

Ownership and control

Starting with this issue Raw Materials Report will publish a series of articles on a new research project on the dynamics of power in the minerals industry. In this issue ownership and control in the iron ore industry are analyzed.

Since the late 1970s the iron ore industry in the Western world has, once again, been plagued by what is commonly called a *crisis of overproduction*. Most mines operate at a reduced capacity or are even closed down permanently, despite a hard resistance from the miners. In their view there is no "overproduction". On the contrary, the iron and steel industry is still vital in the economic development process, especially in the "Third world".

But miners do not run the mining industry. Decisions concerning investments and production in the world minerals industry are made in the closed board rooms of a few transnational corporations in New York, Johannesburg, Tokyo and London. And these decisions, which affect millions of people, are not based on the need for balanced, global economic development, but on the short term economic interests of the TNCs.

Information and control

A major problem in changing this situation is that very few people know how these decisions are made, by whom and how it is possible to influence them.

The difficulty in tracing the locus of power in the minerals industry is amply demonstrated by a report from Comptroller General of the United States¹:

"... complete data on present US industry ownership is unavailable. Information collected by several Federal agencies and private concerns is incomplete, not comparable, or restricted. Tracing the true ownership of a large corporation typically traverses an ownership maze that is incredibly complex."

Publicly available information on the minerals industry is compiled on a national basis or — if worldwide — comprises only the largest minerals corporations or one single mineral. Further, information on ownership and control is often undynamic.

The limitations of publicly available

information on the origins of power is illustrated by the difficulties in establishing the ownership structure around Hanna Mining, which is in focus on the cover and on p 5 of this issue of RMR.

Information available in corporate annual reports and professional year-books or periodicals proved incomplete or obsolete. It was therefore necessary to open up new and more informal channels of information, e g through interviews with corporate officers and state officials. However, this situation creates an ambiguous dependency between the researcher and his source of information. The only way to solve this problem is, in our view, a more open and democratic structure of information. It is our ambition to contribute to such a development.

The vital questions

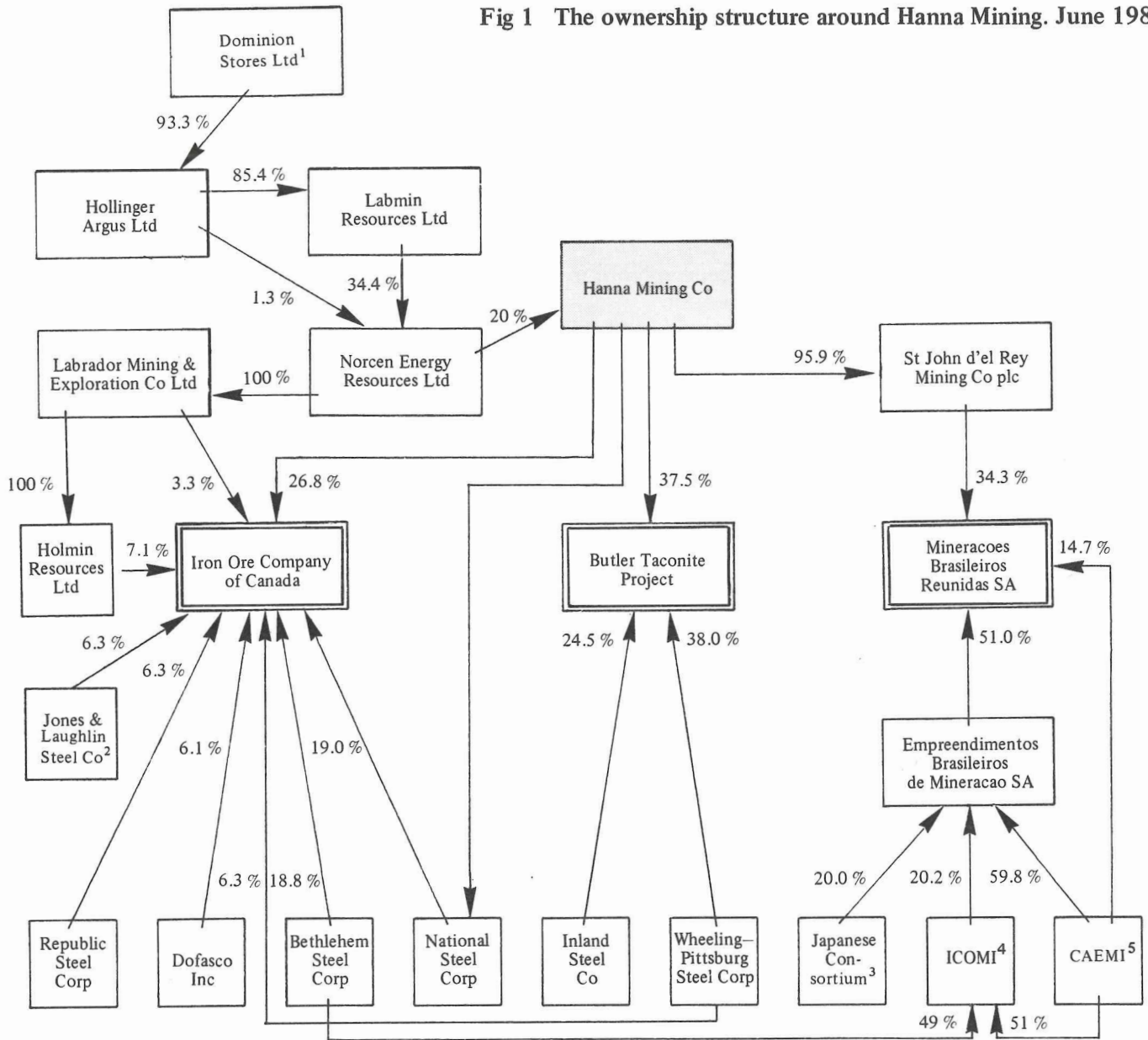
The structure of the non-fuel minerals industry is basically hierarchical. Most producing companies are controlled by large — often transnational — companies, directly or through holding companies. These *vertical relations* are continuously changed by acquisitions, sales and mergers.

Further, *horizontal relations* between the controlling companies on top of the hierarchies are common. Ownership, technical and financial cooperation and personal contacts are *integrative* forces which link companies to each other, and groups of companies can be distinguished. On the other hand, *rivalry* between companies or groups of companies has historically been a countervailing force.

Many companies are producers of or control the production of *several* minerals. Thus, an investigation on the power within the minerals industry cannot be successful by studying single mineral markets only. This power must be related to the minerals industry *as a whole*.

When information on the minerals industry as a whole has been collected and processed, questions which never have been systematically researched before, can be answered:

Fig 1 The ownership structure around Hanna Mining. June 1984.



Notes:

¹ Dominion Stores Ltd is controlled by the Black Brothers through Western Dominion Investment Co Ltd, which controls Ravelston Corp. Ravelston controls Dominion Stores through a direct holding

of 5% and an indirect holding (through 97%-owned Argus Corp) of 40%.

² Jones and Laughlin Steel Co is wholly-owned by LTV Corp.

³ The Japanese group consists of five tra-

ding and six steel companies.

⁴ Industria & Comercio de Minerios SA (ICOMI).

⁵ Cia Auxiliar de Empresas de Mineracao (CAEMI) is controlled by the Brazil-based Antunes group.

- How is the concentration of companies in the whole minerals industry changing?
- How is the minerals industry related to other industry branches, e.g. the energy industry?
- How large is the influence of financial corporations in the minerals industry?

These are questions which now are being studied in a Raw Materials Group study with support from SAREC² and carried

out in cooperation with research institutions in the "Third world". The project, which is titled *The dynamics of corporate control in the natural resources industry - the case of non-fuel minerals in the market economies*, started in Autumn 1983. Its final report will be delivered in the beginning of 1986.

The expected output of this project is a pilot *data base on the ownership and control of the minerals companies in the world*.

This data base will make it possible to

continuously monitor the changes in corporate control in the minerals industry as well as changes in production and location.

Notes:

¹ Report from Comptroller General of the United States to the Chairman of the Subcommittee on Mines and Mining, Committee on Interior and Insular Affairs, House of Representatives 1982 04 26.

² Swedish Agency for Research Cooperation with Developing Countries. ■