EDITORIAL

The future of world mining

Since the early 1980s the world mining industry has experienced a prolonged and deep structural crisis. In 1984 Business Week even proclaimed "The Death of Mining"[1]. This proclamation may have been exaggerated, and the expression of a rather narrow North American perspective, but it accurately reflected the strength of the changes taking place, and of the forces reshaping mining globally. Today, only three years later, it is clear that the industry has survived and that *a new structure is emerging in the mining industry.* In March 1987 Financial Times analyzed this recovery under the heading "Mining comes back from the dead":

> "In the greatest rationalization since the Second World War an unprecedented gap has opened up between the performance of the strongest and the weakest companies. (. . .) The full impact of this consolidation of power is unlikely to become clear for some time — not until metal prices recover, possibly in the 1990s"[2]

Structural change and the mining TNCs

How have the mining companies acted during this crisis period? How have they been able to make such a spectacular come-back? In our view the TNCs have in fact, throughout the crisis, been a major force in a complex interplay between economic and political actors shaping a new framework, within which the mining industry is now developing. Two main strategies chosen by the mining TNCs can be identified:

• *Diversification* into new "space age" materials is the road chosen by the large TNCs, like ALCOA planning to diminish its dependence on aluminium by 50 per cent to 1995.

• Going *back to basics.* Small and medium sized TNCs, like the Swedish Boliden Group, have had to sell off "peripheral" businesses, not directly linked to the vertically integrated metals production chain.

This emerging new global structure is carefully monitored by the RMG. Data compiled for and processed in our data base clearly indicate that the mining companies that will survive the present restructuring will be stronger in economic, technological and informational terms than the mining TNCs that we know of today.

The prime example of this process is the growing influence of Anglo American, which in the last decade has gained control over approximately 15 per cent of the value, at the mining stage, of *all* non-fuel minerals produced in the Western World. Recent negotiations between a number of leading European zinc producers, Preussag of Germany, Union Minière of Belgium, Penarroya of France, Boliden of Sweden and the Finnish Outokumpu in the background, to create a zinc producer to compete with Teck, Cominco and Mount Isa is another example.[3]

Impact on the Third World

In a global perspective this reshuffle will have a decisive impact also on mining in the Third World. It is likely that many Third World mineral producers, which often have less cost effective operations and generally have not even started diversification, will become the losers in this development. The forces in favour of Third World countries are already weak.

This balance of power was obvious at the recent 13th World Mining Congress in Stockholm. Specific problems of the Third World mining industry, which in 1983 accounted for 24.9 per cent of total Western World non-fuel mineral production, were only discussed in a three hour special session during a full congress week. And even this session was only arranged after considerable hesitation.

At the special session a statement to serve as a guide for further action was adopted, which will be circulated to governments, to inter-governmental and non-governmental organizations concerned with mineral development. The full statement, which will be published in a coming issue of RMR, highlighted some of the alternatives available to Third World countries:

"Governments are becoming increasingly involved in mineral production through setting up government mining corporations or taking an equity position in mineral development projects. (. . .)

With the increase in government interest there is more concern for the welfare, social and employment aspects and relatively less for the pure profit motive with a redefinition of profit to give greater value to social benefits. (. . .)

Efforts should be made to identify the appropriate division of responsibilities between government and private interests which will best meet the different needs and interest of the concerned parties while providing the necessary materials to world industry. (. . .)

One approach which has within it a high degree of self-reliance is the development of inter-country (regional and subregional) programs of cooperation in which there is a sharing of skills and resources among neighbouring countries. (. . .)

In carrying out the various programs which have been suggested, international programs, both bilateral and multilateral, and both inter-governmental and non-governmental can provide support, advisory services, and assistance on a number of levels. (. . .)"

The role of the UN

Another forum where Third World mineral producers can find a joint strategy will be the First Consultation on Nonferrous Metals organized by UNIDO later this autumn. A global preparatory meeting was held in Lisbon in late June. In a background document the UNIDO secretariat discusses alternative strategies available to Third World countries. It is underlined that development of the mining and metallurgical sector in developing countries cannot be concieved separately from the overall development of the industrial sector and the economy of the whole country. Until now the majority of developing countries have tried an *outward development process,* for the minerals sector based on export promotion and import substitution. Only a few countries have envisaged an *inward development,* where the minerals industry is part of an integrated development policy based on the satisfaction of the basic needs of the population and a more balanced relation between the industrial and agricultural sectors.

In these two strategies the mining and metallurgical sectors have quite different economic functions. In the outward model the need for foreign exchange to import inputs, eg the machinery required by the various sectors of the economy, is the underlying concept. In an inward strategy most of the metals produced provide a basis for production of machinery and equipment needed to increase the productivity of the agricultural sector and also supply the inputs for the transport, energy and construction sectors.

On the agenda for the Consultation is a discussion of implications of recent development trends for Third World mineral producers. A major issue is the elaboration of alternatives to an industry totally controlled by a few TNCs.

The articles on the Canadian minerals industry in this issue of RMR clearly show that these discussions will be of great importance to the industrialized countries as well, and that it is necessary to support all efforts towards an international minerals policy which is also part of a global economic development policy.

Notes:

[1] Business Week, 1984-12-17.
[2] Financial Times, 1987-03-25.
[3] Le Monde, 1987-03-30.

RMR and Desktop Publishing

Raw Materials Report is presently produced in a traditional way, from written manuscripts, through a professional phototypesetting system (Compugraphic), to offset printing.

However, recent technological developments in the field of electronic publishing systems, eg "desktop publishing", and the widespread use of personal computers means that production systems with professional quality will soon be available at prices within reach even for small publications like RMR.

We are therefore actively studying a change in the production of RMR, with the aim of having a new system operational during 1988-9. But we would already at this stage urge all contributors to RMR to, whenever possible, *deliver manuscripts on disk, along with two printed copies.*

Errata

With reference to the article "Prebisch and UNCTAD — the unravelled myths" by Frederick F Clairmonte — RMR, Vol 5, No 2 — we have been requested to inform our readers that the author retired from the UNCTAD secretariat in July 1986. The views expressed in this article are those of the author and not those of UNCTAD.

However, Dr Clairmonte is still a member of the editorial board of UNCTAD Review. He is now a Commodity and Marketing Consultant, based in Geneva.

We would also like to express our regrets for the large number of typing errors that appeared in the article by Dr Clairmonte. A corrected reprint is available without charge from RMR. Orders for reprints should be addressed to our office in Stockholm.

The Editors