ECONOMIC PROBLEMS

THE FUTURE OF INDUSTRY IN ZAMBIA: WILL ENGAGEMENT WITH INDIA MEAN A NEW PHASE OF DEVELOPMENT?

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Abstract. Voices in both African and international communities argue that African industrialization has to catch up with the global economy. The former United Nations Secretary General, Ban Ki-Moon, once commented that the industrialization needs to speed up in Africa so that it can act as a stimulus for economic transformation in the continent. Additionally, it is a proven fact that countries cannot sustain themselves by being only consumers, and that they can only prosper if they also engage in production. Both India and Zambia experienced colonial economic plunder, for years and both countries felt that industrialization was required in their countries which contributes extensively for the eliminating of poverty; which raises productivity, create employment, enhance the income generated assets of the poor and helps to diversify exports. After Zambia achieved independence in 1964, the governments of India and Zambia aimed to strengthen their trade relations. The target of the Indian government towards the enhancement of the Zambian economy is not only concentrated on the trade alone but also in the promotion of both human resources and industries to elevate poverty as well. The article investigates the existing trade relations between India and Zambia and examines the benefit acquired by the Zambian people. It also explores the possibility enhancing trade and establishing more industries by Indian companies, the Indian Community and by the Indian government in Zambia.

Keywords: Zambia, India, Industrialization, Development, FDI

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Introduction

Firstly, the concept of industrialization: what is it, and why is it necessary? Industrialization is the transition of an economy from a primarily agrarian state to one based mainly on manufacturing of goods and services. It is, in other words, a process of social and economic change whereby a human society is transferred from pre–industrial to an industrial state. This social and economic change is closely intertwined with technological innovation, particularly development of large scale energy production and metallurgy, as well as some form of philosophical or cultural change, or to a different attitude in the perception of nature, though whether the philosophical and cultural changes are caused by industrialization, or vice-versa, is a subject of debate.

Industrialization also plays an important – and even necessary – role in the economic prosperity and growth of national economies. An economy can, and should, specialize in one of two main fields, agriculture and industry – this, at least, used to be the received view. The misconceptions of the past, that nations need to make a distinct choice between agriculture and industry, has declined in recent years, thanks to research that has re-evaluated both of these sectors, and found that they must go together in an economy for a nation to prosper. The agricultural sector can provide raw materials to the industry, while the industrial sector may deliver powerful technologies that can enable efficient and mass production of goods from the agricultural sector.

Furthermore, industries play a key role in the development of a country, by creating employment opportunities, raising the levels of national income by improving the balance between exportable and importable goods. They also stimulate development in other sectors of the economy. History reveals that the global domination of western civilization can be attributed to the Industrial Revolution of the nineteenth and the twentieth centuries. One of the countries that experienced that domination was Zambia: I now turn to an examination of its existing industrial condition, and its likely evolution through engagement with the emerging world economic power that is India.

The Zambian Scenario

An examination of Zambia's current condition requires a look into the African continent's historical background. Since African states were (with the exception of Liberia and Ethiopia) colonized by European powers for about a century, the colonial development was oriented according to the rulers' home requirements. Colonial policies discouraged local manufacturing to preserve African market for goods produced in European factories; consequently African countries became suppliers of raw materials and consumers of finished goods. As such, colonial governance was only interested in building the infrastructure (roads and ports) required to facilitate the support of raw material (Seidman 1977: 23 – 25).

George Ayittey, writing in the early 1990s, noted that Africa is endowed with

forty percent of the world's potential hydroelectric power supply; the bulk of the world's diamonds and chromium; 30 percent of the uranium in the non-communist world; fifty percent of the world's gold; ninety percent of its cobalt; fifty percent of its phosphate; forty percent of its platinum; seven and half percent of its coal; eight percent of its known petroleum reserves; twelve of its natural gas; three percent of its iron ore and millions and millions of acres of untilled farmland (Ayittey 2000: 5).

According to Lamb, meanwhile, there is not another continent is blessed with such a diversity of abundant resources (1983: 20). However, when its countries were freed from the colonial yoke, less than ten percent of the national product in a typical African country consisted of manufactured products, placing its level of industrialization at among the lowest in the world. Between 1980 and 1983 the growth of industries added only three per cent real-term value on average per year in Africa. This growth rate then proceeded to fall continuously from three point nine per cent in 1980 to little more than one per cent at the beginning of the 1990s. This poor performance is below that of the other developing countries, and is also proof of the stagnation and the decline in industrial production in many African countries, particularly those south of the Sahara (Sangare 2006: 140). According to a 2013 report from the UN Conference on Trade and Development (UNCTAD), the continent also has sixty percent of the world's industrialized arable land and has vast reserves of timber. Yet, together, African countries account for just one percent of global manufacturing (Mbae, 2014). Consequently, this dismal state of affairs creates a cycle of perpetual dependency, leaving African countries reliant on the export of raw products. This dependency exposes them to exogenous shocks, such as falling European demand. Without the presence of strong industries in Africa to add value to raw materials, foreign buyers can still dictate and manipulate the price of these materials to their advantage, and to the great disadvantage of both Africa's economy and its people at large (it can be said that the scenario today is not much different from pre-colonial times, even after fifty years of independence). African economies, and consequently their industries, have also suffered the negative effects of monetary shocks because of their excessive dependency on primary production oriented towards external markets (Sangare 2006: 141).

Post-colonial economists in Africa have consistently recognized the necessity of building a balanced, integrated, self-reliant and increasingly industrialized economy, one which would stimulate domestically-oriented agricultural development. Without strong industries to create jobs and add value to raw materials, African countries risk remaining shackled by foreign dependency. This requirement was appropriately summed up by South Africa's Nkosozama Dlamini Zuma, who said that "Industrialization cannot be considered a luxury, but a necessity for the continent's development" (Mbae, 2014), shortly after she became the chair of the African Union in 2013.

It has been noted that India is one of the countries that has come forward to assist Africa in its development, and that it has placed a special emphasis on creative use of credit and crafted initiative that are unequally to the development priorities of her friends in Africa (Krishna 2008: 38). There is a strong conviction among many observers that if India and Africa continue working together, in international I like the United Nation and world trade organization, there will be no limits to their collective achievements[1] (Krishna 2010: 576).

Government Policies and Zambian Industrialization

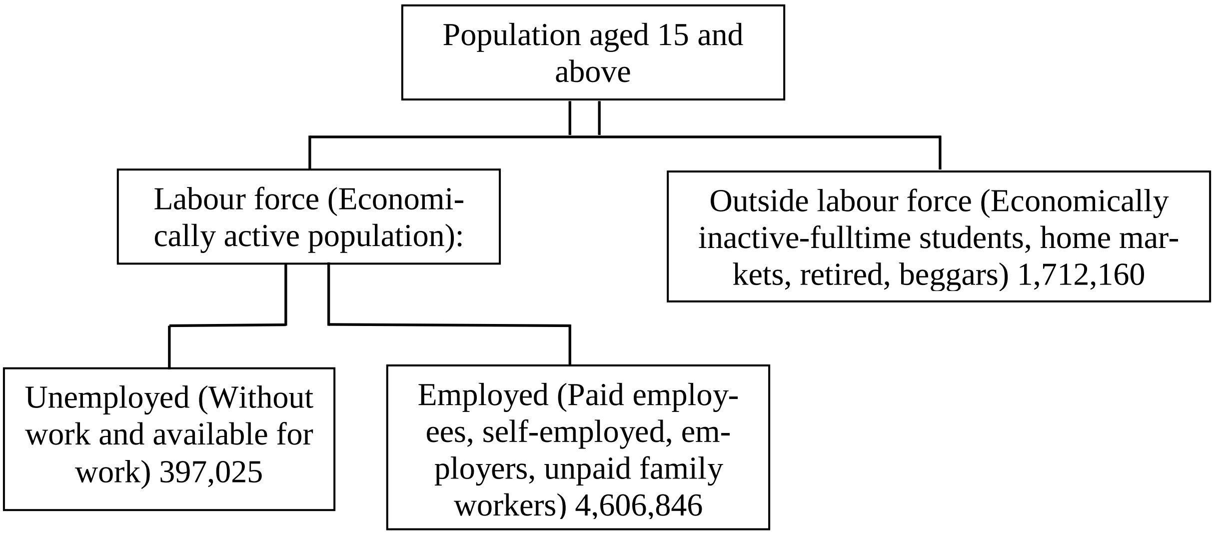
Zambia is a land locked, sub-Saharan African country, which shares its borders with eight others. It has an estimated population of thirteen million (2010 census) with an annual population growth rate of just over three per cent. Its known mineral deposits are large and abundant: it is the world's fourth largest producer of copper, and holds six per cent of the world's known reserves of copper and cobalt. These make up the country's traditional exports, and account for well over seventy per cent in export earnings. Numerous opportunities for exploitation of other minerals have also been identified. These include gold and gemstones (e.g. aquamarine, topaz, opal, agate and amethysts). Diamond reserves have also been identified in Zambia, and, furthermore, the country produces over twenty per cent of the world's emeralds.

Agriculturally, Zambia possesses good arable land (largely under-utilized) with abundant water supplies that amount to forty per cent of the total water resources of southern Africa. The country has vast coal reserves, which, together with its vast water reserves, offers abundant investment opportunities for hydroelectric and thermal power generation, supply and distribution. The country is blessed with natural beauty (such as the Victoria Falls, one of the seven natural wonders of the world), and the wealth of wildlife has yet to be fully realized via the development of tourism. In addition to this, the Zambian climate is also very temperate (Zambian High Commission 2008: 38 – 40).

[1] Prior to the 1970s, FDI and Transnational Corporations (TNCs) were seen by developing countries as a part of problem, to be solving by minimizing the role of TNCs. They were perceived by developing country politicians and development economist as an 'unnecessary evil', one that made huge profits through exploitation, imported obsolete technology, and introduced unfavourable balance of payment. In short, they were seen as a neo-colonial vehicle that milked the developing economies through transfer pricing, and introduced a *dependencia* syndrome which eroded their self-reliance. However, the past three decades have witnessed unprecedented and sustained high rates of output growth, particularly in the Asian Newly Industrialising Economies (NIEs), and these rates of growth have been associated with substantial involvement of FDI. No doubt then, an awareness of the link between FDI and economic growth has been established. According to J. Stiglitz (2002: 67) through FDI foreign companies also have access to sources of finance, especially important in those developing countries where local financial institutions are weak. FDI has played an important role in many – though not all – of the world's most successful development stories, as seen in countries such as Singapore, Malaysia, and even China.

According to the 2008 labour force survey, just under seven million Zambians were of working age (fifteen years old and above) in that year. Of this, seventy five percent of the working population was economically active, with the economically inactive population including students, homemakers (wives/mothers) and retired citizens, as reflected in figure 1.

Figure 1. Economically Active and Inactive Population, Zambia

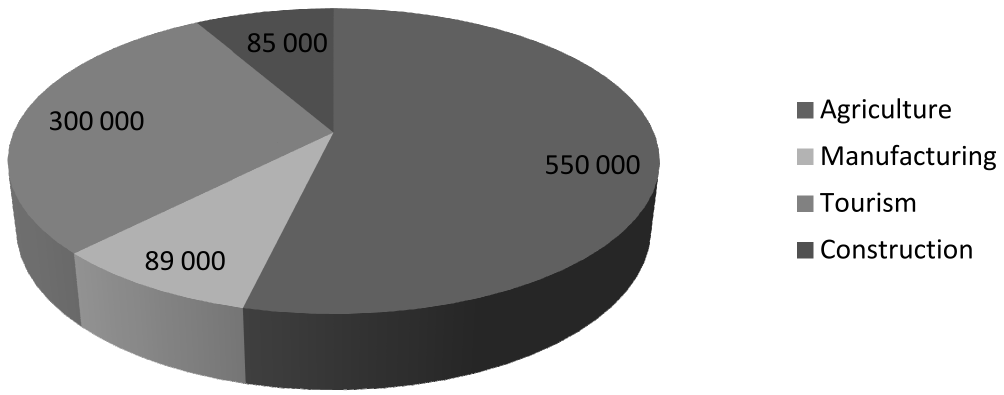


Source: Labour Force Survey Report-2008 (CSO, 2011).

In the period between 1975 and 1990 Zambia's level of real GDP per capita suffered severe turbulence and decline (Kalinda and Floro 1992: 30). Since the early 1990s, an ambition to create environments that foster private-sector led growth in Zambia has seen a move to a more outward oriented economy centred on a market based system. This has been supported, over subsequent years, by increased local and foreign investments which have played a critical role in GDP growth and employment creation. Since then there have been many more policies, aimed at facilitating a private-sector led economic development of the country. For example, in December 2008, the government approved the first Public Private Partnership (PPP) in Zambia (Zambia Development Agency 2014: 2). This collaboration between the public sector (the government and/or its agencies) and the private sector (profit driven individuals or corporate entities), involves both sides collaborating in development projects and sharing the risks and rewards associated with them. Economic reforms of this type are intended to create an environment that fosters private sector led growth of the kind supported by the international community. The Zambian Development Agency (ZDA) was established in 2006, with the responsibility of fostering economic growth and development in the country by promoting trade and investment, and by coordinating effective and efficient private sector led economic development strategies. The agency also faces the challenge of developing an internationally competitive Zambian economy through innovations that promote specialized skills, productive investments and increased trade.

The Zambian economic development agenda has been guided by the National Vision, according to which the country aspires to become a Prosperous Middle Income Country by 2030 and the economic development agenda has been operationalized by five year National Development Plans (Ministry of Tourism and Arts 2013: 11). This is intended to create 1,000,000 new formal sector jobs over the next five years, and four growth sectors have been identified as suitable for achieving this goal: Agriculture, Tourism, Construction and Manufacturing. These are seen as having the greatest potential to achieve the objective of promoting growth, employment, value addition, and expanding the country's economic base. The predicted distribution of potential jobs created by these sectors is shown in figure 2.

Figure 2. Distribution of employment creation by sector



Source: Strategy Paper on Industrialization and Job Creation, July 2013.

Zambia's economic development agenda has been strong with the country experiencing broad based growth since 2001. The real GDP average of 5.7% in the period 2001–2010, was an increase from 3.2% in the previous period (before 2001). The country has also experienced macroeconomic stability, characterized by a low fiscal deficit, single digit inflation and a relatively stable exchange rate. Growth in exports has been reduced with gross international reserves rising to US$ 2.2 billion by December, 2011 (Ministry of Tourism and Arts 2013: 11): see Table 1 below.

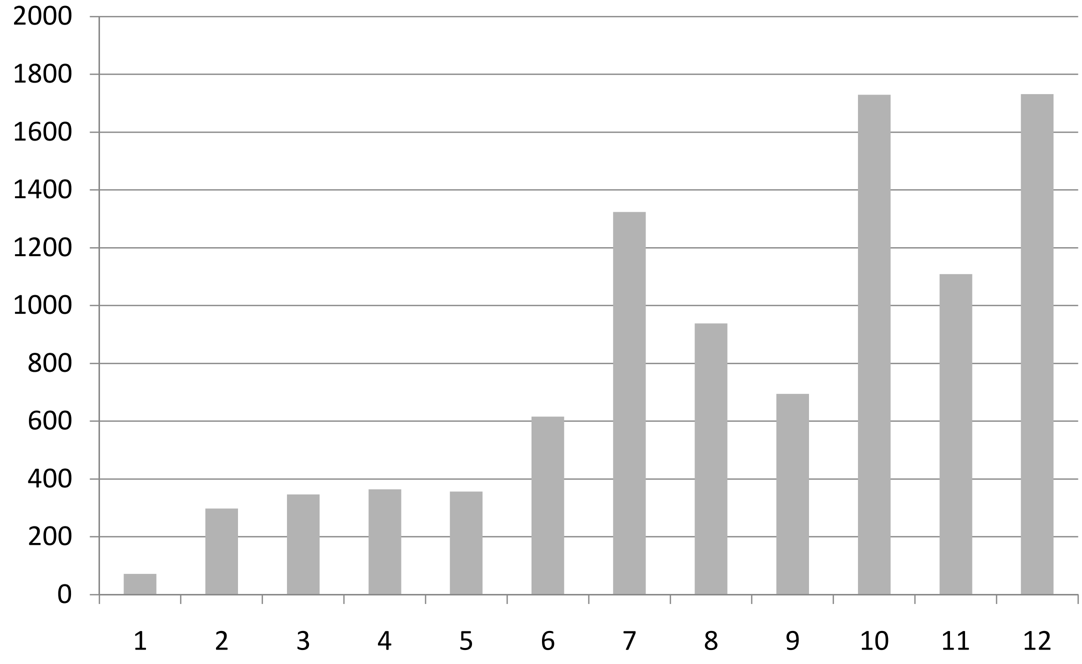
Table 1 - Zambia's Key Economic Indicators (2007 - 2011)

		Years				
	Indicator	2007	2008	2009	2010	2011
1	Real GDP (%)	6.2	5.7	6.3	7.6	6.6
2	Overall Budget Deficit (% of GDP)	-0.2%	-3.2%	4.4%	2.8%	3.7%
3	Inflation Rate (end year)	8.9	16.6	9.9	7.9	7.2
4	Exchange Rate (USD to ZMK)	3,358	3,826	5,060	4,831	4,860
5	GIR (months of Import cover)	3.6	2.1	5.1	4.0	3.0

Source: Strategy Paper on Industrialization and Job Creation, July 2013.

Furthermore, there has been an overall improvement in the investment climate and business environment, which is reflected by the higher rates of Foreign Direct Investment (FDI) and economic growth. Growth has mainly been driven by the mining, agriculture, construction, tourism, transport and communication sectors.

Figure 3. Zambia's FDI Inflows (US $ million), 2001–2012



Source: Bank of Zambia and Foreign Private Investment and Perceptions Survey, 2008, 2010–2013

The increased FDI inflows in the second quarter relative to first quarter could in part be a reflection of continued investor confidence in the economy: the obvious implication for policy is that the government should maintain the prevailing favourable investment climate in order to sustain the investor confidence to attract more investor.

In 2012, the total private sector foreign liabilities (foreign private capital) inflows to Zambia grew by 49.1% to US$ 1,909.4 million compared to US$ 1,280.5 million recorded in 2011. These inflows were the second highest recorded past the global financial and economic crisis, and were dominated by FDI (Anonymous 2013: 31). The significant increase in private sector foreign liabilities inflow is largely explained by massive investment in both new and expansion projects in the mining sector, and in part, is reflective of the restored investor confidence in the economy following the September, 2011 general election (Anonymous 2013: 31). Zambia's present, therefore is encouraging. Are there any historical precedents on which it can draw as it looks to the future?

Scenario for Development: Enter the Indian Example

Before its independence in 1947 India was a largely agrarian country. Prior to that year, the entire Indian sub-continent had been ruled by the British imperialists for around 190 years, and under colonial rule it had been forced to follow a non-industrial model. Many Indian scholars believed that the country's progress was stunted by this model, and that true economic progress for India could only involve industrialization. After independence, this led to the formulation of programmes and strategies to construct infrastructure for rapid industrialization. Although there was a relatively large manufacturing sector in some parts of the country, it was mainly in the form of small-scale local enterprises engaged in the spinning, weaving and woodwork industries. These businesses served local markets where opportunities for expansion were limited, which meant that large-scale expansion of industry remained very difficult for some time.

India, however, was faced with foreign competition, especially by the threat of cheaper Chinese imports. It has since handled the change by squeezing costs, revamping management, focusing on designing new products and relying on low labour costs and technology. Technology has been one of the main cornerstones of India's industrial development. The city of Bangalore is known as the 'Silicon Valley' of India. Over 250 high-tech industries have been set up there including IBM, Intel and HP. These companies are part of India's growing IT sector. This growing IT and technology sector has spread to most of India's other large cities such as Chennai, Mumbai and Kolkata and in 2009 the Information Technology sector accounted for 5.9% of GDP. Mining and other energy exploits have also been one of the main areas which have pushed the industrialization of the country since independence. As such India has been successful in achieving autonomy in producing basic and capital products since independence. The productivity includes aircraft, vessels, automobiles, steam engines, heavy electric equipment, construction machinery, chemicals, precision equipment, communication instruments, power generation and transmission tools and electronic goods.

With its massive population of about 1.2 billion people, where every third person is a youth, India is handling unemployment challenges effectively. According to the World Bank Report, Working for a World free from Poverty, by 2012 the unemployment rate in India, among the youth was 9.7% (in Zambia the rate is 24.9%) which is much less than many other developed and developing countries. Economists believe that the contribution of India towards the world's GDP is estimated to increase from 6% to 11% by the year 2025, while on the flip side, the contribution of the USA in the world's GDP is envisaged to decline from 21% to 18%. This indicates the emergence of India as the third biggest global economy after the USA and China. The evaluation is supported by the overall development in all the sectors in India, in which the industrial sector is the key sector (Dhanabhakyam and Sakthipriya, 2012: 14). What benefits can Zambia derive from its burgeoning relationship with the South Asian giant?

Existing Trade between Zambia and India

In this section we look into two different investors in Zambia: the Indian government and Indian business people who do not have Zambian citizenship, and Zambians of Indian origin. We also look into the bilateral relations between Zambia and India. India has long been Zambia's main trade partner, but there is far more at stake now than a simple contract winning partnership. Since its independence, Zambia has looked at India a marked as a source for know-how and investment.

In a fashion similar to the creation of a tax free zone for companies based in China that were investing in Zambia, the Zambian government wants to create an exclusive economic zone for Indian companies in order to bring "value adding" investments to its mining and other industries. Zambia's exports to India mainly consist of copper, pearls, precious stones, cotton, tobacco, ores (copper and cobalt) (High Commission of the Republic of Zambia 2015). From the year 2008 to 2012, exports have depicted a fluctuating trend. In 2008, Zambia's exports to India were valued at US$32.6 million which has increased to US$49.4 million in 2009, representing an increase of around 24.1%. In 2010 the value of such exports experienced a drastic reduction to US$ 19.0 million, representing a reduction of around 53% which can be mainly attributed to the global financial crisis of 2009. However, exports rebounded to US$ 26.2 million in the following year, and thereafter recorded a significant increase to US$ 70.6 million in 2012 (representing an exponential increase of 170%). The table below illustrates the trends in exports from 2008 to 2012.

Table 2 - Trade Balance (all product goods only)

In Thousands of US Dollars.

	Years					
Trade	2007	2008	2009	2010	2011	2012
1 Zambia's Exports to India	$ 52,459	$ 32,226	$ 49,409	$ 19,023	$ 26,173	$ 70,554
2 Zambia's Imports from India	162,700	206,776	130,909	144,443	248,103	310,000
3 Trade Balance	**$ (110,241)**	**$ (174,550)**	**$ (81,500)**	**$ (125,420)**	**$ (221,930)**	**$ (239,446)**

Source: International Trade Sector - Tradecom Statistics.

Figure 4

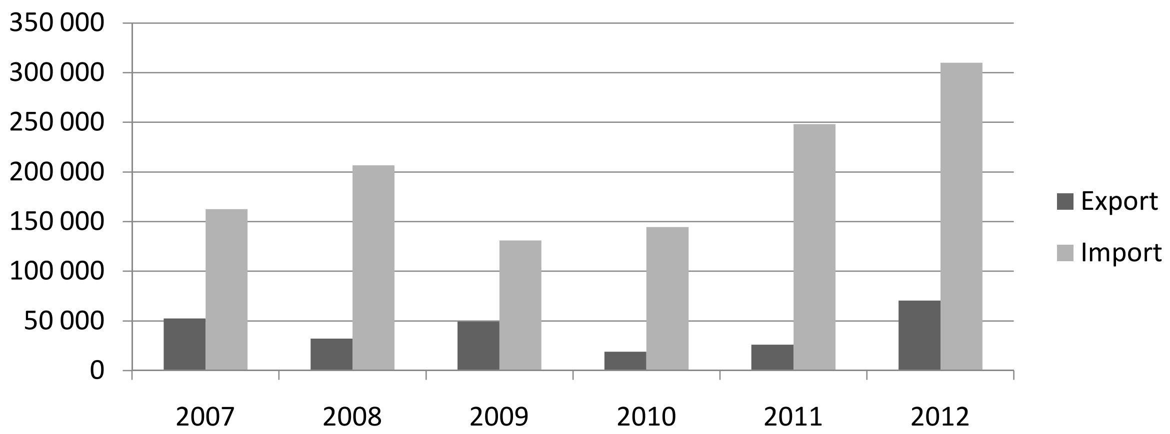


Figure 4 is based on Table 2.

Statistics from the International Trade Centre (ITC) indicate that Zambia's imports from India[2] are on a steady increase. In 2008 these amounted to US$206.7 million although the value reduced to US $ 130.9 million in 2009 (a reduction of 32%) (High Commission of the Republic of Zambia, 2015). This reduction can be mainly attributed to the global financial crisis of 2009 and 2010. In the following years, Zambia's imports rose from US$ 144.4 million in 2010 to US$ 248.1 million in 2011. Imports continued to rise with figures increasing to US$310.0 million in 2012, representing an increase of over 25% from the previous year.

Under the Indian market access initiative for Low Developed Countries (LDCs), Zambia is entitled to a tariff preference on exports of all originating products, except those specified in the exclusion list. Between 2002 and 2007, 90.0% of Zambia's exports to India (and 99.8% of Zambia's non-traditional exports to India), representing 137 tariff lines, was accorded duty-free access to the Indian market under the Duty Free Tariff Preference (DFTP) Scheme. Duty on an additional 7 tariff lines was reduced by 50% over a five-year period, while thirteen tariff lines were contained on India's exclusion list.

Most importantly, diamonds, precious and semi-precious stones were made eligible for zero-duty tax under India's DFTP Scheme (see below). The most problematic tariff lines on India's exclusion list are copper cathodes) and copper wire), which represented 10.0% of Zambia's exports to India during this period.

[2] Zambia's main imports from India include pharmaceutical products, boilers, machinery, construction machinery, vehicles (other than tramway vehicles), electrical and electronics equipment, extruders for working rubber or plastics, plastics and articles of plastic, staple fibres, optical, photo and medical apparatus, printed books, inorganic chemicals, isotopes, explosives, pyrotechnics, matches, pyrophorics (substances capable of igniting spontaneously on contact with air), motor vehicle parts, tools, implements, cutlery and base metal.

Indo-Zambian Bilateral Agreements

A number of bilateral agreements relevant to the issues discussed in this paper have already been signed between Zambia and India (High Commission of India 2014: 8 – 13). On 17th August, 2007, for example, the two countries successfully concluded a review of the 'Convention between India and Zambia for Avoidance of Double Taxation. The draft agreement was also approved by both sides, and was awaiting formal signing into law. However, the government of Zambia then requested a renegotiation of the draft for Double Taxation Avoidable Agreement (DTAA) on the issue of "Management and Consultancy Fees". The first round of negotiations in this regard was held in New Delhi, India in February, 2013. This agreement builds on preceding agreements between the two countries, such as the Agreement for Cooperation in Trade and a Memorandum of Understanding (MOU) for Cooperation in Agriculture, signed on April 21, 2003 during the visit of the Zambian President to India. The two countries also signed a Protocol for Institutionalization of the Annual Foreign Office Consultations during the visit of Secretary (West), Ministry of External Affairs (MEA) to Zambia on 28 February, 2005.

One of the most important of these agreements is the Duty Free Tariff Preference Scheme. In May 2010 Zambian Minister for Commerce, Trade and Industry signed the Letter of Intent to utilize India's Duty Free Tariff Preference Scheme (DFTPS) in May 2010. The scheme grants duty free access (Positive List) on around 85% of India's total tariff lines and preferential access on about 9% of tariff lines. Only 6% of the tariff lines are under the Exclusion List. Duty-free and Positive List covers about 92.5% of global exports of Least Development Countries (LDCs). In April 2012, Zambia was notified as one of the beneficiaries of the scheme and thereafter the names of the Zambia Revenue Authority (ZRA) officials were circulated to Indian Customs authorities for making the scheme operational in Zambia. A related point is that there exists possibilities for government-to-government credit and supplier's credit, a specialized form of aid that can help promote bilateral relations (Krishna 2008: 223).

Investments in Zambia by Indian Companies

On April 20, 2010, at Chingola in the Zambian copperbelt, then Zambian President Rupiah Banda launched the first phases of the Konkola Deep Mining Project (KDMP) and the ultramodern Nchanga Smelter of the Konkola Copper Mines (KCM). KCM is a subsidiary of the Vedanta Resources group. In 2004, M/s Vedanta Resources invested US$ 48 million into the Konkola Copper Mines (KCM) to acquire a majority of the stake. With the launch of these two projects, KCM aims to reach the target of producing 500,000 tonnes of finished copper per annum by 2013. It has even crossed the copper production limit of around 650,000 tonnes per year. Furthermore, their combined investment in the Konkola Deep Water Copper Mining Project, a Sulphuric Acid plant and a new Smelter has amounted to US$ 2.2 billion. The company's investment is expected to reach US$ one billion in the next three years.

In addition to this, another Indian based company called RJ Corporation has pledged to invest US$30 million over a six year period. Phase I of the project involves an investment of US$ 15 million to set-up a manufacturing plant for producing Pepsi, a carbonated soft drink. In Phase II, the firm intends to construct another plant for manufacturing fruit based drinks, at a cost of US$ 15 million. President Banda laid the foundation of the Pepsi manufacturing plant in Lusaka on 17 January, 2000 which started its production in October, 2010.

M/s Nava Bharat Singapore Limited, a subsidiary of Nava Bharat Ventures Ltd. Hyderabad has purchased 65% equity shares in Mamba Collieries Ltd. The Government of Zambia retains the remaining 35% shares through Zambia Consolidated Copper Mine Investment Holdings (ZCCM-IH). Nava Bharat intends to invest US$ 108 million in the recapitalization of Mamba Collieries and the installation of the new coal handling and washing plant. Nava Bharat has also developed a coal fired power plant of a minimum generating capacity of 270 megawatts using the low grade coal of Mamba Collieries.

Taurian Manganese Ltd, one of the groups of companies of Dharni Sampada Pvt. Ltd. Based in India, has invested around US$20 million in 2010 in manganese mining and plans to invest another US$300 million into the construction of a Magnesium processing plant in the Serenje district of Central Province in Zambia. Upon completion, this would become one of the biggest manganese processing plants in Africa.

Services are represented in this picture by, among others, Bharti Airtel, an Indian based mobile communications provider, which launched its new brand, Airtel Zambia, in November 2010. The brand promises to meet the emerging needs of customers with innovative, affordable and relevant solutions to provide low tariffs and roll out deep connectivity into the rural areas of Zambia, in order to bridge the digital divide.

Other major Indian investments include a joint venture, the Indo-Zambia Bank (IZB), where 60% of equity is held by three Indian public sector banks (which are the Bank of India, the Bank of Baroda and the Central Bank of India, and the remaining 40 per cent by the Zambian government. The EXIM Bank of India has a 34% share in the Development Bank of Zambia (DBZ) after a debt settlement agreement with the Government of Zambia, which owed US$18.8 million to the EXIM Bank.

The TATA group of companies, meanwhile, has invested in five-star hotels, a leather manufacturing company (purchased from the Zambia Development Agency for US$1.164 million), and a vehicle and bicycle assembly plant in Ndola (this deal involved investments of around US$ 10 million). It is also collaborating with local Zambian companies in power generation projects. These include a hydroelectric power project worth US$ 230 million.

Developments in Pharmaceuticals and the Iron and Steel Sectors Since 2013

On 3rd July, 2013 the Zambian government awarded tenders to three Indian companies to construct 650 rural health posts. At the signing ceremony in Lusaka, the Minister of Health, Dr. Joseph Kasonde, revealed that the project involved the construction of pre-fabricated structures, and that the three firms would also install essential medical equipment in the health posts.[3]

A company of Indian origin, NRB Pharma Zambia Limited, applied for permission to invest in the Lusaka South Multi Facility Economic Zone. The application was to develop a pharmaceutical manufacturing plant on a 32,509 square metre land at the cost of US$ 10 million. The factory intends to produce tablets and capsules, and will create 110 new job opportunities. When built, the project will be the first World Health Organization (WHO) certified pharmaceutical plant in Zambia, and will provide an opportunity for technology transfer, as it will bring in state of the art equipment, and is intended to employ manufacturing processes of the highest standards, as certified by auditors.

The application for this project was received in January 2013, and it was one of the projects that had expressed unsolicited interest through the ZDA to invest in the Lusaka South MFEZ. It was handed over to LS MFEZ Limited at the company’s inception. The project has been scrutinized by ZDA and was approved by the board, subject to management concluding technical consultations with NRB and other stakeholders.

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[3] The tenders were ultimately awarded to Jaguar Overseas to construct the health posts on the Copperbelt and Eastern Provinces at a total cost of US$ 19.5 million. Another Indian based company, Angelique Limited won the tender to construct rural health posts in North-Western, Northern, Muchinga and Luapula Provinces of Zambia, at a total cost of US$18.1 million. The Indian based firm, MeghaMedical Centre, will work on the health posts in Western, Southern and Lusaka Provinces at cost of US$ 18.4 million. Early this year, the Zambian government acquired a credit line of K260 billion from EXIM Bank of India for the construction of 650 rural health posts across the country.

Zambia has experienced a dynamic development in steelmaking over the last five years. In 2008, a company called Good Time Steel was set-up by investors from China. This is the first major steelmaking company in Zambia, and started its operation by supplying steel bars.

In addition, Trade Kings Ltd has constructed the largest steel mill in Zambia, the Universal Mining and Chemical Industries Limited (UMCIL). It installed the first electric furnace for steelmaking in the country, and commenced its operation in 2008. Using steel scrap available from the domestic market as raw material, the company has been expanding production and has been exporting steel products to the regional markets. Until then, steel production was limited to providing mill balls and spare parts to serve in Copperbelt are the mining companies.

Because of active copper mining in Zambia, cast iron makers have largely clustered in the copperbelt. After the adoption of the economic liberalization policy in 1991, this sector of Zambian manufacturing faced stiff competition from imported products from South Africa, China and India. In order to survive, local Zambia companies, such as UMCIL, are either upgrading the quality of products, like forged mill balls, or are relying less on mill ball production by capturing new demands that are emerging from the mining and other sectors.

Zambia's iron and steel sector can promise investors several incentives: the country's abundance of iron ore and coal, a growing domestic and regional demand for steel products, a favourable business environment, and preferential access to wide markets. More generally, the government's drive to develop the under-developed sectors of its economy which have a high growth potential applies to the iron and steel sector also.

The Indian Community/People of Indian Origin (PIO)

Zambians of Indian origin play a significant role in Zambia's economy, especially in trade, industry, the hospitality and transport sectors. There are around 13,000 persons of Indian origin in the country, making up about 0.1% of the population. Most of them have adopted Zambian or British nationality and are working in the trade sector. There has been a visible growth in the number of Indian professionals, especially in Indian owned enterprises.

Many people of Indian origin have invested in the mining of precious stones, agriculture, horticulture and the chemical industry. On 11 March, 2009 a US$ 10 million mobile phone assembly plant was inaugurated in Lusaka belonging to the Melcom Group – a company owned by a Zambian of Indian origin. This investment was under Japan's "Triangle of Hope" initiative, which promoted the economic development of third world countries.

Trade Kings Zambia Pvt. Ltd. Manufactures, a leading confectionery beverage and detergents company, has captured market share in neighbouring countries like in Malawi, Zimbabwe, Botswana, Congo and South Africa. The company was founded in 1992 and is based in Lusaka, Zambia. This company is owned by Zambian Indians, has invested over US$125 million and has set up the first ever integrated steel plant in the country at Kafue.

The Kafue Sugar Company has commenced sugar production with a view to help cushion the impact of sugar shortage that has hit the country recently. The company's Managing Director disclosed that the company is since expected to increase production of sugar to over 40,000 metric tonnes from 28,000 metric tonnes, following the receipt of new machinery. And he further disclosed that Kafue Sugar Company would spend an estimated US$8 million on the expansion programmes of the plant which would enhance the competitiveness of Kafue Sugar on the market.

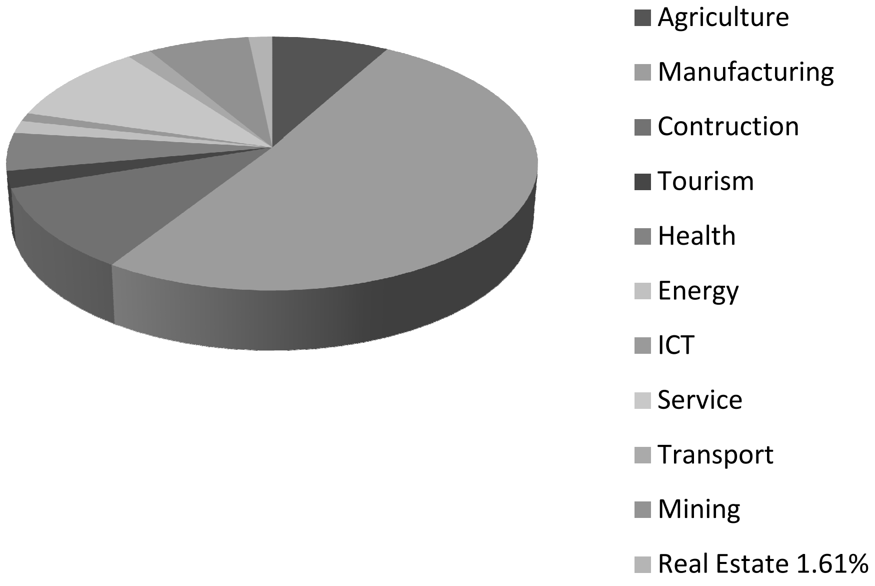
Investment and employment created by the Indian Companies

According to the ZDA, a total of 186 Indian companies are engaged in different business sectors in Zambia. The table below shows the distribution of this company by sectors.

Table 3. Indian Companies in Zambia by Sector

Sector	Number of Firms	Percentage of Total
Agriculture	15	8.06%
Construction	20	10.75%
Health	9	4.8%
Manufacturing	95	51.07^+
ICT	2	1.07%
Services	19	10.21
Transport	3	1.61
Tourism	4	2.15
Mining	13	6.98%
Real Estate	3	1.61%

Figure 5



Concluding Remarks and Recommendations for the Future

The article has argued that Zambia, as a country having an abundance of mineral wealth, arable land, and man power but lacking industries, needs support for industrialisation from foreign countries, including India. We have seen that Indian investment in Zambia has become increasingly significant in the recent past, amounting to over 3.4 billion US$ and creating more than 19,000 jobs in recent years. On top of that, investments by the community of ‘People of Indian Origin’ in Zambia cannot be ignored and, due to their investment activities, more than 5000 jobs (according to ZDA record) have been created. India is also trying to contribute in Zambia’s industrialization through its private and public sectors.

India and Zambia are involved in trade but still it needs to be promoted for equal benefit. Exports from Zambia to India need to rise in order to create a truly ‘win-win’ situation. The Indian government must become more involved in the transfer of technology from India and industrialization of Zambia. Additionally, it has been felt by both governments that there are still a lot of room for increased cooperation in the field of trade and various other economic activities which could be of great help to overcome economic stagnations that can break through the vicious cycle of poverty-underdevelopment-poverty too.

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БУДУЩЕЕ ПРОМЫШЛЕННОСТИ В ЗАМБИИ: БУДЕТ ЛИ СОТРУДНИЧЕСТВО С ИНДИЕЙ ОЗНАЧАТЬ НОВЫЙ ЭТАП РАЗВИТИЯ?

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Аннотация. В африканском и мировом сообществе утверждают, что индустриализация Африки должна позволить ей догнать мировую экономику. Бывший генеральный секретарь ООН Пан Ги Мун однажды заметил, что индустриализация в Африке должна ускориться, чтобы она могла стать стимулом для экономических преобразований на континенте. Кроме того, доказано, что страны не могут поддерживать себя, будучи только потребителями, и что они могут процветать, только если также станут участвовать в производстве. И Индия, и Замбия годами переживали колониальное экономическое ограбление. Оба государства считали, что в их странах необходима индустриализация, которая вносит большой вклад в искоренение нищеты, повышает производительность труда, создает рабочие места, увеличивает доходы бедных слоев населения и помогает диверсифицировать экспорт. После обретения Замбией независимости в 1964 г. правительства Индии и Замбии стремились укрепить свои торговые отношения. Деятельность индийского правительства, направленная на укрепление экономики Замбии, сосредоточена не только на торговле, но и на поощрении развития людских ресурсов и отраслей промышленности в целях борьбы с нищетой. Статья исследует существующие торговые отношения между Индией и Замбией и выгоду, полученную от них населением Замбии. Также рассматривается возможность расширения торговли и создания новых предприятий индийскими компаниями, индийским сообществом и правительством Индии в Замбии.

Ключевые слова: Замбия, Индия, индустриализация, развитие, ПИИ

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