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Bringing 'indigenous' ownership back: Chinese presence and the Citizen Economic Empowerment Commission in Zambia*

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ABSTRACT

African economies are currently experiencing an upsurge in foreign ownership of key parts of their economies. This, however, is not new, and in the wake of independence several African countries pursued indigenisation policies to bring ownership back to their own citizens. Now indigenisation policies thrive again, this time disguised in terms such as 'empowerment', but just as politicised as in the 1970s. Zambia is at the heart of this development. In the light of liberalisation, booming commodity prices and the increasing importance of Chinese investors, this article seeks to further our understanding of how processes of exclusion interact with domestic politics in Zambia. It argues that the Citizens Economic Empowerment Commission, a new institution to bring ownership back to Zambians, builds on a long tradition of nationalist policies in Zambia, while its actual work is strictly related to the critique of the growing foreign dominance over the economy, and in particular of the upsurge in Chinese investments.

INTRODUCTION

A key characteristic of most African countries has been the historical exclusion of the indigenous private sector in the economy. In the wake of independence, several countries were faced with highly skewed

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private sectors. The commercial sectors were dominated by European trading houses and networks extending far into their hinterlands, and operated mainly by Lebanese and Syrian traders in West Africa, and Indian traders in East Africa, while manufacturing and resource extraction was in European hands. Later nationalisation schemes gave power to the state and the liberalisation programmes of the 1990s again saw foreign companies gain ground in Africa (Tangri 1999). These tendencies were mirrored in Zambia: at independence Zambians were marginalised, and despite the invention of numerous institutions to change the situation, they remained excluded.

Changing global geographies of power have once again brought African economies to the centre stage of economic and political globalisation (Carmody 2010). Developed and emerging economies compete for African resources by courting African partners politically and economically, causing commodity prices to increase rapidly and resulting in high aggregate economic growth rates. Globalisation and the economic turbulence sparked in motion by the global financial crisis have local implications as they change power relations among key actors of the economy, simultaneously creating both inclusion and exclusion for different actors (*ibid.*).

In Zambia, two interlinked developments may alter the role of Zambians in the economy. The first is the launch of the Citizen Economic Empowerment (CEE) Commission intended to empower Zambians economically; the second is the sharp increase in Chinese economic interest in the country during the past decade. The CEE Act is the most recent legislation that seeks to carve out room for Zambians, in order to bring about sustainable economic development. It was passed by Parliament in February 2006 and is commissioned to run to 2016. The Act and the subsequent CEE Bill paved the way for the establishment of the CEE Commission, which is responsible for the overall operations and implementation of economic empowerment on behalf of the government. The CEE Act is defined as 'an integrated broad based and multifaceted strategy aimed at substantially increasing the meaningful participation of targeted citizens and companies in the economy and decreasing income inequalities' (Government of Zambia 2006). The Commission is mandated to empower targeted citizens,[1] that is, persons who are 'historically marginalised or disadvantaged with no access to economic resources or opportunities'.

Foreign direct investment (FDI) in general has increased sharply in Zambia,[2] due to a combination of widespread liberalisation policies and booming commodity prices. Foreign investors cover a broad spectre of

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companies originating in different countries, but of late, a new group of foreign companies has begun investing in Zambia: the Chinese. Chinese companies of all sizes and with a plethora of ownership patterns now do business in Zambia, and at the end of 2007 almost 200 Chinese companies were registered in the country. About half of these were registered as manufacturing companies, one fifth were in the service sector, slightly fewer in the construction sector, and one eighth in agriculture (Hairong & Sautman 2010; Kragelund 2009b). We need to add to this major mining investments (registered by the Ministry of Mines and Minerals), the two economic and trade cooperation zones, built and financed by China, in Kitwe and Lusaka respectively, and the numerous unregistered micro- and small-scale Chinese companies. While in theory new investors may lead to inclusion, the existing policy framework in Zambia does not allow this process to flourish (Haglund 2008; Kragelund 2009a), and in practice these developments have intensified the exclusion of Zambians from the economy. In all sectors, and at all levels, Chinese companies outmatch local companies, putting the Zambian private sector under further pressure.

The key questions, therefore, are what triggered the invention of yet another institution, the CEE Commission, to bring ownership back to Zambians, and how and to what extent the growing Chinese engagement in Zambia has affected this. This article aims to shed light on this process by scrutinising how the Chinese engagement in Zambia, and the populist political reaction to it, have sparked a process of, once again, bringing life to indigenisation policies. It argues that while the establishment of the CEE Commission is indeed rooted in the lack of local participation in the liberalisation and privatisation process in Zambia, the strategic use of the institution by politicians and its subsequent development relate to the growing presence of Chinese investors in the Zambian economy.

The data presented here are based on five months fieldwork carried out in Zambia in 2008–2010. This involved over ninety interviews, with Chinese CEOs, representatives of Chinese institutions in Zambia, Zambian government officials, stakeholders in the Zambian private sector, civil society and academia, current and former employees of the CEE Commission as well as its commissioners. Archival studies at the two main newspapers in Zambia, *The Times of Zambia* and *The Post*, were also conducted.

The article is structured as follows. It first situates Zambians in the Zambian economy, arguing that despite big efforts to change the system, Zambians are still excluded from large parts of it. It then examines the

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political and economic underpinnings of the creation of the CEE Commission, and describes the CEE and how it relates to former affirmative action institutions. Finally, it scrutinises how Chinese investments have fed into this process.

ZAMBIANS IN THE ZAMBIAN ECONOMY

Foreign ownership over key parts of the economy is not new to African societies. In fact, the colonial administration used groups of outsiders as brokers between the indigenous population and the European colonisers (Challenor 1979). These outsiders have been given names such as pariah entrepreneurs, minority entrepreneurs, and middlemen minorities, reflecting the role ascribed to them in the literature (cf. Moore 1997). They are often at the centre of social and political changes, and their existence is closely linked to policies of nationalism (Reid 1997). While politicians revert to nationalism to mobilise support for a given cause, the behaviour of outsiders is permeated by their constant risk of expulsion.

Major conflicts between a nationalist majority and a minority group are now highly unlikely in most societies. Nonetheless, this does not mean that such conflicts no longer take place. Instead, they take a different form and in the words of Reid (1997: 58), 'the public expression of racial hostility must be carefully camouflaged or it will lose more votes than it wins'. It is to such expressions of nationalist policies that we turn to now.

At independence, several African governments embarked on indigenisation and nationalisation policies in order to 'correct' imbalances between foreign ownership and local exclusion. These policies usually combined affirmative action towards the indigenous population with measures to prohibit foreign firms from entering certain sectors of the economy. They officially singled out non-African ownership rather than, for instance, Indian or European ownership. Nonetheless, the real aim of these policies has often been perceived as targeting minority middlemen – not foreign ownership more generally (Boone 1993). However, ownership was not brought back to indigenous hands, as, the dominant or sometimes sole strategy of political leaders was not to build capacity among the indigenous business class, but to provide power to parastatals.

The Zambian case was little different from the rest of Africa: the situation was highly skewed against the indigenous private sector. Just four years after independence, President Kenneth Kaunda (1968: 296) first articulated the magnitude of the problem. In a speech in London

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he said: 'All I need say is that when Zambia achieved independence all these foreign and resident expatriate businesses were operated by foreign and expatriate people. No Zambians had been given the opportunity to make a career in business.'

This problem was perceived to relate not only to the trading houses and the mines but also to the, albeit small, group of Indians in Zambia. Although the influence of Indians in Zambia was by no means comparable to that in East Africa, the 'Indian Question' still surfaced in Northern Rhodesian politics, due not to their real 'threat' but rather to white settler fears (Haig 2007).[3] Hence, several policies were set in motion to protect first and foremost white settlers from the Indian minority (and to a lesser extent also to protect African traders from the Indians). Consequently, 'by the time of independence, Zambia did not have businessmen who were experienced in handling complex businesses. The African experience had been restricted to the running of retail grocery stores, bottle-stores, and the transport and hotel businesses' (Seleti 1992: 174).

President Kenneth Kaunda's solution to this problem was, at first, economic incentives such as the Eastern Province Co-operating Marketing Society, which encouraged Zambians to buy shares in Indian businesses (Phiri 2000). This, however, did not have the intended outcome, especially because the Indians posed no real threat to Zambians (cf. Haig 2007), and Kaunda therefore initiated a series of political reforms, notably the Mulungushi and Matero reforms passed in the late 1960s. These sought to 'Zambianise' the economy, and thereby build a society that allowed 'ordinary Zambians to control their economy' (Larmer 2010: 45). Nor did he stop there. Instead, he made sure of giving preference in certain sectors of the economy to Zambian/African businesspeople, and at the same time made assistance available to businesspeople who had no previous entrepreneurial experience, thereby promoting the empowerment of citizens (Baylies & Szeftel 1992).

Prior to these reforms, all key economic sectors were foreign-owned. The attempted Zambianisation of the economy, however, failed to bring ownership to the Zambian people. Instead, it brought ownership to the state. The power of the state was boosted by appointing government officials and trade union leaders to the boards of parastatals (Larmer 2010). As a result of these reforms, some 80% of the Zambian economy was state-owned by the mid-1970s (Rakner 2003: 46). Zambians fared little better in the private sector. In the 1970s, most large firms in Zambia were in foreign hands: 'Of the 84 construction and engineering firms with more than 100 employees in 1973, only

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three were owned by indigenous Zambians … And of the 89 manufacturing firms with 100 or more employees in 1973, only two had a majority share held by African Zambians' (Baylies & Szeftel 1992: 191). The situation was roughly similar for medium-sized companies. Only for the small companies in commerce and agriculture was it different.

ECONOMIC AND POLITICAL REASONS FOR SETTING UP THE CEEC

The end of the copper boom in the mid 1970s had a devastating impact on the Zambian economy, but policies did not change until the debt trap of the 1980s resulted in a series of liberalisation reforms, which ultimately aimed to correct economic imbalances by liberalising trade, introducing monetary and fiscal reforms, deregulating investments, and privatisation. As elsewhere in Africa, these reforms began a process of economic denationalisation, resulting in an increase in foreign ownership (Boone 1994). In Zambia, the late President Frederick Chiluba embarked on a liberalisation programme following the 1991 presidential election. This programme placed much emphasis on providing an environment conducive to FDI. At the same time, the domestic private sector was too weak, too small, or too enmeshed in politics to react positively to these reforms (Handley 2008). Indeed, there were hardly any Zambian businesspeople available to seize the opportunities offered by the divestment programme. Instead, companies from all over the world profited from it. The result, rather unsurprisingly, was a further marginalisation of local businesses.

The commodity boom of the past decade has altered the situation in two ways. First, while foreign mining companies in the 1990s were tempted to invest in Zambia by tax and non-tax incentives stipulated by the very long-term contracts signed by the Zambian government (Fraser & Lungu 2007), such incentives were no longer as important,[4] given that booming commodity prices provide sufficient incentive. Secondly, the commodity boom further squeezed the Zambian private sector, due to lack of access to capital and very high interest rates, and the 'Dutch disease' effect, with the appreciation of the Zambian Kwacha making other exports too expensive to compete internationally (Carmody 2010). In the words of Jacob Sikazwe, Chairman of the CEE Commission, the ownership patterns in 2007 were so skewed that 'about 90% of the total Zambian population owned only a paltry 10% of the national economy' (*Times of Zambia* 2007a). Therefore, the urgent need to get Zambians involved as owners of production in the economy is acknowledged across the board in Zambia.

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As noted above, the most important new investors are the Chinese, who now invest by far the largest amount, and the global economic downturn in 2008 only seems to have underlined this. Even though Herbst & Mills (2009) claim that the Chinese were the first to leave Africa after the onset of the financial crisis, the Zambian reality is more complex: many investors left or threatened to leave, including many small-scale Chinese entrepreneurs (Carmody 2010), but at the same time Chinese companies eagerly took over other foreign companies in Zambia (see Fraser 2010; Haglund 2010; Kopinski & Polus 2011).

When CEE was enacted in Parliament, liberalisation policies had been high on the agenda for fifteen years. Commodity prices were booming, foreign companies were queuing to invest, and the economy was growing at a fast pace and absolute poverty was decreasing, but not everybody benefited from this development. Indeed, inter-regional inequality rates grew day by day. The problem was perceived to be related to the process of privatisation. In the words of a private sector stakeholder: 'The privatisation was done badly. New foreign owners in many cases stripped the companies. Many were sold too cheap and the Zambians were totally left out' (Dodia 2009 int.).

Politicians were not blind to this link, and the United Party for National Development (UPND) was created in 1998 largely as a critique of the privatisation process and the lack of real involvement of Zambians in the economy. In the December 2001 presidential election, the UPND finished in second place with almost one third of the votes. 'The message was clear. Citizens in urban areas felt that they were disadvantaged and President Mwanawasa had to do something … He felt that he somehow had to empower the citizens' (Kaimana 2009 int.). Mwanawasa skilfully built on the critique by Anderson Mazoka, the late UPND leader, and argued that 'the liberalisation process had to be controlled: the few parastatals left in the country had to stay in Zambian hands. Private hands, but not foreign hands' (Saasa 2009 int.). Thus, when Mwanawasa entered the 2006 presidential election, he wanted to address the urban middle class. One way of doing this was to promote CEE, which thereby became a political vehicle for the ruling Movement for Multiparty Democracy (MMD).

THE BIRTH OF THE CEE COMMISSION: AN ECONOMIC HIGHWAY TO THE FUTURE?

The CEE Act, passed in February 2006, was planned to supersede all other commercial acts in Zambia, and to apply to all state agencies as

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well as all private companies with twenty-five employees and above. The CEE Commission targets women, youth, the disabled and people with HIV/AIDS, and is also mandated to empower targeted companies of which the following three types are singled out: citizen-influenced companies in which citizens hold 5–25% of the shares; citizen-empowered companies in which citizens hold 25–50% of the shares; and citizen-owned companies in which citizens hold more than 50% of the shares. The empowerment process of the CEE is planned to have nine pillars: equity/ownership; preferential procurement; skills development; access to finance; the transformation of society; corporate social responsibility; good governance; promotion of greenfield investments; and joint ventures in FDI. On top of this, voluntary sector codes, or specific targets and plans to reach economic empowerment for each of the eleven most important sectors of the Zambian economy, are scheduled. All this is to be coordinated and implemented by the Lusaka-based CEE Commission in collaboration with nine provincial empowerment coordinators, and organisations and institutions at district level.

The CEE Commission is placed high on the development agenda in Zambia and according to a business reporter of the leading state-owned newspaper in Zambia, it is 'one of the most ambitious and far reaching initiatives for economic growth and poverty alleviation', and it is seen as the 'crystallisation of the effort and endeavours of over four decades of the search for an economic high way on which Zambians would confidently stride on as they journey into the future' (Chongo 2007). In the words of the late President Mwanawasa, it 'is a tool for wealth creation and employment generation by integrating economically disadvantaged citizens into the mainstream economy, leading to sustained individual and national wealth and finally economic empowerment' (*Times of Zambia* 2007b).

Affirmative action and indigenisation policies are not novel inventions. The CEE Commission is by no means delinked from this history. On the contrary, both in the minds of the responsible agencies as well as in the minds of the public, references to past empowerment and indigenisation programmes are constantly made. These policies and institutions were particularly prevalent in the agricultural sector where they, on the one hand, served as a 'political settlement that sought to redistribute the proceeds from copper production to urban consumers and small-scale maize growers' (Copestake 1998: 6), and on the other hand supported particular groups of indigenous Zambians. By 1990, most of these institutions had collapsed as the loans upon which they

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were built had not been repaid (Good 1989). Moreover, task forces have regularly been formed to increase the involvement of indigenous people in the Zambian economy. One such entity was the Copperbelt diversification task force, chaired by Sixtus Mulenga, who in an interview explained the need for yet another task force by saying: 'Zambia will not develop because we have let foreigners take over the running of our economy' (*Times of Zambia* 2002).

The vision of CEE, however, did not originate directly from these policies or task forces, but in a regional meeting among resource-exporting African countries at the beginning of this millennium. The meeting found that although the mining industry was improving, rising commodity prices were not benefiting the population at large (Chulu 2009 int.). This meeting thus fed into the on-going critique of the liberalisation process. In order to really understand the process of creating the CEEC, however, one has to go even further back. According to a private sector stakeholder, the inspiration 'came from the knowledge of what happened in Lesotho in the beginning of the 1990s [urban rioting rooted in Asian dominance of small-scale trading], of what happened with the white minority in Zimbabwe and the BEE [Black Economic Empowerment] in South Africa' and he continues, 'it all started when the Indigenous Business Development Centre came to Zambia in the mid-1990s to speak their cause' (Dodia 2009 int.). The Indigenous Business Development Centre was established in Zimbabwe in 1990 to promote black entrepreneurship. It aimed to broaden the support base and spread the message, and came to Zambia to start a Zambian Chapter of the Centre. At first it seemed to be successful, but due to internal disputes among the Zambian would-be members, a chapter was never formed. Instead, the Zambia Indigenous Business Association (ZIBA) was formed.

According to its Chairman, the origins of ZIBA also stemmed from the privatisation of the Zambian economy. A group comprising mostly professionals, i.e. lawyers, accountants and engineers, saw this as the last straw: 'we thought that the original owners of the country, the indigenous people, meaning the black people, were being marginalised because everywhere you went you heard FDI, FDI' (Lumbwe 2008 int.). ZIBA was instrumental in putting indigenisation policies on the political agenda in Zambia, and thereby making the CEE Commission politically possible. As a member of Zambia Business Forum, an umbrella organisation for Zambia's private sector associations, ZIBA made sure to constantly push Mwanawasa on these issues, and in the end

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a committee was set up to draft the CEE Act, which was eventually passed in February 2006. However, ZIBA never managed to persuade the government that the beneficiaries should be limited to indigenous Zambians. After a heated debate among members of parliament on 21 March 2006, concerning the use of the term 'citizen' rather than '(black) indigenous', the CEE Bill was passed. During the debate references were made to the liberation struggle, freedom fighters as well as the concern of donors not to fund an initiative with a racist element (Parliament of Zambia 2006). In the end, however, the less loaded term 'citizens' was agreed upon (cf. *The Post* 2006), and the way was paved for an ambitious and far-reaching plan to buy ownership of the Zambian economy and return it to the Zambian people.

Thus, on the one hand, the CEE Act is but the latest addition to interventions to correct economic imbalances in Zambia. On the other, it is far bigger than any other intervention since Kaunda's Mulungushi reforms, and its legal status differs radically from previous attempts to establish affirmative action. To be precise, the CEE Act is planned to supersede all other Zambian acts and regulations in matters related to employment and commerce. Thus, as soon as special amendments have been made to these acts in order for them to align to the CEE Act, this will replace acts such as the Companies Act and the Procurement Act (Jhala 2009 int.). However, despite its legal status and the historical references to earlier plans to empower Zambians, hardly any concrete actions have been set in motion so far. Surprisingly, only two of the nine pillars have been developed: the CEE Fund to ease the access to finance for targeted citizens and companies, and a scheme to give preferential reservation in public procurement to citizens targeted under the CEE Act. Likewise, only one sector code, that for the agricultural sector, has been drafted. Similarly, the establishment of the CEE Commission and the alignment of related acts and laws have been very slow to materialise. This combination of circumstances suggests that the institution has been strategically used by politicians, and this article argues that this strategy is closely related to the growing presence of foreign, in particular Chinese, investors in Zambia.

THE CHINA DEBATE AND THE CEE COMMISSION

Not only are Chinese by far the biggest investors in terms of current flows of money to Zambia, but Chinese companies have been at the

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centre of a number of fatalities. Hence, it comes as no surprise that Chinese people and companies in Zambia have generated an intense debate locally, and according to Negi (2008), have become enemy number one. This debate centres on fatal incidents in the mines; cheap, low-quality Chinese goods; bad working conditions, including low wages; the repatriation of profits; tax exemptions; and squeezing the domestic private sector due to rapid increases in FDI. These characteristics, however, apply not only to Chinese-owned companies but also to a greater or lesser extent to many foreign-owned companies in Zambia, and a critique of foreign ownership of 'national' assets has popped up in the political debate time and again in Zambia's post-liberalisation era. Michael Sata, leader of the opposition Patriotic Front (PF), for instance, heavily criticised the IMF requirement for the privatisation of the Zambian National Commercial Bank in 2002; and in 2005, Sata was at the centre of a mineworkers' strike against privatisation in the Copperbelt.

What triggered the debate on the China issue was the 2006 presidential election campaign in Zambia, when Sata turned it into the most crucial of his populist demands, and appealed to the voters' strong emotions contesting 'the elections on an explicit anti-Chinese platform' (Negi 2008: 48). Sata launched his attack on Chinese investors, first doubting their real intentions by calling them 'infesters' and not investors, then problematising a disastrous incident at a Chinese-owned explosives factory in the Copperbelt, and finally criticising the allocation of government-owned market stalls to Chinese traders – essentially campaigning for a 'Zambia for Zambians' (Kopinski & Polus 2011; Larmer & Fraser 2007). In a similar vein, PF vice-president Dr Guy Scott, in the run-up to the 2006 presidential election, made the Chinese the scapegoats, saying: 'It's hard to know how they all got here . . . If you go to the market you find Chinese selling cabbages and beansprouts. What is the point in letting them in to do that? There's a lot of Chinese here doing construction. Zambians can do that. The Chinese building firms are undercutting the local firms . . . Our textile factories can't compete with cheap Chinese imports subsidised by a foreign government. People are saying: "We've had bad people before. The whites were bad, the Indians were worse but the Chinese are worst of all"' (cited in McGreal 2007).

These issues were not simply electioneering. According to Gould (2007), Sata 'brought real issues of concern to the urban poor into the political arena', and the demonisation of the Chinese continued on the eve of the elections when Sata 'praised Robert Mugabe's violent land

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seizures in troubled Zimbabwe, while in the same breath threatening alien (Asian and Lebanese) businessmen in Zambia with deportation'. The 2006 presidential election gave power to Mwanawasa but in the Copperbelt region, which had experienced the biggest improvements in living standards during his first term as president, voters turned massively to Sata. Carmody (2010) suggests that this particular voting pattern may be viewed as a resistance to unfair exploitation of labour – often perceived to be linked to Chinese investors (cf. Kopinski & Polus 2011).

Moreover, the anti-Chinese sentiment did not stop immediately after Mwanawasa was declared the winner. Chinese-owned shops closed down in the weeks following the election for fear of looting, and during Chinese President Hu Jintao's 2007 visit to Zambia Michael Sata told the Zambian media: 'You recruit Chinese doctors and they end up having Chinese restaurants in town. They are just flooding the country with human beings instead of investment and the government is jumping…We have to be very careful because if we leave them unchecked, we will regret it. China is sucking from us. We are becoming poorer because they are getting our wealth' (cited in Chimangeni 2007). This statement fuelled the already heated Zambian atmosphere over the Chinese, forcing President Hu to change plans and avoid the Sata-supporting Copperbelt region for fear of widespread protests.

The question, then, is why China and the Chinese have become scapegoats in Zambia. Neither the fatalities in Chinese-owned mines nor the bad labour conditions in Chinese-owned companies provide sufficient explanation, as these issues are not confined to the Chinese. According to Bräutigam (2009), for instance, fatalities have occurred in other mines in Zambia, such as the fatal accident in the mostly Swiss-owned Mopani mines a year earlier. The incident led to more than twenty deaths without stirring the same reactions, and while labour conditions may be worse in the Chinese mines, the situation is improving, and all the new mine-owners offer worse labour conditions than miners have been used to (Fraser & Lungu 2007). The answer has to be sought in a combination of these issues with an increased visibility of Chinese activities (a direct effect of the rapidly increasing involvement); a perception of special treatment given to the Chinese: all foreign investors get tax and non-tax incentives, but the Chinese get exclusive zones, the so-called multi-facility economic zones (Bräutigam & Xiaoyang 2011; Kragelund 2009a); and related to this, a perception of close links between the ruling party and the Chinese (cf. Negi 2008).

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TABLE 1
The CEE and key political incidents in Zambia

Date	Political incidents	Key CEE developments
2004–2005	Private sector organisations push the empowerment agenda high up the political agenda	Empowerment becomes a cornerstone of the reform programme
April 2005	Explosion at Chinese-owned factory kills more than fifty Zambians	
2006	Critique of the liberalisation process by UPND leader Mazoka	Creation of the CEE and enactment of the Act
March 2006	Heated debate in parliament over wording of CEE	CEE Bill is passed
October 2006	Michael Sata and other members of PF criticise the Chinese in Zambia	Appointment of eleven commissioners
October 2006	Sata looses the presidential election	
February 2008		CEE Commission opens
Summer 2008	Death of President Mwanawasa opens election campaign	CEE Fund begins operating (first of nine pillars)
October 2008	Financial crisis ends Sata's critique of the Chinese. Presidential by-election is held	
Spring 2010		First post-election disbursement from CEE Fund
October 2010	Thirteen Zambian miners shot dead at the Chinese-owned Collum Coal mine in Southern Province	
April 2011	The Zambian state decides not to prosecute the two Chinese managers accused of shooting miners at Collum Coal mine leading to widespread labour unrest	Statutory Instrument no. 36 on preferential procurement is passed (second of nine pillars)
September 2011	Sata announces that he will keep close relations with the Chinese if he wins the September 2011 presidential election	

The CEE Act is thus rooted in the nationalisation policies fuelled by ordinary Zambians losing out in the process of privatisation, and sparked into motion by the political critique of the MMD government. The idea and the vision of the CEE was rooted in the twin process of liberalisation of the economy and marginalisation of (indigenous) Zambian businesspeople, but Mwanawasa's adoption of the idea from ZIBA and the hurried passing of the Act just six months prior to the presidential election are easily construed as a way to reduce UPND's chances of winning the election (see Table 1). UPND, however, never became a real threat to Mwanawasa. Its leader Anderson Mazoka died in

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May 2006, and his successor was only appointed after a lengthy process. This destroyed the UPND's chances, and effectively meant that the MMD did not have to play the empowerment card.

Michael Sata's attacks on Chinese investors just prior to the elections, however, revived the CEE. In the words of Negi (2008: 53): 'Shocked by the challenge to its fifteen year domination of national policies, and reacting to popular sentiments, the MMD government has been forced into action.' In other words, virtually nothing had happened for six months after the CEE Bill was passed in March 2006, and suddenly, one week before the 2006 presidential election, Mwanawasa appointed eleven commissioners and made sure that the future CEE Commission would be directly under the presidency. In the appointment it was stressed that the beneficiaries would include people whose access to economic resources had been constrained due to race, sex, education background and disability (*Times of Zambia* 2006). Hence, not only did Mwanawasa focus on empowerment, he also made a direct link to the racial debate that Sata had initiated. It is important to note, though, that Mwanawasa did not lead the indigenisation agenda. Instead, he was pressed to follow public sentiment in order to keep a chance of winning future elections (Negi 2008). By enacting the CEE, the MMD turned the focus from Chinese ownership per se to foreign ownership in general. Moreover, the CEE effectively brought access to finance, technology transfer, job opportunities and skill development into focus, instead of low wages, low quality of goods, and bad working conditions. Sata's negative rhetoric was thus turned into something positive, and the MMD met some of PF voters' claims by setting the CEE Commission in motion.

Even though the PF won all the major urban areas in Zambia, Mwanawasa managed to stay in office, and after a few hectic weeks late in 2006, Sata no longer posed a real threat to the MMD's power. Simultaneously, CEE made no progress. Thus, five months after the Bill was passed in parliament, PF spokesperson Given Lubinda pointed to the fact that nothing had happened (Mupuchi & Chakwe 2006). Although Mwanawasa responded to the criticism by announcing that he would implement it swiftly (Chellah 2007), it took him and the new CEE Commission a year and a half to establish the secretariat in Lusaka, which opened in February 2008. The publication of a booklet describing the secret and unfair terms under which the Zambia Consolidated Copper Mines were privatised temporarily kick-started the empowerment discussion (Fraser & Lungu 2007), but the public discussion (regarding empowerment) did not go beyond occasional articles that linked the need for renegotiation of the 'development

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agreements', i.e. the contracts between the new owners of the mines and the government of Zambia stipulating the terms of ownership, to the need for windfall taxes and the diversification of the economy.

President Levy Mwanawasa died on 19 August 2008, whereupon a presidential by-election was held on 30 October. By then, the opposition's critique of Chinese investments had been curbed. Michael Sata even declared on national TV that his negative stance on the Chinese businesses in Zambia had been misunderstood (ZNBC 2008). Numerous factors may have influenced the change in PF tactics, such as the outbreak of the financial crisis which made people in the Copperbelt region see the Chinese as potential saviours of the economy, the huge investment pledges made by Chinese President Hu Jintao during and after his 2007 visit to Zambia, Mwanawasa's introduction of the windfall tax (which curbed the critique of the opposition), the favourable re-evaluation of Mwanawasa's legacy that led to a pro-FDI stance by all presidential candidates, and the change of government in Taiwan, which closed Sata's alleged funding opportunities (Cheeseman & Hinfelaar 2010; Dodia 2009 int.; Mulenga 2010 int.; Musonda 2009 int.; Saasa 2009 int.).

This article does not attempt to question these explanations. Instead, it argues that the Chinese presence affected the way politics is done in Zambia. The Chinese presence changed the course and speed of the process of the CEE – not only in the hectic days before and after the 2006 presidential election but also in the further developments of the policy. While 'real' issues of concern for empowerment such as the debate on the privatisation of the mines and the confidential development agreements did not change the course or speed of the CEE, particular political incidents involving a critique of the Chinese in Zambia did (see Table 1).

The opening of the secretariat in February 2008, for instance, should have been followed by the launch of the various pillars in the CEE. However, as of August 2009, only one out of nine pillars of the CEE Commission was working, namely the CEE Fund. Again the initial process was slow and only with the opening of the 2008 election campaign was the process reopened. Acting president (and MMD candidate) Rupiah Banda announced the availability of Kwacha 150 billion. for the Fund, and just over 29,000 application forms were distributed countrywide. Banda's victory in the 2008 presidential by-election again halted the development, and two months later the CEE Commission had only processed a total of eighty-one applications for funds (of a total of 432) and approved thirty-four (Bwalya 2008; *Times of Zambia* 2008a, 2008b). Only after a year and a half were

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further disbursements of the Fund made (Bupe 2010), and the process of developing the sector codes virtually ended before it had even begun.

In October 2010, a protest over wage levels at the Chinese-owned Collum Coal mine in the Southern Province ended in the deaths of thirteen Zambian miners, allegedly shot dead by two Chinese managers at the mine. This incident refuelled the debate over the Chinese in Zambia, but not until the Zambian state decided in April 2011 not to prosecute the two managers did widespread labour unrest begin, and the opposition again launched a critique of the Chinese in Zambia (*Lusaka Times* 2011a). This time, the government reacted with the establishment of another empowerment pillar, when two months later the Ministry of Finance signed a new statutory instrument to empower companies targeted by the CEE Commission through a preferential public procurement scheme (*Lusaka Times* 2011b).

Thus, it is argued here that politicians used the CEE Commission strategically to curb the critique from the opposition. By defining the problems as related to technocratic issues of skill development, technology transfer and access to finance, the MMD government skilfully shifted focus away from issues of exclusion related to the growing role of FDI in the economy in general, and low wages and bad working conditions related to Chinese enterprises in particular. First, the MMD used the CEE to control the damages done by UPND's more general critique of privatisation, and then it was effectively used to curb PF's critique of Chinese investors. However, the MMD had no intention of scaring away potential investors, not least the Chinese ones, who potentially play a significant role in cushioning the negative impact of the global financial crisis by maintaining a high demand for copper and acquiring companies ditched by other investors. Therefore, the CEE policies were cast in very broad terms. Specific aims and measures would simply scare away investors and that was not the ambition. The goal was to stay in power and make sure that all critique was curbed.

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Justified or not, reasonable or not, progressive or not; popular politics has the ability to force changes in state strategy.

(Negi 2008: 58)

This article has set out to further our understanding of how the Chinese presence in Zambia has influenced domestic politics. It shows

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that CEE builds on a long history of affirmative action in Zambia closely linked to the politics of nationalism – most pronounced in the 'Indian question' and the Mulungushi and Matero reforms, but also present in Sata's outburst regarding 'Zambia for Zambians'.

Thus, on the one hand, CEE is rooted in the historical exclusion of Zambians from the Zambian economy. On the other, the creation of the CEE Commission and its subsequent development path is closely linked to key incidents involving 'the Chinese' in Zambia and not least the opposition's critique of these incidents. The actual course of the events leading to the passing of the Act and its subsequent implementation, as well as its slow progress – related strictly to a critique of incidents involving 'the Chinese' in Zambia – suggest that CEE is closely linked to the wider political debate on the role of foreigners in the Zambian economy and more specifically to the growing Chinese engagement. The history of the institution is thus closely linked to the rising resistance to growing foreign ownership over key parts of the economy, and the associated impoverishment and loss of autonomy over internal economic affairs. In this process, Chinese investors have been placed in the role of minority middlemen by Zambian politicians. This role provides the investors with economic advantages and eases their access to resources, but also makes them scapegoats for a variety of political and economic challenges that the Zambians currently face. Thus, they become outsiders at the centre of social transformations.

As a result, the CEE Commission has ended up as yet another institution to restore 'indigenous' ownership, but because it has been used strategically to curb the critique of the growing Chinese involvement in the economy, and since it has been cast in very vague terms in order not to scare away potential investors, it has not fulfilled its promise of enabling Zambians to compete on (more) equal terms with foreigners. Processes of globalisation in Zambia have thus led to exclusion rather than inclusion. The questions that need to be asked concern the fundamental cause of the marginalisation of the Zambians, and the extent to which the CEE Commission facilitates a process of inclusion. Stated differently, which parts of CEE are important in order to overcome the structural underpinnings of exclusion, and to what extent has the CEE Commission achieved this? CEE in theory includes aspects aimed at changing structures such as ownership patterns and promoting joint ventures, but these have been shelved. Instead, it has focused on the CEE Fund and, of late, on a new public procurement scheme – neither of which changes the fundamental structures.

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The September 2011 presidential election was won by Michael Sata – not on an anti-Chinese agenda but on a promise to provide empowerment to Zambians, especially to his supporters in urban areas and in the mining centres. His campaign was based on real concerns over increased marginalisation, which also apply to the growing Chinese presence. His main challenge is therefore to diversify the economy while simultaneously including the Zambians in the process. The CEE Commission needs fundamental alterations in order to facilitate this process.

NOTES

1. Neither Zambia's first constitution, the Zambia Independent Order of Council of 1964, nor the 1973 constitution and subsequent amendments consider citizenship automatic for those residing in Zambia. Rather, citizenship is given to children with at least one Zambian parent. Moreover, persons over the age of twenty-one living in Zambia for more than ten years and married to (or having been married to) a Zambian can apply for citizenship.

2. Although reliable (and updated) data on foreign investments are hard to find, Bwalya 2006 shows that during the period 1991–2003 FDI comprised 5–42% of gross capital formation in Zambia, and except for one year, the Zambian figure was above the African average. Since 2003, FDI inflows have increased almost four times (Bank of Zambia 2009: Figure 5).

3. While the Indian community in Zambia now numbers about 13,000 individuals, it was very small for several years after the first Indians arrived in Northern Rhodesia in 1905 (Joshi 2010 int.).

4. Zambia still provides several tax and non-tax incentives to foreign companies, but the scale and scope of these incentives differ from the mining contracts (Kragelund 2009a).

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