Mining: Lithium Leads

During the first two decades of the 21st century, booming Chinese demand for minerals and Latin America's role as an exporter of these raw materials saw many countries in the region become intensely intertwined with the Asian nation. Whether or not Chinese companies built or financed mining assets, this demand growth fueled to a large extent the price rallies in copper, iron ore and other metals that led to mine development, and in turn to greater dependence on China as a trade partner.

Now, in line with the shift towards innovation, Chinese investments in mining in the region are being rapidly expanded to include lithium. This mineral, essential for the manufacture of electric car batteries and for battery-based energy storage systems, has become a key resource sought by China in Latin America, the part of the world with the largest reserves. Argentina, Chile and Bolivia make up the so-called "Lithium Triangle," an area that concentrates more than half of the proven reserves globally, and an even larger portion if only considering lithium in brine deposits, the largest and most profitable form of extraction. In addition, there is lithium in smaller quantities in Brazil, Mexico and Peru.

Although 17.8% of global lithium production came from China last year – it is the third largest producer after Australia and Chile – that volume is insufficient to supply its growing battery industry, which is by far the most developed globally.

In Argentina, one of the three operations in production has Chinese capital leading the way: Cauchari-Olaroz is controlled by a consortium led by Ganfeng Lithium. In the second half of the year, the Centenario-Ratones field will begin operations, an initiative led by the French firm Eramet in association with the Chinese company Tsingshan. In addition, around half of the projects under construction belong to Chinese mining companies such as Tibet Summit and Zijin Mining, as well as Ganfeng Lithium and Tsingshan.

In Chile, meanwhile, one of the two companies that produce lithium in the Salar de Atacama, Sociedad Química y Minera (SQM), is approximately 24% owned by Chinese company Tianqi Lithium. In Bolivia, state company Yacimientos de Litio Bolivianos (YLB) signed an agreement at the beginning of the year with the Chinese consortium CBC for US$90 million for the installation of an experimental lithium carbonate plant in the Salar de Uyuni with a production capacity of 2,500t. In addition, China Machinery Corporation announced that it will present proposals for two initiatives after last April YLB authorized 23 groups to continue in the second phase of the international bidding for the development of lithium production pilot projects.

The Chinese advance for lithium in the south of the continent is gaining speed, but this offensive is also beginning to generate some friction. In Chile, in addition to the disagreements generated by the recent agreement between SQM and the state copper company Codelco, the Boric government's decision to increase state participation in the sector is added. In April of last year, Boric announced the National Lithium Strategy which, among other objectives, ensures that the two state mining companies, Enami and Codelco, lead public-private partnerships for the development of the sector.

These types of conflicts are also beginning to appear in the north of the region. In August of last year, the Mexican government notified Ganfeng Lithium, owner of the Sonora project - the most advanced in the country - of the cancellation of its nine concessions due to non-compliance with minimum investment obligations, which has since opened a legal dispute. These concessions were granted before the nationalization of lithium through the 2022 mining reform. Subsequently, the López Obrador government created the state company LitioMX, which will oversee the entire production and commercial chain.

These decisions by the Mexican government are part of the opportunity that the country has to become an automobile production center thanks in large part to its proximity to the United States and Canadian markets. Companies like Tesla have already made public that they intend to develop their entire production chain in Mexico, Canada and the United States to minimize geopolitical risks and reduce the carbon footprint associated with global supply chains. This strategy coincides with the plans of the Chinese electric vehicle company BYD, which plans to open a plant in Mexico with the priority of supplying the local market and exporting to the rest of Latin America. "Chinese investments are present throughout the lithium chain," says Tornero. "Some companies are verticalizing at a regional level: they have rights for exploration and production, and at the same time they are building factories to produce batteries and have plans to produce electric cars."

Copper

Beyond the focus on lithium, Chinese mining investments in the region continue to support the Asian country's need for copper, a metal that is also strategic for the energy transition. In fact, Las Bambas, the most important copper and molybdenum mine in Peru, is in the hands of MMG, controlled by China Minmetals Corporation. Chinese owners control a number of other mining assets in the country, including Toromocho and Marcona.

On the other hand, in Chile there are only some small projects in collaboration with Codelco. In Argentina, Shandong is a partner of the Canadian Barrick Gold in the Veladero gold and silver mine, a deposit that came into operation in 2005. Other Chinese-controlled assets around the region include Mirador in Ecuador (CRCC-Tongguan), Buriticá in Colombia (Zijin Mining) and niobium and phosphate assets in Brazil (CMOC).

In any case, as in the energy sector, the aggressive offensive of Chinese investments in the mining industry, particularly lithium, threatens to keep several fronts of conflict open in the region. "In countries like Peru and Ecuador, there are growing questions about Chinese investments in mining," says Cynthia Sanborn, a researcher at the Center for China and Asia-Pacific Studies (Cechap) and the Universidad del Pacífico, in Lima. "In a sector that is already conflictive due to the social and environmental impact it generates, perhaps the difference with investors from other countries is that Chinese companies are not so easy to access and dialogue with."

In this framework of latent tension, regulations and the power of the state to enforce them seem to be the key. "When there are regulations that support local communities and there is force to enforce them, there is compliance by Chinese companies with those regulations," says Myers.

"But when there are no regulations or they are not effective, we have seen in Latin America several cases of problems with Chinese companies in the mining sector."