



APEF

Interview by RMR

In our series of interviews with spokesmen for producers-exporters associations we have interviewed Ignacio Arcaya, Secretary-General of the Association of Iron Ore Exporting Countries (APEF).

RMR: Mr Secretary-General, what is the background to the creation of APEF?

The Secretary-General: During the Second UNCTAD Conference, which was held in New Dehli in 1968, iron ore was included in the list of commodities that needed international action. At that meeting a group of countries met and created an informal group of iron ore exporting countries. The original members of this group were Algeria, Brazil, Chile, India, Liberia, Mauretania, Peru, the Philippines, Sierra Leone, Tunisia and Venezuela. This group then met for several years informally, as the name indicated, and had observers from Australia, Canada and Sweden. Later on as work progressed the need to institutionalize the informal group was felt and in April 1975, after long negotiations, the APEF came into existence. In 1977 a secretariat of the Association was installed in Geneva. At present the members of the Association are Algeria, Australia, India, Liberia, Mauretania, Peru, Sierra Leone, Sweden and Venezuela.

RMR: What have been the most important achievements of APEF so far?

The Secretary-General: Before UNCTAD came into existence mainly the developing countries were lacking information on the iron ore industry. This was a gap with particular importance to countries like Algeria, Mauretania and Liberia. We believe that we have been useful to member countries and to the iron ore industry in general through the information we are gathering and transmitting to member countries, therefore giving the market a greater transparency. The regular meeting of countries and the interchange of opinions and the contacts amongst the governments and the industry advisers are also of importance to the member countries. We have made in the past and we are continuing to make studies on specific aspects of the iron ore industry for the member coun-

tries. The regular collection and distribution of information to members on statistics and various other developments in the iron ore industry are important. We also prepare ourselves for the larger meetings in UNCTAD that are related to iron ore. In that sense we are promoting a dialogue between the producers and the consumers of iron ore. We believe that this kind of collaboration is very important and that the problems confronting the exporters of iron ore are problems which should be dealt with and solved through a dialogue with the consumers.

RMR: Some of the most important iron ore exporting countries, e.g. Brazil and Canada are not members of APEF. What are your relations with these countries?

The Secretary-General: We have maintained contacts and we have good cooperative relations with Brazil and Canada. Brazil was originally a member of the informal group but when the group decided to institutionalize itself and become the APEF, Brazil decided not to join. They said that they would not join an association where the consumers were not represented. Nevertheless Brazil has attended several meetings of APEF as a special invitee, sometimes called an observer. It is of course of importance for us to have a good relationship with Brazil since they represent 25 per cent of the export market. In the case of Canada, which also has attended APEF-meetings they have stated their policy that they cannot join any association where the consumers are not represented.

However, we have maintained a working relationship, although it is not institutionalized, with these two countries, particularly with Canada. During the meetings between producers and consumers in UNCTAD our position has always been more or less coordinated with these two countries. In that sense, for instance, APEF is preparing some studies in order to contribute to

The interview with Secretary-General Arcaya was made in June 1986 and February 1987.

Address:

APEF, Le Chateau, 14 Chemin Auguste Vilbert, Grand-Saconnex, 1218 Geneve, SCHWEIZ.

Ambassador Ignacio Arcaya, Secretary-General of APEF, during his visit to Stockholm in June 1986.



the success of the intergovernmental group of experts to be held within the framework of UNCTAD in October 1986, and one of the countries working alongside with our member countries is Canada. They are preparing a paper on the North American iron ore related industry, with regional profiles.

Even though they do not belong to the Association we thus maintain good and cooperative relations with both countries. If the process of establishing a permanent forum for a dialogue between producers and consumers is to be realized Brazil and Canada must participate.

RMR: But you would like to see them as full members of APEF?

The Secretary-General: Of course, but this is a national decision that they have to take.

RMR: How has the present economic crisis affected APEF?

The Secretary-General: The present economic crisis has affected all the member countries and particularly the iron ore industry. This is more so in the case of member countries that depend

heavily on the export of iron ore for their economic welfare, countries like Mauretania and Liberia for which sales of iron ore represent over 50 per cent of their export earnings. The erosion of prices has had a negative impact on the whole economy of these countries.

RMR: What is the most urgent problem facing APEF today?

The Secretary-General: Our problems are mainly related to prices. Prices of iron ore have eroded very much in the past. If this situation continues some countries will be placed in a very difficult position to continue exports. It is, as I said, particularly negative for those countries that depend heavily on the export of iron ore. Our Association does not participate in the day to day dealings of the prices of iron ore. We are more of an information gathering and study Association. We will not participate in the market as our intention is that the principle of a free market should prevail. But we also believe that through cooperation and dialogue with the consumers problems affecting the industry should be looked upon on a medium to long term basis in order for the countries to

have a more stable position with respect to the iron ore industry.

RMR: Given the needs of the developing countries, isn't the demand for iron ore artificially low?

The Secretary-General: We have a situation of oversupply and this situation may continue for some years. However, the problem of not having a greater transparency of the market, a problem which we believe a dialogue will contribute to solve, does not permit us to foresee how long this oversupply will continue.

Even the consumers will be placed in a disadvantaged position through the erosion of prices, because when some of the mining facilities will be closed down because of the uneconomical situation it is a very difficult and costly operation to get them back into production.

RMR: What are the relations between the other exporter's organizations, e.g. CIPEC, IBA and OPEC?

The Secretary-General: We have good contacts and we exchange general information with them. There are no particular links between our Association and those which you have mentioned. They act upon particular commodities with their own characteristics. In the case of OPEC emphasis has always been put on prices and production. In our case this is not so. I do not think it is a good exercise to compare one association with another since they deal with commodities that are different from one another and the problems faced by them are also of a different nature. We believe that OPEC has chosen its path and its action according to what they believe is the correct way, we have followed another path and we have tried to solve the problem through medium to long term studies, through which we believe that the iron ore exporting countries will benefit by having an essentially greater transparency of the market. And as I said before we believe this should be done in cooperation with the consumers since the

problems faced by the producing countries may also become problems to be faced by the consuming countries.

RMR: Can APEF be seen as part of the efforts to achieve a New International Economic Order?

The Secretary-General: I think it is a general feeling that has been expressed in the UN that some sort of new international economic order should be established on a global basis but, as I said, in the case of commodities you have to look on a commodity by commodity basis. There is, of course, interrelation with the financial crisis. But in the case of iron ore we put more emphasis on the market transparency and solving the problem confronting mainly the developing countries which are exporters of iron ore.

RMR: What are the main problems facing APEF in the long run?

The Secretary-General: Undoubtedly the structural changes in the iron ore and steel industry do affect the iron ore exporters, as the main market is the steel industry. If the steel industry is in a recession it will necessarily affect the iron ore industry. If other products take the place of steel or there is a better use of steel products it will affect the iron ore industry and that is why we insist that all these problems should be dealt with together with the consumers — the steel industry.

RMR: What are the relations between APEF and the centrally planned economies?

The Secretary-General: We have maintained, within UNCTAD, relations with other producers which are not necessarily exporters and with some consumers. In the trip that I undertook in May and June 1986 I visited several countries, some members of the Association, in order to deal with internal matters of the Association. Taking advantage of the trip I made a good-will call on the Chinese authorities. We interchanged

points of view mainly on the producer consumer dialogue, on the work being undertaken in UNCTAD, and on the possibility to maintain with them a closer relationship. I also visited India, and I made a call on the Japanese authorities. There I held talks with representatives of the Ministry for Foreign Affairs and with representatives of the industry. During my trip I also went to the US and Canada. With Canada, as mentioned before, we maintain very good relations although they are not members of the Association. We had talks on the meeting of the intergovernmental group of experts that was preparing a meeting in Geneva and to which Canada as well as Australia, India, Venezuela and Sweden submitted papers.

I also visited some of the members of the European Community and also the Soviet Union, with the objective of maintaining good relations, an interchange of information, and a dialogue between producers and consumers. Later on in 1986 I travelled to South America where I visited Venezuela, which is my own country, as well as Brazil and Peru, always with the same objectives.

RMR: Chile was a founder member of APEF, but is no longer a member. Is Chile no longer an exporter of iron ore?

The Secretary-General: Chile is still an exporter. It now exports about 5 million tons a year, mainly to the Far East. They were very active during the process of institutionalization of the Association, changing from the informal group into the Association itself. But two years later they took the decision to leave, which is a sovereign decision, to withdraw from the Association. We respect their position, but we were not happy to see that they left the Association.

RMR: Recently some major mines have been opened in countries outside APEF, e.g. Carajás in Brazil. This raises the question of the locus of power in the industry. Where would you put it?

The Secretary-General: I think that originally it is a national decision, a government decision, to exploit their natural resources. Undoubtedly these projects cannot come on stream without major financial input which depend on the market situation. We have seen for example projects in Africa, in Guinea, Gabon, Senegal and one in the longer run in Congo, that governments would like to put into effect, but for which they lack the financial backing to proceed.

In the case of Carajás I believe that the Brazilians embarked on a very large project to exploit their natural resources, e.g. iron ore which is of good quality. It is a national decision and had a financial backing. How has this contributed to the present over-supply situation? Of course it has affected the situation. Some of the iron ore going out of Carajás will substitute iron ore from other mines that are not as competitive as they would want to be, but there is also an additional tonnage going out into the market. Now is it Carajás or other new projects that are responsible for the over-supply, or is it the economic situation that is responsible for the over-supply? I guess anyone can take their position but there is effectively an over-supply.

Brazil has huge reserves of iron ore, as Australia. We are faced with a situation in the export iron ore industry where the smaller producers are suffering and gravitate alongside the two main powers, Australia in one part of the world and Brazil on the other side of the world. We believe it is with countries like Brazil and with the consumers that we should try to look into the future and have a greater transparency of where we are going. I believe this is in the interest of the iron ore industry in general, with particular emphasis on the developing countries and the least developed among those developing countries.

RMR: At present APEF maintains a fairly low profile in the mass media. What is your policy in this respect?



The Secretary-General: We would like the international community to know what we are doing and we would especially like the consumers to know exactly the aims and the objectives of the Association. We were criticized in the beginning for trying to start a cartel. Some consuming countries as well as some producer exporting countries had such unfounded fears. Our profile comes from the fact that we do not deal in spectacular measures, we do not participate in the market, we do not intervene, we do not try to have a production sharing system. Our work is a little more quiet, it is related mainly to information, the gathering of data. Our statistics are very well known within the industry. Unless you are in the business the kind of work that we undertake does not call for the attention of the general public. This low profile is not intended, it is just that our work is a little more in depth and that we do not take the spectacular measures that call the public attention.

In this perspective we are particularly grateful that Raw Materials Report has given us the opportunity to explain the situation of APEF. It is in fact through publications like yours, which are read by people interested in raw materials and commodities, that we would like the Association to be more known.

RMR: Mr Secretary-General, half a year has now passed since the first part of our interview was made. What have been the most important developments in the iron ore industry during this period? Specifically, what were the main achievements of the recent UNCTAD and APEF meetings?

The Secretary-General: The most recent UNCTAD and APEF meetings, held in October 1986 with a wide participation of governmental and industry experts, strongly confirmed our belief that there is a need for and a great interest in a regular dialogue between the iron ore producers and consumers. ■

Bankers, brokers and jokers: metal men and the tin crisis

Metal Men: Marc Rich and the 10-Billion Dollar Scam by Craig Copetas. First published New York 1985. Published in London by Harrup, 8.95 GBP, 223 pp.

Is it possible to be a metals trader and a honest man? Recent events in the international tin markets suggest a guarded and qualified 'yes'. However, Craig Copetas, in *Metal Men: Marc Rich and the 10-Billion Dollar Scam*, seems to give a very definite and unqualified 'no'. In this book the author lays bare the innermost secrets of the metals trading fraternity as they emerge from their bases in London, New York and Zug. In particular he traces the career of Marc Rich from childhood migration to the USA up to his present grey eminence as 'the most wanted white collar criminal in America'.

Billed as 'a compelling account of international intrigue and power' the book has had considerable hype and some rave notices. The back cover is sprinkled with plaudits, including one from *Wall Street Journal*. It's US publication was rated 'one of the ten best books' of 1985 by *Business Week*. The British edition was even appreciated by the London alternative magazine *Time Out*. The tale of wheeling and double dealing, of money, violence, drugs and casual sex clearly pleases all parties. It apparently matches up with the view the business world has of itself

whilst confirming all the Left's suspicions about capitalism. Delightful frissons all round.

It seems churlish to strike a discordant note. Nonetheless, this book is more than just a titillating way of passing the time in-flight between Kennedy and Zurich Floten. It claims to be a factual account. The Truth. It is not lightly disguised 'faction' in the genre of *The Crash of 79*. From behind a truly terrible prose style the author claims to speak with authority. Thus the work must be taken seriously.

Shorn of hyperbole the basic premise goes like this. Marc Rich, after rising to a favoured position with traders Philipp Brothers, left, in order to make more money than that firm was willing to pay. This desire made him willing to trade with absolutely anybody, especially if, in the process he took business away from Philipp Brothers.

Much of his business was oil and from the mid 1970s he benefitted from post-OPEC scarcity, trading with Nigeria, with the Shah of Iran and subsequently with the Ayatollah Khomeini. He encouraged his traders to indulge in bribery and in the corruption both of their clients and themselves. A generation of traders grew up, not solely working for Rich, whose *modus operandi* this became. These were known as the 'Heavy Metal Kids'. Finally Rich came a cropper with the United States Justice Department consequent upon some oil deals. He avoided retribution, however, at the cost of some 340 M USD, with possible losses closer to 1 G USD.

The story is told almost entirely in terms of personalities, — Ludwig Jesselson of Philipp Brothers; Pinky Green, Rich's Kosher sidekick; Edmond Mantell, the old China hand; Robbie Lichtenstern the 'most popular' Heavy Metal Kid; Sandy Weinberg the Federal Prosecutor . . . and of course Rich himself. Here, the author's attempted interview was not successful. When accosted in a Zug pizzeria, Rich turned tail and fled through the washroom window