - restrictions enforced by international financial institutions (IFIs), 240–1
 - Rupiah Banda's reforms, 107–9
 - and sustainable development, 53
 - see also* economy, domestic; state
- Graham, David, 109
- Grain Marketing Board, 51–2
- harassment of workers, 197
- Harriss-White, Barbara, 109
- Harvey, David, 251
- health, 16
- health and safety regulations, 17, 95–7, 108–9
- Heartfield, James, 23
- Highly Indebted Poor Countries (HIPC), 12
- Hitchens, Peter, 22
- House of Chiefs, 218
- house ownership, 195–6
- human rights, 258
- illegality, *see* legality
- imperialism, 253–4
- import duties, 67
- income, *see* earnings
- industrial action, 49
 - see also* strikes
- Industrial and Labour Relations Act, 226
- Industrial Development Corporation (INDECO), 38
- industrial relations
 - and Chinese ownership, 141–8
 - conditions imposed by World Bank, 41
 - and introduction of unionization, 42–6
 - and Lumwana Copper Mine, 226–7, 235n
 - monitoring, 97
 - at nationalization, 38
 - variation in privatized companies, 102–3
- Industrial Relations Act, 97
- inflation, 64–5, 83
- informal economy, 185–204
 - case studies, 187–9, 199–202
 - emergence of, 190–1
 - exploitation, 194–6
 - legality of, 198–9
 - moral economy of, 191–4
 - self-sufficiency, 196–8, 201
- infrastructure, 60, 82, 85, 261, 263
- inheritance law, 196
- inputs, 41, 60, 67
- interest costs, 67
- Intergovernmental Conference of Copper Exporting Countries (CIPEC), 6–7, 39–40
- international borrowing, 39
- International Development Agency (IDA), 258
- International Finance Corporation (IFC), 258
- international financial institutions (IFIs)
 - and globalization, 240, 255–6
 - investment conditions, 238–9, 253
 - relationship with the state, 47, 174–5, 250
 - use of faulty data, 159–60
 - see also* International Monetary Fund (IMF); World Bank
- International Mineral Resources AG (IMR), 170–1
- International Monetary Fund (IMF)
 - and economic reforms, 64, 157–8
 - and privatization process, 66
 - relationship with the state, 47, 63
 - see also* international financial institutions (IFIs)

- International Study Group (ISG) report, 260, 263
- Investment Act, 15
- investment, international
 attracting, 35
 and booms, 61, 83, 86
 and conflict zones, 258
 distrust of, 198
 flows, 82, 242, 246, 255
 fluctuating interests, 24, 25
 and global economic crisis, 104–7
 for increased production, 68
 “option to wait”, 60
 and political culture, 18–19
- ISO 14000, 101–2
- Ispat International, 163
- Israel, 170–1, 264n
- J&W Investment, 169–70, 169–70, 172
- Jinchuan Group, 106
- jobs
 creation of, 149
 cuts in, 104, 132, 244
see also employment
- joint ventures, 38, 230
- Kalengwa mining site, 189, 199–202
- Kansanshi mine, 223
- Kaonde tribe, 210, 212, 221–2, 224
- Kaunda, Francis, 66, 88n, 99, 163
- Kaunda, Kenneth, 6, 9, 11, 45, 47, 51, 56n, 98
- Kazakhstan, 169–71
- Kienbaum Report, 162–5
- Kitwe, 254
- Konings, Piet, 216
- Konkola Copper Mines (KCM), 49, 88–9n, 102, 103, 174
- Konkola Deep mining division, 66
- Konkola Deep Mining Project (KDMP), 67
- labor force
 casualization, 97, 128
 expatriate, 252–3
 flexibility of employment, 60, 85, 128, 136
 local recruitment, 103, 210, 222, 224, 252
 skill levels, 60
 sub-contracting, 223
see also employment; mine workers
- labor laws, 97, 146, 226
- labor movement, 42–50
see also unions
- labor relations, *see* industrial relations
- Lamba people, 221
- Land Act, 227
- land rights, 221, 227–8, 252
- language barriers, 103, 134–5
- Larmer, Miles, 5, 164
- legality
 and informal economy, 17, 199, 201–2
 of mining companies’ operations, 17
 and privatization, 165
- legitimacy of mining development, 14–15
- liabilities, 15, 65–6, 67–8
- liberalization, 64–5, 83, 157–8, 165, 174–5
 resistance to, 239–40
- licenses, 229
- living standards, 8, 47, 136–7, 142, 193–4, 195, 221–2
- local government (District Councils), 46
- localism
 business development, 225
 and employment opportunities, 222
 resource development, 262–3
 resource suppliers, 102, 104
 Solwezi District, 221–2, 223–4
 and transnational companies (TNCs), 252
see also communities, local
- London Metal Exchange (LME), 6, 35
- Lonrho, 56n
- loss carry-forward provisions, 67, 77
- Luanshya/Baluba mining and metallurgical complex
 and J&W Investment, 169–70
 purchase by Eurasian Natural Resources Corporation (ENRC), 168–9
 sale to Binani Industries Limited, 163
- Luanshya Copper Mines (LCM)
 closure of, 13, 172
 and informal economy, 188–9
 organizational structures, 175–8
 ownership of, 17, 106–7, 169–71, 173
 working conditions, 106

- Luanshya mine
 asset stripping, 188
 closure of, 164–5
 history up to privatization, 160–2
- Luanshya (town), 187, 193–4
- Lumwana Copper Mine, 212, 222,
 223–7, 231, 232n, 235n
- Lumwana mine, 68, 103–4, 213
- Lumwana (town), 14
- Luxemburg, Rosa, 251
- macroeconomics, 62–5, 86
see also fiscal policy; monetary
 policy; tax regimes
- malaria, 16
- management-level employees, 103, 131,
 132, 252–3
- Mandarin, 134
- markets, domestic, 60, 247–50
- markets, international, 60, 105, 136,
 253–4
see also exports
- Marx, Karl, 251
- Matero Declaration (1969), 62
- Mayfair Mining and Minerals, 229
- mealie meal, 47
- Meebelo, Henry, 43
- metallurgists, 111
- metals industry, profitability of, 242–3
- migrant workers (from rural areas),
 50–1, 216–17, 220
- mine ownership
 deals (mergers, acquisitions,
 takeovers), 41, 243–4
 legitimacy of, 14
 obfuscation (Luanshya), 170–1
 and procurement policies, 102
 and regulatory standards, 102
 understanding of local cultures, 103
see also Chinese ownership; mining
 companies
- mineral resources
 exploitation of Africa, 238–45,
 253–4, 257
 exploitation under colonialism, 4
 international control of, 15, 41
 scale of production, 62
 and sustainable development, 251–5,
 259–63
- mineral revenues
 and democratic accountability, 53
 and development, 6, 37, 41, 221–2
- distribution of asset accumulation, 74
- economic management challenges,
 59–62
- lack of African influence on world
 markets, 247
- management post independence, 62–5
- managing the commodity boom,
 69–82
- national benefits of, 31–3, 34, 99
- and privatization, 65–9
- sustainability of, 247
- and wage levels, 43, 49, 50
- windfalls, 71–4
- mines
 economics relating to size, 211
- exclusion of local communities, 221,
 254
- geographical considerations,
 60, 211
- geological conditions, 60, 62, 63, 137
- Mines and Minerals Act (MMA) 1995,
 15, 95
- Mines Safety Department (MSD), 95–6,
 97, 111
- Mine Township Councils, 46
- mine workers
 conditions of employment,
 14, 15, 189
- earnings agreement, 143
- illegal mining, 174, 202
- living standards, 8, 47, 195
- migrants, 50–1, 52, 216–7, 220
- militancy, 49, 141–8
- and nationalist movement, 5, 43
- spending habits, 188
- work ethics, 135–6, 138–40
- Mineworkers' Union of Zambia (MUZ)
 and closure of Luanshya mine, 164
- leadership of, 45–6
- membership size, 49
- politics of, 18, 47
- and privatization, 12, 102
- mining, artisanal, 14, 202
- mining codes (regulation), 256–7
- mining companies
 closures, 164–5, 178n
- corporate power, 240
- corporate social responsibility (CSR),
 16, 174, 225, 226, 229
- ownership and production 2007, 94
- partnership approach, 15, 225
- political relationships, 35, 105, 252

- mining companies—*Continued*
 profitability, 141, 147–8, 242–3
 regulation, *see* regulation
 relationships with chiefs, 252
 tax burden, 245
 and unions, 44, 102
 Zambian managing directors, 40
see also mine ownership;
 transnational companies (TNCs)
- mining engineers, 111
- mining investment, *see* investment,
 international
- mining sector
 control by international investment,
 257
 and development, 5, 260–1
 and global economic crisis, 104–7,
 243–4
 government redemption of bonds, 40,
 56n
 growth during boom, 243–4
 long-term viability, 70
 nature of ownership, 64
 profitability, 32–3, 41, 49–50
 regulation, 93–100, 109–13
 scale of operations, 252
 support services, 253, 258
 taxation in relation to GDP, 81
 underinvestment in, 68
see also Copperbelt; New Copperbelt
- Ministry of Environment and Natural
 Resources, 95
- Ministry of Finance, 122n
- Ministry of Finance and National
 Planning, 41
- Ministry of Mines, 95, 111
- Mittal, Lakshmi, 168–9
- monetary policy, 62, 83–4
- Morck, Randall, 102
- Movement for Multi-Party Democracy
 (MMD)
 economic policy, 19–20, 64–5
 elections, 48
 and global banking crisis, 42
 legitimacy, 13
 and privatization, 10–12
- Movement for Multi-Party Democracy
 relationship with Binani Group,
 164–5
 rural base, 220
- MPs, 219
- Mukanga, Chola, 21
- Mukumbi, Chief, 228, 229
- multipart political system, 10–11, 47
- Mulyashi mine, 172
- Munali nickel mine, 106
- Mushili, Chief, 228, 229
- Mwanawasa, Levy, 13, 18, 19–20, 98,
 100, 147, 220
- Mwila, David, 45
- Mwinilunga, North-Western Province,
 106
- National Assembly Economic Affairs
 Committee, 41
- nationalism, 5, 34–6, 43, 218
- nationalized mining industry
 benefits of, 8
 control of, 36–8, 40–2, 62–5
 and industrial relations, 45–6
 provision of social amenities,
 129, 192
- National Registration Card (NRC) test,
 224
- National Union of Miners and Allied
 Workers (NUMAW), 102,
 146–7
- Native Authorities (NAs), 214, 217
- Nchanga Consolidated Copper Mines
 (NCCM), 40, 41
- Nchanga mining division, 66
- New Copperbelt, 13–17, 209
see also Copperbelt; mining sector
- New Economic Recovery Program
 (NERP), 64
- New International Economic Order
 (NIEO), 6–7
- New Partnership for Africa's
 Development (NEPAD), 259
- NFC Africa Mining Plc (NFCA)
 acquisition of Luanshya Copper
 Mines (LCM), 106–7, 173
 corporate social responsibility (CSR),
 113, 140–1
 and global economic crisis, 149–50
 industrial relations, 103, 104, 143
 procurement policies, 102
 regulatory standards, 102, 103
- NGOs (nongovernmental
 organizations), 113
- nickel mining, 106
- Northern Rhodesia, 4, 5, 34, 214
- Northern Territories (BSA) Exploration
 Company, 4

- oil crisis, 38, 129
- oligopolies, 252
- Olukoshi, Adebayo, 253–4
- one-party state, 9, 10
- operating costs, 105, 231
- “option to wait” investment, 60
- parastatals, 11, 130, 145, 162, 173
- parliament, 19, 98
 - see also* government; state
- partnership approach, 15, 109–13, 114, 225
- patriarchy, 200
- Patriotic Front (PF), 18–19, 42, 49, 99, 108, 147
- payments transparency, 258
- pig farming, 200
- political culture
 - corruption, 11, 41, 51
 - influence on mining regulation, 98
 - interventionism, 98–9, 113, 114, 202
 - and payments transparency, 258
 - power relationship with companies, 241
- political parties
 - alliances with mining investors, 18–19, 49, 173
 - resistance to corporate power, 240
 - see also* Movement for Multi-Party Democracy (MMD); Patriotic Front (PF); UNIP (United National Independence Party)
- politics
 - multiparty political system, 10–11, 47
 - one-party state, 9, 10
 - presidential system, 9, 11, 98, 107
 - and role of chiefs, 217–20
- pollution, 15, 96, 254–5
- population controls, 51
- Potts, Deborah, 159
- poverty, 193–4, 256, 258, 261
- price controls, 64
- prices, *see* commodity prices; copper prices
- primitive accumulation, 251, 257–8
- Privatisation Act 1992, 164
- privatization
 - and copper boom, 86
 - economics of, 65–9
 - failures, 13, 67
 - faulty data, 159–60
 - International financial institutions’ (IFIs) influence, 158
 - investment fluctuations, 174–5
 - and levels of employment, 130–1, 158
 - negotiation of terms, 19–22, 66, 119n
 - opposition to, 12
 - policy of Movement for Multi-Party Democracy (MMD), 10–12
 - and social amenities, 167
 - supported by international aid, 11
 - and union membership, 48
 - Zambia Consolidated Copper Mines (ZCCM), 12–13, 65–8, 130
- privatization process
 - and corruption, 12, 163–4
 - and Francis Kaunda, 66, 88n, 99, 163
 - and mining sector, 12–13, 65–7, 99–100
 - perception of unfairness, 99
- procurement, 102, 104, 262
- production
 - capacity, 69–70
 - costs, 59–60, 62, 79–80
 - output, 41, 68
- profitability, 32–3, 41, 49–50, 141, 147–8, 242–3
- profit repatriation, 6, 75, 238, 246, 257
- prospecting, 70
- public expenditure, 62, 82
- public finance, 75–7
- racial stereotypes, 135–6
- recession, 9–10
- recruitment, *see* employment, recruitment systems
- redundancies, 104, 132, 244
- regulation
 - accountability, 110, 112, 117n
 - compliance, 115
 - and diversity of sector, 100–4
 - environmental, 95–7, 101–2, 256
 - framework, 93–100
 - and global economic crisis, 104–9
 - health and safety, 17, 95–7, 108–9
 - and informal economy, 190
 - international standards, 101, 111
 - mining codes, 256–7
 - partnership approach, 109–13, 114
 - state involvement, 98, 112, 256
 - weaknesses of, 15–16, 96, 114–15

- rents, economic, 75, 77, 81, 262
- resource-based African industrialization and development strategy (RAIDS), 261–2
- resource dependence, 39, 85, 247–50, 248–9
- resource nationalism, 42, 147–8
- resources
 local suppliers, 102, 104, 262
 unequal distribution, 36
 see also mineral resources
 exploitation
- respiratory problems, 197
- Rhodesia, 39
- Rhodesian Selection Trust, 4, 5, 34, 138, 160
- riots, 47
- Roan Antelope, 160–1
 see also Luanshya mine
- Roan Antelope Mining Corporation of Zambia (RAMCOZ), 163, 169
- Robinson, Austin, 87n
- Rowland, Tiny, 56n
- royalties, 35, 67, 68, 78, 79, 80, 245
- rural development, 51–2, 53, 229
 see also communities, local
- safety standards, 90n, 104–5, 117n, 120n, 147
 see also regulation
- Sardanis, Andrew, 38, 56n
- Sata, Michael, 18, 20, 21, 49, 147
- savings (domestic economy), 73–5
- security controls, 197, 199, 202
- Seers Report (1964), 35, 43, 51
- self-sufficiency, 196–8, 201
- sex work, 197–8, 200
- shareholder equity, 243
- Situmbeko, Lishala C., 158, 164
- slumps, 63, 70
 see also global economic crisis
- social amenities, 9, 34, 131, 141, 161–2, 164, 223
- social cohesion, 166
- social responsibilities, *see* corporate social responsibility (CSR)
- Solwezi District
 chiefs, 213–15
 chieftaincies, 213
 and copper boom, 221–7
 localism, 221–2
 and Movement for Multi-Party Democracy (MMD), 220
 territorial administration, 212
 wage labor, 216
- South Africa, 244
- South African Air Force (SAAF), 161
- Soviet Union, 167–8
- Special Investigation Team for Economy and Trade (SITET), 190
- stakeholder relationships, 111–12, 260
 see also partnership approach
- state
 and international investment, 48, 261
 participation in mining sector, 70–1, 77, 108
 partnership with companies, 15, 225
 power of, 24–5
 relationship with chiefs, 218
 and transnational companies (TNCs), 241, 257, 262
 and World Bank regulation, 256–7
 see also government
- street vending, 190–1
- strikes
 ballot procedures, 117n
 and Chinese ownership, 141, 142–3, 143–5
 for equal pay, 46
 legality of, 48, 97, 146
 at Luanshya mine, 161, 165
 public sector, 48
- structural adjustment, 10, 157–8
- suppliers, 102, 104, 262
- supply-side policies, 62
- Swahili, 134
- Swiss ownership, 169–71
- Tanzania
 economy, 130
 state paternalism, 145–6
 textile industry, 128, 132
 ties with China, 129, 144
- Tanzania-China Friendship Mill (Urafiki), 129, 130, 132, 141–2
- Tanzanian African National Union party (TANU), 145
- Tanzania Union of Industrial and Commercial Workers (TUICO), 144–5

- taxation
 and global economic crisis, 244–5
 international comparisons, 69
 levels of, 15, 79, 245
 local, 223
 optimal efficient tax theory, 68
 state control of revenues, 257
- tax regimes
 and booms, 37, 62
 and Development Agreements (DAs), 67–8
 and enclaves, 253
 and fiscal revenue, 76
 mining tax code, 75–6
 negotiations with mining companies, 19–20, 41–2, 77–8, 100
 pro-development, 263
 resistance to reform by transnational companies (TNCs), 241
 revisions, 21, 79–81
 yield, 79, 80, 81
see also corporate income tax; variable-profit tax; windfall taxes
- TAZARA (Tanzania-Zambia Railway), 129
- technology, 70, 103–4
- terms of trade, 250
- textile workers, 128, 132, 138–9, 145–6
- theft, 193–4
- total tax contribution (TTC), 245
- trade policies, 60, 62, 64
- trade unionism, *see* unions
- Tranberg-Hansen, Karen, 190–1
- transfer pricing, 21, 95
- transnational companies (TNCs)
 and enclave economy, 252–5
 primitive accumulation, 257–8
 relationships with African states, 239, 250, 257, 262
 and tax reform, 241
see also mining companies
- Transparency International, 164, 165
- tribal communities, 228
see also chiefs
- unemployment, 64, 195
- unions
 and Chinese ownership, 17, 102–3, 120n
 corruption, 146–7
 effect of privatization, 48
 establishment of, 5, 42–6, 161
 and Lumwana Copper Mine, 226–7
 membership size, 49
 militancy, 49, 141–8
 relationship with international companies, 49–50
 relationship with members, 44, 146
 relationship with MMD, 10–12, 48
 relationship with UNIP, 8–9
 in Tanzania, 145
 terms of employment, 128, 131
see also strikes
- UNIP (United National Independence Party)
 interventionist approach to economy, 40
 and nationalist movement, 35–6
 political suppression, 9
 relationship with chiefs, 217, 218
 relationship with unions, 8–9, 43, 46, 47
 relationship with ZCCM, 63
 rural policy, 50–1, 52
- United Nations Economic Commission for Africa (UNECA), 246, 260
- Urafiki (Tanzania-China Friendship Mill), 129, 130, 132, 141–2
- uranium extraction, 223, 225
- urban bias, 9–10, 159–60
- urbanization, 4, 50–1
- variable-profit tax, 78
- Vedanta Resources, 67, 88–9n
- violence, 18
- wage labor, 198, 211–12, 216
- wages, *see* earnings
- Wassa West, Ghana, 254
- waste dump sites, 16–17, 186, 197, 199, 200
- wealth distribution, 50
- welfare, *see* social amenities
- windfall accruals, 71, 72–3, 89n
- windfall asset accumulation, 74
- windfall income, 60–1
- windfall profits, 19–20, 111
- windfall taxes, 19–20, 21, 78, 79, 80, 108, 166
- women and the informal economy, 185–204
 gang labor system, 199

- women and the informal economy—*Continued*
 gendered distribution of work, 192
 involvement in wage labor, 216
 need for independent incomes, 188
 problems of widowhood, 195–6
 work ethics, 135–40
- World Bank
 conditions of aid, 41, 116n, 238, 257
 and development, 238, 258
 and economic management, 63
 and free-market policies, 157–8
 interference in national economic planning, 258–9
 pressure for political reform in Africa, 255–6
 privatization of mining sector, 12
- World Bank Structural Adjustment Program (1983), 130
- world economy, *see* global economy
- Zambia Congress of Trade Unions (ZCTU), 11–12, 46–7, 48
- Zambia Consolidated Copper Mines (ZCCM)
 break-up contracts (DAs), 93–5
 corruption, 163–4
 nationalization, 41
 Privatisation Negotiating Team (PNT), 163
 privatization, 12–13, 65–8, 99, 158, 162–5
 provision of social amenities, 129, 138, 162, 166
 relationship with UNIP, 63
 ZCCM Investment Holdings (ZCCM-IH), 77
- Zambia Development Agency (ZDA), 166–7
- Zambia map, *xvi*
- Zambia Mining and Industrial Corporation (ZIMCO), 38
- Zambian Revenue Authority (ZRA), 20, 95, 109
- Zambia Privatisation Agency, 166–7
- Zhonghui Mining, 106
- Zimba, Newstead, 46