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*How Chinese Party-State Actors Secured Critical Minerals in Guinea*

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A Report of the CSIS Freeman Chair in China Studies

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# Acknowledgments

We would like to thank Barry Naughton, Andrew Polk, and Ethan Cramer-Flood for their feedback and comments throughout the report writing process. We would also like to thank CSIS interns Haoyang Li, Tsun-Kai Tsai, and Eduardo Jaramillo, who contributed to research for this report. Joe Bermudez, Jennifer Jun, and the iLab design team helped bring this report to life through their creation of satellite images and graphics.

This report was made possible through the generous support of the Smith Richardson Foundation.



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# Executive Summary

This case study explores how Chinese diplomatic, regulatory, financial, and commercial actors work in concert to secure critical minerals in the West African nation of Guinea. Efforts in Guinea to mine bauxite and iron ore, the primary inputs for aluminum and steel, illuminate Beijing's conduits for influencing and supporting its geo-economic objectives. Examining one key Chinese player in Guinea's mining sector, this study highlights state actors' connections with nominally private Chinese companies and the importance of partnerships with state-owned enterprises for building costly infrastructure. Across multiple bauxite and iron ore mining ventures, Chinese diplomatic support and state financing provided conduits to help further favored projects and increase Chinese companies' access to Guinea's mining industries.



# Introduction

Under Chinese leader Xi Jinping, China's political and economic system has undergone a significant transformation, further distinguishing its sui generis state capitalist system from market economies. Through reforms, regulatory actions, and political decrees, Beijing is strengthening Chinese Communist Party (CCP) control over both private firms and state-owned enterprises (SOEs).<sup>1</sup> The Xi administration's changes to the political economy have created a new iteration of China's state capitalism, at the center of which lies an ecosystem of public, private, and hybrid-ownership firms pursuing a mix of commercial interests and government directives—a paradigm the authors call “CCP Inc.”<sup>2</sup>

Previously, China's state capitalist system was understood to consist of a core group of “national champions,” often large SOEs, working to support key policy initiatives in a framework sometimes called “China Inc.”<sup>3</sup> In contrast, “CCP Inc.” describes a more complex system in which the lines between public and private companies—or between commercial incentives and national interests—are frequently blurred or functionally irrelevant. Changes to domestic political and regulatory systems under the Xi administration underpin changes to Beijing's influence over Chinese businesses. Increased CCP influence in the private sector, integration of networks of public and private Chinese companies, and new mechanisms for state-backed financing have shifted the conduits through which Beijing can influence enterprises and by which Chinese companies can draw on state support.<sup>4</sup> This ecosystem is characterized by complex relationships, diverse interests, and a fluctuating balance between firms' autonomy and state alignment. Beijing draws on a multifaceted tool kit of persuasion and coercion that includes diplomatic engagement, state financing, and other industrial policy measures to support strategically important initiatives and influence the commercial direction of firms operating globally.

In an international context, companies within the CCP Inc. ecosystem obtain advantages that are unique to China's political system. State-backed financing for strategic projects, horizontal alignment with other firms, the ability to tap SOEs to build infrastructure, and diplomatic support for commercial initiatives significantly benefit Chinese companies. Access to state support incentivizes Chinese companies to pursue business goals that align with the national interest and disincentivizes nonaligned behaviors, while government influence over financing and the state sector creates channels for Chinese policymakers to steer resources toward favored projects. However, the complexity and scale of the CCP Inc. ecosystem also creates degrees of separation between national directives and business outcomes. Owing to the opacity of this system, it is often impossible to determine the extent to which firms' decisions are motivated by commercial logic versus influence from Beijing—particularly when business and government interests align. However, examining the outcomes of different business ventures can still provide a clearer view of Beijing's influence tool kit and the pathways through which companies benefit from integration into CCP Inc.

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***Beijing draws on a multifaceted tool kit of persuasion and coercion that includes diplomatic engagement, state financing, and other industrial policy measures to support strategically important initiatives and influence the commercial direction of firms operating globally.***

This study explores how the CCP Inc. ecosystem has positioned Chinese companies to gain access to strategic commodities, in this case iron ore and bauxite in Guinea. In the past few decades, China has sourced growing amounts of key natural resources from countries across Africa, becoming the continent's biggest trading partner and largest provider of foreign direct investment.<sup>5</sup> In Guinea, the influx of Chinese companies into mining sectors throughout the late 2010s helped China secure access to inputs for key national industries and deepen bilateral ties between Conakry and Beijing. Between burgeoning networks of Chinese SOEs, state-backed lenders, diplomatic missions, and private metals companies, Guinea's mining sector became home to a growing CCP Inc. ecosystem, creating advantages for Chinese companies that benefited from state support and public-private collaboration.

This case study focuses on the SMB-Winning Consortium, one of Guinea's top mineral exporters, to gain a view into how the CCP Inc ecosystem operates. A consortium that includes both state-owned and private Chinese companies, SMB-Winning has been operating in Guinea since 2014—first in bauxite, which is a key input in the production of aluminum, and later in iron ore, which is used to make steel. The SMB-Winning Consortium's expansion in Guinea occurred within a context of deepening Chinese diplomatic engagement with Conakry and state financing for the country's raw-material sectors that benefited multiple Chinese companies. Among these companies, the consortium's combination of public-private partnership and participation in both bauxite and iron ore ventures provides a particularly insightful view of the CCP Inc. ecosystem in action.





*At the SMB-Winning Consortium's Dapilon Port, pictured above, bauxite shipments from trucks and railways are transferred onto river barges. The piles of red bauxite ore will ultimately be used to produce aluminum in China.*

This study will proceed in three parts. The first section will examine connections between the state and private sector in the CCP Inc. ecosystem. The SMB-Winning Consortium's connections to other Chinese companies and the CCP can be traced through ownership, investment flows, party membership among the consortium's leadership, and its use of SOE contractors to construct important infrastructure projects.

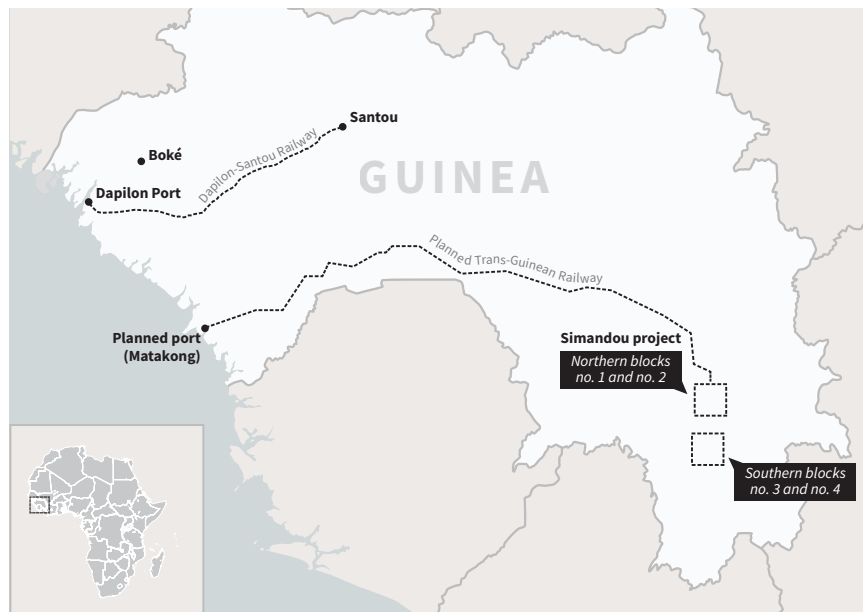
The second section explores how commercial ventures in bauxite fit into the broader picture of deepening Chinese-Guinean relations. Since the mid-2010s, Beijing and Conakry have exchanged multiple state visits, and China issued a \$20 billion loan to Guinea, which later joined the Belt and Road Initiative (BRI) in 2018. Government-loan disclosures, diplomatic documents, and corporate press releases show that Chinese state-owned companies benefited directly from state financing, and many Chinese companies involved in the bauxite sector in turn sought to emphasize their own role in carrying out Chinese policy initiatives.

The final section of this report looks at efforts by the SMB-Winning Consortium and state-owned Chinese metals companies to extract iron ore from the Simandou mine in eastern Guinea. Though Simandou is the site of the world's largest undeveloped stores of iron ore, political setbacks and high costs have stalled commercial efforts to develop the mine for years. Its uncertain business outlook made conduits of state support for Chinese companies readily visible. In 2020, media stories cited anonymous sources claiming that China's State-owned Assets Supervision and Administration Commission (SASAC) was weighing further support for the project, including by directing SOEs to help with construction and talking to Chinese banks about financing.<sup>6</sup> This financial element of the CCP Inc. ecosystem demonstrates another part of Beijing's tool kit for influencing international business operations: that of managing capital as a tool to steer corporate fortunes.<sup>7</sup>

# Viewing CCP Inc. Connectivity through the SMB-Winning Consortium

## An Overview of the SMB-Winning Consortium's Ventures in Guinea

The SMB-Winning Consortium's bauxite and iron ore projects



Source: Luo Guoping and Han Wei, "Cover Story: Stalled Guinea Project Highlights China's Struggle to Reforge Iron Ore Supply Chain," Caixin Global, August 25, 2020, <https://www.caixinglobal.com/2020-08-25/cover-story-chinas-opportunities-and-risks-in-africas-giant-iron-ore-field-101596543.html>; Feasibility studies approved for Santou and Houa, making SMB's railway look all the more profitable," Africa



Intelligence, February 24, 2021, [https://www.africaintelligence.com/mining-sector\\_exploration-production/2021/02/24/feasibility-studies-approved-for-santou-and-houda-making-smb-s-railway-look-all-the-more-profitable,109645892-art](https://www.africaintelligence.com/mining-sector_exploration-production/2021/02/24/feasibility-studies-approved-for-santou-and-houda-making-smb-s-railway-look-all-the-more-profitable,109645892-art); “SMB-Winning Consortium Inaugurates the Dapilon-Santau Railway Project,” China Hongqiao Group Limited, June 21, 2021, <http://en.hongqiaochina.com/details/784.html>.

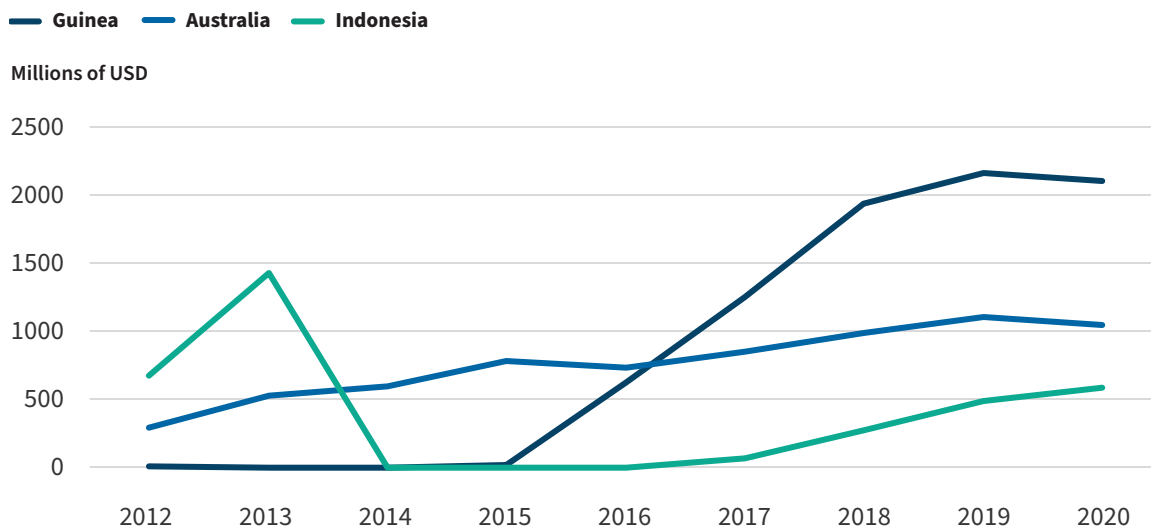
Shifts in international minerals markets and China’s trade relationships affected the timeline of SMB-Winning’s involvement, first in Guinea’s bauxite sector and later in iron ore. China is the world’s largest producer of aluminum; as such, securing access to bauxite aligns with Beijing’s macroeconomic objectives—not to mention the financial interests of China’s many aluminum companies. While numerous enterprises are now involved in developing Guinea’s bauxite sector—including a number of Chinese state-owned metals companies—SMB-Winning remains one of the dominant players in the industry, alongside the Anglo-Australian-Guinean Compagnie des Bauxites de Guinée (CBG) and Russia’s RUSAL.<sup>8</sup>

The onset of SMB-Winning’s bauxite operations in Guinea coincided with the Indonesian government’s ban on bauxite exports in 2014. Since then, Guinea has overtaken Indonesia as China’s largest supplier of bauxite, supplying over 50 percent of imports even after Indonesia lifted its bauxite ban in 2017.<sup>9</sup> Now, as Indonesia prepares to again ban exports in 2023, industry leaders in China are confident that Guinea can make up the coming shortfall.<sup>10</sup> After China successfully secured access to bauxite supplies, later efforts by Chinese companies to tap iron ore from Guinea’s Simandou mine also aligned with Beijing’s interest in diversifying iron ore supplies, particularly to reduce iron ore dependence on Australia amid worsening bilateral relations.<sup>11</sup>

At first glance, a consortium of multinational businesses may not seem a likely example of integration into the CCP Inc. ecosystem. But a closer look at SMB-Winning’s ownership structure, ties to the CCP, and business history demonstrates that connectivity to Chinese state actors and the CCP lies at its core. Moreover, the consortium’s frequent partnerships with SOEs illuminate how access to networks of state-owned Chinese firms enabled it to achieve its commercial aims through connecting mines to railways, roads, and international ports.

## China's Aluminum Ore Imports

Guinea became China's main source of bauxite in 2017



Source: Data from “Aluminum Ore in China,” Observatory of Economic Complexity, accessed May 2022, <https://oec.world/en/profile/bilateral-product/aluminium-ore/reporter/chn?compareExports0=comparisonOption1&yearExportSelector=exportYear1>.

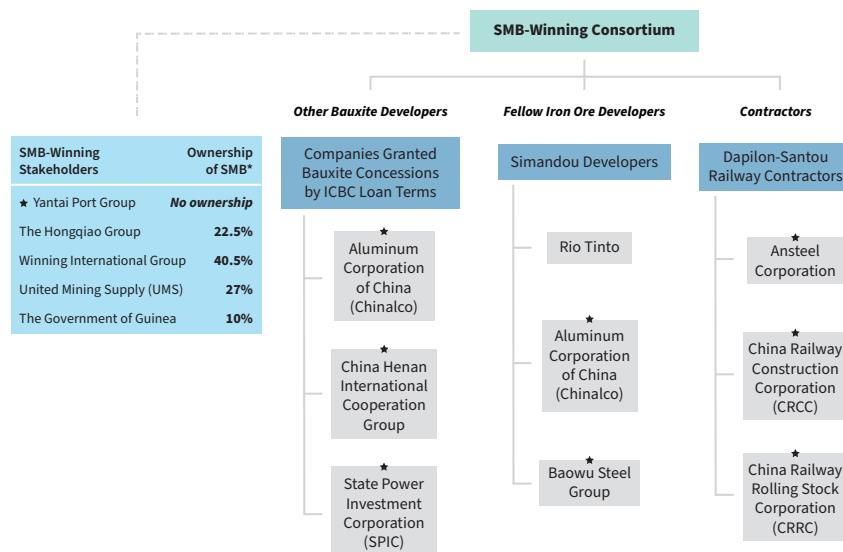
## PARTY TIES AND PUBLIC-PRIVATE CONNECTIVITY IN THE CCP INC. ECOSYSTEM

The SMB-Winning Consortium operates in Guinea via local subsidiaries, the most prominent of which is the Société Minière de Boké (SMB). Of the three shareholding companies in these local subsidiaries, both Hongqiao Group and Winning International Group demonstrate how firms connect to each other and to Chinese state actors within the CCP Inc. ecosystem. Hongqiao Group is part-owned by a subsidiary of state financier CITIC Group, and its corporate leaders are CCP members. Though now a Singaporean company, Winning International Group was originally established in Hong Kong, describes itself as the “main shipping charrier” for large Chinese aluminum producers, and has a history of partnerships with Chinese SOEs.<sup>12</sup> Thus, while SMB-Winning is technically an international consortium, three out of four of its corporate members are closely tied into the CCP Inc ecosystem: Yantai Port Group, Hongqiao Group, and Winning International Group.

Within the CCP Inc. ecosystem, both SOEs and nominally private Chinese firms have structural links to conduits of state financing and CCP influence. While SOEs are directly linked to the state through ownership, private companies’ ties to the ecosystem are more complex. Varying levels of direct and indirect state and party involvement make it difficult to pin down the definition of a “private” company in China. Due to blurred lines between government and private control, even classifying Chinese companies as state-owned versus privately owned is misleading. Particularly among China’s largest firms, true autonomy from the government is virtually nonexistent. State influence over private firms can be seen in the political connections of company leadership, pathways for government funding, and extralegal state coercion of private firms.<sup>13</sup>

### SMB-Winning and the CCP Inc. Ecosystem

A relationship map of companies described in this case study



★ Chinese SOE

\*Société Minière de Boké (SMB) is the SMB-Winning Consortium's most prominent, but not only, local subsidiary

Source: Authors’ research based on multiple sources; SMB ownership information comes from “截止2015年底共11家矿企在几内亚获得铁矿和铝土矿普通采矿权和特许采矿证” [By the end of 2015, 11 mining companies had obtained general mining rights and mining concessions for iron ore and bauxite in Guinea], April 30, 2017, <http://gn.mofcom.gov.cn/article/ztdy/201704/20170402567318.shtml>.

In the case of SMB-Winning, consortium member Hongqiao Group demonstrates several of these elements of state control, despite being commonly labeled in media reports as a “private company.” Hongqiao Group was founded in 1994 by Zhang Shiping, a famous entrepreneur dubbed the “aluminum king of China.”<sup>14</sup> Since its public listing in 2011, it overtook Russia’s RUSAL to become the world’s largest producer of aluminum.<sup>15</sup> Hongqiao Group is still approximately 70 percent owned by the family of Zhang Shiping, who died in 2019. Another approximately 19 percent of company shares are publicly listed. The remaining company shares are owned by subsidiaries of CITIC Group, the largest state-run financial conglomerate in China.<sup>16</sup>

In addition to this element of direct state ownership, Hongqiao Group’s leadership has strong connections to the CCP. The Zhang family is politically well connected: Zhang Shiping and his son Zhang Bo both are or were members of the CCP, demonstrating ties to the party-state at the highest level of corporate decisionmaking.<sup>17</sup> Zhang Bo is now the chairman of both Hongqiao Group and its affiliate Shandong Weiqiao Pioneering Group.<sup>18</sup>

Though registered in Singapore, Winning International Group is also connected in the CCP Inc. ecosystem through its history in China, close relationships with Chinese SOEs, and its role as a primary shipper of metals for Chinese firms. Winning International Group was founded in Hong Kong; its CEO Sun Xiushun is a native of Shandong Province, where the group has a subsidiary in Qingdao.<sup>19</sup> It owns shares in at least one state-owned company in China, Yantai Port Group subsidiary Yantai Port Weili Wharf Company Limited, but its connections to SOEs are mainly apparent in the form of business partnerships.<sup>20</sup> Along with its partnership with Yantai Port Group, Winning International’s company website lists further affiliations, including a history of cooperation with state-owned Aluminum Corporation of China Ltd. (Chinalco) and a strategic cooperation framework signed in 2021 with Sinotrans Huazhong, which is 33 percent state owned.<sup>21</sup> This history of business partnerships demonstrates that although Winning International Group is now headquartered in Singapore, its main function is shipping to China, and the firm has deep connections with Chinese SOEs.

## **SOE PARTNERSHIPS ENABLE THE SMB-WINNING CONSORTIUM TO BUILD TRANSPORTATION ROUTES**

During SMB-Winning’s commercial journey in Guinea, successive partnerships with state-owned enterprises have played a crucial role in enabling mining projects, most prominently through Yantai Port Group. A state-owned enterprise under the control of Shandong Province, Yantai Port Group was counted as a key member of the consortium even though it is not a financial shareholder.<sup>22</sup> Instead of financial backing, Yantai Port Group offers international shipping capacity, helping the consortium build the transportation chain needed to move bauxite to China.

In SMB-Winning’s original bauxite operations and later efforts at Simandou, the construction of new railways, coordination of ground transportation, and connection to international shipping routes have been critical to mineral extraction. In the bauxite-rich western region of Boké, SMB-Winning oversaw the construction of Guinea’s “first modern railway,” the Dapilon–Santou line (几内亚达圣铁路), which, according to company announcements, began operating in June 2021 to connect the Santou bauxite-mining area to the port of Dapilon.<sup>23</sup> Construction of the Dapilon–Santou railway was carried out by three Chinese SOEs: China Railway Construction Corporation (CRCC), China Railway Rolling Stock Corporation (CRRC), and Ansteel Corporation. The consortium’s later promise to build an even longer “trans-Guinean” railway from Simandou helped it secure mining contracts over an Australian competitor that did not commit to the same ambitious level of infrastructure building.<sup>24</sup>



In both cases, the consortium tapped Chinese SOEs to construct the flagship railway projects, demonstrating how access to SOE collaboration can allow companies in the CCP Inc. ecosystem to leverage important construction and logistics resources. While contracting third parties to aid in an international resource project is not necessarily unusual, the network of state-backed entities within the CCP Inc. ecosystem stands out when compared to the infrastructure support that companies from other countries could expect. A U.S. company, for example, could not draw on a ready lineup of state-backed entities to help construct the extensive infrastructure needed to connect a remote overseas mining concession to an international port—nor could any foreign company that comes from an economy governed by market principles.



*The SMB-Winning Consortium's Dapilon port is one of the pieces of transportation infrastructure built to enable bauxite exports. The lower half of the above satellite image shows one end of the Dapilon-Santou railway, where locomotives offload bauxite to stockpile areas.*



*A closer look at the railway facilities under construction. Though company publications say the Dapilon–Santou railway began operating in June 2021, satellite images of Dapilon from February 2022 indicate that construction is still ongoing.*

# Diplomatic Support and China's Foreign Policy Initiatives in Guinea's Bauxite Sector

During the past seven years, along with becoming a key bauxite supplier for China, Guinea's ties to Beijing deepened through a series of high-level state visits, Guinea's participation in key Chinese policy initiatives, and state-backed loans from Beijing. Diplomatic support can be a key mechanism for state influence in the CCP Inc. ecosystem, such as through diplomatic engagement to promote strategic projects, the inclusion of Chinese companies in loan agreements, and the overall attention that Beijing pays to promoting Chinese companies abroad. Beijing used this tool kit in Guinea, conditioning loans on SOEs' access to bauxite concessions and promoting strategic industries in official meetings. The timeline of SMB-Winning's expansion in bauxite mining closely aligned with broader trends in Guinean-Chinese relations, and its interactions with Chinese SOEs provide an example of how companies within the CCP Inc. ecosystem can receive different levels of state support.

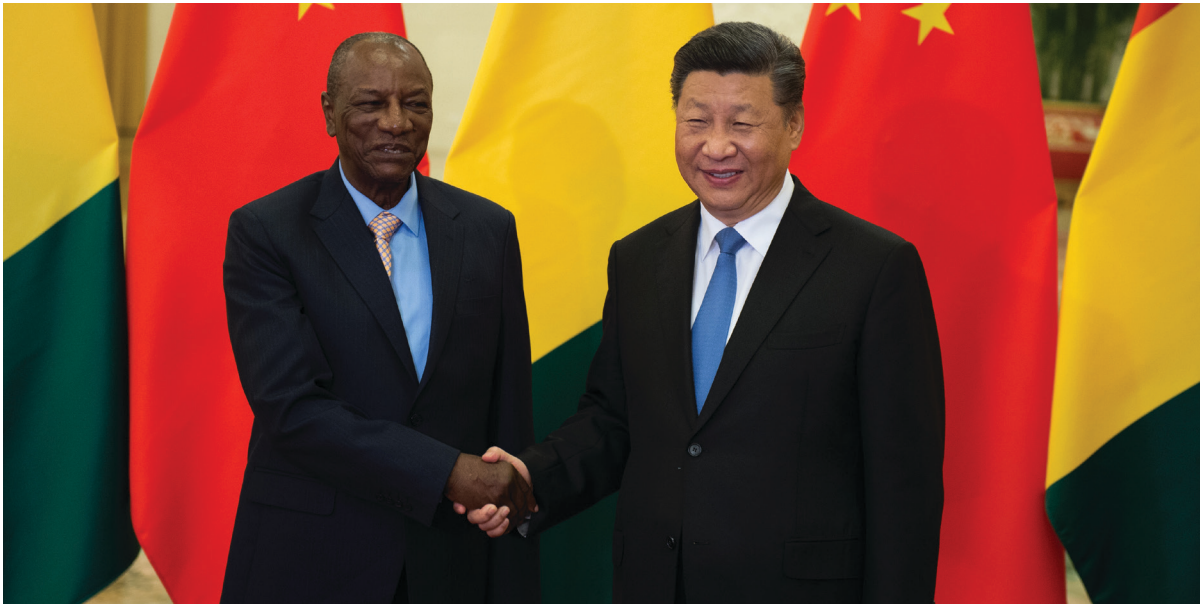
In Guinea, Chinese state involvement included regular ambassadorial meetings and visits from government and policy-bank representatives during which officials pushed China's foreign policy and geo-economic initiatives. For instance, in a September 2018 meeting with Chairman Wang Yang of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), Guinean president Alpha Condé expressed that Guinea placed great importance on its cooperation in the BRI, which both parties signed an agreement to jointly support.<sup>25</sup> Following these engagements, the National Development and Reform Commission (NDRC), a ministerial-level department of the State Council, also became involved in promoting industrial cooperation with Guinea. In June 2019, Ning Jizhe, the deputy director of the NDRC, and Guinean director of the cabinet Ibrahima Khalil Kaba met to discuss cooperation between China and Guinea in bauxite and infrastructure development projects.<sup>26</sup> While these meetings may not be directly associated with specific action regarding Chinese mining projects in Guinea, they outline a correlation between China's increasing involvement in Guinea's mining industry and its larger strategic goals.



## FORMER PRESIDENT CONDÉ AND CHINESE-GUINEAN RELATIONS

Former Guinean president Alpha Condé, who was deposed in a September 2021 military coup, played a critical role in facilitating closer relations between Guinea and China. Condé ruled Guinea from 2010 and used his long-standing leadership to position himself as a key partner in China's expansion of relations with African nations under the Xi administration.<sup>27</sup> During Condé's 2016 state visit to Beijing, the two countries established a comprehensive strategic partnership, including an announcement that China pledged to aid Guinea with resource development and infrastructure construction.<sup>28</sup> The two leaders met twice more before the onset of the Covid-19 pandemic: at the 2017 Dialogue of Emerging Market and Developing Countries in Xiamen and ahead of the 2018 Forum on China-Africa Cooperation (FOCAC) summit in Beijing. China supported Condé after his reelection in 2020, offering congratulations at a critical time for the president, who was facing allegations from political opposition that he had rigged the election.<sup>29</sup> The overthrow of Alpha Condé underscored the political risks of depending on Guinean government goodwill, potentially making Beijing less willing in the future to rely on such a politically unstable supplier for more critical minerals.<sup>30</sup>

The importance of bauxite in China's overall relationship with Guinea is evident in the \$20 billion loan that the Industrial and Commercial Bank of China (ICBC) granted the government of Guinea in 2017—a sum nearly double Guinea's gross domestic product (GDP) that year. ICBC's 20-year agreement with the government of Guinea promises funding for infrastructure projects, with repayment made through revenue generated by mining. Moreover, the loan agreement includes bauxite mining concessions for three Chinese state-owned companies: State Power Investment Corporation (SPIC), Chinalco, and China Henan International Cooperation Group.<sup>31</sup> ICBC's agreement with the Guinean government demonstrates how state financing can help position Chinese companies to seek advantage in strategic sectors, as well as exert state influence through the CCP Inc. ecosystem.



*Guinea's president Alpha Condé (L) shakes hands with China's president Xi Jinping (R) before their bilateral meeting at the Great Hall of the People in Beijing on September 1, 2018.*

Nicolas Asfour/Pool/GettyImages

Instead of losing out to competition from this influx of state-backed Chinese companies included in the ICBC loan agreement, the SMB-Winning Consortium proceeded to expand its bauxite operations in the year following the deal, signing three contracts with the Guinean government in 2018 for the Dapilon–Santou railway, expanded mining concessions, and the construction of a new aluminum refinery.<sup>32</sup> The relationships between SMB-Winning and the SOE beneficiaries of the ICBC loan demonstrate how collaboration within the CCP Inc. ecosystem can benefit companies that may otherwise have been competitors. Far from squeezing out other Chinese companies, SMB-Winning’s expansion assisted them; with the construction of the Dapilon–Santou railway, the consortium noted that this new infrastructure would also serve other bauxite operations along its length, including those of Chinalco, China’s second largest aluminum producer and a competitive rival to Hongqiao Group outside the cooperative context of CCP Inc.<sup>33</sup> Moreover, the railway was only one example of consortium routes helping Chinalco; in a 2017 interview, Yantai Port Group president Ji Shaobo explained that its route for shipping bauxite to Hongqiao Group would also supply bauxite to Chinalco.<sup>34</sup>

Against the backdrop of deepening bilateral ties between Guinea and China, and given the support that the Chinese state-backed apparatus could offer companies operating internationally, it was in the interest of businesses in the CCP Inc. orbit to emphasize their role in carrying out China’s policy goals—particularly in cases where business and national interests neatly converged. The SOEs that built and provided supplies to the Dapilon–Santou railway were vocal in labeling it as part of the BRI and a project that brought Chinese standards to Guinea. For example, CRCC described the railway as the SMB-Winning Consortium’s contribution to the BRI and China’s “going out” strategy, while Ansteel hailed its participation in the railway as a response to the call of the BRI that was designed to promote China’s development of international trade with Guinea.<sup>35</sup> Even before Guinea signed onto the BRI, SMB-Winning counted itself as implementing the initiative and the “going out” strategy. Yantai Port Group described the route it set up between Guinea and Shandong as part of a maritime “aluminum silk road.”<sup>36</sup>

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## ***The relationships between SMB-Winning and the SOE beneficiaries of the ICBC loan demonstrate how collaboration within the CCP Inc. ecosystem can benefit companies that may otherwise have been competitors.***

Alongside SOEs’ unsurprising promotion of Chinese policy goals, core private members in SMB-Winning also embraced alignment with the BRI. In 2019, Sun Xiushun spoke as a representative of the consortium at the establishment of the BRI Land-Sea Linkage Summit Forum in Qingdao.<sup>37</sup> Even the Western representatives of the consortium have noted the importance of China’s national interests in its bauxite ventures. In one 2017 interview, UMS chief Fadi Wazni and SMB CEO Frederic Bouzigues touted the strength of Chinese-Guinean relations and described the consortium as operating under the concept of “win-win cooperation.”<sup>38</sup>

# Simandou

## *Testing State Support in a Commercially and Politically Troubled Venture*

After years of deepening ties between Beijing and Conakry, during which China successfully used Guinean imports to diversify its supply of bauxite, it is unsurprising that Chinese policymakers and industry leaders looked with heightened interest at Guinea for supplies of another in-demand raw mineral: iron ore. Guinea's Simandou mine is the site of the world's largest undeveloped deposits of iron ore, which is also of higher grade than that of many other iron mines, making it less emissions-intensive to process. China's high dependence on iron ore imports makes the country extremely sensitive to price changes.<sup>39</sup> The ability to tap Guinea's resources would reduce Beijing's reliance on Australia, which provides about 60 percent of China's iron ore imports. Amid worsening relations with Canberra, the NDRC has appealed for increasing domestic production and diversifying international supplies—alongside calls for coercive economic actions against Australia.<sup>40</sup>

In March 2022, the Guinean government briefly suspended operations at Simandou, underlining the political risks to China's mineral interests in Guinea. On March 10, Interim President Mamady Doumbouya, who took office after the September 2021 military coup against Alpha Condé, announced cessation of all activity at Simandou pending clarification of how “the interests of Guinea will be served.”<sup>41</sup> A few weeks later, the Guinean government reached an agreement with SMB-Winning and the other companies invested in Simandou to resume operations at the mine, provided that these companies work together to ensure the construction of the trans-Guinean railway and Guinean deep-water port needed to connect the mine to international shipping routes.<sup>42</sup> Moreover, the Guinean government set a tight timeframe for completing construction and bringing Simandou into commercial production, else companies involved could face penalties up to the withdrawal of mining licenses.<sup>43</sup>



*In remote northeastern Guinea, the Simandou mine contains one of the world's largest undeveloped deposits of iron ore. Its extensive store of high-quality, emissions-efficient ore have led some analysts to dub the mine the "Pilbara killer," a reference to the iron-rich region in western Australia, underscoring the perceived connection between Simandou's success and Australia's position in iron ore markets.*

Under the Guinean government's new timeline, the construction of a trans-Guinean railway and a deep-water port must be completed by the end of 2024, then commercial production of iron ore from the mine must follow in 2025.<sup>44</sup> While the project remains subject to a tight deadline and steep costs, its outlook appears clearer following the agreement with the government. Expectations of lasting high iron ore prices and Beijing's support for a project that helps secure iron ore supplies may breathe new life into the troubled project.<sup>45</sup> The global shockwaves of Russia's invasion of Ukraine also affect interest in Simandou. Higher commodity prices and growing anxiety about exposure to sanctions risk could make Chinese officials view Simandou as increasingly important; unlike Australia, Guinea has a long history of maintaining a nonaligned stance on global conflicts.<sup>46</sup> While the Simandou suspension demonstrates that Guinea's new government does not always prioritize China's interests, Beijing may see even greater risk in overreliance on Australia due to its much closer ties to the West.

## SIMANDOU'S TROUBLED INVESTMENT HISTORY

Despite being the largest untapped iron ore mine in the world, Simandou comes with a history of legal disputes, allegations of corruption, and high costs that have hindered the project's development. Multinational mining companies have tried and failed to bring its ore to international markets for decades. Rio Tinto (which still owns 45 percent of Simandou's southern blocks 3 and 4) was first granted license to develop the mine in 1997, only to be stripped of its rights to blocks 1 and 2 by a 2008 presidential decree. Those rights were then granted to Israeli billionaire Beny Steinmetz's BSG Resources (BSGR), which later sold 51 percent of its Guinean assets to Brazilian mining giant Vale in 2010. BSGR and Vale's entrance into



Simandou marked the start of years of allegations of corruption and illegality in both companies' practices, resulting in multiple lawsuits fought out between Rio Tinto, BSGR, and Vale in U.S. courts, as well as a Guinean government inquiry concluding that BSGR won its mining rights via bribery. In 2019, BSGR walked away from Simandou as part of a settlement with the Guinean government.<sup>47</sup> Through a joint venture with a Chinalco affiliate, Rio Tinto later split blocks 3 and 4 with the Chinese state-owned aluminum company, with the government of Guinea maintaining a 15 percent share in the two southern blocks. Reports from 2020 indicate that China Baowu Steel Group Corp. acquired shares in Chinalco's stake in blocks 3 and 4.<sup>48</sup> In 2019, SMB-Winning won the bids for blocks 1 and 2.<sup>49</sup> However, the new mine participants have yet to bring Simandou into commercial production. Simandou's long history of political and legal obstacles provided the backdrop for the Guinean government's March 2022 temporary suspension of operations at the mine, serving a reminder that conflict between the Guinean government and the companies developing Simandou is hardly new.

### THE SMB-WINNING CONSORTIUM'S HISTORY AT SIMANDOU

The involvement of the SMB-Winning Consortium and other Chinese companies at Simandou further illustrates the conduits through which CCP Inc. can support a strategically important project. In November 2019, the SMB-Winning Consortium won an international bid for Simandou's northern concessions (blocks 1 and 2) and established new Guinean subsidiaries to oversee mining development and construction of a railway<sup>50</sup>—thereby joining the Chinese SOEs involved in the southern Simandou blocks alongside Anglo-American mining giant Rio Tinto.<sup>51</sup> The Guinean government chose SMB-Winning over Fortescue Metals Group, an Australian iron ore company, which reportedly offered \$9 billion for rights to develop the two blocks of the mine but did not commit to building the trans-Guinean railway and port facilities that SMB-Winning promised. This demonstrated the capacity of Chinese SOEs to provide logistics and transportation solutions to support CCP Inc.—integrated development projects.<sup>52</sup>



*Recent satellite footage of Simandou's northern blocks shows new signs of mining activity.*

As in Guinea's bauxite sector, efforts to develop Simandou were not carried out by SMB-Winning alone; rather, fellow Chinese companies worked with the consortium to push the project forward, both through contracts to build the trans-Guinean railway and investments in other parts of the mine. China Baowu Steel Group Corp., a Chinese state-owned metal company now engaged in the southern blocks of Simandou, had arranged investments that would directly benefit the SMB-Winning Consortium. Caixin reported in 2020 that Baowu planned to invest \$6 billion into Simandou—made up of contributions from Baowu, other steelmakers, one of China's sovereign wealth funds, and other unspecified institutional or infrastructure investors—to include \$1.5 billion for the northern blocks held by SMB-Winning.<sup>53</sup>

The high costs of the project meant that commercial incentives alone may have been insufficient to ensure the mine's development. The March 2022 agreement between the Guinean government and the companies at Simandou affirmed that building a trans-Guinean railway and deep-water port to transport iron ore out of Simandou's remote region would require a \$15 billion investment (the Guinean government has resisted allowing developers to ship ore via an easier route to a Liberian port).<sup>54</sup> The resulting production cost of iron ore from Simandou could reach \$35–\$40 per ton, compared to the \$15–\$20 per ton of iron ore from Australia, making the project more vulnerable to market shifts or price wars.<sup>55</sup> This combination of high up-front costs and exposure to volatile price shifts weakens business incentives to develop Simandou. Through the lens of CCP Inc., however, both business and policy incentives could work together to push the project forward. Baowu's inclusion of SMB-Winning in its Simandou investment supports its own business interests in helping the mine as a whole connect to international shipping lanes via the trans-Guinean railway. The mutually beneficial investment is also in line with public and private Chinese companies' track record of collaborating to promote projects that further Beijing's geo-economic objectives.

Given the financial challenges that hindered Simandou's development, Chinese state funding and SOE aid in constructing the expensive infrastructure needed to connect the mine to international markets have for years been an important factor in the mine's prospects. Baowu's 2020 entrance to the Simandou project certainly shows a degree of state-backed interest in pushing the project forward despite a cloudy financial outlook. Bloomberg reported in 2020 that SASAC was "actively" pushing forward with the project, including holding talks with SOEs about building the infrastructure to connect Simandou to international ports and drawing on the China Development Bank (CDB) and Asian Infrastructure Investment Bank (AIIB) for funding.<sup>56</sup> However, the willingness of state institutions to spend the money to bring Simandou's reserves to market was uncertain even before the temporary suspension of operations in March 2022. According to one source cited by Caixin, state lenders in 2020 were not interested in offering state backing to the Simandou project, due to concerns about the overcapacity of China's domestic steel industry.<sup>57</sup>

## **WHAT DOES SIMANDOU INDICATE ABOUT CCP INC.?**

The CCP Inc. ecosystem of state-backed support woven throughout the operations of private companies has been particularly visible at Simandou due to the project's difficult financial outlook. Past speculation in the media about whether SASAC, the government body tasked with managing SOEs, would step in to support the troubled project reveals Beijing's attention to a specific iron ore project in a more direct way than does broad support for opening the country's mining sector. Now, with a new deadline set by the Guinean government, Chinese companies—among both the SMB-Winning Consortium and the SOEs helping develop the trans-Guinean railway and southern mining blocks—are playing the leading role in pushing the project forward.

Assuming the agreement between the Guinean government and the developers of Simandou holds, several factors could offer insight into the CCP Inc. ecosystem. The position of Rio Tinto, the only current corporate actor at the mine without strong ties to China, could indicate how companies outside of the CCP Inc. ecosystem can benefit—or lose out—in projects dominated by Chinese companies.<sup>58</sup> Even before the 2022 government ruling, Rio Tinto’s position in the mine vis-à-vis Chinese companies was uneasy. Given that increased iron ore supply in global markets could hurt other lines of Rio Tinto’s business, some analysts projected that keeping Simandou on the back burner was company strategy.<sup>59</sup> Moving forward, Rio Tinto’s involvement in the trans-Guinean railway could heighten tensions over the project’s adverse environmental impact since Rio Tinto has pledged to improve its commitment to high environmental standards.<sup>60</sup> While Rio Tinto’s board signaled its support for moving forward with Simandou, Rio Tinto’s corporate relations with SMB-Winning, Chinalco, and Baowu remain uncertain, as does the prospect of future Chinese state aid for the project.<sup>61</sup> Will SASAC still consider coordinating with policy banks and SOEs to support the project? Could Chinese diplomatic support help smooth over relations between Simandou’s developers and the new Doumbouya government?

Ultimately, the future of Simandou may depend on both China’s willingness to provide state aid and the dedication of shareholding companies to backing the project politically and financially. Along with the political upheaval of the military coup against Alpha Condé, 2021 marked a tumultuous year in iron ore prices, prompting many industry analysts to warn of a protracted period of price volatility—driven in part by demand fluctuation within China’s own domestic market.<sup>62</sup> As Simandou’s development proceeds, China’s willingness to support the project through any diplomatic or financial means will provide insight into Beijing’s tolerance for both political risk and commercial uncertainty in CCP Inc. ventures. However, it may take years to draw such conclusions about the significance of Simandou in the CCP Inc. ecosystem, especially given the long-term investment horizon common to the mining sector, which SMB CEO Frederic Bouzigues pithily underscored in saying, “Mining is about decades.”<sup>63</sup>

# Conclusion

The complex array of private and state-owned players working together in pursuit of both national and commercial interests, as outlined throughout this publication, presents critical insight into the CCP Inc. ecosystem in action and the conduits of state support for Guinea's mining sector. As the SMB-Winning Consortium's operations have become more extensive, so too has its connectivity to Chinese state-backed entities, from contracting SOEs to build the Dapilon-Santou railway to benefiting from their investments in the Simandou project. SMB-Winning's operations also benefited other SOEs in the industry, for example by providing Chinalco access to key transportation routes.

Examining CCP Inc.'s role in Guinea's bauxite and iron ore development through the lens of SMB-Winning's business ventures illustrates how a private company's personnel links to the CCP, close partnerships with public companies, and ad hoc collaboration with SOEs can expand a single corporate entity's resources and capacity. The ability to draw on SOEs for construction of railways proved a key part of both bauxite development in northeastern Guinea and the planned connection of Simandou to a new Guinean port. While SMB-Winning benefited from the capacity support offered by transportation SOEs, other public Chinese companies received more direct state support through their inclusion in ICBC's major concession-tied loan to the Guinean government.

At Simandou, the conduit of state financing for strategic projects was more evident, this time to aid both SOEs and the SMB-Winning Consortium's private members through Baowu's investment in the mining project and the possibility of further SASAC intervention. Simandou's troubled financial outlook means that even media speculation about the potential for Beijing to step in and provide further support for Chinese companies operating there could affect the project's prospects by boosting investor confidence in the mine's development. Given the divergence between China's national interest in diversifying supplies of iron ore versus the uncertain commercial rewards of developing



an expensive source of ore in a risky political environment, it is even easier to isolate the role of state influence at Simandou than in the case of bauxite mining.

Examining the CCP Inc. ecosystem involves analyzing many moving targets, a fact underscored by the suspension of operations at Simandou while this report was being researched. The history of SOE partnerships in the bauxite sector, deepening ties between Beijing and the Condé government, and speculation over SASAC back at Simandou demonstrate conduits for state influence and the interplay between commercial and national interests in the CCP Inc. ecosystem. Moving forward, Simandou could provide further insight on how CCP Inc. responds to contingencies. How much is Beijing willing to spend in terms of diplomatic and financial support on a project with uncertain commercial prospects and definite political risks? The mine's future ultimately lies in a wide-ranging tangle of business interests, international iron ore prices, environmental feasibility, and Guinean government approval, not just potential Chinese state support. In the end, Simandou may show the limits of state support within the CCP Inc. ecosystem, with competing corporate and local interests playing important roles in both enabling and limiting Beijing's economic statecraft. But whatever the ultimate outcome, the hallmarks of CCP Inc.—and its ability to significantly advance private and state commercial interests that align with China's national strategic goals—have already been evident in these Guinean investments for years.

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