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AN ANALYSIS OF THE CONTRIBUTION OF THE INFLUX OF CHINESE INVESTORS TO SUSTAINABLE PRODUCTION CAPACITY AND INDUSTRIALISATION IN THE MINING SECTOR IN ZIMBABWE IN THE 21ST CENTURY

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ABSTRACT

The influx of Chinese mining conglomerates into the mining industry in Zimbabwe since the year 2000 has significantly improved production capacity and industrialisation in the country's mining sector. Chinese investors have topped the investment list especially in the mining sector since the exodus of European investors from the mining industry and other sectors at the turn of the new millennium. The objective of this study is to examine the contribution of the proliferation of Chinese investors to sustainable production capacity and industrialisation in the mining sector in Zimbabwe. Since the mass exodus of European investors from the mining industry in Zimbabwe, the industry was left in a quagmire with no machinery and below average and some with no production capacity. The increasing incoming of Chinese investment into the country ushered in great improvements in the mining sectors as they brought with them superb mining technology and capital to develop the sector. Data for this study were gathered through the use of both primary and secondary data sources. Interviews were conducted to ascertain the improvements in production capacity and levels of industrialisation in the mining sector due to mining technology, capital and skills brought by Chinese investors. Newspaper articles, periodic journal articles, books and government reports were used as sources of data. The production analysis and capacity utilisation approaches were used to provide theoretical analytical grounding for the study. On one hand, production analysis which entails transformation which link factor inputs and outputs is used to examine the extent to which the capital and mining equipment brought by Chinese investors improved the exploration, extraction and processing of minerals in Zimbabwe. On the other hand, capacity utilisation which measures the ratio of potential economic output realised in production is used to examine the contribution of Chinese investors to operating efficiency in the mining sector in Zimbabwe.

Keywords: Chinese investors, production capacity, industrialisation, mining sector, Zimbabwe

INTRODUCTION

The proliferation of Chinese investors into Zimbabwe since the launch of the Look East Policy in year 2003[1] which aimed at expanding bilateral and trade relations as well as to offer priority to Chinese investors has transformed the mining sector. It has contributed immensely to advanced merchanisation and improved production in the mining sector in the country. Chinese investors top the list of overall investors in Zimbabwe and the mining sector records the highest figures of these investors. Majority of investors from China have shown interests in the mining of gold, platinum, chrome, diamonds and processing of gold. Advanced mining technology has been introduced, capital has been injected and production capacity has improved following the influx of Chinese investors in the mining sector in Zimbabwe. Therefore, Chinese investors have contributed to economic development in Zimbabwe through employment creation, economic growth in the mining sector and generation of generation of revenue for the state. However, the influx of investors from China has not escaped criticism from within and outside Zimbabwe. Criticism has ranged from the durability of mining technology brought by Chinese companies, the treatment of workers, passive colonialism and disregard for human rights.

Nevertheless, a lot has been done by Chinese investors to improve the exploration, extraction and processing of minerals in Zimbabwe. Had it not been for these investors, the mining industry in the country could be traversing intricate terrain due to shortage of mining equipment and capital for sustainable mining operations. It is the purpose of this paper to examine the contribution of the incursion of Chinese investors to industrialisation and improved production capacity in Zimbabwe. Case studies will be drawn from mining companies that have proliferated in the country since the year 2003 when the Look East Policy was officially launched. To measure the degree of industrialisation and level of production capacity achieved in Zimbabwe due to the contribution of Chinese investors, two approaches are used in this study. These are; the production analysis approach and the capacity utilisation approach .The two approaches are juxtaposed to examine the extent to which financial resources and mining machinery brought by Chinese investors have improved the exploration, extraction and processing of minerals in the country.

BACKGROUND TO THE STUDY

The Zimbabwean government's embarkation on the fast track land reform programme[2] ignited antagonistic relations between the government and Western investors in the country including mining companies. Consequently, Western mining conglomerates such as Rio Tinto Mining Company and New Dawn Mining Corporation among others minimised capital injection into the mining sector and ceased operations at major mines in Zimbabwe. Venice Mine, Commoner Mine, Empress

[1] Although no official public policy document exists to the effect of the Look East Policy, the policy is frequently invoked to refer to Zimbabwe's ties with China, Malaysia, Vietnam, Iran, Singapore and other Asian and East European countries such as Russia. Critics have referred to the policy as a slogan and propaganda tool in favor of ZANU PF and against Western powers (Stiftung, 2004).

[2] Land reform refers to the land redistribution exercise the Zimbabwe government embarked on in year 2000 to correct colonial economic imbalances between black and whites in terms of land ownership. Prior to the land reform in Zimbabwe, land ownership skewed in favor of the white population who owned more than seventy five percent of productive land since the colonisation of present day Zimbabwe by Britain through the British South Africa Company in 1890.

Mine, Angelus Mine and Camperdown Mine among others ceased operations as Western investors pulled out. However, Anglo-American Limited remained resolute in platinum mining at Unki Mine. With the exodus of major Western mining conglomerates, the above gold mines together with ferrochrome smelters such Zimbabwe Alloys (ZimAlloys) which an Anglo-America subsidiary until 2003 (The Source, June 2016) and Zimbabwe Mining and Steel Company (Zimasco) and many others closed down. The closure of these and other mines due to political bickering between the Zimbabwean government and Western investors compromised production capacity in the mining sector. Apart from the deterioration of production capacity, machinery, smelting plants and furnaces came to a standstill and some were vandalised and looted by people as mining premises were closed and abandoned.

Industrialisation and production capacity in the mining industry were left in a quagmire due to the mass departure of European investors from Zimbabwe. This did not only affect the mining sector, but the whole economy. The Zimbabwean economy is primarily dependent on the agriculture and backed by the mining sector. Even though agriculture remains the backbone of the Zimbabwean economy, the mining industry is key to provision of employment, revenue and both formal and informal trade. Hence, the deterioration of the sector was a predicament which Chinese investors turned to hope at since the year 2003.

EXIT WEST, ENTER CHINA

Due to the eccentric pantomime political economic confrontation over Zimbabwe's land reform policy between the Zimbabwean government and West countries, the Zimbabwean foreign policy shifted towards the East. The policy has lured investors from China among other Eastern countries. Between 2000 and 2012, an approximation of 128 Chinese official development financial projects was identified in Zimbabwe (Guardian Online, 7 March 2016).Hence, China has become Zimbabwe's largest trading partner (Ibid) and biggest investor with 74% of foreign direct investment in the mining, infrastructure and tourism sectors in 2015 (Sunday News Online, 17 January 2016). Against this background, China has presented a significant repository of hope for industrialisation and production capacity in Zimbabwe's mining sector. China's scrupulous nicety in relating with Zimbabwe can therefore be hailed for contributing to the development of the mining industry.

THEORETICAL FRAMEWORK

The production analysis approach and capacity utilisation theory provide the theoretical foundation upon which this study is hinged on. The former is expressed in terms of the total machines a factory has and the output produced on a daily basis (Onlineclothing.com. 2011). Drawing examples from mines owned by Chinese companies, the study explores the output produced at the mines vis-à-vis the machinery available. Capacity utilisation entails the ratio of actual output to the potential output (Prior and Filimon, 2002). Based on mining activities at Chinese owned mines, the study endeavors to examine the ratio of actual output to the potential output in order to deduce the contribution of Chinese investors to industrialisation and capacity utilisation in the mining sector in Zimbabwe.

RESEARCH METHODOLOGY

The study is qualitative in nature, but involves statistical calculations at a minimal to measure production capacity and industrialisation. Both primary and secondary sources of data were used in this study. Direct observation materialised to infer the level of industrialisation Zimbabwe's mining sector experienced due to the influx of Chinese investors. The researcher observed the technology from China which are used at both Chinese and local mines, but which are from China as well as the level of efficiency such technology added to the mining sector. Unstructured interviews were conducted to ascertain the progress in production capacity and industrialisation in the mining sector as a result of the contribution of Chinese conglomerates. Secondary data sources such as newspaper articles, periodic journals articles and online government reports and publications were also used. Data obtained in this study was analysed qualitatively using context analysis.

THE CONTRIBUTION OF CHINESE INVESTORS TO INDUSTRIALISATION

There is doubt that the influx of Chinese conglomerates into the mining sector in Zimbabwe contributed immensely to sustainable industrialisation and production capacity. The exodus of European investors since the 1990s and more profoundly since the year 2000 had left the mining sector in a predicament. Very few big mines such as Shangani Mine, Hwange Colliery and Bindura Nickel Mine among others were operating to average capacity since year 2000 and majority closed down by year 2008 as the political and economic crisis in Zimbabwe deepened. Only indigenous people struggling to mine gold using hand tools only such as picks, shovels, hammers, chisels, wheel barrows and manual ore crushing methods had anchored especially the gold mining sector. The incoming of Chinese mining companies changed the economic landscape. Chinese investors brought with them superb mining equipment such as excavators, front and loaders, tipper trucks, tractors, compressors, heavy duty generators, head gears, ore milling plants and metal melting and processing equipment.

This economic pendulum has not only aided the country's mining sector, but has also assisted the political survival of the country. Proceeds from the country's mines such as Anjin, Mbada, Global Platinum Resources, Ming Chang Sino Africa, Xin Yu Mining, Jin Ani and Sinosteel Corporation have provided a reliable base for revenue to the state to sustain its civil service wage bill among other expenses. Furthermore, mining accounts for 55% of Zimbabwe's exports receipts, hence, the improved production capacity and industrialisation went a long way in the country's economic growth. However, due to corruption as politicians partner themselves with Chinese investors, the political elite benefited more than the country at large as not revenue is channeled to the state but to individuals. Be that as it may, the presence of Chinese mining companies in Zimbabwe has improved industrialisation and production capacity.

Chinese investors have contributed to increased capacity of gold ore processing due to advanced technology. In year 2015, a Chinese gold mining company known as Ming Chang Sino Africa Mining commissioned a gold refinery which is worth USD7 million in Kwekwe in the Midlands Province (The Source Online, March 2015). The plant has the capacity to processing ten thousand tonnes of ore per hour (Ibid). In 2014, the same mining company installed a USD 4 million gold milling plant in Shamva in Mashonaland Central Province in Zimbabwe and it is planning to set up another milling plant in Shurugwi in the Midlands Province (Ibid).The two milling plants that have already been installed in Kwekwe and Shamva are indications of the contributions to industrialisation in the gold mining sector by Chinese investors. A refinery processing ten thousand tonnes of gold ore per hour is undoubtedly a milestone in increasing production capacity. Comparing with three stump and five stump gold milling plants that according to Dhedza (Telephone communication, 30 August 2016) who works at gold plant processes two tonnes per hour, the refinery commissioned by Ming Chang Sino Africa Mining increases production capacity.

Furthermore, Chinese conglomerates should be credited for overwhelming contribution industrialisation and production capacity in coal mining in Zimbabwe. A case in point is that of Sinononferrous Metals Resources Private Limited which is a subsidiary of Sinomine in Zimbabwe has invested intensely in industrialising the coal mining in the Gwayi Coal Project in Gwayi area in Matebeleland North Province in Zimbabwe. The company has three loaders, eight dump trucks, twenty four varied drilling rigs including three full hydraulic drilling rigs, one truck crane, two trucks, four excavators, sixteen core drilling rig machineries, one submersible drilling rig and four engineering exploration drilling rigs (www.nfmec.com).Such advanced technology goes a long way in ensuring high levels of out in coal exploration and mining. More so, using the above equipment Sinononferrous Metals Resources Private Limited conducted geological exploration of coal deposits in Lupane area, contracted by China Africa Sunlight Energy Private Limited, in Matebeleland North Province (Ibid). Had it not been for these investors, no mining activities could have been conducted in these areas.

Apart from coal exploration and mining in Matebeleland North Province, the company has been involved in geological exploration on the palladium, chromite and platinum deposits in Selous area, which is 69 kilometers southwest of Harare, contracted by Global Platinum Resources (Ibid). Geological exploration of uranium deposits in Zimbabwe has also been conducted by Sinononferrous contracted by Afri-sino Mining Resources Private Limited. Mining projects contracted by Sinosteel and Tsingshan have also been done in the Midlands Province. Judging from the above, industrialising the mining sector by Chinese conglomerates has curbed contraction of mining activities that has affected the country since the year 2000. Since utilisation of land in one of the criterion of measuring production capacity, industrialisation of the mining sector by Chinese investors has contributed immensely to production capacity of mineral resources in Zimbabwe.

Moreover, the influx of Chinese mining conglomerates into Zimbabwe has increased mining royalties. In 2010, gold production registered 47% growth and in 2011, royalties from gold and platinum mining in the country increased from 4% to 5% (Mining Weekly Online, 8 July 2011). The increase in royalties meant more revenue for the country’s fiscus. According to the then Minister of Finance Tendai Biti, the mining sectors’ contribution to Gross Domestic Product (GDP) increased from 8.1% in 2010 to 9.3% in 2011 (Ibid). Such significant economic growth owed to Chinese mining companies including diamond miner Anjin Zimbabwe, China-Zimbabwe International Corporation, Afro-Sino Mining Resources and Chinajin Baki mining among others.

Due to ‘contracting politics’, chrome and steel mining and smelting companies such as Ziscosteel, ZimAlloys and Zimasco ceased operations between 2003 and 2008. From 2009 onwards, Chinese companies including Sinosteel and Tsingshan have recuperated chrome mining in Shurugwi area and metal smelting in both Kwekwe and Shurugwi areas. The recuperation of metal mining and smelting in these areas rescued the country’s economy from a decade of economic meltdown and rigidity of the mining sector.

Chrome mining has also witnessed significant progress owing to the contribution of Chinese investors in chrome exploration and mining especially in the Midlands Province. Chromite deposits are abundant in Zimbabwe, but lack shortage of mining technology had hindered production capacity in the sector until the proliferation of Chinese investors in the field. Due to the influx of Chinese mining investors into the country, significant changes in chrome mining has been witnessed.

DEMYSTIFYING 'ZHINGZHONG'

While a lot of negative publicity has attracted the involvement of Chinese companies in Zimbabwe, it remains factual that they have boosted production capacity and industrialisation in the mining sector. It is alleged that mining technology from China is of poor quality and not durable. According Kudakwashe Mbondiya (Personal communication, 24 August 2016), the Changfa generators and mining compressors are not reliable because they are not strong and always need to be rested at regular intervals when using them. He also expressed disdain for Changfa generator which he says requires a lot of water for cooling when started. There is measure of truth in Kudakwashe's argument. From observations made by this researcher, Changfa compressors are not comparable to for instance Deutz, Ingersoll Rand and Atlas Corpco among other brands. Nevertheless, these three brands are far much more expensive that the Changfa brand. Hence, it is affordable to small scale miners and those with limited capital; half a loaf is better than no bread.

In continuation of the above, the argument on the operational shortcomings of the Changfa brand is largely premised on comparing it with other brands. An appreciation of their usefulness and contribution to the mechanisation in the mining sector deserves to be commended otherwise manual labor could have been the order of the day. It should also be mentioned that the Chinese brand is not very strong because it is cheaper than other brands. Other mining technology such as excavators, dump trucks, drill rigs, exploration rigs, cranes and tractors have not attracted criticism. On that note, the influx of Chinese investors into Zimbabwe should be commended for contributing to mechanisation of the mining industry to improve production capacity.

A CRITIQUE OF THE INFLUX OF CHINESE INVESTORS IN MINING IN ZIMBABWE

A lot has been said about the involvement of Chinese miners in Zimbabwe. For instance, they have been accused of causing massive environmental degradation. From the observation made by the researcher, the issue of land degradation is true. In the Shurugwi and Zvishavane areas in the Midlands Province, huge pits and enormous hips of soil and quarry have been left when mineral resources extinct. This exposes children and livestock to danger. Health wise, the pits become breeding sites for mosquitoes thereby contributing to the increase in the rate of malaria. The hips have also made the land unsuitable for agricultural purposes of which the Zimbabwean economy depends more on agriculture than mining. Nonetheless, the issue of environmental degradation can be combated through environmental management training and awareness. In any case, pits and soil hips are expected in any mining environment.

Chinese mining companies have also been associated with abuse of workers, underpayment, late payment of salaries, tax evasion and externalisation of money. In December 2014, a Chinese smelting company called Nelson Holdings was taken to court by its sixty nine workers for failure to pay them from January to September of that year (The Source Online, December 2014). The workers were paid a monthly salary of USD193 which is below the stipulated USD220 (Ibid). Diamond miners such as Anjin and Jin Ani were forced to cease operations because they violated the Zimbabwe's monetary laws when they externalised huge sums of money.

Chinese mining companies have also been accused of doing shaddy mineral trade deals with Zimbabwean government. On 4 December 2014 Africa Confidential reported that the Zimbabwean government privately parceled out mining concessions to Chinese companies in exchange for arms (Africa Confidential Online).This is at the expense of economic and social development. On the contrary, European states dealings in arms with Zimbabwe are forbidden (Ibid). Be that as it may, there is no international law provision on arms for minerals trade. Furthermore, Zimbabwe like all other states needs to acquire arms for the preservation of the state.

Having said all that, it can be safely argued that the influx of Chinese conglomerates has contributed to industrialisation and improved production capacity in the mining sector in Zimbabwe. The contribution of these companies to industrialisation and production capacity outweighs the criticism leveled against them. Much of the criticism against Chinese companies is peddled and fomented by pro-West scholars, journalists and their equivalents. Whilst people are entitled to their opinions, it should not go without saying that Zimbabwe's alignment to the Look East policy which includes allowing Chinese mining companies to operate in the country has recuperated the country's political economy. Since the political survival of a state is dependent on the strength of the economy among other variables, mechanising the mining industry and improving production capacity went a long way in boosting revenue for the state.

CONCLUSION

Conclusions drawn for this study are that the influx of Chinese investors in the mining sector in Zimbabwe has gone a long way in improving industrialisation and production capacity in the ailing sector. Prior to the proliferation of Chinese investors in the mining industry in Zimbabwe, the mining sector was in a quagmire following the mass exodus of investors from European states that resulted in the fall of production capacity levels. Apart from the slump in production capacity, mechanisation in the mining sector was affected as European conglomerates had left with their mining equipment. Furthermore, the injection of capital into the mining sector by Chinese investors resuscitated Zimbabwe's mining sector resulting in improvement in production capacity of gold, chrome, coal and diamonds. Capacity utilisation has been achieved owing to the introduction of Chinese mining conglomerates that have injected capital and mining equipment into the mining sector in Zimbabwe. This has increased the production capacity of gold, platinum, chrome and other metals in Zimbabwe.

However, the influx of Chinese conglomerates into the mining sector in Zimbabwe has also attracted negative publicity. They have been accused of being agents of Chinese colonialism, ill-treating their workers, tax evasion and environmental malpractices. Whilst these allegations are true as cases of tax evasion, environmental malpractices and ill-treatment of workers have been recorded in the country, not all Chinese companies have been found on the negative side of criticism. And despite such criticism, Chinese investors have done more good than harm in the mining sector in Zimbabwe.

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