



Chinese miner comes up against the Gulf Cartel

by Andrew Thompson

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What happened?

When China's Zijin Mining paid US\$1bn in late 2019 to buy a Colombian gold mine, it was concerned about the potential problem of competition from illegal miners. A year and a half later, it seems to have a serious problem on its hands.

The details

The mine – the largest in Colombia – is in the municipality of Buriticá in the department of Antioquia in the Colombian Andes. In an interview with Reuters news agency, a company executive said that alongside the official mine itself a large network of dangerous tunnels has sprung up, operated by illegal or wildcat miners. While Zijin employs around 635 staff, as many as 5,000 people have flocked into Buriticá to work on the informal mines or to supply them with explosives, timber, and mercury, as well as providing the services of prostitutes. The influx has doubled the municipality's population. The tunnels link to around 150 clandestine processing centres which use toxic mercury to separate gold from mined earth. The tunnels are controlled by the Clan del Golfo criminal cartel, also known as "The Ten" because it takes a 10% commission on production, as well as buying the rest of the gold with payment in cash or mercury.

In all, it has been a serious setback for the company. Chief executive James Wang says the informal miners target the high-grade areas of the concession area. In the first quarter losses



Fuente: Zijin.
EL COLOMBIANO © 2020. SP (N4)

Map Source: [El Colombiano](#)

amounted to 20% of total production. The annual production target has had to be cut to 200,000 ounces, down from 240,000, with a corresponding reduction in profits. Wang says the government and the local municipality have provided support, but more needs to be done. The company has sought to offer some of the informal miners contracts that would in effect “formalise” them, but there are practical difficulties and the move is resisted by “The Ten”. Police operations against illegal miners are limited by a lack of resources. The local mayor says he worries other armed groups, such as the ELN guerrillas, may also try and muscle in on Buritica.

Illegal gold mining is a major problem in several Latin American countries (including Peru and Brazil). According to one estimate the illegal gold trade in Colombia was worth US\$2.4bn in 2015, a number which is probably now much higher, given the increase in gold prices. In some areas illegal gold mining is more profitable than cocaine production. Illegal mining is often associated with deforestation and mercury-poisoning of local water sources.

What does it mean?

Zijin’s difficulties may discourage other investors, setting back government efforts to attract new investment into the mining sector, at a time of rising metals prices. Wang says it is his company and other legal businesses that end up having to pay the price for “the social and public order situation in a territory where illegal actors can’t be controlled”.

About the Author

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As well as being a Canning House Associate Fellow, Andrew is a former foreign correspondent (Buenos Aires, Mexico City, Rio de Janeiro) and a broadcaster for the BBC’s Latin American Service. Working through La Rambla Research Ltd., he writes about economics, political risk, and business in Latin America.



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