

COVER STORY

The Congo Standoff

Chinese mining companies dominate the Congo's critical mineral production, but a nasty dispute at a cobalt mine shows the country is starting to drive a harder bargain.

BY GARRETT O'BRIEN — AUGUST 7, 2022

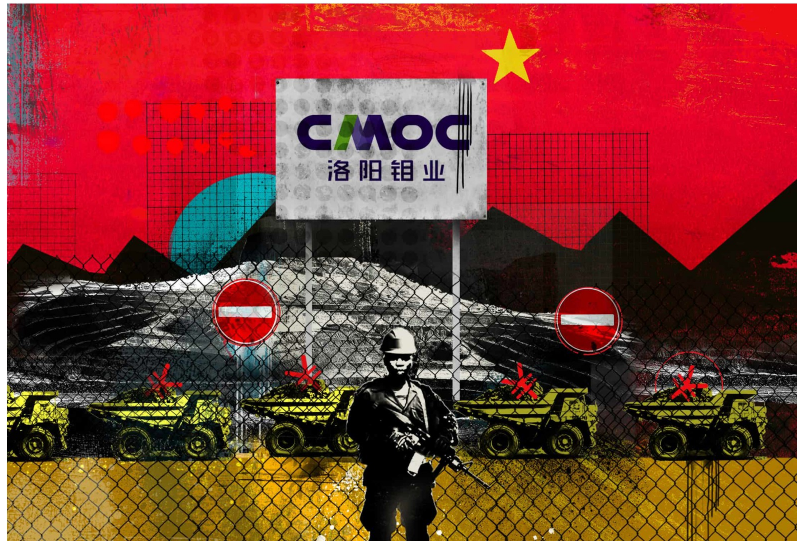


Illustration by Tim Marrs

When Dr. Sage Ngoie Mbayo arrived at the gate of the Tenke-Fungurume Mine (TFM), on June 10, he only had one goal: to smooth things over.

The mine is one of the crown jewels in the Democratic Republic of the Congo's impressive mineral treasure chest. It alone contributes 14 percent of the world's supply of cobalt, a critical input to electric vehicle batteries. But since August 2021, TFM has been locked in something of a tug-of-war between the Congolese government and a state-backed Chinese company.

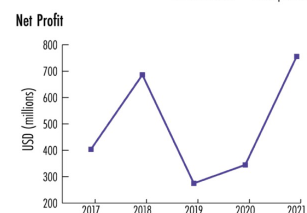
Congolese state-owned mining company [Gécamines](#), which owns 20 percent of TFM, claims that its Chinese partner, [China Molybdenum](#) (CMOC), intentionally underestimated the reserves at TFM and has been under-reporting export values — allegedly cheating both Gécamines and the government out of \$7.6 billion in royalties and interest.

Ngoie — who has a Ph.D. in geohydrology and extensive mine experience, including at TFM — was appointed by the Ministry of Justice to evaluate the dispute. As the provisional administrator of the mine and a supposedly neutral party, he was supposed to have sweeping access to TFM's operations in order to get to the bottom of things.

But when Ngoie arrived at the mine — accompanied by his communications director, four representatives from the

CMOC

China Molybdenum (CMOC) is one of the world's largest molybdenum and tungsten producers, as well as the largest molybdenum producer in China. The company has interests in the mining, smelting, processing and trading of metals. Originally founded by a state owned entity in 2006, it subsequently became a private company and is dual listed in Hong Kong and Shanghai.



Ministry of Justice, and an armed police escort — he wasn't let in. TFM's barbed-wire gates remained locked while multiple guards outfitted in white hard hats and tan military-style uniforms stood by.

Data: [CMOC 2021 Annual Report](#) 

Curiously, the TFM guards were armed, according to Moise Wetu, Ngoie's communications director who was present at the standoff. In the Democratic Republic of Congo (DRC), private security companies are not permitted to carry weapons, which meant that CMOC was either illegally arming private security or that it had paid Congolese military forces to defend TFM from the Ministry of Justice's order.

“

Even though it wasn't a war, it felt like a war zone.

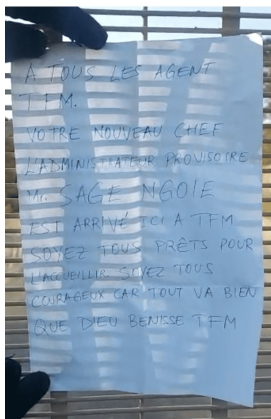
”

— *Moise Wetu, the communications director for Dr. Sage Ngoie Mbayo*

CMOC did not explain the identity of the armed security forces at its location, but Vincent Zhou, a COMC spokesperson, told *The Wire*: “[CMOC] does not engage directly with the FARDC [Armed Forces of the DRC], does not participate in any military operations, and does not provide any assistance that can facilitate military operations.”

According to Ngoie's entourage, the armed guards were a bold escalation in the ongoing dispute.

“There was no parity of forces between the military and heavily armed soldiers outside of TFM and the not-so-heavily armed police officers that were escorting us — both in numbers and also in the amount of guns and ammunition,” says Wetu. “Even though it wasn't a war, it felt like a war zone.”



The note “To all TFM employees...”
Photo provided by source.

Ngoie and his team remained outside the barbed wire gate for hours, while buses of Congolese miners and Chinese employees passed through. In a video provided to *The Wire*, Ngoie and his team can be heard explaining the situation to the guards to no avail. At one point, the group placed a sign on the gate that read “To all TFM employees. Your new chief provisional administrator Mr. Sage Ngoie has arrived here at TFM, be ready to welcome him. Be brave because all is well that God blesses.”

Ngoie declined to comment, but Wetu says Ngoie has not been allowed on the TFM premises, even though he is legally mandated to oversee all operations of the mine. Ngoie has succeeded, however, in taking control of the joint venture's headquarters in nearby Lubumbashi and has halted all exports from the mine — creating huge uncertainty in one of the green revolution's most important supply chains.

“It's right now when people are looking for more stability in the cobalt market, says [Christian-Géraud Neema](#), a former Congolese mining project director and current editor at the China-Global South Project. “You cannot allow 14 percent of the world's cobalt to just stop being produced.”

Indeed, disruptions at the mine don't just affect CMOC and Gécamines, but countless EV makers. CMOC, which is 25 percent state-owned¹, according to WireScreen,² counts Chinese battery megastar CATL as its customer and partner. CATL supplies batteries to major vehicle manufacturers such as Tesla, Honda, Hyundai, Toyota and Volkswagen. Since the dispute at TFM began, a senior representative from CATL has even [spoken](#) to DRC

president Felix Tshisekedi by phone.

[*Click here to read an excerpt from Henry Sanderson's book Volt Rush, about the rise of CATL*](#)

But while China's large-scale cobalt extraction at TFM will help accelerate the mass production of electric vehicle batteries, the DRC seems determined to challenge its biggest foreign investor to insure it is getting its share of the mineral wealth.

Since Ngoie was blocked from entering the mine, the provisional administrator's office has begun talking about the mine's governance as a national security issue — a move that some analysts describe as “resource nationalism.” Gécamines has even threatened to revoke CMOC's ownership of TFM if the Chinese company does not comply with proceedings, which would send shockwaves through the DRC mining industry and serve as a moment of reckoning for the extraction industry's long history in the DRC. (Gécamines did not respond to requests for comment.)



Tenke Fungurume Mine. Credit: [IFLR1000](#)

As Wetu, Ngoie's communication director, says, “Tenke Fungurume is not a conquered Chinese territory in the DRC. There is going to be a robust response from the Republic to send a clear message to CMOC and the entire mining industry.”

Analysts say that after more than a decade of Chinese companies operating largely unchecked in the DRC — almost [70 percent](#) of the country's mining is [controlled](#) by Chinese companies — the standoff at TFM could represent a turning point.

‘CHINESE EFFICIENCY AND CHINESE ELEMENTS’

The DRC, of course, is no stranger to foreigners raiding its land. In the late 19th century, when King Leopold II of Belgium personally owned the Congo Free State (the land mass that the present day DRC occupies), Belgium state-owned enterprises siphoned off the land's natural resources. At the time, rubber was especially valuable, and Leopold's private army, the Force Publique, was known to travel to communities in the Congolese rainforest, kidnap women and children, and demand that the men of the community bring back rubber as ransom.³

“At the end of the 19th century, because you had the production of automobiles in the U.S., and the electrification of European cities, there was a high demand for natural rubber, and the Belgians went to Congo to get it,” says [Julien Bobineau](#), a professor at University of Würzburg in Germany who studies Congolese colonial history.

As electric vehicles lead the green revolution — causing critical mineral prices to soar — the world is once again turning to the Congo, which is the source of two-thirds of the world's cobalt. And once again, little benefit is being offered to the Congolese people.

The total mineral wealth of the Congo is estimated to be over \$24 trillion, with the Congolese government receiving billions of dollars in royalties from mining companies each year. But those profits largely do not reach citizens due to rampant corruption and mismanagement. The World Bank found in 2018 that 73 percent of the DRC lives on less than \$1.90 a day. Wages at TFM, meanwhile, have been reported to be as low as \$3.50 a day.



Felix Tshisekedi casts his ballot in Kinshasa, 30th December 2018. His win was announced on the 10th of January, 2019. Credit: [AP Photo/Jerome Delay](#)

“In the end, we see that there is no government structure in place that actually allows the Congolese population to benefit from any of this. In that sense, that is history repeating,” says [Judith Verweijen](#) a lecturer at the University of Sheffield, focusing on armed conflict and political ecology in the DRC.

But for the DRC, the difference between today and King Leopold’s time is that there are Congolese leaders — supposedly democratically elected ones⁴ — who are active participants in the corruption and greed of the extractive industry. And while Western mining

firms are no strangers to greasing the wheels of local politics, many observers note that when Chinese firms entered the country in force, in the early 2000s, they upped the corruption ante, allowing them to achieve increased output and scale at DRC mines.

““ The Chinese come with the mentality that you don’t come empty handed when you come to Congo. ””

— *Christian-Géraud Neema, a former Congolese mining project director*

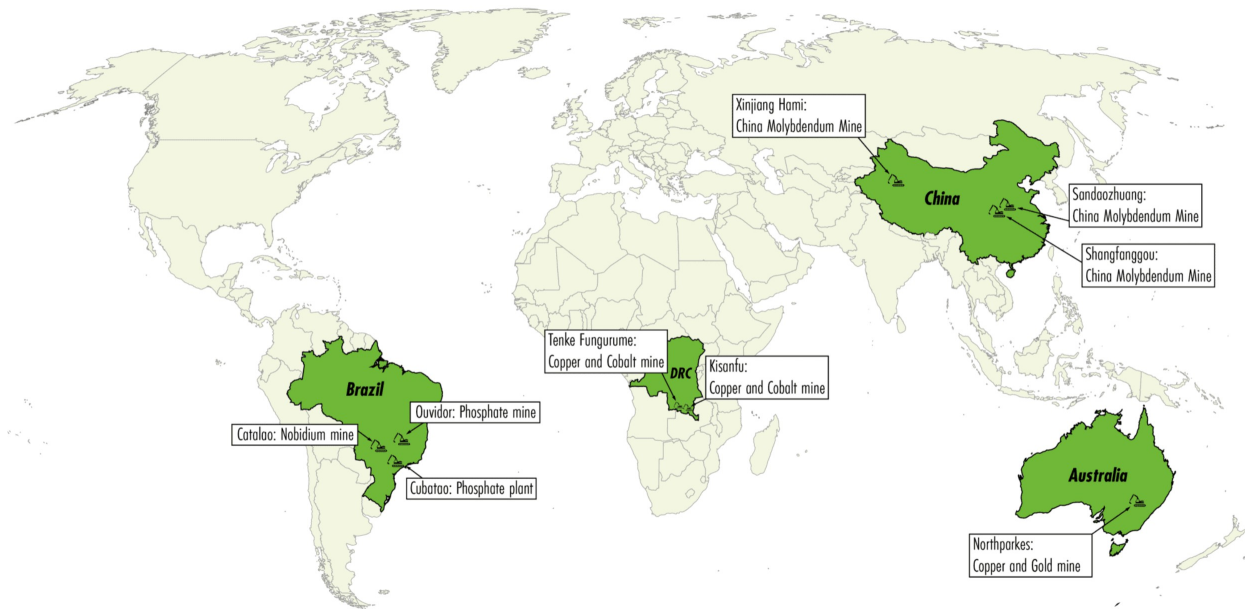
“[The Chinese companies] know that the Congolese environment is quite corrupt,” says Neema at the China-Global South Project. During his time in the industry, Neema says he witnessed Chinese partners bring envelopes full of cash to meetings with Congolese government officials. “The Chinese come with the mentality that you don’t come empty handed when you come to Congo,” he says.

Last November, for instance, [The Sentry](#), a non-profit organization co-founded by George Clooney, published a report called [The Backchannel](#), which details extensive bribery and corruption among Chinese state-backed firms and the Congolese government. Most famously, in 2009, China Railway Group and Sinohydro, two of China’s most powerful state-owned entities, inked a \$6 billion deal with the DRC — dubbed the “deal of the century” — to provide the DRC with infrastructure in exchange for resources mined from untapped deposits. The Sentry’s investigation found that Chinese companies colluded with DRC political power brokers to funnel money to then-DRC president Joseph Kabila and his inner circle in exchange for land concessions.

CMOC Global Operations

CMOC’s mining activities span the globe; however, a majority of the company’s revenue comes from the DRC.



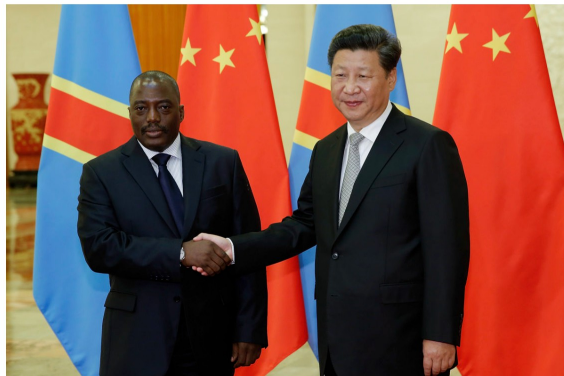


Data: [CMOC 2021 Annual Report](#) 

Although CMOC (which was previously known as China Moly) was not the focus of the Sentry's report, it found that in 2018 CMOC paid \$40 million to [Du Wei](#), a Chinese businessman who was a close ally of Kabila and a known middleman for Chinese mining companies doing business in the DRC. The deal reportedly contributed to more favorable conditions for CMOC's DRC operations.

"The \$40 million payment happened around the time the industry was lobbying against less business-friendly reforms in a new mining code and regulations that were adopted later that year," says [Douglas Gillison](#), a senior investigator at The Sentry.

That same year, CMOC also announced record output of cobalt at TFM. The company has [boasted](#) that this increase is the result of "Chinese efficiency and Chinese elements" — a dig, presumably, at the several different foreign mining companies that have operated at TFM over the years, including the American firms Phelps Dodge⁵ and most recently [Freeport-McMoran](#).⁶



Joseph Kabila met with Xi Jinping, 4th of September 2015, to commemorate the 70th anniversary of Japan's World War II defeat. Credit: [Lintao Zhang/Pool Photo via AP](#)

“ We shouldn't forget the overall unequal asymmetric economic conditions that exist in the world system. The DRC has agency, but they clearly operate within immense constraints. ”

— [Judith Verweijen](#) a lecturer at the University of Sheffield

But, ironically, it is that increased “efficiency” that has led to the standoff at TFM. On

August 6, 2021, CMOC announced it would spend \$2.51 billion to roughly double production of copper and cobalt at TFM. The announcement raised eyebrows at Gécamines since it alleges that their contract says that CMOC must pay Gécamines a royalty for additional reserves discovered. Gécamines suddenly became suspicious that CMOC had been underreporting reserve estimates.

In a lawsuit in Congolese court, Gécamines claimed that CMOC owes it \$7.6 billion in overdue royalties and interest. CMOC fervently denies these allegations.



"What we are seeing now is that there are persons, who ignore the basic facts and act against the established agreement, trying to sabotage the amicable environment of friendly talks by telling lies, making troubles, and attacking partners," says Zhou, the CMOC spokesperson. "This is not justified. CMOC opposes it strongly. We will retain all means, including legal means, to defend our legitimate rights and interests."

After outcry from Gécamines, president Tshisekedi announced a commission to review whether CMOC was abiding by its contractual obligations and, eventually, Ngoie was appointed as provisional administrator of TFM.



Sun Ruiwen and Jean-Michel Sama Lukonde, 8th March, 2022. Credit: [CMOC](#)

Since the dispute began, CMOC has been flexing its political capital to blunt Ngoie's powers. For starters, the company is appealing his appointment in Congolese court, allowing it to argue that Ngoie is not yet the legal administrator.

CMOC chief executive Sun Ruiwen has also spoken directly to either president Tshisekedi or Prime Minister Jean-Michel Sama Lukonde at least four times, according to CMOC press releases. And analysts say the presence of armed guards — possibly from the DRC's own military — shows CMOC's considerable influence.

Still, Ngoie seems undeterred. Wetu, his communications director, says that after repeated attempts to get in contact with CMOC officials, Ngoie ordered all exports from TFM to halt on July 1.

"Tactical arrangements can also be made at road level so that no TFM production can go out," Ngoie recently [told](#) Bloomberg News. "We have a lot of options on the table and if they continue with this game, things will get harder."

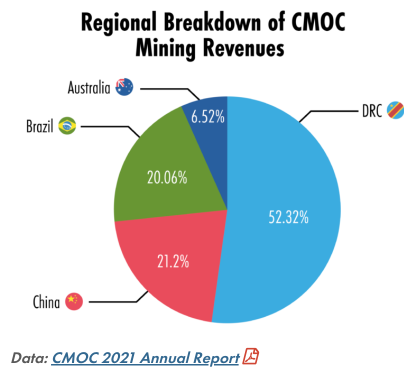
LEVERAGE

For some observers, the current standoff at TFM demonstrates most clearly the dangers of a well-capitalized and powerful Chinese company like CMOC operating in the DRC. CMOC, critics say, has effectively embedded itself with key members of the Congolese government. Now, with its armed guards refusing to let a government-appointed administrator in, the Chinese company is exposing the limits of Congolese agency and

sovereignty.

“We shouldn’t forget the overall unequal asymmetric economic conditions that exist in the world system. The DRC has agency, but they clearly operate within immense constraints,” says University of Sheffield’s Verweijen.

Indeed, the DRC relies heavily on Chinese trade. The DRC sends 73 percent of its exports to China. Chinese products represent 32 percent of all imports into the DRC — nearly three times larger than its next biggest importer Zambia. By comparison, the U.S. represents 1.7 percent of DRC exports and 2.6 percent of imports.



“It is a reality that China is, and will continue to be, important economically for the Congo,” says [Philipp Gieg](#), the chair of international relations and a China-DRC researcher at the University of Würzburg. “China won’t go away.”

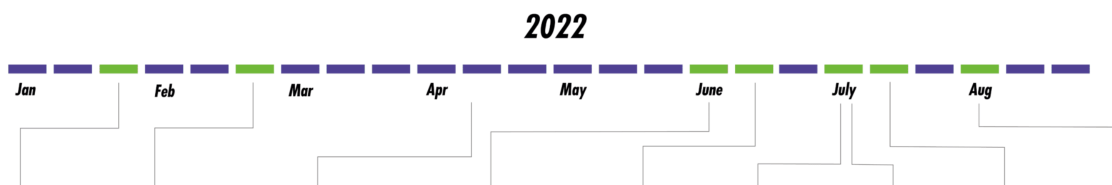
But while the Ngoie-standoff certainly illustrates some of the power imbalances between the DRC and Chinese mining titans, the Congolese government still has a few tricks up its sleeve, especially as the geopolitical terrain shifts.

“If the host country has someone or somewhere else they can turn to, if they can shop around for a better deal, then the power dynamic is not going to be as imbalanced with their extraction partner.”

— [Erica Downs](#), senior research scholar at the Center on Global Energy Policy at Columbia University

Recently, for example, Congolese president Tshisekedi has overseen warming diplomatic relations with the United States. The U.S., as the DRC knows, favors a cobalt supply chain that is not dominated by China. In 2017, President Donald Trump signed an [executive order](#) about critical minerals, such as cobalt, and President Joe Biden followed with an [executive order](#) of his own that focused on securing critical mineral supply chains. Biden has also promised billions of dollars of [investment](#) towards creating an American critical minerals supply chain.

In October of 2021 — two months after Tshisekedi announced the review of CMOC’s TFM contract — Tshisekedi met directly with Biden on the sidelines of a G20 summit. According to the [readout](#), “President Biden welcomed President Tshisekedi’s efforts to promote transparency, tackle corruption, and respect human rights in how the DRC manages its vast natural resources.”



January 2022

Deputy National Security Advisor Daleep Singh and other State Department officials travel to the DRC to meet with President Tshisekedi.



Daleep Singh and President Tshisekedi

February

The Tribunal of Commerce in the southeastern city of Lubumbashi appoints Dr. Sage Ngoie Mbayo as provisional administrator of TFM for a six-month period. His appointment is delayed due to an internal investigation and appeals.



Tenke Fungurume Mine

June 1st

Ngoie assumes his role as provisional administrator of TFM. The DRC Ministry of Justice gives full administrative authority to Ngoie to access TFM, its production sites and its banking information.

June 2nd

Secretary of State Blinken meets with DRC Foreign Minister Christophe Lutundula in Washington. The two discussed rising tension in eastern DRC involving M23 and other armed groups.



Christophe Lutundula and Antony Blinken

June 10th

Ngoie travels to TFM and is prohibited from entering the mine.

July 1st

Ngoie sends letters to export companies, CMOC and the DRC government ordering exports to be halted from TFM.

July 6th

CMOC CEO Sun Ruiwen travels to Kinshasa to meet with Prime Minister Jean-Michel Sama Lukonde Kyenge.



Sun Ruiwen and Jean-Michel Sama Lukonde Kyenge

July 17th

CMOC reportedly halts exports from TFM.

August 9th

Secretary Antony Blinken travels to the DRC to meet with senior government officials.

Tshisekedi was then invited to Biden's [Summit for Democracy](#) in December, and representatives from the State and Treasury Departments as well as the National Security Council have all traveled to the DRC on several occasions since to meet with high ranking DRC officials. Secretary of State Anthony Blinken is currently scheduled to travel to the DRC on August 9 to meet with government officials.

"This is not to be underestimated," says University of Würzburg's Gieg of the warming diplomatic relations. "It's giving the sense of being on the same level. Even if it's only working internally for Tshisekedi, people now see him as a statesman."

Analysts note that it is shrewd for Tshisekedi to broadcast his relationship with the U.S. since it hints at the possibility that the DRC could be wooed away from China.

"If the host country has someone or somewhere else they can turn to, if they can shop around for a better deal, then the power dynamic is not going to be as imbalanced with their extraction partner," says [Erica Downs](#), a senior research scholar at the Center on Global Energy Policy at Columbia University who has studied Chinese activity in Africa.



DRC President Felix Tshisekedi and President Joe Biden at COP26, November 2021.

Credit: President Joe Biden via [Facebook](#)

According to [J. Peter Pham](#), a former U.S. Special Envoy to the African Great Lakes Region under President Trump and now a distinguished fellow at The Atlantic Council's Africa Center, the Tshisekedi administration has even reached out to the U.S. for guidance about reexamining its Chinese mining contracts in the DRC.

"The Congolese government has asked the U.S. government for help — very specific technical assistance — to review the Chinese mining contracts and to take a close look at them," says Pham.

The State Department denies helping the DRC renegotiate their Chinese contracts. According to a senior State Department official, "This is an initiative that they've taken. It's in their sovereign interests to take a look at these contracts."

“ If they can't create a win-win result for both the government and also for CMOC, it will not be good news for the cobalt industry in general. ”

— [Ying Lu](#), senior cobalt research analyst at [Wood Mackenzie](#)

But the U.S. government has certainly helped set the stage. Earlier this month, [Lucy Tamlyn](#), Biden's nomination to be the next ambassador to the DRC [testified](#) before the Senate Foreign Relations Committee, saying: "Other countries, notably the People's Republic of China, fully grasp the DRC's potential. We want the Congolese people to know that corrupt mineral exploitation deals, illegal logging and environmental devastation is not inevitable, and that there are alternatives. If confirmed, I commit to using all our diplomatic tools, including leveraging visa ineligibilities and sanctions, to help the Congolese fight corruption."

But as the DRC leans on its relationship with the U.S. for leverage against Chinese mining companies — even threatening to terminate CMOC's operation of TFM if CMOC does not cooperate — analysts say the DRC is unlikely to totally shut out China, which processes over 90 percent of the DRC's cobalt.



Workers standing with cobalt from the Tenke mine. Credit: [CMOC](#)

So far, cobalt prices haven't responded to the TFM standoff, largely because there is still oversupply from China's Covid-19 factory lockdowns. If the standoff continues, however, [Ying Lu](#), senior cobalt research analyst at global energy consultancy [Wood Mackenzie](#), says that there could be serious supply chain disruptions, which would hurt both China and the DRC.

"If they can't create a win-win result for both the government and also for CMOC,

it will not be good news for the cobalt industry in general," she says. "Both parties are aware of this given the importance of the Tenke mine in the global cobalt supply chain, and also, in turn, in the global battery value chain."

"At the end of the day, the DRC needs these professional miners to operate these mines," agrees [William Adams](#), head of battery and base metals research at [Fastmarkets](#), a London based commodity price reporting agency. "The danger is, if the commissions keep on changing and the royalties keep on increasing, then it's going to be harder and harder for the DRC to attract more investment in these projects. There's got to be a mutually beneficial agreement somewhere along the line — that's in everybody's interest."

Indeed, some say the importance of cobalt — and therefore the DRC — to the EV revolution is on borrowed time. Chinese control over the supply chain and rising prices have already led some battery manufacturers, such as [Tesla](#), to innovate away from cobalt.

"There is going to be more and more R & D spent diversifying and moving into less cobalt heavy chemistries," says [Sarah Montgomery](#), CEO of [Infyos](#), a battery supply chain consultancy. "Thirty years from now the battery chemistries that we will be using are not going to look like what we are using today."

Until then, however, the DRC still has negotiating power, and the fact that the DRC has pushed back against CMOC, including subjecting it to court proceedings and a special administrator, is reason enough for some observers to say that China's days of relatively unchecked power in the DRC are over.

"This is a good indicator of Congo coming into its own," Pham says. "It still is a long way from being there, but the fact that there was this suspension is a good sign."



Garrett O'Brien is a student at Harvard University studying how China interacts with the rest of the world. His research interests include Chinese international development projects and financial regulation. [@GarrettOBrien17](#)

COVER STORY



The Battery King

BY HENRY SANDERSON

By 2020, the Chinese battery maker CATL was supplying almost every electric carmaker, giving the company a dominant position in the transition away from fossil fuels. How did a Chinese company that few people have heard of manage to defeat the world's best carmakers at their own game?

THE BIG PICTURE

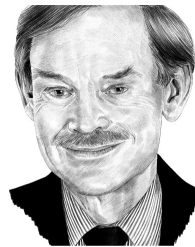


Congress, China and the Plan to Compete

BY ELIOT CHEN

A look at the CHIPS and Science Act: what made it in and what got left out.

Q & A



Robert Zoellick on Accepting China as It Is

BY BOB DAVIS

The former U.S. Trade Representative, diplomat and World Bank president talks about his 40-year relationship with China, including refreshing the WTO deal; the danger of fortress economies; why engagement hasn't failed; and what he thinks...



Visit News Products Store

News Products

Our best open-source research on Chinese companies, as well as industry guides to 100 of the most influential people in a China-focused industry.

The Wire China Archives

[Read More Articles >](#)

The Wire *China*

[Your account](#)

[About Us](#) [Archives](#) [Contact Us](#)



