



# Minerals, mining and economic development

**Southern Africa is one of the most important mineral producing regions in the world.**

**In the coming issues of RMR we will publish a series of reports from an international research project coordinated by the Raw Materials Group.**

**The following editorial gives the economic and political background to the project.**

In its annual analysis of the commodities markets the French research institute CREMMAP<sup>1</sup> summarizes 1985:

"All we hear about is surpluses, overproduction, stocks, price wars, overcapacity. For the second year in succession commodities have not followed the general trend towards economic recovery. We should remember that the stagnation and fall in industrial production was considered a major reason for the decline in the commodities markets in 1981 and 1982. But now we have to acknowledge that while we have witnessed a steady economic recovery in the US since the end of 1983, and since 1984 and 85 in most developed economies, the raw materials have lagged behind. The gap has in fact widened.

How can this be explained? It seems as if the industrial recovery in the developed countries has not been strong enough to lead to a substantial increase in the demand for raw materials and thus to a substantial reduction of stocks and overcapacities. We have witnessed a certain, selective, recovery for a few commodities, but it is interesting to note that for the second year in succession minerals and metals seem to have been left behind."

The CREMMAP report then points at the major causes for the persisting crisis in the raw materials markets, some of which have been extensively analysed in recent issues of RMR<sup>2</sup>:

"Monetary and financial movements have also played an important role: the decline of the dollar has led to a fall in many markets based on other currencies. This should have a positive long term effect on consumption, but it is too recent to have a visible effect in 1985. Finally we have to stress

the falling rate of utilization of energy, minerals and metals, a tendency which seems to be irreversible . . ."

## **The impact on developing countries — the case of Africa**

The global crisis in the commodities markets has not only affected producers and consumers in the developed countries, it has also, and above all, had a severe impact on the developing countries. It has in fact almost completely blocked their efforts towards economic and social development. It is also a major factor behind many political and military conflicts in and between these countries. At the same time most developing countries have abundant unused natural resources, which should be the basis for their development. Africa is perhaps the most striking example:

"A review of the mineral resource endowment of Africa suggests that the prevailing economic problems of most African countries could be eased, if not completely eliminated, if we were to exploit fully and exploit to the maximum this enormous mineral wealth."<sup>3</sup>

*G O Kesse  
President, Geological  
Society of Africa*

In his analysis of the main constraints to mineral development in Africa Dr Kesse also touches the role of TNCs:

"Other barriers are the unavailability of reliable information from the activities of transnational corporations dealing with natural resources, the considerable dependence on foreign corporations for the development of a narrow range of African natural resources to supply the raw material needs of the developed countries, and the ex-

The main aims of the RMG project on Southern Africa are:

- The establishment of a data base on the mineral economies of Southern Africa.
- An examination of the influence of South African mining TNCs in the subregion.

For further information on the project please write to the Editors of RMR.

tremely low level of development and use of those minerals which are of no interest to these transnationals.’

After stressing the need for cooperation between African states in developing the natural resources of the continent he also recognizes the importance of international cooperation generally:

”We shall also need help from all sources, but the assistance we receive from outside Africa must be relevant and genuine.”

### South Africa and the mineral economy of Southern Africa

These observations are of special importance at a time when conflicts in Southern Africa are creating severe difficulties for some of the most important mineral producers in Africa:

” . . . South African destabilization has cost the region more than \$10 billion since 1980, of which \$3 billion represents additional defence spending, \$2 billion is calculated as ‘lost economic growth’, \$1.6 billion in direct war damage — mostly in Angola and Mozambique, but also in Zimbabwe — and almost \$1 billion in increased transport and energy costs.”<sup>4</sup>

At the same time some of the major South African mining TNCs (notably AAC) are actively cooperating with the governments of some SADCC<sup>5</sup> countries and are exercising an important influence over the mineral industry in the whole region. How can this apparent contradiction be explained? Part of the answer has already been given by Dr Kesse which stressed the very limited economic and human resources presently available to most countries in developing Africa. South African mining TNCs are still in a position of strength and can impose their condi-

tions on their counterparts in other African countries.

But the South African mining industry clearly foresees the day when African countries have established a broader industrial base and will be able to control the extraction of their own raw materials. To counter this possibility the South African mining industry is actively discussing a strategy for the future. In a recent issue of a leading South African mining magazine the President of the South African Institute of Mining and Metallurgy has outlined such a strategy:

”The basic strategy of the mining and metallurgical industries should be to move from the traditional approach of establishing a resource base to the establishment of a market base, to turn from production orientation to market orientation, and to rely less on exploration and economies of scale and more on process innovation and product development.”<sup>6</sup>

### A SADCC counterstrategy

Despite massive South African intervention (direct and indirect) in their economies and considerable disinformation on the economic prospect of the SADCC group of countries, these countries recently announced a common industrial strategy and a major industrial development programme aimed at achieving self-sufficiency for its nine member countries. The programme concentrates on three core industries: iron and steel, metallurgical and engineering, and petrochemical and natural gas. The member countries are now actively seeking funds for the 50 projects involved.<sup>7</sup>

They have also established links with CMEA, which has a considerable experience in regional economic planning and cooperation and within which there is presently an open discussion about

the role of raw materials in the development process.<sup>8</sup>

In this perspective the Raw Materials Group is cooperating with a number of researchers and institutions, notably the Institute of Mining Research in Harare, Zimbabwe, in a project aimed at determining the influence and strategies of South African mining TNCs in the mineral economies of Southern Africa. Using the data base established by the Raw Materials group special emphasis will be given to ownership and control. The first two articles in a series are published in this issue. In the words of Dr Kesse we hope that they will be a ”relevant and genuine” contribution to the discussion on the development of the mineral industries of Southern Africa.

### Notes:

<sup>1</sup> Pierre Chalmin, *Les marches mondiaux en 1985*, les Cahiers du Recherche du CREM-MAP (Centre de Recherche sur les Marchés des Matières Premières) No 7, janvier 1986.

<sup>2</sup> Pierre Chalmin, ”International commodities markets in perspective — structural and institutional changes” and Fernando Gonzalez-Vigil, ”New technologies, industrial restructuring and changing patterns of metal consumption”, *Raw Materials Report* Vol 3 Nq 3 p4 ff.

<sup>3</sup> G O Kesse, President, Geological Society of Africa, Ghana, ”Minerals and African Development”, *AGID News*, No 35 April 1983.

<sup>4</sup> *Financial Mail*, Johannesburg 1986-01-30.

<sup>5</sup> Member countries are: Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, the United Republic of Tanzania, Zambia and Zimbabwe.

<sup>6</sup> H E James, ”In search of a new development strategy for the beneficiation and export of South Africa’s minerals”, *Journal of the South African Institute of Mining and Metallurgy*, Vol 85, No 9, September 1985.

<sup>7</sup> ”Southern Africa devises industrial strategy”, *UNIDO Bulletin* Vol 1 No 6, 1985.

<sup>8</sup> Cf K Pécsi, ”Intra-CMEA Cooperation: Interest Patterns in the Extractive and Energy Industries and their future prospects”, *Trends in World Economy* No 53, Budapest 1985. ■