Foreword

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Ever since the 1950s, but in particular in the past ten years or so, state companies have come into the picture and have grown rapidly. In most major minerals and metals, such as copper, iron ore, bauxite, phosphates and tin, state enterprises now account for a major share of the world's production. It is first to say that state mining enterprises have become a major force in the world's metal markets, a factor to be reckoned with. In developing countries with a major metal production capability the national state enterprise is one of the major economic powers, and often it is the largest commercial enterprise and largest employer.

On the other hand, no mining company in the world, and least of all the state-owned companies in developing countries, is having an easy time at this juncture. The 1970s have spawned an oversupply of metal production, and demand has been notable lacking. While at first many believed it was exclusively the economic recession which started in 1981, by now most experts are of the view that there are longer-lasting structural reasons for the continuing crisis in the world's mining industries, to mention just a few: debt in the newly industrializing countries keeps demand from growing as much as it otherwise could. The technological revolution in many developed countries has shifted economic growth from traditional smokestack industries to the high-technology sectors and to service industries where the metals input is small and where the amount of value-added by services is growing. Modern technology is reducing the amount of metal used in many components, while traditional metals such as iron ore, tin and copper face vigorous competition from new materials such as ceramics, glass-fibers and plastics.

These changes have caused many problems for the mining industry worldwide: private mining companies have restructured their operations, highlighting management, reducing overhead costs, closing unprofitable operations, selling or disposing of unprofitable mines and facilities, renegotiating wages and in general cutting operating costs to the maximum extent. Many mining companies were forced out of business altogether or were acquired by other companies. While state mining enterprises have entered somewhat later into restructuring programmes, we currently witness restructuring plans and programmes everywhere.

Originally, state enterprises were established to increase national control over development of minerals and to fulfill a number of multiple objectives such as revenue generation, employment and regional development. While some state companies have performed well, in spite of the worldwide mining crisis others have had difficulties. We are aware of some cases where production productivity and profits have been declining or where explored reserves have been depleted. Instead of contributing to national wealth, some companies have relied on a high degree of government support, either in the form of inexpensive loans, free equity, waiver of taxes and dividend payments or subsidized operating conditions, such as monopoly o mineral extraction or free infrastructure The international crisis of the mining industries tends to expose such weaknesses more visibly.

Many experts and analysts, as well a representatives of the Ministries of Finance often question whether some stat mining enterprise in their current forr contribute as much as was expected, o as is possible, under optimum condition to the overall national development. W often hear questions such as whether i makes good sense to assign multiple ob jectives, to a state enterprise? How car and should the Ministries of Mines su pervise and coordinate the enterprises i their sector? How can one reconcile cen tral coordination with efficiency an performance at the enterprise level? Fo mulas for reform abound: Treating th state enterprise at an arm's length wit respect to taxes, granting authority to set operating conditions and operating autonomy; privatization, and new forms of cooperation with international mining companies as measures to increase the contribution of state mining enterprises to the national development schemes.

To discuss such concepts, formulas and experiences is the theme of this book. In the United Nations we realize fully that each country has its specific nature just like each metal has its own characteristics and each state enterprises its own separate personality. We can not therefore expect to come out with a standard prescription for any and every conceivable situation nor should we push a specific concept or philosophy. Also, we should not let ourselves by unduly influenced by trends: undoubtedly, while public ownership of mining resources was the trend in the 1970s, the current prevailing attitude emphasizes decentralization and privatization. Our task is not to adhere to short-term designs, but to appreciate and appraise the full spectrum of alternative solutions, to review in detail the changes in the economic environment and to evaluate what most appropriate responses are feasible. Both theoretical approaches and practical experiences should help us in these tasks.

Another factor we will have to take into account, is the very special characteristics of the mining industry: what may be good for state coffee and tea boards, or for public transportation companies, may not necessarily be good for state mining companies. This sector is capital-intensive, it is very exposed on the international metals markets, and it deals with non-renewable natural resources. The creation of mineral rent, that means government income from the exploitation of minerals in the ground, is often an important consideration in mining. Efficiency and performance accordingly often translate into more funds made available to the government of a developing country for its various needs.

The contributions in this book, published jointly by the United Nations Department of Technical Co-operation for Development and the Raw Materials Group of Sweden are based on an international conference organized in October 1987, in Budapest, by the United Nations in collaboration with the Government of Hungary (Ministry of Industries). We are very appreciative of the considerable and successful efforts made by our Hungarian hosts, in particular Professor Laszlo Kapolyi, then Minister of Industries, Mr. Gyula Czipper, Deputy Minister and many others to host this meeting. We are equally grateful to the many participants from state mining enterprises, international mining companies, consulting groups, international banks, governments and international agencies. A special acknowledgement goes to Dr. Thomas Wälde, Interregional Adviser on Petroleum and Mineral Legislation in DTCD's Natural Resources and Energy Division, who has acted as programme coordinator throughout the preparation, the implementation and the follow-up of the Conference and to Dr. Istvan Dobozi, Department Chief of the Institute of World Economics of the Hungarian Academy of Social Sciences, currently Visiting Professor at the Colorado School of Mines; Dr. Dobozi has acted as rapporteur during the Conference and was responsible, with the support of Dr. Wälde, for the substantive editing and preparation of the proceedings for publication.