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The Future of US Investment in Africa's Critical Minerals: Securing its Supply Chain

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Every week, a new concession agreement is signed or a foreign company invests in rare-earth mining projects in the continent of Africa. Africa has the world's largest mineral reserves. Countries like Burundi, Madagascar, Malawi, Kenya, Namibia, Mozambique, Tanzania, and Zambia have an abundance of neodymium, praseodymium, and dysprosium. Some deposits are already being developed through investment collaborations. For instance, in 2020, Pensana Rare Earths, a British company, was granted the exclusive mining rights for the Longonjo Mine, a rare earths operation in Angola, for 35 years. In 2022, Mkango Resources, a Canadian exploration company, declared a total of US\$ 2.1 billion investment in the Songwe Hill rare earths mine in Malawi (East Africa). Similarly, in 2022, Australia-based Bannerman Energy purchased a 41.8 per cent stake in Namibia Critical Metals, a company that controls 95 per cent of the Lofdal heavy rare earths operation in Namibia. These mines have rich deposits of dysprosium and terbium, two of the most valuable heavy rare earth metals, and produce 2,000 tonnes of rare earth oxides annually.¹

Similarly, the US is joining these collaborative initiatives to secure its supply chain sources. This brief intends to assess the potential and future of US investment in the African critical mineral industry, the obstacles it may encounter with China's already heightened presence, and the implications it has for India, which is also prioritising the security of its supply chain.

US- Africa Leaders' Summit

During the recent US-Africa Leaders' Summit in Washington (16-19 December 2022), the US committed to a two-way trade agreement worth US\$ 15 billion with a number of African nations.² Sectors like sustainable energy, health systems, agribusiness, digital connectivity, infrastructure, and finance were announced as the key priorities. Furthermore, the United States will deepen its long-term relationship with African governments, businesses, civil society and, non-profit organisations.³ Before this summit, the US had participated in the 'Investing in African Mining Indaba 2022' and had shown interest in expanding its engagement in African minerals. At this annual conference held in Cape Town, South Africa, Jose Fernandez, the US Undersecretary for Economic Growth, Energy, and the Environment, called for attention to Africa's role as a vital supplier of strategic minerals in meeting US plans to diversify its supply chains. According to Fernandez, the US Geological Service has identified nearly 40 critical minerals that will be necessary for a future powered by clean energy as well as for products like cars, computers, and chips.⁴

Key Progress in US-Africa Critical Mineral Partnership

President Biden announced over US\$ 15 billion in funding to speed up the President's Emergency Plan for Adaptation and Resilience (PREPARE) at the United Nations Climate Change Conference of Parties (COP27) meeting. He reaffirmed the United States' dedication to helping Africa's most vulnerable nations and communities adapt to and manage the effects of climate change as part of PREPARE's work on the continent. Since taking office in January 2021, the Biden administration has pledged and committed at least US\$ 1.1 billion to fund African-led efforts to aid in conservation, climate adaptation, and a just energy transition. Some of these investments are in infrastructure projects supported by the Partnership for Global Infrastructure and Investment (PGII).⁵

Since 2021, the United States government has reportedly helped 47 African countries close bilateral trade and investment deals valued at over US\$ 18 billion. Similarly, private companies in the United States have signed investment deals in Africa totaling \$8.6 billion.⁶ For example, with representatives from Zambia and the Democratic Republic of the Congo, US Secretary of State Antony Blinken signed a memorandum of understanding on developing the value chains for the countries' electric vehicle batteries and advancing multilateral objectives on the supply of essential minerals. President Biden hosted close to 50 African leaders in Washington as part of his efforts to strengthen ties between the United States and African nations in light of worries about China's expanding influence in the continent.⁷

The key initiatives of the US in Africa include:

1. Power Africa has assisted in providing nearly 165 million people in sub-Saharan Africa with access to electricity since 2013. In order to support Power Africa, the Biden Administration has already committed US\$ 193 million and has plans to add another US\$ 100 million in the fiscal year 2023.
2. US-Africa Clean Tech Energy Network (CTEN)
3. Health Electrification and Telecommunications Alliance (HETA)
4. The Climate Action Infrastructure Facility supports large-scale climate solutions
5. The US International Development Finance Corporation (DFC) has committed more than US\$ 438 million to climate-related projects in Africa since January 2021.

6. The United States Trade and Development Agency (USTDA) has invested US\$ 4 million to support a just energy transition in several African nations, for instance, direct air capture with geothermal energy in Kenya, Solar Decathlon Africa Design Challenge in Morocco, commercial deployment of carbon management in Nigeria; and others.⁸

Challenges and Potential

Northern and Western Africa have increasingly become the centre of geopolitical rivalry with the growing interest of China and Russia to mine and process their REEs deposits. China's expansion of the Belt and Road initiative is largely to blame for this. About one-fifth of all loans made to Africa by Chinese banks were made to resource or strategically important nations like Angola, Djibouti, Ethiopia, Kenya, and Zambia as of October 2021. The fact that China is actively trading with African mineral producers essentially relocating the US-China mineral conflict to Africa, where China once again controls a larger proportion of resources and resource production, may be of greater concern to the US.⁹

The US, Australia, Canada, Finland, France, Germany, Japan, South Korea, Sweden, the United Kingdom, and the European Commission launched the Minerals Security Partnership in September 2022 at the Prospectors and Developers Association of Canada Convention. On September 22, in conjunction with the UN General Assembly, the US gathered these allies as well as mineral-rich nations hoping to gain access to the resources and expertise of developed nations in order to advance domestic rare earth processing. Mozambique, Namibia, Tanzania, Zambia, and the Democratic Republic of the Congo were the five African nations that received invitations. According to US Secretary of State Antony Blinken, the partnership aims to enhance mining practices while also ensuring that developing nations begin to gain more from processing their natural resources.¹⁰ The US has chosen Mkango Resources, based in Malawi, as a way to diversify its source of rare earth minerals. The Songwe Hill mine, owned and run by Mkango, has rare earth grades of up to 2.2 per cent over £ 6.7 million, according to drilling studies finished last year.¹¹ TechMet, a Maltese investor, has sponsored a \$3 million rare earths separation plant at Rainbow Rare Earth's Gakara project in western Burundi, which may be even more appealing to U.S. investors.¹²

Implications for India

India-Africa shares a deep bond since historic times. Their trading in terms of pharmaceutical, food and other forms of necessary securities represent a close connection. Their interaction needs to be

more frequent as the next round of the India-Africa Forum Summit is pending since 2015. India can even use its G20 presidency to extend membership to Africa to deepen relations.

China is already investing in Africa for a long time and has been the largest leading investor in the African continent¹³, which has been a cause of concern for India. With the US looking to increase its engagement and investment in Africa, India has both opportunities and causes for concern. As a member of Quad, which prioritises the four principles of critical supply chain security—Security, Transparency, Autonomy, and Integrity—the US-Africa partnership can open up new doors for India.¹⁴ Nonetheless, India may feel threatened by the United States' growing investments in Africa and its exclusion from the recently formed Minerals Security Partnership (MSP), which includes the United States, Australia, Canada, Finland, France, Germany, Japan, South Korea, Sweden, the United Kingdom, and the European Commission.¹⁵

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⁷ Ibid.

⁸ Ibid.

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