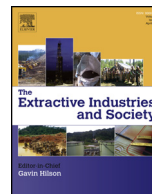




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Original article

Steel pipe dreams: A China-Guinea and China-Africa lens on prospects for Simandou's iron ore

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ABSTRACT

A shift in the drivers of China's economy underlies contemporary change in iron ore and steel markets. Medium-term structural change also lies on the horizon with rising Chinese investment in Africa. Home to the world's largest known and highest-grade iron ore deposit, as well as a history of friendly political ties with Beijing, Guinea offers an important study of related China-Africa political economy and of the emerging iron ore and steel-intensive industrial ties being promoted by Beijing in Africa. Toward understanding long-run and indirect international iron ore market drivers this paper describes directions in China's prospective interest in Simandou in a China-Guinea and China-Africa economic and political economy context. China's selection of Guinea and Sierra Leone among priority partners in Africa, and promise to help these countries and Liberia realize a prosperous 'post-Ebola' era suggest potential for structural change in their integration with the world economy. For China this could offer vast iron ore resources to feed its win-win industrialisation agenda with and in Africa. It could also see selective commodity markets increasingly driven by intra-developing country dynamics – a trend that itself could induce more favourable prospects for the exploitation of Simandou and for Guinea's economic development.

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1. Introduction and background

In 1956 the People's Republic of China (PRC) founding Premier, Zhou Enlai, visited ten countries in Africa. His itinerary included then French-led Guinea, in Africa's far west. Two years later, when France offered its West African colonies a semi-autonomous post-colonial partnership, under President Sekou Toure Guinea alone sought independence. A year later, in 1959, Guinea became the first country in Sub-Saharan Africa (SSA) to establish ties with the PRC. Friendly ties with Beijing have continued since. For example, Guinea unlike many African countries for example has never recognized Taipei (see Brautigam, 2009). Guinea was also a supporter of the 1971 transfer of Taipei's seat in the UN Security Council to Beijing. A 2009 article in *The New York Times* offers a view of the consequences for Guinea's capital Conakry, describing it as being "littered with such tokens of a friendship that first flowered when Guinea was an isolated and struggling socialist

state in the late 1950s" (*The New York Times*, 2009, p6). Despite close political ties with the PRC, Guinea has struggled economically relative to Francophone West African countries retaining closer ties to France, including Senegal and Cote d'Ivoire. Some half a century since independence for example, in 2014 Guinea's per capita income was just USD550, compared to a per capita income of USD1,071 in Senegal and USD1,646 in Cote d'Ivoire (World Bank, 2015a,b). Guinea ranked 179th among the 186 countries in the 2014 United Nations Human Development Index, against 163 for Senegal and 171 for Cote d'Ivoire (UNDP, 2015; retrieved 07/08/15). More than half of Guinea's 12-million strong-population live below the poverty line (World Food Program (WFP), 2015).

Officially a Least Developed Country (LDC), Guinea's economic struggle lies in contrast to its abundant natural resources endowment; a paradox known as the resource curse (see Frankel, 2012). For example, Guinea is home to some 40 billion tonnes of high-grade bauxite (one-third of known global deposits), and is among the largest producers of bauxite in the world (Di Boscio et al., 2014). The country's natural resources include iron ore (estimated 20 billion tonnes), gold (700,000 tonnes), diamonds (30 million carats), and base metals including nickel, cobalt, copper, manganese, etc. (USGS, 2014), as well as untapped offshore oil deposits that are currently licensed to international oil companies

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for exploration. The crown jewel among Guinea's natural resources lies in the country's far-East in the Simandou mountain range (Fig. 1). This area is home to some of the world's most diverse forest biodiversity and also to the "El Dorado" of iron ore (The Economist, 2014). An estimated 2.4 billion tonnes of ore graded at over 65.5% lie in the area (KPMG, 2014). Extraction of Simandou's iron ore reserves would transform global iron ore markets and make Guinea the world's third-largest iron ore exporter, joining Australia and Brazil.

Alongside global commodity market dynamics, political volatility since independence and governance issues within Guinea and its neighbors, including Cote d'Ivoire, Liberia, and Sierra Leone are part of the story as to why Simandou's ore has yet to be extracted. Civil war in Liberia and Sierra Leone through the 1990s for example resulted in the Forest Region in Guinea (home to Simandou) becoming home to some 700,000 refugees (WFP, 2015). Another factor was that the steady flow of bauxite exports provided an alternative source of government income (Knierzinger, 2014).

On governance, Reuters recorded a mining industry executive as suggesting that "it's suicidal to invest in Simandou God knows how many times the government might change the mining code etc . . . It's a very high-risk investment in a country where laws and rules are not stable" (Samb, 2014, p123, accessed August 10, 2015). Guinea is synonymous with 'mysterious' resources-related deals, and lengthy ensuing legal challenges (Balint-Kurti, 2010; Di Boscio et al., 2014). Simandou has been touted as "Simandon't" (The Economist, 2014). The World Bank's 'Doing Business Index' ranks Guinea 169th for ease of doing business (World Bank, 2015b, accessed August 31, 2015). As a prospective sign of the turning medium to long-term tide, Guinea's 2010 democratic election is generally considered as the first credible election since independence. After a series of delays, parliamentary elections were held in September 2013 and the first session of the National Parliament took place in January 2013. President Alpha Conde's relatively smooth re-election for a second and final term in October 2015 adds weight to signs of a sustained shift away from

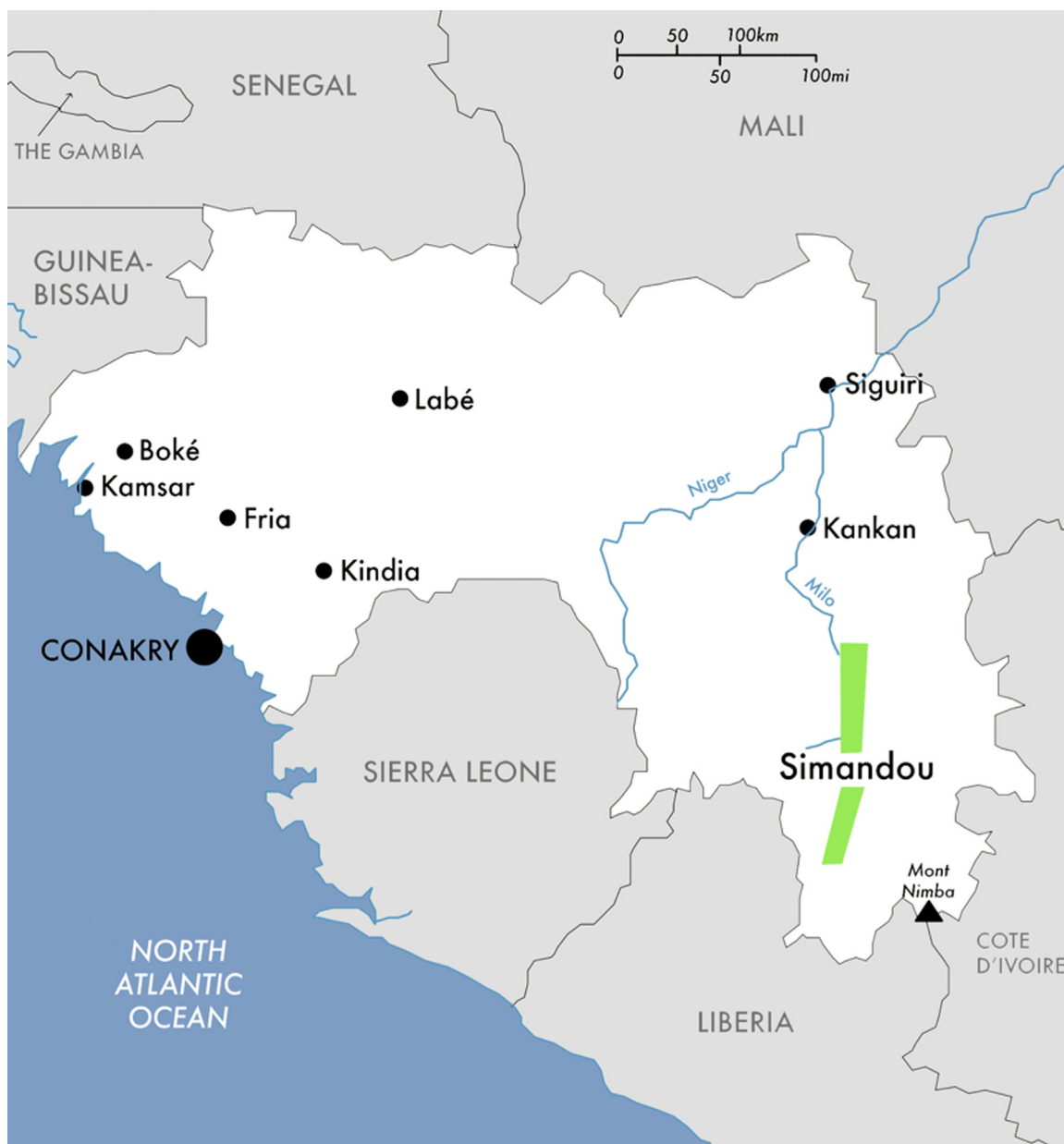


Fig. 1. Map of Guinea.

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