

ZiJin in Zambia

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Abstract: Based on the panel data of ZiJin Mining from 2000 to 2020, this paper constructs a potential market that ZiJin Mining will enter.

Keywords: Business Analysis; Mining Market; African Market

1. Introduction

Zijin Mining is a cross-mining group, mainly engaged in the development of copper, gold, zinc and other metals and new energy mineral resources. Zijin Mining's revenue in 2021 reaches 225.1 billion yuan, up 31% from 2020; total profit in 2021 reaches 24.8 billion yuan, up 129% from 2020. In 2021, Zijin Mining's overseas copper and gold mineral resources as well as production and profit all surpass domestic.

1.1 Company Profile

Zijin Mining's mission is to become one of the key forces in the international metal mining market, contributing to the economic growth of China and the world with high-quality mineral raw materials. The vision is to be a globally important producer of gold and metal raw materials and is widely recognized by peers, colleagues and employees around the world.

1.2 Industry

The spread, innovation and application of the most advanced technology can really support mining automation and intelligent technology. In the global mineral industry, BHP Group, Rio Tinto and Vale occupy the top three, while Zijin Mining ranks 11th. From the mining industry operating income of enterprises above the scale, the development of China's mining industry has fluctuated more significantly in recent years.

1.3 Operations

Zijin Mining takes innovation, especially scientific and technological innovation as its core competitiveness, and has formed a practical and distinctive innovative development concept. Innovation in the new era must form an independent global competitiveness. ZiJin Mining uses the CSR Policy. Actively improve key performance in environmental ecological protection, occupational health and safety, tailings dam monitoring and management, human rights protection, anti-corruption and monitoring, responsible supply chain, and social responsibility contribution. Create an international standard green mine, and lay out a comprehensive layout of water recycling and online monitoring of downstream water bodies in the mine and production system.

1.4 Full link independent engineering technology

Zijin Mining initiated and continuously strengthened the mining project management model of "five-ring mine flow integration". Taking ore flow as the direction, the integrated research and whole process control of the five links of geology and mineral processing, mining, mineral processing, metallurgy and environmental protection are realized, and the social and economic benefits are

maximized.

1.5 Professional team and corporate culture

Zijin Mining has a highly loyal and responsible professional management and technical team, which has formed the Zijin spirit of "hard work, pioneering and innovation" in practice, which has become a strong support for achieving leapfrog development, and insists on green, high-quality and sustainable development as an enterprise.

1.6 Need For Expansion

The company is already a big holder of reserves at home, so it makes sense to expand abroad. Overseas expansion can transform resource advantage into economic benefit advantage, which is the core work of construction and production management.

2. Characteristics and reasons of expansion industry

Company is engaged in traditional mining industry, which is easy to enter from the perspective of industry. Some mines cannot be developed because of the level of technology. Some foreign mining resources are large, some international famous mining enterprises are selling, there are huge opportunities for mergers and acquisitions. At the same time, gold and mineral prices rose sharply, the market outlook is good. There are huge expansion opportunities and Mergers and Acquisitions opportunities.

2.1 Why Internationalization

Zijin Mining is a resource type company, in order to internationalize its business. Africa is rich in mineral resources and has low labor costs, which makes it easy for large companies to internationalize and strive for internationalization. It is not limited to domestic development, and it is beneficial to participate in the global competition by increasing the "going out" efforts. The global distribution of gold resources is uneven, China is not the most resource-rich country, and part of the resources are low-grade, difficult to manage, do not have economic mining value, and the proportion of reserves of international gold companies is 50%, so the domestic resources are difficult to support China's position as the world's largest producer most gold companies are facing the problem of insufficient backup resources. To develop further, gold mining enterprises must go to areas rich in gold resources and with potential to open up the territory.

2.2 Country Selection

There are many good choices, such as Nigeria, Zambia, and Kenya as overseas expansion countries because they are rich in mineral resources and correspond to Zijin Mining's main business. At the same time, their country's situation is still good compared to Zimbabwe and other countries. Zijin Mining also has its overseas projects and production facilities in the countries near these countries, and the support transfer is also fast.

2.3 Geography and Demographics

Most of the territory of the republic of Zambia is located in highland, it is located in the central and southern Africa, east of the adjacent is Malawi, Angola, in western northeast Tanzania, southeast edge is Mozambique, is north of the democratic republic of the Congo, south, and Zimbabwe, Botswana and Namibia. Besides being the birthplace of the Congo River, which is rich in copper, Zambia is also named after the Zambezi River. As a highly urbanized country, Zambia has about 50% of its population living in cities. Its location in the southern part of the Sahara desert also makes its infrastructure and transportation conditions superior to those of the surrounding countries. Zambia has a total population of 16.59 million, mostly Bantu-speaking blacks. There are 73 ethnic groups.

Analysis: Zambia has an advantageous geographical location and convenient transportation, which is conducive to the transportation of ore. In addition, Zambia is close to Congo and closer to Zijin Mining's existing overseas mines, which makes the transportation of key equipment convenient and facilitates management and dispatch. Meanwhile, the labor cost in Zambia is low, which is conducive to cost reduction.

2.4 Climatic characteristics

Zambia has a mild and cool savanna climate with an average annual temperature of 18 to 20 degrees Celsius, which is cooler than that of other tropical African countries. There are three seasons throughout the year: May to August is the dry and cool season; the weather in September-October is arid and torridity.

Analysis: The average annual temperature in Zambia is similar to the suitable temperature for mining, and most of the time is in a dry time. This makes Zijin Mining's mining in Zambia less prone to accidents such as landslides and suitable for mining most of the time, which is conducive to increasing production.

2.5 Natural Resources

Zambia has rich mine resources, such as gold, silver, copper and other metal ores. However, copper, iron and precious stones are the most abundant. The Zan-Gang copper mine, located in northern Zambia, is the largest sedimentary copper deposit in the world. It accounts for a quarter of the world's total copper reserves.

Analysis: The average annual temperature in Zambia is similar to the suitable temperature for mining, and most of the time is in a dry time. This makes Zijin Mining's mining in Zambia less prone to accidents such as landslides and suitable for mining most of the time, which is conducive to increasing production.

2.6 Development level

Zambia's GDP is approximately \$19.32 billion and its GDP per capita is approximately \$1,270.86. As one of the least developed countries in the world, Zambia's per capita development level has reached the "medium" level in the 2014 Human Development Index report, indicating that such changes have made Zambia a developing country. Zambia has a relatively complete education system. Zambia as a typical landlocked country, there is no port, road transport accounts for about 83.4% of Zambia's total domestic freight. As of 2014, Zambia had 2,100 km of railways, including the Tanzania Railway (886 km in Zambia) and several other railways. Zambia's freight transport is dependent on rail, which accounts for 15.3%.

Analysis: Zambia's rich mineral resources are the biggest reason for us to choose Zambia, which has the title of "Copper Country" in the world and has a large amount of copper ore, the price is lower compared with other countries, the difficulty of mining is lower, there are more countries to purchase, and fewer minerals need quotas to the government. At present, Zijin Mining's main development business is new energy materials, and copper is the basic material for new energy, so the development of business in Zambia is very much in line with Zijin Mining's current needs.

2.7 Conclusion

Through the analysis of the basic situation of Zambia, we agree that Zambia is suitable as the next developing country, whether it is geographic location and demographics, weather factors, natural resources, or the level of economic development, Zambia is more in line with the needs of Zijin Mining, and its development will also generate demand for Zijin Mining's business. In general, compared with other countries, Zambia as the next development country is in line with the current strategy of focusing on the development of new energy materials.

3. Risks

3.1 Currency (Financial) Risk

Because of the financial crisis in last few years .The currency of Zambia is devalued and inflation is high.

3.2 Plan to deal with:

Add hedging clauses and exchange rate risk allocation clauses in the contract and adopt an early payment or late collection

strategy

3.3 Cross-culture Risk

There is also the latent cross-culture risk in Zambia. The official language in Zambia is English, but other 31 kinds of languages are in there and some of local languages are too difficult to understand so that the company want to invest Zambia will be difficult to deal with the language barriers.

Plan to deal with: Zijin Mining could launch the train for employees to ensure that the language will not influence the daily transactions with customers and communication with workmates.

3.4 Commercial Risk

Zambia is poor at economy and the managerial system. Because of the infrastructure is under construction, so the transportation in Zambia is not good enough to support the large quantity shipment. The machines and equipment in Zambia are not as good as other countries, so the quality and the quantity cannot be promised to the products that company require them to make.

Plan to deal with: ZiJin Mining could select the economically developed cities in Zambia. And ZiJin Mining can recruit the experienced managers to implement the strategy.

Conclusion

As for Zambia, the infrastructure may not so good but the market can enter and the future prospect are good. And the company will start at main cities and gradually radiating across the significant cities where has ore resource. Moreover, the company will burden the corporation social responsibility to reduce the pollution and promote the clean energy mining to keep the environment away from the pollution and of course reach the high output of the ore.

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