

HCI, LUSAKA

BASIC FACTS ABOUT COUNTRY (ZAMBIA)

Location: Landlocked country in Southern Africa surrounded by Democratic Republic of Congo, Tanzania, Mozambique, Malawi, Zimbabwe, Botswana, Namibia and Angola.

Size: Area is 752,614 square kilometres (about one-fourth the size of India)

Population: About 11.8 million, 38% living in urban areas and 62% in rural areas. HIV/AIDS reduces population growth, infection rate is 14.3% in age group of 15-49 years.

Climate: Hot and dry from September-October; Warm and wet from November-April and cool and dry from May-August; temperature fluctuates between 5-34 degrees C.

Religion: Christians constitute 80% of population; Zambia was formally declared a Christian state in 1992 but has secular outlook.

Type of government: Democratic Republic (Multi-Party Democracy since 1991). Zambia has Presidential form of government. President appoints the Vice-President and other members of Cabinet who must be Members of National Assembly. Zambia has unicameral parliament with 158 members (8 are nominated by the President; Vice-President is the leader of the ruling party in the National Assembly).

Major Political Parties: The Movement for Multiparty Democracy (MMD) is the ruling party and holds a parliamentary majority. The Patriotic Front led by a former MMD strongman, Michael Sata emerged as the largest opposition party in the 2006 elections, with 43 seats. Three other large opposition parties, the United Party for National Development (UPND), the United National Independence Party (UNIP) and the Forum for Democracy and Development (FDD) had formed a coalition for the 2006 election called the United Democratic Alliance (UDA) prior to the elections, however, following the electoral setbacks the coalition disintegrated in 2007. Other parties represented in parliament are the Heritage Party (HP), and the Zambia Republican Party (ZRP).

Economy: GDP growth – 6.2% (2007) 5.8% (2006), 5.2% (2005), 4.6% (2004) 5.1% (2003), The 2007 GDP growth was mainly driven by the mining, construction and transport sectors.

GDP – US\$ 12.8 billion (2007), US \$10.1 billion (2006); GDP Per Capita \$ 1084 (2007).

External debt: US\$ 1 billion (2007) mostly with bilateral donors including PR of China, compared to US\$4.5 billion at the end of 2005. This was on account of debt write-off by World Bank and other donor countries in view of HIPC completion point.

Foreign Reserve - Zambia in 2007 accumulated an unprecedented US\$1.1 billion in forex reserves, the highest ever in the country's history. The improved situation for the balance of payments has led to this build up. Although this improvement in the balance of payments is encouraging, it highlights the economy's dependence on copper exports.

Exports – Zambia's exports figures are US\$ 4,860 million (2007), \$ 3785 million (2006), \$2,178.5 million (2005), \$1816 million (2004), \$1081 million (2003);

Main Export items: Copper, cobalt, cotton, sugar, tobacco, gemstones, timber and electricity.

Main export destinations: UK, South Africa, Tanzania, Switzerland, DRC, India, Belgium, Netherlands, Malawi and China. Although Zambia's main traditional exports remain its metal and minerals (Copper and Cobalt), there is an advent of growth in the non-traditional exports of engineering products (electrical cables etc.) primary agricultural products, floriculture, leather, sugar, cement and textiles. Zambia's non-traditional exports increased by 28.7% in 2006 from US\$570.54 million in 2005 to US\$734.46 in 2006. In 2007 the non-copper exports were at \$900 million out of the total export basket of \$4 billion approximately.

Imports: Zambia's import figures are US\$ 3,993 millions (2007), \$ 2,625 million (2006), \$2,160 million (2005), \$1727 million (2004), \$1393 million (2003).

Main items of Import: Crude oil, chemicals, machinery, iron and steel and manufactured goods;

Main sources of imports: South Africa, UK, UAE, China, India, and USA. South Africa is the main source of imports.

Consumer price Inflation: 8.9% (2007), 8.2% (2006) as per their official figures, though in the past it has been hovering around 20% and has sometimes substantially exceeded this-it touched 50% in 1996. The main causes of this so far are lax fiscal policy, a weak exchange rate and inconsistent food supply (food prices are mainly determined by the success of each maize harvest). The main drivers of the increase in inflation in 2007 have been excessive liquidity on account of donor money, improvement in trade balance, high oil prices, and the weaker kwacha in the last quarter of 2006 and the first quarter of 2007.

Major Industry: Copper; semi-precious stones and cement.

Currency: Kwacha (US \$1 = K. 3,300/-)

Name of Acting President: Mr. Rupiah Banda (Presidential election due on 30th October, 2008).

Name of Foreign Minister: Mr. Kabinga Pande

National Day: October 24

Languages: Official language is English; important local languages are Bemba, Nyanja, Lozi, Tonga and others.

Dated 13-10-2008

Lusaka

ZAMBIA – COUNTRY BRIEF

Geography

Zambia is a land-locked country with an area of 752,612 sq. kms. (about one-fourth the size of India) and lies between 8-18 degrees south of the equator at a longitude of 22-34 degrees east. Zambia is divided into 9 provinces and 73 districts and has a population of about 11.8 million.

Brief History

2. The first substantial migrations into Zambia began in the 14th and 15th centuries A.D. by the Luba (Bembas) and Lunda (Lozis) people from Congo (Zaire) and Angola respectively. The British explorer, David Livingstone travelled through Zambia from 1851-56 (reached the Victoria Falls in November 1855). In 1894, the British South Africa Company began 30-year administration of Zambia and Zimbabwe, which were then called Northern and Southern Rhodesia. In 1924, the British Colonial Office assumed control of the territory to undertake large-scale copper mining in Zambia.

3. Kenneth Kaunda, a school teacher came into prominence in 1953 when he was elected as the Secretary General of the African National Congress (ANC). First as Secretary General of ANC, and later as leader of Zambian African National Congress (ZANC), formed after a split with ANC, Kaunda led a campaign against political domination and discrimination by the minority white settlers in Northern Rhodesia. On October 24, 1964 Zambia became an independent republic within the Commonwealth and Dr. Kaunda was elected as the first President of Zambia.

Internal developments

4. After coming into power, the Kaunda government laid emphasis on improvement of infrastructure including construction of rail line from Dar-e-Salaam port in Tanzania to the Zambian border (with Chinese assistance), construction of an oil pipeline (with Italian help) from Dar-e-Salaam to Ndola and setting up of educational and health facilities. It lent considerable support to the national liberation movements of Namibia, Mozambique, Angola, Zimbabwe and South Africa (based in Zambia) in their fight for national independence and elimination of apartheid.

5. The one-party state introduced by Dr. Kenneth Kaunda came to an end in 1991 with widespread protests against the poor performance of the Kaunda government. In October 1991, Kaunda and his UNIP suffered a massive defeat in the Presidential and Parliamentary elections at the hands of the Movement for Multi-Party Democracy (MMD).

6. However, the structural adjustment and privatization programmes carried out by the new Chiluba government resulted in closure of a large number of public sector enterprises, increased unemployment and poverty. The country witnessed renewed political confrontation in 2001 after President Chiluba projected his desire for a third term in office despite a ban in the constitution for a third term of office for the President. When it became evident that his third term bid was opposed by a large number of party leaders and others, Chiluba decided to pick a lawyer and the former Vice-President, Levy P. Mwanawasa, as the MMD's Presidential candidate in the hope that he would be able to control him as the President of the MMD.

7. The election of the President was marred by allegations of poll rigging, misuse of government resources and flaws in counting of votes. The Supreme Court however, dismissed the petition in February 2005 and ruled that Mwanawasa was duly and validly elected as the President of Zambia.

8. After assumption of office, Mwanawasa refused to be controlled or guided by the party President Chiluba. President Mwanawasa began an investigation into “plundering” of national resources by Chiluba and his cronies. Though initially the major donors (who then financed about 40% of Zambia’s budget) had criticized the election of President Mwanawasa, later acquiesced to his stay in power given Mwanawasa’s firm stand against corruption, easy accessibility and his efforts to provide much needed relief to the people. Mwanawasa ran for a second term in the presidential election held on September 28, 2006; Michael Sata of Patriotic Front (PF) was considered his main challenger. Mwanawasa’s re-election to second term in office was confirmed on October 2; according to official results, he received 43% of the vote. He was sworn in on October 3, 2006.

9. President Mwanawasa passed away on August 19, 2008 at the Percy Military Hospital in Paris. The Country is scheduled to undergo Presidential by election on 30th October, 2008 to select the President for rest of the term of Mwanawasa. Till then Rupiah Band Vice President is Acting President.

New Constitution

10. The country is presently witnessing a debate on framing a new constitution, a Constitutional Conference Bill was passed and signed into law on 31st August, 2007 to facilitate framing of a new Constitution. The National Constitution Conference (NCC) has started its work in December, 2007, is to consider and deliberate provisions of Mung’omba Report and draft Constitution and is expected to complete its work in 12 months time. The opposition Patriotic Front and some church bodies are boycotting the NCC. However, there is division in their ranks.

Economy including external trade

11. Zambian economy moves on the price of copper; copper is the country’s main export item. The copper prices declined in 1973; there was a temporary recovery in 1979-80 followed by another decline beginning 1981. The prices recovered somewhat after 1987 but began rolling down after the Gulf War. The biggest disappointment was the announcement of the Anglo-American Corporation to discontinue its operations in Zambia’s biggest Konkola Copper Mine (KCM). An Indian company, the Binani group similarly announced its disengagement from the RAMCOZ Copper Mine. The privatization of 254 public sector companies (out of total of 280) in the 1990s by the Chiluba government further added to the woes of the people as the privatization led to the closure of these companies resulting in large scale unemployment and increase in poverty; in most cases, the revenues arising from the sale of these companies were either adjusted against their previous losses or siphoned off by the members of the Chiluba regime. The economic hardships of the people were further worsened by the severe drought from 1999-2001, which led to substantial fall in the production of maize (which is the staple food). The situation improved in the following two years due to good rains and timely distribution of inputs to the farmers. The GDP growth rate of 6.2% is expected in 2007 against the actual GDP growth of 5.8% in 2006 and 5.2% in 2005. The years have also seen reduction in inflation rate from earlier years of double digits to 8.9% in 2007. New investments in the mining sector, high demand for copper and increase in its price in the international market, has led to increase in copper output in 2004, 2005 and in 2006; but in 2007 copper production is expected to be at 450,000 tonnes; below the 2006 production of 497,000 tonnes due to strike and heavy rains.

12. The government is trying to encourage the revival of agriculture, mining, industrial development, tourism and other sectors of economy. The spread of AIDS pandemic has seriously affected Zambia. It is estimated that there are about 700,000 confirmed cases of AIDS and about 2 million Zambians are suspected to be suffering from AIDS. The free distribution of ARVs with donor funding, chiefly US, is expected to cover half a million cases in 2008.

13. Zambia's exports figures are US\$ 4,860 million (2007), \$ 3785 million (2006), \$2,178.5 million (2005), \$1816 million (2004), \$1081 million (2003). The main export items are Copper, cobalt, cotton, sugar, tobacco, gemstones, timber and electricity. The main export destinations are UK, South Africa, Tanzania, Switzerland, DRC, India, Belgium, Netherlands, Malawi and China. Although Zambia's main traditional exports remain metal and minerals (Copper and Cobalt), there is an advent of growth in the non-traditional exports of engineering products (electrical cables etc.), primary agricultural products, floriculture, leather, sugar, cement and textiles. Zambia's non-traditional exports increased by 28.7% from US\$570.54 million in 2005 to US\$734.46 in 2006. In 2007 the non-copper exports are estimated at \$900 million out of the total export basket of \$4 billion approximately.

14. Zambia's import figures are US\$ 3,993 millions (2007), \$ 2,625 million (2006), \$2,160 million (2005), \$1727 million (2004), \$1393 million (2003) and, main items of import are Crude oil, chemicals, machinery, iron and steel and manufactured goods. Its main sources of imports are South Africa, UK, UAE, China, India, and USA. South Africa is the major source of imports.

External Relations and Membership of international and regional organizations.

15. During Dr. Kaunda's rule, Zambia gave considerable support to the National Liberation Movements of Namibia, Zimbabwe, Mozambique, Angola and for elimination of apartheid in South Africa. At present, Zambia is still trying to play an important role in the regional and sub-regional organizations, the MMD government has made efforts to improve its relations with the Western donor countries; it has also worked on strengthening relations with China and India, which could offer valuable assistance. After the investment sops provided to Zambia by China after FOCAC Summit in Beijing in November, 2006 and Chinese President's visit to Zambia in February, 2007 (which includes Chinese investment of US\$ 900 million in the Chambishi Multi Facility Economic Zone, and a loan of US\$243 million for extension to the Kariba North Bank power station among other investment pledges) the trade between the two countries is to increase substantially in near future. Zambia was the Chairman of the OAU in 2001 and earlier hosted the NAM (1970) and CHOGM (1979) Summits. The Zambian government has played an important role in seeking political reconciliation in Angola (Lusaka Peace Protocol was signed in 1994) and Democratic Republic of Congo.

16. Zambia is a member of the UN, UN agencies, WTO, the Commonwealth, NAM and regional organizations such as OAU (now the AU) and sub-regional organizations such as Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA). Zambia has taken over SADC chairmanship in August, 2007 with Summit meeting held in Lusaka. Zambia is an original member of the WTO and grants MFN treatment to its trading partners. Zambia is a signatory to the Cotonou (ACP countries) Agreement and being a LDC, a beneficiary of the Everything but Arms Initiative of the EU and Africa Growth and Opportunity Act of the US.

Dated 13.10.2008

HCI, LUSAKA
INDIA-ZAMBIA RELATIONS

Political: The leaders of Zambian freedom struggle, such as Dr. Kenneth Kaunda, drew considerable inspiration from India's struggle for freedom, particularly from Mahatma Gandhi. While India gave support to the economic and technical development of Zambia, the latter reciprocated by supporting India on issues of importance to it, such as India's nuclear tests in 1998, terrorism, the issue of J&K and India's admission as a Permanent Member in the expanded UN Security Council.

2. **High level visits:** During his stay in power, Dr. Kenneth Kaunda paid more than ten visits to India, beginning 1967. From the Indian side Smt. Indira Gandhi, Prime Minister paid three visits to Zambia in 1964, 1970 and 1976. Presidents V.V. Giri and Sanjiva Reddy visited Zambia in 1974 and 1981 respectively followed by Prime Minister Rajiv Gandhi in 1986 and President Venkataraman in 1989. President Chiluba paid a state visit to India in October 1993; during his rule, the relations between the two countries remained cordial and friendly.

3. More recently, Late President Mwanawasa paid a state visit to India from April 20-25, 2003 Thereafter, Several high level visits have taken place from Zambia, which include: former Energy Minister George Mpombo in March 2005 to attend the CII Conclave on "India-Africa Project Partnership"; Finance Minister Ng'andu Mgande in September 2005 for the Joint Permanent Commission meeting in New Delhi; visit of the First Lady, Mrs. Maureen Mwanawasa to India from October 8-15, 2005 under ICCR's Distinguished Visitors' Programme; Agriculture Minister Mundia Sikatana visited India in March 2006; Lt Gen I.S.A. Chisuzi, Army Commander in May 2006 and the Zambian Parliamentary Delegation, led by Speaker of National Assembly in September, 2007 to attend 53rd Commonwealth Parliamentary Conference. In 2008, Mr. Felix Mutati, Zambia's Commerce, Trade & Industry Minister visited Delhi to participate in CII's India Africa Conclave, on March 19-21 and again on 17th September on way to China. Vice President visited India from 4-9th April, to participate in India Africa Forum summit. The India Africa Forum summit in April, 2008 has given a new thrust to India's engagement with Africa with increase in existing credit lines to Africa from US\$ 2.15 billion to US\$ 5.4 billion till 2012; duty free access to 85% of India's total tariff lines as well as preferential duty access to 9% of India's total tariff lines by Africa's 34 LDCs; grant of US\$ 500 million to Africa in next 5-6 years and; increase in ITEC training slots from 1100 to 1600 a year to African countries. We hope Zambia shall be able to take advantage of these measures.

4. In recent years from Indian side, the Speaker of Lok Sabha, Shri Manohar Joshi paid an official visit to Zambia with a 7-member Parliamentary delegation from February 9-13, 2003. During the visit, then Zambian President Levy P. Mwanawasa publicly assured Shri Joshi on February 13, 2003 that Zambia would support India in her admission as a Permanent Member of the expanded UN Security Council and on the terrorism issue. Smt. Shashi Tripathi, Secretary (West), Ministry of External Affairs paid an official visit to Zambia from February 27-March 1, 2005 for Foreign Office Consultations. During this visit, India and Zambia signed an agreement to institutionalise Annual Foreign Office Consultations. Sh. Suresh Reddy Speaker, Andhra Pradesh Assembly visited Zambia in January, 2007 to seek support of Zambia to reject the application of Azad J&K to become member of Commonwealth Parliamentary Association. Sh. Kamlesh Sharma in September, 2007 visited Lusaka in connection with Zambian support to his candidature of Secretary General to Commonwealth. There has recently been a deficit of visits from India to Zambia. MOS(AS) proposed a visit to Zambia in September, 2008, but this was postponed due to death of President Mwanawasa on 19th August, 2008.

5. **Cooperation in Defence field:** Several Zambian defence chiefs and about 300 other defence officers have been trained in the Indian defence institutions. Several Indian army and air force training teams were deputed to Zambia in the 1970s and 1980s for training of the Zambian

Armed Forces. Since 1994, India has deputed a Military Advisory Team comprising four officers (recently reduced in 2008 to three officers) in Defence Services Command and Staff College in Zambia. In 2006-07, India gave ten training slots, and in 2007-08, five training slots to the Zambian Armed Forces, under the ITEC programme. The recent visits by Indian side to Zambia include that of Maj. Gen. R.P.S. Malhan, ADG (Staff Duties) 31st August- 2nd September, 2006; Lt. Gen Susheel Gupta, DCOAS (IS&T) 15-17th March 2007; and Major General Vinay Bhatnagar, DG (staff Duties) 28th November- 1st December, 2007.

6. **Economic cooperation:** Over the years, India has provided considerable economic assistance to Zambia. In 1979 and 1982, India extended government and EXIM Bank credits to Zambia totaling Rs. 25 crores. In 1989, India provided railway wagons costing about Rs.8 crores to Zambia under the Africa Fund. Around 1888 civilian Zambians have been trained in India under ITEC in various disciplines so far. In February, 2008 India extended a grant of Rs. 1 crore for flood relief.

7. During President Mwanawasa's visit to India in April 2003, India extended a credit line of \$ 10 million (out of which \$ 8.5 million has been utilized for purchase of Tata trucks and \$1.5 million has been utilized for procurement of vocational tool kits), grant assistance of US \$ 100,000 for donation of anti-HIV/AIDs medicines and another grant of Rs. 25 million for donation of agricultural equipment to Zambia. India also waived off the inter-governmental credit amounting to about \$ 3 million outstanding against Zambia. Similarly, it donated 10,000 tons of non-basmati rice to Zambia to alleviate the food shortage. During the visit the number of ITEC slots available to Zambia was increased from 30 to 50. This was further increased to 60 in 2007-08 and subsequent to India Africa Forum summit was further increased to 70 in 2008-9. ISRO in June, 2008 has also offered remote sensing data and low cost reception centre for such data to Zambia, their response is awaited.

8. **Bilateral Trade:** Zambia's exports to India are at US\$ 86.17 million and imports from India are at US\$ 108.29 million (2006-07 DGFT Kolkata figures). India's imports from Zambia include non-ferrous metals, ores (copper and cobalt), semi-precious stones and raw cotton. India's export items include drug and pharmaceuticals, machinery and instruments, transport equipment, cotton yarn and fabrics, plastic, rubber, chemicals, and electronic goods. India and Zambia have set up a Joint Permanent Commission at the Ministerial level, its last meeting was held in New Delhi on September 9-10, 2005.

9. ITPO led the participation of Indian companies in the Zambian Agricultural and Commercial Show in Lusaka in August 2002-2003. Zambia has sent private sector led trade delegations to India to participate in trade fairs. CII Conclaves on India-Africa Partnership have been held in New Delhi, (March 2005); in Lusaka (April 24-25, 2006); in New Delhi (October 9 – 11, 2006); and again in New Delhi on March 19-21, 2008. An UNCTAD-EXIM Bank of India Investment Forum was held in Lusaka on 11-12th June, 2007 on ICT and pharmaceuticals. Subsequently, a CHEMEXCIL delegation visited Lusaka from 11-14th November, 2007 and took part in Buyer Seller Meet participated by local chemical industry.

10. More recently, there has been renewed interest in India for trade and investment with Zambia. This year, under assistance from JICA, in January 2008 a delegation led by Dr. Musokotwane, Adviser to President visited India to solicit Indian investment, which was followed by a return visit from a business delegation from India in end January, 2008. The return visit by Indian business delegation resulted in signing of an MOU between Lifeline Hospitals, Bangalore and Government of Zambia for setting up of a Key-hole surgery Specialty Hospital in Lusaka. In March, 2008 an Indian company M/s Era engineering Innovations signed an MOU in March, 2008 with Zambian government to set up a Special Economic zone in Kabwe or Ndola exclusively for Indian investors. This company is also interested in thermal power project and manganese mining in Zambia as well. An exhibition and seminar on low cost

housing by Ministry of Housing & urban Development, Delhi was held in Lusaka on 9-10th April, 2008. Setting up of a low cost housing technology centre has been offered to Zambia. On 23rd May, 2008 an Indian firm – Victory Electricals Ltd. Hyderabad signed an agreement for a 49% stake in Zambian company Electrocom Ltd., Ndola by investing US\$ 5 million for a joint venture to manufacture transformers of high capacity and electrical switchgears. Zambia Development Agency (ZDA) visited India on July 14-17, 2008 for meeting with Indian businessmen and CII. On 22nd July, 2008 Tata signed an MOU with ZDA for acquisition and subsequent revival of a sick leather tannery in Kabwe with payment of US\$ 1.64 million. An Indian firm, M/s Shree Renuka of Mumbai has shown interest in investing US\$ 200 million in the sugar sector in Zambia in plantation and processing plant in Mazabuka. RJ corporation of India has signed an agreement with ZDA on 30th August, 2008 worth investments of US\$ 30 million to set up Pepsi bottling plants in Lusaka and Ndola and; a juice plant. At a meeting with Minister of Commerce, Trade and Industry Felix Mutati on September 26, 2008 Sandesara group of Companies of India has pledged to invest over US\$100 million in Zambia before the end of this year in mining industries. Hindustan Syringes and Medical Devices Limited (HMD), one of the largest producers of single use syringes in India entered into a partnership with TATA-Zambia to promote Auto-Disable (AD) syringes in Zambia. The joint venture was inaugurated on 11th September, 2008. These pledges by Indian private sector need to be implemented.

11. **Investments from India:** As of 2004, Indian companies have invested about US\$ 106 million in Zambia. M/s Vedanta Resources, (the parent company M/s Sterlite Industries in India) had invested \$ 48 million in 2004 in Konkola Copper Mine (KCM) to acquire a majority stake. Their further combined investment in Konkola Deep Water Copper Mining project, a Sulphuric Acid plant and a new smelter is to touch almost US\$ 2 billion by 2008. While Vedanta Resources is Indian-owned, they are registered in UK – hence their investment figures are not reflected in Indian investment figures. KCM is also trying to acquire Maamba colliery for thermal power generation.

12. The other major Indian investments include a joint venture – Indo-Zambia Bank - with 60% equity held by three Indian public sector banks – Bank of India, Bank of Baroda and Central Bank of India – and remaining by the Zambian government. EXIM Bank of India has a 34% share in Development Bank of Zambia after a debt settlement agreement with the Government of Zambia, who owed \$18.8 million of EXIM Bank. Out of \$18.8 million, \$9.4 million was written off, \$8 million paid by the Government of Zambia in six installments to EXIM Bank and \$1.4 million invested in DBZ and EXIM Bank given 34% equity.

13. TATA has invested about \$8 million in renovation of a five-star hotel called Taj Pamodzi, which is being managed by the Taj Hotels group and have in October, 2006 set up a vehicle & bicycle assembly plant in Ndola with investment of US\$ 10 million. Zambia Electric Supply Company (ZESCO) and TATA Africa Holdings have formed a joint venture company called Itezhi Tezhi Power Corporation limited (ITPC) to carry out Itezhi-Tezhi (\$200 million) power project. India has offered a line of credit of US\$ 50 million for this power project to Zambian side. An additional concessional loan amounting to a total of US\$ 30 million for this power project shall be separately negotiated by Tata & ZESCO with Eximbank of India. Tata has also shown interest in collaborating with the Copperbelt Energy Corporation (CEC) for 40 MW power project in the Copperbelt.

14. India is to assist Zambia in setting up two computer learning kiosks in Lusaka under Hole in the Wall Computer literacy programme. Zambia in 2007 has signed an MoU with TCIL of India for setting up by Indian assistance the Pan African e-networking to facilitate tele-education and tele-medicine with India and video-conferencing with all the 53 Heads of State/Government of Africa. The e-networking project is to be implemented. The ethnic Indians, who settled down in Zambia many years back, have taken local nationality and have invested in

precious stones mining, agriculture, horticulture and chemicals. Trade Kings, a company owned by Zambian Indians are investing over US\$125 million to set up the first ever Kafue integrated steel plant in the country. Another PIO owned company M/s Melcome Group is setting up a mobile phone assembly plant in Lusaka.

15. **Contracts to Indian Companies:** Several Indian companies have won contracts in Zambia in recent years. M/s Bharat Heavy Electricals Limited of India was awarded two contracts (of \$ 21 million) by the Zambian government for rehabilitation of power sub-stations and supply of transformers. M/s CIPLA was given a contract of \$ 3 million for supply of anti-retroviral drugs. M/s Central Electronics India Limited was given a small contract for supply of solar equipment for lighting in schools in remote areas. M/s Kalpataru Power, an Ahmedabad based company has executed a \$ 15 million contract for setting up of a power transmission line between Chingola and Solwezi. M/s KEC limited of India got a contract worth \$ 11 million for setting up a power transmission line between the bordering towns of Zambia and Namibia. Private companies like the KCM have also engaged Indian companies for specific contracts.

16. **Bilateral Agreements:** The two countries have on 17th August, 2007 successfully concluded review of Convention between India and Zambia for Avoidance of Double Taxation, which was notified by Government of India on 18th January, 1986. The reviewed Convention has received approvals by Cabinet in India and is awaiting similar approval from Zambian side before its signature. The two countries signed an agreement for cooperation in trade and an MOU for cooperation in agriculture on April 21, 2003 during the visit of the Zambian President to India. The two countries have signed on February 28, 2005 a Protocol for Institutionalization of the Annual Foreign Office Consultations during the visit of Secretary (West), MEA to Zambia. No further meeting has taken place.

17. **Outstanding Dues to be paid by Zambia:** Zambia has in recent months shown a willingness to settle the issues of outstanding dues of \$22.218 million owed to the Indian public and private sector companies and; Rs. 25.8 million owed to the Ministry of Defence of India for training of the Zambian defence officials under the self-financing scheme in India between 1980 and 1991. In the former case, Indian side has failed so far to provide details of these outstanding amounts which Zambia has requested for.

18. **Indian Community/PIOs:** There are about 13,000 Indians in Zambia. Most of them have taken local or British nationalities and are working in trade sector. During the Chiluba regime, two persons of Indian origin were appointed as the Cabinet Ministers: Mr. Suresh Desai, Minister for Agriculture and Mr. Dipak Patel, Minister of Commerce & Industry. Mr. Patel continued in that post during the first administration of the present President. In the last two years, there has been a visible growth in the number of Indian professionals especially in Indian owned enterprises.

19. Zambians of Indian origins play a significant role in the economy of Zambia, especially in trade and commerce, industries, hospitality sector, transport sector, etc.

15-10-2008

High Commission of India
Lusaka

Status of bilateral issues with Zambia

Sl. No.	Proposed Activity	Remarks
1.	Visit of President/Vice President of India to Zambia	Proposal on visit of President/Vice President sent on April 7, 2005, Ministry's response awaited. This shall have to be combined with visit to Malawi and other Southern African countries.
2.	Visit of MOS(AS)	MOS(AS) proposed a visit to Zambia in September, 2008, but this was postponed due to death of President Mwanawasa on 19 th August, 2008.
3.	Secretary-level Foreign Office Consultations (FOC) in New Delhi	Zambia has requested FOC since April, 2006, and they are keen on it, MEA is to respond.
4.	Meeting of the Joint Trade Committee (JTC). From Indian side MOS for Commerce & Industry leads the delegation.	The second and last meeting of JTC was held in New Delhi in November 2000. Next JTC to be held in Lusaka. It is long overdue.
5.	India-Zambia Joint Permanent Commission (JPC). From Indian side MOS from MEA leads the delegation.	The 5 th JPC was held in Delhi in September, 2005. Next JPC is to be held in Lusaka.
6.	Credit & concessional loan to Zambia	Zambia Electric Supply Company (ZESCO) and TATA Africa Holdings have formed a joint venture company called Itezhi Tezhi Power Corporation limited (ITPC) to carry out Itezhi-Tezhi (\$200 million) power project. India has offered a line of credit of US\$ 50 million for this power project to Zambian side. An additional concessional loan amounting to a total of US\$ 30 million for this power project shall be separately negotiated by Tata & ZESCO with Eximbank of India.
7.	Completion of supply of Agriculture Machinery and Equipment to Zambia	India had announced a donation of agriculture machinery and equipment worth Rs. 25 million during the visit of Zambian President to India in April 2003. First installment of machinery worth Rs. 8 million presented to Zambia in Dec 2005. We could provide additional equipment this year.
8.	Hole in the Wall Computer Literacy Project	E&SA Division has issued sanction in this regard. The Indian Implementing Agency visited Lusaka in August, 2008. The project is under implementation.
9.	ISRO has offered remote sensing data and reception centre for such data.	Zambia's response is awaited.

10.	India's offer of duty free & preferential tariff to LDCs for export to India at IAFS, April, 2008.	Zambia is yet to convey its acceptance of the offer.
11.	Convention on Avoidance of Double Taxation	The two countries have on 17 th August, 2007 successfully concluded review of Convention between India and Zambia for, which was notified by Government of India on 18 th January, 1986. The reviewed Convention has received approvals by Cabinet in India and is awaiting similar approval from Zambian side before its signature.
12.	Pan African e-networking project	Zambia in 2007 has signed an MoU with TCIL of India for setting up by Indian assistance the Pan African e-networking to facilitate tele-education and tele-medicine with India and video-conferencing with all the 53 Heads of State/Government of Africa. This is under implementation.
13.	Outstanding Dues to be paid by Zambia	Zambia has in recent months shown a willingness to settle the issues of outstanding dues of \$22.218 million owed to the Indian public and private sector companies and; Rs. 25.8 million owed to the Ministry of Defence of India for training of the Zambian defence officials under the self-financing scheme in India between 1980 and 1991. In the former case, Indian side has failed so far to provide details of these outstanding amounts which Zambia has requested for.

Dated 20-10-2008

**High Commission of India
Lusaka**

India Zambia relations- Strategy Paper

Political contacts: Zambia and India have had historically close and friendly relations. The leaders of the Zambian freedom struggle, particularly Dr. Kaunda drew inspiration from the non-violence philosophy of Mahatma Gandhi and they were deeply impressed with India's support to the decolonization process in Africa, elimination of apartheid, India's policy of non-aligned and her active role in the international fora. In fact it juxtaposed well within the main agenda that had brought India and Africa together—the fight against colonialism and institutionalised racialism. The leaders of the two countries maintained close contacts and there were frequent VVIP visits from both sides. However, in the post-Cold War era and in the emergence of a democratic South Africa, the equations changed and after the advent of MMD in 1991, though the ideological appeal has somewhat diminished but the country's leadership is friendly towards India and they sincerely appreciate the support given by India for the economic development of Zambia. Both Presidents of Zambia under the MMD rule, Dr. Frederick Chiluba and Late Mr. Levy P. Mwanawasa have paid state visits to India. However, there is a deficit of visits from India.

2. In the post-Cold War era in Africa there was a perception that it was marginalised, both politically and economically. Politically, with the end of cold war, Africans had felt relieved that Super Power domination in the continent had ended. On the other hand there was a feeling that they were of little strategic importance to the major powers. Economically also Africa appeared to be of little importance to the major players in the world economy—the Western economies, the multinational corporations and the banking institutions. However, the continent has witnessed a trend towards democratisation that is visible in multi-party elections. It is also visible in the launch of the New Partnership for Africa's Development (NEPAD), which holds promise for Africa.

3. In this context on the political side, Zambia is a democratic, stable and peaceful country with rule-based government, the only country in Southern Africa with no record of any unconstitutional change of government since independence. Zambia Supports India on issues of special importance e.g. Kashmir issue, Reforms of the United Nations and expansion of the UN Security Council, Permanent Membership of India in the expanded UN Security Council with full rights and privileges, including veto power, election of Indian candidates in international fora, supporter of India in international and regional organizations e.g. African Union and trans-regional groups such as WTO, NAM, Commonwealth etc. Zambia is one of the few countries which has announced support in UNGA for India's candidature for the permanent membership of the UNSC though it did not co-sponsor the G4 Resolution. Zambia is an active member of sub-regional organisations like COMESA and SADC and can facilitate India's closer interaction and establishment of regular high level dialogue with these groupings.

4. Zambia can provide useful political support in international, transnational and regional organizations. India's growing cooperation with Africa, lead role in promoting South-South Cooperation, contribution to most of the peacekeeping Missions in Africa, consistent support for Africa's aspirations to play its due role in various international fora, and support to the African countries to find solutions to their problems indigenously is well appreciated in Zambia. Zambia, as a coordinator of the LDCs Group, liaised closely with India before and during the WTO Ministerial Meeting held in Hong Kong in December 2005 and greatly values the technical support given by India to the LDCs in general and Zambia in particular. The 9/11 attacks and the subsequent attacks on the Indian parliament on December 13, 2001 have led to a greater understanding of the Indian position on terrorism by the African countries including Zambia, which has supported India's moves to deter terrorism, at multilateral fora.

5. **Zambia-India bilateral trade & economic relations:** At present, Zambia is experiencing a revival of its economy. The new initiative of NEPAD also undertakes to promote and protect democracy and human rights in exchange for sustained levels of aid, investment and economic engagement with the developed world. The G8 countries have pledged support to NEPAD and launched an African Action Plan at the G8 Summit in June 2002-03. Among the G8 countries, Japan has been actively supporting the cause of African development. Indian government also considers NEPAD as a viable action plan for Africa.

6. It would be in our interest to engage Zambia economically through financial and technical assistance, training and trade. In fact Zambia is one of the major beneficiaries of ITEC programme in Africa with the ITEC civilian seats having been recently increased to 70 per year in her case after India Africa Forum summit in April, 2008. Over 1888 civilian Zambians have been trained in India under ITEC in various disciplines so far. Under ITEC military training also several Zambian defence chiefs and about 323 other defence officers have been trained in the Indian defence institutions. Several Indian army and air force training teams were deputed to Zambia in the 1970s and 1980s for training of the Zambian Armed Forces. Since 1994, India has deputed a Military Advisory Team comprising four officers (recently reduced in 2008 to three officers) in Defence Services Command and Staff College in Zambia. It is a country with mineral resources that our industries could use. It also offers market for Indian goods and technology and tremendous scope for our involvement in projects in mining, power, transport, agriculture, light engineering, tourism etc. which our companies could export (Indian companies such as BHEL, Kalpataru Power, Kamani Engineering Corporation – KEC, CIPLA and others have won contracts to supply transformers and set up power transmission lines, anti-retroviral medicines etc).

7. With the growth of Indian economy, the complexion of Indian assistance to the poor and developing countries is also changing. India can act as a major cooperation partner providing credits, aid, expertise, technological and other support. Indian aid is less tied and without stringent conditionalities. India is not intrusive and can balance the domineering influence of Western donor countries. But we have to compete with China which is far ahead of us in Africa. The India Africa Forum summit in April, 2008 has given a new thrust to India's engagement with Africa with increase in existing credit lines to Africa from US\$ 2.15 billion to US\$ 5.4 billion till 2012; duty free access to 85% of India's total tariff lines as well as preferential duty access to 9% of India's total tariff lines by Africa's 34 LDCs; grant of US\$ 500 million to Africa in next 5-6 years and; increase in ITEC training slots from 1100 to 1600 a year to African countries. We hope Zambia shall be able to take advantage of these measures.

8. There is a tremendous goodwill towards India in Africa in general and in Zambia in particular. We must try to capitalize on this friendship and goodwill to further our economic, political and commercial interests. However, we must also consciously avoid being bracketed with China which is increasingly seen as a mercantile, opportunistic power in Africa, or the West which is associated with colonial exploitations.

9. India can become a source of credits for Zambia which can be used to purchase essentially needed equipment and technology and setting up joint ventures, provided Zambia remains current on her repayment obligations. In fact, we have provided to Zambia the \$10 million credit line (which has already been fully utilized by them) at an interest of 1% above the LIBOR which is the cheapest credit. In addition, Zambia is also using the credit lines given by the EXIM Bank of India to the PTA Bank of COMESA. A total of US\$55 million (including \$10 million extended during the COMESA's October 2006 visit to Delhi) has so far been provided to PTA Bank. Zambia Electric Supply Company (ZESCO) and TATA Africa Holdings have formed a joint venture company called Itezhi Tezhi Power Corporation limited (ITPC) to carry out Itezhi-Tezhi (\$200 million) power project. India has offered a line of credit of US\$ 50

million for this power project to Zambian side. An additional concessional loan amounting to a total of US\$ 30 million for this power project shall be separately negotiated by Tata & ZESCO with Eximbank of India.

10. Zambia has in recent months shown a willingness to settle the issues of outstanding dues of \$22.218 million owed to the Indian public and private sector companies and Rs. 25.8 million owed to the Ministry of Defence of India for training of the Zambian defence officials under the self-financing scheme in India between 1980 and 1991. In the former case, we have failed so far to provide details of these outstanding amounts which Zambia has requested for.

11. Bilateral trade: Since the last decade a number of initiatives have been launched by India to promote trade in general with Africa. Apart from the government, the private sector has also joined in to explore the African markets. From the mid-1990s, organisations like the Confederation of Indian Industries (CII), The Associated Chambers of Commerce and Industry (ASSOCHAM), the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Federation of Indian Exporters' Organisation (FIEO) identified Africa as a thrust area and launched programmes to promote economic and business cooperation. In this regard, two participants from Zambia attended the Indo-African Buyer Seller Meet organized by Capexcil in Mumbai from February 26-28, 2004 and six representatives of four companies participated in the Conference-cum-Buyer Seller Meet organized by the Engineering Export Promotion Council (EEPC) of India in Mumbai and Hyderabad from March 22-25, 2004. Two Officials of Zambian Pharmaceutical Regulatory Authority participated in the India-Africa-ASEAN-GCC Pharma & Health Conference held at Hyderabad from December 1-2, 2005. This has also included exchange of information, conducting one-to-one business meetings and organising activities like 'Made in India' shows across Africa.

12. CII Conclaves on India-Africa Partnership have been held in New Delhi, (March 2005); in Lusaka (April 24-25, 2006); in New Delhi (October 9 – 11, 2006); and again in New Delhi on March 19-21, 2008. A UNCTAD-EXIM Bank of India Investment Forum was held in Lusaka on 11-12th June, 2007 on ICT and pharmaceuticals. Subsequently, a CHEMEXCIL delegation visited Lusaka from 11-14th November, 2007 and took part in Buyer Seller Meet participated by local chemical industry. Under assistance from JICA, in January 2008 a delegation led by Dr. Musokotwane, Adviser to President visited India to solicit Indian investment, which was followed by a return visit from a business delegation from India in end January, 2008. The return visit by Indian business delegation resulted in signing of an MOU between Lifeline Hospitals, Bangalore and Government of Zambia for setting up of a Key-hole surgery Specialty Hospital in Lusaka. An exhibition and seminar on low cost housing was held in Lusaka on 9-10th April, 2008. Setting up of a low cost housing technology centre has been offered to Zambia. On 23rd February, 2007 under the initiative of High Commissioner, Indian Business Council of Zambia was launched to bring the Indian business interests in one platform. Zambia Development Agency (ZDA) visited India on July 14-17, 2008 for meeting with Indian businessmen and CII.

13. ITPO participated in Zambian Agricultural and Commercial Trade Show in Lusaka in 2002 & 2003, after that there has been no Indian participation. However, the Indian companies must do so as companies from neighbouring countries as well as China, Pakistan and Iran participate in the Zambian trade fairs. Zambian private sector delegations have visited various trade fairs in India.

14. Zambia's exports to India are at US\$ 86.17 million and imports from India are at US\$ 108.29 million (2006-07 DGFT Kolkata figures). Indian investments in Zambia since 1996 are several hundred million dollars if one were to include the investments of the Vedanta group in their KCM operations in Zambia.

15. **Performance of India's Exports to Zambia:**

(i)	2001-02	-	US\$25.47 million
(ii)	2002-03	-	US\$30.95 million (21.5%)
(iii)	2003-04	-	US\$35.93 million (16.9%)
(iv)	2004-05	-	US\$48.80 million (35.8%)
(v)	2005-06	-	US\$66.51 million (36.29%)
(vi)	2006-07	-	US\$108.29 million (22.48%)
(vii)	2007-08(Apr-Dec)	-	US\$108.27

16. India's exports to Zambia have registered considerable increase during the last two years. Main items of India's exports are pharmaceuticals, machinery and parts, agricultural equipment, engineering goods, transport equipment, rubber and plastic products, cotton yarn, fabrics and household goods. Machinery and equipment for the steel plant, sugar and cement plants are also sourced from India.

17. **Performance of India's Imports from Zambia:-**

(i)	2001-02	-	US\$13.49 million
(ii)	2002-03	-	US\$14.40 million (6.7%)
(iii)	2003-04	-	US\$18.55 million (28.8%)
(iv)	2004-05	-	US\$23.10 million (24.5%)
(v)	2005-06	-	US\$40.56 million (75.58%)
(vi)	2006-07	-	US\$ 86.17 million (112.45%)
(vii)	2007-08(Apr-Dec)	-	US\$ 66.22 million

18. Main item of import from Zambia to India is raw semi-precious stones and non-ferrous metals (copper and cobalt).

19. **Areas of Specific Interest to India**

a. **Transport**

- Zambia is a land-locked country and transport costs are high. In colonial times, the main outlet for Zambia was a rail link to South African ports. The blockade of Zambia by apartheid regimes in South Africa and Southern Rhodesia resulted in Dar-es-Salaam port becoming the main outlet through the Chinese built TAZARA rail track. Over the years, this line has deteriorated due to various factors, and now the road links to South Africa serves as the main outlet. Zambia is in the process of recapitalising TAZARA, strengthening the road network, connecting the Mozambique ports through Malawi by rail and redeveloping Bengwela rail links with Angola. A transit corridor to Walvis Bay in Namibia is also being developed. The details are as under:
- **Government has advertised six railway projects:** Government has altogether advertised six new railway lines for development through Build Operate and Transfer (BOT) on public private partnership (PPP) principle. The Rail lines identified for development include Chipata-Mpika, Nseluka-Mpulungu, Solwezi-Chingola, Solwezi-Lumwana-Bengwela (in Angola), Mulobezi-Namibia and Kafue-Lions Den.
- For the Solwezi-Lumwana-Bengwela Railway line and Chipata-Mpika which would connect to Tazara would permit Zambia the shortest access to Nacala (Mozambique) and Dar-es-Salaam port on the eastern African side, the government is receiving good response from the private sector. For the remaining four, the government is waiting for feasibility study to be carried out by the private sector.
- The government had awarded a private company, Northwest Railways, tax rebates totalling US\$35m in May 2006 in a bid to speed up implementation of the rail link

between Zambia and Angola on western side of Africa (Solwezi-Lumwana-Bengwela Railway line), which is key to ensuring faster access to world markets for Zambia's copper. Opportunity exists for supply of materials and project exports. Due to delays, the government recently withdrew the concession and is now seeking finance to undertake the project by itself.

- The planned increase in Zambian copper production from the current half a million tonnes to one million tonnes by 2009-10 will put a lot of pressure on the transportation sector- both rail and road systems.
- The high cost of oil and fuel will negatively impact on the transportation sector of Zambia.

b. **Motor Transport**

- Transport vehicles are one of the largest items of Zambian imports (about 8% of total Zambian imports).
- India's exports under this head to Zambia during the year 2004-05 were US\$10.99 million, US\$10.19 million in 2005-06 and US\$ 7.28 million in 2007-08.
- TATA Zambia is an Indian player in this sector. They have in October, 2006 set up a vehicle & bicycle assembly plant in Ndola, The other Indian company selling vehicles in Zambia is Mahindra & Mahindra; mainly selling 4-wheel drive and some tractors.
- Toyota Motors Ltd. is the market leader with other companies viz. Nissan, Mazda, Isuzu, BMW, Mercedes Benz being active on the car market and Volvo and Scania are leading the bus market.
- The market for new vehicles is rather limited due to limited purchasing power of Zambians and the preference is for Japanese and European models.
- Government tries to use donors' funds for procurement of new vehicles. A major part of the \$10 million credit line given by EXIM Bank of India to Zambia in December 2003 has been used for purchase of TATA vehicles for the Zambian defence forces, police and agriculture ministry.
- A large market for second hand Japanese cars imported from Dubai, South Africa and Japan.
- Road conditions in the interior areas is very bad and life of vehicles is low. Auto spares required for specific models of Japanese/European vehicles are imported from South Africa. Supply of spare parts and components is erratic.
- Import duty on passenger cars is 25% (commercial vehicles – 15%), excise duty 10-15% and VAT of 16% on sale price.
- One of the major constraints in selling new vehicles is the lack of credit arrangement. Very few banks give loans for the new vehicles and that too at a very high rate of interest and against guarantees.
- Unorganised sector dominates the passenger vehicle market driving prices down due to under-invoicing etc. to avoid payment of duty.
- Due to revival of economy, increased activity in the mining, manufacturing and tourism sectors due to fresh investments has generated demand for new vehicles. Appreciation of Kwacha against US Dollar has also made imports of vehicles cheaper.

c. **Power**

- **Hydroelectricity is the main source of power:** The country has abundant hydroelectric sources and meets most of its electricity needs from its own hydroelectric stations, which are operated by the state-owned Zambia Electricity Supply Corporation (ZESCO). Installed hydro-electric power-generation capacity stood at an estimated 1,692 mw in 2005 (the resource potential is believed to be 6,000 mw. Zambia's current maximum demand for power stood at 1,400 mw in 2006, but ZESCO says that demand will rise to 1,900 mw by 2010. For 30 years there was no new addition to the power generation capacity.

- **New investments are being made in power infrastructure:** The mining industry is the largest energy user. Demand is rising rapidly; not just from the booming copper sector but also from industrial, commercial and residential users. For the next five years, power is going to be the major constraint to Zambia's economic growth prospects.
- TATA and ZESCO are to develop the US\$ 200 million Itezhi-Tezhi 120MW Hydropower project. The plant will be located on the Kafue river about 350 km west of Lusaka.
- Tata has also shown interest in collaborating with the Copperbelt Energy Corporation (CEC) for 40 MW power project in the Copperbelt.
- Earlier there have been implementation of two contracts by BHEL for rehabilitation of power stations and supply of 10 transformers to ZESCO; Setting up of a transmission line between Chingola and Kansanshi by M/S Kalpataru Power Co; Setting up of transmission line between the bordering towns of Zambia and Namibia by M/S Kamani Engineering Corporation Limited; and other contracts implemented by M/S Mohan Exports and other Indian companies.
- Participation in power projects: Several projects under consideration by the Government of Zambia in the power sector are: extension to the Kariba North Bank power station in partnership with Sinohydro of China at a cost of US\$320m; construction of a 120-mw Itezhi-Tezhi power station with Tata of India at US\$ 200 million and; construction of 750 mw Kafue Gorge Lower power station at the cost of US\$ 1 billion. In addition the World Bank, the European Investment Bank, the Development Bank of South Africa and the Norwegian financing arm, Norad, have separately provided a US\$210 million part-grant and part-loan facility to Zambian power company Zesco to upgrade its infrastructure across the country to enable it to operate at full capacity.
- Indian owned Konkola Copper Mine (KCM) is trying to acquire Maa'mba colliery for thermal power generation.
- On 23rd May, 2008 an Indian firm – Victory Electricals Ltd. Hyderabad signed an agreement for a 49% stake in Zambian company Electrocom Ltd., Ndola by investing US\$ 5 million for a joint venture to manufacture transformers of high capacity and electrical switchgears.

d. **Oil**

- The Indeni Oil refinery is in poor shape. Zambia imports all of its oil. Zambia's retail petroleum prices (which are not subsidized) are among the highest in the region. The principal reasons are high transport costs (Zambia is a landlocked country), the inability of the sole Indeni oil refinery to guarantee supplies to the energy sector and maladministration. Most of Zambia's oil comes through the 1,069-mile crossborder Tazama pipeline. The pipeline has a capacity of 22,000 barrels/day (around 600,000 tonnes of petroleum products are transported a year, although it was designed and constructed in 1968 to carry 1.1 m t/y) and is jointly owned by Zambia (66.7%) and Tanzania (33.3%). It carries mixed cargoes of crude oil and finished products to the Indeni refinery in Ndola, which is owned 50:50 by the government and a French oil firm, Total. Most of Indeni's problems stems from a desperate need for repairs and upgrading. The government therefore initiated a three-year, US\$65m rehabilitation programme, beginning in 2006. However, much to the government's ire, oil companies increasingly prefer to import refined products rather than use the refinery.

e. **Mining**

- Large reserves of semi precious stones, minerals such as copper, cobalt, manganese, iron ore, uranium and marble. Possibility of setting up processing centre for semi-precious stones. Coal and limestone are the other resources available.
- **Mining sector has recovered strongly in recent years:** Mining is the country's biggest export earner. The combination of privatization and surging international prices has

provided a dramatic boost to copper mining in Zambia over the past few years. In real terms, the mining sector grew by almost 50% between 2001 and 2005. Annual copper production in Zambia is expected to reach 600,000 tonnes during the next two to three years, a level last reached in the 1980s. Copper and cobalt account for 90% of mining production and around 65% of exports. Opportunity exists for project exports and mining equipments.

- M/s Vedanta Resources, the parent company M/s Sterlite Industries of India had initially invested \$ 48 million in 2004 in Zambia's biggest Konkola Copper Mine (KCM) to acquire a 51% stake. Their further combined investment in Konkola Deep Water Copper Mining project, a Sulphuric Acid plant and a new smelter is to touch almost US\$ 2 billion by 2008. While Vedanta Resources is Indian-owned, they are registered in UK – hence their investment figures are not reflected in Indian investment figures. In early 2008, Vedanta Group increased their share holding to 79.42% by acquiring additional 28.4% shares held by Zambia Copper Investments (ZCI) at US\$ 213.5 million. The rest of the shares are held by the state owned Zambia Consolidated Copper Mines (ZCCM).
- KCM is the biggest employer in the country with over 10,000 direct employees and thousands more employed indirectly. KCM also accounts for over 50% of total copper production and exports of Zambia.
- At a meeting with Minister of Commerce, Trade and Industry Felix Mutati on September 26, 2008 Sandesara group of Companies of India has pledged to invest over US\$100 million in Zambia before the end of this year in mining industries.

f. **Construction**

- **A buoyant sector:** As per official figures, the sector including state-approved construction projects contributes 9% of GDP. Activity is mainly focused on rehabilitating and maintaining infrastructure, in particular roads and bridges. Donors finance much of the work, and an increased disbursement of project-related funds lifted construction growth to an annual average of 15.5% in 2000-04 and 19.9% in 2005. Presently the country has been facing cement shortage in particular.
- In March, 2008 an Indian company M/s Era engineering Innovations signed an MOU in March, 2008 with Zambian government to set up a Special Economic zone in Kabwe or Ndola exclusively for Indian investors. This company is also interested in thermal power project and manganese mining in Zambia as well.

g. **Pharmaceuticals**

- India is one of the major suppliers of pharmaceuticals to Zambia and its share accounts for about 25% of total Zambian imports of around \$40 million. Other major suppliers are South Africa, UK, Norway, Canada, EU countries, Kenya and Tanzania.
- Main items imported from India are antibiotics, anti-retroviral drugs, Hepatitis B vaccine, syringes, gloves, testing kits, medical and surgical equipment and assorted pharmaceuticals for the government medical stores. CIPLA, Cadilla, Ranbaxy, Fortis India are some of the major suppliers from India.
- The Government and the mining companies are the major importers of pharmaceuticals. Indian companies need to participate in tenders issued by the Government of Zambia and the mining companies.
- Zambian government has purchased anti-HIV/AIDS drugs from M/S CIPLA in the past. USA and other donors have committed large sums of money for Zambia for fight against HIV/AIDS including purchase of ARVs. UNICEF and the WHO have been assisting the Government of Zambia in purchase of ARVs against global procurement tenders. The Indian companies should participate in such tenders.
- Zambia has also started manufacturing ARVs locally. Though the initial capacity of the unit is to meet the requirement of 10,000 patients, the capacity will be enhanced in due course and future procurements could be through local manufacturers.

- Zambia is a small market but there is potential to expand by exporting to neighbouring countries like DRC, Malawi, Zimbabwe and other COMESA countries. Government of India is trying to assist COMESA in harmonization of drug registration procedure, which once done may encourage investment in setting up manufacturing unit in member countries.
- Pricing is important due to the poor purchasing power of the large part of the population. Indian companies should price their items competitively as compared to the European and American firms.
- Few PIOs have set up facilities to manufacture IV fluids and tableting of certain antibiotics, paracetamols from raw materials imported from India. The largest manufacturing unit is owned by a PIO and the unit is expanding. Indian companies should regularly liaise with these manufacturers.
- Hindustan Syringes and Medical Devices Limited (HMD), one of the largest producers of single use syringes in India entered into a partnership with TATA-Zambia to promote Auto-Disable (AD) syringes in Zambia. The joint venture was inaugurated on 11th September, 2008.

Constraints in Pharmaceutical sector

- Registration process of a product is time-consuming and cumbersome.
- Lack of technical experts for testing of drugs etc.
- Donor aid generally tied to imports from their own countries. The USA has committed large sums of money for Zambia under the Global Fund for fight against HIV/AIDs. The Fund has reportedly short-listed 6-7 American/European firms for procurement of anti-HIV/AIDs drugs. Indian companies will face a stiff challenge to compete against the procurements being funded out of donors' money.
- While import duty on medicines is 0%, there is 5% import duty on package materials and surgical and medical equipment. Duty plus VAT on certain items increases the cost of imports from India compared to those from Egypt, Zimbabwe and Kenya, which enjoy tariff advantage as a COMESA member states.
- Lack of infrastructure like roads and medical centers in rural areas deter increase in sale of drugs. The government distributes the counter drugs to rural primary health centers through their mobile clinics.

h. **Engineering Sector:**

- The top two items of Zambian imports under this sector are machinery and instruments and electrical machinery, which together constitute about 25% of total Zambian imports.
- India's exports in this sector in 2004-05 were US\$7.22 million, which constituted just 1.5% of total Zambian imports. In 2005-06 this export increased to only US\$ 9.39 million and to US\$ 24.48 million in 2006-07.
- Growth in engineering sector is largely dependent on the requirements of copper mines and growth of power sector. With Indian investments in the mining sector (Sterlite group's investment in Konkola Copper Mines), there are better prospects of imports of mining machinery from India.
- With the economy improving in recent years and growing at the rate of around 5%, in the last three years, increased activity in the mining sector and buoyant price of copper, overall Zambian imports of engineering items likely to go up.
- Trade Kings, a company owned by Zambian Indians are investing over US\$125 million to set up the first ever Kafue integrated steel plant in the country.

i. **Precious and Semi-precious stones:**

- The main items of India's imports from Zambia are precious and semi-precious stones.
- In Asia, India leads in Zambia's exports especially in this sector. Most raw stones are exported to Jaipur for cutting and polishing.

- There are no trade barriers or strict rules and regulations governing the export of this item from Zambia.
- The Zambian government has declared processing of gemstones a priority area for value addition and to generate employment in the country.
- There is lack of infrastructure like roads and bridges to the mines.
- Some Indian investors are present in the Emerald mining in Zambia. On the other hand, an Indian gemstone mining concern- Kagem Ltd. has in 2008 sold its Zambian operations to a London based multi-national company.
- In a bid to curb the rampant smuggling of gemstones from Zambia, the government launched the Gemstone Processing and Lapidary Centre in Ndola on August 21, 2007. Experts claim that the country loses in excess of US\$500 million annually in revenue as stones are either smuggled from Zambia or undervalued on the sales floors. This is of interest to India as at present most of the gemstones reach India for cutting and polishing.

j. **Agriculture**

- Zambia has abundance of land, labour, water resources, favourable climate and topography.
- Zambia has well over 70 million hectares of arable land for cultivation, 58% of which is classified as having medium or high potential for agriculture development. However, only 15% of this arable land is cultivated and though the country is drought prone due to erratic rains, its abundant water resources remain largely unutilized.
- Land ownership reforms are planned: The government is planning major policy changes to its land laws in a bid to attract more foreign farmers and shore up agricultural production. Currently Zambia has a two-way land allocation system, which comprises land held by chiefs (civil leaders) and also state land. Under state land, the people awarded land for farming use are granted renewable 99-year leases, whereas there is no certificate of title provided for land given under customary law. Traditional chiefs exercise control over 90% of the land, and this land cannot be used as collateral on loans, hindering the development of smallholder agriculture. Changing land laws to enable chiefs to give certificate of title to investors and locals, through the Ministry of Lands, is a priority for the government.
- The present government has announced agriculture, agro-based industries, and diversification of crops as its priorities.
- Maize, wheat, millet, cotton, tobacco, coffee, spices, sugar, soyabean, sunflower, groundnuts, sorghum, cassava and paprika are major agricultural products.
- Commercial farming, dairy, poultry, agro and food-processing are open for foreign investment. Government of Zambia has earmarked 2 million hectares in developed areas for commercial farming.
- Availability of land at low prices.
- Government of India donated agriculture equipment and machinery worth Rs. 8 million consisting of 10 tractors, 20 ploughs, 10 maize shellers, 20 diesel water pumps and other accessories in December 2005. This was out of India's announcement of donation of agriculture machinery and equipment worth Rs. 25 million during the visit of Zambian President to India in April 2003.
- Zambians of Indian origin have a presence in commercial farms and horticulture sectors which are otherwise dominated by white farmers.
- The availability of land offers tremendous scope for the growth of bio fuel farming like Jatropha etc.
- **Horticulture and floriculture:** Horticulture and floriculture are the largest growth industries in the agricultural sector, and its products are among Zambia's most important non-traditional exports. Exports (mainly of specialty and organic vegetables, summer flowers and roses) totaled US\$10 million by 1999 and have stayed around this level in subsequent years.

k. **Processed and Refined Food Products**

- Sugar exports account for the bulk of earnings (over US\$3 million in 2004), with several key players in the market. Other sectors include grain milling, Carbonated Soft Drinks production, Beer brewing (both large scale and micro breweries), packaged snack foods (maize, corn and wheat based).
- One of the segments that has experienced double-digit growth is Mineral Water (15-20%).
- Opportunities, exist in filling the gap in manufacturing, mineral water packaged bottles and the under-exploited processing of grocery items (such as cold meat, tinned food, jam and dairy products).
- A PIO managed company, M/S Consolidated Farming has made use of a credit line from the EXIM Bank of India to PTA Bank to set up a sugar factory.
- Indian technology most appropriate to suit Zambian requirements in agro-based industries. Investment in agro sector should be fully integrated from production to processing.
- Availability of fruits like mangoes, pineapples, tomatoes and various citrus fruits for processing. Large quantity wasted due to non-availability of processing technology & facilities.
- Good demand for Indian technology and equipment in this sector, which is yet to be exploited by us.
- An Indian firm, M/s Shree Renuka of Mumbai has shown interest in investing US\$ 200 million in the sugar sector in Zambia in plantation and processing plant in Mazabuka.
- RJ corporation of India has signed an agreement with ZDA on 30th August, 2008 worth investments of US\$ 30 million to set up Pepsi bottling plants in Lusaka and Ndola and; a juice plant.

l. **Leather Goods**

- Zambia produces mainly leather raw material, semi-processed leather and wet-blue leather. Opportunity for expansion lies mainly in value-added, finished-goods as these are currently limited to standard products. The leather sector, although minute in comparison to other non-traditional exports (<1% of NTEs) offers huge potential for investors to tap into European markets for processed leather goods.
- On 22nd July, 2008 Tata signed an MOU with Zambia Development Agency (ZDA) for acquisition and subsequent revival of a sick leather tannery in Kabwe with payment of US\$ 1.64 million.

m. **Hospitality (Accommodation and Conference Facilities)**

- The hotel and restaurant industry accelerated in terms of real value-added growth, growing at an average of 18% since 2000. On an average, annual tourist arrivals increased by 9% between 1990-2004. Main tourist attractions are Victoria Falls (Livingstone), towns on the Copperbelt, and Southern province.
- TATA is present in the hospitality sector (Taj Pamodzi Hotel, Lusaka)
- Several Zambian Indians own and run hotels and lodges around the country.

n. **Forestry/ Wood Processing**

- Virgin bush and forest cover 370,000 sq. km, about one-half of Zambia's land area. Large plantations have been established in the Copperbelt for the paper and plywood industries. Most sawmills were privatized in the late 1990s, and output has risen consistently since then.
- Zambia's main wood-based export is timber, which is exported as a raw material for finished wood products. There is potential for vertical-integration investment in the wood-processing sector in terms of factories for manufacturing consumer/commercial

finished products. Zambia's natural timber species are among the best found in the world. Hardwoods are very sought after by companies manufacturing furniture in the regional markets, especially in South Africa.

o. **Telecommunications**

- Telephone coverage is concentrated (by current operators) along the traditional line or rail and the province capitals. There is however latent demand in the outlying towns and specially rural communities.
- New licensees and operators (telephony, broadcasting, Internet) can take advantage of excess capacity, brought about by Fibre-Optic cabling technology initiated by Zambia Electricity Supply Corporation (ZESCO). Using this excess capacity, new operators can capitalize by providing services to outreach areas. With the completion of ZESCO's fibre optic cable network, linking Solwezi and the Copperbelt, these two regions are ready for development and deployment of advanced communications services and applications.
- Most of the country is covered by the mobile network. The mobile-phone sector in Zambia has boomed in recent years, with competition between the three providers-the state-owned Cell Z, and privately owned MTN-Zambia and Celtel, resulting in major improvements in coverage and quality together with significantly lower prices. The active mobile-phone subscriber base on all networks rose by 114.5% to 1,080,256 in 2005.
- India has made a name in Information Technology and there is good scope for IT exports to Africa including Zambia. Only a small population of Zambians have access to the Internet. There is tremendous scope for joint ventures with India in this field.
- A PIO owned company M/s Melcome Group is setting up a mobile phone assembly plant in Lusaka.

p. **Education**

- Overall the educational access by people has been improving in Zambia but there is a continued shortage of teachers in its schools primarily due to the incidence of AIDS and prospect of better paid jobs abroad. The government is trying to increase the number of teachers to the required level.
- Zambia has two universities, the University of Zambia in Lusaka and; the Copperbelt University in Kitwe. According to Ministry of Education the total enrolment at the two universities increased by 14.7%. However, the two universities continue to face the staffing problem and debt to utility firms and suppliers of goods and services.
- The emphasis at university level remains on the arts and social sciences with fewer than 40% of graduates studying technical, scientific, medical, agriculture or managerial subjects.
- Apart from the universities the technical, vocational and entrepreneurship training institutions are registering continued growth both in terms of number of institutions and enrolment.
- Prospects exist for quality education. Some interest has been shown by Indian companies (KLE University, Bangalore) in this sector.
- IGNOU has a collaboration with the Zambia Open University.
- An MoU on Hole in the wall- computer literacy project was signed on 12th September, 2007 under which India is providing assistance in installing two computer learning kiosks in Lusaka.

q. **Health**

- As per UNDP's Human Development Report, 2005 Zambia ranks 166th out of 177 countries in its human development index.

- The government has made better health care a priority in recent budgets. Currently in Zambia of the 2,300 doctors required only 646 are available and of the 16,732 nurses needed only 6,096 are working domestically, primarily due to the reason of better job prospects abroad.
- Prospects exist for quality and affordable health services.
- In February, 2008 Lifeline Hospitals of Bangalore, India signed an MOU with Zambian government to set up a hospital specialising in key-hole surgery in Lusaka.
- Significant presence of local Indians in the Health sector in Zambia.

r. **Manufacturing**

- The manufacturing sector contributes 11% to national GDP and about 10% to employment. The sector experienced a 9% rise in output in 2004. Zambia's manufacturing industry has the vital elements such as raw materials and labour force that may make it a competitive export by taking advantage of duty concessions in COMESA and SADC.
- **Manufacturing remains under pressure:** Overall manufacturing growth has been sluggish in recent years. Around 60% of manufacturing is in the food, beverages and tobacco subsector. Owing to the high weighting of food within the subsector, maize milling (officially classified as manufacturing) can distort the subsector's actual output, depending on the size of the harvest each year. Drought and the consequent poor harvest over the past few years (excluding 2003) have thus restricted manufacturing growth.
- However, manufacturers still face formidable challenges. Insufficient access to affordable credit is a big problem. Local real interest rates are high, and local commercial banks are risk-averse. Most new investment in manufacturing has come from foreign companies, but these companies are also under pressure, owing to high utility costs, high duties on many manufacturing inputs, a weak domestic market and a subdued regional market. In addition, manufacturing exports have been rendered uncompetitive by a strong currency and high transport costs (mainly resulting from Zambia's landlocked status – it costs around US\$100/tonne to transport cargo to the coast).
- The Indian textile exporters may take advantage of the opportunity to export goods to the US without restrictions, through the African Growth and Opportunities Act (AGOA), signed in 2000.
- Manufacturing has been declared priority area for investment by the government.

20. **General investment potential & opportunities**

- Multi-party democracy, political stability.
- Strife-free multicultural society.
- Market completely open for imports and investment, market-oriented private sector.
- Abundant natural resources.
- Duty free access with several countries of COMESA.
- Special facilities for investment in Export Processing Zones.
- Avoidance of double taxation agreement with India.
- Currency fully floated, no foreign exchange restrictions; no restriction on repatriation of profits, dividend & capital.

21. **Opportunities for Indian businessmen in Zambia**

- Good will for India in Zambia and Indian products, machinery & technology in Zambia.
- Gateway for products to other sub-Saharan countries.
- Well represented and well-established large Indian community. Easy net working for collaborations/strategic alliances.
- The Indian investment in Banking sector include a joint venture – Indo-Zambia Bank - with 60% equity held by three Indian public sector banks – Bank of India, Bank of

Baroda and Central Bank of India – and remaining by the Zambian government. EXIM Bank of India has a 34% share in Development Bank of Zambia after a debt settlement agreement with the Government of Zambia, which owed \$18.8 million of EXIM Bank. Out of \$18.8 million, \$9.4 million was written off, \$8 million paid by the Government of Zambia in six instalments to EXIM Bank and \$1.4 million invested in DBZ and EXIM Bank given 34% equity. These banks could be utilised by Indian firms for their businesses.

22. **Constraints in transaction of bilateral trade:** Despite the highly liberalized trade regime and no major non-tariff barriers, the main constraints in the expansion of the bilateral trade are as follows:

- Small market and low purchasing power.
- High dependence on donors for budgetary support and uncertainty in release of funds by donors affects budgetary spending; the entire developmental activities and projects are funded through the 30% of the donors' support to the budget and this aid is often tied to imports from the donor country.
- High interest rates of about 30% for Kwacha loans and 10% or more for dollar loans; high collaterals/guarantees demanded by the banks due to frequent defaults in repayment of loans.
- The Zambian industry has suffered irreversibly due to haphazard privatisation in the 1990s which led to the closure of large number of public sector companies thus killing most of the local industry and leading to large unemployment and limiting the market.
- Land-locked location of country adds to inland transportation costs and costs from the nearest ports of Durban and Dar-e-Salaam constitute 60-70% of the total cost of the product.
- Low cost of goods supplied by South Africa due to proximity.
- Preference for second hand vehicles, machinery and equipment, and clothings reduce demand for new items.
- Depleting work force due to high rate of HIV/AIDs; difficulty in obtaining work permit for expatriates, due to Zambianization policy of the Government.

23. **The technical and economic assistance given to Zambia by India:** Over the years, India has provided considerable economic assistance to Zambia. In 1979 and 1982, India extended government and EXIM Bank credits to Zambia totalling Rs. 25 crores. In 1989, India provided railway wagons costing about Rs.8 crores to Zambia under the Africa Fund. Other assistance such as Maruti vehicles were given to the Zambia News Agency and emergency medical supplies to the Zambian Ministry of Health. More recently during President Mwanawasa's visit to India in April 2003, the following assistance has been extended to Zambia: (a) donation of 10,000 tons of rice, anti-retroviral medicines worth \$100,000, agricultural machinery worth Rs. 8 million; (b) credit line of \$10 million used to purchase Tata trucks (US\$ 8.5 million) & vocational tool kits (US\$ 1.5 million); (c) writing off of government-to-government credit of \$3 million; (d) increase in no. of ITEC scholarships to 60, subsequently increased to 70 from 2008-09 onwards; (e) increased number of training slots in the Indian defence institutions; (f) services of Indian experts to study the irrigation facilities in Zambia as part of COMESA country; (g) India has agreed to send RITES team to conduct feasibility study for constructing railway line in the Northern Province of Zambia; (h) Provision of credit lines of US\$55 million given by EXIM Bank of India to PTA Bank. Use of this credit made for setting up a sugar factory in Zambia and; (i) grant of Rs. 10 million for flood relief in February, 2008.

24. **Areas for cooperation for afresh development:** Zambia's main interest is to seek maximum bilateral assistance, investments and technology from India, while India could expect Zambian support to Indian causes in international fora, wherein it has not failed us. The strategy

has also been adopted by China plus it is using Zambia for the resources and market for the region. The list for assistance to Zambia could include:

- (i) Technical assistance in education, vocational training, health and IT sectors; setting up of IT training centres. Zambia during the year 2007 has signed India's Pan-African e-network project in the tele-medical and tele-education sectors. Work in this regard is to be started in Zambia. ISRO in June, 2008 has also offered remote sensing data and low cost reception centre for such data to Zambia, their response is awaited.
- (ii) Expertise and assistance in use of solar energy;
- (iii) Setting up of joint ventures for manufacturing pharmaceuticals;
- (iv) Development of commercial farms through private investment;
- (v) Indian expertise and assistance for development of agriculture, irrigation schemes and agro-processing sectors; machinery and skill for cashew processing industry; investment in tea estates; and exchange of agricultural graduates and experts;
- (vi) Investments by Indian companies in copper mining, power projects, rural electrification, tourism, hotels, roads, and small scale industries;
- (vii) Construction of a railway line in the Northern Province for transportation of minerals.

25. **Indian Diaspora:** Zambia is also home to over 13,000 Indians who have been accepted into this progressive and pluralistic country in a non-discriminatory way. It is important for us to ensure their welfare by constant engagement with the local authorities.

26. **Issues of bilateral cooperation as per Mission's Annual Action Plan for the Year 2008:** The Status is as under:

Sl. No.	Proposed Activity	Period	Remarks
1.	Visit of President/Vice President of India to Zambia	2008	Proposal on visit of President/Vice President sent on April 7, 2005, Ministry's response awaited. This shall have to be combined with visit to Malawi and other Southern African countries.
2.	Visit of PM to Zambia	2008	This could be linked to bilateral visits to Zambia, Malawi and other Southern African countries. (Zambian President had issued invitation to our PM for Langkawi International Dialogue, Lusaka in Aug. 2008 which has since been regretted by PM).
3.	Secretary-level Foreign Office Consultations (FOC) in New Delhi	2008	Zambia has requested FOC since April, 2006, and they are keen on it, MEA is to respond.
4.	Meeting of the Joint Trade Committee (JTC). From Indian side MOS for Commerce & Industry leads the delegation. #	2008	The second and last meeting of JTC was held in New Delhi in November 2000. Next JTC to be held in Lusaka. It is long overdue. There has been lack of follow up action from the Zambian side on this issue. Our MOS for Commerce & Industry has raised the matter with Zambian Minister for Commerce, Industry & Trade when the latter visited Delhi for CII India Africa Conclave on March 19-21, 2008.

5.	India-Zambia Joint Permanent Commission (JPC). From Indian side MOS from MEA leads the delegation. #	2008	The 5 th JPC was held in Delhi in September, 2005. Next JPC is to be held in Lusaka. There has been lack of follow up action from the Zambian side on this issue.
6.	Participation of Indian companies in the Zambian Agriculture and Trade Exhibition	July/ Aug. 2008	In earlier years, ITPO used to coordinate this participation. In the last three years there was no participation. We should participate when others like China, Pakistan, Iran and Egypt do so every year.
7.	Completion of supply of Agriculture Machinery and Equipment to Zambia	2008	India had announced a donation of agriculture machinery and equipment worth Rs. 25 million during the visit of Zambian President to India in April 2003. First instalment of machinery worth Rs. 8 million presented to Zambia in Dec 2005. We could provide additional equipment this year.

While the JPC is more comprehensive and inclusive in the sense that it addresses political relations, economic and technical cooperation, cultural, educational and scientific cooperation and regional cooperation, JTC seems to be focusing entirely on trade issues. However, some of the issues under economic and technical cooperation do overlap with each other as both consider sectors including agriculture, energy, investment, small industries, transport and communication, mining etc.

27. **Conclusion:** As mentioned earlier Zambia's main interest is to seek maximum bilateral assistance, investments and technology from India, wherein India can act as a major cooperation partner for Zambia. Such economic, trade and investment engagement shall be in the economic interest of both the countries. On the other hand India could expect Zambian support to Indian causes in international fora, wherein it has not failed us so far.

15-10-2008