# Australia – the politics of the minerals boom

*By Tony Corrighan*

**During the last two decades Australia has emerged as one of the world's foremost exporters of mineral and energy raw materials, a position it now shares with countries such as Canada and South Africa. Under the impact of a massive infusion of investment by transnational corporations since the 1960's, the Australian mining industry was elevated from a position as a supplier of the relatively meagre requirements of the domestic Australian market to one where mineral extractive and related industries have become the focal points of Australian economic development. This article will discuss the factors which engendered this transformation and the structure of the industry which resulted; and analyse the strategies adopted by the Australian state and ruling class.**

**Tony Corrighan is a post-graduate student at the Politics Department, University of Adelaide, Australia. He is a member of the Editorial Advisory Board of RMR.**

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In the mid 1960's a goverment enquiry into the Australian economy cursorily dismissed the economic significance of the mining industry[1], yet within a decade Australia had became the worlds largest exporter of iron ore, one of the leading coal exporters and the dominant world producer of bauxite. It had also become a major nickel and mineral sands exporter and produced significant quantities of oil, base metals and copper, in addition to possessing large proven uranium reserves. Furthermore, Australia is now poised to become a major producer of aluminium metal and an exporter of energy resources such as steaming coal and natural gas.

This dramatic enhancement of Australia's position in the world mineral industry reflected substantial changes in patterns of demand in international mineral markets which stimulated the development of important new mineral producing regions, including Australia. As a result of these changes the Australian mining industry became the target for extensive penetration by transnational mining corporations which, in partnership with comprador Australian companies, established the industry as a safe and lucrative investment outlet and a reliable source of supply for mineral exporters.

The preconditions for the resurgence[2] of Australian mining from the 1960's were established with the rise in consumption of industrial raw materials which accompanied the post-war long boom. As demand for raw materials increased in the advanced capitalist economies, this triggered a corresponding intensification of mineral exploration and production internationally. Transnational mining companies expanded throughout the mineral producing regions of the world to exploit the profitable opportunities opened up by accelerating mineral consumption, and to secure access to new sources of supply.

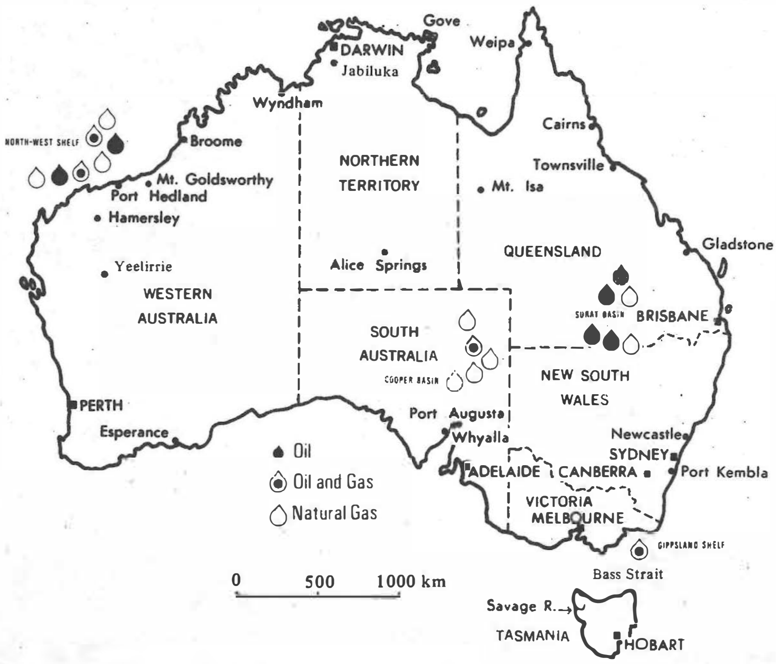
Within this context of a generalised increase in demand, the future of post-war economic development of critical significance to the Australian mining industry was the resurgence of Japanese capitalism, and the subsequent remarkable growoth of Japanese heavy industry. The Australian mining boom represented, in essence, the incorporation of Australia as a resource hinterland for Japanese industry.

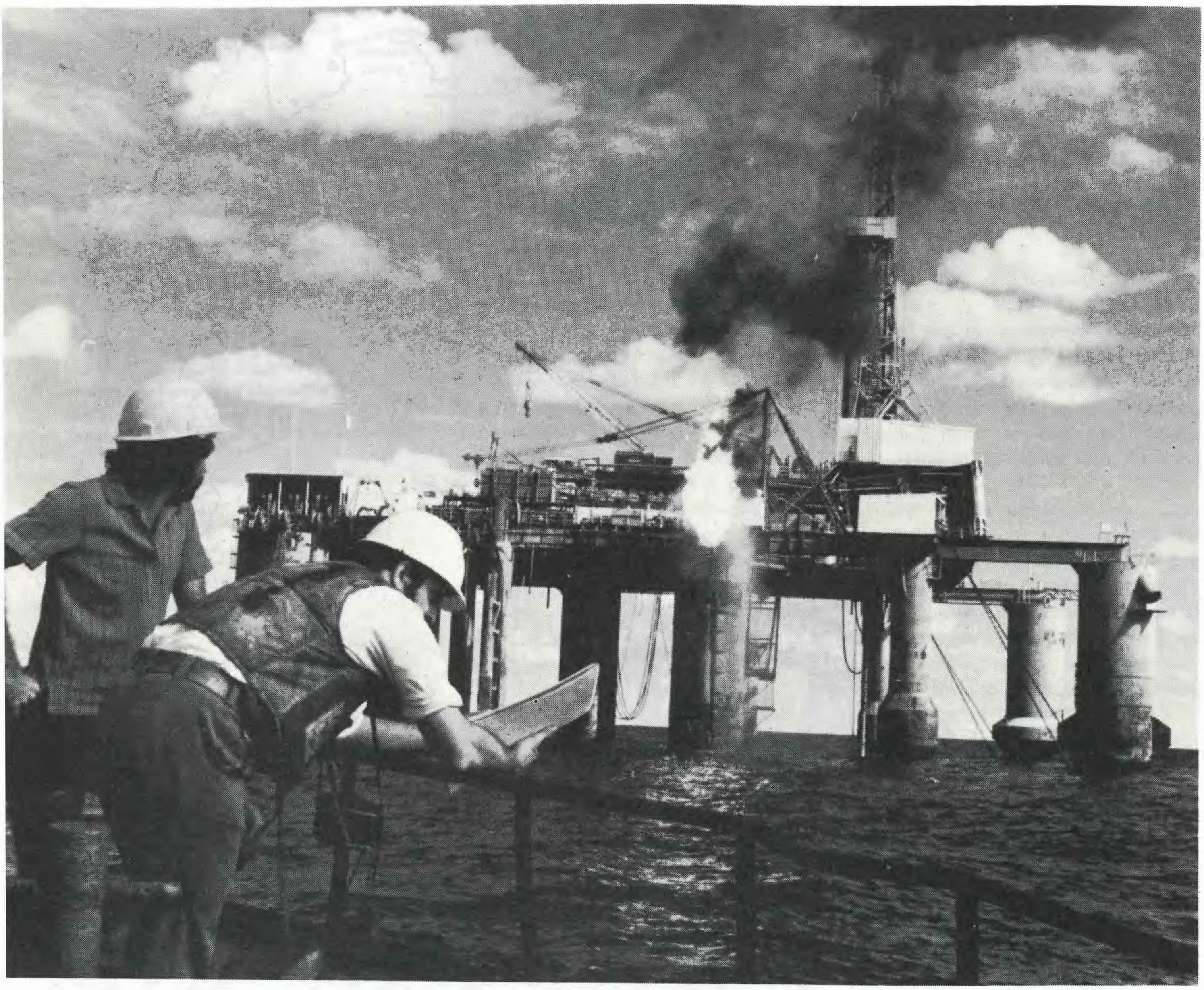
After the Second World War, Japanese capitalism was reconstructed and reintegrated into the world economy as a regional imperialist power. This was accompanied by high rates of economic growth and the establishment of a dynamic, expanding heavy industrial base, nurtured by the fortuitous conditions prevailing during the long boom. However, Japanese industry became almost totally reliant on foreign sources of the raw materials required for industrial growth. Japan itself was chronically deficient of minerals, and as the economy grew during the 1950's and 1960's dependence on foreign sources escalated to the extent that minerals totalled about half of Japanese imports[3].

Allthough able to reassert a powerful regional imperialist presence after the war, Japanese access to its previous main sources of raw materials was severely curtailed by the consolidation of revolutionary regimes in China and North Korea. This was particularly important for the steel industry. Iron ore imported from the Philippines, Malaysia, India and Latin America serviced the industry adequately during the 1950's and early 1960's, but from then on declined in relative importance as Japanese demand continued to increase. The Japanese steel industry began then to focus on Australia as a major supplier of ore[4]. Japanese reliance on Australia subsequently extended to other minerals and Australia has now become firmly entrenched as the principal supplier to Japan of iron ore, coal, nickel, bauxite and alumina, and other minerals. More than half of Australian mineral exports are destined for Japan.

*Bucket wheel reclaimers at the Mount Newman company's Port Hedland iron ore export complex in the Pilbara region of Western Australia.*

*Map shows major mines and oil and gas fields.*



## The energy boom

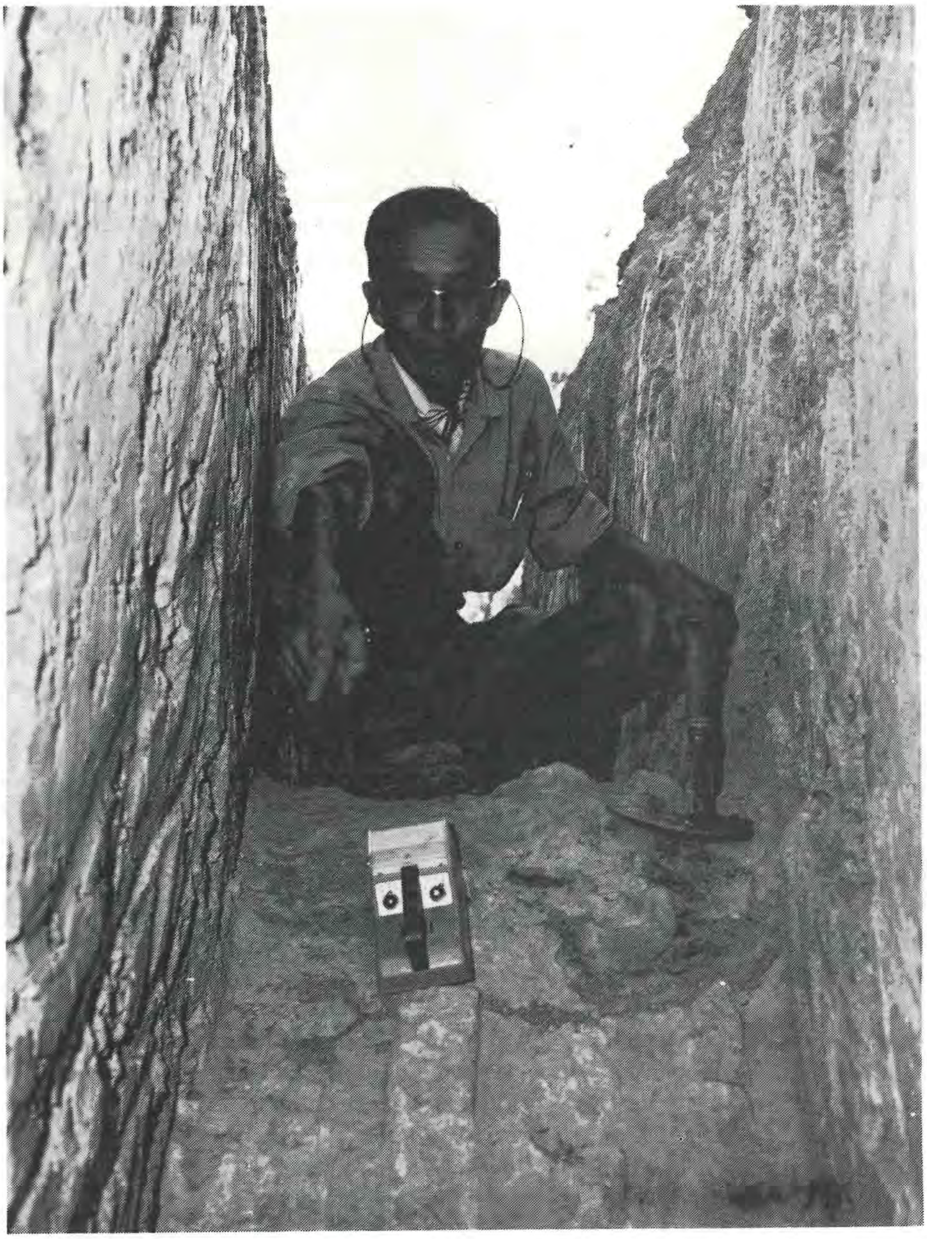
Just as demand for minerals generated by Japanese industrial expansion stimulated the first phase of the Australian mining boom, after 1974 the collapse of the long boom caused the rate of growth in production of many industrial raw materials to taper, and the mining industry, by the late 1970's a new boom period of mineral development began to occur, in which the range of minerals coming into production of subject to impending expansion encompassed a greater variety of energy and energy related minerals. A government survey conducted late in 1980 estimated that mining projects entailing investment of over $ 23 billion (Australian) were committed or at the stage of final feasibility studies, the majority of which were energy related[5].

The success of OPEC in raising oil prices through the 1970's had the effect of enhancing non oil energy sources and, indirectly, of prompting the relocation of energy intensive industries to energy rich areas. For Australia, this has had the effect of encouraging the more intensive exploitation of resources such as steaming coal and natural gas, and has created possibilities for the development of synthetic fuels projects such as oil shale mining and the conversion of coal to oil. The same influences have also extended to the mineral processing industry, in particular the energy intensive aluminium smelting industry.

During both these phases of mining expansion in Australia the agency of development has been transnational capital, which rapidly perceived the opportunities inherent firstly in the evolution of an important mineral trade relationship with Japan, and secondly in the emergence of Australia as a major energy source. Additionally, transnationals have strategically selected countries such as Australia, in preference to potentially unstable third world countries, as safe havens for investment. As Michael Tanzer has pointed out:

> "in the last two decades about 85 percent of the increase in U.S. foreign mining investment has taken place in developed rather than underdeveloped countries, and it has been channelled principally into Canada, Australia, and South Africa, countries that are resource rich and considered politically stable."[6]

The ability of transnational capital to



*Oil drilling platform in the Bass Strait off the coast of Victoria. Far left.*
*A Japanese geologist examining uranium ore at the Nabarlec uranium site, east of Darwin in the Northern Territory. Left.*

**Japan's Direct Investments in Australia (On the approval basis)**

| Fiscal years | No. of cases | Value (US$ mil.) |
|---|---|---|
| 1973 | 77 | 167 |
| 1974 | 43 | 51 |
| 1975 | 59 | 156 |
| 1976 | 61 | 137 |
| 1977 | 64 | 146 |
| 1978 | 58 | 204 |
| **1951/78 Total** | **571** | **1,168** |

**Source:** Ministry of Finance, Tokyo/ Oriental Economist, april 1980

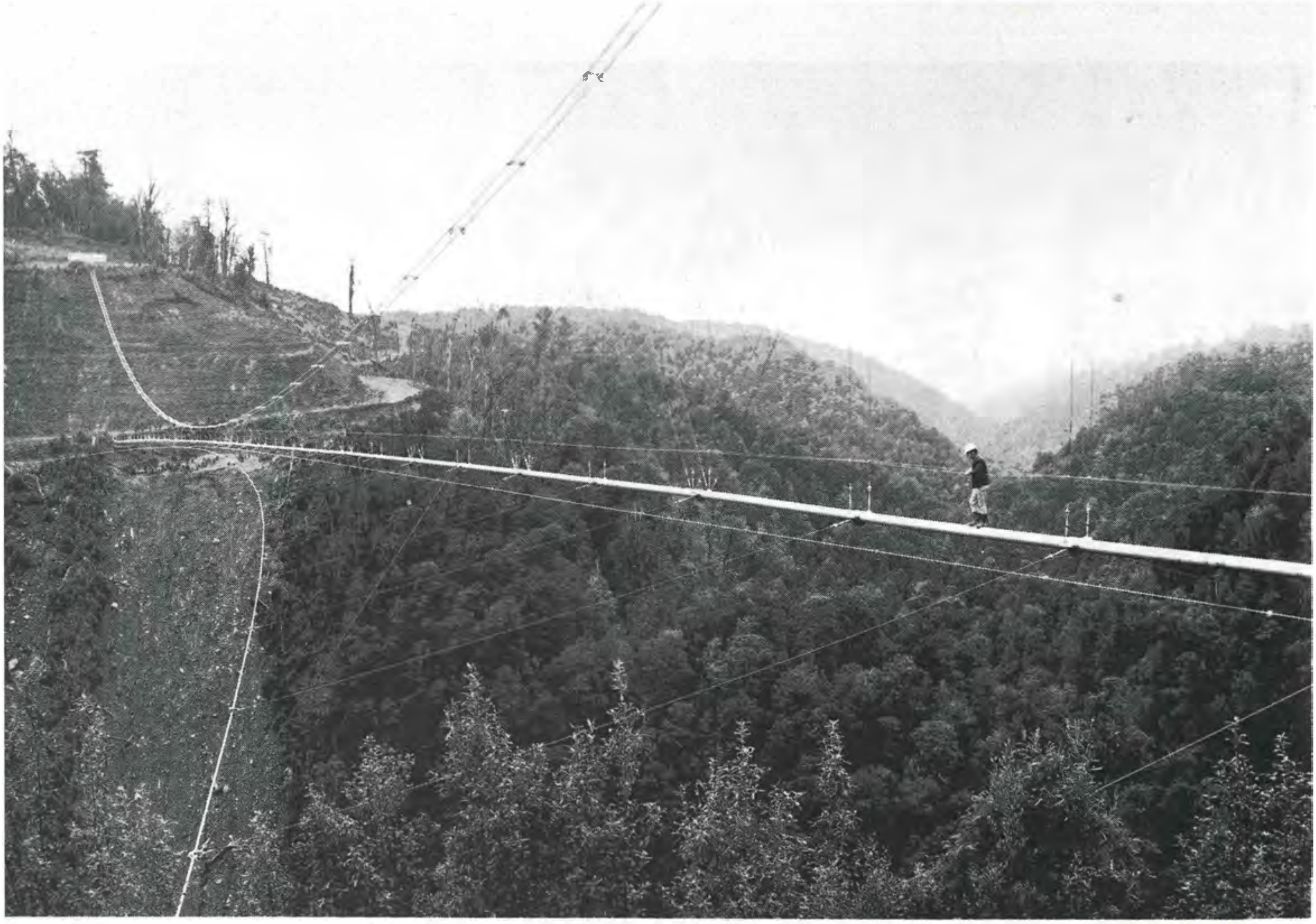
dominante the Australian industry is related to the characteristic features of the mining industry internationally, in which a relatively small number of corporations effectively control the capitalist world's resources. These corporations are predominantly American, reflecting that country's economic and political supremacy in the post-war era, although British and other European (and more recently, Japanese) companies have been able to consolidate positions of considerable strength.

## Foreign ownership – sector by sector

The context within which the Australian industry developed was, consequently, one in which transnational capital constituted the major repository of the technical, marketing and financial expertise upon which mineral development relied. Accordingly, constraints existed on the exent of participation by Australian companies which lacked the ability to establish and operate independently the huge new mining ventures, and generally were obliged to accept a subordinate position in relation to foreign capital. By the mid 1970's foreign corporations, domiciled principally in the United States and Britain, had achieved majority ownership and control over the industry[7], as will be seen below with reference to the most important of Australia's mineral industries.

## Iron ore and coking coal

The two most important growth areas of the mining industry in the 1960's centred on the vast iron ore deposits of Western Australia and the coal deposits of Queensland and New South Wales. Paradoxically, although both of these regions concentrated on production for the Japanese steel industry, Japanese capital did not invest heavily in them, leaving development to be undertaken primarily by American, British and Australian capital. The main reason for this was the existence in Japan of restriction on capital outflow, because of current account deficits, which were enforced until the late 1960's by which time most of the mines servicing Japan were already established. Japanese companies importing Australian iron ore and coal countered their inability to exert direct control over resources by the application of alternative measures,



the most effective being the ability to depress mineral prices through co-ordinated buying policies. This has proved to be highly successful, particularly in the iron ore and coal industries, where production in Australia is fragmented between companies striving to maintain or extend market shares and thus susceptible to pressures to inhibit price increases.

The main consortia formed in the 1960's to develop Australia iron ore deposits were:

- *Mount Newman:* This consortium was formed to operate the largest iron ore mine in the world, at Mount Whaleback in Western Australia's Pilbara district, under the direction of the US mining company AMAX. AMAX brought in the Australian companies Broken Hill Proprietary (BHP) and CSR and, with smaller shares, the British Company Seltrust and Mitsui-C-Itoh of Japan. The current ownership structure in AMAX 25%; BHP and CSR 30% each; Mitsui-C-Itoh 10%; Seltrust 5%.
- *Hamersley Holdings:* Also with mines in the Pilbara district, Hamersley was established by the giant British transnational Rio Tinto through its Australian subsidiary CRA, in partnership with Kaiser Steel Corporation of the US, and with Japanese steel mills and trading houses, which have minor shareholdings. In 1979 CRA bought out Kaiser's interest.
- *Mount Goldsworthy:* This consortium, again based in the Pilbara, was also established exclusively by foreign capital and originally comprised the British transnational Consolidated Goldfields and the US companies Cyprus Mines and Utah. Current shareholding in Consolidated Goldfields (now controlled by Anglo-American Corporation of South Africa) 46.67%, Utah (a subsidiary of General Electric) 33.3% and Mount Isa Mines (a subsidiary of Asarco) 20%.
- *Cliffs Robe River Iron Associates:* This fourth Pilbara producer is dominated by the US company Cleveland Cliffs Iron Co and Mitsui of Japan, with smaller interests held by US and Australian companies.
- *Savage River Mines:* Outside of the Pilbara the only other major iron ore mine developed during the 1960's, and the only one under Japanese control, was at Savage River in Tasmania, owned by Sumitomo and Mitsubishi, in partnership with a number of US and Australian companies.

Australian coal mining similarly is heavily dominated by foreign capital. In the Queensland coal industry, which was developed from the 1960's almost wholly in response to Japanese demand, production is dominated by Utah, which operates some of its mines independently and others as a controlling partner in a consortium with Mitsubishi and AMP, Australia's largest insurance company. Queensland's other main coal mining company, Thiess Dampier Mitsui, was originally controlled by Peabody Coal Company of the US, but ownership changes since 1977 have resulted in a majority Australian interest held by BHP and CSR, in partnership with Mitsui.

In the New South Wales coal industry the opening of export markets in the 1960's was also accompanied by penetration by foreign capital, the most important being the DK Ludwig

*Iron ore slurry is transported 85 km in a pipeline from the Savage River open cut mine to Port Latta, Tasmania.*

## 20 Largest Natural Resource Companies in Australia 1981
## (Market capital in million US dollars)

| Company | Business | Market capital (milj $) | Controlled by |
|---|---|---|---|
| Broken Hill Proprietary (BHP) | Iron, steel, oil, aluminium | 4,131 | BHP/Melbourne |
| MIM Holdings | Mining | 1,778 | ASARCO/New York[1] |
| Conzinc Riotinto of Australia (CRA) | Mining | 1,555 | Rio Tinto-Zinc/London |
| CSR | Mining, chemicals, sugar | 1,361 | CSR/Sydney[2] |
| Western Mining | Mining | 1,210 | Collins House/Melbourne |
| Hamersley Holdings | Iron ore | 1,018 | Joint venture[3] |
| Santos | Oil, gas | 920 | Bond Corp Holdings/Porth. Total/Paris[4] |
| Woodside Petroleum | Oil, gas | 775 | BHP/Shell Australia |
| Comalco | Bauxite, alumina, aluminium | 691 | Joint venture[5] |
| Bougainville | Copper (Papua New Guinea) | 621 | Joint venture[6] |
| Energy Resources Australia | Uranium | 576 | Joint venture[7] |
| EZ Industries | Mining, smelting | 538 | Collins House/Melbourne |
| Howard Smith | Coal | 459 | Howard Smith/Sydney |
| Boral | Quarrying | 436 | Boral |
| North Bfoken Hill | Mining | 436 | Collins House/Melbourne |
| Peko Wallsend | Mining | 419 | PW/Sydney |
| Caltex Australia | Energy | 414 | Joint venture[8] |
| Ampol Petroleum | Oil, gas | 379 | AP/Sydney |
| Pioneer Concrete | Uranium | 344 | PC/Sydney |
| Umal Consolidated | Coal | 325 | Utah Australia[9] |

## 5 Largest Australian Banks

| | |
|---|---|
| ANZ Bank Group | 913[10] |
| Bank of New South Wales | 841[11] |
| National Bank | 524[12] |
| Commercial Bank of Australia | 244 |
| Commercial Banking Co of Sydney | 215 |

**Sources:** National Times 1981-04-13, 1981-09-05, Oil & Gas International Yearbook 1981, Register of Australian Mining 1980.

**Notes:**
1. ASARCO 49%
2. Major shareholders include Consolidated Gold Fields/London
3. CRA Ltd 65.5%, Japanese companies 34.5%
4. Bond Corporation Holdings 24.5%
5. CRA 45%, Kaiser Aluminum 45%, Japanese companies 10%
6. CRA Ltd 53.6%
7. EZ Industrie 50%, Peko Wallsend 50%
8. SOCAL 50%, Texaco 50%/New York
9. Controlled by General Electric/USA
10. All data on banks 1981-04-13
11. Bank of NSW and Bank of Australia have announced plans to merge.
12. National Bank and Commercial Banking Co announced plans to merge.

organisation of the US, the Rio Tinto Zinc subsidiary CRA, and Consolidated Goldfields. Particularly since the late 1970's companies mining New South Wales coal have been subject to a wave of takeovers, especially by the world's largest oil companies which are rapidly establishing themselves as a major force in Australian coal mining. This will be discussed further in the section dealing with energy resources.

## Bauxite/Alumina/Aluminium

After iron ore and coking coal the mineral of most importance in sustaining the mining boom has been bauxite. Australia's bauxite deposits are the largest in the world, comprising about 30% of the world's commercial reserves, and one mine, at Weipa in Queensland, accounts for about 15% of world production[8].

The world aluminium industry exhibits a pronounced concentration of oligopoly control, and a brief elaboration of the characteristics of the industry encompasses all stages of the production process from bauxite mining, through alumina refining, to aluminium smelting and fabrication. Internationally it is dominated by six integrated companies; Alcoa, Reynolds and Kaiser from the US, Alcan (Canada), Alusuisse (Switzerland) and Pechiney (France), which collectively produce over 80% of the non socialist world's bauxite, alumina and aluminium[9]. Two other companies, Billiton (a subsidiary of Royal Dutch Shell) and Alumax (owned by Amax of the US and Mitsui of Japan) control much of the remaining aluminium capacity. From its inception in the nineteenth century the aluminium industry has been tightly controlled by a small circle of giant corporations. Alcoa in the United States, and in Europe the various predecessors of Alusuisse and Pechiney established initial control over the industry through possession of patents on alumina refining processes, followed later by aggressive marketing policies to undercut potential competitors, and through a succesion of formal cartel arrangements[10]. Despite a post World War Two US anti-monopoly prosecution of Alcoa, which enabled Reynolds and Kaiser to enter the industry, the position of the major companies was reinforced by their succesful *monopolisation of the best bauxite deposits in the world,* firstly in the Caribbean and then in Australia.

The prevailing structure of monopoly power placed insurmountable obstacles in the path of Australian companies attempting independently to pioneer an integrated aluminium industry. For example, one major Australian bauxite deposit, at *Jarrahdale* in Western Australia, was discovered by the Australian owned Western Mining Corporation which, in partnership with two other Australian companies, North Broken Hill and Broken Hill South, sought to use it as the basis for establishing an integrated Australian aluminium industry. The consortium negotiated with Alcoa to attempt to secure access to technology, financing and markets, offering in return a minority interest in the project to the US company. Alcoa's reaction to this approach, which was later documented in its submission to an Australian Senate investigation, graphically illustrates some of the mechanisms utilized by the majors to retain control of the industry.

> ... the Australian partners had very substantial reserves of bauxite... but lacked the finance and 'know how' to develop an integrated aluminium company. On the other hand, Alcoa US had the necessary financial resources and had extensive experience and 'know how' as a producer. Further, Alcoa US was able to make personnel available to assist in the development of an integrated operation in Australia.
>
> Alcoa US would not grant the use of its name, Alcoa, if it did not have a controlling interest, nor would Alcoa US undertake the initial loan commitment without the controlling interest. It was recognised that use of the Alcoa name would significantly assist Alcoa of Australia when negotiating in the international financial markets as well as in marketing arrangements made with overseas purchasers. International purchasers of alumina and aluminium are concerned that they have a continuing source of supply, so the ability of Alcoa US to build and operate plants was an important factor in securing sales contracts. A Formation Agreement between the shareholders stated that Alcoa US would arrange loan funds and provide Alcoa of Australia with 'know how' and access to its commercial secret processes and technical information, including future developments in these areas.[11]

In addition to the Jarrahdale deposit controlled by Alcoa, the two other bauxite deposits brought into production in the 1960's also became majority owned by aluminium majors. The *Weipa* deposit was discovered by Consolidated Zinc (the company which merged with Rio Tinto in 1962 to form the basis of its subsidiary CRA), which offered an interest in the deposit to Kaiser; and Alusuisse took a majority interest in Nabalco, the company formed to mine the other main deposit, at Gove, in which the Australian company CSR has a substantial minority interest.

To reduce the costs of transportation of the raw material to American and European upstream processing plants, the three producing companies also established alumina refineries in Australia. However, there remained in the 1960's and 1970's geographical divorcement of bauxite and alumina production from aluminium smelting, which remained centred in Europe, North America and Japan. Although Alcoa, Alcan and Pechiney each built smel-

*In September 1980 BP bought the giant mining company Selection Trust for about 400 million pounds. Through this acqusition BP has established itself as a »major» also in the field of mining, with important projects in many parts of the world, eg Australia.*


ters in Australia, aluminium production remained disproportionately small in relation to bauxite reserves.

The international ramifications of the OPEC oil price rises of the late 1970's have now fundamentally altered Australia's position in the international aluminium industry. Constraints imposed by rising energy prices and decreasing availability of large quantities of power in the established centres of production have necessitated a partial relocation of primary aluminium smelting capacity towards regions containing abundant energy resources. Australia's ability to provide energy, which will be generated from eastern Australian coal deposits, in combination with its political stability, large bauxite reserves, and lavish state assistance through infrastructure provision has attracted a plethora of new smelter development proposals by the majors. The most important factor is the price of energy, which in aluminium smelting can account for between 25% and 40% of productions costs. Electricity prices reportedly offered to aluminium companies by Australian state governments range between .5 to 1.6 cents (Australian) per kilowatt hour, compared to prices of approximately 8 cents in Japan, 4 cents in Europe and 3 cents in the United States [12].

Cheap power has induced most of the largest aluminium companies either to expand or establish smelting capacity in Australia. Alcoa is expanding its existing smelter at Port Henry and establishing another at Portland, both in Victoria. In Queensland, Comalco (Kaiser and CRA) and Alcon are building smelters and in the Hunter Valley of New South Wales, one of Australia's prime coal producing areas, Alumax and a consortium of Pechiney and Gove Alumina (Alusuisse, CSR) have both negotiated to establish smelters. Alcon is to expand its smelter in the same region.

## Energy Resources

In addition to provding the impetus for expanded aluminium production Australian energy resources include oil, natural gas, coal, uranium and synthetic fuels, and will be considered together, principally for the reason that one group of companies, the world's largest oil companies, are in the process of extending their control throughout the entire energy sector.

This is not a phenomenon unique to Australia, but has been occuring internationally for the last two decades as oil companies have embarked upon long term diversification strategies to reduce their reliance on oil. The success of OPEC in raising oil prices, in addition to enhancing the potential profitability of alternative energy sources, also generated huge profits for oil companies, enabling them to accelerate their push into the world's energy (and other mineral) industries. A similar process has occured with alternative energy sources such as shale oil; and in the uranium industry three of the four largest American uranium companies are now owned by oil companies[13]. This pattern has been repeated in countries such as Australia where each significant energy industry has been targeted for investment by oil corporations.

The first important Australian energy resource to come under the control of one of the oil majors was *oil* itself. The largest Australian oil field, in Bass Strait off the south eastern coast, is controlled by Exxon in partnership with BHP. BHP had commenced exploration in Bass Strait in the early 1960's but despite being the largest company in Australia it was unable to develop the field independently and was obliged to form a joint venture with Exxon to secure the necessary technological expertise and finance.

More recently Exxon has also secured an interest in the most promising of Australia's synthetic fuel prospects, the Rundle *oil shale* deposit in Queensland. This was discovered by two small Australian companies which were overwhelmed by the daunting technological and financial requirements of the project and accordingly sought a partnership with a company capable of developing the deposit. Exxon had recently agreed to purchase Atlantic Richfield's interest in the Colony oil shale project in the US and its entry into the Rundle venture represented a further attempt to consolidate a position in the forefront of alternative energy development.

Australia is presently also on the threshold of becoming a major producer of natural gas, subsequent to the development of the massive *offshore gas* deposits on the North West Shelf of Western Australia. The estimated cost of the project, which will produce mainly for the Japanese market, is approximately $A8 billion, making it the largest resource project ever undertaken in Australia[14]. Production will be controlled by a consortium of oil majors (Shell, BP and California Asiatic, a subsidiary of Socal), again with BHP as a minority partner.

Also figuring prominently in oil company diversification strategies is the *black coal* industry which has experienced a series of takeovers since the late 1970's, the most important of which have involved oil majors. In 1978 BP gained control of the second largest coal company in Australia after buying the interests held by the DK Ludwig organisation, and Shell acquired interests previously held by Consolidated Goldfields. In addition to taking over existing coal operations, oil companies have launched substantial exploration programmes, concentrating particularly on steaming coal which promises to become a major boom industry as a result of increasing demand by Japanese power utilities and because of the domestic demand for new coal based power stations to service the expansion of aluminium smelting.

Completing the pattern of Australian energy resource control is the entry of oil companies into the *uranium* industry. Two of the most important recent uranium discoveries, at Yeelirrie in Western Australia and a uranium/copper/gold deposit at Roxby Downs in South Australia, were both discovered by Western Mining Corporation which entered into partnerships respectively with Exxon and BP, partly to assist in securing finance. Additionally, Getty Oil has an interest in the Jabiluka uranium deposit, the largest in Australia.

## Transnational domination

From this sketch of the ownership patterns in the Australian mining industry the most obvious feature which emerges is the dominant position of transnational capital, especially that of the major aluminium and oil companies, and companies such as the Rio Tinto Zinc subsidiary CRA.

However it is also important to note the extent to which Australian capital has been able, through partnerships and joint ventures, to forge alliances with transnational capital, so that *the structure of the industry is characterised by and extensive interlocking of interests between foreign and comprador firms.* Although generally forced to accept a dependent and subordinate relationship to foreign capital, Australian corporations have been able to utilise this position to secure a highly profitable stake in resource development.

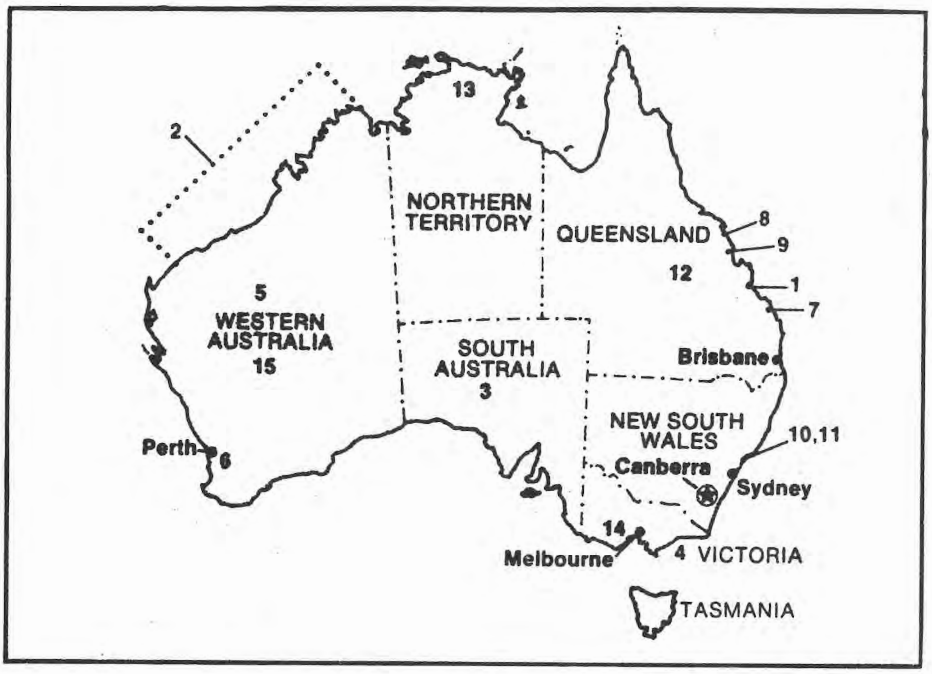
**Australia's 15 top resource projects in the 1980s**

| | Project & location | Resource | Participants | Estimated cost (billions of dollars) |
|---|---|---|---|---|
| 1. | Rundle, Queensland | Oil shale | Exxon, Central Pacific Minerals, Southern Pacific Petroleum | $ 10.0 |
| 2. | North West Shelf offshore Western Australia | Natural gas | Woodside Petroleum, Royal Dutch/Shell, Broken Hill Proprietary, California Asiatic Oil, British Petroleum | 5.0 |
| 3. | Olympic Dam, Roxby Downs, South Australia | Uranium copper, gold | Western Mining, British Petroleum | 1.7 |
| 4. | Bass Strait, offshore Victoria | Oil | Exxon, Broken Hill Proprietary | 1.2 |
| 5. | Marandoo, Pilbara, Western Australia | Iron ore | Texasgulf Australia, Hancock Prospecting, Wright Prospecting | 1.1 |
| 6. | Worsley, Western Australia | Alumina | Reynolds Metals, Broken Hill Proprietary, Royal Dutch/Shell, Japanese consortium | 1.1 |
| 7. | Gladstone, Queensland | Aluminium | Comalco, Kaiser Aluminium, Sumitomo | 1.1 |
| 8. | Nebo, Bowen Basin, Queensland | Coking & steam coal | Thiess Dampier Mitsui Coal Proprietary | 0.8 |
| 9. | Hail Creek, Bowen Basin, Queensland | Coking coal | CSR Ltd. | 0.8 |
| 10. | Farley, New South Wales | Aluminum | Alumax, Broken Hill Proprietary | 0.7 |
| 11. | Newcastle New South Wales | Aluminum | Aluminum Pechiney Australia | 0.7 |
| 12. | Blair Athol, Queensland | Steam coal | Conzinc Riotinto of Australia, Atlantic Richfield | 0.7 |
| 13. | Jabiluka, Northern Territory | Uranium | Pencontinental Mining, Getty Oil | 0.6 |
| 14. | Portland, Victoria | Aluminum | Alcoa of Australia, Aluminum Company of America, Western Mining | 0.4 |
| 15. | Yeelirrie, Western Australia | Uranium | Western Mining, Exxon, Urangesellschaft | 0.4 |

**Source:** Business Week 1980-06-02

*Several of the major resources projects in Australia during the 1980s will be undertaken by transnational energy companies like Exxon, BP and Royal Dutch/Shell.*

*However, the present crisis in the capitalist world economy has slowed down demand for minerals.*
*Exxon has expressed reservations about the the viability and timetable for development of Rundle.*
*Alumax has withdrawn from the Farley aluminium project after a dispute with the New South Wales governement and BHP is looking for another partner.*




The most important of the Australian companies to participate in the mining expansion of the last two decades were already amongst the largest in Australia. *BHP and CSR* held monopoly positions in the Australian steel and sugar industries respectively, and were able to employ their monopoly profits as the basis for diversifying into a wide range of mineral ventures. Their mineral operations now contribute the bulk of their profits.

The other important group of mining companies is known as *the Collins House group* and comprises *Western Mining Corporation, North Broken Hill Ltd.* and other companies with closely interlocking directorships and share ownership. These companies were spawned during the mining booms of the late nineteenth and early twentieth centuries and concentrated on Australia's long established, but declining mineral fields until the contemporary mining boom provided opportunities for renewed expansion. Efforts to consolidate and protect a strong comprador position, particularly during periods of heavy foreign capital inflow, have been an enduring concern of these companies, at times becoming a source of political dissention within ruling class circles, as has ocurred during the current mining boom.

## Australian Government Policy 1975–81

The policies of the conservative Liberal government under Primer Minister Malcolm Fraser have been formulated and enacted within the context of a shift in the focus of Australian development away from the long established manufacturing sector towards the mining and mineral processing sectors of the economy. *Australia is in the process of becoming partially de-industrialised in accordance with the broad strategies of the transnational corporations* instigating a global reorganisation of production based on the relocation of labour intensive industrial capacity to areas of the third world. Transnational and Australian companies have therefore concentrated investment in areas such as mining and mineral processing which represent the most attractive investment outlets for long term profitability. The policies of the Liberal government, as the political wing of the ruling class, have been intended to facilitate this process.

## "To encourage recovery by stimulating corporate investment"

When the Liberals came to power in 1975 the Australian economy, including the mining industry, was in the midst of a severe recession, in common with the rest of the advanced capitalist world. The strategy embarked upon by the government was designed to encourage economic recovery by stimulating corporate investment. This was attempted through a series of policies, such as attacks on working class wage rates and state welfare expenditures, which were intended to create a political and economic framework favourable to capital. Although the government's policies benefited capital generally, a central tenet of the strategy was aimed specifically at promoting expansion of the mining industry, and in pursuit of this objective the government initiated a range of measures to attract investment, particularly foreign investment, into the industry.

## An open door for transnational mining companies

The first strand of the government's policy was to alter the relationship between the state and mining capital. Under the previous social democratic Labor Party, in office between 1972 and 1975, state involvement in the direction of mineral development, and in some areas direct state ownership of resources, had provoked intense opposition from mining capital. The Liberals *divested the state of its holdings in productive resources*, including uranium and other energy resources, and adopted a role which concentrated on providing material assistance to mining capital through the provision of infrastructure and other concessions likely to enhance the feasibility of renewed investment.

The government's first Budget, in 1976, was dubbed by critics the "mining budget" and contained a *comprehensive range of measures to stimulate private mining investment.* These included the removal or reduction of levies on coal and oil production, exploration incentives, and a host of taxation changes, the most important being a provision allowing reduction in the period over which development expenditure could be written off against taxation, which committed the government to heavily subsidise such expenditure[15]. As the Minister for Trade and Resources, Mr Anthony, wrote, the aim of these policies was to "increase the cash flow position of mining companies in the early critical stages of development and improve the attractiveness of projects to investors"[16]. Amongst other examples of generosity to mining capital was the raising of the price of domestically produced oil to world parity levels, an exercise which generated a massive infusion of profits to the main oil producers, Exxon and BHP.

However, the policy which represented the most far reaching attempt to establish a favourable investment climate for mining companies was contained within the government's *"New Federalism" policy* which dealt with the relationship between federal and state governments. Under Australia's complex federal structure state governments already possessed considerable powers relating to mineral development, such as the levying of royalties and the granting of mining rights. The "New Federalism" policy extended the scope of state government responsibility further to encompass the public funding of infrastructure, an issue of vital concern to the mining industry given the often remote location of projects and the enormous expense required to provide supporting facilities. The ability of the states to pay for infrastructrure was assured by delegating to them the authority to raise funds overseas.

This policy was *a deliberate attempt to improve the bargaining position of mining companies when negotiating with state governments,* which began competing against each other in offering favourable terms to potential investors, a situation which has turned the current mining boom into a resource auction as state governments undercut each other in promising handouts and subsidies to corporations. Although this aspect of the "New Federalism" entailed improving the bargaining position of corporations it was enthusiastically greeted by state governments, particularly in mineral rich Western Australia and Queensland. Australia's post war manufacturing development largely bypassed these states and it has only been during the last two decades of mining development that they have secured a prosperous economic base, which has created a close affinity between foreign mining capital and the local capital and state elites. Accidents of geography and geology which situated the most valuable mineral resources within their borders have enabled them to benefit most from the "New Federalism" by encouraging further mineral development.

Complementing the policies outlined above, the *restrictions governing the entry of foreign capital into the mining industry were eased.* A formal policy commitment to 50% Australian ownership of minerals, enacted by the previous Labor government, was retained, a reflection of the political influence of comprador Australian companies seeking to protect their position. This policy meant that Australian companies retained the prerogative of entry into partnerships with foreign companies but, nevertheless, the government made it clear that if Australian equity was not forthcoming, transnationals would be encouraged to enter into mining projects whithout having to satisfy the expressed government guidelines.

## A capitulation to foreign capital

For three years the government strategy achieved less than its desired effect. The long awaited resurgence in mining activity did not materialise due to the primacy of international factors depressing the market for minerals, and consequently the short term desirability of mining investment. The government's increasingly frantic efforts to attract investment led, in June 1978, to a considerable dilution of foreign investment restrictions, which had the objective of strengthening the position of foreign companies. The most important policy change, which was adopted after lobbying by the Chairman of CRA was a provision to allow the Australian subsidiaries of transnationals to "Australianise" which was defined as undertaking a commitment to increase, over an unspecified period, the level of share ownership held by Australians to 50%. Control of the subsidiary would still reside with the foreign parent company. Once this commitment was made *the subsidiary company would be allowed to commence projects by itself,* thereby displacing investment opportunities for Australian companies. The new policy was severely criticised by Australian mining companies, and represented a dramatic capitulation by the government to foreign capital in the midst of a faltering strategy.

## Contradictions of the mining boom

Although the government's policies were not successful initially, they did serve to facilitate the expansion of energy resource production and the establishment of new processing projects once the energy price rises of the late 1970's altered the objective conditions upon which developments depended.

In fact, the dimensions of the boom in energy and aluminium projects, and the corresponding inflow of foreign capital, have been so great that harsher restrictions have had to be placed on foreign corporations to enable Australian compradors to secure a stake in the boom. In late 1980 two important coal projects, one owned by a consortium of CRA, Atlantic Richfield and Japanese companies, and the other by Houston Oil and Minerals and Mount Isa Mines, a subsidiary of Asarco, were refused permission to proceed with development plans until Australian partners were brought in. Subsequently the government indicated that the 50% Australian equity rules would be rigidly applied, an indication that Australian companies were reasserting their ability to maintain a strong comprador position.

Australia's largest corporations have, in this way, assured themselves of profitable participation in the expansion of the resource industries. However, the evolution of a resource based economy has wider implications related to the attendant modification of Australia's position in the world economy. The most important point is that the expansion of capital intensive resource industries is occurring in conjunction with a restructuring of Australian manufacturing industry. Manufacturing companies progressively are relocating their plants in the cheap labour havens of South East Asian free trade zones or, as is envisaged by the transnational controlled motor vehicle industry with its "world car" concept, reorganising Australian operations to shed their most labour intensive segments. Employment generated by mining and capital intensive processing industries such as aluminium smelting will be unable to offset the unemployment and eroded working class living standards resulting from this structural change in the economy.

In common with earlier phases of Australian economic development, this transformation from an industrial to a resource based economy is proceeding under the direction of foreign capital. From its inception as a British colony the contours of Australian development have been dependant upon forces external to Australian control, and the imposition of a new role follows a historical pattern of the incorporation of Australia into the world economy in a changing sequence of roles dictated by the prevailing interests of imperialism. The mining boom can be situated as part of the most recent in a succession of shifts in the focus of economic activity in Australia, which has included the transformation of the economy from its initial colonial role as a source of pastoral and mineral raw materials, through to a fully industrialised economy, and now to the initial stages of a resumption of its former colonial status as a supplier of raw materials to the centres of industrial production.

**Notes:**

1 *Report of the Committee of Economic Enquiry*, Vol I, Government Printer, Canberra, May 1965, p 191.

2 In the late nineteenth and early twentieth centuries, Australia had a thriving mineral industry, centred on the production of minerals such as copper and base metals destined for export to the rapidly expanding industrial economies of Britain and Europe. However, as the twentieth century progressed the industry slowly declined and diminished in economic importance during Australia's period of sustained industrial development. For a historical survey of the industry see G Blainey, *The Rush that never ended: A History of Australian Mining*, Melbourne University Press, Melbourne, 1978.

3 K P Wang & E Chin, *Mineral Economics and Basic Industries in Asia*, Westview Press, Boulder, 1978, pp 143-156.

4 G Manners, *The Changing World Market for Iron Ore 1950-1980: An Economic Geography*, Johns Hopkins Press, Baltimore, 1971, p 273.

5 Department of Industry and Commerce, *Major Manufacturing and Mining Projects, December 1980*, Australian Government Publishing Service, Canberra, 1980.

6 M. Tanzer, *The Race of Resources: Continuing Struggles over Minerals and Fuels*, Monthly Review Press, New York & London, 1980, p 201.

7 Official figures placed the extent of foreign ownership of Australian mining at 52%, and foreign control at 59%. Australian Bureau of Statistics, *Foreign Ownership and Control of the Mining Industry 1973-74, 1974-75*, Canberra 1976.

8 D W Barnett, *Minerals and Energy in Australia*, Cassell, Melbourne 1979, p 217.

9 *ibid*, p 215.

10 See Tanzer, *op cit*, pp 134-144. For the history of the aluminium cartel, see R Marlio, *The Aluminium Cartel*, The Brookings Institution, Washington, 1947.

11 Alcoa of Australia Ltd., *Submission to the Senate Street Committee on Foreign Ownership and Control*, (Official Hansard Report), 20 July 1972, p 645.

12 A Hodgkinson, "Structural Changes in the World Aluminium Industry and the Implications for Australia", *The Journal of Australian Political Economy*, Number 9, November 1980, p 46.

13 Tanzer, *op cit*, Chapters 7 and 8, see also J Ridgeway, *The Last Play: The Struggle to Monopolize the World's Energy Resources*, E P Dulton and Co, New York, 1973.

14 *Australian Financial Review*, October 1, 1980.

15 R Broomhill, The Meaning of Fraser's Economic Strategy", *The Journal of Australian Political Economy*, Number 2, June 1978.

16 J D Anthony, "The Mining Industry in Australia", *Jobson's Mining Year Book 1976/77*, p 10.