

Caijing Magazine: CNMC said the strike will not affect its investment in Zambia

One month ago, the investment projects of China Nonferrous Metal Mining (Group) Co., Ltd. (hereinafter referred to as “CNMC”) in Zambia suffered a two-week illegal strike due to labor disputes. Today, Tao Xinghu, vice-president of CNMC, expressed to the journalist with Caijing that this event will not impose impact on their investment in Zambia. On the contrary, CNMC has decided to make additional investments of USD \$ 2 billion in the next five years, in the hope to form the largest Chinese-funded nonferrous mineral resources base overseas.

Tao Xinghu stationed in Zambia throughout the year to be in charge of all investment projects of CNMC in Zambia. CNMC has 9 enterprises in Zambia, including NFC Africa Mining PLC (hereinafter referred to as “NFC”). The company was acquired by CNMC at the consideration of USD \$ 20 million in 1998, and is in charge of the operation of Chambishi Copper Mines and is currently held as to 85% by CNMC.), CNMC Luanshya Copper Mines PLC (It was acquired by CNMC at the consideration of USD \$ 50 million in 2009, and is in charge of the operation of Luanshya Copper Mines and is currently held as to 80% by CNMC.),, Chambishi Copper Smelter LTD, Sino Metals Leach

(Zambia) Limited and Zambia -China Economic and Trade Cooperation Zone Development Co., Ltd. (in charge of the operation of Zambia -China Economic and Trade Cooperation Zone), etc.

According to him, the aforesaid strike which started on the morning of October 5, 2011, mainly concentrated in NFCA and then spread to Chambishi Copper Smelter LTD.

Chinese-funded enterprises like China International Water & Electric Corp. (CWE) and China Jiangxi Corporation for International Economic and Technical Cooperation (“Jiangxi International”) had suffered strikes before those occurred to NFCA. The blasting fuse for the series of strikes was the “more jobs, lower taxes and more money in your pocket” declared by the new president Michael Sata in his election campaign. Since the Zambian people, who were eager for enhancing their living status, did not see any actions by the vigorous and resolute leader one week after his swearing-in, they started the strikes aiming for salary rise.

These strikes were not specific to Chinese-funded enterprises. Enterprises funded by British, India and other countries were also involved but to a lesser extent. CNMC is the third largest foreign investor in Zambia, inferior only to

KCM (Konkola Copper Mines) invested by India and Lumwana by Australia, and its total assets in Zambia amount to approximately USD \$ 2 billion.

After the strike lasted for two weeks, on October 19, NFCA issued a dismissal notice to over one thousand employees who still refused to return to work. The contents of notice included: 1. if the strikers still refuse to return to work, they will be dismissed; 2. the employees to be dismissed have 48-hour right of appeal, during which period NFCA accepts their returning to work. The management of NFCA found through investigation that most employees who refused to return to work were obstructed by the strike organizer and they themselves actually didn't intend to resign. Therefore, "we just hope that this illegal strike will be settled in this way, so that the mines will return to normal production", Tao Xinghu said.

On October 20, Sata, new president of Zambia, received Tao Xinghu for the strike. Tao Xinghu expressed to Sata that NFCA annually raises salaries for workers according to its operating conditions. In 2010, the growth was 12% and the salary raise plan for 2011 had already been included in the budget for this year, while it's still beyond the implementation time, i.e. the time for the annual collective salary negotiation. Sata ordered Wylbur Simuusa, new

minister of the Ministry of Mine, to visit on the next day Chambishi Copper Mines to investigate this event and mediate.

On the afternoon of his arrival, Simuusa presided over the signing ceremony of an agreement on the strike between NFCA and the Union of Mineworkers.

Pursuant to this agreement, the Union promised that the strikers would return to work on October 22, NFCA shall accept the reinstatement of all employees and the labor disputes shall be solved through the forthcoming collective salary negotiation. The strike consequently ended on the night of October 21, 2011.

In fact, the two-week strike did not cause any substantial losses to its production and operation, but these strikes might have discouraged the confidence of foreign investors in investing in Zambia. Since CNMC is China's largest investor in Zambia and another status of Tao Xinghu is the chairman of Zambia – China Business Association, in order to mitigate the relationship and facilitate investment, President Sata authorized Tao Xinghu to be in charge of the coordination work by holding a luncheon party at the presidential palace for the Chinese business circles in Zambia on October 29, 2011.

This luncheon party was regarded as a sign of attitude change towards China of the Sata Government. The leader, called as “cobra”, once proposed to be

strict on foreign investors, particularly the Chinese. Sata has previously experienced 4 election campaigns, in which he expressed fiery words on the development of copper mines of Zambia by China for several times, and he even made such proposals as “expelling foreign investors” and “mines to be owned by the state” in his previous two election campaigns, which extremely worried the industry: whether foreign investors, particular China, had a future in Zambia?

It's widely believed that China may have lived through the crisis in light of the current stance of Sata toward Chinese-funded enterprises. At the luncheon party on October 29, Sata said that he would recently send Kaunda, the first president of Zambia, to China as a special envoy, so as to enhance the cooperation relationships between China and Zambia in a comprehensive way.

Tao Xinghu said that CNMC is optimistic about its development prospect in Zambia and will make additional investments of USD \$ 2 billion in Zambia during China's “Twelfth Five-year Plan” period on the basis that the existing project investments will be recovered as soon as possible. Consequently, its production scale of copper metal in Zambia will be expanded to 400,000tons /

year. In addition to operational projects, the additional investments will also include the construction funds for 3,000 houses. Currently, NFCA pays each employee housing allowance equal to 39% of basic salary. Constructing houses is to utilize the housing allowance in advance to enhance the housing conditions of employees and maintain community relations.

Tao Xinghu also revealed that the Zambia -China Economic and Trade Cooperation Zone had started investments promotion. Currently, 14 enterprises have settled in the zone. According to the will of Zambia Development Agency, enterprises engaged in the manufacturing and processing of agricultural products, deep processing and pharmaceutical production are more welcomed.