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# The role of non-African companies in exploiting African resources

*African Union (AU)*

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# Introduction

The continent of Africa is home to a significant percentage of the world's natural resources, abundant in crude oils, natural gas, and plenty of valuable minerals. This resource-wealth has attracted foreign powers and intervention for periods, tracing back to colonialism as European powers established control over territories for the sole purpose of extracting resources to gain economic benefits. This legacy left a pervasive mark throughout the nations as African economies became structured around the export of raw materials, leaving them dependent on the global market fluctuations.

Following independence, economic pressures and reliance on foreign direct investments (FDI) left the African countries struggling to regain control over their own resources. Importantly, not each African nation contains such resources. Northern Africa, for instance, is mostly dominated by the Sahara Desert, and though its nations will have a voice in the African Union discussions, the exploitation of resources takes a lesser role in their domestic policies. Rather, some of the most vulnerable countries are situated in the central to southern regions of the continent, aligning with the locations of the largest mines and hence where the exploitation of both workers and resources take place. These are nations like South Africa, the Democratic Republic of the Congo, Tanzania, Angola, Nigeria, Zimbabwe, Ghana, Gabon. Ever since, the problem has escalated to a humanitarian extent, with forced labour occurring on these resource extracting sites such as in farms or mines.

The complexity of this issue lies in the fact that interfering non-African companies are often limiting economic benefits for African nations through practices that are legal, but nonetheless exploitative. This ongoing situation threatens not only Africa's economic stability, but also its sovereignty and fundamental human rights of its citizens.

# Definition of key terms

### *Belt and Road Initiative*

Also sometimes referred to by its acronym (BRI), the Belt and Road Initiative is China's long term economic strategy on the global stage. Having been initiated in 2013, China has been part of deals in nearly 150 UN nations, involving 32 international organisations, in which China supports the construction of local infrastructures, in return for resources, trading rights, or even control of the facilities.

### *FDI*

Foreign Direct Investment, referring to a long-lasting investment in a foreign company generally with the aim of acquiring either substantial or full ownership of the business.

### *Cash-Crop Economies*

A cash-crop economy is an economy which relies heavily on the cultivation and export of agricultural products, known as 'cash crops', which are grown for profit rather than for local consumption or self-supply. Such economies face threats to household income security due to volatile prices.

# General Overview

### *Historical background*

The political distress the African continent underwent in 1885 following the Scramble of Africa never passed, with ever-lasting consequences including colonial borders, tensions between rival groups, forced geopolitical alignments, and continuous resource exploitation by Western powers.

Shortly after European countries began exploring the continent in the 15th century, trade extended itself from valuable minerals such as gold and ivory to people as well. Residents of Africa were enslaved and forcibly transported across the Atlantic, beginning the Transatlantic Slave Trade.

The industrialization across Europe highly intensified demand for raw materials, which African countries were rich in. Thus, exploitation began as the Berlin Conference of 1884-1885 executed economic strategies to colonize various regions of Africa, with major colonies being controlled by The British, French, Belgian, German (until WW1), Portuguese, Spanish, and Italian. During the colonial periods, borders were drawn arbitrarily which caused major ethnic tensions. Infrastructure like railways, ports, and roads was built not for African development, but to extract and export resources rather than for the betterment of the countries themselves, hence causing ineffective ways of living for civilians. Since Africans were forced into cash crop economies, they became solely dependent on fluctuating markets which led to significant economic vulnerability and limited diversification.

Although many African countries gained independence starting in the 1950's, with most independent by 1980, Western countries still maintain control over various sectors in countries. A primary example is the French in Eastern Africa's economic system and mining industries. Since African governments have no right to interfere in their own country's economic decisions due to French influence, implementing actions allowing resource-extracting benefits are close to impossible. Countries such as the Democratic Republic of Congo, Rwanda, Uganda, and Burkina Faso have no control over their monetary system or the resources they extract under extreme conditions. In effect, independence brought political freedom on paper, but economic dependency and resource exploitation remains a reality.

### *Impacts of exploitation*

With the history behind centuries of exploitation now explained, the impact of the role of non-African companies in exploiting African resources can be examined. In short, these impacts can be summarised as short-term economic gains, but long-term damages on the local communities, environment and economies.

To start, the positive impacts can be addressed. The role of non-African (primarily European) companies is that the available resources and minerals are extracted. These are used for various purposes. First, some of the profit can be used for investing into infrastructure, such as roads. For the locals, these can be used for transportation and improved facilities. For the companies, these would be used for further extractions. Other facilities such as schools or hospitals funded by the companies have also been constructed. This is because the companies sometimes offer to facilitate these projects in return for a permission to extract the minerals. Furthermore, the extraction projects provide jobs for local citizens, who are employed by the companies to support the extraction process which often requires manual labour. Finally, nations are able to tax the non-African companies for the revenue made, though this is often minimised.

Conversely, in many cases the role of non-African countries holds negative implications on the locals, and on the environment. The foreign companies tend to prioritise profit, while caring little for the harm they cause. The projects, which require extensive drilling processes, pollute the environment. En route to reaching the desired minerals, companies may deploy practises of deforestation, and, by extension, lead to soil degradation and pollution from the many trucks that pass by. Moreover, the aforementioned infrastructure projects have numerous negative impacts as well. These include the fact that the process of constructing the roads is in itself polluting, requiring limestone and replacing the desert landscape, which reflects sunlight efficiently, with asphalt, which does not. In the long-term, these roads will absorb the sun's radiation, having repercussions on global warming as well. Another impact of the infrastrucure constructions that needs to be mentioned is that the companies often build them for the improvement of extraction processes, rather than for addressing the needs of the local communities. While local villages may need a road to reach the nearest city or water-well, the roads simply take them deep into the arid, mountainous terrain.

In addition, the role of non-African companies and their employment of civilians into the projects raises humanitarian concerns as well. Labourers are often exploited directly, being paid under minimum wage, with long working hours in the scorching African sun, without sufficient water or food. Also, as previously mentioned, the companies may pay taxes to the local communities. However, even when that happens, these are paid to governments, who profit greatly, while civilians see little gain. This exacerbates internal social inequalities, as well as encourages corrupt behaviour from the governments, who collaborate with the non-African companies at the cost of their citizens, as is the case in nations such as the Democratic Republic of the Congo.

# Major parties involved

### *China*

Being one of the foreign nations most invested in the continent, China, with a variety of Chinese companies, plays a key role in the exploitation of African resources. Specifically, with its "Belt and Road Initiative", China has made numerous infrastructure-for-resources deals, in which China constructs various forms of infrastructure, and in return obtains natural resources. Additionally, through its financial involvement, some African countries remain indebted to China, or rely on it for maintenance of the new facilities, meaning that China's presence in Africa is there to stay

### *Democratic Republic of the Congo (DRC)*

The DRC is one of the African nations with the most resources to offer, with precious minerals such as gold, cobalt, diamonds, manganese and primarily copper, with 10% of global copper reserves being found within its borders. Hence, it is natural for many non-African companies to set their sights on the DRC, and its case study is vital in examining the issue as a whole. Notably, another factor, which plays a prominent role in the DRC is corruption, with the government doing little to stop non-African exploitation. After all, it is the government who formally welcomes these companies, and later benefits from it, while its citizens carry the burden, with the DRC being one of the world's poorest nations, in spite of their abundant resources.

### *France*

With many African nations having been French colonies in the past, France is still very involved with matters on the continent, especially when pertaining to resources and mineral wealth. France recognises the immense mineral wealth the African continent has to offer, and promotes its extraction. Nevertheless, France also asserts that African nations and their civilians should be the first to benefit from this, to ensure their socioeconomic development, for instance by selling to Europe.

### *Glencore*

Glencore is a Swiss based company that is one of the world's largest natural resource companies, with operations across the globe, with the resource-rich African continent being no exception. They are mostly focused on mining, and work in South Africa, the DRC, Tanzania, Zambia and further nations. Nonetheless, Glencore is only one of many non-African nations actively operating on the continent. Though the decision-makers in the African Union are the African nations, companies like Glencore with active operations are at the heart of the issue, and any policy discussed would eventually need to be applied to them.

### *Human Rights Watch (HRW)*

As the UN Agency responsible for investigating and reporting on human rights violations, the Human Rights Watch has been documenting cases of exploitation and abuses by non-African countries, and complicity of some African governments. Examples include reports on child labour in the DRC, controversial actions of the company Shell in Nigeria, among others. The HRW advocates against these cases, and in favour of improved regulations and legal accountability.

# Timeline of events

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| **1867** | The first diamond in the continent of Africa is found in South Africa, triggering the "Mineral Revolution" which fuels large scale FDIs and colonial interests. |
| **1885** | Beginning of the "Scramble for Africa", as European colonial powers mark African territories with extraction as a key motive. |
| **1888 March 12th** | The formation of De Beers Group, establishing itself as a monopoly 0in diamond mining and allowing foreign British investment and dominance in Africa's (especially South Africa's) diamond sector. |
| **1948 May** | Apartheid officially begins in South Africa due to the exploitation of land and labour of the non-white community. |
| **1956 January 15th** | The Dutch and British partnership, Shell-BP, discover oil near Nigeria which leads to the first major exports of oil to foreign countries. |
| **1950-1960** | Countries across Africa begin independence movements and struggle for sovereignty and resource control due to the majority being governed by foreign corporations. |
| **1970** | African countries around the "Coup Belt" begin to implement resource nationalism in an effort to exert greater control and economic benefit. This leads to geopolitical tensions and sanctions. |
| **1991 December 26th** | End of the Cold War- a new era of globalization occurs, with the continent seeing more investors from the United States, Canada, and Australia. |
| **1996 May 8th** | The President of China tours Africa and secures economic and resource-dependent ties to the continent. |
| **2000 October 10th** | The Forum on China-Africa Cooperation (FOCAC) is established, formalizing strategic partnerships and investments between China and African countries. |
| **2016 November 16th** | American mining company Freeport-McMoRan sells its majority stake in the DRC copper and cobalt mines to Chinese company CMOC. |
| **2019** | The DRC forms the Entreprise Générale du Cobalt (EGC) to regulate small-scale cobalt mining sectors, intending to address labor and human rights concerns. |
| **2025** | KoBold Metals, an U.S-based mineral exploration company, announces an agreement with the DRC on lithium-mining rights, starting an era of new critical minerals and labor in the region. |

# Possible solutions

### *Improving regulations for non-African companies*

Though it may be unfeasible to remove non-African companies from the extraction process, improved regulations agreed upon by the African Union could solve some of the major concerns of foreign involvement. Regulations could include a minimum standard for how much of the extracted minerals go to locals, or a maximum standard for exports. Additionally, general humanitarian regulations would be necessary to reduce the risk of abuse and unfair working conditions. These could come into effect, for instance, by standardising a minimum wage for the labourers, and the African Union may collaborate with agencies such as the Human Rights Watch for consultation on which regulations to implement, and support in doing so in practise.

### *Fostering African-based companies*

One of the key reasons for the prominence of non-African companies is the lack of local alternatives. After all, with the fast paced industries seen across the modern world, resources become an increasingly vital resource. For example, traditional cars require up to 25 kg of copper to manufacture. However, electric cars require a minimum of 60 kg, leading to a significant increase in demands. As such, an abrupt end to resource exploitation is highly unlikely. Nonetheless, this does not mean it has to be done by foreigners. The strengthening of African-based companies can lead to more capital flowing through the local markets, and also let the African Union take matters back into its hands.

### *Pursuing local value addition*

African countries are being taken advantage of due to the “extract and export” cycle, consequently depriving them of the economic benefits of processing, manufacturing, and increasing the value of their own resources. To address this issue, alongside the possible solution mentioned previously, the African Union could aid domestic businesses with incentives such as tax concessions. This can increase the rate at which resources are being processed and allow active participance in the global value chain.

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