

# A Chinese Perspective on the Approach of Mining in Greenland

*By Jingjing Su*

## China and Greenland, positive prospect for cooperation

China can become one of the important partners for Greenland in terms of developing nature resources. One reason is that China needs large amounts of resources and energies to sustain its economic growth. China has become the second largest economy in the world around 2012 and still keep high growth rate until now<sup>1</sup>. In 2015, China became the largest energy producer in the world and now produces 19 % of world energy. At the same time China is also the largest energy consumer in the world consuming 23.37% of the world energy.<sup>2</sup> Another reason is that China is often seen as one of the few states that have the capability to execute the necessary investment.<sup>3</sup> In 2014, China overseas investment reaches 102.8 billion USD, China has completed overseas projects of 142.4 billion USD, China has sent 562 thousand labours to work overseas, covering 156 countries, and more than 20% are within the mineral sector.<sup>4</sup> Therefore, the big mining potential in Greenland might attract Chinese investment. In 2012, by Greenland's invitation, the Chinese Minister of Land and Resources and the Director of State Oceanic Administration visited Greenland, and in 2013, China joined in the Arctic Council as a permanent observer state and since then China started to engage with the Arctic countries and to co-host China-Nordic Arctic Cooperation Symposium annually, which shows China's genuine interest in Arctic.

From Greenland's side, Greenland Ministry of Mineral Resources has brought many Greenlandic companies to meet with Chinese investors. Since 2011, Greenland government sent the delegation, head by the Minister of Mineral Resources to participate in China Mining Conference every year. In 2014, Greenland government sent the

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1 "World Development Indicators, China", data in 2013, World Bank Data, <http://data.world-bank.org/country/china>

2 "BP Statistical Review of World Energy", June 2014, 63rd edition, <http://www.bp.com/content/dam/bp/pdf/Energy-economics/statistical-review-2014/BP-statistical-review-of-world-energy-2014-full-report.pdf>

3 "In likely Arctic race, China cautious in tapping resources", last updated on April 22, 2014, <https://thinkchinablog.wordpress.com/tag/greenland/>

4 "China 2014 overseas investment, projects and labour overview", updated on January, 2015, Ministry of Commerce of the People's Republic of China <http://fec.mofcom.gov.cn/channel/tjzl.shtml>

delegation to participate in the “Mines and Money Hong Kong”, which is considered as one of the major platforms to attract mining investment. In November 2014, the first and only large-scale mining project ISUA project in Nuuk area was sold to a Chinese company General Nice.<sup>5</sup> And on September, 2016, a Chinese rare earth company Shenghe Resources, which lists in Shanghai Stock Exchange, purchased 12.51% of GME’s Kvanefjeld project and had an option to purchase no more than 60% of the project stake in the future<sup>6</sup>.

However, there are many concerns in the media about Chinese mining approach in Greenland and in reality lack of any successful mining project made by Chinese makes it difficult to demonstrate a real business case. Some are worried that the cultural differences between Chinese mining workers in Greenland and the local people will create mass social problems, for example, in the public report, some estimated that the ISUA project might need 5,000 Chinese workers while the population of Nuuk, which is the capital of Greenland, only has 17,000 residents<sup>7</sup>; some are worried about environmental issues; some are aware of Chinese investors’ negative Corporate Social Responsibility (CSR) records in Africa and are worried about the same might happen in Greenland and so on.<sup>8</sup> All these concerns are crucial for Chinese companies’ approach of mining in Greenland.

### Chinese international commitments and domestic legislations on CSR, and its concerns

The Chinese companies’ CSR commitments might in reality not be as bad as communicated by the media. One reason is that China has established its CSR legislation. With a view to enhancing Chinese international CSR commitments, China has entered into many international agreements and conventions. China has signed the Universal Declaration of Human Rights, and four of eight fundamental conventions of International Labour Organization: C100 Equal Remuneration Convention, 1951; C111 Discrimination

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5 “Chinese group General Nice takes over Greenland mine”, updated on January 11, 2015, the Financial Time, <http://www.ft.com>

6 Shenhe’s announcement in the stock exchange, <http://www.scshe.com/information.asp?news>

7 Carol Matlack, Chinese Workers—in Greenland? 11. February 2013 <https://www.bloomberg.com/news/articles/2013-02-10/chinese-workers-in-greenland>

8 Martin Breum and Jorgen Chemnitz, *No, Greenland Does Not Belong to China*, February 20, 2013

(Employment and Occupation) Convention, 1958; C138 Minimum Age Convention, 1973 and C182 Worst Forms of Child Labour Convention, 1999.<sup>9</sup>

When we turn to the Chinese domestic legislation, it appears that it covers human rights, employment and environmental matters. Human rights are written in the Chinese Constitution Law, 2004. Labour Law comes into force in 1995, Labour Union Law in 2001, and Labour Contract Law in 2007. China also enacted the Protect Woman and Child Law in 1992, Under Age Worker Protection Regulation in 1994, Unemployment Insurance Rules and Social Welfare Regulation in 1999, Working Safety Regulation in 2002, Industrial Injury Insurance Rules in 2003, Forbid to Use Children Workers Rule in 2002, Collective Agreement Regulation, Minimum Wage Regulation and Working Condition in 2004. In 2012, China State Council published Regulation on the Administration of Chinese under Overseas Labour Cooperation, which is the first and the only Chinese law governing Chinese labour working abroad. Furthermore, Environment Protection Law was enacted in 2014 as well as regulations for industrial safety and environmental protection.

Most of Chinese rules of employment and environmental matters are coordinated with OECD standards; except freedom of association (independent labour union) and force labour<sup>10</sup>, which are two of eight fundamental conventions of International Labour Organization C029 Forced Labour Convention, 1930 and C087, Freedom of Association and Protection of the Right to Organize Convention, 1948. Therefore Chinese mining companies might not be familiar in dealing with labour union in Greenland, but they are well trained in China with regards to most of the other CSR standards.

Some Chinese scholars argue that the scope of the eight fundamental conventions is too wide, and suggest there should not be any uniform labour standards at the international level because of the aspects such as history, culture, and developing process differs among various countries. Developing countries like China will lose its competitive power by raising employment and environmental standards<sup>11</sup>. Some Chinese scholars are worried about high employment and environmental standards being a new trade protectionism measure, since low wage and other less favour social and environmental conditions are

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9 International Conventions, Ministry of Foreign Affairs of China, updated September, 2014 [http://www.fmprc.gov.cn/mfa\\_chn/gjhdq\\_603914/gjhdqzz\\_609676/lhg\\_609678/t311022.shtml](http://www.fmprc.gov.cn/mfa_chn/gjhdq_603914/gjhdqzz_609676/lhg_609678/t311022.shtml)

10 Fan Ying, Zhang Wei, *International Labour Standard and International Trade: from SA8000 perspective*, Internal Business, July, 2004, Page 5-8

11 Yang Huizhen, 2006, Zhou Peng, 2004

considered “social dumping”.<sup>12</sup> From 1995 to 2009, China had been the number one country in the world that received the most dumping charges in WTO. In 2007, China received 61 charges that took 37.2% charges in the world.<sup>13</sup> Some Chinese scholars are worried about although EU and USA do not grant China as market economy status, after more Chinese companies have received the treatments of market economy status, there will be less price dumping charges, but more social dumping related charges.<sup>14</sup> Many Chinese scholars disagree to use WTO rules to solve the social dumping and tend not to link trade with employment and environmental standards.<sup>15</sup> Therefore, the investment mechanisms of Chinese companies in Greenland and subsequent exports of minerals out of Greenland needs to be carefully designed beforehand.

### Chinese companies CSR commitments

It is advisable for Chinese companies’ approach in Greenland that they apply international CSR standards with the principle of government regulations, chain liability, and self-discipline<sup>16</sup>.

Before discussing Chinese companies’ CSR commitments, it is a fact that the lack of Chinese companies’ CSR commitments has raised serious concerns both in and outside China. In 2007, the use of “slave labour” in central China, where thousands of workers, many under-aged, were required to work as slave labourers in illegal brick kilns, coal mines and iron mines was covered widely in the news media<sup>17</sup>. At the same time, as Chinese companies expand their operations overseas, their labour and environmental practices in other parts of the world have been examined and questioned globally, especially in Africa.<sup>18</sup> Generally speaking there are three main areas of concern for the Chinese companies’ CSR commitments abroad: the first is low employment standards. Many strikes happened in

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12 Yu Shenxing, 2007; TANG Tao, 2006;

13 Liu Aidong, Liang Jie, *A statistical analysis of overseas anti-dumping cases against China from 1995 to 2009*, J. Cent. South Univ. (Social Science), Vol.16 No.4, Aug 2010.

14 Chen Jian, *International Trade and Labour Standard: WTO focus questions*, International Trade, June, 2000, page 18-22.

15 Guo Genlong, Feng Zongxian, *the Dispute of employment and environmental standards in the international trade*, Morden Economic Science, January, 2004.

16 Lu Tanga, Hongmei Li, *Corporate social responsibility communication of Chinese and global corporations in China*, Public Relations Review, May 2009

17 2007 Chinese slave scandal, last modified on 8 May 2015, from <https://www.wsws.org/en/articles/2007/06/chin-j22.html>

18 China’s Overseas Environmental Problems Cause Domestic Concern. Retrieved October 2, 2008, from <http://www.chinastakes.com/story.aspx?id=147>

Chambishi copper mines in Zambia because of low salary and poor working conditions<sup>19</sup>. The second main concern is environmental issues. A Chinese state owned oil company has been charged with mass pollution, destroying areas of a park and cutting off roads through the forest in Gabon.<sup>20</sup> The third main concern is work safety matters. A case also happened in Chambishi copper mine in 2005, where 51 people died in an accident.<sup>21</sup>

In order to improve Chinese companies' CSR commitments, especially with regards to state owned enterprises, China State-owned Assets Supervision and Administration Commission adopted the "Guidance of state owned enterprises CSR commitments" in 2008. Since then, all Chinese state owned mining enterprises were required to live up to the CSR commitments. Most of these companies refer to the ISO 26000 Guidance on Social Responsibility and United Nations Global Compact<sup>22</sup>.

The Order No.3 [2014] of the Ministry of Commerce of the People's Republic of China about the Measures for Overseas Investment Management, Article 20 states: "*the (Chinese) Enterprises should follow the local regulations, carry out CSR commitments, well protect local environment and labour rights*", which is a major difference comparing with the previous rule: Order No. 5 [2009] of the Ministry of Commerce of the People's Republic of China about the Measures for Overseas Investment Management. In respect of the principles set forth by the industrial associations and chamber of commerce, in 2004, China Chamber of Commerce of Metals Minerals & Chemicals Import & Exports draft "Guidance of Chinese Overseas Mining Investment CSR". Both the orders and guidance require Chinese companies to have a written CSR policy and to follow the local CSR related regulations when the companies invest or trade with foreign companies.

In 2013, China International Contractors Association announced their CSR proposal to all their members working on overseas projects. Apart from governmental regulations, Chinese companies also receive pressures from their overseas business partners, investors, and local concerns to incorporate CSR into their business strategy.<sup>23</sup> During the fifth

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- 19 Chambishi Metals, Business & Human Rights Resource Centre, 5 January 2012, <http://business-humanrights.org/en/chambishi-metals>
  - 20 Ian Taylor, China's environmental footprint in Africa, 02.02.2007, <https://www.chinadialogue.net/article/show/single/en/741-China-s-environmental-footprint-in-Africa>
  - 21 Shapi Shacinda, Reuters, Death toll in blast at Zambia mine climbs to 51, 21 April 2005, <http://business-humanrights.org/en/death-toll-in-blast-at-zambia-mine-climbs-to-51>
  - 22 Kang Jitian, Trend of Mining Enterprises' Social Responsibility, Resources and Industries, June 2012, 14-3
  - 23 Shuaihua Cheng, Social responsibility of Chinese investment in Africa, Trade Negotiations Insights Volume 10 - Number 3, 2011

China-Nordic Arctic Cooperation Symposium in Finland, many Chinese speakers highlighted that due to harsh natural conditions and fragile ecological environment, commercial activities in Arctic should be very carefully and well planned<sup>24</sup>. All these initiatives, including the Chinese national legislation on labour, environment and mining safety is an improvement of the situation. For example, within the Chinese coal mining industry worker conditions have improved significantly. In 1995, 10,572 people died in the coalmines' accidents in China, and the number in 2005 is 5,491, and the number in 2014 is 931.<sup>25</sup>

### Chinese Investment for Greenland as an early stage mining country

In a strategy paper issued by the government of Greenland, the Greenland government aims at developing the mining industry to help mitigating the impact of global warming on fishing industry and boost economic growth. Yet, today exploration and exploitation of natural resources is still at a very early stage<sup>26</sup>.

In order to develop a mining industry in Greenland, there are two obvious obstacles. The first is the vast land under challenging natural conditions and poor infrastructure. In Greenland, 56 thousand people live in an area of more than 2 million square kilometres, of which around 80% are covered by the ice<sup>27</sup>. People can only work a couple of months on the ground in some places because of the cold weather, and there are no roads between the towns and settlements. Transport between the towns takes place by boat, ship, helicopter or aircraft, which makes Greenland less favourable than many other mining places in the world.

The second challenge is the labour force, which only includes 26,791 permanent residents (2011), and few of them have experience with mining industry.<sup>28</sup> Therefore, one may ask why Chinese companies should be interested in investing in Greenland while there are more mines in other places of world with better and easier access?

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24 Jasim Sarker. China-Nordic symposium opens in Rovaniemi. 08 Jun, 2016. <http://www.finlandtimes.fi/national/2016/06/08/27669/Chinese-cooperation-in-arctic-dev-stressed>

25 Accidents reports, State Administration of Coal Mine Safety, updated December 2014, [http://www.chinasafety.gov.cn/newpage/mkaj/sgtb/mkaj\\_sgtb.htm](http://www.chinasafety.gov.cn/newpage/mkaj/sgtb/mkaj_sgtb.htm)

26 Peter Levring, Greenland Bets on Mining as Global Warming Hits Fishing Industry, updated 17 April, 2013, <http://www.bloomberg.com/news/articles/2013-04-17/greenland-bets-on-mining-as-global-warming-hits-fishing-industry>

27 Statistics Greenland, 'Greenland in Figures', (2015)

28 Bent Ole Gram Mortensen, The Quest for Resources – the Case of Greenland, *Journal of Military and Strategic Studies*, Volume 15, Issue 2, 2013

Exploration is the first step to find mines. However, not many exploration projects have been done in Greenland. In the past 20 years, around 25 exploration companies covering 40 thousand sq.km area, which is only 1.8% of Greenland<sup>29</sup>. In China, there are more than 1000 exploration companies, some of which have thousands employees. In addition, there are 27 universities in China, which have a bachelor or higher education in the area of resource exploration engineering, and sends thousands of graduates every year to the mining industry in China.<sup>30</sup> However in Greenland, the only university, Ilisimatusarfik in Nuuk doesn't offer any education program in mining<sup>31</sup>. By using all above human resources capability, it is possible for China to carry out large geological surveys. For every five years plan in China, there is a basic geological survey plan in Chinese territory, and there are totally 12 five years plans until now. By the end of 2014, Chinese exploration companies have completed 3 million square kilometres basic geological survey of Chinese territory in total, which is number one in the world<sup>32</sup>. In respect of completing difficult mining and infrastructure projects, Chinese workers have good reputation. In the history, Central Pacific Railroad in US used 12,000 Chinese workers to complete the most difficult and dangerous part<sup>33</sup>. Sichuan Road and Bridge Group from China won the steelwork of Hålogaland Bridge in Norway in 2013. Recently, in January 2017, they started cable installation, and the completion of this 1,533 meters long bridge is now being predicted for summer 2018. The project owner is satisfied with the high efficiency of Chinese workers and engineers<sup>34</sup>. And Chinese companies like to use Chinese workers as well due to the culture and communication identification. The large amount of qualified Chinese mining professionals is as important as Chinese capital investment, to the Greenlandic mining industry.

Although there are some concerns of attracting Chinese investment and using Chinese labour in Greenland, compliance needs to be done in order to develop mining industry in Greenland. In fact, Chinese investment is no different with other foreign investment

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29 Geological Survey of Denmark and Greenland. News No. 34 <http://www.geus.dk/minex/minex-uk.htm>

30 Resources exploration engineering, Baidu encyclopaedia, updated April 2015, <http://baike.baidu.com/view/255099.htm>

31 University of Greenland, <http://uk.uni.gl/about-us.aspx>

32 Mao Xiaochang, the development process of basic geological survey in China, China Mining Conference 2014

33 George Kraus, "Chinese Laborers and the Construction of the Central Pacific," *Utah Historical Quarterly*, vol. 37, no. 1 (Winter 1969), pp. 41-57

34 News Desk, Halogaland Bridge in Norway prepares to start cable installation, January 17, 2017, <https://www.masterbuilder.co.in/halogaland-bridge-norway-prepares-start-cable-installation/>

in Greenland, like investments from Canada and Norway, and may thus contribute to Greenland's development of a sustainable mining industry.

Firstly, until 2014 there has only been three mines with Chinese involvement, while two of them have not used any Chinese employees, and the last one only use a few Chinese geologists for a short period every summer. For all three mines, two mines' contractors are from Denmark, and the drilling teams are all from Canada. Using Chinese labours in exploration phase will not affect local people's employment rate in Greenland since most of the people working on these projects are not from Greenland anyway.

Secondly, Chinese salary level will become higher, and it is not necessary Chinese salary is lower than Greenland's one. For example, a Chinese 3 years geologist's salary is around 6000-8000 Danish Kroner per month after tax, covered by full insurance equal to employees at government-affiliated institutions, and if they work aboard, normally will receive at least 1.5 times salary or even higher if they are sent to a place like Greenland, with free board, lodging, travel and company paid insurance. If calculating Greenlandic tax, the before tax monthly salary could reach 22,000 Danish Kroner<sup>35</sup>. A 3 years drilling workers' salary is around 5000 Danish Kroner after tax per month in China, but a 10 years drilling workers' salary could reach 15,000 Danish Kroner per month after tax in China.<sup>36</sup> In December 2012, the Greenlandic Parliament adopted an Act on large-scale projects, which lays down a minimum wage of 80.41 Danish Kroner before tax; include the value of board and lodging, the costs of clothing, free travel, insurance, etc.<sup>37</sup>. There is no doubt Chinese workers' salary will be more than the minimum wage under the large-scale act, and close to or even higher than the average salary in Nuuk, which is 19,237 Danish Kroner in April 2015.<sup>38</sup> It is thus highly likely that Chinese workers will not be lower than the general Greenlandic salary level.

Thirdly, keeping the salary in a reasonable level will help Greenland's economy develop sustainably, because if salary in mineral sector is generally higher than other sectors, it will

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35 It estimates after tax salary is around 22,000 DKK, including free board and lodging.

36 Job website for mineral workers and experts in China, <http://www.georc.com/index.php>

37 Law No 25 of 18 December 2012 on large-scale projects (bygge- og anlægsarbejder ved storskalaprojekter)

38 Cost of Living in Nuuk, Greenland, updated April 2015, [http://www.numbeo.com/cost-of-living/city\\_result.jsp?country=Greenland&city=Nuuk](http://www.numbeo.com/cost-of-living/city_result.jsp?country=Greenland&city=Nuuk)



make non-mineral sectors less competitive and may lead to a decline in other productive sectors<sup>39</sup>.

At last, in order to start a mining project there is a need for a well functioning political system and a stable legal framework, including governmental approvals, safety report, environmental impact assessment, social impact assessment, including investors' CSR commitments agreed between the Greenland government and the investors, and a well functioning mining project is very much depended on Greenlandic legalisation and its enforcement. In Africa, some Chinese companies are criticized because they take advantages of low standards of local environmental protection system, which are against their CSR commitments.<sup>40</sup> However, Greenland should be confident to use its legal institutions and democracy system, for instances through the current system regarding pre-approval of work plan, regular onsite inspection and annual record of the completed work report, which also encourages Greenlandic local businessmen to set up joint venture or partnership enterprise with foreign investors to exchange knowhow and knowledge, in order to build a modern mining industry together with Chinese and many other investors in the world.

## Conclusion

Greenland has a great potential with regards to mining, and a Chinese perspective on the approach of it has started with some early phase mapping and exploration projects by Chinese companies. Currently, declining global prices on minerals makes mining in Greenland even more difficult than before. However, early phase mapping and exploration should start right now, and when the prices on minerals go up again, more mature projects will be ready for investors as a mining project normally requires a few years of preparation, It will be easier for Chinese companies to be accepted in Greenland if they 1) apply an international level of CSR commitments, and 2) contribute with capital and experienced mining professionals to support the projects going forward at this difficult moment. A few small but good projects conducted by Chinese companies will give confidence to Greenland politicians as well as to the people to accept Chinese involvement. Moreover, it will also give confidence to Chinese companies that they can run large scale projects in Greenland.

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39 Bent Ole Gram Mortensen, *The Quest for Resources – the Case of Greenland*, *Journal of Military and Strategic Studies*, Volume 15, Issue 2, 2013

40 Chen Shuaihua, Liang Guoyong, *Social responsibility of Chinese investment in Africa: What does it mean for EU-China Cooperation on development policy towards Africa?* *Trade Negotiations Insights*, Volume 10 - Number 3, 2011

