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Chinese Foreign Direct Investment in Zambia: A Critical Review of Socio-economic Impacts and Policy Paradoxes

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Abstract— *This paper critically reviews the socio-economic costs and benefits of Chinese foreign direct investment (FDI) in Zambia. It aims to explain why Zambian government leaders continue to prefer Chinese investment despite persistent public concerns regarding its developmental impact. A systematic literature review was conducted. Databases searched included Google Scholar, Emerald Insight, Business Insights Global, IMF e-Library, World Bank Open Knowledge Repository, and the Zambia Institute for Policy Analysis and Research (ZIPAR). Only peer-reviewed academic articles and official government reports published between 2006 and 2023 were included. Twenty-four materials formed the final dataset, analyzed thematically. Chinese FDI in Zambia has generated significant employment and infrastructure development. However, these benefits are undermined by: (1) a pronounced lack of corporate social responsibility (CSR) among Chinese firms compared to pre-privatization Zambian companies; (2) concentration of employment in low-wage, unskilled roles with minimal technology transfer; (3) weak enforcement of performance requirements due to governance deficits and political corruption; and (4) sectoral over-concentration in mining, creating economic instability. Critically, the Zambian government demonstrates a binding preference for Chinese FDI driven by capital scarcity and historical diplomatic ties, not by superior socio-economic outcomes. This review provides a rare critical synthesis focused specifically on the Zambian context, moving beyond generic FDI debates. It introduces a governance-centered explanation for the persistence of Chinese investment preference, highlighting the role of information asymmetry between political elites and citizens, and the erosion of post-privatization community welfare standards.*

Keywords— *Chinese investment, foreign direct investment (FDI), Zambia-China partnership, socio-economic development, corporate social responsibility, governance.*

I. Introduction

The nature and quality of foreign direct investment (FDI) have long been subjects of intense scholarly and policy debate, particularly in resource-rich developing economies. In Zambia, this debate ac-quired sharp political salience through the late President Michael Sata's characterization of Chinese investment as extractive and devoid of the "human face" he attributed to Western capitalism (The Daily Telegraph, 2014). While Sata's specific comparison may be contested, his critique exposed a persistent tension: despite widespread grassroots concerns about labor practices, environmental standards, and limited community reinvestment, Chinese FDI continues to be the preferred source of external capital for successive Zambian governments.

The diplomatic and economic relationship between Zambia and China dates to the 1960s, culminating in China's financing of the Tanzania-Zambia Railway Authority (TAZARA) as a symbol of solidarity during Zambia's independence struggle (CGTN, 2023; Colville & Colville, 2023). Today, over 400 Chinese-financed companies operate across Zambia's mining, manufacturing, construction, and agricultural sectors, supported by concessional loans, grants, and technical assistance (Nyabiage, 2023; China-embassy.gov.cn, 2023). This deep entanglement makes understanding the specific socio-economic impacts of Chinese investment not merely an academic exercise but a policy imperative.

Extensive research exists on the general costs and benefits of Chinese FDI in Africa. However, a critical review of its specific socio-economic impacts within the Zambian context remains notably underdeveloped. This gap is consequential: without a nuanced understanding, host countries risk perpetuating investment patterns that generate short-term employment but undermine long-term developmental autonomy. This review paper therefore asks: What are the documented socio-economic costs and benefits of Chinese investment in Zambia? And why do Zambian government leaders continue to prioritize Chinese FDI despite citizen concerns?

By answering these questions, this paper contributes a context-rich, critical synthesis that can inform more effective FDI governance and reduce unproductive resistance to necessary foreign capital.

II. Research Methodology

A systematic literature review was conducted following established guidelines for synthesis in inter-national business and development studies.

Search Strategy and Databases

The following electronic databases were searched between June and August 2024: Google Scholar (high credibility for broad scholarly coverage), Emerald Insight, Business Insights Global, IMF e-Library, World Bank Open Knowledge Repository, and the Zambia Institute for Policy Analysis and Re-search (ZIPAR) digital archive. Reference lists of

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identified articles were hand-searched for additional relevant studies.

Inclusion and Exclusion Criteria

Studies were included if they: (a) were peer-reviewed academic articles or official government re-ports; (b) were published between 2006 and 2023; (c) addressed FDI, Chinese investment, or socio-economic impacts in Zambia or comparable developing economies; and (d) provided empirical data or theoretically grounded analysis. Editorials, news articles, conference abstracts, and unpublished theses were excluded. Non-English publications were excluded due to lack of translation capacity.

Search Terms and Screening

The keywords, which were derived iteratively from preliminary reading, were "Chinese FDI in Zambia," "Chinese investment Copperbelt," "China-Zambia economic partnership," "socio-economic impact Chinese investment," "corporate social responsibility Zambia mining," and "performance requirements FDI Zambia."

The search was conducted in title, abstract, and keyword fields. Titles and abstracts were screened against inclusion criteria. Full texts of potentially eligible articles were retrieved and assessed for relevance and methodological quality. A final dataset of 24 materials was retained after excluding 13 records that did not provide specific data on Chinese FDI in Zambia or lacked empirical grounding.

III. Literature Review and Theory Development

Defining Foreign Direct Investment

FDI is formally defined as an investment made to acquire a lasting interest in an enterprise outside the investor's economy (IMF, 2009). It is typically differentiated between "greenfield" (new operations) and "acquisition" (purchase of existing assets). In Zambia, Chinese FDI has predominantly occurred through acquisitions in the mining sector, a pattern associated with limited local value retention (Ratiu, 2024).

The Developmental Promise and Peril of FDI

Conventional development economics posits FDI as a crucial driver of private investment, job creation, and infrastructure development (Christopher & Adu-Darko, 2018). However, dependency theory offers a corrective lens: when FDI is concentrated in primary resource extraction, with weak linkages to local suppliers, minimal technology transfer, and high profit repatriation, it may reproduce rather than reduce underdevelopment (Todaro & Smith, 2020; Zysk, 2025).

Additionally, the possible advantages of FDI depend on the governance of the host nation, notably the implementation of performance standards (UNCTAD, 2004) and strong corporate social responsibility (CSR) frameworks. Where political corruption weakens regulatory enforcement, FDI can generate "reputation deficits" (Shi & Seim, 2021) and community resistance even when aggregate employment figures appear positive.

The socioeconomic consequences of China's investment in Zambia have been hotly debated. On one hand, Chinese investment has contributed to job creation and infrastructure development. On the other hand, there are concerns about inadequate CSR strategies and governance issues (Jere, 2023). Shi and Seim (2021) highlight a "reputation deficit," where Zambians are generally less supportive of Chinese investment despite the employment and infrastructure gains (Kostecka-Tomaszewska & Krukowska, 2023).

CSR and technology transfer are crucial for maximizing the benefits of FDI. However, many Chinese investors in Zambia are criticized for not prioritizing CSR initiatives, resulting in limited local capacity building and technological advancements (Todaro & Smith, 2020). Khayyat and Lee (2015) recommend that governments allocate significant portions of their budget to improve technological capabilities, which is crucial for attracting high-quality FDI.

One of the challenges Zambia faces is the lack of strict performance requirements for foreign investors, particularly in sectors like mining. This has resulted in situations where Chinese investors repatriate most of their earnings without reinvesting in local communities (Lungu, 2008). Performance requirements, if effectively enforced, could enhance the socio-economic benefits of FDI, including poverty reduction and infrastructure development (UNCTAD, 2004).

The possible advantages of Chinese FDI have also been hampered by political corruption in Zambia. Investors often avoid punishment for unethical practices due to corruption in awarding investment licenses and work permits, thereby posing more disadvantages (Zander, 2021). Improving governance frameworks and reducing corruption would likely enhance the accountability of investors and the socio-economic benefits of FDI (Voloshyn, 2018).

IV. Findings and Discussion

This section integrates findings and discussion thematically, organizing evidence around employment, CSR, technology transfer, governance, and the policy paradox of continued Chinese investment preference.

Employment Creation: Quantity Versus Quality

Consistent with broader FDI literature, Chinese investment has generated substantial employment in Zambia. Between 2010 and 2019, China created an estimated 18,500 jobs across Africa, surpassing the United States, France, and the United Kingdom in job creation volume (Statista, 2019). Within Zambia, the Chambishi Multi-Facility Economic Zone (MFEZ) alone has provided over 8,000 jobs (Sinkala, 2014). However, a critical finding across multiple studies is the concentration of these jobs in low-wage, unskilled categories (Jere, 2023; Mwale, 2015).

This pattern limits the developmental impact of employment creation. Low-wage employment generates tax revenues and household income but does not build the intermediate skills base necessary for economic diversification or upward mobility. Furthermore, sectoral concentration in mining exposes the Zambian economy to commodity price volatility, creating macroeconomic instability that can offset employment gains during price downturns (Mwale, 2015). Thus, the quality of employment - not merely its quantity - emerges as a key differentiator between transformative and extractive FDI.

The Corporate Social Responsibility Deficit

One of the most striking findings is the near absence of well-defined CSR strategies among Chinese investors relative to the pre-privatization era. Prior to the mass privatization of Zambian state-owned enterprises in the 1990s, mining companies routinely provided community services including school construction, road maintenance, healthcare facilities, and garbage collection (Lungu, 2008). Privatization, coinciding with the influx of Chinese capital, led to a sharp decline in these welfare services. Chinese firms, in their pursuit of profit maximization, have generally not replicated this community investment model (Lungu, 2008; Jere, 2023). This shift represents more than a missed opportunity; it constitutes a fundamental change in the social contract between foreign capital and local communities. As Shi and Seim (2021) document, this CSR deficit directly contributes to a "reputation deficit," wherein Zambians express less support for Chinese than Western investment despite similar or greater employment numbers. The absence of visible community benefits - schools, clinics, roads - fuels perceptions of exploitation even where formal employment exists.

A second critical deficit concerns technology transfer and skills development. Zambia's natural resource endowments (copper, agriculture, timber) attract FDI, but the developmental returns are constrained by technological dependency (Fagerberg & Srholec, 2008). Chinese firms predominantly import machinery and advanced technology from China, limiting Zambian workers' exposure to technical knowledge. Local employees are typically confined to low-skilled roles with minimal opportunities to acquire expertise in equipment operation, maintenance, or process management.

This pattern reproduces a classic dependency dynamic: the host country provides raw materials and labor, while value-added activities (including technology-enabled processes) remain externalized. For Zambia to maximize FDI benefits, performance requirements mandating local skills training, technology transfer plans, and progressive localization of technical roles are essential. Currently, such requirements are weakly enforced or absent (Lungu, 2008).

Perhaps the most fundamental constraint on beneficial Chinese FDI is governance weakness, specifically political corruption and regulatory capture. Evidence indicates that some Chinese investors have bypassed legal requirements by bribing government officials to obtain investment licenses and work permits (Zander, 2021). This corrupt practice undermines two critical mechanisms: accountability for labor and environmental standards, and enforcement of performance requirements.

When investors can circumvent regulations through side payments, they face no incentive to in-vest in CSR, skills transfer, or community development. The result is a race to the bottom: Zambia's desperate need for capital combines with governance deficits to produce FDI that generates minimal long-term developmental returns. Crucially, this is not a problem unique to Chinese investors - it reflects a broader governance challenge -but the scale and sectoral concentration of Chinese investment amplify its negative consequences.

Explaining the Policy Paradox: Why Persistent Preference for Chinese FDI

Why do Zambian government leaders continue to prioritize Chinese investment given these documented costs? The evidence points to three interconnected explanations.

First, capital scarcity and diplomatic history. Zambia faces intense competition for FDI and can-not afford to forego large-scale capital inflows. China has been a reliable partner since the TAZARA era, offering concessional loans and grants without the political conditionalities often attached to Western aid (Colville & Colville, 2023). For cash-constrained governments, this liquidity premium outweighs diffuse long-term costs.

Second, information asymmetry between elites and citizens. Political leaders and senior bureaucrats may have access to aggregate investment data (total jobs, total capital) that presents FDI favorably, while citizens experience qualitative deficits (low wages, no schools, environmental degradation) directly. This asymmetry allows elites to justify continued Chinese partnership on technocratic grounds while dismissing citizen concerns as misinformed or politically motivated.

Third, weak institutional capacity for performance enforcement. Even where governments in-tend to enforce CSR or technology transfer requirements, limited regulatory capacity, combined with corruption, prevents effective action (Zander, 2021). Once investors are established, host governments face high costs of monitoring and sanctioning non-compliance, particularly when investors threaten to relocate capital.

V. Conclusions

This critical review has examined the socio-economic costs and benefits of Chinese FDI in Zambia. The evidence demonstrates a mixed record: significant employment and infrastructure contributions coexist with pronounced deficits in CSR, technology transfer, and governance enforcement. The Zambian government's persistent preference for Chinese investment, despite citizen concerns, is explained not by superior developmental outcomes but by capital scarcity, historical diplomatic ties, information asymmetry, and weak institutional capacity for performance enforcement.

For Zambia, the implication is not to reject Chinese FDI but to govern it more effectively. Three priorities emerge: (1) Mandatory CSR frameworks: legislation requiring foreign investors to contribute a fixed percentage of profits to community development funds (schools, clinics, roads) would align profit motives with local welfare. (2) Enforceable technology transfer clauses: investment agreements must include specific, time-bound targets for local skills training, technology dissemination, and progressive localization of technical roles. (3) Anti-corruption and regulatory strengthening: without addressing political corruption, no performance requirement will be reliably enforced. Do-nor-supported technical assistance for investment monitoring and sanctioning mechanisms is urgently needed.

Two limitations are acknowledged. First, selection bias may have excluded relevant grey literature or non-English studies. Second, the limited volume of Zambia-specific research on socio-economic impacts constrains the generalizability of findings. Future research should: (a) conduct longitudinal, firm-level studies measuring actual technology transfer and skills development in Chinese-invested firms; (b) compare

CSR performance across Chinese, Western, and domestic Zambian firms using standardized metrics; and (c) investigate the political economy of information asymmetry—how investment data is produced, shared, and interpreted by different stakeholders.

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