

POLICY BRIEF

ON THE HANDBOOK OF ZIMBABWE-CHINA ECONOMIC RELATIONS

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INTRODUCTION

The Zimbabwe Environmental Law Association (ZELA) under its Responsible Investments and Business programme commissioned a research project aimed at contributing to the body of knowledge and evidence on Chinese investments in Africa's extractive industry. The backdrop to the study is the growing portfolio of Chinese investments in critical sectors to the African economy such as mining, energy, agriculture, finance and real estate. With the growth of Chinese investments in the critical sectors, there has been mixed reactions to the investment with some lamenting on the negative impacts. Thus, in order to comprehend the implications (positive or negative) ZELA conducted a research study to explore and analyse Chinese investments within the extractive sector with a focus on three key minerals (gold, diamond and chrome), energy and financial services sector. The research culminated in the production of a Handbook on Zimbabwe – China Economic Relations.¹ Therefore, this Policy Brief provides a summation of key research findings.



¹ Available at: <https://zela.org/download/the-handbook-of-zimbabwe-china-economic-relations/>

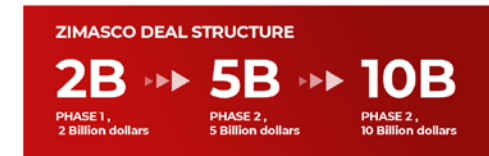
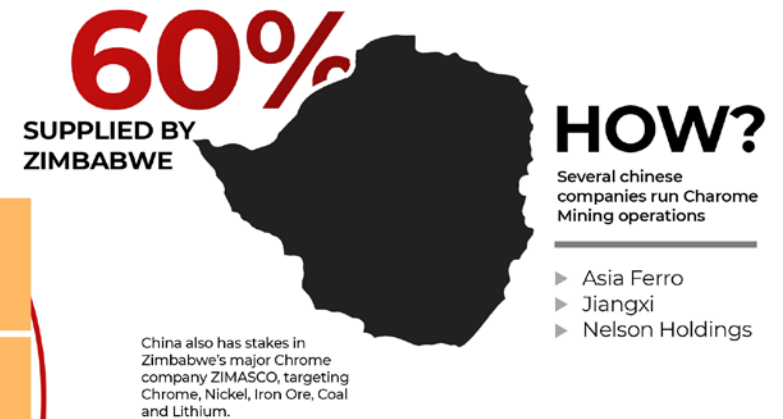


02

Chinese Investments in Extractive, Finance & Energy Sectors

MINING & EXTRACTIVES

China's footprint in the extractive, energy and financial sectors has been growing across all the regions of the globe, but more pronounced in Southern and Central Africa and Latin-America. For Zimbabwe, Chinese mining investments are diversified with some companies investing in mining coal, black granite, diamond, gold, and chrome among other minerals. Interestingly, China is the world's top chrome consumer and Zimbabwe supplies 60% of that demand.² Some of the Chinese companies involved in chrome mining are Asia Ferro; Jiangxi and Nelson Holdings. Chinese also have significant shareholding in Zimbabwe's major chrome company, Zimbabwe Mining and Alloy Smelting Company (ZIMASCO). A significant multi billion-dollar mining deal was signed by government with Tsingshan in April 2019, with Chrome, Nickel, Iron ore, Coal and Lithium chrome being the target minerals.³ At first, the deal involved a \$2 billion dollar for the initial phase and later on \$5 billion and \$10 billion.⁴ The research noted that some Chinese companies involved in gold mining are operating in the small-scale gold mining in Mutoko. As for diamond mining, the biggest investors have been Anjin Investments (Pvt) Ltd and Jinan Diamond Mining Company.



China holds various small-scale GOLD MINING interests in Mutoko.



In DIAMOND MINING the biggest Chinese investors have been Anjin Investments (Pvt) Ltd and Jinan Diamond Mining Company.

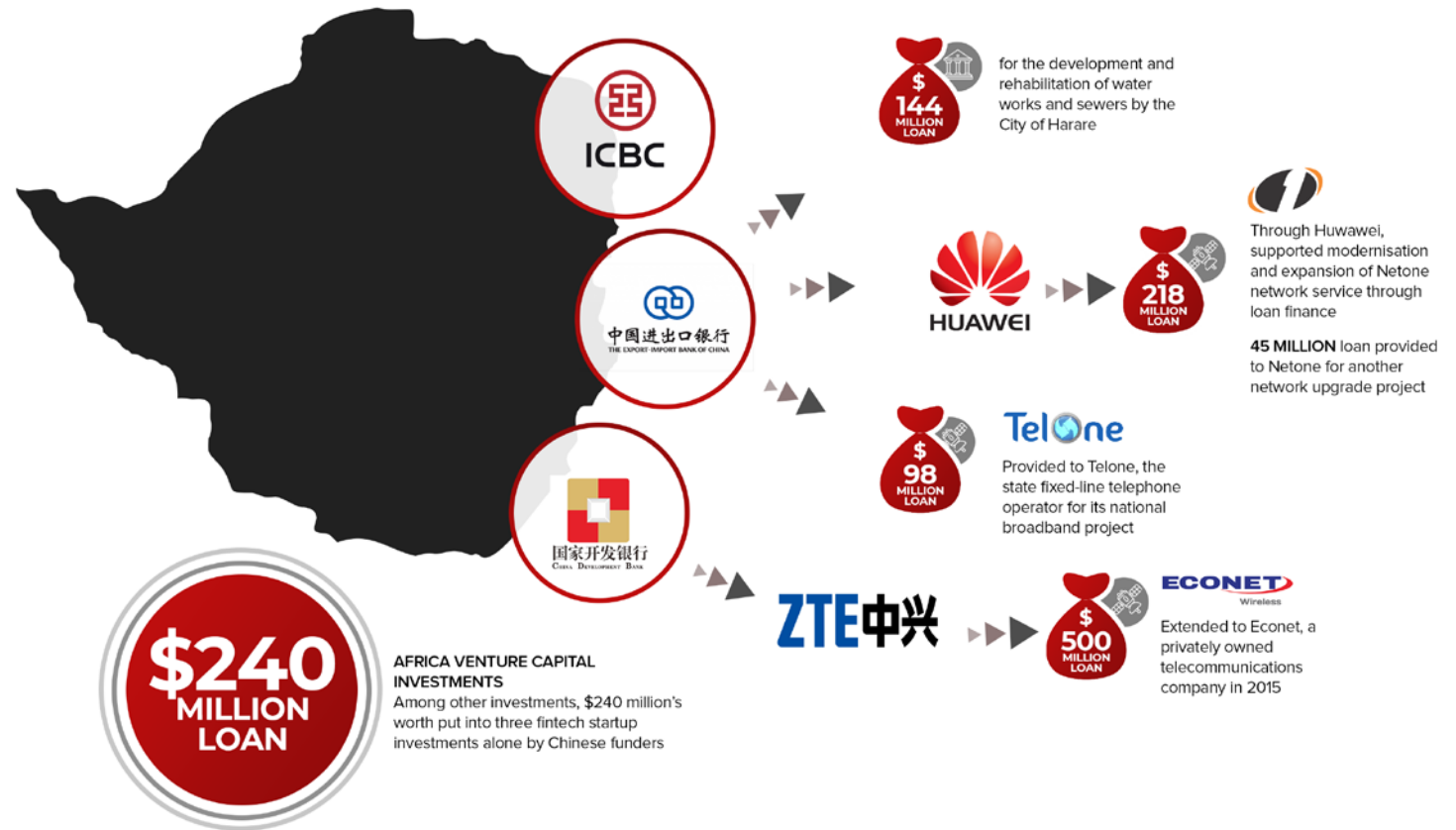
² Whitehouse, D. (2019). Zimbabwe well placed to Benefit from China's Thirst for Chromium. See: <https://www.theafricareport.com/15054/zimbabwewell-placed-to-benefit-from-chinas-thirst-for-chromium/>

³ 5 Xinhua. (2019). Zimbabwe signs multibillion dollar Mining Deal with Chinese Company, Xinhua 24/04/2019. <https://chinadaily.com>

⁴ Ibid

FINANCIAL SERVICES & INFRASTRUCTURE

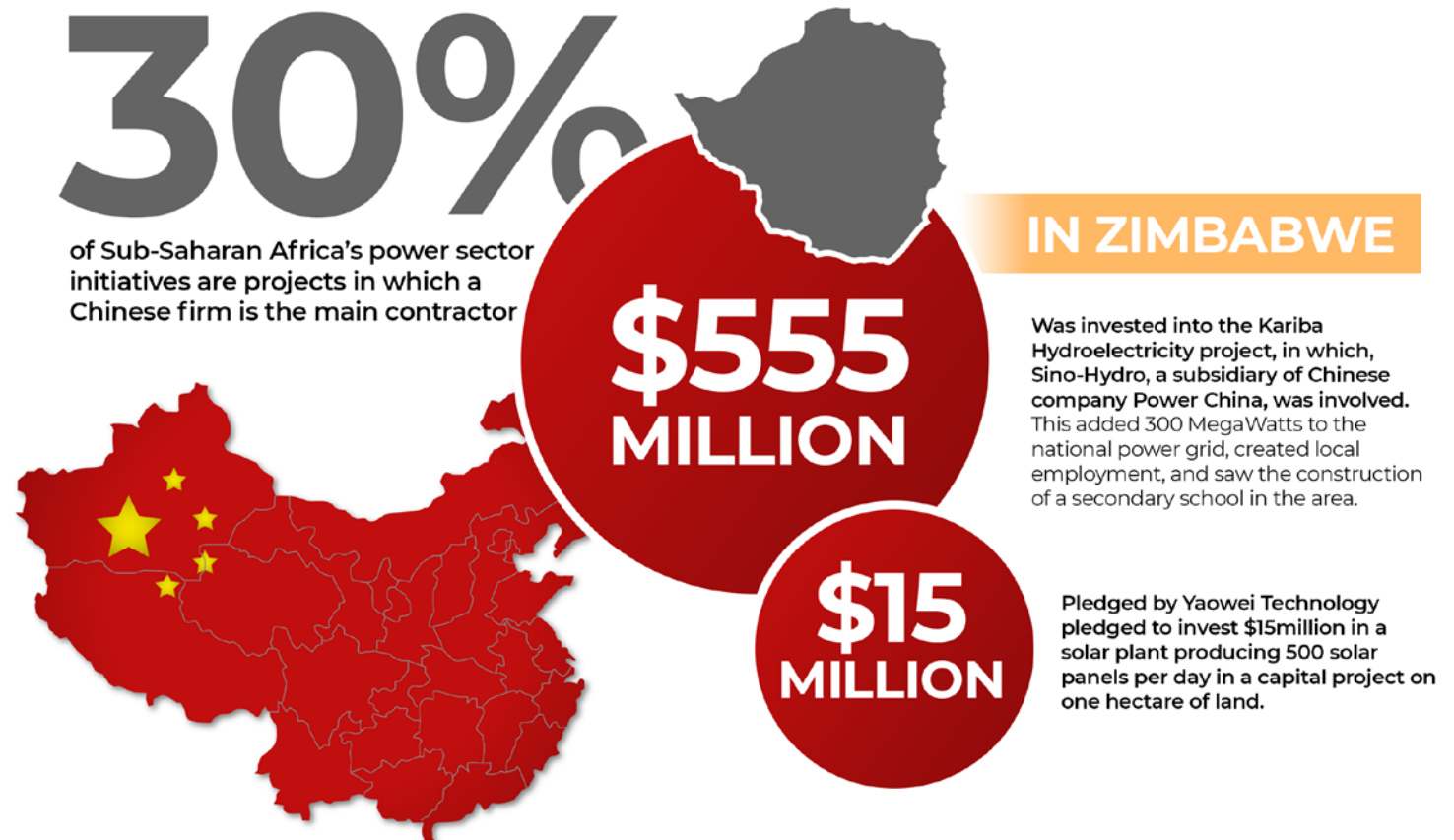
For the financial services sector, Chinese state financial institutions have played a huge role in financing projects. These include, the China Development Bank, Industrial and Commercial Bank of China and Import and Export Bank of China. The China Exim Bank supported the development and rehabilitation of water works and sewers by the City of Harare with a loan of \$144 million. Through a contract with Huawei Technology, China Exim Bank also supported modernisation and expansion of Netone network service with a loan finance of \$45 million. In addition to supporting state projects through credit facilities, local private entities have also received loan support. Of note is the US500 million from China Development Bank and Zhongxing Telecommunication Equipment Corporation (ZTE) which was extended to Econet a privately owned telecommunication in 2015. In 2014 China Exim Bank provided Netone with a concessional loan of \$ 218 million for network upgrading, and Telone a state-owned fixed line telephone operator received a loan of \$98 million to for national broadband project. Furthermore, venture capitalists have also made significant investment in Africa's fin-tech and start-ups. Data from Digest Africa Data indicate that Chinese investment into African fintech and start-ups greatly increased with Chinese venture capitalists spending \$240 million on three investments alone.



⁵ Aid Data, 2017. China Exim Bank loans Zimbabwe \$218m for telecom network upgrade. [Online] Available at: <https://china.aiddata.org/projects/41582>

ENERGY & POWER

Chinese investments into renewable energy in Sub-Saharan Africa is rapidly increasing with renewable energy projects in countries like Kenya, Ghana, Nigeria, among others.⁶ China accounts for the single largest investment portfolio in Sub-Saharan Africa's power sector and projects in which a Chinese firm is the main contractor alone account for 30%.⁷ In Zimbabwe, Sino-Hydro, a subsidiary of Chinese company Power China was involved the hydroelectricity, thermal power generation with a total of \$555 million. The project expanded Kariba hydroelectricity generation capacity to alleviate power challenges.⁸ Positive outcomes of the Kariba Hydro-electric power expansion include the addition of 300 MegaWatts to the national power grid, employment of local technicians and construction of Mahombekombe Secondary School in Kariba. Again, the major financier for these projects are Chinese financial institutions banks. Regarding solar plants, a Chinese company called Yaowei Technology pledged to invest \$15million in a solar plant producing 500 solar panels per day in a capital project on one hectare of land.⁹ This has significantly benefited the country to be energy secure albeit more investment in clean energy is needed. Of note, is China's investment in the expansion of the Hwange Coal power station.



⁶ Rasmus Lema et al (2021) China's investments in renewable energy in Africa: Creating co-benefits or just cashing-in?

⁷ International Energy Agency, 2016. Boosting the Power Sector in Sub-Saharan Africa: China's Involvement. International Energy Agency.

⁸142 Wu Yifeng, Sinohydro vice President for East and Southern Africa in an interview in The

Zimbabwe Independent. (2019). Zimdollar Return Weighs on Hwange Expansion Project. The Zimbabwe Independent. 6 September 2019.

⁹ Madzimore, J. (2019). Chinese to Invest \$15m in Solar Plant <https://herald.co.zw/chinese-to-invest-us15m-in-solar-plant/>

A photograph of an industrial facility, possibly a steel mill or refinery, silhouetted against a dark, hazy sky at dusk or dawn. The scene is dominated by dark, complex structures of pipes, walkways, and large tanks. The overall color palette is muted, with shades of brown, grey, and black, accented by the faint light of the sky.

03

Impacts of Chinese Investments

POSITIVE OUTCOMES¹⁰



Employment Creation



Improved infrastructure



Contribution to the resolution of the energy crisis



Revamping mining and agricultural production



Improved access to water



Health and medication support



Information Communication and Technology development

NEGATIVE OUTCOMES

The economic benefits stemming from Chinese investments can be enhanced if challenges associated with the investments are addressed. The common challenges relate to lack of transparency (access to information) in the terms of agreements entered into by governments with Chinese companies. Non-disclosure clauses within these agreements leave CSOs and Parliaments unable to play an effective oversight role.¹¹ The blame for these challenges cannot be placed on Chinese companies, alone. Some of the challenges emanate from of Zimbabwe's state institutions' failure to hold business accountable and implement existing laws. The Chinese Embassy also proposed that the government should establish a compliance monitoring mechanism for mining companies to ensure compliance with national legislation.¹³ Also, Chinese businesses operating in Zimbabwe's mining sector seem to be ignorant of the key sectoral legislative and policy frameworks. The Chamber of Chinese Enterprises in Zimbabwe rightfully pointed out the need for Zimbabwean institutions to offer training to Chinese investors for them to comprehend and comply with national regulatory framework.¹⁴



Human rights violation



Unfair labour practices



Environment degradation



Lack of transparency

¹⁰ <https://twitter.com/ChineseZimbabwe/status/1485526185119522821/photo/1>

¹¹ In December 2020, in a landmark judgement, the High Court of Zimbabwe directed the Zimbabwean government to make public the foreign loans it had acquired from the African Export-Import Bank (Afreximbank) and other international financiers.

¹² According to a 2021 Study by the Business & Human Rights Resource Centre on the impact of China's global investments on human rights, between 2013 and 2020 Africa had the second highest number of allegations of human rights abuses, with 26.7% of the claims recorded against Chinese companies. See, Business & Human Rights Resource Centre, at https://media.business-humanrights.org/media/documents/2021_BHRRCC_China_Briefing.pdf

¹³ Statement of the Embassy of the People's Republic of China in the Republic of Zimbabwe, Available at: <https://twitter.com/ChineseZimbabwe/status/1485526185119522821/photo/1>.

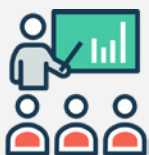
¹⁴ Statement by Chamber of Chinese Enterprises in Zimbabwe on performance of Chinese Investments in Zimbabwe; 18 February 2022, Available at: [1](#)



04

Conclusion & Policy Recommendations

RECOMMENDATIONS FOR GOVERNMENT OF ZIMBABWE



Embark on an institutional capacity strengthening exercise for all its relevant institutions and agencies on business and human rights principles and standards. This involves the government putting in place clear standards, benchmarks and compliance assessment tools to guide institutions in the conduct of their work.



Should strongly consider joining the Extractive Industries Transparency Initiative (EITI) which is a good foundation for promoting transparency and accountability as this will facilitate proactive disclosure of relevant information



Promote inter-agency or institutions corporation in monitoring various aspects of business and human rights in the mining sector. Inter-agency co-operation is a crucial aspect in accountability in a sector involving many actors.



Put in place laws and policies that promotes mandatory human rights due diligence for all Chinese companies operating in Zimbabwe's mining sector.



Put in place laws and regulations that promote transparency and information disclosure throughout the mining value chain, that is, from licensing to mine closure. By fostering transparency and access to information throughout the mining value chain, a culture of accountability and responsibility could be promoted in the sector.



Implement section 315 of the Constitution to guide negotiations of joint venture agreements with investors and monitor contract performance.



Ensure that state-owned enterprises operating in gold, chrome and diamond mining sector should lead by example in upholding human rights in their operations.



Lead a consultative and inclusive process to develop a national policy on Zimbabwe – China relations that prioritise a human rights-based approach in investments which aligns to Zimbabwe's national interests.

RECOMMENDATIONS FOR **GOVERNMENT OF CHINA**



Through its embassy, and in line with its international human rights obligations, should track operations of Chinese companies and their human rights record in keeping with its extraterritorial obligation to respect human rights whilst respecting the sovereignty of Zimbabwe.



Strengthen judicial and non-judicial mechanisms to provide effective remedy against human rights abuses, perpetrated by Chinese businesses operating abroad.



Put in places mechanisms for mandatory human rights due diligence for all Chinese companies investing abroad.



Sanction Chinese companies for human rights violations that occur abroad in line with its extra-terrestrial obligations to respect and protect human rights.

RECOMMENDATIONS FOR CIVIL SOCIETY ORGANISATIONS



Conduct evidence-based research to inform advocacy efforts and influence policy changes.



Conduct public awareness campaigns and dialogue with government institutions in order to build inter-agency dialogue.



Engage with regional and international processes such as at the African Union level or United Nations' Universal Periodic Review processes and provide shadow reports on human rights impacts of Chinese companies.



Invest in public interest litigation for communities affected that cannot seek redress



Establish networks with likeminded organisations in Africa, Asia, Latin America and other regions to share knowledge and collaborate on the work on Chinese investments.

RECOMMENDATIONS FOR CHINESE COMPANIES



Chinese companies should take time to understand the human rights culture and obligations of Zimbabwe applicable to their operations.



Publish and report on due diligence processes and disclose the results of impact and risk assessments using appropriate and accessible formats;



Identify and assess actual and potential human rights and environmental risks prior to beginning, investing or sourcing a project.



Develop and implement strong company and operational policies on transparency and disclosure, including the obligation to publish relevant information about projects and investments in their exploratory, implementation and closure/end stages.



Proactively engage with affected communities and civil society to enhance their social licence to operate.

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