

## INTERVIEW

# LKAB – selling out forever?

LKAB, the state owned Swedish iron ore company is in a deep crisis. In 1980 LKAB made a loss of 102 million Swedish crowns. Preliminary results indicate even greater losses for 1981.

Earlier this year Wiking Sjöstrand was appointed as new managing director of LKAB.

RMR made this interview with him in the middle of September.

**RMR:** Many observers in Sweden eg the Swedish National Industrial Board have analysed the future of LKAB in pessimistic terms. How do you evaluate the short and long term future for the company?

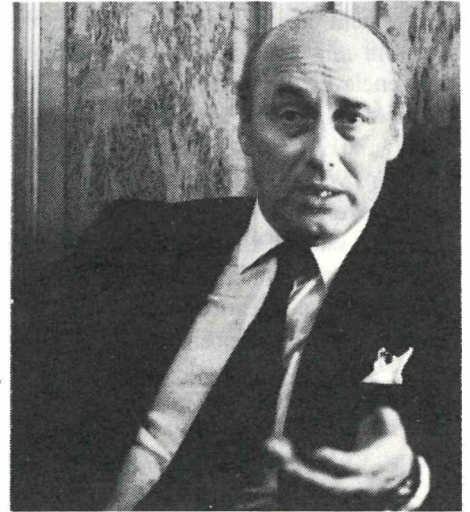
**Wiking Sjöstrand:** The steel and iron ore industries have been in a slump since the mid 70s. Hopefully we have now reached the bottom. Business activity can not possibly continue for long at this level. It is of course very hard to predict exactly when the recovery will come, but my guess is that we will see the end of the tunnel in about a year.

In the long term demand for iron ore will increase, though slowly. One reason is that the Carjás mine in Brazil is the only iron ore mine of international importance that will be opened in the 80s. At the same time a number of smaller and medium sized mines will be closed down.

A structural change has taken place in the market in the sense that an increasing number of European steel works have switched to low phosphorus ores. To adapt to this new situation LKAB has made investments, for example in pelletizing plants. We are also changing our mining methods for a better utilisation of the low phosphorus ores.

**RMR:** How do you evaluate the long term possibilities of securing the sale of Swedish iron ore by a reorientation of Sweden's trade policies, eg by bilateral agreements with the socialist countries and a more active Swedish policy in APEF?

**WS:** We will considerably increase our efforts on marketing our products and will do so by our own organisation. Our first goal is deliveries of 25 million tonnes a year. We must increase our share of our natural market in Europe, especially the European Community. Eastern Europe, with the exception of Poland, has been a relatively modest customer for LKAB. The economic difficulties in



Poland have led to a situation where the Poles have been unable to accept deliveries agreed upon.

We do have a clearly stated ambition to increase our ore export to Eastern Europe. The abovementioned trade political measures must be seen as a part of this ambition.

**RMR:** Is the threat against LKAB a threat from countries (Australia, Brazil) or from companies (Hamersley, CVRD, etc)?

**WS:** From both. In Brazil the mines are state owned, in Australia privately owned.

**RMR:** LKAB has been criticised for not having invested in processing industries. What is your opinion of this critique?

**WS:** We don't take this critique very seriously. This autumn, when the new pellet plant at Kiruna starts operating pellets are our most processed product, it is not possible to process the ore further outside the steelworks we will have three ultra modern plants that can offer all the qualities that are on the LKAB production line. Their combined capacity is nearly 10 million tonnes per year. We have been the leading pellet producer in Europe for quite some time and can offer qualities that are unique in the world. Our energy consumption is only a third to a quarter of that of our competitors. Research is going on to improve existing qualities and develop new ones.

Address Head Office:  
LKAB, Box 26 044, S-100 41 Stockholm,  
Sweden.

## APEF – a discussion club?

The origins of the Association of Iron Ore Exporting Countries (APEF after the initials in French) goes back to the late 60s. At the Second Session of UNCTAD, held in New Dehli in January/February 1968, some of the developing countries decided to hold periodic consultations on technical, financial and market questions related to the production and export of raw materials. At a joint initiative by Brazil, Chile, India and Venezuela it was decided that producers of iron ore should meet at least once every year at a non-governmental level. This was the origin of what was then known as the *Iron Ore Producers Club*. It held its first meeting in Caracas, Venezuela, in September 1968. This meeting was attended by Brazil, Chile, India, Liberia, Peru and Venezuela.

In January 1974 active preparations for the creation of APEF started in New Dehli in India. In November the same year a preparatory ministerial conference was held in Geneva. Representatives from nine countries participated: Algeria, Australia, Brazil, India, Mauretania, Peru, Philippines, Tunisia and Venezuela. Bolivia, Canada, Chile and Sweden were present as observers.

At this conference Algeria, India and Venezuela openly criticised the existing pricing system on the world market and advocated nationalisations and a common pricing policy by APEF-members, as the only way for the "third world" countries to obtain fair prices for their iron ore exports. Australia strongly opposed this line and with the assistance of other industrialized capitalist countries eventually managed to neutralise these three countries which was clearly reflected in the proposed statutes of APEF. In these nothing is said relating the goals of APEF to the demands of the third world for a New

International Economic Order, demands which were clearly reflected in the positions of Algeria, India and Venezuela. However, the struggle continued. In November 1974 Mauretania nationalised its iron mines, in December that year Venezuela did the same thing.

At a second ministerial conference in April 1975 Bolivia, Canada and Philippines had left the group, while Sierra Leone had joined it. After lengthy discussions the conference adopted the statutes of APEF and decided to set up the headquarters in Geneva. According to the final document the Association would enter into force thirty days after the signing of the seventh member.

However only six countries ratified the agreement: Algeria, Australia, Chile, India, Mauretania and Venezuela. Sweden and Brazil declared their intention to join later. In April 1975 Peru nationalised its iron ore mines and in September 1975 it ratified the agreement. With this seventh signature, APEF was formally constituted.

At present APEF has nine member countries:

Algeria	Peru
Australia	Sierra Leone <sup>(1)</sup>
India	Sweden
Liberia	Venezuela
Mauretania	

(1) *mining has ceased*

As the radical third world countries feared, the organisation has been very weak and is at present nothing more than a club for informal discussions. There are three main reasons for the failure of APEF:

- A considerable overproduction of steel within the industrialized capitalist countries has created conflicts between the steel and iron ore companies of the USA, Europe and Japan. In an attempt to mo-

derate the steel crisis the companies have cancelled several important iron ore projects, especially in the APEF countries in the third world. At the same time they have expanded production capacity in the "safe" countries: Australia, Brazil, Canada and South Africa. In 1980 mines in these four countries covered more than 75% of the total ore imports made by the steel companies.

- Brazil and Canada, two countries with an important iron ore export, are not members of APEF. Both countries are heavily penetrated by transnational iron ore companies and have refused to join APEF for political reasons.

- Australia and Sweden, although members, have from within stalled all attempts by APEF to coordinate price policies.

During 1980 certain contacts were taken between the governments of Australia and Brazil to investigate the possibility to coordinate production and price setting. No concrete results are yet known but this kind of cooperation is a necessary prerequisite to break the price and production monopoly exercised by the transnational steel companies and their associated iron ore companies.

Active Swedish support towards an offensive APEF policy would not only be an act of solidarity towards the third world, but is also a precondition for a thriving iron ore industry in Sweden.

Sources: H Erdemli: APEF – rapide chronologie de sa création. IREP, Grenoble 1979.

B K Sanyal: Recent developments in the iron ore industry and the need for international cooperation. Speech by the Secretary General of APEF at the First Iron Ore Symposium in Amsterdam, March 1979.