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## JAPANESE INVESTMENT IN THE AFRICAN MINING INDUSTRY

By Rachel Speight

Africa's untapped natural resources have made it an attractive hub for Chinese investment. As a result of the hype around China's investment activities interest from the likes of Japan tend to be overlooked. However, with Japanese Prime Minister Abe's recent visits to Djibouti, Mozambique, Ethiopia and Ivory Coast - the increasing appetite of Japanese investors is starting to be recognised.

Mr Abe's visit, accompanied by a delegation of over thirty Japanese companies, was the first visit by a Japanese prime minister to Sub-Saharan Africa in eight years and incorporated meetings with leaders from all the ECOWAS countries. Last year the fifth international conference on African development (TICAD V) was held in Yokohama, Japan and attended by representatives from about 51 governments from African nations and Presidents from 10 African countries were physically present. This conference, launched in 1993 and held every five years since then, aims to promote high-level policy dialogue between African leaders and development partners and encourage robust and sustainable development on the continent. A central feature has been the cooperation between Asia and Africa. Coupled with this, in 2013 the Japanese Ministry of Economy, Trade and Industry (METI) held "The Japan-Africa Ministerial Meeting for Resources

Development" to encourage Japanese enterprises to proactively invest in developing Africa's resources. This meeting, co-hosted with Ms. Susan Shabangu, former Minister of Mineral Resources, South Africa, was attended by the Ministers of Natural Resources from 11 African countries as well as delegates from other African nations and going forwards will be held once every two years. In addition, the African Diplomatic Corps and the African Development Bank have organised "The Japan-Africa Business Forum 2014" in Tokyo to harness the substantial new business opportunities in Africa.

Whilst high level discussions about Japanese investment in Africa are encouraging they also need to be supported by actual cash. On his recent trip Mr Abe pledged the not insubstantial sum of US\$32bn in financial assistance to African countries over the next five years for investment in infrastructure, human and mineral resource development. Financial assistance ear-marked for infrastructure alone amounts to \$6.5bn which includes investments in the development of corridor projects and improvements to power generation equipment. Included within this sum is over US\$2bn is to be provided via the government affiliated Japan, Oil, Gas and Metals National Corporation (JOGMEC).

The reason for this interest is clear: Japan has



**Rachel Speight**

Partner  
rspeight@mayerbrown.com

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to import 100% of almost all base metals and minor metals from overseas. Such commodities are essential for Japan's continued dominance in the car manufacturing industry (particularly of hybrid cars) and the electrical appliances industry. A crucial part of Japanese governmental strategy has therefore been to support the stable supply of natural resources for Japan. Japanese companies have already made considerable investments in the mining sector in places like Indonesia, Australia and Latin America in furtherance of this strategy – but without the supply of deposits from Africa, the Japanese manufacturing industry is likely to suffer.

### So where has the Japanese interest been focussed so far?

JOGMEC have invested in a number of exploration joint ventures in South Africa particularly in nickel and the platinum group metals (including a joint venture with Platinum Group Metals Ltd in Waterberg and the joint venture in the Stellex North Project) and a rare-earth joint venture in Malawi. The aim is to expand this joint venture model across the continent, according to Japan's Vice Minister of Economy, Trade and Industry, Yoshihiko Isozaki. This may include Congo, Zambia and Mozambique where inter-governmental memoranda with Japan have been signed for cooperative exploration and development.

Private sector Japanese investment has also taken place in the mining and metal processing sector in South Africa including Asia Minerals Limited's investment in the Kudumane Manganese project, Itochu's interest

(together with a consortium of other Japanese entities) in Ivanhoe's Platreef platinum project, Mitsubishi Corporation's stake in the Herculite Ferrochrome business and Sumitomo Corporation's holding in Assmang Limited which produces iron ore, manganese ore, chrome ore, manganese ferroalloys and chrome ferroalloys in South Africa (which is in addition to Sumitomo's investment in the Ambatovy nickel mine in Madagascar). Japan is, in fact, South Africa's third largest trading partner and over 100 Japanese companies have a presence there.

Mozambique has also proved a popular destination for Japanese companies with Nippon Steel and Sumitomo Metal Corp investing in the Revuboe coking coal mine and the Mitsubishi Corporation joint venture in the Mozal Aluminium Smelter. In addition, there is also considerable Japanese interest in the Mozambique oil and natural gas sector.

Outside of Southern Africa, the Achmmach tin project in Morocco has attracted interest from Japanese investors but otherwise, Japanese investment in the mining sector is not quite so obvious.

Given the pressing need for natural resources to support a stellar manufacturing industry and the clear governmental support (backed by strong financial commitments), some major Japanese players (particularly the trading companies) have already made significant investments in the mining sector in Africa, most notably in Southern Africa and these investments are likely to continue and to expand into other areas of the continent. However, this expansion is unlikely to happen

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overnight and to date this investment is still dwarfed by funds flowing from China into virtually all parts of the African continent and all industry sectors. The Organisation for Economic Cooperation and Development statistics show that China's trade with Africa was worth around US\$180bn in 2012 compared to just above US\$25bn with Japan. And increasingly, Japan will also have to compete with countries such as India, Brazil, South Korea and Turkey who have also recognised the opportunities to be obtained from the continent. Japanese companies may be making serious and growing investments in the continent however due to China's more aggressive strategy in Africa, they are playing catch up.

Rachel Speight is a partner at international law firm Mayer Brown

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