



## *Embassy of the United States of America*

### **U.S. Embassy Lusaka Direct Line to American Business Call May 31, 2012 – 10:30 Eastern Standard Time Suggested Points (as written)**

**Please Contact us at [commercialusaka@state.gov](mailto:commercialusaka@state.gov) for follow up**

- Pleasure to be here with you today in what is one of the State Department's First "Direct Line to American Business" calls. The Direct Line program is a new initiative that allows Ambassadors and Embassies around the world to engage directly with U.S. businesses interested in learning more about overseas markets.
- Particularly delighted to share with each of you and the American business community at large what those of us in the diplomatic community are witnessing first hand: **Zambia is a country whose time has come and American companies who seek to enter Zambia will push on an open door.**
- Commercial Diplomacy is front and center of our global engagement.
- Today's discussion is just the first of Embassy Lusaka's quarterly Direct Line calls. Today will focus on:
  - general macroeconomic and commercial environment in Zambia,
  - upcoming Five-City Zambian trade mission, to be led by Minister of Commerce, Trade & Industry Dr. Bob Sichinga
  - Your questions about economic opportunity in Zambia

#### **Recent Economic History:**

- Zambia is a country whose time has arrived. Zambia is democratic, Zambia is peaceful, Zambia is stable, and Zambia is growing.
- It is blessed with rich natural resources, abundant fertile land, and friendly and engaging people.
- In many respects, it is the positive aspects of Zambia, its democracy, and its economic results, that keep the country off the news and under the radar of Americans and American businesses.
- 12 straight years of positive economic growth including 6% average growth over the past eight years. More than 7% expected for 2012.
- Inflation below 10% for almost two years. At 6.2% currently.
- Stable currency, and no currency controls. You can repatriate your profits.
- **High marks from IMF on macroeconomic and fiscal management.** IMF extended credit facility program ended in June 2011. Relationship will continue but unknown in what form.

- **B+ rating** from Standard & Poor's and Fitch. The same as Kenya, Ghana, and Angola. Fitch adjusted short-term outlook citing political uncertainty, but S&P reaffirmed its B+ rating with a stable outlook in March.
- Plans to issue \$700 million Eurobond in 2012. To be used for infrastructure projects – energy and roads development.
- In May, Zambia signed a \$355M compact with the Millennium Challenge Corporation to help extend and modernize Lusaka's water, drainage, and sewerage system.
  - This compact presents opportunities for American companies to bid on tenders and enter into the Zambian market.
- EXIM Bank Zambia business is growing, and partner lenders, such as ATRAFIN, focused on Zambia as a growth country. *Access to affordable finance is key to unlocking trade with the United States.*
- Declared a middle-income country by the World Bank in 2011 – Gross National Income per capita above \$1,000.
- While rural poverty remains high, growing middle class in urban centers increasing demand for quality consumer products. New commercial and retail development in Lusaka and other cities such as Ndola, Kitwe, Solwezi, and Livingstone.
- Member of Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA)
- Beyond its borders, SADC and COMESA Free Trade Areas give Zambia preferential trade positions from Egypt to South Africa.
  - SADC includes 14 member states with combined GDP of \$431 billion
  - COMESA includes 19 member states with combined GDP of \$400 billion.

### **Recent Political History:**

- September elections peaceful. Resulted in a change in power to an opposition party for 2<sup>nd</sup> time in Zambia's short history. Unique in the region.
- New Sata government still settling down. Showing some populist tendencies, e.g. raising limit of income excluded from taxes, increasing taxes, royalty rates on the mines. But has shown a commitment to pursuing private sector-led economic growth.
- High marks on corruption fight from civil society and multi-lateral organizations. Sata declared he is "allergic to corruption" and campaigned on a platform of anti-corruption, increased income, and job creation. Indications are that he is fulfilling his promise to root out corruption.
- The government wants to see more U.S. investment, more business between Zambia and the U.S. **American companies will “push on an open door.”**
- Minister of Commerce, Trade & Industry will lead a Zambian government and private sector trade delegation to 5 U.S. cities in June around the AGOA Forum. *More on that later.*

### **Attracting Investment:**

- The Zambia Development Agency (ZDA) is charged with attracting investment to Zambia. Offers a wide range of tax and other incentives for investment into Zambia.
- The Zambia Country Commercial Guide has details, and can be found on our website.

## **Brief information on some priority sectors:**

### **Mining: largest copper producer in Africa**

- About 800,000 tons of copper produced in 2011 – about 70% of export earnings. Expected to top 1 million tons within the next few years.
- 8<sup>th</sup> largest copper producer in the world. More than 6% of known copper reserves.
- Notable companies include Vedanta (India), Glencore (Switzerland), Vale (Brazil), First Quantum (Canada), Barrick Gold (Canada), China Non-Ferrous Metals Mining Corporation (China)
- Barrick Gold paid \$7 billion for Equinox – principal asset is Lumwana mine.
- First Quantum Minerals increasing investment in Zambia -- \$1 billion for new trident mine and smelter
- **Freeport McMoran** is exploring but not actively mining.

### **Agriculture: Room for growth.**

- Great agricultural potential. Vast arable land, about 45% of sub-Saharan Africa's fresh water flows through.
- Less than 14% of arable land is cultivated. Less than 2% of cultivated land is irrigated, and less than 1% is mechanized.
- Private equity acquiring large commercial farms.
- AGCO Corporation – announced investment in a demonstration farm, training and technology center. First corporate step into southern Africa. Will break ground on June 4.

### **Tourism: Unspoiled Africa**

- Only 2-3% of GDP, but targeted for growth.
- About 1 million visitors a year come to Zambia to see the Victoria Falls and go on safari in unspoiled national parks.
- 8% of Zambia's land is protected as a part of Zambia's 19 national parks and 34 game management areas.
- With Zimbabwe, will host the UN World Tourism Organization conference in 2013. (3,000 delegates expected to attend).
- Branding itself with the slogan "Let's explore!"

### **Still some challenges: land-linked vs. land-locked**

- Cost of doing business is high.
- Zambia is land-locked, making transport costs high. Scored 153 out of 183 on cross-border trade in most recent World Bank Doing Business Report. Trying to remove bottlenecks to move to **"land-linked" to open up markets in the eight surrounding countries.**
- Skilled labor deficit and low labor productivity constrains stronger economic growth.
- Some uncertainty around the policy direction of the new government. Investors like certainty, predictability.
- We are engaging with the government to encourage them to further embrace pro-growth policies that will reduce the cost of doing business, and we have a new ally in our efforts.

### **AmCham: a calling card and credible voice**

- Launched in June 2011 on the margins of the AGOA Forum. First time an Amcham launched with 2 cabinet members (Secretary of State and USTR).
- 50+ members. Small, but growing.
- Will become a calling card to other American business interested in Zambia and a **credible voice** for the business community on policy environment with the Zambian government.

### **5-city Trade Mission: Zambia is coming knocking on America's door.**

- Minister of Commerce Robert Sichinga will lead a government and private sector delegation on a 5-city trade mission to the United States in June around the AGOA Forum. The goal is to introduce the U.S. private sector to opportunities for trade with and investment in Zambia.
- The delegation will visit Washington, DC, Cincinnati, Houston, Atlanta, and Boston, and will focus on energy, infrastructure, agriculture, mining, and manufacturing.
- Delegation will include senior representatives from:
  - Ministry of Commerce Trade and Industry
  - Ministry of Transport, Works, Supply, and Communications
  - Ministry of Agriculture
  - Ministry of Mines, Energy, and Water Development
  - Zambian Development Agency
  - ZESCO – the electric utility parastatal
  - Lusaka Water and Sewerage Company -- \$355 million MCC Compact
  - National Airports Corporation – plans to expand 4 international airports
  - Copperbelt Energy Corporation – Private power producer, distributor
  - Zambian Association of Manufacturers
  - Gemstone Miners and Traders Association
  - AmCham Zambia
- Delegation schedule
  - June 18 - events in Washington, DC, including at the Millennium Challenge Corporation headquarters
  - June 19-20 Corporate Council on Africa's infrastructure conference
  - June 21-22 US-Africa Business Conference in Cincinnati, Ohio
  - June 25-26 Events in Houston, Texas
  - June 27-28 Atlanta, Georgia
  - June 29 Boston, Massachusetts
- While some city programs are still being finalized, in each city there will be receptions or events to which American companies interested in learning more about opportunities in Zambia will be invited.
- After this call, if you are interested in learning more about specific events in specific cities, please e-mail my team at [commercialusaka@state.gov](mailto:commercialusaka@state.gov) and we will ensure that you are a part of the activities.

## **In Closing:**

- We are committed to spurring economic growth and creating jobs at home by promoting trade and investment opportunities in Zambia to American businesses. U.S. Zambia bilateral trade more than doubled last year, and we are on the cusp of exciting potential American investments in and transactions with Zambia.
- I am pleased to note that Zambia will be included in a two-country trade mission (with South Africa) led by Undersecretary of Commerce Francisco Sanchez planned for November this year. Recruitment for that trade mission will begin in earnest soon, and I suspect a future Direct Line call from Zambia will focus more on that trade mission.
- I encourage you all to reach out and let us know if you are interested in learning more about the June trade mission to the United States as well as the November trade mission to Zambia and South Africa.
- I look forward to seeing continuing strong increases in both trade and investment between the United States and Zambia, and my team and I stand ready to work with you to make that happen. In short, I want to close some deals.
- With me today are Political-Economic Chief Tim Smith, Economic-Commercial Officer Phil Nervig, Commercial Officer Srini Seetharahn, and Commercial Specialist Vedruna Santana. Between us, I hope that we can answer your questions. If we can't, we will research your question and get back to you.

## **Q&A**

The Q&A portion of the call included questions related to:

- *Wireless telecoms development, especially in rural areas;*
  - This specific question was taken offline, although in answering, the Embassy team noted that the urban/rural divide in Zambia means that poverty levels in rural areas remain high, but that wireless penetration in rural areas can help to change that by providing a platform for information sharing, financial transactions, and other services where they do not currently exist.
- *SMEs' ability to compete for and win contracts in Zambia, and how the Embassy can assist;*
  - The Embassy team described the services that are provided in partnership with the Foreign Commercial Service in Johannesburg, South Africa, including International Partner Search and Gold Key services. For more information, visit our website at <http://zambia.usembassy.gov/business.html>
- *Tax benefits for renewable energy technologies;*
  - While the Embassy team was unaware of specific tax breaks associated with the import of renewable energy technologies, they noted that the Zambian

government is currently developing policy instruments to promote and support the development of non-hydro renewable energy technologies, and that members of the trade delegation to the United States in June would be interested in meeting companies involved in renewable energy.

- *The impact of the deregistration of the opposition Movement for Multi-Party Democracy on the commercial and political outlook of Zambia;*
  - The team noted that while the Registrar of Societies had deregistered the MMD for failure to pay fees, a court had stayed the order and the MMD was still an active and vocal opposition party who had, in fact, just elected a new president of the party on May 25. While the Embassy continues to follow the issue, the team noted that at this point it does not seem to be a front-burner issue.
- *Political risk coverage for off-take agreements in Zambia;*
  - The team discussed general political risk coverage that is offered by OPIC and MIGA, and that has been used successfully in Zambia in the past, and noted EXIM guarantees for trade finance and other financial transactions. A representative from Citibank Zambia later added Citibank's point of view on the use of political risk coverage for transactions in Zambia.
- A representative of the Department of Commerce in Los Angeles noted that information about Department of Commerce trade promotion and other information can be found on the U.S. Commercial Service website: <http://trade.gov/cs/> He also noted that the Los Angeles Chamber of Commerce would host Minister of Commerce, Trade & Industry Dr. Bob Sichinga when he visits Los Angeles June 11 and 12 prior to the AGOA Forum.
- *Opportunities for aircraft, airport security, and ground handling equipment sales in Zambia*
  - The team noted that the Zambian government was currently exploring financing options for the expansion of four international airports in Zambia. The next step would be to tender for the expansion of those airports in Lusaka, Livingstone, Ndola, and Mfuwe. The expansion plans are based on an airports master plan that was funded by the U.S. Trade and Development Agency (USTDA).
- *Opportunities in the energy sector;*
  - The team noted that Zambia has identified more than 5,000 MW of hydro potential, and that Zambia could become a regional electricity provider with increased generation and transmission capacity. ZESCO is currently developing the 750 MW Kafue Lower project (with SinoHydro) and the 140 MW Itezhi Tezhi project (with Tata Group). In addition, Copperbelt Energy Corporation is developing a 40 MW project in the Kabompo Gorge (with Tata). Rural electrification and existing grid expansion and improvements provide opportunities for transmission and distribution work. Finally, Zambia is looking to expand beyond hydropower in its renewable portfolio, opening up opportunities for solar and wind power.

- *Opportunities in the housing sector:*
  - The team noted that the National Housing Authority had announced that Zambia's housing deficit had reached 2 million units. This deficit includes houses for military and national police personnel, and a more general burgeoning middle class in urban areas that is increasing demand for quality housing with utility services. Finally, the expanding mining sector is resulting in the need for new housing development at the mine sites. Affordable housing solutions will find a market in Zambia.
- Eric Shepherd from Diversity Restoration Solutions discussed a trade mission to Zambia that his organization is planning for November and asked that the Embassy and Department of Commerce coordinate with his organization to ensure that both the Department of Commerce-led two-country trade mission to Zambia and South Africa and Mr. Shepherd's trade mission to Zambia are successful.
  - The team suggested they speak further offline to coordinate on the trade missions.
- A representative of the Africa Chamber of Commerce from Seattle, Washington noted the activities that his Chamber has undertaken in Zambia, and discussed the importance of utilizing organizations such as the Africa Chamber of Commerce to develop linkages between American companies and companies in the countries of Africa.
- And finally, Zambian Ambassador to the United States, Her Excellency Sheila Siwela, wrapped up the call by reinforcing Ambassador Storella's message that Zambia is open for business and that Zambian companies are keen to partner with American business. She encouraged American businesses to reach out to the Zambian Embassy in Washington, DC to further explore opportunities for trade and investment in Zambia.