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## CHAPTER 4

# Economic cooperation with Zambia and Tanzania

As suggested by Putin during the Russia–Africa Summit, Russia hopes to double its trade with African countries.

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In 2018 the REC analysed the export prospects of Russian companies. Neither Tanzania nor Zambia was among the top-20 importers of Russian chemicals, agricultural products or machinery. However, Tanzania was rated as having fast-growing imports, while Zambia's import structure for chemical products was described as being the most complementary to Russian exports of chemical products (Table 6).<sup>185</sup>

TABLE 6 RUSSIAN TRADE WITH TANZANIA AND ZAMBIA			
	Russian trading partners, ranked out of 130 countries	Exports	Imports
Tanzania	104	96	98
Zambia	115	106	120

Source: REC, "Reiting Perspektivnosti Stran Dlia Eksporta 2018" [Country Export Perspectives Rating 2018] (Moscow: REC, 2018)

185 REC, « Country Export Perspectives Rating 2018 [Reiting Perspektivnosti Stran Dlia Eksporta 2018 « (Moscow: Russia Export Centre, 2018), 20.

## Russia-Tanzania trade

Russia mostly imports tobacco from Tanzania, as well as coffee tea, and fruits and nuts (see Table 7).

Customs category	2018	2019	2020	2021	Total
24. Tobacco and industrial tobacco substitutes	35 652.54	28 133.31	23 494.71	3 382.39	90 662.95
09. Coffee, tea, mate or Paraguayan tea, and spices	5 484.58	4 902.79	6 723.64	401.1	17 512.11
12. Oil seeds and fruits; other seeds, fruits and grains; medicinal plants and plants for technical purposes; straw and fodder	794.61	3 229.73	7 964.61	2 501.19	14 490.14
08. Edible fruit and nuts; citrus peel or melon peel	100.29	419.77	366.32	67.98	954.36
07. Vegetables and some edible roots and tubers	178.4	2.7	301.36	0	482.46
21. Miscellaneous foods	0	12.66	158.07	242.89	413.62
06. Live trees and other plants; bulbs, roots and other similar parts of plants; cut flowers and decorative greenery	17.26	37.09	23.02	5.44	82.81
15. Fats and oils of animal or vegetable origin and their by-products; ready-made food fats; waxes of animal or vegetable origin	0	10.19	0	0	10.19
03. Fish and crustaceans, molluscs and other aquatic invertebrates	6.61	0	1.42	0	8.03
18. Cocoa and its products	0.96	1.01	1	2.01	4.98

Source: Calculated based on the database of Russian Federation Customs, "Russian Imports from Tanzania by Categories 1-97 and including Secret Code/Years 2018, 2019, 2020 and January-May 2021" (generated 1 June 2021)

Russian mostly exports agricultural products to Tanzania, with the main categories being cereals, fertilisers and paper.

TABLE 8 RUSSIAN TRADE WITH TANZANIA AND ZAMBIA					
Customs category	2018	2019	2020	2021	Total
10. Cereals	151 529.5	104 737.5	154 878.7	14 662.7	425 808.4
31. Fertilisers	14 218.19	10 255.86	8 526.28	4 193.08	37 193.41
48. Paper and paperboard; items of paper, paper or paperboard	4 679.86	9 657.2	3 832.19	269.71	18 438.96
27. Mineral fuel, oil and distillation products; bituminous substances; mineral waxes	3 334.3	2 682.05	2 934.48	395.5	9 346.33
76. Aluminium and articles thereof	466.91	0.74	2 820.91	961.97	4 250.53
28. Products of inorganic chemistry; inorganic or organic compounds of precious metals, rare-earth metals, radioactive elements or isotopes	1 225.39	1 707.09	978.19	306.89	4 217.56
21. Miscellaneous foods	167.45	107.31	2 440.67	383.84	3 099.27
11. Products of flour-cereal industry; malt; starches; inulin; wheat gluten	2 184.75	0	0	0	2 184.75
22. Alcoholic and non-alcoholic beverages and vinegar	618.43	771.11	242.89	0	1 632.43
29. Organic chemical compounds	24.08	324.92	778.45	0	1 127.45
25. Salt; sulphur; earth and stone; plaster materials, limestone and cement	416.6	284.71	21.88	0	723.19
84. Nuclear reactors, boilers, equipment and mechanical devices; their parts	98.96	102.04	84.25	1.21	286.46

Source: Calculated based on the database of Russian Federation Customs, "Russian Exports from Tanzania by Categories 1-97 and including Secret Code/Years 2018, 2019, 2020 and January-May 2021" (generated 1 June 2021)

The pandemic has created barriers to international trade, and thus the data might be distorted. Nevertheless, in the past three years there has been an increase in imports of Tanzanian fruit, vegetables and coffee. Russia has significantly increased its exports of aluminium, organic compounds and miscellaneous foods.

## Russia-Zambia trade

The trade relationship between Zambia and Russia is skewed towards Russian exports, which have been higher than imports for the past 10 years (See Table 9). Both imports and exports increased significantly in 2019, following the meeting between Putin and Lungu. Boldyrev said that this increase was the result of defence contracts and the supply of Russian equipment to Zambia.<sup>186</sup>

186 "Zambia Considering Russian Proposal".

Other Russian exports were machinery and materials for Zambia's nuclear programme. In addition, during his January 2020 visit to Moscow Ng'andu negotiated a mineral fertiliser deal with Uralkali PJSC. As a result, the Russian company made a once-off delivery of 700 tons of fertiliser that year.

	2011	2012	2013	2016	2017	2018	2019	2020
Russian imports	1 814.79	2 236.65	259.88	569.2	334.2	3 718.7	14 038.4	9 404.2
Russian exports	14 598.99	10 990.15	13 543.00	13 329.1	11 228.9	6 174.2	84 167.9	11 762.0
Total	16 413.78	13 226.79	13 802.88	13 898.3	11 563.1	9 892.9	98 206.3	21 166.2

Source: Embassy of the Russian Federation in Zambia, "Bilateral Cooperation"; Russian Federation Customs, "Russian Federation Customs Statistics: Analysis", 2021

The backbone of the trade relationship are Russian fertilisers and Zambian tobacco (see Table 10).

Customs category	2018	2019	2020	2021 (1st quarter)	Total
87. Ground vehicles other than railway or tram rolling equipment and parts and accessories thereof	0.16	78 577.4	3 660.67	5.43	82 243.7
31. Fertiliser	3 193.06	2 684.21	2 509.52	0	8 386.79
71. Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metals, and articles thereof; bijouterie; coins	0	1011.00	1011.00	0.01	2 022.01
SS (Secret code)	39.06	724.2	530.00	7.63	1 300.89
84. Nuclear reactors, boilers, equipment and mechanical devices; their parts	115.94	127.39	754.55	0.05	997.93
48. Paper and cardboard; paper or cardboard products	298.86	545.42	27.5	0	871.78
40. Rubber and articles thereof	0	89.27	583.26	0.12	672.65
85. Electric machinery and equipment, parts thereof; sound-recording and sound-producing equipment, equipment for recording and playing back tv images and sound, parts and accessories thereof	25.27	243.67	206.34	1.29	476.57
90. Instruments and apparatus optical, photographic, cinematographic, measuring, control, precision, medical or surgical; parts and accessories thereof	18.3	77.34	47.61	3.03	146.28
73. Black metal products	1.13	5.55	61.2	0	67.88

Source: Calculated based on the database of Russian Federation Customs, "Russian Exports to Zambia by Categories 1-97 and including Secret Code/Years 2018, 2019, 2020 and January- May 2021" (generated 1 June 2021).

TABLE 11 DYNAMICS OF RUSSIAN-ZAMBIAN TRADE, \$

Customs category	2018	2019	2020	2021 (1st quarter)	Total
24. Tobacco and industrial tobacco substitutes	5 984.51	13 564.09	10 632.78	1 885.13	32 066.5
72. Black metals	0	345.77	740.24	0	1 086.01
06. Live trees, cut flowers and seeds	72.49	79.41	18.89	0.96	171.75
09. Coffee, tea & spices	5.64	9.2	134.52	0	149.36
12. Oil seeds and fruits; medicinal plants and plants for technical purposes; straw and fodder	0	0	116.06	0.04	116.1
71. Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metals, and articles thereof; bijouterie; coins	71.6	18.08	8.97	0	98.65
33. Essential oils and rubinoids; perfume, cosmetic or toiletry products	38.89	20.93	8.36	0	68.18
35. Protein substances; modified starches; adhesives; enzymes	16.72	0	0	0	16.72

Source: Calculated based on the database of Russian Federation Customs, "Russian Imports from Zambia by Categories 1-97 and including Secret Code/Years 2018, 2019, 2020 and January- May 2021" (generated 1 June 2021)

## Russian companies in Tanzania and Zambia

There are few the Russian companies doing business or strongly present in Zambia and Tanzania. Apart from those described in the section on the Mkuju project, only UralChem and Uralkali are fully functioning in Zambia or Tanzania.

The key challenges Russian companies face in Africa are bureaucracy, funding and language barriers.<sup>187</sup> Russia's ambassador to Tanzania said that Magufuli's policies was a major issue, and expressed the hope that with the new presidency there would be more opportunities for Russian economic involvement.<sup>188</sup> Russia has made a number of attempts to enter the Zambian market, but most of these have been unsuccessful.

### *UralChem and Uralkali*

Fertilisers is a key Zambian import from Russia. There was an attempt to establish Russian fertiliser production in Zambia as early as 2011, when the Russian company Agribiotech International Limited signed an investment promotion and protection agreement to

<sup>187</sup> Alisa Prohorova, «Third Conference: 'Russia-Africa'», YouTube, 2021.

<sup>188</sup> Lvov Valeriy, "The Full Package" for students from Tanzania who will go to study in Russia", Rosijskaja Gazeta, July 16, 2021

establish a fertiliser manufacturing plant in Kapiri Mposhi. The agreement, with a total value of \$28 million, was expected to create 3 000 jobs, but has not materialised.<sup>189</sup>

Since 2018, Uralkali and Uralchem have both entered the Zambian fertiliser market. Uralchem, a 20% shareholder in Uralkali, is one of the largest producers of nitrogen and phosphate fertilisers in Russia and one of the top three producers globally of ammonia and nitrogen fertiliser. It currently manufactures all its products in Russia's Perm Territory and delivers to two African distribution centres – one in Johannesburg, South Africa and the other in Ebene, Mauritius.

Dmitri Mazepin, the head of the Uralchem group, has prioritised African countries, specifically countries along the Beira Transport Corridor (Mozambique, Malawi, Zimbabwe and Zambia) and the Mombasa Corridor (Kenya, Uganda, Rwanda and Burundi). He visited Zambia and Zimbabwe in February 2018.<sup>190</sup>

Uralchem signed a contract with the government of Zambia in 2019 to supply 200 000 tonnes of fertiliser – 150 000 tonnes carbamide and 50 000 tonnes of nitrogen (N), phosphorus (P), and potassium (K), or NPK for short – funded by Afreximbank.<sup>191</sup> In 2020 Uralchem was named a regular supplier. According to Mazepin, the main challenges of working in Africa are:

- financial bottlenecks or deficits at state-owned companies, affecting their ability to pay; and
- logistics (Zambia does not have a sea port).

Renova and Lukoil are also interested in entering the Zambian market.<sup>192</sup>

## Projects

In April 2021, during the third Russia-Africa Forum, Ivan Grosse, the key account director at Power Machines JSC, said that a project to build a 2 142MW Rufiji hydropower plant was in the pipeline.<sup>193</sup>

The Rufiji hydropower project, on the Rufiji River in Stiegler's Gorge, Selous Game Reserve, is of high priority as it will almost double the country's energy generating capacity. The

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189 "Russia, Zambia Seal a US\$28 Million Fertiliser Project for Kapiri Mposhi", *Lusaka Times*, June 8, 2011.

190 "Itogi Vstrech D.A. Mazepina s Presidentami Zimbabwe i Zambii" [Results of the Meeting of DA Mazepin with the Presidents of Zimbabwe and Zambia], *Russia24*, 2018.

191 Russia, through Russia Export Centre, became a shareholder in Afreximbank in 2017, providing an institutional platform for promoting Africa-Russia trade. Afreximbank takes a direct risk on African banks by confirming letters of credit issued by them on behalf of African importers. See Dzvinka Kachur, *Russia's Resurgence in Africa: Zimbabwe and Mozambique*, Special Report (Johannesburg: SALLA, November 2020); Irina Mandrykina and Bez Vyhoda Na Birzhu, "'Uralchem' i 'Uralkali' Otkryvayut Novie Rynki" [Without Access to the Stock Exchange, Uralchem and Uralkali Open New Markets], *TASS*, March 27, 2019.

192 Prokopenko, "Russia-Zambia: Stages", 9.

193 Ivan Grosse, "Power Machines: JSC Presentation", in "Third Conference: 'Russia-Africa'", *YouTube*, 2021.

anticipated cost of the project, according to Tanzania's federal budget proposal (May 2018), is \$3.6 billion, but experts say that it will be closer to \$6–9 billion.<sup>194</sup>

In February 2019 the site earmarked for the dam's construction was officially handed over by TANESCO. However, no Russian companies had tendered a bid, and the contract was awarded to a joint venture by Egyptian companies Arab Contractors (55%) and Elsewedy Electric (45%) at the end of 2018. Arab Contractors is a military-owned company that has little experience in constructing dams except for a 1960s project, when it was a sub-contractor on a Russia-led project.<sup>195</sup> Taking into account the close relationship between Egypt and Russia for the past few years, it is possible that Arab Contractors is sub-contracting for Power Machines JSC.

### ***TechGlobal and Rosinfocominvest***

In his farewell speech, ambassador Konstantin Kozharov said that interdepartmental MoUs on cooperation in ICT, telecommunications and postal services were ready to be signed.

TechGlobal and Rosinfocominvest typically offer ICT support in creating electronic cadastres, building postal addressing systems, transforming postal services, digitalising archives and controlling Internet traffic. TechGlobal is a state-owned ICT company established in response to Western sanctions in 2014 and falls under the Russian Ministry of Communication. It promotes the concepts of 'digital sovereignty', digital colonisation and digital warfare.<sup>196</sup>

### ***Avarmma Mining Company***

Avarmma Mining Company is a good illustration of the risks faced by investors that enter the Zambian market without political and diplomatic support.

In December 2015 Avarmma initiated a court case against the Zambian government regarding the allegedly illegal transfer of mining rights. According to Avarmma, in August 2015 the then minister of mines and minerals development Christopher Yaluma verbally revoked Avarmma's mining licence. On 10 August 2015 ZNBC News announced that the mining rights had been granted to the people of Kasempa District.<sup>197</sup> On 15 September 2017 the Zambian High Court ruled in favour of Avarmma. However, the Kasempa community appealed against the ruling, and it was overturned in September 2018. Avarmma holds significant gold, copper and molybdenum reserves in its Kasempa Project in Zambia.

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194 Elizabeth Ingram, "2,115-MW Rufiji Hydro Project Construction Launched in Tanzania", *Hydro Review*, February 15, 2019.

195 Barnaby Joseph Dye, "Stiegler's Gorge Dam, Tanzania", in *Heritage Dammed: Water Infrastructure Impacts on World Heritage Sites and Free Flowing Rivers*, Draft Report (Rivers Without Boundaries, May 2019).

196 Grosse, "Power Machines: JSC Presentation".

197 ZMCA, *Katenge Resources Limited v Avarmma Mining Corporation Limited and Others* (Appeal No. 153/2017) [2018] ZMCA 328 (4 September 2018); Zambia Legal Information Institute (Appeal No. 153/2017) [2018] ZMCA 328, 2018).



The Extractives Industries Transparency Initiative has published a list of mines with information about their ownership. According to this, Avarmma Mining owned the mining rights to 23 314ha in north-western Kasempa from 2011-2015.<sup>198</sup> The site is situated in the Kasempa chiefdom, and surveys showed that there are copper and gold deposits. The mine is now owned by the Kasempa Community Mining Company, but a mining licence must still be issued by the Ministry of Mines. The company is an initiative of the Kasempa chief, in conjunction with the Save Rural Africa Foundation, founded by the 288 traditional chiefs in Zambia. Promoted by Sato, the aim is to establish five industries in each chiefdom to reduce poverty and unemployment in rural areas.

Other companies that are interested in launching in Zambia and Tanzania are Russia's major agricultural machinery manufacturers, such as the Rostselmash Group, Concern Tractor Plants and PJSC Kirovsky Zavod.<sup>199</sup>

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198 Moore Stephens LLP, *Zambia Extractive Industries Transparency Initiative (ZEITI) Reconciliation Report for the Year 2013* (Oslo: EITI International Secretariat, 2014).

199 "Zambia Considering Russian Proposal".