

# A magnet for Chinese investors

## Economic diversification a priority for Zambia, as it strives to limit its dependence on copper

A tropical, landlocked country in southern Africa, Zambia's vast mineral, precious metal, water and land resources make it one of the most successful economies on the continent.

In the last decade, its GDP has averaged 5 percent year-on-year, with the government keen to attract more foreign direct investment.

"More than 60 percent of our population are young people, and we need to continue to attract investments to Zambia, in order to create jobs, opportunities, and more training," said Minister of Finance and National Planning Situmbeko Musokotwane.

Known for its peace and stability, Zambia enjoys excellent infrastructure, a great location and good relations with its neighbors. The Zambian government has made major strides to improve the business climate, cutting red tape and the time it takes to

open to price shocks.

Mining still holds excellent potential, however. Around half the landscape remains unmapped, and a series of bids were launched last summer for oil and gas prospecting.

### Strong involvement

The interest being shown by Chinese investors in Zambia is encouraging.

The two countries have enjoyed a long friendship since Zambia's independence from Britain in 1964, after which, Minister Musokotwane explained, "the Chinese financed and executed a number of projects here."

"Today, China is a capital-rich country so the amount of investment is increasing. They have invested in copper mining, smelters, special economic zones and several construction and infrastructure projects. We need them to continue investing so our economy grows and we can generate

more than 700,000 tons of copper. In 2000, it had dropped to over 200,000. Although we had the mines, there was no reinvestment and production collapsed.

"Now investments have picked up, and this year we will be back to 1970s levels. China has come into the scene, they are consuming a lot of copper and prices are up.

"To sustain this, and taking into account the demand from China, we expect the price of copper to continue being reasonable."

### Diversification under way

Further down the line, the government believes oil and gas revenues will prop up longer-term areas of the diversification process, such as energy and agriculture.

"We need more infrastructure and to make sure we focus on taking power into the rural areas, facilitating irrigation and also developing a good road and transport network. Education will also be a focus point. This is what I see in terms of diversification," Minister Musokotwane said.

"We need to produce more agricultural products if we want to export. To do this, we need good companies that are competing on international markets. I am aware of several Chinese agricultural firms that are doing this."

Zambia also participated in the Shanghai Expo 2010, where government officials learnt more about urban development from China and other nations, as well as promoting Zambia's strengths on a global sphere.

Already fairly structurally advanced by African standards, Chinese investments in Zambia continue to make a huge differ-

ence in modernizing the country.

"We are evaluating several roads proposals and have signed a memorandum of agreement for the development of the Kafue Gorge Power Plant, with 600-700 MW," the Minister said. "China Hydro, and the China Development Fund, are investing more than \$1 billion in this. It will contribute towards the future development of both the energy and mining sectors."

Meanwhile, visitors to Zambia will find a welcoming, friendly service at the Southern Sun Ridgeway Hotel in the capital Lusaka. A landmark hotel, Southern Sun Ridgeway has been serving guests since 1952 and enjoys all the comfort and tradition of a quality hotel.

Located just 2.7 kilometers from the city center, and 27 km from the airport, the hotel offers easy access to embassies and government offices,

and a convenient base from which to explore the region.

Guest rooms overlook landscaped gardens and offer comfort and privacy for travelers. Tastefully furnished and fitted with the most modern amenities, the rooms offer complimentary wireless Internet access. Business travelers can also make use of the comprehensive business center, where secretarial services are available if required.



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“Today, China is a capital-rich country so the amount of investment is increasing...We need them to keep investing so that our economy grows and we can generate more revenues.”

SITUMBEKO MUSOKOTWANE  
MINISTER OF FINANCE AND NATIONAL PLANNING

obtain a business license. There are no exchange controls and free repatriation of profits and capital.

With the need to create jobs at the core of government programs and initiatives, economic diversification is a priority, as is the need to limit the country's dependence on copper, which accounts for around 80 percent of exports, and leaves the economy

more revenues," said Musokotwane.

"Zambia has been into copper mining for decades. There was a time in which exploration and production was very poor due to low prices of around \$1,500 per ton. Now it reaches more than \$7,000 a ton. The main reason was that the scale of investments in the industry went down. In 1974 Zambia produced

## Ministry of Mines vying for strategic partners

### Country thirsty for investment to help it bring a wealth of untapped minerals to the surface

**Editor's note:** Underpinned by copper, cobalt and manganese, Zambia's mining sector is arguably the country's greatest asset.

On a mission to attract investment from all corners of the globe—but especially from long-term partner China — Zambia's dynamic Minister of Mines and Minerals Development Maxwell M. B. Mwale talks to **In Focus** about conditions for investors and possible openings.

**In Focus (IF):** Could you introduce us to the state of investment conditions within the mining sector in Zambia?

Minister Mwale (MM): The key to attracting investments in mining is security of tenure. Within our legal framework, investors in the mining sector enjoy that as long as they operate within Zambian law.

Associated with that, we provide incentives like 100 percent capital allowance, competitive mineral

royalties (3 percent of gross value) and corporate taxes (at 30 percent.)

The issue is why someone should come to Zambia. When you look at the region, Zambia has enjoyed peace for a long time. No investor would take his money to a place where it will go up in flames.

There is also predictability within our government, in that there is consistency: you come, you can operate, you will not find issues of seizure of property.

We firmly believe that property ownership spurs development. Anyone who comes to invest in Zambia will not experience any negative government interference.

**IF: How does the government plan to break away from its dependence on copper and subsequent price volatility?**

MM: We have good infrastructure in place, in terms of power, road networks and human resources,



**Minister of Mines and Minerals Development Maxwell M. B. Mwale**

uranium exploration activities commenced in the late 1970s and we recently issued two licenses in the southern part of Zambia.

There is also potential for uranium mining in the north eastern and north western areas of the country. We are seeing the development of uranium mining as a way of diversifying away from copper.

Aside from that, we have manganese in the Central and Rockola provinces. As a government, we are trying to put systems in place that will exploit those deposits for the benefit of our people by collecting more mining taxes. Most of the manganese is being exported as raw manganese, with no value addition to it. We would like to see some smelters set up to treat the manganese.

The key to diversification of the minerals we produce is exploration.

Only 52 percent of our country is geologically mapped. Even with that percentage, we believe there is a need for greater follow-up work. The full potential of minerals production in this country has not been yet realized.

**IF: What is the government planning to do in this area then?**

MM: With technology, these issues are made simpler. Our idea as a government is to seek assis-



PHOTOS PROVIDED TO CHINA DAILY

**Ready to go: Zambia's mining sector has been kickstarted with a round of oil and gas licenses issued in July.**

tance to have aerial surveys done to detect anomalies of mineral deposits, which could be followed up with detailed geological data. If this happens, it would make things easier for investors, as we would have data packages available to pass on to them.

They could then focus on developing the mine rather than waste time and resources on geological work.

We have signed a memorandum of understanding with the Chinese Development Bank for \$5 million. Through the Ministry of Land and Resources of China, we hope to undertake this work. Most investors are looking for packages. They don't want to start from the initial exploration stages.

**IF: The discovery of oil and gas will open new avenues for Zambia. What is your vision on this?**

MM: It is obviously desirable for us to become an oil and gas producing country. We did carry out some initial geological work, through prospecting for oil and gas and got positive results. We marketed a number of blocks and issued licenses in July.

North of our border, in Uganda, oil has been discovered. Also in the east with Tanzania, they have

discovered gas.

We share the same geological formation with Uganda and Tanzania, so on that basis, we feel confident that we too should have oil and gas.

The only thing is that ours will be deeper. We also have coal and pockets of iron.

**IF: Zambia has launched a series of bids for oil and gas exploration in the last few months. Could you comment on this experience?**

MM: The response we had with our initial bidding round was encouraging. We attracted companies from Canada, the UK and the US.

With the next stage of exploration licenses, the bidding for the blocks will be extremely competitive. I can reveal that the first bidding was successful and we want to see it progress into exploration.

**IF: Where do you see room for expansion in the mining sector for Chinese investments?**

MM: The relationship between

China and Africa is one of equal partnership. China has a huge market to cater to.

They have come to our rescue a few times. Chambishi Copper Mines, for example, was closed for 30 years and was not productive. Chinese investors just took it over and turned it around, after investing \$100 million. They are producing copper now with impressive levels.

They did the same with the Rwansha Mine, providing stability for our government, turning it around and bringing development for the local areas.

China is a social partner. If the Rwansha mine had closed, people would have lost their jobs, they would have lost faith in the system and that would have been a recipe for instability.

We are in the process of establishing multi-facility zones. In these areas, we would like to see value addition of our copper and manganese.

Our people will have jobs that are related to these industries.

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which also attracts investment.

When we talk about the diversification of the mineral base production, historically we have been known for copper and cobalt, but we are host to good emeralds and we now recognize the presence of energy minerals, such as uranium and coal.