# Sovereign Debt News Update No. 158: Zambia’s Acceptance of the Chinese Yuan for Mining Tax Payments: A Show of Currency Diversification and Fiscal Sovereignty

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On the 1st of January 2026, reports pointed that Zambia had become the first African country to accept China’s yuan for mining tax payments. The Bank of Zambia confirmed that payments in renminbi began in October 2025. Zambia’s move represents a significant departure from the long-standing dominance of the US dollar in African public finance and resource taxation. This positions the country at the forefront of an emerging trend in which African states are experimenting with alternative settlement currencies to manage external vulnerabilities and deepen strategic economic partnerships. Drawing largely on recent analysis of currency diversification in African fiscal policies, this update argues that Zambia's yuan policy reflects both pragmatic responses to liquidity constraints and deeper structural shifts in the global financial order, while raising important questions about transparency, dependency and long-term fiscal autonomy. This update examines Zambia's decision to accept mining tax payments in the Chinese yuan, situating the policy within broader debates on currency diversification, fiscal sovereignty and the evolving political economy of Africa's extractive sectors.

Zambia is Africa's second-largest copper producer and mining remains the backbone of its economy, contributing significantly to export earnings, government revenue and foreign exchange inflows. For decades, mining taxes, royalties and related fiscal obligations have been denominated and settled primarily in US dollars, reinforcing Zambia's exposure to dollar liquidity cycles, exchange rate volatility and external monetary tightening. Against this backdrop, the government's decision to allow mining companies to pay certain taxes in Chinese yuan marks a deliberate attempt to diversify currency risk and align fiscal practices with the realities of Zambia's trade and investment relationships, particularly with China, which is the country's largest bilateral creditor and a dominant actor in its mining sector.

According to official statements and reporting, Zambia's policy allows eligible mining companies to settle tax obligations in yuan through designated channels, with the currency subsequently integrated into the country's foreign exchange and reserve management framework. Authorities have framed the decision as a technical and pragmatic adjustment rather than a wholesale abandonment of the dollar, emphasising that the yuan option complements existing payment mechanisms and reflects growing trade settlement in Chinese currency. This framing aligns closely with broader continental discussions on currency diversification as a tool to reduce dependence on a single global reserve currency and to enhance macroeconomic resilience in an era of heightened geopolitical and financial uncertainty.

The Discovery Alert analysis highlights how African states are increasingly exploring alternative currencies as part of a wider rethinking of fiscal policy under conditions of debt distress, volatile capital flows and tightening global financial conditions. Rather than viewing currency diversification as ideologically driven or purely geopolitical, the analysis situates it within the practical constraints faced by governments struggling to access affordable foreign exchange and to stabilise domestic currencies. Zambia's yuan policy fits squarely within this framework, particularly given its recent debt restructuring experience and ongoing balance-of-payments pressures, which have underscored the costs of overreliance on dollar-denominated inflows. In early January 2026, Zambia initiated preliminary discussions with China on a potential currency swap agreement, signalling an interest in using bilateral monetary instruments to mitigate exposure to the US dollar and to lower transaction costs associated with servicing its Chinese debt as it works to finalise its long-running debt-restructuring process after the 2020 default. These currency swap talks, still in technical stages, align with Lusaka's broader policy trajectory of diversifying foreign exchange risk and seeking financial efficiency in its external obligations, complementing the shift toward yuan acceptance for mining revenue and reflecting deepening fiscal and monetary integration with China even as Zambia balances its engagements with multilateral lenders such as the IMF.

China's role in Zambia's mining sector provides critical context for understanding the policy. Chinese firms hold substantial stakes in copper mines and related infrastructure, and Chinese demand remains central to Zambia's export profile. Allowing mining taxes to be paid in yuan reduces transaction costs for Chinese companies, limits the need for dollar conversion and may enhance compliance and predictability in tax collection. At the same time, the policy effectively embeds the yuan more deeply into Zambia's fiscal ecosystem, extending its role beyond trade settlement into the core domain of sovereign revenue mobilisation.

From a fiscal management perspective, the move also reflects Zambia's efforts to broaden its foreign exchange base and improve liquidity management. According to one source, by accepting yuan, the government can potentially smooth revenue flows during periods of dollar scarcity and better align inflows with outflows linked to Chinese imports, debt servicing and project financing. This logic resonates with arguments advanced in the Discovery Alert piece, which notes that currency diversification can function as a form of fiscal risk management for economies with concentrated trade and creditor relationships.

However, the policy also raises critical questions about dependency and power asymmetries. Zambia's acceptance of the yuan cannot be divorced from China's broader economic footprint and influence in the country, particularly in the context of debt, infrastructure financing and mineral extraction. Zambia's turn toward the yuan also reflects wider Global South concerns about the structural power of the US dollar, where reliance on dollar-denominated systems exposes states to external shocks, financial coercion and constrained policy space. In this context, Zambia's currency diversification can be read as part of a broader effort by developing countries to reclaim monetary and fiscal sovereignty amid an international financial system shaped by dollar hegemony and sanctions-driven power asymmetries. Analysts from Zambia Institute of Policy Analysis and Research (ZIPAR) have cautioned that while currency diversification may reduce exposure to the dollar, it can also entrench alternative dependencies if not accompanied by strong domestic institutions, transparency safeguards and a clear long-term monetary strategy. In Zambia's case, the risk is that the yuan becomes dominant not through deliberate diversification but through structural reliance on a single external partner. ZIPAR has emphasized that the yuan tax policy must be assessed within the broader political economy of copper and fiscal governance. While the move may offer short-term benefits in terms of liquidity and trade facilitation, it also raises concerns about the valuation of tax revenues, exchange rate risks and the transparency of settlement mechanisms. Questions remain about how yuan-denominated revenues will be converted, held or deployed, and how exchange rate fluctuations between the yuan and the kwacha will be managed within the national budget framework.

The maritime and trade dimensions of the policy further underscore its systemic implications. Zambia's copper exports are deeply embedded in global shipping and logistics networks, many of which are increasingly influenced by Chinese trade finance and settlement systems. Accepting yuan for mining taxes may facilitate closer integration with Chinese-linked maritime trade corridors, potentially reducing friction in export logistics and payment flows. At the same time, this integration may shift bargaining power along the value chain, with implications for pricing, contract terms and regulatory oversight in the extractive sector.

Government officials view the policy as part of a broader strategy to modernise fiscal administration and adapt to changing global economic realities. These statements emphasise pragmatism and flexibility rather than ideological alignment, presenting the yuan option as one tool among many to stabilise revenue collection and support economic recovery. Such narratives echo the idea that currency diversification should be understood as adaptive policymaking rather than a binary geopolitical choice. However, civil society actors and policy analysts have urged caution, noting that fiscal innovation in the extractive sector must be accompanied by robust accountability mechanisms. Mining taxation in Zambia has historically been a site of contestation, with concerns over revenue leakage, transfer pricing and regulatory capture. Introducing a new settlement currency adds an additional layer of complexity that could either strengthen or weaken oversight, depending on how the policy is implemented and monitored. Without clear disclosure requirements and institutional capacity, there is a risk that yuan-denominated payments could obscure revenue flows rather than enhance fiscal resilience.

Importantly, the policy does not eliminate Zambia's exposure to external currency risks but redistributes them. While the yuan may offer greater stability in certain contexts, it is not immune to political and economic pressures, particularly given China's managed exchange rate regime and capital controls. Zambia's ability to deploy yuan-denominated revenues effectively will depend on the depth of yuan liquidity, the flexibility of conversion arrangements and the alignment of fiscal planning with multi-currency realities. These technical considerations underscore the need for careful institutional design rather than symbolic policy shifts.

In conclusion, Zambia's acceptance of the Chinese yuan for mining tax payments represents a landmark moment in African fiscal policy and resource governance. Seen in this wider context, Zambia's yuan experiment echoes long-standing African critiques of externally dominated monetary systems, much like the Afronomicslaw review surrounding the CFA franc, where dependence on foreign currencies has historically constrained policy autonomy and reinforced asymmetric power relations in economic governance. It reflects pragmatic responses to dollar scarcity, deepening ties with China and a broader turn toward currency diversification in an uncertain global economy. At the same time, it raises profound questions about dependency, transparency and long-term fiscal sovereignty that cannot be resolved through technical adjustments alone. As other African countries observe Zambia’s experiment, the key lesson may be that currency diversification is neither a panacea nor a threat in itself, but a complex policy choice whose outcomes will be shaped by power relations, institutional capacity and the broader struggle for economic justice in Africa.

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