



China, Africa, and EV

China's foothold in Africa, the lithium-ion and automotive industries: Implications for Europe

Dr. S. Links
Leiden Asia Centre - University Leiden

Overview

- 1. Resources
- 2. Implications for Europe
- 3. Africa the Final Frontier
- 4. Indirect effect of China in Africa
- 5. Competitive Requirements
- 6. Lessons from China



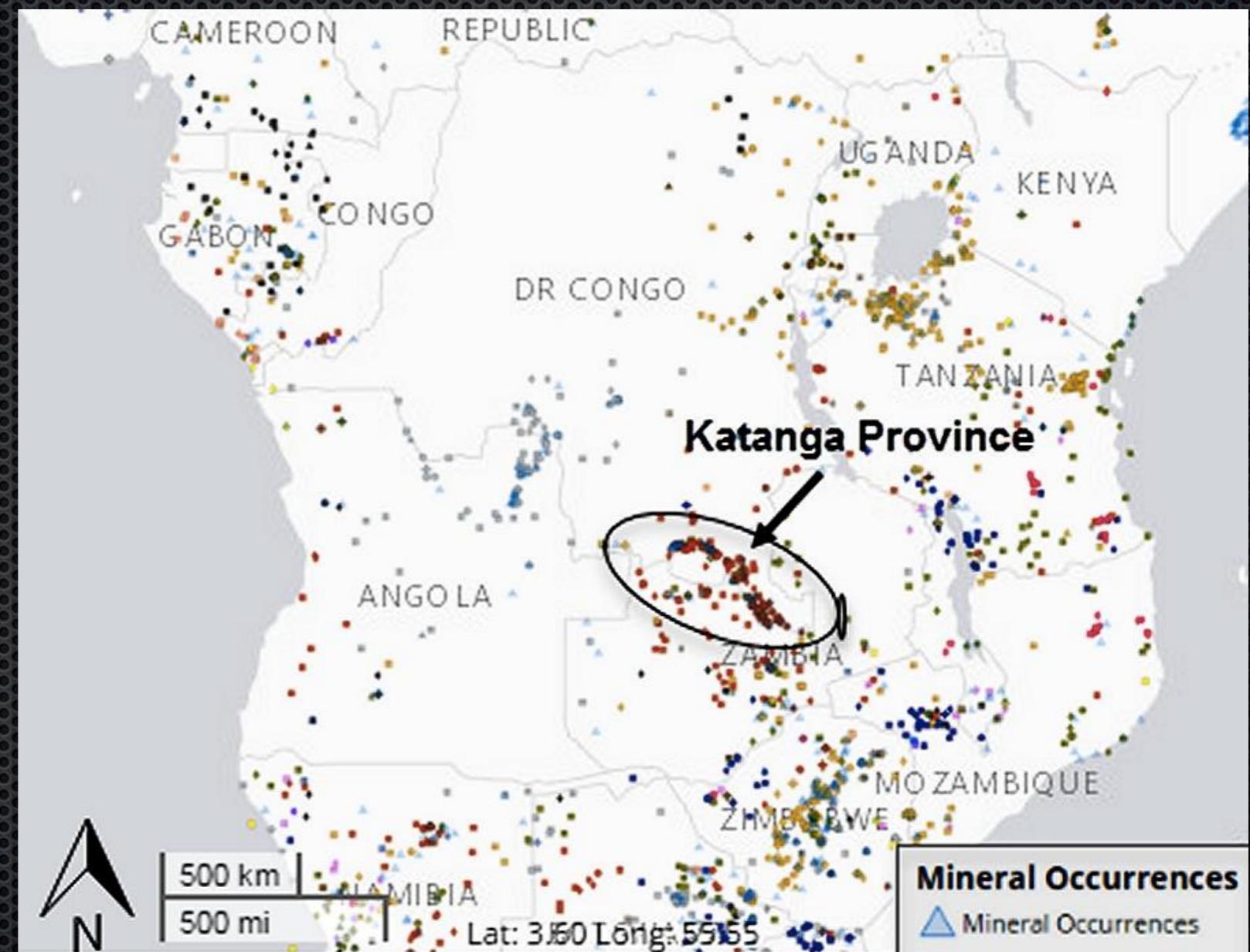


1. Resources

Cobalt and Lithium

Cobalt in the DRC

- By-product of Copper
- Over 60% of world's cobalt production from DRC
- Katanga Region
- Politically unstable



Sicomines DRC

- ‘Deal of the Century’
- Originally US\$9 billion
- Resource backed loans for infrastructure (RFI)
- Expected to provide boost to DRC’s economic growth, but has not
- Fluctuations in price (reliant on Chinese market)
- Tax exemption until loans (mining and infrastructure) repayed



Despite Challenges....

- China dominates the mining of Cobalt in DRC
- Also dominates **production of cobalt chemicals** for use in production of (lithium-ion) batteries
- Control the world's **cobalt refining capacity** (except for one plant in Finland)
- Unless DRC-China Relations wane, China will remain dominant

Lithium in Africa

- Zimbabwe (deposits in Bikita, Goromonzi, and Kamativi)
- Zimbabwe expected to become one of the world's largest lithium exporters
- Namibia
- South Africa
- Mali (pre-feasibility studies; due diligence)
- Also set to become world-wide battery producer



China's dominance

“There’s not going to be enough cobalt for everyone to avoid China...No matter how clever people try to be, there’s always going to be more readily available materials in China, which gives them a significant advantage.”

Heppel, Bloomberg

- Lithium sources - i.e. China-Zim
- Non-material dominance
 - ‘Win-Win’
 - Flexibility of approach

NO AVOIDING CHINA in AFRICA

Forms of Engagement

Europe

China

Conditional

Non-conditional

Limited Access

Entire Supply Chain

Aid vs Business
Investment

Integrated Forms of
Engagement
'win-win'

2. Implications for Europe

- China's foothold strongly established
- Limited ability to penetrate the already obscure supply chain of cobalt

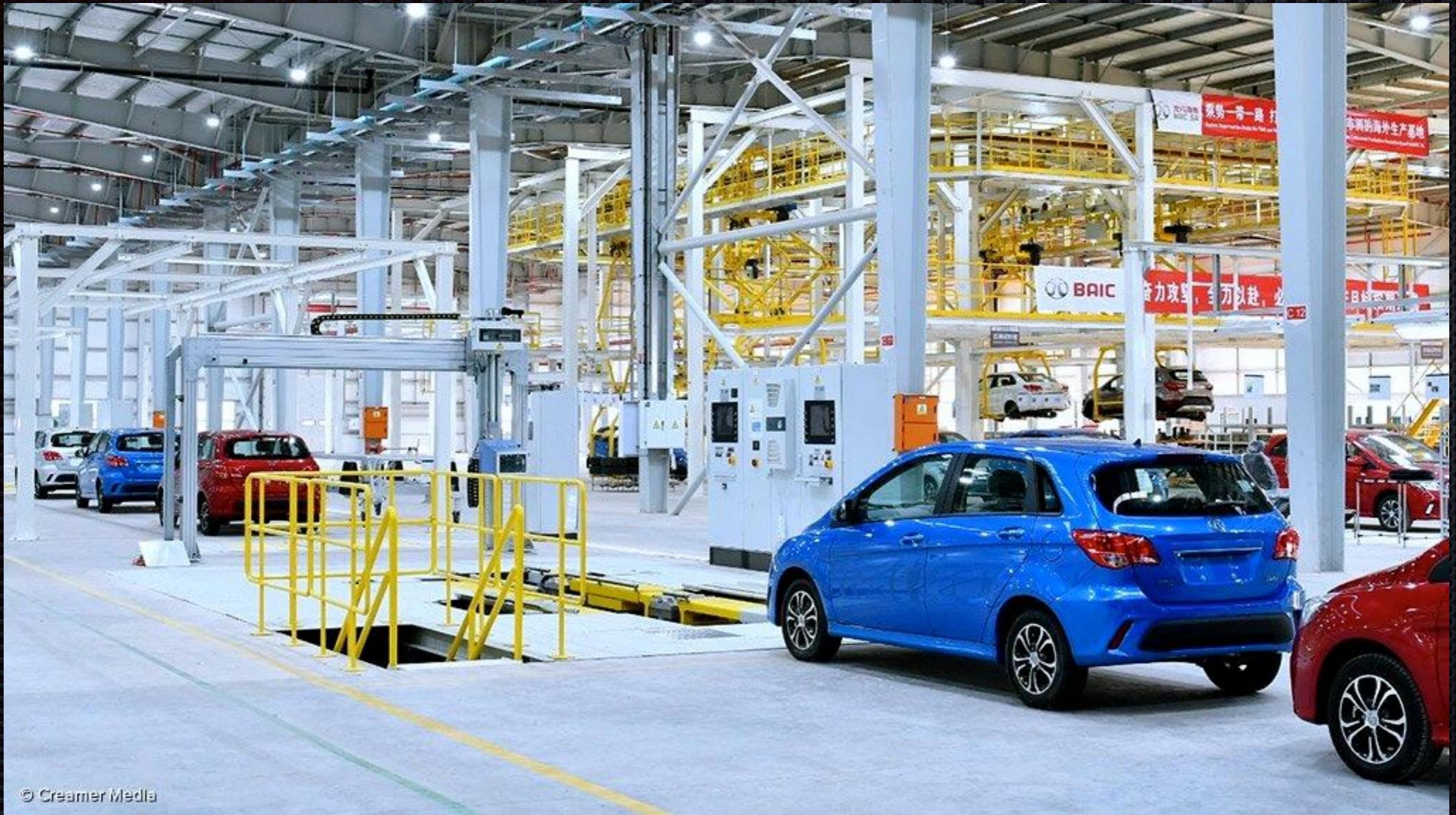
Cobalt prices however not steady, subject to fluctuations b/c of instability in DRC

- Lithium sources provide opportunity?

Still a nascent market in Africa

- Reassess forms of engagement?

COOPERATION vs COMPETITION?



3. Final Frontier

Chinese contribution to African manufacturing capacities

Africa - the ‘final frontier’

- ‘Fourth’ industrial revolution giving Africa the opportunity to **create robust automotive industries**
- Nascent automotive sector
- Moving away from imports
- Focus for countries like South Africa
 - Cornerstone of African auto industry
 - Auto-manufacturing roughly 7% of economy



Impact of Chinese Engagement

- Kick-started manufacturing capacity in Africa
- South Africa looking for opportunities in Africa (Ethiopia, Africa's fastest growing economy currently, 2019)
 - Intra-continental focus
 - Increases in industrial activity - investments in infrastructure and manufacturing
 - Automotive manufacturing capabilities increasing

“...the future of the South African automotive industry is symbiotically linked to the future opportunities and growth of Africa”.

Thomas Schaefer, president of AAAM (Association for African Automotive Manufacturers) and Managing Director of VWSA,

- Pan-African automotive industry (include: South Africa, Ethiopia, Nigeria, Ghana, Kenya, and Rwanda)
- Helped by Chinese focus on entire value chains

African Markets

- African consumers prioritise **cost performance & utility** (match with Chinese)
- From luxury to viable options
 - Jaguar Landrover - I-Pace; BMW i3; (Nissan Leaf); 2020 Mercedes-Benz EQC
- EVs imported from Europe 25% tariff whereas combustion engines 18%
 - **Talks to drop this**
- Talks of creating specifically EV manufacturing in SA; but **challenges faced in electricity supply**
- Nissan, BMW, Volkswagen agreed to help in advancing EV and plug-in hybrid in SA (specifically with regards to charging solutions)
 - **Charging infrastructure**

Manufacturing

- China expanding manufacturing base to Africa
 - Domestic sales slows
 - BAIC, Port Elizabeth, South Africa
 - Supply of automobiles made in SA to Nigeria, Cameroon, Egypt, and Algeria (right and left hand drives for different markets)
 - Inexpensive and serviceable
 - But still no firm plans for electrical vehicle production in SA
 - Rwanda



4. Indirect effect of China in Africa

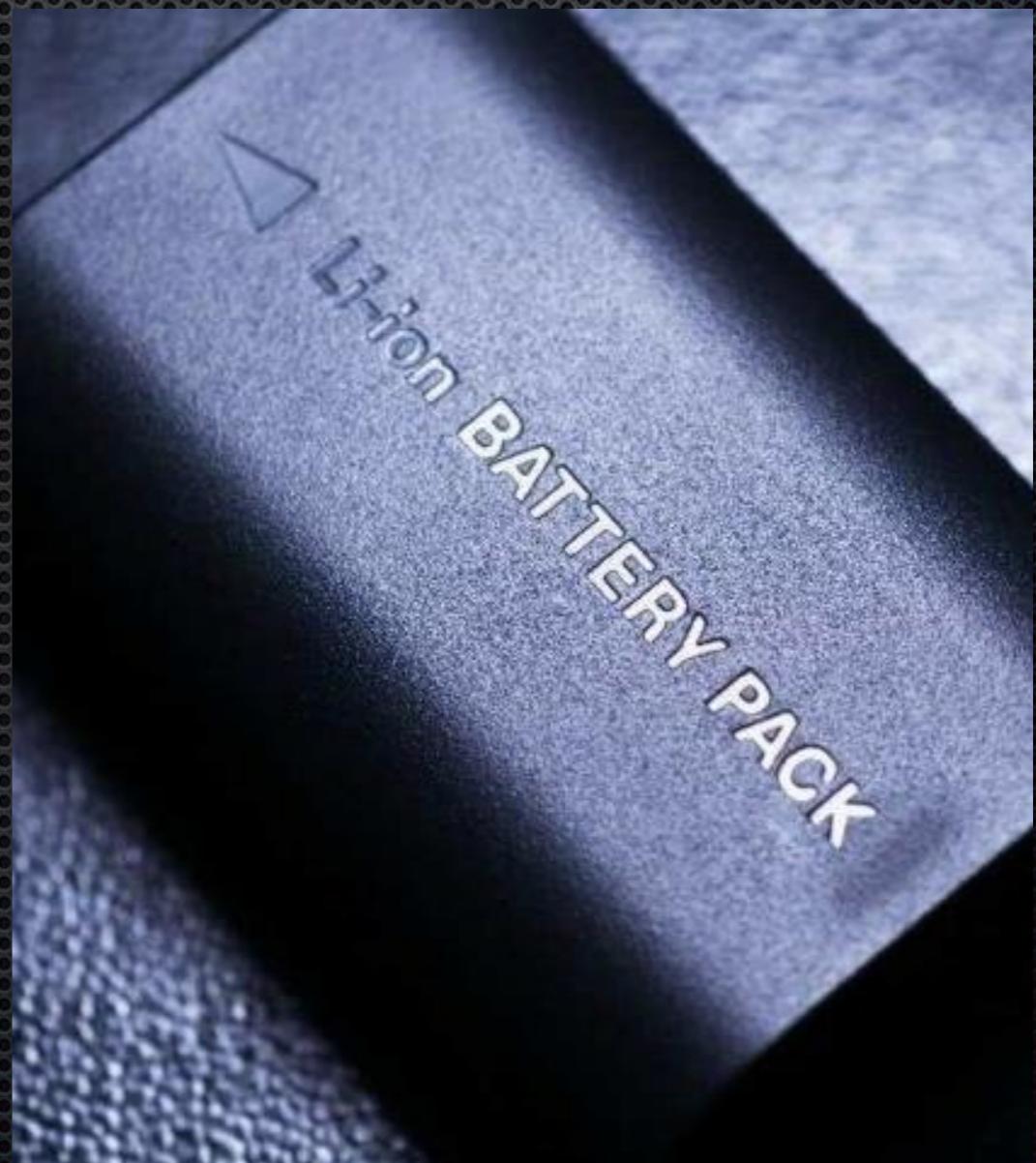
- Stimulation of intra-africa trade
- Could have an impact on Europe, i.e. shift of focus away from Europe (export of vehicles and components)
- China's focus on infrastructure development on the continent (energy, road infrastructure, industrialisation) is giving it the boost it needs
- Beyond mining sectors of mineral such as cobalt, holistic development approach
 - Setting up local manufacturing and trading capacities

5. Competitive Requirements

Africa increasingly indispensable

Focus Areas:

1. Manufacturing capacity (Africa)
 2. African markets booming (expand beyond Europe)
- Reassess forms of engagement with Africa
 - Equal Partnership
 - Start preparing for competitive bid
 - Forward looking



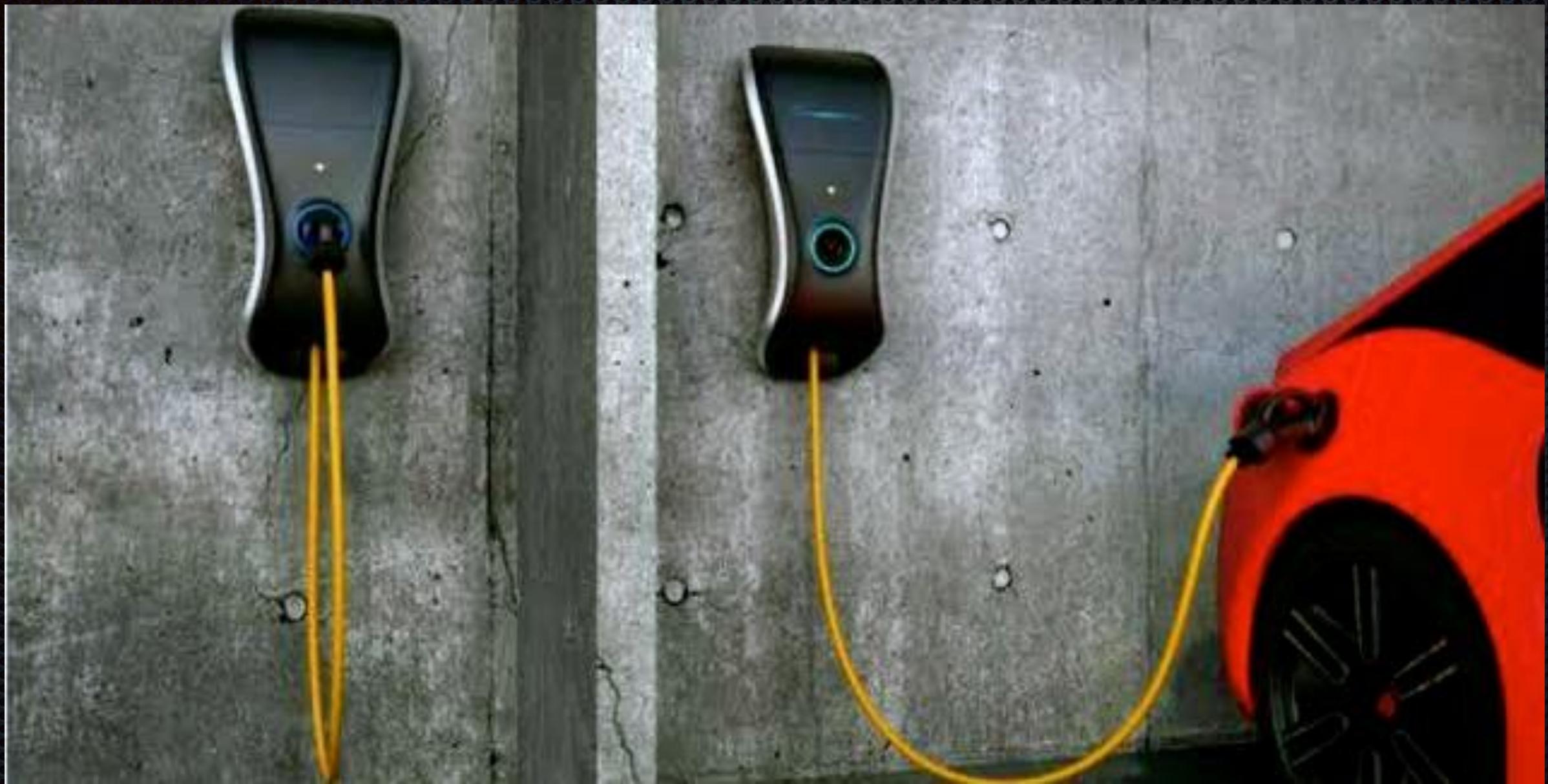
6. Lessons from China

- Recognise: reputation & money on the line
- Despite challenges with Sicomines, **China learning**
- **Flexible and responsive** to African needs (time, focus areas, financing solutions) - Infrastructure
- Engage regional bodies (SADC, EAC, ECOWAS); beyond business to business
- Has to be a good deal for Africa

ARE THE CHINESE COMING?

Complementary and Cooperative Strategies

Focus on Africa, Learn from China



Questions

Contact: s.links@hum.leidenuniv.nl