



CIPEC

Interview by RMR

In our series of interviews with spokesmen for producers—exporters associations we have interviewed Windsor Kapalakonje Nkwani, Secretary-General of the Intergovernmental Council of Copper Exporting Countries (CIPEC).

Windsor Kapalakonje was born on October 24 1936 in Chama, Zambia. He is married with five children.

He graduated in Economics at the University of Zagreb and has studied at the University of Pittsburgh. In Zambia he worked as an Economist at the Ministry of Development, Planning and Finance (1966—70). In 1972 he was named Director of Planning at the Ministry, and in 1975 Permanent Secretary.

He has been Ambassador to Belgium and the EEC (1977—1983) and to Egypt (1983—86). In 1987 he was elected Secretary-General of CIPEC.

RMR: CIPEC was founded in 1967, (almost) 20 years ago. What are the most important achievements of the Organization so far?

The Secretary-General: Over the past twenty years, CIPEC has been active in a number of areas. In its first two years or so, its role could be said to have been "educational" in character. You will recall that the early years of the Organization's existence were marked by the takeover by Chile and Zambia of their copper industry. These same developments were also emulated by two other members: by Peru, to a lesser degree, and by Zaire. The path these countries took was not all that smooth, and hence the role which the Organization came to play in this crucial period of time was important, in that it created a useful forum for discussion and exchanges of experience, as well as for providing mutual assistance. During this period, marketing issues were top priority.

At that time, a number of measures taken by the former owners of the nationalized companies, were successfully countered by the joint action of the Organization's member countries. When the new *continuous casting of rod* (CCR) technology started to be widely accepted and resulted in the stepping up of quality requirements, the Organization successfully initiated and played an important role in creating the high-grade copper contract subsequently traded on the *London Metal Exchange* (LME). It also introduced the so-called producer premiums over and above the LME quotation which reflected not only the high quality of material, but also the fact that the contract provided for the delivery of the material at a specific location in accordance with a previously agreed delivery schedule, and so on. This premium is now widely accepted by all producers, and not only by CIPEC's members. In addition, CIPEC initiated joint negotiations with ports of destinations and shipping conferences on their

terms, and this resulted in significant savings in transport costs.

A further important achievement can be seen in the joint representations which the CIPEC member countries have made on various occasions, such as those against protectionism in trade, when various attempts by the US copper industry to impose protectionist barriers through actions in the US Congress were successfully frustrated.

Today, the Organization's priorities are shifting to other areas as well. CIPEC actively supports a number of copper promotion centres in Western Europe, Japan, Brazil and India with a budget of almost 900 000 dollars. This helps to defend the markets for copper from substitute materials, and in some cases, even gives rise to positive substitution. We feel that this is a most important area of activity for our Organization. It is, of course, very difficult to measure the results of this work, but CIPEC is strongly committed in this field in the long run.

Equally important is the field of co-ordination and specialization of research and development work. CIPEC's R&D programme is already in its third year and the first experiences are very encouraging. We expect that the joint endeavours being made will result in applications that will primarily contribute to reducing the costs of production through greater productivity and higher recovery rates.

From time to time, CIPEC organizes a variety of seminars and training courses, or simply provides the member countries with additional advice. All this, we are convinced, goes to serve the purpose of the Organization.

RMR: In the mid- and late 70s the possibilities of CIPEC were often compared to those of OPEC. How has the balance of power shifted between the Organization and the copper-consuming countries and the leading transnational copper companies since then?

Windsor Kapalakonje, Secretary-General of CIPEC.



The Secretary-General: In my view, comparing CIPEC to OPEC tends to oversimplify things. Although the CIPEC member countries' share of the world market, whether in terms of exports or capacity to produce, was significant — and still is, for that matter — the two commodities are really very different. In the first place, copper is vulnerable to substitution. The higher the price, the greater the threat from substitute materials and it must not be forgotten that these can be introduced much faster than substitutes for oil.

Secondly, while oil is a wasting asset, copper can be recycled, and the higher the price of copper the greater the volume of scrap used. Thirdly, copper is a mature material. New developments are not large in number and are not waiting around the corner, as it were, and the additional earnings that would have been generated through higher prices would not amount to much, in other words higher prices could not be justified as far as future developments are concerned.

Furthermore, a number of important producers and exporters, such as Canada, Mexico and the Philippines, to mention only a few, are not in the Organization, and the bulk of their capacities had been developed in the early 1970s. This meant that it would have been extremely difficult to ask them to embark on any supply management scheme. In addition, the issue of supply management becomes more complicated when by-product and co-product production are included. For some producers, like Papua New Guinea's Bougainville or Indonesia's Freeport Indonesia, both of which are important producers of by-product gold, it is economically unacceptable for them to embark on such policies, since the earnings from gold would be lost. The same is true of INCO of Canada, which produces copper as a co-product, or as a by-product in some cases, of its nickel mining. If the nickel price is high, no matter how low the cop-

per price, production will still have to continue. A third example involves an even more complicated issue. In the case of Zambia, if the underground mining of sulphide ores, which represent the higher-cost component of the industry, is cut back as a supply management measure, the very low-cost hydro-metallurgical mining of oxide ores will also be adversely affected, since sulphuric acid would not then be produced in sufficient quantity as a by-product material for use in the extraction of the copper from the oxide ores. All this goes to show the very marked differences existing between the two groupings. Lastly, in terms of the price structure, the costs of production of the OPEC group of producers are much lower than those in CIPEC.

It is precisely issues such as these that prompted CIPEC to initiate the first consultative meeting of producers and consumers, or exporters and importers, within UNCTAD back in early 1976, that is to say before the emergence of UNCTAD's Integrated Programme for Commodities. We believed then — and we still believe today — that the problems of commodities in the world can be successfully tackled only by engaging in a dialogue with the consuming nations.

Excessively high oil prices, in my view, have done no good to oil exporters in the long run. On the one hand, new and higher cost reserves were developed,

thereby creating a surplus supply, while, on the other, new energy sources were developed, or are in the process of being developed. In addition, new technologies were being evolved with the aim of making energy savings. All this contributed to a change in the supply and demand picture and gave rise to significant imbalances. Hence, the oil industry's one-time source of strength — the pricing mechanism — was abandoned and more widespread use was made of terminal markets, with all the negative effects that this entailed.

In the case of the copper market, a long drawn-out economic recession, and the negative impact of substitution and miniaturization, brought a prolonged period of very low prices. As a consequence, a number of old multinational companies, such as Anaconda and, more recently, Kennecott of the United States, for example, disappeared from the scene either completely or to a very large extent. Mining companies were forced to restructure, merge, streamline or increase their capacities in order to reduce unit costs. In some countries this was done a long time ago, but only more recently in others. Nowadays, however, it is the generally accepted policy of the mining companies for their strategy to be two-directional, in that, on the one hand, they are doing their utmost to reduce their costs, even to the extent of closing down unprofitable operations, while on the other, they work hard to promote the use of the metal through the services of the specialized centres.

RMR: How has the present global crisis affected the role and work of CIPEC? What is the urgent problem today?

The Secretary-General: As I said earlier, the copper-mining companies have had to change their strategy. Today, we can say that the industry has been transformed. The shifts have not been the same as in, say, the aluminium industry, but it has to be borne in mind that the structure of the aluminium in-

dustry before the oil crisis and the recession was very different from that of the copper industry. We can say that, over the past few years, the CIPEC member countries, realizing as they did the importance of the problems involved, started to develop two other significant areas of activity, namely the promotion of the use of copper and co-ordination and specialization in the field of research and development.

As for the problems that the Organization is facing today, we can say that the most urgent problem for the Organization, as well as for the copper industry as a whole — and this includes consumers as well — is to find efficient ways and means of conducting promotion policy, including methods for measuring the results achieved. This would entail mobilizing more funds for such activities. One of the possible ways of doing this could, for example, be through the proposed producer/consumer forum for copper.

RMR: What are your relations with other producer associations such as IBA, APEF or OPEC?

The Secretary-General: A number of CIPEC member countries are also members of other international associations such as those you have mentioned, as well as others, such as the tin-producing countries' association. The experience gained through the joint work accomplished in one organization can be of use to others. It is for these reasons that CIPEC avails itself of every opportunity to exchange information and views with other organizations. There are a number of areas of interest that they have in common. For example, virtually all such organizations study general economic conditions in the world, or foreign exchange, to name only two. On the other hand, experience in pricing practices, for example, could be of interest, since this points to the way ideas are evolving in respect of a particular commodity and to the problems arising. All this could be quite useful

and instructive. In CIPEC, we have found that comparative studies are of great importance.

Our Organization also enjoys a very close working relationship with the *International Wrought Copper Council* (IWCC), which brings together national groups of copper-fabricating companies from Europe, Japan and Canada. In addition, CIPEC regularly participates in the work of the World Bureau of Metal Statistics. CIPEC also exchanges views from time to time with the International Lead and Zinc Study Group, which groups both producing and consuming countries.

All in all, we are of the opinion that exchanges of views between the different commodity groupings are useful and should be further developed.

RMR: The socialist countries and in particular the USSR are important copper exporters. What are the relations of

CIPEC with these countries?

The Secretary-General: CIPEC's relations with the socialist countries mainly take two forms. During the discussions on copper in UNCTAD on the Integrated Programme for Commodities, a number of Socialist countries were active participants — some as producers and exporters, like Poland for example, and some as consumers and importers. CIPEC regards it as important to foster relations with both producing and consuming countries within the socialist group. Poland is now an important exporter, as is the Soviet Union, while Bulgaria and Mongolia are well on their way to becoming exporters in the near future. On the other hand, China is a significant importer from the market-economy countries, while at the same time rapidly developing its own copper mining industry. Some other socialist countries are also copper importers. All this is important for the world copper industry and our Organization keeps a watching brief on developments within that group.

To that end, we regularly invite Poland and China, for example, to our Conferences of Ministers in observer capacity, in the same way as the United States, Canada, Iran or the Philippines, for example. We always take time to exchange views with them on such occasions. In addition, we have discussions with the representatives of their companies at various international meetings and conferences, and also invite them to our seminars and training courses, in the same way as we talk with and invite other market-economy companies from developed and developing countries alike.

RMR: What are the main problems facing CIPEC in a longer perspective?

The Secretary-General: Most of the CIPEC member countries are having to contend with the problem of their accumulated debt. This situation is a major source of concern to them. Since some of our members depend so heavily on exports of copper, one of the principal tasks of CIPEC in the long run is to try to protect their earnings from exports of the metal. In other words, maintaining stable copper prices will continue to be one of the main goals of our Organization. Protecting copper from substitution through promotional work will likewise be one of its major activities. In this respect, the intensity of copper usage by the mature economies is displaying a negative trend, whereas the intensity of copper use is still growing in the developing countries.

In this connection, CIPEC will be facing the problem of how to further develop markets in areas of higher potential. In addition, one of the questions to be answered in the future will obviously be that of deciding which areas of semi-manufacturing and copper end-product manufacture to develop in some of the member countries. The prospective development of this strategy of further vertical integration in the long run will also be a crucial issue. Lastly, one of our continuing

principal areas of interest will be that of ensuring that the copper industry in the CIPEC member countries can be more competitive, notably by reducing their costs of production, which also includes Research and Development activities, and, of course, by introducing new processes for extracting copper from ever-declining ore grades.

Having said that, I should like to conclude by pointing out that, after twenty years' existence, CIPEC can now be regarded as a mature producer grouping. In that connection our recent Conference of Ministers instructed CIPEC's Executive Committee to embark on the restructuring of the Organization in the light not only of the experience gained but of the likely prospects ahead of us in the next twenty years.

CIPEC QUARTERLY REVIEW

Published by the Secretariat of the Intergovernmental Council of Copper Exporting Countries, each issue contains:

- At least two feature articles on copper or copper-related issues covering marketing, promotion, economics of production, technical issues, etc.
- Notes on developments in CIPEC member countries.
- From the Conference Table — a selection of views from various conferences, seminars etc, or on issues of interest.
- Copper market analysis and outlook.
- Selection of statistical tables and graphs.

The annual subscription fee for 1988 is 360 FF for Europe and 390 FF for the rest of the world. The subscription also includes the Statistical Bulletin.

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WHO OWNS WHO? WHO CONTROLS WHO? WHO PRODUCES WHAT?

Ownership and production directory 1987.

The Western world non-fuel minerals industry is going through a period of profound structural change. The hierarchies of companies owning the minerals producers are continuously restructured. Oil companies entered the industry the years around 1980, but many of them are now leaving. State mining companies are slowly increasing their share of Western world mine output. Long established companies disappear, new companies emerge. To understand this process it is necessary to monitor and analyse the dynamics of corporate control in the minerals industry.

The *Raw Materials Group* (RMG) now offers information from the first systematic and continuously updated database on ownership and control in the worldwide minerals industry. Searches can be made by company (producing, holding or controlling company), by mineral and by country. Data can be obtained in basic form (ownership and production figures) as well as in processed form (e.g. calculations of the mineral value controlled by a chosen company and from which minerals and countries this value is derived). Graphs on e.g. corporate "Top ten" controlling companies are obtainable, as well as box charts on ownership in four steps. The information covers the years 1975 and 1984, and the years thereafter.

1 627 companies controlling/producing forty minerals are covered in the database, representing more than 90 per cent of the total value of Western world mine production of non-fuel minerals.

The information is available on disk or as commented computer outprints, which can be tailored for specific requests.

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