Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

By: Ngaire Woods

Sino-American competition drives down standards in the mining sector

Two tumultuous elections have captured headlines this week. In Brazil, incumbent President Luiz Inácio Lula da Silva defeated his far-right challenger Flávio Bolsonaro.

And in Serbia, the student-led opposition ousted Aleksandar Vučić after 14 years in power.

But the challenge for these new governments is just beginning. Whether they like it or not, both will be swept up in the global scramble for critical minerals and metals.

Critical minerals and metals are essential to build modern infrastructure, implement advanced technologies, and pursue decarbonization.

They are vital inputs in electricity grids, wind turbines, solar panels, batteries, electric vehicles, and energy storage.

And Brazil and Serbia both possess them: Brazil holds the world's second-largest reserve of rare earths (after China), estimated at 21 million tons (Mt), and Serbia has significant stores of coal and lithium, as well as copper, gold, and other metals.

As it stands, global supplies of these materials, and mining plans for them, are insufficient to meet growing demand.

For example, BloombergNEF projects a copper-supply shortfall of 44% of projected global demand by 2050.

This has further intensified competition between China and the United States for control of these resources.

China is in pole position in this race: the International Energy Agency reports that it is now the top refiner of 19 of 20 key strategic minerals, with an average market share of 70%.

But the US is committed to strengthening its position. Having identified dependence on China for critical minerals as a key national-security risk, US President Donald Trump has announced billions of dollars in investments in new mineral and mining projects at home and abroad.

Tricky proposition

Resource politics has penetrated almost all corners of US foreign policy, including relations with the Democratic Republic of the Congo, Denmark and Greenland, Ukraine, and Venezuela.

In Brazil, the US is trying to contain Chinese mining investment, while re-asserting its preeminence across Latin America.

In Serbia, the US government has said for years that a greater presence for American firms is necessary to "displace" China, which has invested "billions of dollars" in mines and other related projects.

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For countries like Brazil and Serbia, the challenge is to attract the investment they need to leverage their resources for their own benefit, without losing popular support. It is a tricky proposition.

Both countries have experienced deadly mining accidents in recent years. In 2019, the Brumadinho dam collapsed, releasing a deluge of toxic mud from Brazil's Córrego do Feijão iron ore mine that killed 270 people.

In 2022, a partial collapse of Serbia's Soko coal mine led to a sudden release of methane, killing eight miners.

If either of these countries is to expand mining operations, the public must trust that it can be done safely.

Driving down standards in the mining sector

But the Sino-American competition, coupled with soaring global demand, could easily drive down standards in the mining sector.

By pushing out companies with better projects, agreements shaped by weak anti-corruption enforcement, conflicts of interest, or hostility toward environmental, social, and governance standards—all of which are apparent in the US nowadays—could lead to less competitive, less safe, and more socially and environmentally harmful arrangements.

The US and China want their investments in mining and processing to deliver the biggest and fastest returns possible.

Governments in resource-rich countries like Brazil and Serbia will have to navigate such external pressures in a way that does not undermine their legitimacy at home.

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But mining companies must also build legitimacy in the communities where they operate, lest host countries throw them under the bus if public opinion sours.

This has been apparent in Guinea, Mali, and Niger, where governments have lately revoked dozens of mining licenses.

In Kenya, the government recently ordered the immediate suspension of mining operations by Tata Chemicals Magadi over "regulatory non-compliance."

Among the issues it identified were the lack of a clear mineral-beneficiation and value-addition strategy, outstanding royalty reconciliation and payment obligations, and inadequate export reporting.

Tata Chemicals' performance was also found wanting when it came to implementing community development agreements, employment and skills-transfer plans for Kenyans, local procurement, and environmental compliance. This is not just a list of terms for the firm's relationship with government.

It captures the broader relationships—with local workers and suppliers, with surrounding communities, and with the nation as a whole—on which the company's resilience and legitimacy depended.

The new geopolitics of mining

Another recent case reinforces the point. First Quantum's Cobre Panamá—one of the world's largest copper mines, which cost some $10 billion to develop and contributed about 5% of Panama's GDP in 2022—was shuttered in late 2023, following nationwide protests over the mine's environmental impact.

The Canadian company's original contract included a tax holiday until the capital costs of building the mine were recouped, and a royalty of just 2% of revenue.

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In March 2023, the government made a new deal with First Quantum, which included a 25% corporate income tax, 12–16% royalties, and a yearly minimum payment of $375 million, in addition to social security contributions, municipal taxes, acreage fees, water charges,

and environmental obligations.

But Panama's Supreme Court ruled that the legislation on which that agreement rested violated 25 constitutional articles, covering environmental protection, public welfare, health, and the state's obligations to its citizens.

Panama's government may yet want to reopen the mine (even if just to shut it sustainably), but any new concession will have to be grounded in legislation aligned with constitutional principles.

For mining companies seeking to operate in Brazil, Serbia, or anywhere else, resilience requires more than navigating host-country politics and not getting kicked out.

The new geopolitics of mining will benefit companies that progress from "tolerated" to "trusted" by offering transparency, respect, and responsiveness to local concerns.

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