



# THE CHINESE MINING CHALLENGE

IN AFRICA  
2013



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The logic underpinning the way China conducts its mining business worldwide is fundamentally different to that of Western corporate thinking



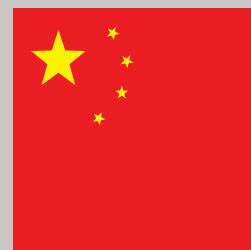
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# THE CHINESE MINING CHALLENGE IN AFRICA 2013





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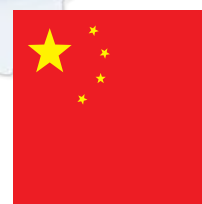
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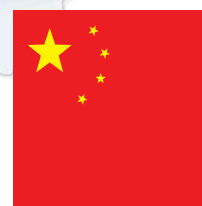
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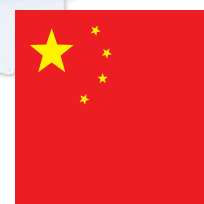
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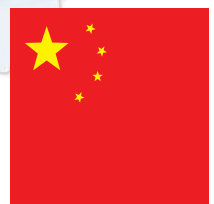
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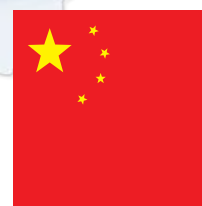


ANNEXURE 1: SASAC Central State Owned Enterprises (P116)



# ACRONYM LIST

<b>ACFTU</b>	All China Federation of Trade Unions
<b>AESA</b>	Active Electronic Steering Array
<b>AFECC</b>	Anhui Foreign Economic Construction Corporation
<b>AMS</b>	Academy of Military Science
<b>APC</b>	Armoured Personnel Carriers
<b>AQMI</b>	Al-Quaida au Maghreb Islamique
<b>ASI</b>	Alex Stewart International
<b>ASIO</b>	Australian Secret Intelligence Organisation
<b>AU</b>	African Union
<b>BICCS</b>	Brussels Institute of Contemporary China Studies
<b>BIU</b>	Business Intelligence Unit
<b>BNA</b>	Angolan National Bank
<b>BPI</b>	Bribe Payers International
<b>BRICS</b>	Brazil, Russia, India, China and South Africa group
<b>C<sup>3</sup>I</b>	Communications, Command, Control and Intelligence
<b>CABC</b>	China-Africa Business Council
<b>CADF</b>	China-Africa Development Fund
<b>CAF</b>	China-Africa Forum
<b>CAIF</b>	China-Africa Investment Fund
<b>CAITEC</b>	Chinese Academy of International Trade and Economic Cooperation
<b>CAPM</b>	China African Precious Metals
<b>CAR</b>	Central African Republic
<b>CAS</b>	Chinese Academy of Sciences
<b>CCB</b>	China Construction Bank
<b>CCCC</b>	China Communications Construction Company
<b>CCECC</b>	China Civil Engineering Construction Corporation
<b>CCF</b>	China Commodities Absolute Return Fund
<b>CCIA</b>	China Coal Importers Association
<b>CCIC</b>	Chinese Chamber of International Commerce
<b>CCICED</b>	China Council for International Cooperation on Environment & Development
<b>CCIP</b>	Chinese Centre for Investment Promotion
<b>CCP</b>	Chinese Communist Party
<b>CCPIT</b>	Chinese Council for the Promotion of International Trade
<b>CCS</b>	Chambishi Copper Smelter
<b>CDB</b>	China Development Bank
<b>CEO</b>	Chief Executive Officer
<b>CGNPC</b>	China Guangdong Nuclear Power Corporation
<b>Chalco</b>	Aluminium Corporation of China Limited
<b>Chinalco</b>	Aluminium Corporation of China
<b>CIC</b>	China Investment Corporation
<b>CICIR</b>	China Institute of Contemporary International Relations
<b>CIF</b>	Chinese International Fund
<b>CIIS</b>	China Institute for International Studies
<b>CIO</b>	Central Intelligence Organisation (Zimbabwe)
<b>CISA</b>	China Iron & Steel Association
<b>CITIC</b>	China International Trust and Investment Corporation
<b>CMA</b>	China Mining Association
<b>CMC</b>	Central Military Commission
<b>CMEC</b>	China Metallurgical and Engineering Corporation
<b>CMNIA</b>	China Nonferrous Metal Industry Association
<b>CMUF</b>	China Mining United Fund
<b>CNIUC</b>	China Nuclear International Uranium Corporation





## ACRONYM LIST (CONT.)

<b>CNMC</b>	China Nonferrous Metal Company
<b>CNNC</b>	China National Nuclear Corporation
<b>CNOOC</b>	China National Offshore Oil Company
<b>CNPC</b>	China National Petroleum Corporation
<b>COSCO</b>	China Overseas Shipping Company
<b>COSTIND</b>	Commission on Science Technology and Industry for National Defence
<b>COVEC</b>	China Overseas Engineering Corporation
<b>CPI</b>	Centre for Investment Promotion (Mozambique)
<b>CPLP</b>	Community of Portuguese Speaking Countries
<b>CREC</b>	China Railway Engineering Corporation
<b>CRSAA</b>	Chinese Research Society on African Affairs
<b>CSA</b>	Chinese Security Association
<b>CVR</b>	China Vision Resources
<b>DCEC</b>	Directorate on Corruption and Economic Crime (Botswana)
<b>DGDE</b>	Directorate General Defence Estates (Morocco)
<b>DIA</b>	Defence Intelligence Agency
<b>DICON</b>	Defence Industries Corporation of Nigeria
<b>DIS</b>	Department of Intelligence and Security (Botswana)
<b>DRC</b>	Democratic Republic of Congo
<b>ECA</b>	Export Credit Agency
<b>ECE</b>	East China Mineral Exploration and Development
<b>ECEM</b>	Eritrea-China Exploration and Mining Share Co.
<b>EDF</b>	Électricité de France
<b>EITI</b>	Extractive Industries Transparency Initiative
<b>ENDIAMA</b>	Empresa Nacional de Diamantes de Angola (Angolan National Diamond Company)
<b>ENI</b>	Ente Nazionale Idrocarburi
<b>EPA</b>	Environmental Protection Agency
<b>Eskom</b>	Electricity Supply Commission (South Africa)
<b>FCPA</b>	Foreign Corrupt Practices Act
<b>FDI</b>	Foreign Direct Investment
<b>FGMSA</b>	Forecariah Guinea Mining SA
<b>FOCAC</b>	Forum on China-Africa Cooperation
<b>FPB</b>	Fast Patrol Boats
<b>GAD</b>	General Armament Department
<b>GDP</b>	Gross Domestic Product
<b>GHACHIFA</b>	Ghana-China Friendship Association
<b>GIS</b>	Ghana Immigration Service
<b>GOSS</b>	Government of South Sudan
<b>GRN</b>	Gabinete de Reconstrução Nacional (Angola)
<b>GSD</b>	General Staff Department
<b>H&amp;S</b>	Hasan International
<b>HAT</b>	High Transitional Authority (Madagascar)
<b>HUMINT</b>	Human Intelligence
<b>IAU</b>	Immediate Action Units
<b>ICBM</b>	Intercontinental Ballistic Missile
<b>IDC</b>	Industrial Development Corporation (South Africa)
<b>ILO</b>	International Labour Organisation
<b>IMF</b>	International Monetary Fund
<b>IPO</b>	Initial Public Offering
<b>ISS-AAO</b>	Institute for Security Studies Addis Ababa Office
<b>JEM</b>	Justice & Equality Movement
<b>LIGNET</b>	Langley Intelligence Group Network







## ACRONYM LIST (CONT.)

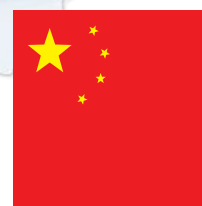
<b>MA</b>	Military Attaché
<b>MEND</b>	Movement for the Emancipation of the Niger Delta
<b>MFA</b>	Ministry of Foreign Affairs
<b>MFEZ</b>	Multi-Facility Economic Zone
<b>MID</b>	Military Intelligence Department ( <i>Qingbaoju</i> )
<b>MLR</b>	Ministry of Land Resources
<b>MMD</b>	Mines and Mining Development
<b>MNC</b>	Multinational Corporation
<b>MNJ</b>	Le Mouvement des Nijerions Pour la Justice
<b>MOFCOM</b>	Ministry of Commerce ( <i>Shangwubu</i> )
<b>MOFTEC</b>	Ministry of Foreign Trade and Economic Cooperation
<b>MONUC</b>	United Nations Organization Mission in the Democratic Republic of the Congo
<b>MPS</b>	Ministry of Public Security ( <i>Gonganbu</i> )
<b>MSS</b>	Ministry of State Security ( <i>Guoanbu</i> )
<b>MUJAO</b>	Movement for Unity and Jihad in West Africa
<b>NAPSS</b>	National Administration for Protection of State Secrets
<b>NBI</b>	National Bureau of Investigation
<b>NDC</b>	National Development Corporation
<b>NDRC</b>	National Reform and Development Commission
<b>NEA</b>	National Energy Administration
<b>NEP</b>	New Economic Policy
<b>NFCA</b>	Non-Ferrous Metals Co. Africa
<b>NGO</b>	Non Government Organisation
<b>NBN</b>	National Broadband Network
<b>NNMS</b>	Ningxia Non-ferrous Metals Smelter
<b>Norinco</b>	China North Industries Group Corporation
<b>NPC</b>	National People's Congress
<b>NSC</b>	National Security Council (Ghana)
<b>ODA</b>	Overseas Development Aid
<b>ONLF</b>	Ogaden Independence Group
<b>PAC</b>	Partnership Africa Canada
<b>PAP</b>	People's Armed Police
<b>PBL</b>	People's Bank of China
<b>PLA</b>	People's Liberation Army
<b>PLAN</b>	Chinese Navy
<b>Pwc</b>	PricewaterCoopers
<b>SA</b>	South Africa
<b>SADC</b>	Southern African Development Community
<b>SAFE</b>	State Administration of Foreign Exchange
<b>SASAC</b>	State Assets Supervision and Administration Commission
<b>SASTIND</b>	Sate Administration for Science and Technology in National Defence
<b>SAWS</b>	State Administration of Work Safety
<b>SDPC</b>	State Development Planning Commission
<b>SETC</b>	State Economic and Trade Commission
<b>SEZ</b>	Special Economic Zone
<b>SFECO</b>	Shanghai Corporation for foreign Economic & Technological Co-operation
<b>SIE</b>	External intelligence Services (Angola)
<b>SIGNIT</b>	Signal Intelligence
<b>SLCU</b>	Snow Leopard (MPS Unit)
<b>SLOCs</b>	Sea Lanes of Communications
<b>SNIM</b>	Societe Nationale Industrielle et Miniere
<b>SOE</b>	State Owed Enterprise





## ACRONYM LIST (CONT.)

<b>SONINA</b>	Societe des Mines d’Azelik S.A.
<b>SPU</b>	Special Purpose Units
<b>SSMA</b>	Small Scale Miners Association
<b>SSTC</b>	State Body for Science and Technology
<b>STP</b>	Sao Tome Principe
<b>SWCU</b>	Snow Wolf (MPS Unit)
<b>TAZARA</b>	Tanzania-Zambia Railway Authorities
<b>TCMR</b>	Tanzania China International Mineral Resources
<b>UN</b>	United Nations
<b>UNAMID</b>	African Union/United Nations Hybrid Operation in Darfur
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNMIL</b>	United Nations Mission in Liberia
<b>UNOC</b>	United Nations Operation in the Congo
<b>US</b>	United States
<b>WISCO</b>	Wuhan Iron and Steel Corporation
<b>WNA</b>	World Nuclear Association
<b>WTO</b>	World Trade Organisation
<b>ZANU-PF</b>	Zimbabwe African National Union – Patriotic Front
<b>ZCCZ</b>	Zambia-China Economic and Trade Cooperation Zone
<b>ZDF</b>	Zimbabwe Defence Force
<b>ZDI</b>	Zimbabwe Defence Industries
<b>ZMC</b>	Zhejiang Medicines & Health Products Import & Export Co
<b>ZMDC</b>	Zimbabwe Mining Development Corporation
<b>ZTE</b>	Zhongxing Telecommunication Equipment Corporation





# FOREWORD

China's new President Xi Jinping made Africa his second port of call after Moscow on his first overseas trip in late March 2013, reminding the world that Africa remains firmly in China's sights as a strategic ally and partner. While the main reason for the trip was the 5th BRICS Conference held in Durban, South Africa, he also visited Congo-Brazzaville and Tanzania, two countries set to play a more crucial role in China's mineral resource acquisition needs.

The visit took place against the backdrop of a significant increase in direct foreign investment by Chinese companies in Africa's mining sector in 2011 and 2012, which saw some of the largest investments ever made by Chinese mining companies in the world. In the space of a little more than a decade, China has asserted itself as a major player in the African mining sphere and is rapidly moving into areas which were once the preserve of Western mining companies.

As part of a "go out" strategy implemented at the turn of the new millennium, Chinese mining companies moved into Africa, Central Asia and South America to secure new mineral supplies for China's rapidly growing economy, which is facing massive commodity shortages. Consequently, China's global economic and political reach in places like Africa, strongly reflects the imperatives of domestic economic development which lies at the heart of its determination to secure energy and mineral resources abroad. In simple terms, China's engagement with Africa has primarily got to do with accessing natural resources and new markets.

This report tracks the reasons behind China's assertive rise in the continent's mineral sector. It includes an in depth assessment of China's economic development strategy which effectively drives China's economic engagement with Africa; the role and modus operandi of the Chinese government in guiding the actions of Chinese mining companies; the development of a sophisticated resources acquisition model to "lock-in" mineral supplies and remove them from the world market; the institutional support provided to Chinese mining investments in Africa including the role played by Beijing's intelligence and security services; and why Chinese mining companies are able to compete so successfully against their Western counterparts.

The report makes the case that Western observers of the Chinese phenomenon fail to take into account the logic underpinning the thinking of Chinese investment decisions which do not always reflect market related criterion. Herein lies the challenge facing Western companies competing against Chinese mining companies in Africa today. It is a mindset that puts Chinese national security interests before profit, because the main shareholder is the state, or more specifically the Chinese Communist Party (CCP) not private individuals and companies. The ability to call on a whole panoply of state levers and instruments of power has helped insulate Chinese companies from traditional risk factors facing Western companies, thereby lowering the risk threshold of investment decisions.

The report reflects not just on the challenges presented by China's mining activities in Africa but also on the growing challenges and problems confronting Chinese mining companies and policy makers themselves, which non-Chinese mining actors might exploit. It highlights recent problems facing China in dealing with "regime change" and how this threatens some of its fundamental policy prescriptions it has used in underpinning its mining strategy on the continent. China has shown some remarkable adaptations in fine tuning its resource acquisition model to suit changing times, but policy unpredictability is now threatening China's one size fits all approach towards Africa. The report argues that new political dynamics sweeping the continent threaten to unravel China's trusted recipe of "elite-to-elite deal making" that has enabled it to "lock-in" resources, and dictate the China-Africa agenda. Adaptations to core policy principles will be imperative to avoid China emerging on the wrong side of history.

