

China's global mineral rush

Learning from experiences around controversial Chinese mining investments



Luis Scungio

Colophon

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June 2021

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Amsterdam, June 2021

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Executive summary

China imports a large share of the mineral ores extracted around the world as the country's own mineral reserves are insufficient to meet the demand for industrial metal by key sectors of its booming economy, including the development of renewable energy technologies in which China is a dominant player.

Since the early 2000s, the Chinese government has supported companies to invest in mineral assets overseas. These investments guarantee China a steady supply of raw materials and reduce the country's dependency on fluctuating commodity markets. Chinese companies have particularly been attracted by the investment opportunities offered by developing countries with abundant mineral resources. These countries are also often characterised by poor governance, and the exploitation of natural resources frequently goes hand in hand with social and environmental conflicts.

When Chinese mining companies invest in such fragile environments, it is hard to hold them to account for any adverse impacts resulting from their business. Local communities, civil society organisations, and other public interest groups, have criticised Chinese mineral operations in foreign countries because of their links to ecological degradation and human rights abuses.

With Chinese overseas operations under increasing scrutiny, this report reviews over 20 controversial Chinese projects abroad – most of which involve mineral products used in low-carbon technologies – and examines the nature of these mineral investments as well as highlighting the actions taken by communities protesting at the negative impacts of the projects. This report also uses the knowledge learnt from past experiences, to reflect on how best to support community defenders develop influencing strategies which might improve the development outcomes of Chinese high-risk projects overseas.

Key findings

Characteristics of Chinese mineral investments abroad

- Chinese mineral companies *do not operate in isolation from other corporate actors*. Many of the reviewed controversial projects are controlled through joint ventures, in which Chinese companies work in partnership with companies from other countries, including multinational corporations. Consumer-facing corporations, or western banks, may also have a business relationship with the mineral operation, either as an upstream investor or downstream customer;
- Chinese corporate actors often rely on relationships with authorities in the host country and manage interactions with other stakeholders in that light. As a result, negotiations that take place at the early stages of a projects often *lead to information asymmetries* between the claimed benefits brought about by investments and the risks posed to local communities;

- Chinese corporate actors tend to avoid interfering into local power structures when the interests of local elites are at odds with those of marginalised communities, even when there are serious human rights violations taking place. This non-interference approach towards local power dynamics *prevents a conflict-sensitive approach* being taken towards overseas investments;
- The *hierarchical corporate culture* of many Chinese firms often prevents overseas branches of a company from reacting to new situations on the ground in a timely way;
- Chinese companies may have a stake in problematic mineral projects as part of a *broader investment arrangement with the host government*. In two deals reviewed, the extracted minerals are used as collateral for infrastructure development in the host country. Any concerns about mining operations are, therefore, connected to wider power arrangements underpinning bilateral agreements.

Responsiveness of Chinese actors to social and environmental concerns

- Because Chinese actors often *do not perceive international civil society organisations as legitimate stakeholders* in a conflictual context with local communities, they can misinterpret the motivations of such groups working on behalf of affected communities, and dismiss their grievances;
- In three of the reviewed cases, Chinese companies did publicly respond to allegations which suggests that they *do pay attention to their public reputation* and that such criticism is taken seriously, especially if backed by scientific evidence;
- In two of the reviewed cases, community resistance led forced Chinese companies to address outstanding issues through *community development activities*. These initiatives, however, failed to generate local ownership and exacerbated the risk of further injustices;
- Litigation strategies by community defenders have also *targeted the failure of a host government to protect people's rights* against the social and environmental harms caused by Chinese-led mining operations. In two of the reviewed cases, this type of legal claim brought positive results for communities;
- Civil society groups have strategically targeted Chinese regulators, academics, and other stakeholders with messages that quote *China's voluntary guidelines to overseas investments*. Such communication is intended to fill information gaps for Chinese regulators on the risks caused by the projects, and it has sometimes resulted in engagement with Chinese actors.

Introduction

China is the world's largest importer of minerals such as copper, aluminium, and iron. The country also plays a key role in the global supply chain for renewable energy technologies – for example, batteries for electric vehicles¹ – which also use minerals such as cobalt, nickel, and lithium.²

The growth of the mineral industry in China is part of a broader transformation taking place in the country, as it moves from being an export-oriented economy to becoming the largest market destination of many minerals extracted across the world. This shift has been driven by several factors. Since the 1990s, global industrial production has been relocating to China to take advantage of low costs. Meanwhile, the Chinese government has made huge investments in domestic infrastructures, especially across the industrial clusters in eastern coastal areas. Economic growth and urbanisation have, therefore, created a high demand for industrial metals used in the manufacturing, transport, and construction sectors.³ And because China's domestic mineral reserves have not been able to meet this rising demand for raw materials, manufacturers have taken the pragmatic approach of looking for mineral supplies in the commodity market, wherever they are available at an affordable price.⁴

In addition, from the early 2000s, China's 'going-out strategy'⁵ has incentivised Chinese firms to invest overseas in, amongst other things, strategic natural resources and mineral assets, to ensure a steady supply of raw materials. Recent academic research has found, however, that outside of China, the growth of the number of Chinese mining operations has been slow and that in 2018, Chinese companies controlled only around three per cent of global mineral production.⁶ Such a percentage figure would suggest that, despite China being the dominant importer of minerals traded globally, Chinese companies own just a small number of the currently productive mines in the world. China has, however, considerable stakes in specific areas of the industry, such as the extraction of rare earth minerals,⁷ and many mineral projects acquired by Chinese investors in recent years have not yet started commercial production, which means that direct control, by Chinese firms, of productive mines abroad is destined to grow.

Many of the Chinese-owned mines are in conflict-affected areas, or countries with poor governance, where social and environmental conflicts linked to mineral resource exploitation are endemic. Given this fragile context, it is important to assess the conduct of the Chinese businesses involved in this industry with regards to human rights and environmental damages.

Research questions

In recent years, China's outward investments have attracted increasing scrutiny, and this report focuses on mineral projects that have impacted negatively on local communities and the environment. Civil society organisations (CSOs) have been struggling to make Chinese companies accountable for these adverse impacts overseas, and to achieve sustainable development outcomes for high-risk projects. This paper is based on the review of a number of problematic Chinese mineral projects and aims to give some insight information about the diverse nature of these actors and investments, identify possible entry points for advocacy based on past experiences, and reflect on the development of possible influencing strategies.

This report is not a guide for activists working on the damage done by Chinese mineral operations or projects in other sectors,⁸ and it does not aim to be a comprehensive account of China's role in the global mining industry. Rather, it is a starting point for reflection for groups working on the protection of natural resources and interested in some specific characteristics of Chinese companies.

Furthermore, given that all but two of the projects examined in this report involve minerals that can be used for the production of low-carbon technologies,⁹ this study also aims to evaluate the role that Chinese companies could play in the just energy transition to low-carbon economies.¹⁰

Using review material from 22 mineral projects, the key research questions for this report are:

1. What types of actors are involved in Chinese overseas mineral projects, and what financial and investment arrangements can be observed in relation to these projects?
2. What have communities and supporting groups done to mitigate negative impacts and risks created by such projects?
3. What are the main challenges for affected communities and CSOs working with them?

Content of the report

The first chapter of this paper looks at the Chinese companies themselves, their business partners and ownership arrangements, and includes information on the projects being reviewed. It also provides an overview of the financiers of these projects, and gives examples of mineral projects that are part of broader investment agreements. The second chapter describes a number of concrete actions taken by affected communities to hold Chinese companies to account for adverse impacts and risks caused by the projects. These actions show how community advocates have been deploying different advocacy strategies – ranging from protests to pressuring the investors and buyers of Chinese companies into addressing adverse impacts. The final chapter highlights some of the challenges that the communities affected by these projects, and the organisations that support them, have faced when dealing with Chinese-led mineral operations worldwide.

Research methodology

This report focuses on reviews of 22 Chinese overseas mineral investments whose behaviour has raised social and environmental concerns. These cases were selected from a larger pool of 59 problematic projects; the profiles of these projects had been put together using information from different sources.

Two sources were consulted first: an open letter, which included the profiles of high-risk projects, signed by 265 civil society groups, and sent to Chinese institutional regulators in April 2020; and a joint submission made in 2018 for China's second cycle of United Nations Universal Periodic Review which referred to Chinese-led harmful investments in Latin America. To increase the number of projects to profile, researchers also examined: reports by non-governmental organisations (NGOs), academic papers about specific projects, media reports, industry analysis, and case information as provided on the website of the Business and Human Rights Resource Centre (BHRRC). The bulk of data collection was done between May and October 2020, and the profiled cases were classified according to specific types of information, such as alleged problems, the companies and financial institutions involved, and the actions taken by community advocates.

Data-gathering produced profiles of 59 Chinese mineral investments but, given that some of these profiles were more detailed than others (with some including gaps in knowledge that could not be filled by desk research), the following criteria were used to decide which projects to focus on: the information available on the type of impacts, the Chinese organisations involved; whether there were multiple sources of information available about the same project; whether the information available could help provide answers to the three key research questions (above).

Using this criteria, 22 controversial mineral investments were selected for review. Of these projects, nine are in Latin America, six are in Asia, five are in Africa, one is in Eastern Europe and one is in Australia¹¹ (see map on page 10). An overview of the 22 projects, along with the other cases considered, but then excluded, from this review, is provided in the annex at the end of the report.

The three main research questions were applied to the 22 mineral investments, with the information available on each project used to formulate answers. A review of literature on China's role in the global mineral industry, and Chinese outward investments in general, helped deepen knowledge on the wider issues affecting the projects. Throughout this process, additional sources were consulted, including the online databases of the Global Development Policy Center of Boston University, the Observatory of Economic Complexity, the China Global Investment Tracker by the American Enterprise Institute, as well as subscription databases such as Thomson Reuters Eikon and Orbis.

This paper is largely based on desk research and, as such, it does not make use of primary data, such as field research or interviews with projects' key informants. During the research, interviews did take place with six people working in the non-profit sector who have expertise on Chinese overseas investments. Practitioners shared some of their experiences of engaging with Chinese actors in general, rather than specifically with the mineral projects under review. Due to the exploratory nature of this study and the general conversations, specific references to the individuals are not provided but some of their reflections are included in the last part of Chapter 2.

Some of the companies featured in this report were given the opportunity by SOMO, to comment on their projects as profiled in this report, prior to its publication. This opportunity was given to the 18 companies that hold key roles – as either parent companies or majority shareholders – in 20 mineral projects that feature most prominently in this report.¹² Of these 18 Chinese companies, four (involved in three mineral investments profiled) were unreachable (messages sent to email addresses listed on their website, failed to deliver and bounced back)¹³ so contact was made with 16 companies (holding stakes in 17 profiled projects).¹⁴ These companies were given two weeks to review any factual misunderstandings, and comment on the drafts of the profiled projects. None of these companies responded.

SOMO recognises the limitations of this report created by language barriers. This report relies on project information published mostly in English, Spanish, and French; reporting in Chinese has been consulted on a limited basis, and unofficially translated.

Controversial mineral investments of Chinese companies



| Risks and impacts* | | Minerals | | |
|---------------------------|---------------|----------|------------|---|
| Deaths | Labour rights | Bauxite | Lead | Controversial mineral investments with reported involvement of Chinese actors, not mentioned in this report |
| Environmental issues | Land rights | Coal | Lithium | |
| Health impacts | Other impacts | Cobalt | Molybdenum | |
| Indigenous peoples rights | Water rights | Copper | Nickel | |
| Intimidation & harassment | | Gold | Silver | |
| | | Iron | Zinc | |

* Alleged adverse risks and impacts reported by sources consulted for this study
 ** Chinese actors withdrew from this project
 The locations of the investments are for illustration purposes only.

1 Chinese enterprises and their investment arrangements

This chapter illustrates the different types of enterprises that are involved in the mineral projects under review (business partnerships with non-Chinese organisations are frequent, and investment arrangements vary significantly); analyses how Chinese state-owned banks support companies operating abroad; uses the example of institutional lending to a non-state controlled firm to consider how the sector responded to a country's new trade rules when they put China's supplies of mineral products at risk. The last part of this chapter focuses on the implications of investment deals that go beyond individual mining projects, as two of the projects reviewed demonstrate how the broad agreements between Chinese firms and host governments can form the backdrop to controversial extraction operations.

1.1 Overview of companies, ownership structures, and partnerships

The projects reviewed for this research reveal that Chinese companies have acquired full ownership of only five mineral extraction operations. In these cases, Chinese companies have either formed joint ventures with other Chinese enterprises, or taken full control of operations abroad as individual companies. Two state-owned enterprises (SOEs) – China Railway Construction Corporation¹⁵ and the provincial SOE Tongling Nonferrous Metals Group¹⁶ – acquired the *Mirador copper mine* in Ecuador from a Canadian exploration company in August 2010,¹⁷ and Junefield Mineral Resources, a holding company from Hong Kong,¹⁸ acquired the *Rio Blanco* gold and silver mine (also in Ecuador) from another Canadian company in 2012,¹⁹ and has since tried to develop the mining project with Hunan Gold Corporation, a provincial SOE.²⁰

In Peru, the *Las Bambas copper mine*, and its gold, silver, and molybdenum by-products,²¹ was purchased from the Swiss-based Glencore-Xastra in mid-2014²² by a consortium of Chinese SOEs led by MMG, a majority owned subsidiary of China Minmetals Corporation,²³ with minority stakes held by Guoxin International Investment²⁴ and CITIC Metal.²⁵ Two other reviewed projects in Peru are also wholly owned by individual Chinese SOEs, the *Toromocho project* (a copper and molybdenum mine) was bought from a Canada-based entity in 2007, and is now controlled by Aluminium Corporation of China (Chinalco)²⁶, and the *Marcona iron ore project* was purchased by the Shougang Group in 1993,²⁷ an SOE under the provincial government of Beijing,²⁸ making it the first mine outside of China to be solely owned by a Chinese venture.

Table 1 Mineral investments, within the selected cases, fully owned by Chinese companies²⁹

| Name of the project | Type of project | Country | Identified Chinese firms | Info about the companies |
|---------------------|-----------------------------------|---------|----------------------------------|--|
| Las Bambas | Copper and other by-products mine | Peru | MMG Ltd | Controlled by Central SOE China Minmetals Corp |
| | | | CITIC Metal | Branch of the Central SOE CITIC Group |
| | | | Guoxin International Investment | n/a |
| Marcona | Copper mine | Peru | Shougang Group | Provincial SOE |
| Mirador | Copper mine | Ecuador | China Railway Construction Corp. | Central SOE |
| | | | Tongling Nonferrous Metals | Provincial SOE |
| Rio Blanco | Gold and silver mine | Ecuador | Junefield Mineral Resources | Holding company from Hong Kong |
| | | | Hunan Gold Corporation | Provincial SOE |
| Toromocho | Copper and molybdenum mine | Peru | Aluminium Corp. of China | Central SOE |

A review of the projects also shows that Chinese corporations have formed ventures with enterprises from the host country. Examples of such partnerships include the *Letpadaung copper mine* in the northwest of Myanmar which, since 2010, has been jointly owned by Wanbao Mining Copper Limited (Wanbao), a company ultimately owned by the Chinese SOE Norinco Group,³⁰ and the military-backed Myanmar Economic Holdings Limited (MEHL).³¹ China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd (33.75 per cent owned by the SOE China Nonferrous Metal Mining Group (NFC)³² and the Indonesian Bumi Resources Minerals came together in 2018 to develop the *Daira Prima Mineral* zinc and lead mine in North Sumatra.³³ In 2018, the mixed-ownership company, Zijin Mining Group, became the majority stakeholder of the *Bor copper mine* in Serbia, working with RTB Bor.³⁴ Since 2007, the Chinese central SOEs, China Railway Group³⁵ and Sinohydro³⁶ have been part of a joint venture with the Congolese Gecamines, owning the *Sicomines mining project* in the Democratic Republic of the Congo (DRC).³⁷ And the Indonesian *Morowali industrial project*, where a subsidiary of the private enterprise Tsingshan Group³⁸ has ventured with the local mining firm PT Bintang Delapan Investama for nickel mining since 2009 before starting industrial mineral developments.³⁹

Table 2 Mineral investments, within the selected cases, owned by Chinese firms and companies from the host country

| Name of the project | Type of project | Country | Identified Chinese firms | Info about the Chinese companies | Identified host country's firms |
|------------------------------------|-----------------------------|-----------|--|--|--|
| Bor | Copper mine and refinery | Serbia | Zijin Mining Group: 63% | Mixed ownership, ties with the government of Fujian Province | Rudarsko-Topionickarski Basen Bor (RTB Bor): 37% |
| Dairi Prima Mineral ⁴⁰ | Zinc, lead, and silver mine | Indonesia | China Nonferrous Metal Industry's Foreign Eng. & Construction: 51% | Subsidiary of the Central SOE China Nonferrous Metal | Bumi Resources: 49% |
| Indonesia Morowali Industrial Park | Nickel mine and refineries | Indonesia | Tsingshan Group: 66.25% <i>Other Chinese firms own refineries in IMIP</i> | Private Company | PT Bintang Delapan Investama: 33.75% |
| Letpadaung ⁴¹ | Copper mine | Myanmar | Myanmar Wanbao: 19% | Subsidiary of the Central SOE Norinco | Union of Myanmar Economic Holdings: 30% |
| Sicomines | Copper and cobalt mine | DRC | China Railway Group, Sinohydro: total 68% | Central SOEs | Gecamines: 32% |

As well as the full acquisition of mineral assets abroad, and ventures with local firms, Chinese firms have also established joint ventures with international mining companies. Zijin Mining purchased from Barrick Gold Corporation (Barrick) half of the shares of Barrick (Niugini) Ltd. in 2015 (the entity controlling 95 per cent of the *Porgera gold mine* in Papua New Guinea).⁴² In mid-2017, Barrick also entered into a joint venture with Shandong Gold Mining (a firm controlled by the provincial government of Shandong)⁴³ when it sold half of its controlling stake in the *Valedero gold mine* in Argentina.⁴⁴ In Argentina, the public company Ganfeng Lithium⁴⁵ bought controlling shares in the *Minera Exar mine*, and has been in partnership with the Canadian Lithium Americas Corporation since 2017.⁴⁶

Another transnational venture is the *Indonesia Weda Industrial Park (IWIP)* involving nickel mining and factories.⁴⁷ The French Eramet Group has held stakes in IWIP since 2006 but, in 2017, following a project stall,⁴⁸ it signed a strategic cooperation agreement with Tsingshan.⁴⁹ In Papua New Guinea, a subsidiary of the central SOE China Minmetals Corporation is the majority shareholder, and project operator, of the *Ramu Nico project*, a nickel and cobalt mine with a smelting facility; the Canadian company Conic Metal has minority shares in the project.⁵⁰ In the Guinean context, West Africa, Société Minière de Boko (*SMB*) is an international consortium owned also by a subsidiary of the publicly listed, and family-controlled, China Hongqiao Group⁵¹ that has operated bauxite projects in the *Boko region* since 2014.⁵²

Table 3 Mineral investments, within the selected cases, owned by Chinese firms and multinational enterprises

| Name of the project | Type of project | Country | Identified Chinese firms | Info about the Chinese companies | Identified multinational companies |
|--------------------------------|----------------------------|------------------|---|--|--|
| Indonesia Weda Industrial Park | Nickel mine and refineries | Indonesia | Tsingshan Group: 57% <i>Other Chinese companies operate refineries in IWIP</i> | Private Company | Eramet Group: 43% |
| Minera Exar | Lithium mine | Argentina | Ganfeng Lithium: 51% | Public company | Lithium Americas: 49% |
| Porgera | Gold mine | Papua New Guinea | Zijin Mining Group: 47.5% | Mixed ownership, ties with the government of Fujian Province | Barrick Gold Corp: 47.5% ⁵³ |
| Ramu Nico | Nickel mine and refinery | Papua New Guinea | MCC: 85% | Subsidiary of the Central SOE China Minmetals Corp. | Conic Metal: 8.56% ⁵⁴ |
| SMB ⁵⁵ Boko region | Bauxite mine | Guinea | China Hongqiao Group: 22.5% | Public company controlled by a family | Winning Int'l: 40.5% UMS Group: 27% |
| Valedero | Gold mine | Argentina | Shandong Gold: 50% | Provincial SOE | Barrick Gold Corp: 50% |

1.1.1 Other types of outward investments

It becomes clear from this overview that different types of enterprises and ownership ventures (including wholly-owned projects, partnerships with companies from the host country, and partnerships with multinational corporations) have been pursued by Chinese actors investing abroad. Such ownership deals, however, do not reflect the diverse arrangements that Chinese enterprises have made in the overseas mineral industry. According to a 2014 publication from the Chinese environmental NGO, Greenovation Hub, Chinese companies are also active in other roles such as providing construction services, investing equity in established companies, buying certain amounts of projects' mineral outputs, as well being involved in mergers and acquisitions.⁵⁶

Some of these other types of investments can be observed in the cases reviewed for this study: the equity investment made, in 2018, by the public company *Tianqi Lithium*⁵⁷ to buy significant stakes in the Chilean Sociedad Química y Minera de Chile S.A (SQM);⁵⁸ the cobalt smelter wholly-owned by *Huayou Cobalt*, a Chinese mixed-ownership listed company⁵⁹ acquiring cobalt also from artisanal mining in DRC; the agreement between Sinohydro, a branch of the Central SOE Powerchina, and Ghana Integrated Aluminium Development Corporation (GIADEC) to supply Ghanaian refined bauxite to the Chinese firm as part of other financial agreements;⁶⁰ and Zijin Mining's full acquisition of the Canadian Continental Gold and its *Buritica gold project* in Colombia.⁶¹

Table 4 Other types of Chinese enterprises’ overseas investments, within the selected cases

| Name of the project | Type of project | Country | Identified Chinese firms | Other identified actors | Additional info about the investment |
|------------------------------|---------------------------|----------|--------------------------------|--|--|
| Atewa Forest | Bauxite mine and refinery | Ghana | Sinohydro | GIADEC | Supply of refined bauxite as part of broader deals |
| Buritica | Gold mine | Colombia | Zijin Mining Group | Continental Gold | Zijin Mining fully acquired, and merged with, Continental Gold |
| Congo Dongfeng ⁶² | Cobalt refinery | DRC | Zhejiang Huayou Cobalt Company | | Supply of cobalt ores also from artisanal miners |
| Salar de Atacama | Lithium mine | Chile | Tianqi Lithium | Sociedad Química y Minera de Chile S.A (SQM) | Tianqi holds 26% of the shares of SQM |

1.1.2 Remarks about Chinese enterprises involved in overseas mineral investments

While this paper takes into account the diversity of Chinese outbound mineral investments, additional conclusions can be drawn from the overview of the projects. Firstly, it appears that Chinese mining enterprises are a recent phenomenon in the international mining scene as most of these investments occurred in the last 15 years. This move could have been motivated by a global increase in the demand for metal, pushing up costs for imported ores recorded between 2005 to 2012, created also by China’s dramatic economic growth. As a result, China’s strategy to expand operations internationally has resulted in taking ownership of assets abroad, to reduce its dependence on world markets and vulnerability to fluctuations in prices.⁶³

Secondly, Chinese actors have, to a large extent, been attracted by investment opportunities in developing countries in Africa, Asia, and Latin America, which have abundant mineral reserves. For ideological reasons, many of these countries have had an established relationship with the Chinese government, since the middle of the twentieth century and, as a researcher pointed out, Chinese enterprises often value longstanding political ties with host nations.⁶⁴ By implication, such bilateral relationships would be taken into account by Chinese mining companies interested in new market opportunities.

Thirdly, aside from the involvement of SOEs in a significant number of the projects reviewed, mixed-ownership listed entities, both public and private companies, are also active overseas. And complex corporate structures have been put in place to control these overseas assets including investment vehicles established in offshore fiscal paradises, controlled by a parent company, including SOEs, through the activities of subsidiaries listed on international stock exchanges.⁶⁵ Chinese SOEs have indeed established public subsidiaries to attract other investors and increase opportunities abroad.⁶⁶ Large companies listing subsidiaries for overseas operations could, therefore, open the possibility that new shareholders in these companies, including non-Chinese investors, might be exposed to problematic investments in foreign countries.

The Zijin Mining Group, for example, is a former SOE with probable ties to the provincial government of Fujian,⁶⁷ and is one of the world's largest gold producers, involved in three of the cases reviewed. Despite its origins, the company is mixed-ownership, with almost a third of its shares owned by state-owned entities,⁶⁸ and nearly 23 per cent available to international investors.⁶⁹ The company's status – whether SOE, public or private – makes a difference as to who the enterprises are accountable to (government, boards/shareholders, private individuals or institutional investors).⁷⁰

Although identifying all the corporate actors involved in the projects goes beyond the scope of this study, it is still important to investigate the corporate structures of Chinese SOEs, their listed subsidiaries, shareholders, private companies, and of their local or multinational business partners, when conducting research on Chinese investments abroad. Knowledge about corporate actors and their relationships with other entities is relevant when creating full profiles of the actors involved in harmful investments and, ultimately, to developing tailored influencing strategies to address negative impacts and risks.

Key findings of sections at 1.1

- The ownership structures of Chinese mineral investments abroad vary. Overseas projects fully controlled by Chinese enterprises are limited in number. Partnerships with non-Chinese companies represent more than half of the investments reviewed, and include six joint ventures between Chinese firms and multinational enterprises. Chinese enterprises also play other roles in the global supply chain of minerals, sometimes holding significant equity shares in a non-Chinese mining company, or agreeing to acquire mineral outputs from other mines, or involved in mergers and acquisitions;
- In line with China's 'going-out' strategy, most of the country's mineral investments abroad have been made in the last 15 years. Chinese firms have been mainly attracted to investment opportunities in developing countries that have abundant mineral resources, and which also often have a historical and ideological bilateral relationship with the Chinese government;
- Central and provincial SOEs play a significant role overseas, although mixed-ownership entities, public companies, and private corporations are also active in mineral projects abroad. Companies have established complex corporate structures, stretching across various jurisdictions, so they can operate in foreign countries. Many SOEs, for example, have listed subsidiaries on international stock exchanges to attract new capital for their overseas activities. By owning shares of these public subsidiaries, however, non-Chinese investors can be connected to controversial mineral projects led by Chinese enterprises. Deeper research into these corporate structures can help identify new corporate actors and, therefore, new opportunities for tailored influencing strategies to address negative impacts and risks.

1.2 Available information about financial arrangements

Desk research has attempted to identify financiers of the projects reviewed but with limited results. The literature review shows that several initiatives have already been undertaken by researchers and analysts to record China's overseas investments by industry sector, geographical area, and/or topics.⁷¹ Despite these initiatives, these databases often do not fill the knowledge gaps relevant to individual projects,⁷² demonstrating that, apart from a couple of cases,⁷³ public disclosure by Chinese enterprises about their project financing is weak.

The Thomson Reuters Eikon database provides data about the financiers of only three of the examined projects.⁷⁴ Additional research from secondary sources – including industry analysis, media reports, and other NGO or academic releases – increases the number of reviewed projects for which we could find financial data on to 12.

Analysis of the limited available information reveals that the vast majority of Chinese overseas investments have been financed by Chinese banks,⁷⁵ and that there is no clear pattern between types of Chinese banks and companies that received financial support from these banks. Two Chinese policy banks which, as such, support national economic strategies,⁷⁶ namely the China Development Bank (CDB) and the Export-Import Bank of China (China Eximbank) have jointly supported four SOE-led projects abroad,⁷⁷ and China Eximbank was the sole financier of two other SOE-led mineral investments.⁷⁸ In two cases, where both CDB and China Eximbank have provided financial support to SOEs outbound operations, (the Mirador and Las Bambas projects), large state-owned commercial banks⁷⁹ have joined their lending through the formation of syndicates.⁸⁰

In other instances, Chinese state-owned commercial banks have provided sole financing to six companies, including two provincial⁸¹, and two central SOEs.⁸² Furthermore, the public company Tianqi Lithium has received loans from undisclosed syndicates of banks headed by China CITIC Bank – a bank controlled by the Central SOE CITIC Group⁸³ – to acquire significant equity shares in SQM, a company that operates lithium mines in Chile.⁸⁴ In the case of Zijin Mining's acquisition of Continental Gold and its Buritica gold project in Colombia, financial support came from a syndicate formed by one Chinese non-government controlled bank and three state-owned commercial banks.⁸⁵

Table 5 Overseas mineral projects for which information was identified about financiers

| Name of the project | Country | Identified Chinese enterprises | Identified Chinese banks | Identified non-Chinese banks |
|------------------------------------|------------------|---|---|---------------------------------------|
| Mirador | Ecuador | China Railway Construction - Central SOE Tongling Nonferrous - Provincial SOE | CDB China EXIM Bank China Construction Bank China Merchants Bank ICBC | N/A |
| Toromocho | Peru | Aluminium Corp. of China - Central SOE | CDB China EXIM Bank | N/A |
| Las Bambas | Peru | MMG Ltd - Controlled by a Central SOE CITIC Metal - Branch of a Central SOE Guoxin International Investment - N/A | CDB China EXIM Bank ICBC Bank of China | N/A |
| Indonesia Morowali Industrial Park | Indonesia | Tsingshan Group - Private company <i>Other Chinese firms own refineries in IMIP</i> | CDB China ASEAN Fund China EXIM Bank Bank of China ICBC | N/A |
| Ramu Nico | Papua New Guinea | MCC - subsidiary of a Central SOE | China EXIM Bank | N/A |
| Sicomines | DRC | China Railway Group - Central SOE Sinohydro - Branch of a Central SOE | China EXIM Bank | N/A |
| Atewa Forest | Ghana | Sinohydro (through a supply arrangement) - Branch of a Central SOE | ICBC | N/A |
| Marcona | Peru | Shougang Group - Provincial SOE | ICBC | Citibank, Banco Santander, BCP |
| Buritacá | Colombia | Zijin Mining Group - Mix ownership | China CITIC Bank Bank of China China Merchants Bank China Minsheng Banking | N/A |
| Valedero | Argentina | Shandong Gold - Provincial SOE | Bank of China China Merchants Bank | N/A |
| Dairi Prima Mineral | Indonesia | China Nonferrous Metal (NFC) - Central SOE | Postal Savings Bank of China - <i>through general purpose loans to NFC</i> | IFC - <i>through equities in PSBC</i> |
| Salar de Atacama | Chile | Tianqi Lithium (<i>through equity acquisition of 26% of SQM</i>) - Public company | China CITIC bank - <i>led two syndicate loans for Tianqi's equity investment</i> | N/A |

These findings accord with the literature review that suggests SOEs tend to have preferential access to credit from China's state-owned commercial and policy banks.⁸⁶ Although private enterprises may struggle to compete with SOEs for access to state-backed credit, there are options also available to them.⁸⁷

The projects review has identified one case where Chinese policy and commercial banks provided financing to a large private firm leading the Morowali industrial project in Indonesia. Because this is the only case where a company with no affiliations to the state has received state-backed funding, the next section explores further the project's background, and the strategic relevance of the host country's mineral sector in relation to supplying China's own industries.

1.2.1 Chinese investments in Indonesia's nickel industry and the Morowali project

In early 2014, the Indonesian government signed a regulation banning the export of unprocessed nickel and bauxite from the country, a move aimed at increasing the country's own share of the added value of its mineral resources.⁸⁸ Indonesia is one of the world's largest producers of both mineral ores (nickel and bauxite). However, whereas bauxite ore production has not put the country among the world's top exporting countries,⁸⁹ trade databases show that between 2010 and 2018, Indonesia was one of the top three nickel exporters in the world,⁹⁰ with almost 90 per cent of those exports going to China (according to the United Nations Comtrade database).⁹¹ Data shows also that China has imported over 35 per cent of its international demand of nickel from Indonesia.⁹²

Considering these trading ties, the huge reserves that Indonesia has of laterite nickel resources,⁹³ and China's world-leading role in both the steel and lithium-ion battery industries⁹⁴ (both sectors that require considerable amounts of raw nickel ore)⁹⁵ it is no surprise that the ban on exporting raw minerals triggered Chinese enterprises to directly invest in nickel processing plants in Indonesia.

Desk research found that, among the various mineral factories being built in Indonesia,⁹⁶ Chinese companies are involved in the construction of at least three nickel smelters used for the production of battery components.⁹⁷ These include: the battery-grade plant in Obi island, North Maluku Province (where the Chinese company Ningbo Lygend has partnered with the Indonesian conglomerate Harita Group);⁹⁸ the joint venture between Tsingshan and Eramet in the Indonesia Weda Industrial Park, North Moluccas Province, which, among other processing facilities, also hosts at least one battery project;⁹⁹ and the Indonesia Morowali Industrial Park (IMIP) in central Sulawesi, also headed up by Tsingshan, in partnership with PT. Bintangdelapan Investama. There have been significant social and environmental concerns raised about all these projects,¹⁰⁰ but only the financiers of the Morowali project could be identified.

During a Chinese high-level diplomatic mission to Indonesia in October 2013,¹⁰¹ the Chinese and Indonesian presidents also attended the signing ceremony to finalize the funding provided by the China-ASEAN Investment Cooperation Fund (CAF) – an equity fund supported by China Eximbank and other investors¹⁰² – to develop a ferro-nickel smelter headed up by the Tsingshan Group and PT Bintangdelapan Investama,¹⁰³ the companies leading the Morowali project. These companies had already established a joint venture in 2009,¹⁰⁴ after which they were granted the extraction rights to over 47,000 hectares of land containing laterite nickel.¹⁰⁵ Based on this prior partnership, any diplomatic and financial support for the construction of the nickel smelter could be seen as a way of mitigating any risks posed by the new Indonesian trade policy to the commercial viability of the mining concession (as the rules regarding the export ban applied to unprocessed nickel ore).

Regarding the adverse impacts of the Morowali project, a report by the Rosa Luxemburg Stiftung (RLS) documents the alarming amount of labour exploitation, economic injustices, and environmental degradation caused by the extraction of resources and the construction of the processing plants.¹⁰⁶ The report states that the 2,000 hectares occupied by the industrial park host seaports, an airport, a telecoms network, nickel factories, and polluting coal-fired power stations that are bound to expand factories in the park.¹⁰⁷ Tsingshan is partnering with other Chinese investors to build at least two nickel smelters that will produce components for lithium-ion batteries, used in electric vehicles.¹⁰⁸ Apart from CAF's investment at the early stages of the project, media reports suggest that some of these processing plants may have also received financing from CDB¹⁰⁹ and from a syndicate made up of China Eximbank and two state-owned commercial banks¹¹⁰.

The Morowali project demonstrates that state-backed capital is provided not just to companies that have ownership ties to the Chinese government. In fact, on closer analysis, it becomes clear that China's economic strategy – evident through diplomatic support and policy bank financing – can benefit more commercially-oriented investments led by a private company. Both Tsingshan's venture, and China's supply of nickel-based products from Indonesia, were threatened by the 2014 ban. The diplomatic endorsement can be interpreted as a high-level intervention which recognised the need to adapt to new trading circumstances, and facilitated the use of state-backed funds to pave the way for more Chinese investors to establish nickel processing plants in central Sulawesi. Meanwhile, the RLS study – along with other reports – shows the overall lack of accountability for the human and environmental costs of the Morowali megaproject.

Key findings of sections at 1.2

- There is limited Information available about the financiers of Chinese mineral projects abroad, suggesting that corporate disclosure about project financing is weak;
- The information that is available suggests that the vast majority of Chinese companies investing in overseas mineral projects have received financial support from Chinese banks, and that both China's policy banks and state-owned commercial banks provide financing to different types of Chinese enterprises;
- Although SOEs have preferential access to state-backed capital, the project review suggests that private enterprises also have access to state funding, especially when their overseas mineral operations are strategically relevant to China's industries. The diplomatic and financial support for the Morowali project, for example, illustrates how China's economic strategy can benefit more commercially-oriented considerations, resulting in a project led by a private enterprise and hosting factories which manufacture batteries for electric vehicles.

1.3 Deals for infrastructure financing backed by mineral resources

In some of the mineral investments reviewed, it became clear that Chinese investors had purchased projects through international tenders. One such example is the *Marcona iron mine* in Peru. The Shougang Group won the mine with a bid of US \$118m and promises of further investments when the government privatised the mine in the early 1990s.¹¹¹ Another example is the *Bor copper mine and smelter* in Serbia. After more than a decade of unsuccessful attempts by the government to privatise the asset, Zijin won the tender process with the plan of scaling up production from July 2018.¹¹² These cases suggest that Chinese enterprises took control of mineral projects via the process of competitive tendering.

Apart from this type of acquisition, corporate actors have interests in natural resources abroad through broader agreements with foreign governments. The research has identified one case in DRC and another in Ghana, where Chinese companies and African nations have agreed the financing of infrastructure projects in exchange for a company's stake in mineral assets. Such deals reflect the underdeveloped economies of some host countries that have significant natural resources, along with a need for roads, power plants, schools and other infrastructure. China lacks natural resources but is very experienced in construction and, interestingly, trading resources for financing infrastructures (RFIs) is a model that China itself experienced from the 1980s, when the rapidly industrialised economy of Japan needed raw materials and oil from an underdeveloped China.¹¹³ Since the 'going out' strategy started, China has replicated this model in Africa, swapping its expertise in the infrastructure sector for various natural resources.¹¹⁴ Until 2014, eight per cent of China's RFIs were for metals.¹¹⁵

1.3.1 The Sicomines copper and cobalt deal in DRC

One of the first of this type of mineral deals was the *Sicomines mine* in DRC. An agreement between a Chinese consortium and the DRC government, along with an upfront loan from China Eximbank to the DRC, enabled the consortium to build a number of construction works in exchange for a 68 per cent share of the copper and cobalt Sicomines project in southern DRC (with the local company, Gecamines, as the minority shareholder).¹¹⁶ Significantly, the Sicomines deal was the first of many Chinese projects in the DRC mining industry,¹¹⁷ although the form of investments changed overtime, according to an expert in Sino-DRC relationships.¹¹⁸

The Sicomines arrangement was controversial from very early on, and took two years of negotiations before it was finalised in October 2009.¹¹⁹ The final agreement did not include a fixed amount loan to be used for infrastructural developments, but instead set a maximum of US \$3bn and included the possibility for extensions depending on how the mining venture performed.¹²⁰ A key feature of the deal was that the RFI was structured according to different phases,¹²¹ and the infrastructure financing component was tied to the mine production and revenues over the long-term.

In September 2016, a case study published by the local NGO Afrewatch, documented the effects of a chemical spill from the mining project into a river. The spill severely impacted three villages downstream, including causing health issues, destroying several hectares of farmland, the death of fishes, and contamination of water wells.¹²² Communities were reportedly not included in the

follow-up decisions made about compensation, resulting in flawed calculations of compensation rates and not enough villagers receiving compensation.¹²³

As well as these outstanding damages, reports also indicated that the infrastructure, meant to provide a socio-economic boost to the country, did not bring the expected benefits for the broader Congolese population. A case study reports that a DRC institution found that neither China Railway nor Sinohydro adequately implemented the social and environmental impact studies required, mainly because the two companies were also responsible for quality control management.¹²⁴ As a result, construction works were affected by long delays, higher costs, fast quality deterioration, and poor management control.¹²⁵ After a decade of implementation, the case study concluded that the DRC had exchanged valuable copper and cobalt reserves for infrastructure that had a short lifespan, and neither increased economic activities or improved living conditions in the long-term.¹²⁶

Global Witness pointed out that, with regard to the structure of this RFI, the negotiations took place in secrecy, without any open bidding process, and with the host country taking the major risks. While the fluctuation of mineral prices might affect the mine's performance, the Chinese were indeed ensured a 19 per cent return on their investment.¹²⁷ Another research report stated that the DRC government was in a weak position throughout negotiations, adding that a comprehensive analysis of the economic risks should be undertaken at the conclusion of the programme as the volatile nature of commodity prices affect the profits of the extraction project.¹²⁸

This overview of the Sicomines RFI in DRC shows that, in this case, Chinese companies having the majority stake in a mining project turned out to be harmful for the local population. The mine's performance is tied to the financing of construction works, because China Eximbank receives repayments from the revenues of the mine which reflects the market fluctuations. The deal structure also suggests that the bank has little incentives to monitor the quality of the infrastructures, apart from documenting milestones of the construction projects and ensuring regular repayments from the mining profits. The poor outcomes of the lending programme are exacerbated by having the quality control of the construction works performed by the same Chinese companies responsible for building the infrastructures and with a significant stake in the mining operations.

1.3.2 The Sinohydro bauxite deal in Ghana

Another version of this investment model is the bauxite deal between a Chinese company and Ghana. China has a considerable interest in ensuring steady supplies of bauxite. In 2018, it imported almost 69 per cent of the world's traded bauxite.¹²⁹ Ghana has relatively large deposits of bauxite, but only one significant mining site, currently run by the Chinese company, Bosai, which exports raw materials.¹³⁰ Ghana plans to gain added-value by developing its refining sector so the country can transform the bauxite into aluminium. Previous attempts by investors to do this struggled to achieve profitability,¹³¹ and the industry in Ghana is therefore regarded as untapped potential. Furthermore, China and Ghana already have experience of exchanging finance in return for natural resources.¹³²

Given this, a US \$2bn deal was signed in mid-2018 between the Chinese SOE Sinohydro and the Ghanaian government. Sinohydro would be paid for building infrastructure using proceeds

from the sales of refined bauxite¹³³. According to Bloomberg, the loan was taken by the Chinese enterprise rather than the country, and Ghana undertook to repay the loan with sales from a plant due to be built within three years.¹³⁴ Bloomberg adds that payments are deferred for the three years and will be made in equal instalments over the deal's remaining twelve-year period.¹³⁵

An analyst underlines that the Sinohydro-Ghana deal represents a new RFI model because the upfront financing for construction works is set at a fixed price, and in return for a pre-agreed amount of bauxite.¹³⁶ Although the research could not identify the exact details of the amounts, the analyst states that the agreement is structured in a way that Ghana avoided the risks related to foreign currency supply and price volatility throughout the process of repayment.¹³⁷ As such, Ghana could potentially lose if refined bauxite were to rise in price. However, it also takes away one of the challenges of the Sicomines agreement, namely that a fall in commodity prices would force the country to relinquish more resources than expected in repayment.

In the three years since the RFI was signed, the deal has become a matter of fierce controversy because the earmarked location for bauxite exploitation is the *Atewa Forest*, one of the major evergreen forests in Western Africa. While more details on the case are provided in section 2.2.2, the threats posed by bauxite extraction to biodiversity, water resources, and people's livelihoods have led civil society organisations (CSOs) to advocate for the protection of the area ever since bauxite exploitation began unsuccessfully in 2012, under a previous investor.¹³⁸

A case study provides further information on the background to the Sinohydro deal. In 2017, China and the newly-elected Ghanaian government signed a preliminary Memorandum of Understanding which laid down the basis of the agreement.¹³⁹ The Ghanaian government ignored calls to undertake a strategic impact assessment to identify the impacts of potential mining sites, and, in August 2018, established a new authority – Ghana Integrated Aluminium Development Cooperation (GIADEC) – to develop the bauxite-aluminium industry (mining, refineries, smelters, and downstream industries).¹⁴⁰

Shortly after, the Ghanaian Embassy in China disclosed details about the first phase of constructions, comprising ten projects, one specifically related to the rehabilitation of roads in bauxite areas.¹⁴¹ The communique specifies that the US \$2bn worth of construction across the country being built by the Chinese firm are 'in exchange for the delivery of Ghanaian manufactured aluminium products to Sinohydro'. It also confirms that the deal 'has necessitated the establishment of GIADEC' to oversee the development of the full value chain of the country's bauxite resources.¹⁴²

This new version of an RFI might mitigate some of the risks that underpinned the Sicomines deal, such as the Chinese firm taking on the loan instead of the host country, and a mechanism that protects the host country against the volatility of commodity prices for repayments over the long-term. In addition, because the repayments are made through the sale of refined bauxite, this supports Ghana's plan to capture added value. The Chinese company is not directly bound to owning mining projects. However, from the information available, it is unclear which companies will have majority ownership and run operations, at the new bauxite-related facilities. Furthermore, desk research did not uncover specific information about the mechanisms put in place to monitor the quality of roads and other infrastructure built by the Chinese company.

Even though Ghana may use alternative sources to pay back the Chinese firm if the revenue from the earmarked bauxite project is insufficient to meet instalments,¹⁴³ GIADEC was purposely established to develop the industry and the sales of refined bauxite to Sinohydro, within a three-year period. As such, the Chinese firm could reasonably be considered at least partially complicit in any of the controversial choices, practices, and negative impacts resulting from the deal. There is more information about the Atewa Forest case later in this paper, but it is not surprising that the deal has already become very political in Ghana.¹⁴⁴

The Sicomines project in DRC, and the Atewa Forest bauxite deposits in Ghana, illustrate the challenges facing community advocates searching for accountability. Project performance and mineral supplies are being used as collateral for infrastructure financing, in agreements between Chinese players and host governments. As a result, sustainable solutions to addressing negative impacts and social and environmental risks at project level, are inserted into wider power networks underpinning bilateral deals. Local populations negatively affected by resource extractions may find it increasingly difficult to resolve problems, because mineral operations are connected to the building of infrastructures in the country. Because of this, host governments might further limit the political space available for addressing outstanding issues arising from mining operations.

Key findings of sections at 1.3

- Aside from projects acquired through tender processes opened by foreign governments, Chinese enterprises also have interests in overseas mineral assets established through broader bilateral agreements with host countries in which infrastructure is financed in exchange for mineral resources (RFI). This research has identified two cases of mineral RFI deals:
 - A key element of the Sicomines deal in DRC is that infrastructure financing is tied to the long-term performance of the mine, and the volatility of commodity prices could affect the host country's ability to repay the loan using the mine's revenues. After about a decade of implementation of the deal, local communities have been negatively affected by the operations at the mining site, while the infrastructure projects that have been built are poor quality, and show signs of rapid deterioration;
 - In Ghana, the RFI has different features; the Chinese company does not own the mine, and there is a mechanism included in the RFI which protects the home country from fluctuations in mineral prices. However, this deal is controversial because the earmarked location for bauxite exploitation is an evergreen forest. Ghana has to start repaying its Chinese counterpart with sales of refined bauxite within a limited period; Sinohydro, therefore, can be considered complicit in problems arising from the deal;

- In RFI deals, advocates can face significant challenges when searching for accountability for the negative impacts of mining operations. Project performance and steady mineral supplies work as collateral for financing infrastructures agreed between Chinese investors and host governments. As a result, any sustainable solutions that address the social and environmental risks and impacts arising from mineral extraction, are inserted into the wider power networks that underpin bilateral deals, and host governments may further limit the political space available to discuss accountability for outstanding issues.

Chapter 1 conclusions

Chapter 1 has found that different types of Chinese enterprises are active in mineral investments abroad. Aside from public and private companies, the leading role played by SOEs should be investigated closely as their corporate structures may link non-Chinese investors to their overseas activities. Furthermore, many controversial projects reviewed for this study show that companies have also established joint ventures with non-Chinese firms, including multinational mining corporations. As a result, it is important to stress that Chinese-led harmful mineral projects should be meticulously investigated and profiled. The influencing strategies used by advocates might need to target multiple corporate actors. Although disclosure of information about project financiers is still weak, research findings show that SOEs have a preferential access to state-backed funding from both policy banks (which serve China's economic interests), and commercial banks (driven more by commercial interests). Closer examination of the only identified case of a private firm receiving both state-backed capital and high-level diplomatic support, shows that China's national economic interests can interact with commercial considerations to ensure steady supplies of mineral-based products that are strategically relevant to China's industries. Finally, there is an urgent need to look at controversial mines in RFI deals beyond the project level, as extraction activities are inserted into the wider power networks that underlie investment arrangements between Chinese companies and the host country's governments.

After these initial reflections on the diverse nature of the Chinese enterprises in our study, and their investment arrangements in foreign countries, Chapter 2 looks at the advocacy actions taken by communities, and the organisations that support them, to counter adverse risks and impacts created by the projects reviewed.

2 Actions taken to address projects' risks and negative impacts

All the mining investments reviewed in this paper have raised grievances from communities and/or civil society organisations because of the adverse risks and negative social and environmental impacts of the projects. Data collected during desk research shows the variety of actions undertaken by groups to raise awareness about the problems, mitigate risks or address these impacts. Industry analysis, media reports, and NGO studies are used as the main source of information for the following chapters.

Because all findings are limited to what community stakeholders and reporters have released publicly about their advocacy activities – with some information not being disclosed because of safety concerns and other considerations – what follows is not a full account of all the initiatives undertaken. Nevertheless, this chapter does include details of actions undertaken in response to threats posed by Chinese mineral investments, ranging from protests on the streets to strategic communications with Chinese stakeholders.

2.1 Examples of community protests turning into violent conflicts and follow-up actions

Table 6 Chinese overseas projects mentioned at 2.1

| Name of the project | Country | Chinese and (non-Chinese) firms owning the project |
|--------------------------------|------------------|--|
| Mirador | Ecuador | China Railway Construction Corp. Tongling Nonferrous Metals |
| Las Bambas | Peru | MMG Ltd CITIC Metal Guoxin International Investment |
| Letpadaung | Myanmar | Myanmar Wanbao (Union of Myanmar Economic Holdings) |
| Ramu Nico | Papua New Guinea | China Minmetals Corp (Conic Metal) |
| Toromocho | Peru | Aluminium Corp. of China |
| SMB | Guinea | China Hongqiao Group (Winning International Group) (UMS Group) |
| Indonesia Weda Industrial Park | Indonesia | Tsingshan Group (Eramet Group) |
| Bor | Serbia | Zijin Mining Group (RTB Bor) |

The human rights abuses in the *Mirador copper mine* in Ecuador, are reportedly linked to environmental issues, such as the risk of water being contaminated by the mine's open pit and waste treatment facilities.¹⁴⁵ Some of the large-scale operations of the mine are located in the protected

forest of the Condor highlands, one of the richest areas for biodiversity in Ecuador. Thousands of hectares of forests and animal species have been affected by the project.¹⁴⁶ Opposition to the mine began when the plans for exploitation first became publicly known (more information about this resistance in section 3.2.2).¹⁴⁷ According to a local organisation, social conflicts erupted at the mining site in mid-2014, because of alleged cooperation between the company's private security forces and the police in tearing down a school and other community facilities¹⁴⁸. By late 2015, there were reports of controversial tactics being used to occupy people's land, and the forced evictions of dozens of villagers, including children and elderly people.¹⁴⁹ Between September 2009 and December 2014, three Indigenous Shuar leaders were killed, and local leaders were criminalised for defending their territories against the mine.¹⁵⁰

At the *Las Bambas* mine in Peru, serious questions about the lack of adequate consultations led to community protests, demanding the implementation of health, safety, and environmental protection measures.¹⁵¹ The violence is reportedly connected to an agreement between the mining company and the Peruvian national police, and allegations about the police's repeated use of excessive force¹⁵² in encounters such as clashes in September 2015 (that reportedly left three protesters dead and 15 injured), and 2016 (when a local activist was allegedly killed by a bullet fired by a police officer trying to break up protests)¹⁵³. There have also been reports of persistent judicial harassment of grass-root activists.¹⁵⁴

In the post-conflict context of Myanmar, environmental pollution and forced displacement caused by the construction of the Chinese and military-backed *Letpadaung copper mine*, prompted thousands of villagers to take to the streets in November 2012.¹⁵⁵ Riot police brutally cracked down on the demonstrations, reportedly using incendiary phosphorus shells, teargas, and water cannons; dozens of people were injured, including monks.¹⁵⁶ According to Amnesty International, over a hundred people were injured during the violent repression of the mobilisation, with some suffering lifelong disability as a result.¹⁵⁷ Two years later, violent confrontations between villagers and company workers trying to seize community land, led to the alleged death of a woman and the injuring of other community activists.¹⁵⁸ A police crackdown was also reported in March 2017, when rubber bullets were fired at villagers blocking a company road; several people were wounded.¹⁵⁹

There have been other social conflicts linked to Chinese overseas mineral investments, including: at the *Ramu Nico nickel project* in Papua New Guinea over working conditions and outstanding land issues;¹⁶⁰ the *Toromocho project* in Peru, over issues related to pollution¹⁶¹ and the resettlement process;¹⁶² and in the Boke region of Guinea, where also the *SMB consortium* operates bauxite projects.¹⁶³ According to Human Rights Watch, the negative impacts of bauxite extraction in the Boke region – which has affected people's livelihoods, health, and access to water – have prompted repeated community protests from 2015 up to 2017, when anti-mining mobilisations paralysed the region.¹⁶⁴ During the coronavirus pandemic, workers demonstrated to demand that lockdown safety measures be adopted at the *IWIP nickel project* in Indonesia; these demonstrations were violently repressed and eight people were arrested.¹⁶⁵

These examples from Ecuador, Peru, and Myanmar demonstrate how Chinese investors have tended to ignore community concerns and grievances, fueling local protests and resistance. Protests have been violently repressed, raising concerns for the security of local activists and human rights defenders.

The sources consulted for this research do not provide information about how the relationships between companies and affected communities in the investments cited above, have evolved.¹⁶⁶ Further reports suggest that in two cases, one in Guinea and one in Myanmar, the community mobilisation attracted the attention of Chinese corporate actors and, following the violent incidents, some sort of concessions were made to local villagers. In other circumstances, analysed in section 2.1.2, the agencies in host countries also responded to the community mobilisation with initiatives aimed at mitigating the adverse impacts caused by Chinese mineral activities.

2.1.1 Actions taken by enterprises to address social conflicts in Guinea and Myanmar

The Human Rights Watch study of the *SMB bauxite project* in Boke region, Guinea, found that following the anti-mining protests of 2017, the consortium owning the mine adopted a system which rewarded communities that did not disrupt their operations.¹⁶⁷ It consists of giving, every three months, bags of rice to villagers living near the area of operations if they did not interfere with the company's activities. Some villagers consider the system outrageous given their unresolved demands to the company.¹⁶⁸ The study reports that while SMB's personnel did visit villages to listen to concerns, they rarely followed up on complaints and frequently made promises that were not kept.¹⁶⁹ In an interview, a human rights lawyer commented that the affected stakeholders' complaints about pollution problems 'have now been internalised as a sort of routine for the companies', with the consortium making small compensations when such complaints are made.¹⁷⁰ She adds that, even if SMB initiated Corporate Social Responsibilities (CSR) activities to support livelihoods, these would not mitigate negative impacts such as health problems, disruption of water resources, and lack of adequate rehabilitation of extraction sites.¹⁷¹

In the case of the *Letpadaung copper mine* in the northwest of Myanmar, the violent repression that took place there was investigated by the country's parliamentary commission, but the results of the investigation have been widely criticised for supporting continuation of the project.¹⁷² When the operation was suspended, Wanbao committed to investing US \$2bn annually into improving environmental protection, and stated that it would put two per cent of its net profits towards CSR activities.¹⁷³ Despite these initiatives, field research conducted in mid-2014 found that there were still outstanding problems with Wanbao's programme: a lack of community group representation had resulted in elite-driven CSR activities; top-down communications on how public meetings were conducted; a lack of follow-up actions on the demands made by marginalised groups; and, overall, an inability to develop initiatives capable of meeting the urgent needs of the villagers.¹⁷⁴ The research concluded that Wanbao's support for community projects still had a long way to go to reverse past damages and increase people's trust of the company.¹⁷⁵

Initiatives undertaken by these two companies are a long way away from addressing the structural problems caused by their mining operations. While the enterprises have promoted CSR activities in response to community concerns, they have failed to recognise villagers' needs, or encourage ownership by community stakeholders.¹⁷⁶ Studies conducted by independent researchers in Guinea and Myanmar show that the strategies adopted by these companies do not coherently identify social and sustainable development issues or take a human rights-based approach to problem resolution.

Rather than pursuing compliance with accountability issues, they instead promote CSR activities that have little community ownership, risk exacerbating injustices and increasing the suffering of the most marginalised members of the affected communities.

Outstanding grievances can, sometimes, compromise a company's planned activities. While the SMB consortium was able to obtain new bauxite concessions in the Boke region in 2018,¹⁷⁷ Wanbao's request to study the possibility of new mining activities in the northwest of Myanmar was met by a new wave of protests and the request was turned down by the regional government in September 2019.¹⁷⁸

2.1.2 Host government agencies ordering specific measures against Chinese investors

In the case of the Letpadaung copper mine, the Myanmar government commissioned an investigation into the violent repression of the protests. And in similar cases featured in this paper, agencies in other host countries have also responded to protests about the projects by first verifying the alleged problems, and then ordering Chinese enterprises to take measures to mitigate the problems.

Rural villages along the roads connecting the *Las Bambas mine* to the seaport for international shipments, have been significantly impacted by an increase in the number of lorries using the route to transport copper concentrate and chemicals. Following a country visit in 2017, the United Nations Working Group on Business and Human Rights found that as many as 300 trucks a day were driving on the unpaved roads causing trembling, creating clouds of dust, and endangering livestock.¹⁷⁹ Despite the violent crackdown and judicial harassment of activists (see paragraph 2.1), communities have continued to organise road blocks along this corridor.¹⁸⁰ From the information available, it appears that, in 2017 and 2018, Peruvian authorities declared at least seven states of emergency in response to protests, severely limiting people's fundamental rights.¹⁸¹

In mid-2019, following the protests, Peru's Environmental Assessment and Enforcement Agency made inspections of the affected areas, and found that the mining company had violated regulations on noise, air, soil, and water pollution.¹⁸² As a result, the agency ordered the Chinese venture to take various environmental protection measures, such as applying dust suppressants, restricting transit at night-time into towns, and installing GPS systems to verify that transport trucks were complying with these measures.¹⁸³ Though these measures might well mitigate some of the impacts felt along the mining corridor, there is no information as to whether the company has complied with the order. According to the Zijin Mining Group's 2018 Annual Report, and an industry analyst, the company purchased a majority stake of the *Bor copper project* in Serbia, and committed to invest in unspecified technological upgrades, or make investments to improve environmental protection.¹⁸⁴ It appears, however, that as of October 2019, these commitments have not been honoured. Residents of Bor have struggled with excessive air pollution, significantly above the legal threshold,¹⁸⁵ with some forced to stay at home because of the high level of toxic substances in the air. An online mining platform reports that local activists held months of protests because of the pollution coming from the mining basin.¹⁸⁶

Following these protests, the Serbian Ministry of Environment conducted air quality controls in the area affected by the Bor project; inspectors found that air pollution was at least five times higher than statutory limits.¹⁸⁷ A media report added that the Ministry started proceedings against the Chinese investor because of the statutory breaches in November 2019 and in January 2020.¹⁸⁸

Communities local to the *Ramu Nico mine and nickel sulphate plant* in Madang province, in Papua New Guinea, have opposed the project and, for decades, have been raising concerns about the risks posed to marine life by the project's waste treatment system, known as deep-sea tailing disposal (DSTD).¹⁸⁹ The international news platform, Mongabay, reported that after a relatively small spill in April 2019, the governor of Madang hired a Swiss consultancy firm to conduct an impact assessment of the project's environmental performance since mineral operations began in 2012.¹⁹⁰ As the team of consultants carried out testing, there were reports of three more slurry spills, including one in August 2019 which released 200,000 tons of toxic waste into the sea.¹⁹¹ This disaster destroyed marine life, and caused skin diseases to affect villagers who bathed in the ocean. As a result of the high levels of water contamination, authorities announced a fishing ban which significantly impacted the livelihoods of the local fishing communities.¹⁹² The governor called the spillage one of the worse environmental disasters in the country's history.¹⁹³ The consultancy firm confirmed that the area was contaminated by very high concentrations of heavy metals.¹⁹⁴

Local stakeholders reportedly invited the Chinese company to support the consultancy team, and cooperate with them to find a joint resolution. Instead, the firm openly criticised the impact assessment as it did not receive approval from a national-level authority. This authority, in turn, had commissioned parallel studies focused on the latest spill's impacts only, excluding a broader investigation of the long-term environmental impacts of the DSTD since the project's start.¹⁹⁵

The Ramu Nico case shows how the Chinese investor tried to take advantage of the difference in views between local and national institutions, to promote the latter's limited studies.¹⁹⁶ In early 2020, national authorities, including the Papua New Guinea Minister of Environment, and the Prime Minister, tried to clarify the situation by appointing an interagency investigation into the spills.¹⁹⁷ This initiative appears to be now on hold since a coalition of 5,000 villagers, supported by the provincial government of Madang, filed a lawsuit in February 2020, against the Chinese company using the findings of the consultancy team to illustrate the long-term environmental impacts of the project's waste dumping system.¹⁹⁸

The situation at the Ramu Nico project, along with measures taken to address environmental issues at Las Bambas and Bor mines, demonstrates how sustained community mobilisation can trigger government authorities to investigate pollution issues, and act on any violations found. While such measures are certainly limited in scope, and do not address all the outstanding problems,¹⁹⁹ these cases do show that, depending on the host country's regulations and their enforceability, community mobilisation about environmental damage, can influence an agency in a host country to investigate and, when appropriate, uphold grievances related to Chinese mineral operations.

Key findings of sections at 2.1

- Community mobilisation, often repressed, has sometimes led Chinese companies or host governments to try to address concerns, either by undertaking (problematic) CSR initiatives or ordering (limited) measures against companies:
 - In two cases, following people’s protests, Chinese enterprises promoted CSR activities rather than pursuing a rights-based approach to problem resolution. The companies’ community development initiatives, however, only exacerbated injustices by reportedly failing to acknowledge the needs of villagers and generate ownership among community stakeholders;
 - In three other problematic projects, protests resulted in either environmental agencies investigating allegations of pollution, or local authorities commissioning an impact study on contamination issues. Although authorities’ investigations are likely to be limited in scope, and do not address all the outstanding issues, these cases do suggest that local stakeholders’ concerns about the deterioration of environmental conditions can influence an agency in a host country to investigate and, when appropriate, uphold people’s grievances by ordering measures be taken to mitigate the environmental impacts of Chinese mineral operations

2.2 Legal claims against actors involved in Chinese overseas mineral investments

Table 7 Chinese overseas projects mentioned at 2.2

| Name of the project | Country | Chinese and (non-Chinese) firms owning the project |
|---------------------|------------------|---|
| Ramu Nico | Papua New Guinea | China Minmetals Corp (Conic Metal) |
| Rio Blanco | Ecuador | Junefield Mineral Resources Hunan Gold Corporation |
| Atewa Forest | Ghana | (GIADEC) Sinohydro |
| Hwange Park | Zimbabwe | Afrochine Energy Zimbabwe Zhongxin Coal Mining |

The overview of the *Ramu Nico nickel project* shows how toxic spills caused by failures of the project’s DSTD system had devastating impacts on the local population and marine ecosystem. The lawsuit filed by local stakeholders sought US \$5.2bn compensation, a legal order to stop the dumping of mine waste into the ocean, and remediation of contaminated waters.²⁰⁰ The plaintiffs’ lawyer reportedly stated that the lawsuits’ demands were also intended to send a message about the social consequences of such project failures.²⁰¹ This study finds that litigation strategies have also been pursued against other Chinese mineral investments.

2.2.1 Rio Blanco mine, Ecuador

The *Rio Blanco* gold and silver mine near the Cajas National Park, in Ecuador, has affected Indigenous communities since the project started under a previous investor in mid-1990s.²⁰² A case study published in 2013 reported that lack of prior consultations, risks to water resources, and harassment of community activists were taking place before Junefield acquired the project in 2012.²⁰³ Villagers, however, stated that the previous owner of the project had at least maintained relationships with the community through job offers and promises of development projects. When the Chinese firm took over, however, communications reportedly stopped and employment opportunities fell.²⁰⁴ Furthermore, villagers started seeing the impact of pollution on local streams and, in the second half of 2017, tensions grew with the company's private guard.²⁰⁵ In May 2018, social conflicts escalated when four Indigenous human rights defenders were kidnapped by a group of men believed to work for the company and accused of being responsible of an arson attack at the mining camp.²⁰⁶

According to a Chinese news platform, a key moment in the case came in early 2018, when Rio Blanco villagers learned of their right to free, prior, and informed consent (FPIC) and requested assistance from an Indigenous Peoples confederation.²⁰⁷ As several villagers used Kichwa names to identify themselves, and records in a nearby church proved that Kichwa people had lived in the area previously, local communities were able to self-determine themselves as Indigenous Peoples and access legal assistance from the confederation.²⁰⁸

In early June 2018, a lawsuit was lodged, arguing that the Indigenous Peoples' right to FPIC had been violated. A local judge ordered that mining operations be suspended and that the area be demilitarised.²⁰⁹ According to a regional media outlet, the ruling found that the mining project had violated two articles of Ecuador's 2008 constitution mandating the government to provide public hearings in communities that may be environmentally affected by nearby projects.²¹⁰ Weeks later, the Ecuadorian government appealed, but the provincial court confirmed the ruling of the lower court.²¹¹

Although the Ecuador government escalated the case to the constitutional court,²¹² (and a subsequent international dispute, initiated by the Chinese firm in early 2020²¹³, increased the uncertainty about the mine's future), community's use of the host country's judicial system was able to stop, at least temporarily, Chinese mining firms from causing further harm. Strategic litigations arguing authorities' wrongdoings in protecting people's rights have also been used in relation to two other Chinese mineral investments on the African continent: the cases of the Atewa Forest and Hwange National Park.

2.2.2 Atewa Forest, Ghana

As discussed earlier in this paper, the agreement to repay infrastructures built by Sinohydro with the sale of refined bauxite from the *Atewa Forest* mine, has been opposed by conservation groups. Activists have tried different ways of saving the forest, including issuing joint research publications about the rich biodiversity of the forest's ecosystem,²¹⁴ organising marches and public demonstrations,²¹⁵ building coalitions with international organisations,²¹⁶ and arranging petitions.²¹⁷ Despite all this work, GIADEC, the organization responsible for bauxite projects under the Sinohydro deal, started clearing access roads to the summit of the *Atewa* forest in mid-2019.²¹⁸

In July 2020, activists lodged a court case against Ghana's government. An international media outlet reported that the lawsuit before the High Court alleged the government's failure to guarantee citizens' constitutional rights to a clean and healthy environment, and their right to protect that environment for future generations.²¹⁹ A local news platform reported that the plaintiffs' writ sought an order compelling the government to declare the forest as a protected zone and take steps to protect it, in accordance with its constitutional duties. It added that plaintiffs were not against the government's plan to mobilise revenues for national development by exploiting Ghana's natural resources, but that they opposed the exploitation of the Atewa Forest in particular, because bauxite reserves could be extracted from the country's other deposits.²²⁰

The progress of this lawsuit is unclear at the time of writing,²²¹ but the case shows how environmentalists have used the law to challenge mineral exploitation plans by the Ghanaian government which are part of investment arrangements with Sinohydro. While activists may not oppose selling refined bauxite to repay the building of infrastructures, litigation related to the government's decision to exploit the Atewa Forest put at stake the investment deal with the Chinese company.

2.2.3 Hwange National Park, Zimbabwe

Environmental groups have also used legal means to oppose planned mining operations by Chinese companies in the *Hwange National Park* of Zimbabwe. The park is a major natural reserve of wildlife, and the area earmarked for mining activities is near water resources that provide safe habitats for endangered species.²²² Local stakeholders are concerned that mineral exploitation would cause irreversible ecological degradation, and affect residents who depend on local tourism for their livelihood.²²³

According to local media, special permissions were issued by the country's President to two Chinese investors,²²⁴ Afrochine Energy and Zimbabwe Zhongxin Coal Mining Group.²²⁵ In September 2020, following preliminary mining-related operations in Hwange, a local environmental NGO filed an urgent application to the High Court. The application reportedly argued that no environmental impact assessment had been conducted before the special permissions were granted, and that lack of consultation by various ministries before granting such permissions violated the country's laws.²²⁶ A local industry media outlet added that the claim was lodged against the mining companies and two government institutions: the Ministry of Mines and the Environmental Management Agency.²²⁷

The legal action, along with weeks of online campaigning in support of protecting the Hwange National Park from exploitation plans,²²⁸ appears to have had a significant impact in the aftermath of filing the court papers. According to the BBC, within days of the legal action, and as a result of an urgent cabinet meeting, Zimbabwe's Information Minister announced the cancellation of all mining titles held in national parks, and a ban on mining along most riverbeds.²²⁹

Two days later, the Chinese Embassy in Zimbabwe issued a public statement in support of the government's measure to promote sustainable development of mining, and to protect the ecological environment.²³⁰ The statement also called on Chinese enterprises operating in the country's mining sector to enhance social and risk awareness, control and self-examination, safe production, and awareness of rights protection.²³¹

2.2.4 Observations about litigation strategies and responses by Chinese actors

This section has examined four Chinese mineral investments challenged by activists through litigation. While the future implications of the legal claim regarding the Ramu Nico project remain unclear, the court case and impact study about the long-term harms caused by the project's DSTD may have influenced the withdrawal of plans for similar dumping facilities to manage waste produced by Chinese-owned smelters at the Morowali Industrial Park in Indonesia.²³²

In the case of the Rio Blanco mine and the Atewa Forest's bauxite deposits, environmentalists made legal claims alleging that the host governments had failed to uphold people's constitutional rights. This legal strategy was successful for the Rio Blanco mine, with the rights of Indigenous People to FPIC upheld, at least temporarily. In the case of Atewa Forest, the lawsuit challenged interests held by a Chinese company for the development of Ghana's bauxite sector. In the Hwange National Park, the lawsuit alleged that authorities committed procedural violations in granting permits to Chinese coal mining companies, allegations that contributed to the government's announcement to ban extractive projects in protected areas.

The response of Chinese firms, in these cases, is either unavailable, defensive, or aggressive. The research was unable to find what company reactions had been in the Atewa and Hwange cases, but, in the Ramu Nico project, the Chinese company dismissed the findings of an independent impact study²³³ used by local stakeholders to support their lawsuit. In the Rio Blanco case the Chinese firm initiated proceedings against the Ecuadorian government.²³⁴

The response of the Chinese Embassy in Zimbabwe, reveals a different attitude. The Embassy's communique came after the government had announced a ban, because of legal claims and campaigns by activists targeting Chinese firms. As such, the statement by a key Chinese institution in a foreign country is a rare example of public communication that steams from people's opposition to Chinese interests in the country's mining sector.²³⁵ Commenting on another version of the Embassy's statement released on Twitter, the China Africa Project confirmed that such public calls for greater transparency by a Chinese Embassy – rather than through official channels – are unusual.²³⁶

Key findings of sections at 2.2

- The projects review has identified four cases where communities made use of their country's judicial system to address problems. In three of these cases, litigation strategies alleged that host governments had failed in their duty to protect people's constitutional rights against the risks posed by Chinese mineral investments, and had committed procedural violations by granting permits;
- In some cases, legal proceedings produced positive results for the communities, including the temporary suspension of the Rio Blanco mine in Ecuador, and a government ban on mining projects in protected areas of Zimbabwe;
- The responses from Chinese companies to people's actions were either unavailable, defensive, or aggressive, though the public statement from the Chinese Embassy in Zimbabwe suggests a different reaction is possible, supporting the government's decision to uphold activists' concerns about high-risk Chinese-led mining operations in the host country.

2.3 Advocacy within mineral projects' investment and supply chains

The following sections look at the strategies used by those affected, and those supporting them, in relation to the supply chain of two mineral projects. The first case analyses the human rights violations linked to a cobalt smelter owned by Zhejiang Huayou Cobalt Ltd (Huayou Cobalt) in DRC, and the pursuit of accountability throughout the project's downstream buyers. The second case looks at the upstream investors and financiers of a zinc, lead, and silver mine in Indonesia, partially owned by China Nonferrous Metal Industry's Foreign Engineering & Construction.

2.3.1 Identifying project's downstream buyers

A 2016 report by Amnesty International and Afreewatch documented the conditions under which artisanal miners extract cobalt in the southern part of DRC, and also shed light on the ore's traceability to some of the world's largest technology and car companies.

Drawing on field visits and workers' interviews in the area around Kolwezi and two other cities in the former province of Katanga, the report found that the vast majority of miners lacked basic protective equipment, many suffered respiratory diseases, and that fatalities at the extraction sites went largely unreported.²³⁷ Furthermore, it found evidence of the worst forms of child labour, such as children being used for physically demanding work, children forced to drop education, and children subjected to beatings by security guards at the artisanal mining sites.²³⁸

A key buyer of the raw minerals extracted in such harmful conditions was a cobalt smelter fully-owned by Huayou Cobalt in southern DRC. After smelting the raw materials in DRC, Huayou Cobalt exported the ore to its parent company in China.²³⁹ The report uncovered supply chain relationships between Huayou Cobalt and battery component producers, battery makers and, ultimately, consumer-facing technology and car corporations, including Apple, Samsung, LG, Huawei, Microsoft, Volkswagen, and Sony.²⁴⁰

Although some of these companies denied their links to Huayou Cobalt's unlawful sourcing practices,²⁴¹ the report raised awareness of the risks associated with products containing cobalt by the corporations cited in the publication.²⁴² Nearly two years after the report was published, Amnesty International released *Time to Recharge*, a new study that assessed the extent to which those companies had reviewed their human rights due diligence (HRDD) with regard to products containing cobalt from DRC.²⁴³ In mid-2020, SOMO and Amnesty International, along with other partners, followed up *Time to Recharge* with an assessment of the HRDD of major insurance groups with potential links to DRC's cobalt industry.²⁴⁴

While the report stated that none of the HRDD conducted by the battery, technology, and car companies reviewed in 'Time to Recharge', fully met international standards,²⁴⁵ it did provide insight into Huayou Cobalt's response to the allegations.²⁴⁶ It is worth noting that Huayou Cobalt reported its follow-up undertakings because of public scrutiny and pressure exercised by downstream customers, following the release of the first investigative report.²⁴⁷

After the 2016 report, Huayou Cobalt sent Amnesty a private letter acknowledging the inadequacy of past efforts to investigate the risks and abuses in its supply chain.²⁴⁸ Among other initiatives, the company sent representatives to consult with experts of the Organisation for Economic Co-operation and Development in Paris, met with mining officials in DRC, and organised field visits to one of the sites where violations had been documented.²⁴⁹ From an institutional point of view, Huayou Cobalt adopted a supplier policy that was reportedly integrated into agreements with local traders.²⁵⁰ Furthermore, the Chinese company engaged with RCS Global, a global mining consulting firm, to map its supply chain back to mining sites, identify risks, and develop a management system in line with international standards.²⁵¹

Although these measures were an improvement in tackling child labour and transparency,²⁵² they also demonstrated the limits of Huayou Cobalt's disclosure,²⁵³ the risk of further harms, and the company's inadequate commitment to remediate past violations. While the company committed to tackle child labour it was unclear, for example, what measures it had taken to address the health issues of adult workers.²⁵⁴ And considering the types of artisanal sites connected to its smelter facility, some of the initiatives it proposed, risked continuing human rights abuses.²⁵⁵ Amnesty reported that in November 2017, it was unclear what remediation efforts had been made to harmed children.²⁵⁶ A lawsuit filed in Washington DC at the end of 2019 accusing tech giants of aiding and abetting deaths and serious injuries of Congolese children through their supply link with Huayou Cobalt²⁵⁷, suggested that the Chinese firm's initiatives were either inadequate, compared to the harms suffered, or not sufficient to prevent further injustices.

This case illustrates how the combination of the investigation into unlawful working conditions at the artisanal mines supplying Huayou Cobalt's cobalt smelter, the identification of consumer-facing corporations along the smelter's downstream supply chain, and sustained pressure on companies to improve their HRDD practices, had encouraged Huayou Cobalt to commit to a risk mitigation process. The outcomes of this mitigation process, however, show that the company is still exposed to human rights risks.

The project context, however, might have partially influenced these concerning outcomes. Another initiative by the Chinese firm, at the Kasulo mine, suggests it has taken steps to improve the situation in the Congolese artisanal cobalt mining sector. The southern DRC, where Chinese and multinational mining companies operate,²⁵⁸ is rich in natural resources but lacks governance capacity to harness these resources to help people.²⁵⁹ According to Mark Dummet, a Researcher at Amnesty International, artisanal mining may still be the best opportunity that many people in the area have to earn a wage, despite the risks associated with the job.²⁶⁰ Initially, Huayou Cobalt was aware of such circumstances and started the risk mitigation process for its supplier of artisanal cobalt.²⁶¹ The Financial Times states that after the lawsuit in Washington, Huayou Cobalt stopped sourcing from artisanal mines but, as of May 2020, remained committed to cobalt formalisation projects.²⁶²

One of these pilot projects is the Kasulo mine in the Kolwezi area. Huayou Cobalt began working on this mine in July 2018, in partnership with RCS Global.²⁶³ Mark Dummet reports that this mine is one of the very few pilot projects where industry players, government officials, and workers have worked together to make the project free from children exploitation, and improve the safety of artisanal mining. Challenges, however, remain. On the one hand, former residents, for example, reported that they were not fairly compensated for their losses. On the other hand, mining companies provided safety equipment and training to artisanal miners, and sites were fenced off so that no children could work there.²⁶⁴

2.3.2 Identifying project's upstream investors

The Dairi Prima Mineral project in North Sumatra, Indonesia, is another example of a Chinese overseas mineral investment where investigations made by community advocates into the project have created new advocacy opportunities. The mine poses significant environmental and social risks because of the planned tailings dam (a facility used to manage left over waste materials after mineral processing) associated with the project. A study by a consultant engineer with expertise in dam safety and seismology, found that the mine and tailings disposal facility are located in an area with one of the highest levels of earthquake risks in the world, and at serious risk of flooding and landslides.²⁶⁵ The engineer concluded that, at some point in the future, the tailings would cause a catastrophic dam failure.²⁶⁶ Another expert in mining hydrology also pointed out that the project's environmental impact assessment lacked reliable data on how the tailings would be kept safe during, and after the end of the project's commercial operations.²⁶⁷ According to the hydrologist, the toxic materials generated by the ore extraction process, if not properly neutralised and stored, could cause acid mine drainage, spreading heavy metals into local water resources and forests.²⁶⁸

As well as dam safety, communities have also raised concerns about: planned underground mining operations, air pollution caused by increased traffic, lack of adequate consultation with local communities,²⁶⁹ and the construction of a storage facility for explosives a few metres away from a local settlement.²⁷⁰

A report by Inclusive Development International, an international NGO working with the affected communities, named the corporate actors connected with the Dairi Prima mine.²⁷¹ The project is one of the world's largest zinc reserves, and also contains lead and silver by-products. It is currently owned as a joint venture by a subsidiary of the Indonesian mining company Bumi Resources, and a public subsidiary of the Chinese SOE China Nonferrous Metal Mining (NFC).²⁷² NFC was first involved as a contractor in 2014, then agreed to buy and distribute most of the mine's output, and finally acquired a majority stake in the project in October 2018.²⁷³

The investigation into the project's investment and supply chain also identified a number of other corporate actors exposed to the project: institutional shareholders of the two companies, Chinese banks (connected with NFC either through past lending or potential project financing), another Chinese firm that currently buys zinc from NFC, and the project's customers, including consumer-facing automobile companies.²⁷⁴ A key finding is the indirect link between Dairi Prima and the International Finance Corporation (IFC) (the private lending arm of the World Bank Group), through IFC's equity investment in a Chinese bank that has provided several general purpose loans to NFC, some of which could have been used for the Dairi Prima project.²⁷⁵

From the information available, it appears that community advocates have targeted at least one of the project's upstream actors. The discovery of an indirect link between the IFC and Dairi Prima has provided advocates, using the IFC's social and environmental safeguard policy as leverage, with the chance to file a complaint with the Compliance Advisor Ombudsman (CAO), the independent accountability mechanism of the bank. The complaint was made in October 2019. In March 2020, the CAO confirmed that the complaint met eligibility criteria, accepting what amounts to the first ever complaint to the CAO involving a Chinese financial intermediary,²⁷⁶ but it also stated on its website that, due to Covid-19 restrictions, the period for assessment and consultations with stakeholders has been extended.²⁷⁷

At the time of writing, the outcome of this complaint is unclear²⁷⁸ although detailed research into the project's investment and supply chain has identified Chinese and non-Chinese actors linked to Dairi Prima which may put pressure on NFC and its Indonesian partner, to address the risks on the ground. The project's upstream indirect link to the IFC involves alleged violations of the bank's safeguard policies which, in turn, opens up the possibilities of using the World Bank's accountability mechanisms.

The impact studies conducted by a consultant engineer and a mining hydrologist, both with expertise and professional experience in evaluating geological and hydrological hazards associated with mining projects, provided a technical and independent evaluation that confirmed people's concerns regarding the project's high risks.²⁷⁹

Key findings of sections at 2.3

- The cases of the Huayou Cobalt refinery in DRC, and the NFC-led zinc mine in Indonesia, show that by conducting extensive investigations into all those involved in the projects' investment and supply chains, community advocates were able to pursue new advocacy opportunities targeting non-Chinese actors with links to these harmful investments:
 - In DRC, advocates documented human rights violations taking place in cobalt artisanal mines supplying Huayou Cobalt's refinery which, in turn, has supply links with consumer-facing technology and car corporations. As a result of pressure exercised by downstream buyers, Huayou Cobalt began implementing initiatives to identify and mitigate risks and rights abuses. Although these initiatives had limited success, the company also committed to a pilot project that could improve working conditions in artisanal cobalt mines;
 - In the Indonesian case, investigations uncovered various Chinese and non-Chinese actors connected to the mine's investment and supply chain, including an indirect upstream link to a multinational development bank. Communities pursued accountability through the bank's watchdog mechanism; the outcomes of this action are unclear at the time of writing. Advocates also commissioned a consultant engineer and an hydrologist to conduct independent evaluations of the project's risks; the findings by the engineer and the hydrologist confirmed villagers' concerns.

- These two cases illustrate how Chinese firms are highly integrated into the global investment and supply chain of the mineral industry. As well as forming joint ventures with non-Chinese actors (see Chapter 1), it is clear that Chinese firms do not operate in isolation from other corporate actors, but rather multinational corporations and/or banks can entertain business relationships with Chinese enterprises either as upstream investors or downstream customers. Looking into the corporate structure of the projects' ownership, as well as their investment and supply chain, can help identify new actors directly and indirectly linked to harmful projects, and open up new opportunities for pursuing accountability.

2.4 Additional actions undertaken to influence Chinese actors

Conversations with expert practitioners, and a review of relevant literature, suggest that civil society groups have also carried out other types of advocacy activities regarding other problematic Chinese investments in various sectors. This study has found no indication that the initiatives examined in more detail below, were used in relation to the mineral investments reviewed,²⁸⁰ but they are valuable tools that can be used to raise awareness of the risks posed by Chinese actors operating in the global mineral industry.

One of these initiatives relates to attempts by CSOs to build relationships with Chinese academics and think tanks. It is worth noting that the Chinese institutions responsible for overseeing the operations of Chinese enterprises abroad, often lack the capacity to monitor a large number of projects overseas and sometimes rely on think tanks to manage project portfolios²⁸¹. Engaging with Chinese academics in the host country could, therefore, possibly enable information about a project's risks to be passed to research institutions in China and, from there, to company representatives

and regulatory institutions. Although further studies are needed to evaluate the results of such collaborations, one existing example is the cooperation between the international NGO Peace Nexus and the think tank, Kunming South Asia and Southeast Asia International Logistics Research Institute, on project research, decision-making consultation, and dialogue about Chinese investments in Myanmar.²⁸² Furthermore, an expert practitioner interviewed for this study, reported that, given the characteristic behavior of Chinese corporate culture to follow protocols and directives set up by superiors and authorities, groups in Latin America have started to engage with Chinese academics working in the region to understand how Chinese firms work, before developing tailored, influencing strategies.

Expert practitioners also stress that civil society groups play a fundamental role in trying to fill information gaps about projects' risks and adverse impacts. Although establishing meaningful communication with Chinese actors is often challenging – a point that is expanded in section 3.2 – more and more groups are trying to share information using strategic messages carefully designed and tailored for a Chinese audience. This strategy suggests that by quoting breaches of relevant Chinese guidelines regarding overseas investments, communications can be framed constructively.

This research could not find whether such approaches are effective (and under what specific circumstances they might be most effective),²⁸³ and it is also important to note that none of the relevant Chinese guidelines include grievance mechanisms to ensure that social and environmental safeguards are enforced. However, top government institutions such as the State Council, National Reform and Development Institution, Ministry of Commerce, and the Ministry of Ecology and Environment, have played key roles in developing and promoting these standards for overseas projects.²⁸⁴ Consequently, the authority represented by these institutions can be strategically used and, in particular, the specific principles that recur in many of these policies, such as compliance with local laws and regulations, risk management, labour issues, 'green growth' and environmental protection, and social responsibilities.²⁸⁵ Framing communications in a way that quotes relevant Chinese standards and provides, for example, evidence of non-compliance with local laws or elaborating on how investors' risk analysis of people's safety, workers' rights, and environmental issues has been poorly considered by Chinese actors, can be used in strategic messaging.

In addition to strategic messaging, expert practitioners state that civil society groups have tried to fill information gaps related to high-risk projects by raising their concerns with a wide range of Chinese actors. The literature review confirms this and suggests that organisations should try to engage, not only with the local branches of a company, but also with its headquarters, Chinese regulators in mainland China, and authorities in the host country.²⁸⁶

Many Chinese enterprises that have subsidiaries operating in a foreign country, have a strong hierarchical corporate culture so strategic messages directed at a company's headquarters and supervisors in China, could increase the possibility of them reaching the real corporate decision-makers. Furthermore, Chinese institutions responsible for promoting and regulating outward investments often have inadequate information about companies' activities abroad, so strategic communications to these – including government bodies and financiers – can also raise awareness about investments' risks.

Box 1 CCCMC's Guidelines and case-example of leveraging the Guidelines

The work led by the China Chamber of Commerce of Metals, Minerals & Chemical Importers and Exporters (CCCMC), an industry body under the authority of China's Ministry of Commerce, in developing policies for outbound investments deserves particular consideration. The CCCMC's *Chinese Due Diligence Guidelines for Responsible Mineral Supply Chain* and *Guidelines for Social Responsibility in Outbound Mining Responsibilities* (2nd edition) issued in 2015 and 2017, respectively, includes sector-specific policies that apply to all phases of the mineral supply chain. These policies have been developed with the support of international organisations and are among the most comprehensive principles for responsible Chinese investments, including recommendations on due diligence processes, non-complicity in human rights violations, the right to free, prior, and informed consent of local communities and the implementation of environmental and social impact studies throughout the project life cycle.²⁸⁷

SOMO has worked with the local organisation PREMICONGO using the *CCCMC Guidelines* – along with the CCCMC-promoted '*Responsible Cobalt Initiative*' – in relation to a problematic Chinese copper and cobalt mine in south DRC. In a November 2018 report, PREMICONGO used the CCCMC Guidelines to assess the operations of China Nonferrous Metal Mining Corp. Huachin (CNMC Huachin), a subsidiary of the Central SOE China Nonferrous Mining Corp²⁸⁸. The report raised concerns about contraventions of some of the policies included in the Guidelines, such as the violation of local communities' rights to consultation, access to drinking water, safe working environment, labour standards, as well as other human rights infringements.²⁸⁹ The report was used by PREMICONGO and SOMO as the basis of a complaint made to the CCCMC in late 2018, on behalf of the affected community.²⁹⁰

Conversations with the local partner suggest this case is ongoing, but the action undertaken by PREMICONGO and SOMO shows that the CCCMC can be used as an avenue to raise awareness about the risks and impacts of work done by a key Chinese industry group, that also promotes sustainable business practices for Chinese mining firms with global operations.

Finally, Chinese embassies in the host country, and related organisations, also represent entry points to Chinese actors. The commercial counsellor at the Embassy represents and responds to China's Ministry of Commerce (one of the key institutions regulating overseas investments), as well as supporting Chinese enterprises in the host country. Therefore, they have both knowledge about companies' corporate culture and influence over their behaviour. Similarly, the Chinese Chamber of Commerce in the host country could potentially alert enterprises to local issues.

Key findings of 2.4

Expert practitioners and the literature review suggest that communities and civil society groups have carried out other types of advocacy initiatives in relation to problematic Chinese investments in various sectors. These initiatives could also be used to raise awareness about risks posed by Chinese actors operating in the global mineral industry:

- Attempts to build relationships with Chinese researchers in the host country and think tanks in China, so that information gathered might reach company representatives and regulatory institutions, or inform local stakeholders about the background of Chinese enterprises operating in their territories;
- Strategic communications tailored to a Chinese audience that quote Chinese guidelines on overseas investments. These messages can be carefully framed to refer to principles included in voluntary guidelines to overseas investments (that might be familiar to Chinese actors) such as compliance with local laws and regulations, risk management, labour issues, 'green growth' and environmental protection, and social responsibilities;
- Raise concerns with the CCCMC using the sector-specific *CCCMC Guidelines* as the basis for these concerns;
- Address concerns to a wide range of Chinese actors, targeting companies' headquarters where appropriate, to connect with corporate decision-makers, key Chinese government and financial institutions in mainland China that promote overseas investments, as well as Chinese institutions in the host country that often have connections with the Chinese firms that are investing locally.

Chapter 2 conclusions

Chapter 2 has looked at different types of advocacy strategies used by communities to respond to the threats posed by the Chinese mineral investments under review. It has examined how, when people's protests turned into violent conflicts, it prompted two Chinese companies to undertake (flawed) CSR activities in response to grievances and, in other cases, host country's agencies to take (limited) actions against Chinese companies. Community advocates have also used litigation strategies that, in some cases, targeted the host governments' failures of duty to protect people's rights from the repercussions of harmful mineral projects. In two other cases, community advocates investigated projects' investment and supply chains, and acted on findings related to direct or indirect links they uncovered with non-Chinese actors as either downstream buyers or upstream investors. Finally, civil society organisations have also implemented advocacy strategies, ranging from connecting with Chinese researchers and academics to sending strategic messages to a plurality of Chinese stakeholders which could be used to address issues related to mining. Chapter 3 looks at the key challenges faced by community advocates.

3 Challenges faced by community stakeholders

This chapter looks at the key challenges facing community advocates dealing with Chinese actors, as in the cases reviewed in this research. The first section of this chapter reflects on what was known about the risks and impacts related to the project before investment decisions were made; the second part considers issues related to engagement with Chinese investors.

3.1 Limited pre-investment analysis related to social and environmental risks

Table 8 Chinese overseas projects mentioned at 3.1

| Name of the project | Country | Chinese and (non-Chinese) firms owning the project |
|--------------------------------|------------------|---|
| Indonesia Weda Industrial Park | Indonesia | Tsingshan Group (Eramet Group) <i>Other Chinese companies operate refineries in IWIP</i> |
| Minera Exar | Argentina | Ganfeng Lithium (Lithium America) |
| Valedero | Argentina | Shandong Gold Mining (Barrick Gold Corp.) |
| Las Bambas | Peru | MMG Ltd CITIC Metal Guoxin International Investment |
| Porgera | Papua New Guinea | Zijin Mining Group (Barrick Gold Corp.) |
| Salar de Atacama | Chile | (SQM) Tianqi Lithium - <i>through 26% equities in SQM</i> |

This research finds that several Chinese firms have invested in mineral assets abroad without conducting a comprehensive pre-investment analysis of the social and environmental risks associated with these assets. Decisions were taken to invest, despite public reports on the potential impacts of these projects. The Tsingshan Group, for example, acquired a majority stake in the *Weda Bay* nickel project,²⁹¹ even though a 2013 report had raised concerns about the harms suffered by Indonesian ethnic communities. The study found that local villagers had already suffered multiple abuses, including: economic displacement, a violation of their right to FPIC, inadequate and improper forms of compensation, and intimidation of their families to sign agreements with the company.²⁹² In addition, a profile of the project, included in a letter sent to Chinese authorities in April 2020, raised concerns that Tsingshan and its partners had started construction works despite knowing that the environmental analysis, feasibility studies, and other project documents were outdated.²⁹³

The findings of a study conducted by Fundación Ambiente y Recursos Naturales (FARN) into lithium projects in Olaroz-Cauchari salt flat, in the northern province of Jujuy, in Argentina, provide another example of weak pre-investment analysis. One of the reviewed mines is the *Minera Exar*, and the

report by FARN examines the consultation that took place with Indigenous communities, before Ganfeng Lithium started investing in the mine in 2017.²⁹⁴ The study reveals a limited consultation process, given that not all community members participated in the meetings, communication with attendants was one-sided and too technical, and the project proponents only stressed the economic benefits the mine would bring, and did not answer questions about the impacts on water, environment, and health.²⁹⁵ The report also states that the concerns of villagers were in line with what experts found when they analysed the project's expected impacts on the ecosystem and water availability.²⁹⁶ Despite the flawed consultations, a Washington Post investigation reported in 2016 that Minera Exar had reached agreement with villagers in exchange for funding community projects and small annual payments, although many residents were unaware of the details of these.²⁹⁷

These reports show that Ganfeng's acquisition of a majority stake took place without any comprehensive evaluation of the actual risks, in terms of ecological degradation and communities' consent. Flaws in the consultation process lay the foundations for future conflicts with local stakeholders, as villagers reportedly expected the deals to be renegotiated, enabling them to exert more control over Exar activities.²⁹⁸

Similarly, Shandong Gold Mining's purchase of half the rights of the *Valedero mine* in San Juan, Argentina, in mid-2017, appears to have gone ahead, with little consideration to the project's problematic history. In September 2015, when Barrick Gold was the sole owner of the gold mine, a failure of a pipe valve caused over a million litres of dangerous cyanide solution to leak into nearby rivers, raising concerns amongst the villagers who lived downstream of the mining site.²⁹⁹ Within 18 months, there had been other three harmful spills. Investigations by a judge found evidence of past negligence before the most recent pipe rupture in March 2017.³⁰⁰ In April 2017, after Barrick's initial plan to upgrade the pipe system had been rejected and the company had submitted a new plan to provincial authorities,³⁰¹ Chinese international media reported that the latest breakages in the pipe system would not affect Shandong's interest in the mine.³⁰²

3.1.1 Weak risk analysis also affects companies' planned activities

The examples of the Weda project, Minera Exar, and Valedero mine suggest poor pre-investment evaluations of the projects' foreseeable problems. In other circumstances, such poor social and environmental considerations have created trouble for local people and disrupted the investors' planned activities.

As for the social conflicts at the *Las Bambas* project (discussed above), community resistance appears to be largely motivated by modifications to the environmental impact assessment study. A local activist reports that copper extracted from the mine was originally planned for transportation to a nearby processing plant via a pipeline, before travelling to the port.³⁰³ However, when the Chinese consortium acquired the mine, the processing plant was not included in the deal and the pipeline was no part of the project, resulting in an increase in the number of trucks transporting ore to the port.³⁰⁴ According to a Beijing-based lawyer, although the Chinese companies had inherited problems from the previous owner, the consortium members should have 'done their homework' on past and potential conflicts.³⁰⁵ Villagers, angry at the harmful consequences of the

project's modifications under the new owners, built community roadblocks that disrupted operations for over 100 days, as of October 2019.³⁰⁶ In that period, the company was compelled to declare partial force majeure with contractors and to evaluate a similar move for the mine's copper sales.³⁰⁷

Zijin Mining's acquisition from Barrick Gold Corporation of half of the company controlling the *Porgera gold* mine in Papua New Guinea is another example of poor pre-investment assessment causing unexpected project developments. In 2011, an investigation by Human Rights Watch reported on the pollution caused by the discharge of mine liquid waste into a nearby river, violent abuses against illegal miners scavenging near the dump site, extrajudicial killings, and presented testimonies of horrific sexual violence committed by Barrick's security personnel.³⁰⁸ Between 2011 and 2013, Barrick developed a grievance mechanism to address the claims of the victims of sexual abuses, but the mechanism was criticised by civil society groups for its many deficiencies.³⁰⁹ It was so flawed that some claimants withdrew from it and, with the support of legal representation, reached an undisclosed settlement with Barrick.³¹⁰ This process, however, triggered discontent among victims who had received lower compensation under the company's grievance mechanism.³¹¹

In mid-2015, and despite the project's history and outstanding allegations, Zijin entered into a joint venture to own the mine. A 2018 study reported that the project had a backlog of more than 940 cases, which included allegations of unlawful killings and assault, environmental and health-related damages, and land disputes.³¹² In April 2020, the government of Papua New Guinea denied an application from Zijin's joint venture to extend its mining lease, citing environmental damage and resettlement issues as reasons for denying the extension.³¹³

Tianqi Lithium's investment in Sociedad Química y Minera de Chile S.A. (SQM) was finalised in December 2018. The equity investment raised Tianqi's stake in SQM – one of the key mining company holding lithium mining concessions in the *Salar de Atacama deposits* in northern Chile – up to nearly 26 per cent.³¹⁴ The US \$4.1bn deal included a US \$3.5bn loan from two CITIC-led consortiums³¹⁵.

The equity investment followed years of legal battles between Indigenous communities of the Atacama Desert and SQM. Sanctions began in 2016 when the Chilean environmental authorities found SQM was extracting more brine than the agreed quota, and therefore causing damage to the ecosystem.³¹⁶ Less than two months after Tianqi had finalised its equity acquisition, environmental authorities approved a compliance programme put forward by SQM.³¹⁷ Local communities, however, reportedly challenged the plan and, in December 2019, the Environmental Court ruled in their favour.³¹⁸ According to SQM's 2019 Annual Report, the ruling rendered the compliance programme null and void. The company has escalated the legal dispute by taking it to the Supreme Court, making the future of mining operations unpredictable.³¹⁹

The lack of a rigorous pre-investment evaluation of SQM's plan for Atacama – which Indigenous communities successfully challenged in court – along with a fall in lithium prices³²⁰ have had a serious economic effect on Tianqi's ability to repay the loan it took to purchase stakes in the Chilean mining company. The Financial Times reported that the heavy debt forced the Chinese investor to consider selling part of the stakes it held in lithium assets in Western Australia.³²¹ In November 2020,

a Chinese international media outlet reported that Tianqi was not able to repay the loan to the consortium led by CITIC Bank.³²²

3.1.2 Reliance on relationships with authorities generates information gaps

A study of China's role in the global mining sector reveals that country's risks that would be considered exceedingly high by other transnational companies, or a poor reputation created by previous project owners, does not often dissuade Chinese investors.³²³ Another analyst suggests that inadequate pre-investment analysis can be attributed to flaws in the corporate culture of Chinese companies, and a lack of global experience.³²⁴ In this regard, an opinion piece on Chinese investments in Myanmar, and specifically an oil and gas pipeline connecting Yunnan Province to the Bay of Bengal, stated that a lack of environmental, social, and conflict assessments taken before investing is one of the major differences between Chinese companies and Western multinationals.³²⁵

This report is not in a position to offer a comprehensive evaluation of the differences between Chinese and non-Chinese actors; further research is required on the difference in the risk analysis approaches of Chinese mining firms and transnational corporations. The findings of this study, however, tend to support the view that Chinese companies often perform poorly with regards to conducting analysis early in the decision-making process on the social and environmental risks linked to their planned investments. Researchers, for example, found that by the time Chinese investors look at the operational scope and degree of risks associated with a project, planning is often at an advanced stage and, therefore, more difficult to withdraw.³²⁶

According to the researcher Jiang Heng, Chinese enterprises tend to copy their domestic experience when working abroad, placing emphasis on relationships with the government and managing interactions with other stakeholders in that light.³²⁷ This implies that poor pre-investment risk analysis can be linked to importance given in building relationships with authorities and other powerful elites to assess feasibility of projects, also when Chinese companies operate in a foreign country. This means that engagement with other stakeholders is often perceived as less important than maintaining good relationships with government officials. However, working with authorities and powerful elites can easily fuel inequalities and tensions between the elites (who profit from investments) and the local population (who gain little benefit and suffer the environmental and social consequences). As a result, Chinese firms' approach often mismanage risk analysis as it assumes that good relationship with elites can guarantee low investment risks.

With the vast expansion of overseas investments and enterprises reliant on good relationships with authorities for pre-investment assessments, Chinese regulators often have little capacity to evaluate the situation on the ground. Although not specific to China's global mineral investments, a publication on the decision-making of Belt and Road projects³²⁸ in a number of recipient countries sheds light on gaps in social and environmental risk analysis.

The study states that interest groups, such as commercial entities in China and the host country seeking to develop projects for financial returns, work with bureaucrats to attract political support by strategically linking investment proposals to public benefits. For their part, political actors rely on

commercial entities and bureaucrats to provide project information. This process creates information asymmetries because interest groups and their bureaucratic supporters are likely to misrepresent the contribution the project will make to public goals in order to gain advantage in the approval process. Information asymmetries on the adverse risks and impacts of a project, are exacerbated in political contexts where there are barriers to information flow, such as countries where there are restrictions on civil liberties and press freedom.³²⁹

Marked information asymmetries created by these interactions between commercial entities, bureaucrats, and authorities, lead to investment decisions which are poorly supported by social and environmental risk analysis. The information exchange between those involved can limit stakeholder input about issues such as the concerns raised by affected communities, civil society groups, and the media. Ultimately, this communications loop undermines the ability of Chinese actors and the authorities in host countries to analyse, anticipate, and prevent risks to the local population and the environment, at the early stages of an investment project.

Key findings of sections at 3.1

- Although further studies are needed to compare the behaviour and performance of Chinese mining firms to that of transnational companies, this research finds that Chinese actors perform poorly early on in the investment decision-making process, with regards to analysis of the risks and adverse impacts on local populations and the environment. The cases reviewed here suggest that, as well as causing suffering to local communities, poor pre-investment analysis has also disrupted the planned activities of Chinese mining firms;
- Chinese enterprises tend to copy their domestic experience in the investment decision-making process, placing emphasis on good relationships with the authorities of the host country and elites, and regarding interactions with other stakeholders as subordinate to maintaining good relationships with authorities. Such an approach to risk analysis can easily fuel inequalities and tensions between those who profit from investments, and the local population who gain little benefit and suffer the environmental and social consequences;
- Authorities in China and the host country often rely on commercial entities and bureaucratic personnel to provide information about the planned operations of a project. This can, however, create information asymmetries as commercial entities and bureaucrats seeking advantage in the approval process, tend to misrepresent the possible public benefits of these investments. Information asymmetries about the foreseeable risks and adverse impacts which occur early in the decision-making process, are exacerbated in political contexts that restrict information flows, civil liberties, and press freedoms.

3.2 Lack of communication and engagement with community stakeholders

Table 9 Chinese overseas projects mentioned at 3.2

| Name of the project | Country | Chinese and (non-Chinese) firms with stakes in the project |
|---------------------|------------------|---|
| Congo Danfeng | DRC | Zhejiang Huayou Cobalt |
| Rio Blanco | Ecuador | Junefield Mineral Resources Hunan Gold Corporation |
| Ramu Nico | Papua New Guinea | China Minmetals Corp (Conic Metal) |
| Marcona | Peru | Shougang Group |
| Atewa Forest | Ghana | (GIADEC) Sinohydro |
| Mirador | Ecuador | China Railway Construction Corp Tongling Nonferrous Metals |
| Letpadaung | Myanmar | Myanmar Wanbao (Union of Myanmar Economic Holdings Ltd) |
| Porgera | Papua New Guinea | Zijin Mining Group (Barrick Gold Corp.) |
| Buritica | Colombia | Zijin Mining Group |

Huayou Cobalt’s response to being publicly linked with child labour and other serious human rights abuses in DRC is one example of how a Chinese enterprise might react to such allegations raised by civil society groups.³³⁰ Follow-up actions carried out by the company, including reviewing its smelter’s supply chain and supporting the formalisation of the artisanal mining sector, are a rare example of a commitment to mitigate impacts (although the outcomes of these measures remain problematic due to continued risks to human rights).

Other than Huayou Cobalt, desk research for this report found very little public information about the responses of Chinese companies to such allegations, or evidence of any sustained actions taken to resolve grievances raised by community advocates. It is possible that Chinese companies have opted to engage directly with the affected communities, without involving other stakeholders or communicating about such engagement. Environmental, social, and governance analysts confirm that Chinese enterprises communicate poorly on how they manage social and environmental risks.³³¹ However, when information about initiatives taken at a local level is available – such as SMB’s bauxite projects in Guinea, and Wanbao’s copper mining in Myanmar (both examined earlier) – the actions taken by Chinese companies were limited to inadequate CSR activities which did not address outstanding human rights issues.

The statement by the Chinese Embassy in Zimbabwe in support of the Zimbabwean government’s ban of mining activities in protected areas, is an interesting example of a public response by a high-level institution.³³² However, the government’s announcement was made following pressure from activists about problematic Chinese mineral investments in the country. Even though the Embassy’s statement recommended that enterprises pay ‘attention to public opinion’ and ‘treat

practical suggestions and criticism seriously',³³³ it is questionable whether such endorsement of stakeholders demands, would have happened without the government announcement.

3.2.1 Examples of companies' lack of engagement

This research shows that Chinese companies have refused to engage with community stakeholders in many of the reviewed investments. The case of the *Rio Blanco* mine in Ecuador, for example, clearly illustrates a lack of communication between communities and Junefield, since it acquired the asset.³³⁴ At the *Ramu Nico project* in Papua New Guinea, MCC refused to cooperate with the findings of an independent impact study commissioned by local stakeholders. A researcher from the Chinese NGO, Social Resources Institute (SRI), studying the social conflicts at the *Letpadaung mine* in Myanmar, stated that the relationship between Wanbao and the SRI (a civil society organisation) was not good.³³⁵ According to the researcher, the relationship was influenced by SRI's belief that issues affecting marginalised groups had not been resolved, as opposed to the company's confidence that the problems had been settled.³³⁶ Such statements suggest that Wanbao did not accept the criticism of their community outreach activities and were dismissive of outstanding problems affecting the most vulnerable members of the local community.

Poor pre-investment social and environmental analysis, combined with lack of engagement with people's concerns, is also evident in the RFI deal relating to *Atewa Forest*. The agreement states that repayments for infrastructure, made from the sale of refined bauxite, would start within three years of the deal being signed. Sinohydro, however, did not pay due consideration to the risks relating to the area earmarked for bauxite exploitation, an area environmentalists had been trying to protect since prospects for exploiting the *Atewa Forest* were initiated years before. Furthermore, it appears that Chinese actors did not follow up an open letter sent, in late 2018, by an alliance of NGOs to the Chinese Embassy in Ghana, which called on Chinese investors and regulators to ensure that the exploitation of *Atewa* resources did not form part of a bilateral arrangement.³³⁷

The findings of an academic study on mining companies in Peru confirms a lack of engagement with stakeholder demands. Drawing on government data, indicators, and interviews, the study compares the performances of Shougang's *Marcona iron mine* with three other mines operated by transnational corporations.³³⁸ The study found that, when compared to the other three mines, Shougang did not stand out significantly for environmental and labour standard violations³³⁹ but had experienced a large number of strikes,³⁴⁰ to the extent that it even declared force majeure on iron ore exports in 2006.³⁴¹

According to the study, the root cause of the conflict with the unions was the company's failure to deliver on the commitments it had made to modernise the mine.³⁴² International media added that, in addition to paying to acquire the mine, the company had committed to invest US \$150m by the end of 1995.³⁴³ However, rather than admitting that difficulties faced by the parent company back in China prevented the commitments being honoured, Shougang tried to hide the crisis, hiring police to repress protests, firing union leaders, and refusing to grant demands. In response, workers damaged the company offices.³⁴⁴ Interestingly, a closer comparison between Shougang and *Doe Run* – one of the other Peruvian mines analysed, and owned by a US-based company – found that *Doe Run* was more popular among workers and community members, even though it recorded

worse social and environmental impacts than Shougang.³⁴⁵ Despite both companies defaulting on investment commitments, the study reported that the difference in perception arose because, while Shougang stonewalled communication with the unions, Doe Run did not lay off union leaders, or cooperate with private forces to repress strikes, and instead accepted some union demands³⁴⁶. Relationships between Shougang and trade unions never recovered from the protests, and reports of intimidation persist today.³⁴⁷

Calls on Chinese regulators to monitor harmful outward investments also often remain unanswered. A statement signed by 265 civil society groups was sent to Chinese institutions in April 2020 to ensure that Covid-19 related financial relief would not be used to support overseas projects already facing social, environmental, and biodiversity risks, amongst other issues.³⁴⁸ The statement included profiles of 60 problematic projects, including eight of the outward mineral investments reviewed in this study.³⁴⁹ A month later, dozens of Latin American organisations sent a letter to China's Ministry of Commerce and the State-owned Asset Supervision and Administration Commission of the State Council (SASAC), raising concerns that certain companies, including enterprises operating four mining projects reviewed in this study, had failed to comply with sanitary measures and violated worker's rights.³⁵⁰ Last July, some of the signatory organisations reported that they had still not received a response.³⁵¹

3.2.2 Insights on the lack of engagement and review of the Mirador mine

The literature review shows that dismissal of communities' concerns could be down to Chinese actors' perceptions of the groups that support people to address adverse impacts. According to Jiang Heng, an associate researcher of a think tank affiliated to China's Ministry of Commerce, many Chinese enterprises are unfamiliar with international civil society organisations, and some enterprises may perceive them negatively because of a historical legacy of seeing international civil society groups as allies of western countries, and therefore threats to national security.³⁵²

This implies that Chinese actors, distrusting the role of international civil society groups as legitimate stakeholders in a conflict situation, may misunderstand the reasons motivating local stakeholders' resistance. Rather than perceiving community mobilisation as an attempt to raise awareness about the risk a project poses for their livelihood, Chinese enterprises may think such concerns are driven by international organisations that they do not trust.

Lack of engagement by Chinese enterprises with other stakeholders also appears to follow a core principle of China's foreign policy: 'non-interference with other nations' domestic affairs'. Jiang Heng's study on the Chinese approach to conflict-sensitive business, stated that since China's large-scale overseas investments are generally negotiated at a government level, actors often follow this foreign policy principle when it comes to managing crises related to investments abroad.³⁵³ Chinese actors interpret non-interference as working only with officials of the host country, and not engaging independently with other stakeholders without involving authorities, even when such authorities have limited popular support.³⁵⁴ This principle can also influence disclosure of information about the project. This is illustrated, for example, when Chinese firms negotiate plans for community support but only with authorities, and villagers do not receive this support because of corruption,

and also when Chinese companies do not intervene to disclose agreements that would benefit the community. Upholding the principle of non-intervention becomes, therefore, problematic as it fails to acknowledge that host country authorities play a role in local conflict dynamics.³⁵⁵ As a result, the principle hampers enterprises from challenging local power structures even when there are serious accountability issues or rights violations at stake.

In the case of the *Mirador copper mine*, exclusive relationships with the host country authorities along with an approach of non-intervention regarding grievances, caused significant conflicts. The case review shows that Chinese investors negotiated the mining project at government level, without adequately consulting the affected Indigenous people. It also shows how the joint venture, and other Chinese stakeholders, did not interfere in the conflict between authorities and community stakeholders that took place at the early stage of the project, and that Chinese actors repeatedly refused to listen to people's calls to uphold their corporate responsibilities.

After China Railway Construction Corp. and Tongling Nonferrous Metals entered into a joint venture to acquire the mine, it took over a year of negotiations before the companies and the Ecuadorian government signed the mining contract (on 5 March 2012).³⁵⁶ An online media outlet, MAC, reported that the joint venture agreed to pay the government US \$100m to fund social projects in areas around the mine.³⁵⁷ The Indigenous communities affected by the mine were, however, unaware of these project details and did not know about the approval of the environmental impact assessment.³⁵⁸ This suggests that the joint venture and the authorities did not conduct adequate prior consultation, an abuse of people's rights that community's defenders challenged, years later, in a controversial court case.³⁵⁹

Furthermore, as the agreement was being signed, environmental activists gathered in front of the Chinese Embassy in Quito to deliver a letter to the Ambassador expressing their concerns about risks linked to the deal.³⁶⁰ Posts shared by a local organisation stated that, though the Embassy did not request police involvement, women entering the building to deliver the letter were forcefully removed by police, and there were reported arrests outside the Embassy.³⁶¹

In the following days, the government carried out another controversial tactic to silence Indigenous people. From 8 to 22 March, hundreds of Indigenous people – supported by local organisations, opposition parties, students, and teachers – marched from the mining site in the Amazon region to Quito to oppose the project and the government's plan to allow foreign companies to invest in large-scale mining.³⁶² In response, the authorities organised a march of their own, headed by ministers and including government supporters, during which the President reportedly accused Indigenous peoples of destabilising the country by mobilising themselves.³⁶³

The government's silencing of human rights defenders in the early phases of the project was followed by the police's reported involvement in the violent forced evictions that took place to make way for the mine.³⁶⁴ According to the Community Relations Manager of the Chinese venture, the authorities also played a key role in fixing the (contested) price of the land taken from people.³⁶⁵ He said that the company gave money to mining regulators to distribute to residents on top of the money it had paid to buy the land for the relocation site.³⁶⁶ However, who takes responsibility for the poor services in the new village has become a matter of controversy between the company and local authorities.³⁶⁷

Sources consulted for the review of the Mirador mine also suggest that communities affected by the mine's operations, and the groups that support them, have tried to engage with Chinese stakeholders about the repression. As well as trying to engage with the Chinese Embassy in the aftermath of the deal's approval, community activists made at least two other attempts to reach out directly to Chinese actors. In early 2014, village representatives and civil society groups wrote to the Chinese financiers of the project and to China's banking regulator, expressing concern that the funding of the Mirador mine violated China's Green Credit Directive (a key regulatory policy requiring banks to consider the social and environmental impacts of overseas projects they fund in line with international norms).³⁶⁸ International media reported that, three months later, there had been no reply to the letter.³⁶⁹ Four years later, an open letter to the Chinese authorities detailed the harms caused since the project started, and included an invitation to visit the people's territories to assess the negative impacts for themselves.³⁷⁰ From the information available, it appears that this letter too failed to receive a reply.

This case shows that, when the authorities in a host country silence opposition to the project, the Chinese approach of not intervening in another country's internal affairs prevents a more politically-informed and conflict-sensitive approach being taken. Chinese actors did not respond to people's requests to uphold their corporate responsibilities, exacerbating community grievances and aggravating existing tensions.³⁷¹

According to an essay published in *China Global Dialogue*, as a result of controversial Chinese mineral and oil investments in Ecuador, civil society groups in the country have come to mistrust Chinese enterprises more than any other foreign firms, because Chinese investors often show little understanding of the local culture and the country's environmental regulations.³⁷² The essay states that western enterprises often communicate more with local communities than Chinese firms, and that structural challenges for dialogue are connected also to harsh restrictions that SOEs' superiors back in China impose to their employees working for overseas branches in interacting with local citizens and civil society.³⁷³

Similarly, the study by Jiang Heng confirms that even when government agencies or companies, especially SOEs, intend to communicate with other stakeholders, they may need to ask permission from their supervising bodies before doing so.³⁷⁴ This suggests that local communities trying to engage with the local offices of companies, face the challenge that those working there may have little decision-making power. Furthermore, bureaucratic and hierarchical corporate structures often prevent corporate actors, and especially SOEs, both from having meaningful communication with local stakeholders and being able to react to new situations on the ground in a timely way.

3.2.3 Examples of companies' public responses

Desk research has cross-checked problems raised by communities and supporting organisations, using the company responses mechanism of the BHRRC.³⁷⁵ It found that the BHRRC had given six Chinese enterprises involved in the cases reviewed for this paper, an opportunity to reply to the allegations against them. Only three of the companies had responded.³⁷⁶

One of the companies that responded was Wanbao, the enterprise that controls the Letpadaung copper mine in Myanmar. BHRRC's first request to the company – asking them to respond publicly to people's fear of retaliation for refusing low compensation – was sent a few months after the violent crackdown of protests, and went unanswered.³⁷⁷ In January 2018, Wanbao did, however, comment on a media article about damages caused by Chinese megaprojects in Myanmar, with the Letpadaung mine featured as one of the examples of harmful investments.³⁷⁸ The BHRRC sent this new request to Wanbao to reply to accusations after the company had started reaching out to the community. In its reply, Wanbao cited achievements on issues such as land compensation, community development projects, and compliance with international standards.³⁷⁹

Acknowledging the limited results of CSR initiatives, Wanbao's response shows the company's desire to distance itself from the bad reputation that the project and, in general, Chinese investments in Myanmar, had gained.³⁸⁰ It is important to stress that Wanbao, and its venture with a military-backed company, have been involved in repeated human rights abuses since the country's partial transition from a military government. Over the years, however, Wanbao has made concessions to the government and local villagers have received some (questionable) benefits.³⁸¹ Considering these developments, the defensive tone of the public response by the local branch of a Chinese SOE might also be regarded as being influenced by broader strategic considerations. On the one hand, the claim that past grievances had been addressed can be seen as an attempt by the company to clean up its reputation but, on the other hand, given the strong economic and political ties between the two countries,³⁸² it can also be seen as presenting itself as an example of a responsible Chinese business operating in Myanmar.

The other responses to the BHRRC relate to the Zijin Mining Group and its projects linked to other transnational mining companies. Before recent developments stripped the joint venture of its mining rights over the Porgera gold mine in Papua New Guinea, researchers at the Columbia Law School Human Rights Clinic, supported by water scientists, published an investigative report denouncing villagers' lack of access to clean water to meet their basic needs, and raising concerns about the levels of chemicals in water sources linked to the mining operations.³⁸³ Weeks later, Zijin's joint venture responded to the report in a letter detailing the project's water management system, certifications, and its support for community development, among other initiatives.³⁸⁴ While the letter defended the measures taken to minimise impacts, it concluded by stating that a working group would be formed to consider the research findings, and that the venture would make itself available to discuss the points raised by the study.³⁸⁵

In Colombia, Zijin has responded publicly to concerns raised by an engineer student of the National University, about the Buritica gold mine, a project controlled by the Chinese firm, following its acquisition from Canadian Continental Gold.³⁸⁶ According to the engineer, the project's exploration activities generate toxic waste deposited in dam reservoirs that pose a high risk of rupturing and threatening the ecosystems and populations living downstream of the extraction site.³⁸⁷ Zijin – Continental replied to BHRRC's invitation to respond, and claimed that certain technical aspects of the waste management system would minimise the risks of rupture.³⁸⁸

Zijin Mining Group is one of the largest Chinese mixed-ownership conglomerates, and has relatively long experience in mining overseas.³⁸⁹ The Zijin Bor project in Serbia, and the Porgera mine, along with other controversial mineral investments abroad, have caused major environmental damage and adverse social impacts.³⁹⁰ Clearly, the company is far from adopting an adequate environmental, social, and governance system able to address the negative risks and impacts of its mineral activities across the world.

Its public responses to concerns raised about the Porgera and Buritica project may, however, suggest that Zijin's international experience has taught the company to value public relations efforts aimed at reducing negative attention. In addition, and in both cases, Zijin's operations already had a legacy created by other transnational mining corporations. While the harmful Porgera mine operation had been run by Barrick for about a decade before Zijin became part of the joint venture,³⁹¹ the acquisition of Continental Gold and its Buritica mine occurred after, according to international media reports, the Canadian firm developed community relationships and aligned with international social and environmental standards³⁹². These two cases may also suggest that as well as helping avoid reputational damage, partnerships with multinational mining companies may also perhaps help Chinese investors understand the advantages of responding to the concerns raised by affected stakeholders.

Furthermore, in both cases, the Zijin Mining Group responded publicly to concerns raised by technical scientists, which might suggest that evidence-based and technical studies conducted by people qualified in the relevant field of science, even when critical, are more likely to be taken seriously by Chinese companies operating in a foreign country. In this regard, the research conducted by the team of consultants about the long-term impacts of the tailings disposal facility at Ramu Nico in Papua New Guinea (which the company claimed was not legitimate but the community used as the basis of its legal claim) and the studies conducted by the engineer and the hydrologist about the risks associated with the tailing dam at the Dairi Prima mine in Indonesia (which backed up the concerns of the community) are valuable ways to validate community grievances, when searching for accountability.

Key findings of sections at 3.2

- Although Chinese firms might have occasionally engaged directly with communities to address their concerns (without publicising these activities or involving other stakeholders), overall, desk research revealed little evidence of sustained actions carried out by corporate actors to address people's grievances. In some cases, Chinese enterprises have refused to engage at all with the calls of local stakeholders for the companies to uphold their corporate responsibility;
- Available data also suggests that people's attempts to engage with the Chinese institutions that regulate outward investments often receive no response;
- Many Chinese enterprises have a negative perception of international civil society organisations as legitimate stakeholders in a situation of conflict with local communities. The open support given to people's concerns by international groups risk Chinese actors misinterpreting the real motivations behind local stakeholders' mobilisations, and dismissing their grievances;
- Lack of responsiveness may also be related to the principle of 'non-interference with other nations' domestic affairs', a key tenet of China's foreign policy, often embraced by corporate actors. Such adherence means that companies don't engage independently with other stakeholders, such as civil society groups, without involving authorities in the host country, even when these authorities have limited popularity. As such, 'non-intervention' hampers enterprises from challenging local power structures when there are serious accountability issues at stake;
- The review of the Mirador copper mine in Ecuador demonstrates how the difficulties faced by communities and civil society groups in establishing communications with Chinese corporate actors, can be linked to restrictions imposed on employees operating in a foreign country by their company superiors back in China. Local branches of large Chinese enterprises often have little decision-making power, and hierarchical corporate structures can prevent corporate actors from reacting to new situations on the ground in a timely way;
- Despite the lack of engagement with community stakeholders, Chinese enterprises have publicly replied to stakeholder concerns about a few of the mineral investments reviewed. These responses indicate that Chinese firms care about their public reputation and, under certain circumstances, will try to counter negative attention. Furthermore, two of these public communications were in response to concerns raised by water and engineering scientists, suggesting that technical studies conducted by people qualified in the relevant field of science, may increase the chance of criticism being taken seriously by Chinese companies operating in a foreign country.

Box 2 Chinese actors' withdrawal from the Carmichael mine project³⁹³

The controversial Carmichael coal mine in Queensland, is an example of responsible business conduct by Chinese actors. This planned project, led by the Indian mining company Adani, will be Australia's largest coal mine. Between 2014 and 2016, it received preliminary permit and credit consideration from the federal government. A 2016 press release issued by the China Machinery Engineering Corporation (CMEC) announced that a delegation from Adani would be visiting China to discuss construction of the project's railway facility as well as other investments in Australia.

The proposed mine attracted a lot of opposition because of claims that it would contribute to global warming, pose a threat to the Great Barrier Reef, risk causing water shortages to local farming communities, and encroach on the ancestral territory of Indigenous people.³⁹⁴ In the second half of 2017, the project became a matter of public debate in Australia, with concerns expressed about security intelligence issues and China's influence on the country's politics. During the federal elections, campaigns took place against the coal mine, with the elected governor vetoing the project's public funding. The Chair of the Australia Conservation Foundation, and the former foreign minister and director of the Australia China Relations Institute, also raised concerns about the project with the Chinese Embassy.³⁹⁵ In November 2017, the Chinese banking regulator and Greenovation Hub delivered training to Chinese banks on improving transparency and communication with stakeholders, at the same time as the Australian media was reporting that Adani was close to securing financing for the mine and railway from Chinese investors.

Following these events, the China Construction Bank informed an Australian NGO that it would not fund the project, a decision that ICBC, Bank of China, and China Merchants Bank confirmed with public statements, with the Chinese Embassy also confirming that CMEC had terminated negotiations with Adani.³⁹⁶

While there are concerns that the Carmichael project will still proceed,³⁹⁷ the case sets an important precedent, and shows Chinese actors responding responsibly to the reputational risks associated with a harmful overseas mineral investment. Several factors seem to have contributed to the decision to withdraw; first and foremost, the campaign on the high environmental and economic risks made the project toxic in the public's eyes; secondly, support to the campaign by the newly elected governor and the direct engagement with the Chinese Embassy by two high-profile Australian figures about the potential reputational risks; thirdly, the training delivered to Chinese banks on engagement with other stakeholders; and finally, Chinese actors may have wanted to avoid becoming associated with a high-risk project led by Gaudam Adani, a controversial tycoon and close ally of India's Prime Minister.³⁹⁸

Chapter 3 conclusions

This chapter has focused on some of the struggles faced by affected communities, and the organisations that support them, when dealing with Chinese overseas investments. Chinese actors value relationships with the authorities and elites of the host countries, and manage their interactions with other stakeholders in that light. This approach has consequences both in terms of analysing risks associated with the planned mineral operations early in the decision-making process, and for the success of community advocates trying to raise awareness of problems. The interactions between Chinese investors and officials of the host country during the negotiation stages of a project often create information asymmetries between the supposed benefits of the investments and the actual risks for the local population and environment. This asymmetry is particularly marked in host countries where there are limits on civil rights and press freedoms. When problems at project level become obvious, and those concerned try to engage with Chinese actors, these advances are often ignored. As a result, there is little evidence from the mineral projects reviewed, of companies taking sustained action to address community grievances. The research finds that the Chinese policy of not intervening in a foreign country's domestic affairs, along with the hierarchical corporate culture within many Chinese firms, prevents a conflict-sensitive approach to overseas investments, and limits the ability of companies to react to new situations on the ground in a timely way. The few examples of companies publicly responding to allegations about projects, suggests that Chinese actors do actually pay attention to their public reputation and that critical voices might be taken more seriously by companies operating abroad, if the concerns are raised by scientists.

Conclusion

This review has focused on a number of problematic Chinese investments abroad, and the methods used by affected stakeholders to address social and environmental risks and impacts. The decision to focus on the mineral sector was mainly motivated by the need to define the scope of the research, and the crucial role that Chinese actors currently play in that sector.

In addition, while it is beyond the scope of this study to investigate the full supply chains of each of the mineral investments examined, and assess projects' by-product applications, 20 of the 22 reviewed mines produce minerals involved in the development of low-carbon technologies. The pressure exercised by global investors, including Chinese actors, on natural resource extraction for cleaner energies will only increase in coming years,³⁹⁹ and too often this industry threatens local communities and the natural environments of the countries where the resource extraction take place. Chinese actors play a part in this scenario.

It is in this context that this paper focuses on the review of 22 outbound mineral investments and reflects on the diverse nature of Chinese enterprises and their investment arrangements, as well as examining the action taken by, and the challenges facing, community advocates with concerns about these projects. This is not intended to be a guide for advocates working on Chinese investments in the mineral industry or other sectors, but rather a starting point of reflection for groups campaigning to protect natural resources, and interested in specific features characterising Chinese enterprises operating outside China.

Chinese corporate actors and investment arrangements

This report highlights the different types of Chinese enterprises active in mineral projects abroad. As well as public and private companies, the study suggests enterprises owned by the Chinese state (SOEs), that play a leading role in overseas investments, should be closely investigated by community advocates. The corporate structures established by SOEs to operate abroad may be complex, and possibly involve intermediary subsidiaries listed on international stock exchanges. A non-Chinese investor with equity shares in one of these listed companies could find themselves linked to harmful projects. Knowing this, might help affected stakeholders target multiple corporate actors, using a range of influencing strategies. In addition, in many of the projects reviewed, Chinese firms have established joint ventures with non-Chinese companies, including transnational mining corporations.

Corporate disclosures about project financing remains weak. Available data suggest that enterprises owned, and influenced, by the Chinese state often have preferential access to state-backed capital from both policy banks (serving China's economic policy's interests), and state-owned commercial banks (generally driven by more commercial considerations). In one of the cases reviewed, however, a large private firm was found to have access to state-backed funding. This not only suggests that private enterprises also have options to access credit from state-owned banks, but a closer

examination of the project background and host country's mineral trade relationships with China, indicates that China's economic interests and commercial considerations can cooperate to ensure the commercial viability of projects overseas. Indeed, the Morowali project in Indonesia demonstrates that when a private firm is working within a mineral context that is strategically relevant to China's industries, it can receive both political support and state-backed funding to develop nickel processing plants (including for the production of electric vehicles batteries) that ensure steady supplies of nickel products to China.

Analysing investment arrangements beyond project level becomes even more relevant when examining RFI deals. In the Sicominex and Sinohydro RFI deals in DRC and Ghana respectively, Chinese actors worked on infrastructure projects in the host country, in exchange for stakes in mineral extraction operations. Both these RFI deals attracted criticism because of the adverse risks and impacts caused by the mining projects. Both the deals were also part of broader investment agreements between Chinese companies and authorities in the host country, with the performance of the mineral project acting as financial collateral for construction of the infrastructure projects. This arrangement means that community advocates seeking accountability for problems arising at the extraction sites may face challenges because the businesses are part of wider power networks, and authorities in the host country may also limit the political space to resolve outstanding issues.

Advocacy actions to try to address projects' risks and negative impacts

Allegations of forced displacement, harassment of community activists, repression of grievances, labour issues, destruction of natural habitats, and pollution of waterways and soil, have, to a different extent, been reported in all the cases reviewed. And reports suggest that, in many cases, because the grievances raised by communities were not addressed in a timely manner, organised protests sometimes turned into violent conflicts. This research suggests that the support given to communities by international organisations could lead Chinese actors to misinterpret the concerns of an affected community, and dismiss their grievances. This is because many Chinese enterprises are not familiar with international civil society organisations as legitimate stakeholders in a conflictual context.

Nevertheless, the review also includes examples where sustained community mobilisation has attracted the attention of Chinese companies or authorities in the host country. In two cases, Chinese enterprises used CSR activities to try and address past grievances rather than taking a rights-based approach to resolving the problems. The results of these CSR initiatives failed to duly acknowledge the needs of villagers, generate ownership of the initiative by community stakeholders, and sometimes even exacerbated the injustices experienced by the most vulnerable members of the affected communities. In three cases, community mobilisations led authorities in the host country to investigate allegations related to environmental issues. These investigations found evidence of pollution problems and the authority partially upheld community grievances through measures, though limited in scope, aimed at mitigating the environmental damage caused by Chinese-led mineral operations.

Community advocates have also used litigation strategies to address the risks caused by Chinese mineral investors. Legal claims have also targeted the failure of a host governments in its duty to protect people's rights against harmful extraction projects, or procedural violations made when granting mining-related permits. In some cases, lawsuits have had positive results for the communities, including the temporary suspension of a Chinese-led mine in Ecuador, and a ban on mining in protected areas announced by the Zimbabwean government.

Community advocates have also conducted extensive research into the investment and supply chains of Chinese mineral projects, and used the findings as a basis for action. In the Huayou Cobalt' smelter in DRC, for example, advocates exerted pressure on downstream consumer-facing technology and car corporations, whereas in the Dairi Prima mine in Indonesia, communities pursued accountability through an upstream indirect investor, the International Finance Corporation, using its complaint mechanism. These two cases provide examples of Chinese firms whose business is highly integrated into the global investment and supply chain of the mineral industry, demonstrating how rather than operating in isolation, multinational corporations have business relationships with Chinese firms as either upstream financiers or downstream customers. These links contribute to the realisation of Chinese mineral investments but when these investments cause harm to communities and the environment, both the Chinese and non-Chinese actors must be held equally accountable. Communities, and the organisations that support them, have also found that advocacy initiatives used for Chinese outward investments in other sectors have been valuable in raising awareness of the risks. These include: building relationships with Chinese researchers in the host country and with think-tanks in China; developing strategic communications tailored to a Chinese audience that quote the Chinese voluntary guidelines that apply to overseas investments (including the CCCMC Guidelines that apply to all phases of the mineral supply chain), and delivering strategically designed messages to a wide range of Chinese stakeholders.

Challenges faced by community stakeholders

Chapter 3 focused on some of the challenges faced by community advocates dealing with Chinese overseas investments. A key obstacle is that Chinese actors place significant value on their relationships with authorities in the host country, and that interactions with other stakeholders are managed in the context of maintaining good relationships with elites. Such an approach to overseas investment has problematic consequences for analysing the social and environmental risks of planned mineral operations early in the decision-making process, and for local stakeholders attempting to raise awareness of concerns and engage with Chinese investors to resolve problems.

Chinese outward investments are largely negotiated at a government level, and decision-makers often rely on commercial entities to provide information about planned operations. Such interactions during the negotiation stage of a project are likely to create information asymmetries between the claimed benefits brought about by the investments and the actual risks for the local population and the environment, which are often downplayed to gain advantage in the approval process. Information asymmetries are common, especially when Chinese outbound investments are made in countries that restrict civil and press freedoms. Such an approach to risk analysis – which wrongly assumes that good relationships with elites guarantees low risks – can easily fuel inequalities and

tensions between those who profit from investments, and the local population who suffer the environmental and social consequences.

Another consequence of prioritising good relationships with host country officials is that many Chinese enterprises don't independently engage with other stakeholders without involving authorities, even when these authorities are unpopular. As a result, the research found very little evidence of sustained commitment by Chinese companies to address people's grievances, and in several cases Chinese stakeholders have ignored community calls to uphold their corporate responsibility. A lack of responsiveness to stakeholder's concern can be attributed to adhering to a key principle of Chinese foreign policy – 'non-interference into other nations' domestic affairs' – embraced by many corporate actors. Adherence to this policy means that maintaining good relationships with authorities and elites, and avoiding interfering in local power structures, are prioritised over the concerns of stakeholders about human rights abuses and environmental issues. Furthermore, struggles in establishing communication can also be exacerbated by the hierarchical corporate culture present in many Chinese firms. Company superiors back in China may restrict how their employees working abroad interact with local stakeholders, hindering the ability of corporate actors to react to new situations on the ground in a timely way.

A final observation relates to the few cases where Chinese companies did respond publicly to stakeholders' concerns. Although the responses to the allegations varied, they did suggest that Chinese firms do care about their public reputation and, under certain circumstances, will try to distance themselves from negative attention. In addition, in two of the cases, Chinese companies responded publicly to problems raised by scientists, suggesting that evidence-based studies conducted by people qualified in the relevant scientific field, may increase the chance of criticism being taken seriously by Chinese enterprises operating overseas.

Questions for further research

This exploratory study raises a number of new questions that may open new trajectories for research and support those communities looking to make Chinese corporate actors responsible for abuses committed in their countries. These questions include:

- What are the most efficient ways to engage Chinese actors involved in high-risk projects? Can community protests alone trigger changes in Chinese corporate behavior, or should they be conducted in tandem with other types of actions? (For example, under which circumstances can strategic communication towards a wide range of Chinese stakeholders fill information gaps for those stakeholders about project risks? Can such strategic communication help community stakeholders to have the trust of Chinese investors in the long term, so that they can jointly develop solutions to outstanding problems?)
- To what extent are risk analysis conducted by Chinese mining companies prior to their investment, different from the risk analysis made by other transnational mining corporations?

Although assessment of the business conduct of Chinese mining companies operating in China was not part of the research's focus, it is notable that Chinese regulators have tightened control over corporate polluters in China. Between May and September 2020, China's Ministry of Ecology and Environment found that China Minmetals and Chinalco, two companies reviewed in this report, had repeatedly violated environmental protection rules at some of their operations in China.⁴⁰⁰ The companies were reportedly sanctioned for these violations. Despite this, Chinese regulators have so far ignored the major environmental problems these companies have caused abroad, including at the projects in Peru and Papua New Guinea, featured in this study.⁴⁰¹

An opinion piece published in late 2019 by a prominent Chinese institution raises similar concerns. The Supreme People's Court has also called on Chinese actors to 'take the initiative to integrate China's environmental resource trials into the global environmental governance process, and safeguard environmental interests and environmental safety'.⁴⁰² This statement would suggest that the Supreme People's Court is aware of the governance gaps between the regulations of investments inside and outside the country. According to Zhang Jingjing, a distinguished Chinese human rights lawyer, it also suggests that Chinese courts may soon be open for environmental litigation concerning harms occurring outside China's borders.⁴⁰³

Annex

List of Chinese mineral investments overseas reviewed in the report and cases that were initially identified but excluded from this study

| List of Chinese mineral investments overseas reviewed in the report | | | | |
|---|---|---------------------------|------------------|---|
| # | Name of the project | Type of mineral commodity | Country | Identified Chinese (& non-Chinese) firms owning the projects |
| 1 | Mirador | Copper | Ecuador | China Railway Construction Corp Tongling Nonferrous Metals |
| 2 | Rio Blanco | Gold, silver | Ecuador | Junefield Mineral Resources Hunan Gold Corporation |
| 3 | Porgera | Gold, silver | Papua New Guinea | (Barrick Corporation) Zijin Mining Group |
| 4 | Toromocho | Copper, Molybdenum | Peru | Aluminium Corp. of China |
| 5 | Las Bambas | Copper | Peru | MMG Ltd CITIC Metal Guoxin International Investment |
| 6 | <i>Société Minière de Boké</i> | Bauxite | Guinea | China Hongqiao Group (Winning International Group) (UMS International) |
| 7 | Letpadaung | Copper | Myanmar | Myanmar Wanbao (Union of Myanmar Economic Holdings Ltd) |
| 8 | Congo Dongfang | Cobalt smelter | DRC | Zhejiang Huayou Cobalt Company |
| 9 | Dairi Prima Mineral | Zinc, lead, silver | Indonesia | China Nonferrous Metal (Bumi Resources) |
| 10 | Minera Exar | Lithium | Argentina | Jiangxi Ganfeng Lithium Co. Ltd. (Lithium Americas Corp) |
| 11 | Salar de Atacama | Lithium | Chile | (SQM) Tianqi Lithium - owns 26% of SQM |
| 12 | Buriticá | Gold, silver | Colombia | Zijin Mining Group |
| 13 | Valedero | Gold, silver | Argentina | (Barrick Corporation) Shandong Gold |
| 14 | Indonesia Weda Industrial Park | Nickel | Indonesia | Tsingshan Group (Eramet) <i>Chinese firms own smelters in IWIP</i> |
| 15 | Indonesia Morowali Industrial Park | Nickel | Indonesia | Tsingshan Group (Indo Bintang Delapan) <i>Chinese firms own smelters in IMIP</i> |
| 16 | Atewa Forest | Bauxite | Ghana | (Ghana Integrated Aluminum Dev. Corp.) Sinohydro |
| 17 | Zijin Bor | Copper | Serbia | Zijin Mining Group (RTB Bor) |
| 18 | Ramu Nico | Nickel | Papua New Guinea | Metallurgical Corporation of China (Conic Metals) |
| 19 | Hwange National Park | Coal | Zimbabwe | Afrochine Energy Zimbabwe Zhongxin Coal Mining |
| 20 | Sicomines | Copper, cobalt | DRC | China Railway Engineering Corp Sinohydro (Gecomines) |
| 21 | Marcona | Iron | Peru | Shougang Group |
| 22 | <i>Carmichael (non-Chinese actors currently involved)</i> | Coal | Australia | (Adani Group) <i>China Machinery Engineering and potential Chinese financiers withdrew</i> |

| List of cases that were initially identified but then excluded from this study | | | | |
|--|----------------------------------|---------------------------|----------------------------|--|
| # | Name of the project | Type of mineral commodity | Country | Identified Chinese (& non-Chinese) firms owning the projects |
| 23 | Aihua Jianye | N/A | Zimbabwe | Aihua Jianye Company |
| 24 | Chambishi | Copper | Zambia | China Nonferrous Metal Corp (ZCCM Investments Holdings) |
| 25 | Mui Basin | Coal | Kenya | Fenxi Industry Mining Company |
| 26 | Bintan Mining | Bauxite | Solomon Islands | Bintan Mining Corp |
| 27 | Sukulu Project | Phosphate | Uganda | Guangzhou DongSong Energy |
| 28 | Honour Up Trading | Titanium | Mexico | Honour Up Trading |
| 29 | Jaima | Copper | Autonomous Region of Tibet | China Gold International Resources Corp. Ltd. |
| 30 | Mina Sierra Grande | Iron | Argentina | China Metallurgic Group Corp |
| 31 | Greenbushes | Lithium | Australia | Tianqi Lithium (Albemarle Corp) |
| 32 | Simandou Mine - North Blocks 1&2 | Iron | Guinea | China Hongqiao Group (Winning International Group) (UMS International) |
| 33 | Simandou Mine - South Blocks 3&4 | Iron | Guinea | Aluminum Corporation of China (Rio Tinto) |
| 34 | OBI Industrial Project | Nickel, cobalt smelters | Indonesia | Xinxing Ductile Iron Pipes Ningbo Lygend Mining Co. (Harita Group) |
| 35 | Sepon | Copper, gold | Laos | MMG - now sold to: Chifeng Jilong Gold Mining Co |
| 36 | Taldybulak Levoberezhny | Gold | Kyrgyzstan | Zijin Mining Group (Kyrgyzaltyn) |
| 37 | Solton-Sary | Gold | Kyrgyzstan | Zhong Ji Mining |
| 38 | Belinga | Iron | Gabon | China National Machinery and Equipment Import and Export Corp. |
| 39 | San Carlos Panantza | Copper | Ecuador | China Railway Construction Corp Tongling Nonferrous Metals |
| 40 | Rio Blanco | Copper | Peru | Zijin Mining Group |
| 41 | Collum | Coal | Zambia | N/A |
| 42 | Zashulansky | Coal | Russia | Shenhua Group (EN+ Group) |
| 43 | Marange | Diamonds | Zimbabwe | Anhui Foreign Economic Construction (Zimbabwe Mining Development Corp) |
| 44 | Dikulushi | Copper | DRC | MMG / China Minmetals |
| 45 | Huachin Mabende | Copper, cobalt | DRC | China Nonferrous Mining Corporation |
| 46 | Kilembe | Copper, cobalt | Uganda | Tiber Hima Mining Company |
| 47 | Tonkolili | Iron | Sierra Leone | Shading Iron and Steel Group Kingho Mining Company (African Minerals) |
| 48 | Haiyu | Heavy sand minerals | Mozambique | Haiyu Mining Co. Ltd i |
| 49 | Langer Heinrich | Uranium | Namibia | China National Nuclear Corp (Paladin Energy) |
| 50 | El Mutun | Iron | Bolivia | Sinosteel |
| 51 | Tenke Fungurume | Copper, cobalt | DRC | China Molybdenum Co. |
| 52 | Alpart | Bauxite | Jamaica | Jiuquan Iron and Steel |
| 53 | Frontier Mine | Copper | DRC | China Nonferrous - Buyer (Eurasian Resource Group) |
| 54 | Metalkol RTR | Copper, cobalt | DRC | China Nonferrous - EPC & Buyer (Eurasian Resource Group) |

| List of cases that were initially identified but then excluded from this study | | | | |
|--|--------------------------------|---------------------------|-----------------|--|
| # | Name of the project | Type of mineral commodity | Country | Identified Chinese (& non-Chinese) firms owning the projects |
| 55 | Sonora Project | Lithium | Mexico | Ganfeng Lithium (Bacanora) |
| 56 | Bintan Nanshan Industrial Park | Bauxite | Indonesia | Various Chinese firms as contractors |
| 57 | Bisha | Zinc, copper, gold | Eritrea | Zijin Mining Group (Eritrean National Mining Corp) |
| 58 | Rössing | Uranium | Namibia | China National Uranium Corp |
| 59 | Gold Ridge | Gold | Solomon Islands | Wanguo International Mining China State Railway Group |

Endnotes

- 1 Frik Els, *China's stranglehold on electric car battery supply chain*, 16 April 2020, <<https://www.mining.com/chart-chinas-stranglehold-on-electric-car-battery-supply-chain/>> [accessed 5 February 2021]
- 2 The latest data available on the Observatory for Economic Complexity's website shows that in 2018, China was the world's largest importer of Copper (49.4% of the world's traded ore), Aluminium (68.7%), and Iron (62.2%), whereas considering the examples of mineral ores relevant for the construction of renewable technologies, China was the world's largest importer of Cobalt (64.3%) and Nickel (57.9%) and the third largest importer of Lithium oxide and hydroxide (8.9%) after Japan and South Korea. See, Observatory for Economic Complexity's website, respectively, Which countries import Copper Ore – 2603; Aluminium Ore – 2606; Iron Ore – 2601; Cobalt Ore – 2605; Nickel Ore – 2604; Lithium oxide and hydroxide – 282520; (2018), available for consultation starting from <https://oec.world/en/visualize/tree_map/hs92/import/show/all/52603/2018/> [accessed 25 January 2021]
- 3 David Humphreys, *The Remaking of the Mining Industry, 2 China Changes Everything*, Palgrave Macmillan, p.40 to 49
- 4 In addition, the study stresses that potentials of new industrial operations in China face the challenges of geographical distribution of most of the minerals reserves that are far from the infrastructural advanced coastal regions where manufacturer are located, and that the country's mining industry is generally characterized by large numbers of small labor-intensive operations rather than capital intensive and technology-based models used in advanced mining countries David Humphreys, *The Remaking of the Mining Industry, 3 Feed the Dragon*, Palgrave Macmillan, p. 62 and 71 to 76
- 5 Going-out strategy indicates the transformation seen at the turn of the second millennium for which China emerged as one of the major countries where foreign direct investments (FDI) originates, compared to prior decades when the country was a recipient of FDIs. The Chinese government has supported companies establishing operations in foreign countries (i.e. construction projects, trading and exporting goods and services) through provisions of financing, insurance, and tax incentives among other services. Aside from expressing China foreign policy's ambition to play a greater role in the world's international order, the 'going out strategy' is also motivated by problems with the old growth model of China's domestic economic development, shift in the relationship between the government, banks and SOEs, and dissatisfaction with government's management of its foreign reserves. For further analysis about the motivations behind China's 'going-out strategy' see, Hongying Wang, *A Deeper Look at China's "Going Out" Policy*, 8 March 2016, <<https://www.cigionline.org/publications/deeper-look-chinas-going-out-policy>> [accessed 10 May 2021]
- 6 The research estimates that Chinese companies' control over global mineral production was two or three times less than Australian (10%) and Canadian (8%) companies in 2018. Ericsson, M., Löf, O. & Löf, A. *Chinese control over African and global mining – past, present and future*. *Miner Econ* 33, 153–181 (2020), p. 164 <<https://doi.org/10.1007/s13563-020-00233-4>> [accessed 14 December 2020]
- 7 Despite the production of rare earth minerals by non-Chinese actors has increased since 2015, China enterprises still controlled over 55% of the global mine outputs of rare earth in 2020. See, Roskill website, *Rare Earths, Outlook to 2030*, 20th Edition, January 2021, <<https://roskill.com/market-report/rare-earths/>> [accessed 25 January 2021]
- 8 Considering tools available for communities and civil society groups affected by Chinese enterprises, *Safeguarding People and the Environment in Chinese Investments* represents a comprehensive account about the policy guidance issued by the Chinese government to regulate firms operating overseas. See, Inclusive Development International, *Safeguarding People and the Environment in Chinese Investments: Second Edition*, 2019, p. 26, <https://www.inclusivedevelopment.net/wp-content/uploads/2019/05/2019_IDI_China-Safeguards-Guide-FINAL.pdf> [accessed 14 December 2020]
- 9 Twenty of the Chinese overseas investments that form the basis of this report involve minerals such as aluminum, cobalt, copper, iron, lead, lithium, molybdenum, nickel, silver and zinc that the World Bank's group classifies as part of the seventeen minerals used in the development of low-carbon technologies for the transition to cleaner energy sources. See, World Bank Group, *Minerals for Climate Action: The Mineral Intensity of the Clean Energy Transition*, 2020, p. 37 <<http://pubdocs.worldbank.org/en/961711588875536384/Minerals-for-Climate-Action-The-Mineral-Intensity-of-the-Clean-Energy-Transition.pdf>> [accessed 21 December 2020]
- 10 For a recent study that explores the contradictions between transition to low-carbon energy-system and increased risks of social and ecological injustice, See, Bainton, N., Kemp, D., Lebre, E., Owen, J., Marston, G., *The energy-extractive nexus and the just transition*, 1 January 2021, <<https://doi.org/10.1002/sd.2163>>
- 11 Chinese actors are not currently involved in the mining project in Australia but the case, presented at the end of the third chapter in a box text, has been reviewed because a Chinese firm and banks had been in negotiation with the mining company leading the project in the past before they withdrew their interest.

- 12 The Carmichael coal mine was excluded for review as Chinese corporate actors withdrew from the project, whereas Aluminium Corporation of China was not reached for review because the Toromocho mining project in Peru doesn't feature extensively in the final version of this report.
- 13 Companies that resulted unreachable for the right to replay are Junefield, leading the Rio Blanco mine in Ecuador, *Myanmar Wanbao* and its parent Norinco as per the Letpadaung project in Myanmar; China Railway Construction Corporation for the Mirador mine in Ecuador.
- 14 These are China Minmetals Corporation for the Ramu Nico project in Papua New Guinea; MMG for the Las Bambas project in Peru (with China Minmetals Corporation also copied in this communication as it is the parent company of MMG); China Railway Group Limited for the Sicominex deal in DRC; Ganfeng Lithium as per the Minera Exar project in Argentina; Huayou Cobalt as owner of the cobalt smelter in DRC; PowerChina and its subsidiary Sinohydro for their roles in the resource for financing infrastructures deals of Sicominex and Atewa Forest in DRC and Ghana respectively; Tsingshan, as one of its subsidiary leads the Weda bay project and the Morowaly industrial park in Indonesia, while another subsidiaries is involved in the coal mining project in the Hwange Park in Zimbabwe; Zijin Mining Group as per the Porgera mine in Papua New Guinea, the Buritica project in Colombia and Zijin Bor copper project in Serbia; China Hongqiao Group for its equity stake in SMB and bauxite mining in Guinea; China Non Ferrous Metal Mining Group with regards to the Dairi Prima Mineral project in Indonesia; Shandong Gold, in relation to the Valedero mine in Argentina; Shougang Group, leading the Marcona mine in Peru; and Tianqi Lithium for its equity investment in SQM and exposure to lithium mining in the Salar da Atacama, Argentina.
- 15 State-owned Assets Supervision and Administration Commission (SASAC), *Member Directory*, <http://en.sasac.gov.cn/n_688_4.htm> [accessed 28 October 2020]
- 16 Tongling is under the control of the provincial government of Anhui Province. United States Securities and Exchange Commission, *Corriente Resources Inc.*, 8 December 2009, <<https://www.sec.gov/Archives/edgar/data/1479978/000095012310000954/o58531sc13d.htm>> [accessed 9 December 2020]
- 17 According to a press statement by the Canadian Corriente Resources Inc which owned mineral deposits and exploration rights in Ecuador, CRCC and Tongling jointly owns CRCC-Tongguan Investment (Canada) Co., Ltd. that acquired Corriente Resources between December 2009 and August 2010. Corriente Resources Inc., *Recent News*, <<http://www.corriente.com/news/news.php>>. The company website indicates that at the time of acquisition, Corriente Resources had two deposits either in development or entering development stage, along with other five mining sites targeted for exploration. Corriente Resources website, *Copper Assets, 2020*, <http://www.corriente.com/copper_assets/copper_assets.php> [accessed 28 October 2020] Re the acquisition of Corriente Inc. <<http://www.corriente.com/news/news.php>>
- 18 Junefield website, *Company Overview*, <http://junefieldmineralresources.com/page/default_en.asp?pageID=13> [accessed 11 November 2020]
- 19 A case study reports that a subsidiary of the Canadian company International Mineral Corporation bought the site in 2001 from another mining exploration company and sold it to Junefield in 2012. Lina Solano Ortiz, *Violated Rights, Resistance, Criminalization*, p.32-34, in Latice Publications, *Why do we oppose mega-mining?*, 2013, <https://www.lattice.org/publ/why_do_we_oppose_mega-mining.pdf> [accessed 11 November 2020]
- 20 Hunan Gold Corporation website, *Company Profile*, <<http://www.hngoldcorp.com/channels/2.html>> [accessed 11 November 2020]
- 21 MMG Website, *Las Bambas*, accessed 29 October 2020, <https://www.mmg.com/our-business/las-bambas/#LasBambas_Blurb>
- 22 James Wilson, *MMG Shareholders approve \$5.85bn purchase of Las Bambas project*, 14 July 2014, <<https://www.ft.com/content/0ec8655c-10cb-11e4-812b-00144feabdc0>> [accessed 29 October 2020]
- 23 MMG website, *Company Overview*, accessed 29 October 2020, <<https://www.mmg.com/who-we-are/company-overview/>>; SASAC, *Member Directory*, accessed 29 October 2020, <http://en.sasac.gov.cn/n_688_2.htm>
- 24 Research indicates that this company has changed name into CNIC Corporation Limited, and that this is incorporated in Hong Kong but as an investment vehicle established also by the SASAC of the State Council. See, Opencorporates.com website, *CNIC Corporation Limited*, <<https://opencorporates.com/companies/hk/1752350>>; CNIC Corporation Limited website, *About Us: Company Profile*, <<https://eng.cnic.com/index.php?m=content&c=index&a=lists&catid=12>> [accessed 30 October 2020]
- 25 CITIC Metal is a branch of the SOE CITIC Group. See CITIC Metal website, *About CMG*, <<http://www.metal.citic.com/en/html/out/about/index/index.html>> [accessed 30 October 2020]
- 26 SASAC, *Member Directory*, <http://en.sasac.gov.cn/n_688_2.htm>; Reuters staff, *UPDATE 2 – Chinalco to buy Peru Copper for C\$840 million*, 12 June 2007, <<https://www.reuters.com/article/peru-aluminum-idUSSP15255420070612>> [accessed 30 October 2020]

- 27 Ericsson, M., Löf, O. & Löf, A. *Chinese control over African and global mining—past, present and future*. *Miner Econ* 33, 153–181 (2020), p.157, <<https://doi.org/10.1007/s13563-020-00233-4>> [accessed 30 October 2020]
- 28 Amos Irwin, Kevin P. Gallagher, *Chinese Mining in Latin America: A Comparative Perspective*, *The Journal of Environment & Development*, 2013 22:207, p. 212 <<https://doi.org/10.1177/1070496513489983>> [accessed 30 October 2020]
- 29 Tables 1 to 4 provide basic information about the identified actors that are involved in 20 mineral projects reviewed for this study. Two project are left out from the tables, namely the Carmichael mine in Australia because no Chinese actor is currently involved in the case and the coal mine in the Hwange National Park of Zimbabwe because desk research could not fully identify the ownership structure of the proposed project.
- 30 For the relationship between Myanmar Wanbao Mining Copper Limited and Norinco Group, See Mind the Gap website, *Case Study: Wanbao's CSR commitments go hand in hand with forced evictions*, 7 July 2020, <<https://www.mindthegap.ngo/harmful-strategies/distracting-obfuscating-stakeholders/symbolically-engaging-communities/example-wanbaos-csr-commitments-go-hand-in-hand-with-forced-evictions/>>. For the status of the Norinco Group, See, SASAC, *Member Directory*, <http://en.sasac.gov.cn/n_688.htm> [accessed 29 October 2020]
- 31 MEHL is one of the two holding companies owned by the country's armed forces, or Tatmadaw, that generate significant revenues from dozens of subsidiary companies and business across Myanmar. For a comprehensive assessment about the economic power held by the militaries in the country, See, Human Rights Council, *The economic interests of the Myanmar military, Independent International Fact-Finding Mission on Myanmar*, A/HRC/42/CRP.3, 5 August 2019, <https://www.ohchr.org/Documents/HRBodies/HRCouncil/FFM-Myanmar/EconomicInterestsMyanmarMilitary/A_HRC_42_CRP_3.pdf>. For a study about the military units and individuals that own shares in MEHL and partnerships that the holding company has established with international shareholders, See, Amnesty International, *Military Ltd: The Company Financing Human Rights Abuses in Myanmar, 2020*, <<https://www.amnesty.org/download/Documents/ASA1629692020ENGLISH.PDF>>
- 32 SASAC, *Member Directory*, <http://en.sasac.gov.cn/n_688_3.htm>; Eikon Reuters database, *China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd, Shareholders Report*, [accessed 29 October 2020]
- 33 Inclusive Development International, *Following the Money Behind the Dairi Prima Zinc and Lead Mine in North Sumatra, Indonesia*, 10 July 2020, <<https://www.inclusivedevelopment.net/wp-content/uploads/2020/12/Dairi-Prima-Mineral-Media-Brief-Investment-Chain-Report-11July2020-English.pdf>> [accessed 29 October 2020]
- 34 Government of Serbia website, *Chinese Giant "Zijin Mining Group" strategic partnership RTB Bor*, 31 August 2018, (unofficial translation), <<https://www.srbija.gov.rs/vest/329507/kineski-gigant-zijin-mining-group-strateski-partner-rtb-bor.php>> [accessed 29 October 2020]
- 35 According to the company 2019 annual report, China Railway Group Limited states that it currently holds nearly 42% of the shares of the Sicomines project. Considering the corporate structure of China Railway Group Limited, the company reports that the Chinese state-owned China Railway Engineering Group Company Limited owns 47.21% of its shares. China Railway Group Limited, *Annual Report 2019*, <http://www.ir-cloud.com/china/601390/financial/25/EN/2019%20Annual%20Report_HU6NFKKfHGfFu.pdf> [accessed 29 October 2020]
- 36 With regards to Sinohydro being a subsidiary of the SOE Powerchina, See, Powerchina website, *Overseas Business*, <https://en.powerchina.cn//2019-05/23/content_16671175.htm>; SASAC, *member directory*, <http://en.sasac.gov.cn/n_688_5.htm> [accessed 29 October 2020]
- 37 Landry, David G, *The Risks and Rewards of Resource-for-Infrastructure Deals: Lessons from the Congo's Sicomines Agreement*. Working Paper No. 16, May 2018, ChinaAfrica Research Initiative, School of Advanced International Studies, Johns Hopkins University, <<https://foreignpolicy.com/wp-content/uploads/2018/06/01911-sicomines-workingpaper-landry-v6.pdf>> [accessed 29 October 2020]
- 38 According to the company website, Tsingshan ranks 14th in the Top 500 Chinese Private Enterprises. Tsingshan website, *About Us*, <<https://www.tssgroup.com.cn/en/about-us/honor/>> [accessed 30 October 2020]
- 39 Indonesia Morowali Industrial Park website, *Pt Sulawesi Mining Investments*, <<http://imip.co.id/pt-sulawesi-mining-investment/>> (Unofficial Translation) [accessed 30 October 2020]
- 40 Although this is a joint venture between a Chinese SOE and a local firm, international investors, including a multinational development bank, are indirectly exposed to Dairi Prima Mineral. These business relationships are presented later in the report in section 2.3.2.
- 41 The Government of Myanmar holds the remaining 51% stake in the Letpadaung mine
- 42 Zijin Mining website, *Zijin Completes Purchase of 50% Shares of Porgera Project*, 06 September 2015 <<http://www.zijinmining.com/investors/117193.htm>>; Zijin Mining website, *Porgera Gold Mine*, <<http://www.zijinmining.com/business/product-detail-26916.htm>> [accessed 30 October 2020]

- 43 Shandong Gold Mining Co., Ltd., *Circular 16 May 2019*, p. 20 & 36, <<https://en.sdhjgf.com.cn/upload/file/2019/05/29/7144dc0b1214494991c53ad7bfbaeef2.pdf>> [accessed 30 October 2020]
- 44 Neil Hume, Don Weinland, *Barrick sells half of Argentine mine to China's Shandong*, 6 April 2017, <<https://www.ft.com/content/74987a7e-1aba-11e7-a266-12672483791a>> [accessed 30 October 2020]
- 45 Ganfeng Lithium is a public company listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. A company review does not indicate that the company is affiliated to a Chinese SOE. Ganfeng Lithium website, *Development history*, <http://www.ganfeng-lithium.com/about1_en.html> Ganfeng Lithium Co., Ltd., *2018 Annual Report*, <<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltn201904241477.pdf>> Eikon Reuters database, *Ganfeng Lithium Co Ltd, Shareholders reports* [accessed 30 October 2020]
- 46 Lithium Americas website, *About*, <<https://www.lithiumamericas.com/corporate/#about>>. An investigation of the Minera Exar's corporate structure found that Ganfeng Lithium had made different investments in the project and that it held 37.5% of the shares and Lithium Americas the 62.5% as per October 2018. FARN, *Lithium extraction in Argentina: a case study on the social and environmental impacts*, 2019, <https://goodelectronics.org/wp-content/uploads/sites/3/2019/05/DOC_LITHIUM_ENGLISH.pdf>. In August 2020, media reported that new investment arrangements led Ganfeng to increase its interests up to 51% and the Canadian company owned the remaining 49%. S&P Global, *Ganfeng Lithium increases stake in Minera Exar to 51%*, 27 August 2020, <<https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/ganfeng-lithium-increases-stake-in-minera-exar-to-51-60118721>> [accessed 30 October 2020]
- 47 IWIP website, *About Indonesia Weda Bay Industrial Park*, <<https://iwip.co.id/en/about-iwip/>> [accessed 30 October 2020]
- 48 In the early years of the project, Eramet cooperated with Mitsubishi and Pacific Metals but these Japanese investors withdrew from the project in 2016. See, Reuters, *Mitsubishi, Pacific Metals to sell stakes in Indonesia nickel mine to Eramet*, 25 April 2016, accessed <<https://in.reuters.com/article/uk-mitsubishi-nickel-indonesia-idUKKCN0XM08X>> [accessed 30 October 2020]
- 49 Eramet website, *Weda Bay: An Ambitious Nickel Production Project*, <<https://www.eramet.com/en/activities/development-projects/weda-bay-an-ambitious-nickel-production-project>>. Eramet sold a majority 57% stake it held of Strand Minerals Pte that, in turn owns 90% of the Weda Bay project, to Tsingshan in 2017, and maintained 43% of the shares of Strand Minerals. See, Reuters Staff, *Eramet revises Indonesia nickel project with Tsingshan partnership*, 23 February 2017, <<https://de.reuters.com/article/uk-eramet-indonesia-tsingshan-idUKKBN1622D4>>; Eramet, *Consolidated financial statement*, 19 February 2020, p.90, <<https://www.eramet.com/sites/default/files/2020-02/Eramet-Consolidated-Financial-Statements-as-at-31-december-2019.pdf>> [accessed 14 December 2020]
- 50 The Ramu Nico project is nearly 85% controlled by a local subsidiary of Metallurgic Corporation of China Ltd, which in turn is majority owned by China Minmetals Corporation, a central state-owned enterprise. Conic Metal holds approximately 8.5% of the project through a network of subsidiary entities, holds an option to increase its shares up to 11.3% upon debt repayments by the Chinese company and a further option to buy an additional 9.25% of the project's shares. See, Metallurgic Corporation of China Ltd, *2019 Annual Report*, <<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0415/2020041501297.pdf>>; Conic Metal Corp., *Consolidated Financial Statements for the Period from 25 June 2019 to 31 December 2019*, p. 18. <https://www.conicmetals.com/_resources/agm/Conic-FS-December-31-2019-June-15.pdf> [accessed 4 November 2020]
- 51 According to a company announcement, the Zhang family controls nearly 68% of China Hongqiao Group Limited. China Hongqiao holds a 22.5% stake in SMB through a network of subsidiaries, including Shandong Weiqiao that is the entity holding direct stake in the international joint venture. China Hongqiao Group Limited, *Overseas Regulatory Announcement*, 27 April 2018, pp 103 and 59 respectively, <<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804272532.pdf>> [accessed 30 October 2020]
- 52 The company website shows that the SMB-Winning is a venture formed by the Singapore's Winning Shipping, the French-Guinean UMS, the Chinese Shandong Weiqiao and the Guinean government. The consortium is an integrated conglomerate in Guinea that controls various bauxite-associated facilities, including bauxite mining projects, river ports and truck for transportation and it partners with Yantai Port Group to transport bauxite from Guinea to China. SMB Winning Consortium website, *About Consortium*, <<http://www.smbwinning.com/en/about-consortium/>> [accessed 30 October 2020]
- 53 The remaining 5% of the mine is owned by Mineral Resource Enga (MRE) Limited, a consortium between the Enga Provincial Government and local landowners
- 54 Conic Metal has an option to increase its ownership interest in the Ramu Nico mine up to 11.3%. Desk research could not identify the owners of the remaining stake in the project.
- 55 The Government of Guinea holds the remaining 10% of the shares of this joint venture

- 56 Greenovation Hub, *China's Mining Industry at Home and Overseas: Development, Impacts and Regulations*, 2014, p.43, accessed 30 October 2020, <http://www.ghub.org/cfc_en/wp-content/uploads/sites/2/2014/11/China-Mining-at-Home-and-Overseas_Main-report2_EN.pdf>
- 57 Tianqi is a vertically integrated company specialized in lithium battery technologies for application in the electric vehicle and energy storage industries and listed on the Shenzhen Stock Exchange. The review of the company's shareholders does not indicate that the Chinese government holds stakes in this enterprise. See, Tianqi Lithium website, *Who We Are*, <<http://en.tianqi-lithium.com/ourcompany/synopsis.html>>; Eikon Reuters database, *Tianqi Lithium Corp, Shareholders report*, [accessed 26 November 2020]
- 58 Antonio De la Jara, *Tianqi buys stake in lithium miner SQM from Nutrien for \$4.1 billion*, 3 December 2018, accessed 30 October 2020 <<https://www.reuters.com/article/us-chile-tianqi-lithium-idUSKBN1O217F>>
- 59 The shares of Huayou Cobalt are traded on the Shanghai stock exchange but investigations into the corporate structure found that almost a fourth of the company shares are held by Chinese state-owned entities. See, AfreWatch, Amnesty International, *This is what we die for: Human right abuses in the Democratic Republic of the Congo power the global trade in cobalt*, January 2016, p. 52, accessed 17 November 2020 <<https://www.amnesty.org/download/Documents/AFR6231832016ENGLISH.PDF>>
- 60 Embassy of Ghana Beijing-China, *Mission News & Speeches: Address by the President of the Republic Nana Addo Dankwa Akufo Addo, At the Official Launch of the GOG-Sinohydro MPSA project*, http://ghanaembassychina.org/news/news_content.php?id=758 [accessed 18 December 2020]
- 61 Zijin-Continental Gold website, *Zijin Mining to acquire Continental Gold in Friendly, All-Cash Offer for C\$1.4 billion*, 2 December 2019, accessed 30 October 2020, <<https://www.continentalgold.com/en/zijin-mining-to-acquire-continental-gold-in-friendly-all-cash-offer-for-c1-4-billion/>>
- 62 Although this cobalt refinery is controlled by Huayou Cobalt, multinational companies are exposed to this project through supply chain relationships, including consumer-facing technology companies. This will be returned later in the report in section 2.3.1
- 63 Ericsson, M., Löf, O. & Löf, A. *Chinese control over African and global mining—past, present and future*. *Miner Econ* 33, 153–181 (2020), p. 157, <<https://doi.org/10.1007/s13563-020-00233-4>>. The researchers have also pointed out that Chinese mining companies have faced huge challenges when investing in foreign countries, including an estimated 40% projects deemed inactive as per 2017. This is also due to the fact that enterprises used to operate in a different investment climate in China, where a resolute administration could minimize risks of regulatory delays and environmental demands were often less stringent Ericsson, M., Löf, O. & Löf, A. *Chinese control over African and global mining—past, present and future*. *Miner Econ* 33, 153–181 (2020), p.164, <<https://doi.org/10.1007/s13563-020-00233-4>> [accessed 8 December 2020]
- 64 Jiang Heng, *An Evolving Framework for Outward Investment: A Chinese Approach to Conflict Sensitive Business*, 2015, p. 4, <<https://www.afsc.org/sites/default/files/documents/ChineseInvestment.pdf>> [accessed 16 February 2021]
- 65 An example of such complex corporate structure involving a Chinese SOE is the Toromocho project in Peru. Company disclosure dated 2015 indicates that the asset is controlled by Chinalco through its resource development subsidiary for projects outside China called Chinalco Mining Corporation International, a majority-controlled entity incorporated in the Cayman Islands in 2003 and listed on the Hong Kong Stock Exchange in 2013 and whose 15% of shares are public. Chinalco Mining Corporation International, in turn and through other intermediary entities, wholly owns Minera Chinalco Peru S.A. that controls the Toromocho mine. See, Chinalco Mining Corporation International, *Annual Report 2015*, <https://minedocs.com/17/ChinalcoMiningCorporationInternational_2015_AnnualReport.pdf>; Chinalco Mining Corporation International website, *Group Structure*, <https://chinalco.todayir.com/html/about_structure.php>. Another example is China Hongqiao Group Limited, a company incorporated again in the Cayman Islands and listed on the Hong Kong Stock Exchange, whose largest shareholder, Hongqiao Holdings, is incorporated in the British Virgin Islands (BVI), and whose ultimate beneficiary is the Chinese National, Mr. Zhang. This company, through a network of other subsidiaries including in the Cayman, BVI and China, ultimately control 22.5% of the Guinean SMB and its bauxite operations. China Hongqiao Group Limited, *Overseas Regulatory Announcement*, 27 April 2018, p. 59, <<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltm201804272532.pdf>>. Finally, considering an example of public company that is not significantly controlled by Chinese state-owned entities, a recent media report states that the double listed Ganfeng Lithium will provide financing to its majority owned venture Minera Exar through its subsidiary in the Netherlands. El Enalce Informativo website, *El principal productor de litio de China financiera' un proyect en Argentina*, 3 December 2020, <<https://elenlaceinformativo.com/2020/12/03/el-principal-productor-de-litio-de-china-financiera-un-proyecto-en-argentina/>> [accessed 9 December 2020]

- 66 The researcher observes that the decision to go public may be perceived by the government as a way to improve enterprises' corporate governance whereas other SOEs had even started corporate reform programs on their own, such as the case of CITIC Group – which hold stakes also in the Las Bambas project through its branch CITIC Metal – that transferred most of its assets to its Hong Kong-listed subsidiary CITIC Limited. Mark Grimsditch, *The Roles and Characteristics of Chinese State-owned and Private Enterprises in Overseas Investments*, Friends of the Earth United States, June 2015, p. 7 and 18 <<https://foe.org/resources/role-characteristics-chinese-state-owned-private-enterprises-overseas-investments/>> [accessed 8 December 2020]
- 67 See, Greenovation Hub, *China's Mining Industry at Home and Overseas: Development, Impacts and Regulation: Case Studies*, 2014, p.9, [accessed 8 December 2020]
- 68 Shares structures of Chinese companies are divided between A shares traded in mainland stock exchanges such as Shanghai and Shenzhen, that are only available for trading to mainland Chinese entities, and H Shares, listed on the Hong Kong stock exchange and open for trading to all investors. The company's 2019 Annual Report states that Zijin's largest shareholder is still Minxi Xinghang State-owned Assets Investments (Minxi Xinghang), an entity fully owned by the government of Fujian Province, with nearly 24% equity shares. Among the top 10 shareholders reported, other state-owned entities include China Securities Finance Corp. (2.72%), China-Africa Development Fund (2.26%), an ICBC entity (1.12%), China's National Social Security Fund (1.08%) CITIC Trust (1.02%). Investopedia website, *H-Shares vs. A-Shares, What's the Difference?*, 13 May 2019, <<https://www.investopedia.com/ask/answers/062315/what-are-differences-between-hshares-and-ashares-chinese-and-hong-kong-stock-exchanges.asp#:~:text=A%20shares%20are%20shares%20of,Shanghai%20or%20Shenzhen%20stock%20exchanges.&text=H%20shares%20of%20Chinese%20companies,for%20trading%20to%20all%20investors>> Zijin Mining Group, Co., Ltd., *Annual Report 2019*, p. 70, <<http://www.zijinmining.com/upload/file/2020/09/14/9c97a89f8e9c4c59a13f2404f3bb1096.pdf>>; **Webb-site.com** database, *Minxi Xinghang State-owned Assets Investments Co., Ltd*, accessed 29 October 2020, <<https://webb-site.com/dbpub/orgdata.asp?p=2633476&s1=stakdn&s2=&x=y>>; **China Securities Finance Corp website**, *Introduction*, <<http://www.csf.com.cn/publish/english/1071/1076/index.html>>; **China-Africa Development Fund website**, *Introduction*, <<http://en.cadfund.com/Column/25/0.htm>>; **CITIC Group website**, *Trust Business*, <https://www.group.citic/en/Diversified_Portfolio/Financial_Business/Trust/> [accessed 8 December 2020]
- 69 Considering the international shareholders of Zijin Mining, the Eikon Reuters database indicates that US-based asset management companies, including Vanguard, BlackRock and Van Eck Associates, hold a total of at least 15% share in the company. Eikon Reuters database, *Zijin Mining Group Co Ltd, Shareholders reports* [accessed 29 October 2020]
- 70 The study mentioned above summarizes, for examples, key features of state-owned enterprises – such as being strongly influenced and directly overseen by the state, with senior executives appointed by the government, having more complex decision-making process (although reforms have been made), facing greater scrutiny on corruption etc. – as different to large private companies – whose activities are more market-driven, decision-making is more dynamic, more concerned about image and identifying business risks. See, Mark Grimsditch, *The Roles and Characteristics of Chinese State-owned and Private Enterprises in Overseas Investments*, Friends of the Earth United States, June 2015, p. 16, <<https://foe.org/resources/role-characteristics-chinese-state-owned-private-enterprises-overseas-investments/>> [accessed 30 October 2020]
- 71 Considering official Chinese data, the Ministry of Commerce (MOFCOM), the lead ministry in charge of promotion and oversight of outbound investments, publishes statistics about China's relationships with other countries, including foreign trade cooperation and investments. However, MOFCOM statistics provides aggregate data on countries and sectors, and exact information about financial actors involved in specific project financing are not disclosed. The Global Development Policy Center of the Boston University is one of the key institutions that collects data and develop interactive maps about Chinese policy bank's lending activities across the world. The Global China Initiative website hosts, for example, the China's Global Energy Finance database, which records China Development Bank (CDB) and Export-Import Bank of China (China Exim) aggregate financial data to foreign countries in the different energy sectors between 2000 and 2019; or, in cooperation with Inter-American Dialogue, the regional dataset about CDB and China Exim's financing to Latin American countries between 2005 and 2019, which also include information about financial purposes and sectors. Considering instead the topic-related data collection, the Green Belt and Road Initiative Center has gathered in one online webpage dozens of data sources and databases relevant to BRI, including some datasets on foreign direct investments. Another initiative to signal is the China Global Investment Tracker developed by the American Enterprise Institute that records China's global investments and constructions since 2005 and includes investment details about companies, cost amount, transaction parties, sectors, countries etc. Despite the endeavor by the institute, however, the distinction

- between direct investments and construction projects is not defined and lack of references about the tracker data does not always allows independent cross-referencing of the information provided. See respectively, Ministry of Commerce People's Republic of China webpage, *Statistics*, <<http://english.mofcom.gov.cn/statistic/charts.shtml>>; Gallagher, Kevin P (2019), *China's Global Energy Finance, Global China Initiative, Boston University*, <<https://www.bu.edu/cgef/#/intro>>; Gallagher, Kevin P. and Margaret Myers (2020) China-Latin America Finance Database, Washington: Inter-American Dialogue; <https://www.thedialogue.org/map_list/>; Green Belt and Road Initiative Center, *Databases for the Belt and Road Initiative*, <<https://green-bri.org/databases-for-the-belt-and-road-initiative-bri>> The American Enterprise Institute and the Heritage Foundation, *China Global Investment Tracker*, <<https://www.aei.org/china-global-investment-tracker/>> [accessed 8 December 2020]
- 72 One of the most comprehensive of databases recently released by the Global China Initiative is, perhaps, the latest China's Overseas Development Finance Database, which provides details of 615 overseas projects supported by the two China policy banks between 2008 and 2019. Even though this tool includes several overseas extractive projects, only one of the projects reviewed for this study is included in the database, namely Sicominex in DRC. Ray, Rebecca, Kevin P. Gallagher, William Kring, Joshua Pitts, and B. Alexander Simmons, *Geolocated Dataset of Chinese Overseas Development Finance*, Boston, MA: Boston University Global Development Policy Center. Online database. <<https://www.bu.edu/gdp/chinas-overseas-development-finance/>> [accessed 8 December 2020]
- 73 Companies' disclosures identified within the projects reviewed for this study that contains information about financiers of their overseas investments regard the Toromocho project by Chinalco and the Marcona mine expansion by Shougang Hierro. See respectively, Chinalco Mining Corporation International, *Annual Report 2015*, <https://minedocs.com/17/ChinalcoMiningCorporationInternational_2015_AnnualReport.pdf>; Shougang Hierro Peru S.A.A., *Estados Financieros: 31 de diciembre de 2013 y de 2012*, <<https://www.smv.gob.pe/ConsultasP8/temp/EE%20FF%20Shougang%20Hierro%20Per%20S%20A%20A%20A%20202013.pdf>> [accessed 8 December 2020]
- 74 Information about financial institutions supporting project overseas could be identified on the Eikon database with regards to Las Bambas, Buritica and Valedero projects. Eikon Reuters database, *MMG Ltd, Company Deals, Deals Tearsheet: MMG Ltd prices US \$5,988 Term Loan, Issue Date 05.05.2014*; Zijin Mining Corp, *Company Deals, Deals Tearsheet: Gold Mountains (HK) Intl prices US \$568 Term Loan, Issue Date 22.12.2019*; Shandong Gold Mining, *Company Deals, Deals Tearsheet: Shandong Gold Mining (HK) Co prices US \$960 Term Loan, Issue Date 20.06.2017* [accessed 8 December 2020]
- 75 Only one project is directly connected to western financial institutions. According to a company disclosure, Citibank del Perú S.A., Santander Overseas Bank Inc. and Banco Santander S.A. (Uruguay) joined the local Banco de Crédito del Perú S.A., and the Chinese Hong Kong and Shanghai Banking Corporation Limited to provide USD \$240m financing to expand the production capacity of the the Marcona Iron project in Peru. Shougang Hierro Peru S.A.A., *Estados Financieros: 31 de diciembre de 2013 y de 2012*, p. 39 <<https://www.smv.gob.pe/ConsultasP8/temp/EE%20FF%20Shougang%20Hierro%20Per%20S%20A%20A%20A%20202013.pdf>> [accessed 8 December 2020]. The only other project reviewed where non-Chinese owned banks are exposed to a Chinese-led mineral investment abroad is the Dairi Prima mine in Indonesia, as the International Finance Corporation is an equity investor in a Chinese bank that has provided general purpose financing to a Chinese company leading the project. This case is analyzed below in section 2.3.2.
- 76 Apart from CDB and China Eximbank, the third Chinese policy bank is Agricultural Development Bank of China but only CDB and Eximbank have large portfolios of overseas investments. China's policy banks have a role to support the policy objectives of the Chinese government. The Global Development Policy Center defines policy banks as "a financial institution that is (1) established and guaranteed by the government; (2) has exclusive financial support from the state; (3) bears the responsibility of implementing economic and financial policy". Such definition often overlaps with that of national development banks that operate with the goal of self-sustaining with a thin profit margin and undertake both government-assigned and market-based investments. Junda Jin, Xinyue Ma, Kevin P. Gallagher, *China's Global Development Finance: A Guidance Note for Global Development Policy Center Databases*, July 2018, <<https://www.bu.edu/gdp/files/2018/07/Coding-Manual-.pdf>> [accessed 9 March 2021]. It is worth noticing that Eximbank also provides concessional lending and, therefore, it also responsible for China's overseas aid, apart from other more commercial financial lending. See, Inclusive Development International, *Safeguarding People and the Environment in Chinese Investments: Second Edition*, 2019, p. 25 <https://www.inclusivedevelopment.net/wp-content/uploads/2019/05/2019_IDI_China-Safeguards-Guide-FINAL.pdf>. [accessed 8 December 2020]. The difference between China's foreign aid and other loan structures, however, can often result opaque. A recent policy reform established a new institution responsible of the China's foreign aid, namely China's International Development Cooperation Agency (CIDCA), which is

- expected to provide clearer distinction among various types of Chinese financial flows. For a study about how the new institution will help clarify for recipient countries, See, Leah Lynch, Sharon Andersen and Tianyu Zhu, *China's Foreign Aid: A Primer for Recipient Countries, Donors, and Aid Providers, 2020*, Center for Global Development, <<https://www.cgdev.org/sites/default/files/chinas-foreign-aid-primer-recipient-countries-donors-and-aid-providers.pdf>>
- 77 In this regard, CDB and China Eximbank have jointly financed SOEs-led outward mining projects either through syndicates with other SOEs commercial banks, as in the case of the Mirador and Las Bambas projects, or as the two only lenders. See respectively, Banktrack website, *El Mirador Copper Mine*, last update 12 October 2016, <https://www.banktrack.org/project/el_mirador_copper_mine/companyprofiles/tongling_nonferrous_metals_group>; With regards to Las Bambas, Reuters database, MMG Ltd, Company Deals, Deals Tearsheet: MMG Ltd prices US \$5,988 Term Loan, Issue Date 05.05.2014; with regards to Toromocho, See, Chinalco Mining Corporation International, *Annual Report 2015*, accessed 8 December 2020, <https://minedocs.com/17/ChinalcoMiningCorporation-International_2015_AnnualReport.pdf>, IWIP <<http://www.china-asean-fund.com/sub-fund-3-detail.php?id=1>>
- 78 China Eximbank alone has financed the Sicomines mine project in DRC and the Ramu Nico project led by Metallurgical Corporation of China in Papua New Guinea. See respectively, Andoni Maiza-Larrate and Gloria Claudio-Quiroga, *The impact of Sicomines on development in the Democratic Republic of Congo*, *International Affairs* 95: 2 (2019) 423–446; p. 428-429 doi: 10.1093/ia/iiz001; and Highlands Pacific Group, *Ramu Nickel Cobalt Project Update US\$ 1.37 billion Project Financing Secured*, 23 July 2008, <<https://www.asx.com.au/asxpdf/20080723/pdf/31b94nbg04tlqf.pdf>> [accessed 8 December 2020]
- 79 Generally speaking, the difference between policy banks and state-owned commercial banks is that the latter are listed on stock markets with significant stakes held by the state and are characterized by more market-oriented investment strategies. This paper has identified a total of six state-owned commercial banks that have provided financing to Chinese firms' overseas mineral investments, including three of the so called 'Big Four', namely Industrial Commercial Bank of China (ICBC), Bank of China, China Construction Bank, along with the relatively smaller institutions linked to government institutions, namely China Merchants Bank and China CITIC Bank. See respectively, for the 'Big Four', Inclusive Development International, *Safeguarding People and the Environment in Chinese Investments: Second Edition*, 2019, p. 26, <https://www.inclusivedevelopment.net/wp-content/uploads/2019/05/2019_IDI_China_Safeguards-Guide-FINAL.pdf>; China Merchant Group website, *About us: Introduction*, <https://www.cmhk.com/main/a/2016/a26/a30448_30530.shtml>; China CITIC Bank website, *About China CITIC Bank International: Our Corporate Structure*, <www.cncbinternational.com/about-us/about-citic-bank-international/en/index.jsp#:~:text=Our%20CITIC%20connection,-The%20CITIC%20Group&text=CITIC%20Group%20Corporation%20is%20a,multinational%20financial%20and%20industrial%20conglomerates.&text=CNCB,%20our%20parent%20bank%20in,Kong%20and%20Shanghai%20stock%20exchanges>. [accessed 8 December 2020] For a recent study on reforms of these banking institutions in China, See, Godfrey Yeung (2020): *Chinese state-owned commercial banks in reform: inefficient and yet credible and functional?*, *Journal of Chinese Governance*, DOI: 10.1080/23812346.2020.1772537
- 80 In the Mirador project, the state-owned commercial banks that joined the syndicate are ICBC and China Merchants Bank, whereas in the Las Bambas project these are ICBC and Bank of China, See respectively, Banktrack website, *El Mirador Copper Mine*, last update 12 October 2016, <https://www.banktrack.org/project/el_mirador_copper_mine/companyprofiles/tongling_nonferrous_metals_group>; With regards to Las Bambas, Reuters database, MMG Ltd, Company Deals, Deals Tearsheet: MMG Ltd prices US \$5,988 Term Loan, Issue Date 05.05.2014 [accessed 8 December 2020]
- 81 The first case regards Shandong Gold Mining acquisition of half of the rights over the Valedero mine from Barrick, financed by Bank of China and China Merchant Bank; the second case regards a local branch of ICBC that provided financing for the expansion of the processing plant at the Shougang Group-led Marcona Iron in 2017. See respectively, Eikon Reuters database Shandong Gold Mining, Company Deals, Deals Tearsheet: Shandong Gold Mining (HK) Co prices US \$960 Term Loan, Issue Date 20.06.2017; and Invest in Peru website, *Press note/news: Marcona Iron Plant will be Expanded*, 23 June 2017, <http://www.investinperu.pe/modulos/NOT/NOT_Detal-larNoticia.aspx?ARE=1&PFL=0&NOT=3860&month=6&year=2017> [accessed 8 December 2020]
- 82 ICBC, one of the largest state-owned commercial banks, has provided financial support to Sinohydro for a bauxite-related deal in Ghana that is further examined in section 1.3 below; Postal Savings Bank of China is exposed to China Nonferrous Metal's stake in the Dairi Prima project in Indonesia through general purpose loans, analyzed in more details in section 2.4.2 below. See respectively, Pulse Ghana Website, *Here's why NDC says \$2b Chinese deal is a loan and not barter*, 11 September 2018, <<https://www.pulse.com.gh/news/politics/sinohydro-deal-heres-why-ndc-says-dollar2b-chinese-deal-is-a-loan-and-not-barter/b42tgfh>>; Inclusive Development International, *Following the Money Behind the Dairi Prima Mineral Zinc and Lead*

- Mine in North Sumatra, Indonesia*, 10 July 2020, <<https://www.inclusivedevelopment.net/wp-content/uploads/2020/12/Dairi-Prima-Mineral-Media-Brief-Investment-Chain-Report-11July2020-English.pdf>> [accessed 20 November 2020]
- 83 China CITIC Bank website, *Bank Profile*, <<http://www.citicbank.com/about/introduction/brief/>> [accessed 26 January 2021]
- 84 Li Liuxi, Luo Guoping and Mo Yelin, *Tianqi Lithium's \$4.1 Billion Chilean Bet, 19 February 2019*, <<https://www.caixinglobal.com/2019-02-19/tianqi-lithiums-41-billion-chilean-bet-101381423.html>> [accessed 26 November 2020]
- 85 This syndicate comprised the reported Chinese private bank China Minsheng Banking Corporation, along with the state-owned commercial China CITIC Bank, Bank of China and China Merchants Bank. Eikon Reuters database, *Zijin Mining Corp, Company Deals, Deals Tearsheet: Gold Mountains (HK) Intl prices US \$568 Term Loan, Issue Date 22.12.2019*. China Minsheng Banking Corporation website, *CMBC – China Minsheng Bank*, <<http://www.minshengart.com/en/category/institution-list/detail!China-Minsheng-Bank>> [accessed 8 December 2020]
- 86 Mark Grimsditch, *The Roles and Characteristics of Chinese State-owned and Private Enterprises in Overseas Investments*, Friends of the Earth United States, June 2015, p. 11 <<https://foe.org/resources/role-characteristics-chinese-state-owned-private-enterprises-overseas-investments/>> [accessed 9 December 2020]
- 87 Mark Grimsditch, *The Roles and Characteristics of Chinese State-owned and Private Enterprises in Overseas Investments*, Friends of the Earth United States, June 2015, p. 8 <<https://foe.org/resources/role-characteristics-chinese-state-owned-private-enterprises-overseas-investments/>> [accessed 9 December 2020]
- 88 United Nations Conference on Trade and Development (UNCTAD), *Using trade policy to drive value addition: Lessons from Indonesia's ban on nickel exports*, 2017, p. 2, <https://unctad.org/system/files/non-official-document/suc2017d8_en.pdf>. In mid-2019 the government announced that the ban on nickel ore would come into effect at the beginning of 2020. Angela Durrant, *Indonesia nickel ore ban: who will fill the supply gap*, 10 December 2019, <<https://www.woodmac.com/news/opinion/Indonesian-nickel-ore-ban-who-will-fill-the-supply-gap/#:~:text=On%2030%20August%202019%20the,caused%20an%20immediate%20price%20spike>> [accessed 9 December 2020].
- 89 The Observatory of Economic Complexity (OEC) records that Indonesia has never been the top bauxite producers between 2010 and 2018, and just in 2013 it fed the 9% of the world demand, whereas key players in the market have been Australia, Brazil, USA among other countries. OEC website, *Which countries export Alumina Ores?*, 2010 to 2018, available for consultation starting from: <https://oec.world/en/visualize/tree_map/sitc/export/show/all/512873/2010/> [accessed 9 December 2020]
- 90 The OEC records the country as steadily among the top-3 exporters of nickel ore in 2010-2018, resulting as the very top exporting country in 2010, 2012, 2013, and 2018 with outputs, in these years, between 28.3% and 21.9% of the total world's demand of nickel ore. OEC website, *Which countries export Nickel Ores?*, 2010 to 2018, available for consultation starting from: <https://oec.world/en/visualize/tree_map/sitc/export/show/all/512872/2010/> [accessed 9 December 2020]
- 91 The percentage is calculated upon the weight of total nickel ore that Indonesia exported to the world against the recorded amounts exported to China between 2010 and 2018, apart from the years 2015-2016 for which the database does not record any figure. The figures are obtained with the following inputs: Periods: from 2010 to 2018; Reporters – Indonesia; Partners: All; Trade flows: Exports; HS (as reported) commodity codes: 2604 – Nickel ores and concentrates. See, UN Comtrade database, <<https://comtrade.un.org/data/>> [accessed 9 December 2020]
- 92 The percentage is calculated upon the weight of total nickel ore that China imported from the world against the recorded amounts imported from Indonesia between 2010 and 2018. The figures are obtained with the following inputs: Periods: from 2010 to 2018; Reporters – China; Partners: World and Indonesia; Trade flows: Imports; HS (as reported) commodity codes: 2604 – Nickel ores and concentrates. See, UN Comtrade database, <<https://comtrade.un.org/data/>> [accessed 9 December 2020]
- 93 A study published in 2017 estimated that Indonesia had the 15.8% of world share of Nickel resources. UNCTAD, *Using trade policy to drive value addition: Lessons from Indonesia's ban on nickel exports*, 2017, p. 15, <https://unctad.org/system/files/non-official-document/suc2017d8_en.pdf> [accessed 9 December 2020]
- 94 According to industry media, China has produced about half of the world's crude steel between 2012 and 2019, whereas for the lithium-ion battery industry production it controls 80% of the world's raw material refining, 77% of the world's cell capacity and 60% of the world's component manufacturing as per 2019. See respectively, Worldsteel Association website, *Global crude steel output increases by 3.4% in 2019*, 27 January 2020, <<https://www.worldsteel.org/media-centre/press-releases/2020/Global-crude-steel-output-increases-by-3.4-in-2019.html>>; Bloomberg NEF, *China Dominates the Lithium-ion Battery Supply Chain but Europe is on the Rise*, 16 September 2020, <<https://about.bnef.com/blog/china-dominates-the-lithium-ion-battery-supply-chain-but-europe-is-on-the-rise/>>. [accessed 9 December 2020]

- 95 According to the Royal Society of Chemistry, a science institute based in the United Kingdom, main applications of nickel is to make alloys such as stainless steel as well as batteries, including for electric vehicles. Royal Society of Chemistry website, *Nickel: Uses and properties*, <<https://rsc.li/2Nu6Kc2>> [accessed 9 December 2020]
- 96 As per January 2016, UNCTAD reported that a dozen nickel smelter projects were developed in Indonesia, including four for Nickel Pig Iron and two for Ferronickel production. UNCTAD, *Using trade policy to drive value addition: Lessons from Indonesia's ban on nickel exports*, 2017, p. 23, <https://unctad.org/system/files/non-official-document/suc2017d8_en.pdf> [accessed 9 December 2020]
- 97 It is worth noticing that the List of Deliverables of the Second Belt and Road Forum for International Cooperation released in April 2019 mentions engagement for "laterite nickel ore for battery-grade nickel chemical (nickel sulfate crystal with an annual output of 50,000 tons of nickel) production in Indonesia". This List of Deliverables does not mention any Chinese-led nickel project in Indonesia, however, it indicates that the Chinese government has identified nickel from Indonesia as a strategic resource. Although it is not tied to any specific project, this further indicates state's support for these investments, which are likely to result in preferential access to state-backed financing and insurance. See, China's Ministry of Foreign Affairs website, *List of Deliverables of the Second Belt and Road Forum for International Cooperation*, 27 April 2019, <https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1658767.shtml> [accessed 26 January 2021]
- 98 An Industry media reports that Ningbo Lygend, a subsidiary of the Chinese company Zhejiang Liqin Investment Co, and the Harita Group started a US \$700m project to operate High Pressure Acid Leach (HPAL) Nickel and Cobalt smelting plants and ancillary facilities that make use of the abundant laterite nickel ore present in OBI island and produce 240 thousand tons of nickel-cobalt intermediate products per year. Considering the project location, local media reports that subsidiaries of the Chinese SOEs listed Xinxing Ductile Iron Pipe and Harita Group have also held a groundbreaking ceremony of the USD \$320m nickel smelter in June 2015. Follow-up industry media reports that this smelting project regards the construction of a nickel pig iron (NPI) facility, used for the production of stainless steel, and that the Chinese company was planning for the construction of the second phase of the plant in July 2018. See respectively, Ferro-Alloys website, *Ningo Lygend will invest 6 billion Yuan to build smelting plant in Obi island in Indonesia*, 26 November 2018. <https://www.ferro-alloys.com/en/News/Details/264637>; Lygend website, *About Liqin*, <<http://www.lygend.com/about.html>>; Jakarta Globe, *Harita Group Breaks Ground for \$320m Nickel Smelter on N. Maluku*, 12 June 2015, <[https://jakart-
aglobe.id/context/harita-group-starts-construction-of-320m-smelter-in-north-maluku/](https://jakart-
aglobe.id/context/harita-group-starts-construction-of-320m-smelter-in-north-maluku/)>; Mysteel Global, *Xinxing Ductile proceeding with Stage 2 of Indonesia NPI project*, 2 July 2018, <<https://www.mysteel.net/article/4008251-05/Xinxing-Ductile-proceeding-with-Stage-2-of-Indonesia-NPI-project-.html>>; Xinxing Pipes website, *XinXing Ductile Iron Pipe Ranked No. 16 in "Ranking List on the listed Central State-owned Enterprises*, <<http://www.xinxingpipes.com.cn/english/news/303>> [accessed 10 December 2020]
- 99 With regards to Tsingshan and Eramet partnership, see note 49. Other Chinese companies involved in the construction of industrial plants at IWIP that desk research could identify include Zhenshi Holding Group and Zhejiang Huajun Investment Co. which, together with Tsingshan's subsidiary Shanghai Decent Investment have a joint venture to build a ferronickel smelter with a reported capacity of up to 300 thousand tons per year; Zhejiang Huayou Cobalt that in partnership with Tsingshan is building a battery components plant for electric vehicle, consisting of Nickel Sulphate products with an annual capacity of 130 thousand tons per year and associated power plant and port facilities. Although it remains unclear whether this regards the same plant or not, international investment media indicates that Huayou Cobalt ventures with Chengtun Mining Group along with another subsidiary of Tsingshan, namely Yongqing Technology, for the construction a 340 thousand tons nickel smelter at Weda. See respectively, IWIP website, *Tenant: PT Yashi Indonesia Investment*, <<https://iwip.co.id/en/yashi-indonesia-investment/>>; IWIP website, *Tenant: PT Youshan Nickel Indonesia Company*, <<https://iwip.co.id/en/youshan-nickel-indonesia/>>; S&P Global Market Intelligence, *Chengtun to invest US\$145M to build Indonesian nickel smelter*, 12 August 2019, <<https://www.spglobal.com/marketintelligence/en/news-insights/trending/o4mvtlydcswxzsvp-nrg1w2>> [accessed 10 December 2020]
- 100 More information about the impacts of the Weda project is provided below, while for a brief profile of problems in Obi Island See, Letter by 265 Civil Society Groups, *Re: Supporting "High Quality" Construction on the Belt and Road – How Chinese Entities Can Protect People and the Environment in a COVID-19 World*, 29 April 2020, p. 51, <https://www.inclusivedevelopment.net/wp-content/uploads/2020/04/CSO-Statement_April-2020_Final_English-APPENDIX.pdf> [accessed 10 December 2020]
- 101 The BBC reports that during the diplomatic mission the two countries signed a USD \$16bn currency swap to support Indonesia's falling currency value and trade and investments deals worth USD \$32bn. BBC website, *China's Xi Jinping addresses Indonesia Parliament*, 3 October 2013, <<https://www.bbc.com/news/world-asia-24361172>> [accessed 10 December 2020]

- 102 The fund is an USD-denominated offshore quasi-sovereign equity fund sponsored by the Eximbank and other institutional investors, and is under the direction of the PRC State Council. The International Finance Corporation (IFC), the World Bank's private lending arm, is also an investor of the fund. See, CAF website, *About CAF, Background*, <<http://www.china-asean-fund.com/about-caf.php?slider1=2>>; CAF website, Media Center, *IFC Joins the China-ASEAN Investment Cooperation Fund*, <<http://www.china-asean-fund.com/news-detail.php?id=3>> [accessed 10 December 2020]
- 103 CAF website, *CAF Invests into the Largest Ferro-nickel Project in Indonesia*, 3 October 2013, <<http://www.china-asean-fund.com/sub-fund-3-detail.php?id=1>> [accessed 10 December 2020]
- 104 The Orbis database confirms that Shanghai Decent Investment Group, a subsidiary of Tsingshan Holding Group, holds 50.35% of PT Sulawesi Mining Investment which is principally involved in nickel ore mining operations. Orbis database, *Sulawesi Mining Investment, Corporate ownership & Key information*. For Shanghai Decent's relationship with Tsingshan, among others, See, Tsingshan website, *Contact us*, <<https://www.tssgroup.com.cn/en/contact/contact-us/>> [accessed 10 December 2020]
- 105 HSBC website, *Tsingshan's Indonesia Morowali Industrial Park: Build, and They Will Come*, Article Reposted from *Caijing Magazine*, Issue 30, 2019, <<https://www.business.hsbc.com.cn/en-gb/belt-and-road/story-5>>; *Indonesia Morowali Industrial Park website, Pt Sulawesi Mining Investments*, <<http://imip.co.id/pt-sulawesi-mining-investment/>> (Unofficial Translation) [accessed 10 December 2020]
- 106 Rosa Luxemburg Stiftung, *Road to Ruin: Challenging the Sustainability of Nickel-based Production for Electric Vehicle Batteries*, November 2019, p. 19 to 27. <https://www.rosalux.de/fileadmin/rls_uploads/pdfs/engl/Nicke_Study_FINAL.pdf> [accessed 10 December 2020]
- 107 Rosa Luxemburg Stiftung, *Road to Ruin: Challenging the Sustainability of Nickel-based Production for Electric Vehicle Batteries*, November 2019, p. 17 <https://www.rosalux.de/fileadmin/rls_uploads/pdfs/engl/Nicke_Study_FINAL.pdf> [accessed 10 December 2020]. A project factsheet dated 2018/2019 reports that the industrial park – which is 66.25% owned by Tsingshan and minority stakes are held by the Indonesian partner – also host two stainless steel plants apart from the nickel smelters mentioned after. A Thai media indicates that one of these steel plant may be a joint venture between the subsidiary of Tsingshan (43%), namely Shanghai Decent, IMIP (12%) and Delong Holding Limited. See *Indonesia Industrial Estates Directory 2018-2019*, *Indonesia Morowali Industrial Park (IMPI)*, <<https://www.industrialstateindonesia.com/files/estates/v7Hev4DsqCgPQzB1Ri9NS2TzxE72HEAwzCnG-tYQF.pdf>>; The Naitonal Thailand, *China's Delong to Build \$950m steel factory at Morowali*, 19 June 2017, <<https://www.nationthailand.com/business/30318535>> [accessed 10 December 2020]
- 108 These include a joint venture between Tsingshan and GEM Company, a Chinese public company, for a USD\$ 700m HPAL plant and another smelter for which Tsingshan is partnering with a subsidiary of Huayou Cobalt, which holds majority stake, and the SOE China Molybdenum. See, Fransiska Nangoy, Wilda Asmarini, *RPT-Indonesia battery-grade nickel plant awaits environmental nod-developer*, 8 April 2019, <<https://www.reuters.com/article/indonesia-nickel/rpt-indonesia-battery-grade-nickel-plant-awaits-environmental-nod-developer-idUSL3N21N1P7>>; Reuters Staff, *China Moly joins Huayou in Indonesia nickel project*, 10 November 2019, <<https://www.reuters.com/article/chinamoly-indonesia-nickel-cobalt/china-moly-joins-huayou-in-indonesia-nickel-project-idUSL3N27Q02O>>; Rosa Luxemburg Stiftung, *Road to Ruin: Challenging the Sustainability of Nickel-based Production for Electric Vehicle Batteries*, November 2019, p. 17 <https://www.rosalux.de/fileadmin/rls_uploads/pdfs/engl/Nicke_Study_FINAL.pdf> [accessed 10 December 2020]
- 109 See, SMM website, *Tsingshan Group Secures 10-year Loan of \$384 Mln for Smelter in Indonesia*, 18 February 2014, <<https://news.metal.com/newscontent/100057474/tsingshan-group-secures-10-year-loan-of-384-mln-for-npi-smelter-in-indonesia>> HKTDC website, *Belt and Road Gets Indonesian Boost*, 8 June 2018, <<https://hkmb.hktdc.com/en/1X0AE6D5/market-spotlight/Belt-and-Road-Gets-Indonesian-Boost>>; Wahayudi Soeriaatmadja, *Central Sulawesi sees gains from tie-up with China firm*, 25 February 2019, <<https://www.straitstimes.com/asia/se-asia/central-sulawesi-sees-gains-from-tie-up-with-china-firm>>; Zhizco website, *An introduction to Tsingshan Indonesia Morowali Industrial Park*, <<https://www.zhisco.com/an-introduction-of-tsingshan-indonesia-morowali-industrial-park/>> [accessed 10 December 2020]
- 110 Aaron Weinman, *China Ex-Im signs \$700 m nickel Loan*, 19 May 2015, <<https://tredefinanceanalytics.com/articles/3454938/china-ex-im-signs-700m-nickel-loan>> [accessed 26 January 2021]
- 111 Lucien O Chauvin, *Hierro Peru: China's footprint in the Andes*, 1 December 2006, <<https://chinadiologue.net/en/business/595-hierro-peru-china-s-footprint-in-the-andes/>>; See also, Amos Irwin, Kevin P. Gallagher, *Chinese Mining in Latin America: A Comparative Perspective*, *The Journal of Environment & Development*, 2013 22:207, p. 212 <<https://doi.org/10.1177/1070496513489983>> [accessed 17 December 2020]
- 112 The release state that the other tenders included Russia's UGold and the Canadian Diamond Field, but the latter failed to comply with the terms of the tender. China-CEE Institute website, *Serbia Economic Briefing: Chinese Zijin has won the tender for RTB Bor*, 3 October 2018, <<https://china-cee.eu/2018/10/03/serbia>>

- economy-briefing-chinese-zijin-has-won-the-tender-for-rtb-bor/> [accessed 17 December 2020]
- 113 During that time, bilateral agreements allowed Japanese investors to extract minerals and rather than paying in cash, they financed construction works in China. Eric Olander, *China's infrastructure finance model is changing. Here's how*, 14 January 2020, <<https://www.theafricareport.com/22133/chinas-infrastructure-finance-model-is-changing-heres-how/>> [accessed 17 December 2020]
 - 114 In mid-2000s China brought the resource for infrastructure model to Angola in exchange of oil supplies, which turned to be problematic for the African country because inflation in the commodity price led to commit too much oil to repay the deal without having enough left to sell on the open market. Eric Olander, *China's infrastructure finance model is changing. Here's how*, 14 January 2020, <<https://www.theafricareport.com/22133/chinas-infrastructure-finance-model-is-changing-heres-how/>>. Ehizuelen Michael M. O. from the Zhejiang Normal University mentions that Chinese enterprises providing credits to be paid back in resources already occurred through oil supplies to reimburse a hydropower project in Republic of Congo, loan securities in Sierra Leone by exporting coffee and cocoa, and rural electrification in Zimbabwe in exchange of tobacco. Ehizuelen Michael M. O., *Can China's swap formula solve Africa's loan constraints?* 9 December 2019, <<https://news.cgtn.com/news/2019-12-09/Can-China-s-swap-formula-solve-Africa-s-loan-constraints--MhEl-WorAFq/index.html>> [accessed 17 December 2020]
 - 115 Scott Wingo, *Resource-Backed Loans, Revisited: Infrastructure for Aluminum in Ghana and Guinea*, 27 February 2020, <<https://www.ccpwatch.org/single-post/2020/02/27/Resource-Backed-Loans-Revisited-Infrastructure-for-Aluminum-in-Ghana-and-Guinea>> [accessed 17 December 2020]
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