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Germany wants to pursue its resources strategy in Mongolia

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On 13 October Chancellor Angela Merkel signed an intergovernmental agreement on resources, industry, and technology partnership with the Mongolian Prime Minister Sukhbaataryn Batbold. The German-Australian consortium BBM Operta and Macmahon (including RWE and ThyssenKrupp) signed a deal for extracting 15 million tonnes of coal annually, worth US$ 2 billion from the Tavan Tolgoi mine. Siemens concluded an agreement for the construction of gas turbines producing electricity (approximately 300 MW) which are used in coal mines. The German chancellor and Mongolian prime minister also declared they are interested in signing an agreement on, among other issues, the joint exploitation of rare earth metals.

Commentary

- The signing of a resources partnership agreement with Mongolia is a consequence of the German government's strategy, adopted in October 2010, for supporting German companies in securing resources. This strategy is aimed at extending access to new sources of strategic resources which are indispensable to the functioning of German the economy e.g. iron, silicon and rare earth metals. German companies want to obtain access to rich Mongolian deposits of resources – both stone coal and rare earth metals – in exchange for providing technology e.g. machines for extracting resources.

- The contract for extracting coal from the Tavan Tolgoi mine, signed between the German-Australian consortium BBM Operta and Macmahon (which includes RWE and ThyssenKrupp) with the state-controlled Mongolian company Erdenes MGL, gives German companies access to the world's largest deposit of coking coal (Tavan Tolgoi deposits are estimated at approximately 6 billion tonnes of coal). Under the contract German companies have the right to extract a total of 100 million tonnes of coking coal from the mine by 2018. The coal will probably be exported to China and South Korea, which is expected to generate high profits for German companies. Furthermore, Germany as the world's largest exporters of mining machines will be interested in selling them and the associated technology to the companies planning the exploitation of the Tavan Tolgoi mines.

- The German government has not succeeded in concluding a contract for the exploitation of rare earth metals, which seems to be the most important objective of resources cooperation with Mongolia. Gaining access to these deposits in Mongolia may be difficult due to intense competition, mainly from Chinese and Russian companies. It cannot be ruled out that Germany as a credible partner and provider of technologies to Mongolia will be effectively competing in this area. Access to deposits of rare earth metals is key to the development of high technology industries in Germany, including the area of renewable energy which looks set to become the driving force of Germany economy.