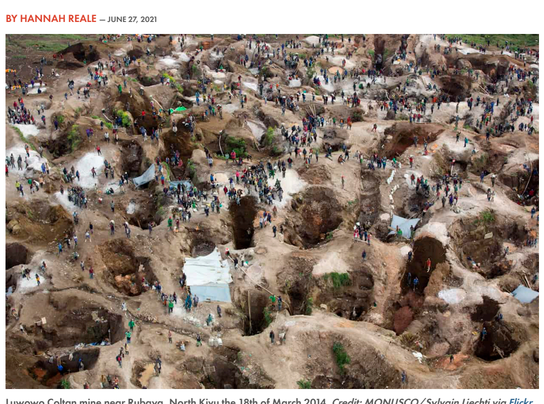
THE BIG PICTURE

China's Stake in Africa's Mines

China puts its money where the bauxite, copper and cobalt is.

BY HANNAH REALE — JUNE 27, 2021



Luwowo Coltan mine near Rubaya, North Kivu the 18th of March 2014. *Credit: MONUSCO/Sylvain Liechti via Flickr*

China has struck gold in Africa — particularly in the eastern nation Eritrea, where Chinese companies control two mines. Those are just a couple among the many assets Chinese interests now directly own across the vast continent to source commodities such as copper, cobalt and bauxite.

The mining sector has long been a major component of China's investment strategy in Africa, which also takes in building traditional infrastructure such as roads, ports and railways, and — more recently — embedding Huawei's 5G telecoms equipment.

Taking direct ownership of mines reduces China's reliance on other commodity suppliers, particularly the multinationals that dominate global mining. That's important given China's still-high demand for metals: The country consumes roughly half of the world's copper production each year, for example.

But China's push into the African mining industry has brought with it problematic side issues, notably the attention drawn towards the impact on local environments, and dangerous labor conditions. This week *The Wire* looks at Chinese ownership of African mines in the context of its broader investment in the region, with a focus on Jinchuan Group, one of the most prolific investors.

Africa's Resources

China's investment in African mines is significant, even though the figures suggest it is still far from dominating the sector. Chinese interests controlled around 7 percent of African mine production by the end of 2018, according to one analysis (the authors measured control using weighted ownership stakes). Recent deals include state-owned China Molybdenum's purchase of copper and cobalt mine Tenke Fungurume in the Democratic Republic of Congo for nearly $4 billion between 2016 and 2019.

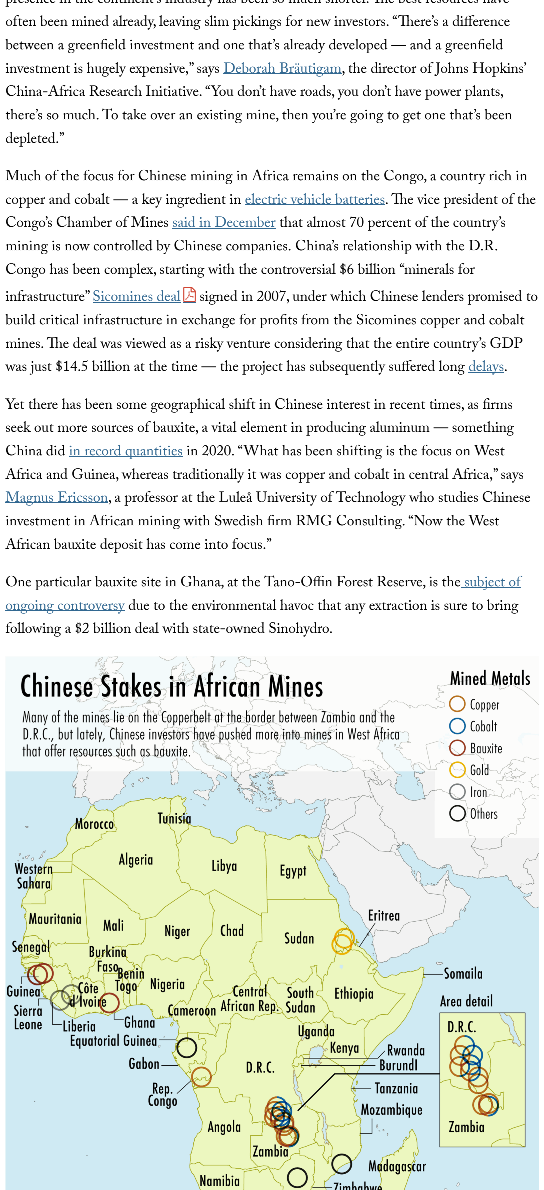
China is far from alone in pursuing African resources. Australian companies, for example, own hundreds of mines that they are either exploring or actively mining, with the focus on coal, iron ore and gold. "Extractive industries [in Africa] have largely been the purview of foreign companies, whether we're talking about oil, or mineral wealth in the Congo," says Judd Devermont, the director of CSIS's Africa Program. "That has tended to be foreign-owned multinational companies or joint ventures with the African companies."

The quality of mines obtained by Chinese investors is typically lower than that of assets which Western companies have attained over the years, largely because China's historic presence in the continent's industry has been so much shorter. The best resources have often been mined already, leaving slim pickings for new investors. "There's a difference between a greenfield investment and one that's already developed — and a greenfield investment is hugely expensive," says Deborah Bräutigam, the director of Johns Hopkins' China-Africa Research Initiative. "You don't have roads, you don't have power plants, there's so much. To take over an existing mine, then you're going to get one that's been depleted."

Much of the focus for Chinese mining in Africa remains on the Congo, a country rich in copper and cobalt — a key ingredient in electric vehicle batteries. The vice president of the Congo's Chamber of Mines said in December that almost 70 percent of the country's mining is now controlled by Chinese companies. China's relationship with the D.R. Congo has been complex, starting with the controversial $6 billion "minerals for infrastructure" Sicomines deal signed in 2007, under which Chinese lenders promised to build critical infrastructure in exchange for profits from the Sicomines copper and cobalt mines. The deal was viewed as a risky venture considering that the entire country's GDP was just $14.5 billion at the time — the project has subsequently suffered long delays.

Yet there has been some geographical shift in Chinese interest in recent times, as firms seek out more sources of bauxite, a vital element in producing aluminum — something China did in record quantities in 2020. "What has been shifting is the focus on West Africa and Guinea, whereas traditionally it was copper and cobalt in central Africa," says Magnus Ericsson, a professor at the Luleå University of Technology who studies Chinese investment in African mining with Swedish firm RMG Consulting. "Now the West African bauxite deposit has come into focus."

One particular bauxite site in Ghana, at the Tano-Offin Forest Reserve, is the subject of ongoing controversy due to the environmental havoc that any extraction is sure to bring following a $2 billion deal with state-owned Sinohydro.

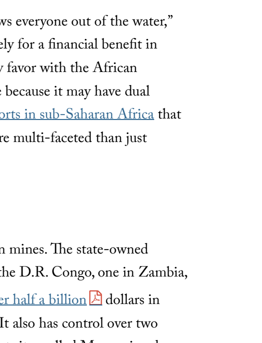


Data is up to date as of 2018.
Data: RMG Consulting via Springer Nature, company releases

Mine	Chinese Investor	Location	Description
Tenke Fungurume	China Molybdenum	Lubumbashi, DRC	China Moly owns an 80 percent stake of the copper/cobalt mine. The company spent nearly $3.8 billion between 2016 and 2019 to acquire its sizable stake. The other 20 percent is held by the DRC's state-owned Gécamines.
Deziwa	CNMC	Kolwezi, DRC	China Nonferrous Metal Mining Company and DRC's state-owned Gécamines operate a joint venture that controls the mine, 51 percent owned by CNMC. The copper-cobalt mine is estimated to hold 4.6 million metric tons of copper and 420 thousand metric tons of cobalt. The mine opened in January 2020.
Kasulo	Zhejiang Huayou Cobalt	Kasulo, Kolwezi, DRC	Zhejiang Huayou took full ownership of the cobalt mine in 2006.
Ruashi	Jinchuan Group	Lubumbashi, DRC	Jinchuan Group holds a 75 percent stake in the copper mine, which it acquired the stake in 2011. Gécamines holds the other 25 percent. Jinchuan produced nearly 17,000 metric tons of copper from the mine in the first half of 2020.
Kinsevere	China Minmetals	Katanga, DRC	China Minmetals took control of the copper and cobalt mine in 2012 through an overseas subsidiary.
Shituru	Pengxin International Mining	Katanga, DRC	Pengxin took over the copper-cobalt mine in 2010. According to the company, Shituri holds 3.89 million metric tons of metal reserves. The mining project started construction in September 2010 and went into operation in March 2012.
Kamoa	Zijin Mining	Katanga, DRC	Zijin ultimately owns a 40 percent stake in the copper mine through a subsidiary. According to the company, Kamoa is the largest undeveloped copper mine in Africa, with nearly 44 million metric tons of copper metal.
Kolwezi	Zijin Mining	Katanga, DRC	Zijin bought at 72 percent stake in the copper mine in 2014. The mine has an estimated 1.3 million metric tons in copper reserves.
Koka	SFECO	Elababu Shear Zone, Eritrea	The China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation (SFECO) acquired a 60 percent stake in the gold mine in 2012 through a subsidiary. The other 40 percent is held by Eritrean state-owned ENAMCO. Koka has an estimated 4.6 million metric tons in gold reserves.
Bisha	Zijin Mining	150km west of Asmara, Eritrea	Zijin owns a 55 percent stake in the Bisha mine. It holds 3.2 million metric tons of zinc, 2.4 million metric tons of gold and silver, and 660 thousand metric tons of copper.
M'bembele	CITIC, Ningbo Huazhou Mining	Ndjole, Moyen-Ogooue Province, Gabon	CITIC and Ningbo Huazhou Mining respectively own 51 percent and 49 percent of the manganese mine through a jointly held subsidiary. They took their stakes in 2010. In 2015, USGS estimated that the mine had an annual production of 500,000 metric tons of ore.
Awaso	Bosai	Awaso, Tarkwa-Nsuaem Municipal district, Ghana	Bosai bought its 80 percent stake in bauxite mine Awaso from Rio Tinto in 2009.
Télimélé	CDM Henan Chine	Télimélé prefecture, Guinea	CDM Henan Chine, an overseas subsidiary of a company owned by the Henan provincial government, bought the bauxite mine in 2008.
Simandou South block 3,4	Chinalco	Nzérékoré and Kankan regions, Guinea	Chinalco took a significant stake in the iron ore mine in 2010. Rio Tinto and the government of Guinea own the remaining shares. The Guinean government estimates that, at full production capacity, the mine could produce 100 million metric tons of iron ore per year for 40 years.
Boké region	Hongqiao Group	Boké region, Guinea	Aluminum producer Hongqiao Group owns 22.5 percent of the bauxite mine as part of a consortium, SMB Winning Consortium, formed in 2014. The other stakeholders include Singapore-based shipper Winning International Group, Chinese company Yantai Port, and Guinea- and West Africa-based United Mining Supply Group.
Bong	Baowu	Bong county, Liberia	Chinese steel group Wuhan Iron and Steel Group took a 60-percent stake in the iron ore mine in 2009. It began operations in 2013. Wugang has since merged with Baoshan Iron and Steel Group to create the new steel giant Baowu.
Quelimane	Africa Great Wall Mining	Zambézia Province, Mozambique	Africa Great Wall Mining, a wholly owned subsidiary of Africa-focused Chinese company Jinan Yuxiao Group, acquired the titanium mine Quelimane around 2012.
Husab	China Nuclear	Erongo, Namibia	Husab is a uranium mine, the only uranium mine that a Chinese company has a stake in in Africa. China Nuclear purchased its 90-percent share in 2012. Constructing the mine took four years and nearly $5 billion, according to Xinhua.
Mfouati	China Gold	Brazzaville, Rep. Congo	China Gold acquired a 60-percent stake in the copper mine in 2013.
Modderfontein	Baiyin Nonferrous Metals Group & China-Africa Development Fund	Gauteng, South Africa	Baiyin and CADF bought the gold mine in 2012.
Palabora UG	Hebei/General Nice/Tianjin	Adjacent to Kruger National Park, Ba-Phalaborwa district, South Africa	A group of Chinese investors bought a majority percent stake in the copper mine in 2013.
Bakubung	Jinchuan Group	South of Pilanesberg, South Africa	A consortium of Chinese investors, led by Jinchuan, owns 45 percent of mine operator Wesizwe. China Development Bank also funded the project with a $650 million loan in 2013.
Chambishi	China Nonferrous Metal Mining Company	Chambishi, Kalulushi, Zambia	CNMC took an 85-percent stake in the copper mine in 1998.
Muliashi	China Nonferrous Metal Mining Company	Luanshya, Zambia	CNMC took an 85 percent stake in the copper mine in 2012. The Zambian government owns the other 15 percent of the project.
Baluba	China Nonferrous Metal Mining Company	Luanshya, Zambia	CNMC bought an 80 percent stake in the copper and cobalt mine in 2009. USGS cites an estimate that the mine covers reserves of more than 52 million metric tons of ore, primarily copper.
Chibulama South	Jinchuan Group	Lufwanyama, Zambia	Jinchuan took its 85 percent stake in 2010. It produced just over 8,000 metric tons of copper in 2020, per Jinchuan International. Jinchuan leased out the mining assets in December 2020.
Zimasco	Sinosteel	Kwekwe, Zimbabwe	Sinosteel owns 92 percent of the chromium mine. It says that the mine contains 118 million metric tons of chromite resources.

Data: RMG Consulting via Springer Nature, company releases, linked news articles

Building Ties



Data: Johns Hopkins University's China-Africa Research Initiative

Mining is a major aspect of Chinese spending in Africa, though less significant than its outlay on infrastructure: Along with construction, it makes up over half of all China's direct investment into the continent. In turn, China was responsible for nearly a fifth of all investment in African infrastructure and capital projects in 2018, a Deloitte report found, trailing only African governments themselves.

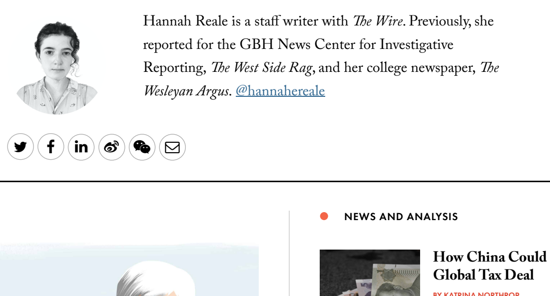
Decades of Chinese-funded infrastructure projects, such as the Tanzania–Zambia Railway built in the 1970s, came before the country started investing heavily in African mines. Tech and telecoms companies such as Huawei have become active more recently. "In terms of a bilateral investor, China blows everyone out of the water," says CSIS's Devermont. "They are [often] investing entirely for a financial benefit in profitable industries, [and] they are also investing to curry favor with the African governments, they're also investing in some infrastructure because it may have dual military and security use for them," he says, nodding to ports in sub-Saharan Africa that Chinese companies are involved in. "So they're much more multi-faceted than just narrowly discussing mineral extraction."

Copper Leader Jinchuan

Jinchuan Group is a significant Chinese backer of African mines. The state-owned company controls three mines in the Copperbelt: one in the D.R. Congo, one in Zambia, and one in South Africa. Its international arm took in over half a billion dollars in revenue from sales in copper and cobalt mining last year. It also has control over two additional copper and cobalt projects in the D.R. Congo at sites called Musonoi and Lubembe.

In China, Jinchuan Group is a leading nickel, platinum, cobalt and copper producer. The group, which is controlled by the Gansu provincial government, was formed in 1958. It produced more than 70,000 metric tons of copper and more than 4,000 tons of cobalt in 2020. Its overseas arm, Jinchuan International, is listed in Hong Kong.

Below is a list of its largely state-backed ultimate beneficial owners.



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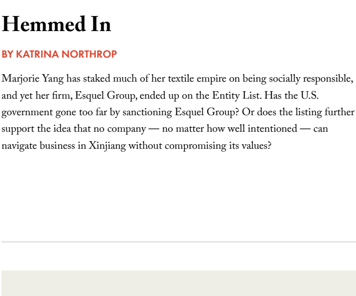
COVER STORY



Hemmed In

BY KATRINA NORTHROP

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