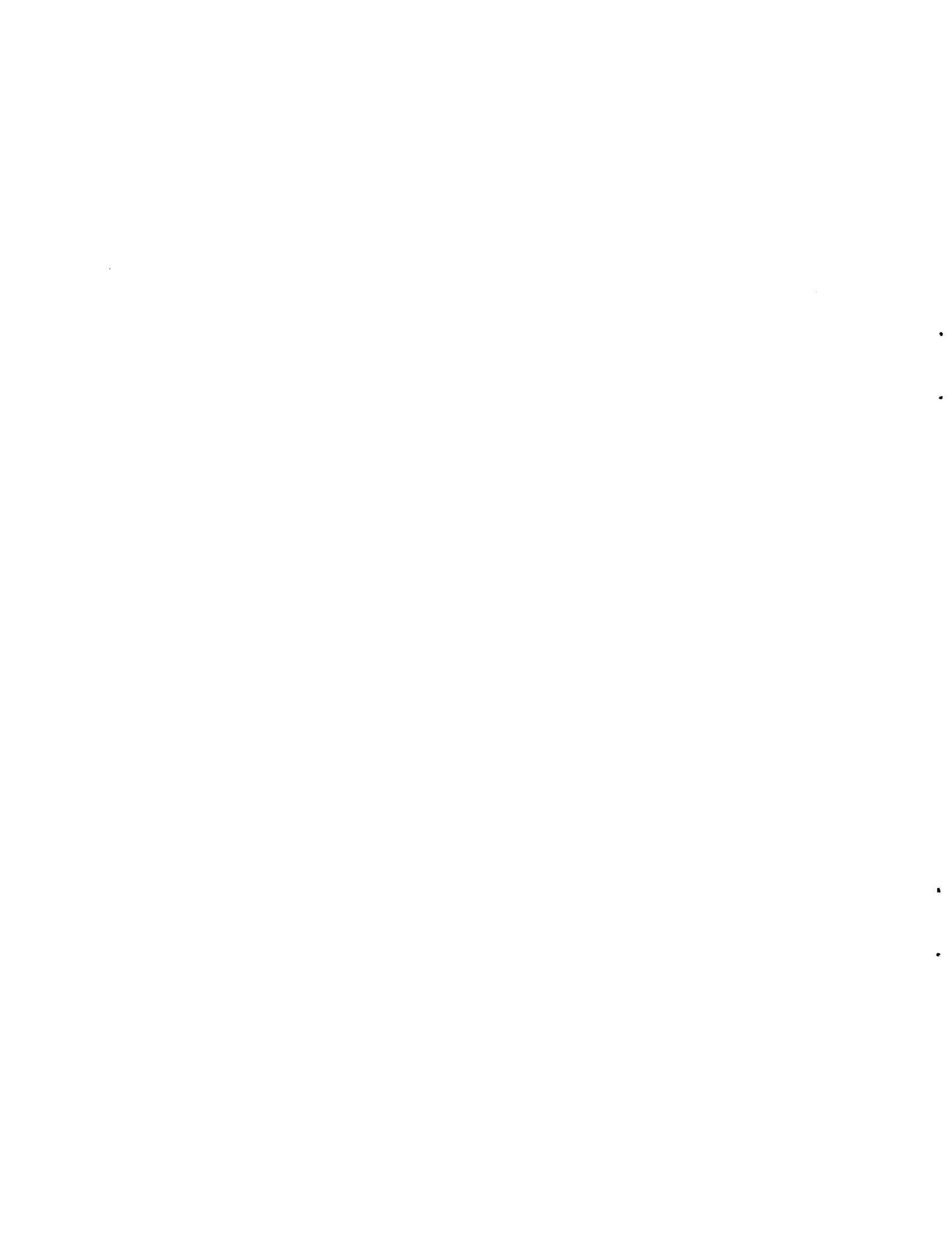


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C E P A L
Economic Commission for Latin America

REPORT OF THE SEMINAR ON ALTERNATIVES FOR NEGOTIATION WITH FOREIGN
INVESTORS AND TRANSNATIONAL CORPORATIONS IN THE COPPER
AND TIN INDUSTRIES

(Santiago, Chile, 9-11 December 1981)



I. ORIGIN AND BACKGROUND

In the desire to make better use of their non-renewable natural resources, the governments of Latin America have undertaken substantial changes in the productive structure of the mining industry through the expansion of the State's participation in its activities, active policies and negotiations with transnational corporations which have traditionally had a monopoly on the sector.

In the absence of a national private sector with the necessary financial, technological and administrative capacity, the State, in some countries, found itself obliged to assume the managerial functions and establish public enterprises for the exploitation, processing and marketing of minerals. However, these important changes in Latin American mining were not capable of overcoming dependence on foreign capital, especially in the fields of technology and marketing in world markets, where the transnational corporations continued to maintain their supremacy.

Nevertheless, this situation changed the bargaining capacity of both sides and, as a result, led to new forms of linkages and contracts with foreign enterprises which allowed some countries of the region to accumulate considerable experience in the design and execution of policies and in negotiations dealing with specific problems.

CEPAL, along with the United Nations Centre on Transnational Corporations, has been concerned with this matter in recent years and, with the regional commissions for Africa and Asia and the Pacific, has developed an interregional project on the bargaining capacity and the distribution of gains between the developing countries and the transnational corporations in the export commodities industries.^{1/}

In its most recent ordinary sessions (from 1975 to 1981) CEPAL adopted individual resolutions on co-operation among Latin American countries and between these countries and developing countries of other geographical regions. Among these activities, CEPAL has identified various projects, one of which referred to the organization and holding of a seminar on bargaining alternatives with foreign investors and transnational corporations in the copper and tin industries. This seminar was held on 9 to 11 December 1981 at the CEPAL Headquarters in Santiago, Chile. Of the cases studied at that meeting, those of copper in Chile and Peru and tin in Bolivia, despite the heterogeneity of their national situations, had certain common features with respect to the nationalization of the large-scale mining industry, development of public enterprises and negotiations with foreign corporations. As a result, through the exchange of experiences among the three countries of the Andean subregion and the inclusion of Brazil in its capacity as an important producer and consumer of minerals, especially bauxite and tin, the purpose of this seminar was to contribute to the strengthening of the bargaining capacity of the participant countries and to a greater understanding of the mutual positions of the governments and private enterprises.

^{1/} This project will culminate in an Interregional Seminar of High-Level Governmental Representatives which will take place in New York at the end of 1982 with the financial support of UNDP.

/II. OBJECTIVES

II. OBJECTIVES

1. To promote the exchange of experiences -in the area of policies and negotiation with foreign investors and transnational corporations in the mining of copper and tin- between representatives of governments and of the private sector of selected countries of the region;
2. To incorporate into this exchange of experiences representatives of transnational corporations in order to contribute to a better understanding of the mutual positions of the governments and private enterprises;
3. To promote a common position for the Latin American countries and other developing regions through the exchange of information and experiences and the preparation of alternative lines of action at the regional and interregional levels.

III. PARTICIPANTS

Twelve high-level staff members from the public sector and academic organizations related to mining in Bolivia, Brazil, Chile and Peru; participated in the seminar on their own behalf; there were two representatives from transnational mining corporations and also an expert from the Iberoamerican Co-operation Institute (Spain).^{1/} Also participating in the seminar were ten staff members and experts from CEPAL and the United Nations Centre on Transnational Corporations, who presented studies on the mining development of the region and the particular cases of policies and negotiations with transnational corporations and foreign investors in the copper and tin industries of the participant countries in the seminar.^{2/}

IV. CONTENT OF THE SEMINAR

During the first day of the seminar, after its opening by the Executive Secretary of CEPAL, Mr. Enrique V. Iglesias, the evolution and prospects of the mining sector in Latin America and the case of tin in Bolivia were examined. The second day Brazil's and Peru's experiences were discussed, and the meeting concluded on the third day with the case of Chile and a general debate on the policy and negotiation alternatives. The debates were opened in each of the sessions with a presentation of the studies and reports prepared by the CEPAL consultants and experts and by some participants in the seminar. The work of the seminar was moderated by the Head of the Joint CEPAL/CTC Unit on Transnational Corporation, Mr. Arturo Núñez del Prado. The most important topics debated in each of the work sessions are synthetized below.

^{1/} See the list of participants in Annex 1.

^{2/} See the annotated agenda in Annex 2.

1. Inauguration of the seminar and the topic of the Evolution and prospects of the mining sector in Latin America
(morning session, 9 December 1981)

(a) Inauguration

The Executive Secretary of CEPAL, Mr. Enrique V. Iglesias, pointed out the principal objectives of the seminar with respect to the importance of transnational corporations for the key activities of the Latin American economies and future styles of development different from those of the recent past. He also said that the motivations and dynamics of transnational expansion often were opposed to national objectives and were not consistent with the most desirable allocation of resources for the countries of the region. A more dynamic idea of the role of transnational corporations should go beyond a set of general norms, adopting a more pragmatic, flexible and specific approach which would take advantage of their undeniable contributions in technology, capital and plant management, with reciprocal advantages. Latin America, as part of the Third World, is a highly attractive area for transnational corporations because of its great potential for natural resources, a total gross domestic product of the same size than that of the European Economic Community in 1975, a market with a 20% greater population than that of the Community, and a per capita income which is 3 times that of Africa and 4 times that of Asia; this represents a purchasing power for European exports of chemical products, capital goods and durable consumer goods which is more than four times greater than the Japanese market, and for United States exports of the same products, a market equal to that European Community and three times that of Japan. This potential explains why Latin America has a considerable share in total direct investment by transnational corporations in Third World countries. This amounts to 80% for United States transnational corporations, 50% for German and 30% for Japanese ones. It is obvious that these facts also reflect the conditions for a potentially strong bargaining power of the region which would be firmer and cover a wider area if groups of countries, and hopefully the region as a whole, adopted common and solidaristic positions in their relations with foreign capital.

Finally, Mr. Iglesias declared that CEPAL and the United Nations CTC were ready to help governments to strengthen their negotiating capacity, either as a meeting point and centre of reflection on policy and strategy alternatives, or to carry out research, advisory and training functions.

(b) Evolution and prospects of the mining sector in Latin America

In the inaugural speech and later debates the following points were brought up:

(i) General aspects

The importance of the mining industry for the GDP; generation of foreign currency and the balance of payments; economic diversification on the basis of surpluses of mining revenue and the generation of highly productive employment; on the other hand, problems related to the requirement of high volumes of investments with risks both in prospection and exploitation of minerals; modern technologies of production and processing imported from the industrialized countries and, finally, the large price fluctuations in the international markets.

/The world

The world mining market is characterized by a basic imbalance consisting of the fact that the developing countries have one-half of the known mining reserves but, on the other hand, eight industrialized countries dominate 75% of the world production of minerals, 95% of which, in turn, is consumed by the industries of the developed world. The low degree of processing of minerals in Third World countries is reflected in the fact that they ensure, with their exports, 70% of the external world demand. This international division of labour, clearly unjust, means that the export revenues from minerals received by the peripheral countries account, in average and approximate terms, for only 25% of the value of the final products originating in mining. This low degree of participation is reduced to 15% in terms of the "returned value", that is, after deducting the external expenditures related to marketing and sea transport, imported inputs, including technology, etc.

Despite the great mining potential, Latin America has only a 6% share in world exports of minerals and metals. This is mainly related to the low degree of diversification of Latin American mining, with only 8 minerals out of the approximately 50 available being worked on a large scale, the concentration of exports in only a few countries of the region, largely specializing in only one mineral, and the still relatively slow degree of processing of these minerals. Future metallurgical mining expansion in Latin America faces serious external obstacles, among which are the deceleration in the growth of world consumption aggravated by the persistent economic recession, the policies of industrialized countries and their transnational corporations aimed at greater self-sufficiency in the face of the perceived risks in the periphery, which is manifested in the concentration of strategic investments in their own territories, the growing use of secondary metal and metallic and non-metallic substitutes, the exploitation of marine nodules, the formation of strategic governmental reserves, tariff barriers for the processed minerals, etc. The most important challenge usually consists of the high requirements for investment in the mining and metallurgy of the region in the face of the limited domestic savings and financing by international organizations. The magnitude of the problem of financial resources may be illustrated by the CEPAL and IDB projections, which indicate that the annual average of mining and metallurgical investments in Latin America, which in the 1970s reached some US\$ 1 500 million, should approximately double in the present decade in mining alone, and increase 4.7 times if metallurgical investments are also included. The importance of transnational mining corporations and other foreign agents -such as consumers of metal, suppliers of equipment and technology, international banks, etc.- for metallurgical mining expansion in the region comes from the fact that approximately 60% of the total investments required must be financed by external contributions.

The recognition of the need for the presence and greater participation of transnational corporations and other foreign investors in the metallurgical mining development of Latin America led the participants of the seminar to propose some general questions on the lines of action and policy and negotiation alternatives with external agents in this field, which are detailed in the following part.

/(ii) Questions

(ii) Questions for the study of national cases

Mining exploration and the importance of knowledge of reserves on the part of the State for any type of expansion of the industry.

Obstacles to international marketing with regard to the methods used by the oligopoly of international marketers, the problem of real prices in comparison with international quotations, imbalances and instability of international markets, and tariff and non-tariff barriers including special ties between countries of the European Economic Community and their ex-colonies.

Processing of minerals and industrial redeployment between North and South, parameters of the domestic market and the availability of low-cost energy (for example, Bolivia and Brazil).

Examination of the creation and distribution of mining revenue and of the value returned for the mining countries and their importance for the orientation of national policies.

Policy and negotiation alternatives with external agents and the importance of the efficient and profitable public enterprise (e.g., CODELCO in Chile) as a parameter of "minimum conditions" for negotiating with the transnational corporations, greater flexibility of the latter in regard to the new patterns required by the mining countries.

Feasibility of the various forms of horizontal co-operation, such as the exchange of information, regulation of the market by producers' associations, multinational marketing enterprises, etc.

2. The case of tin in Bolivia (afternoon session,
9 December 1981)

The special nature of this experience, in comparison with the cases of Chile and Peru, is that the origin of large scale mining of tin has not been linked to transnational corporations but rather to national capital, which only later (since the 1920s) acquired transnational dimensions and was nationalized in 1952 without any availability of experienced national staff. In addition, because Bolivia is a relatively small and less developed country, there persists a high dependence in its economy on this single-export activity. Its negotiating power with respect to external agents is also reduced by its continuing political instability and deep indebtedness to international banks. Still, any type of future economic development in Bolivia must be based on the appropriate use of the mining resources dominated largely by the two government enterprises, COMIBOL (mining) and ENAF (metallurgy).

The case of Bolivia reaffirms the importance of exploring for new mineral reserves and the use of minerals with low standards (including the recovery of metal from "tailings and cuttings"). The strengthening of the international competitiveness of Bolivian tin and the bargaining capacity of the public sector is highly related to the increase in the average law (metal content) of the worked mineral (since the war this has dropped from 2% to 0.8%) in order to increase the profitability of the industry. Among the new policy alternatives discussed in this framework is the reform of the present national mining code which should -by maintaining the regulating role of the State and its enterprises in the sector- create stimuli for the entry into the country of risk capital from foreign investors through joint ventures

/with the

with the national enterprise, and greater stimuli for discovery and exploitation of new mining reserves, diversifying and increasing, in turn, the exploitation and exportation of "non-traditional" minerals (for example, antimony, bismuth, wolfram, lead, silver, zinc, etc.). A dissenting opinion to the above alternative was that the State should limit itself to a subsidiary role, and never become involved in activities with entrepreneurial risk.

On the other hand, the Bolivian experience of the 1970s in vertical integration from mining to smelting, in the public enterprise ENAF, of all the tin ore produced by COMIBOL and small and medium-size mining, seems to confirm the importance of this policy alternative for the self-sustained development of the country. It means an increase of 10 to 12% in the value added domestically and in the foreign currency earnings; diversification of exports to new markets in Western and Socialist Europe (40% of the total in 1979) and the potentially very important Latin American market (10%), thus freeing itself from the previous United States monopsony (50%); direct sales to consumers of metal (two thirds of the total in 1979) with the resulting advantages of better prices and marketing methods and, finally, a possible basis for the later industrialization of the country.

In the absence of external agents in the mining and metallurgical industry of Bolivia, the increase in national mining revenue depends to a high degree on the efficiency of the public sector in assimilating modern techniques and in the full use of the new plants (particularly for volatilization and smelting of low-standard minerals); reduction of the still high costs of operation and administration and of the decapitalization (indebtedness) of the enterprises; co-ordination and adequate programming in the public sector and, especially, COMIBOL and ENAF.

Of particular importance also is the domestic distribution of mining revenue between the two public enterprises, COMIBOL and ENAF, and the other economic sectors, through the State budget. This distribution should be provided through the "maquilas" ^{1/} and the system of royalties and taxes, sufficient stimuli to increase the production and efficiency of the two public enterprises and the capitalization of a considerable part of the revenue, both in the mining and metallurgical industry itself and in other economic sectors. The previous economic policies, including the artificial or unreal exchange rate, do not always fulfill these objectives and, particularly, fail to take advantage of the periods of relatively high tin prices. In the five-year mining and metallurgical development plan, changes are being prepared towards a greater flexibility in economic policies, especially through tax reform. In this framework the possible advisability of "autonomous" prices based on the concept of social profitability was discussed also, with the opinion being expressed on the other hand that in a market economy the State can more profitably use other instruments (for example, subsidies limited for certain periods and specific goals, credits, etc.) to regulate and stimulate the activity of the public enterprises without distorting the function of prices.

^{1/} Discount on the price of the metal corresponding to the smelting and marketing value.

The transnational corporations which traditionally dominated the marketing of Bolivian mineral, taking advantage of their different methods for obtaining greater advantages in the processing and marketing phases, perceived the policy of metallurgical mining integration as contrary to their interests in keeping their smelters-supplied with the Bolivian mineral, to which the technology and the world marketing network had been adapted. This latter was also being threatened by the Bolivian enterprise ENAF in its capacity as a new competitor on the world tin metal market. They reacted with a dumping of the "maquila" prices by reducing them, at the end of the 1970s, by one-third in comparison with the maquila in force for the trade of the mineral between ENAF and COMIBOL. This unilateral distortion of the market was contradicted by the previous evolution of maquilas, which almost doubled in the period 1974-1979, especially due to the increase in the cost of energy. The Bolivian participants in the seminar emphasized that the firm and co-ordinated attitude of the public sector towards the attempt by the transnational corporations to obstruct the domestic smelting of the mineral in ENAF resulted in the reestablishment of the previous balance, with the foreign smelters raising maquila prices again. Another opinion expressed was that the latter should be flexible and adapt to the metal market situation.

In terms of horizontal co-operation, it was pointed out that it was important for Bolivia and Brazil to reach a solidaristic position within the International Tin Agreement and, particularly, towards the unilateral and distorted sales by the United States Strategic Reserves. The alternative was also proposed of a "Penang" market ^{1/} in the Chilean port of Arica or a another Pacific port which could bring producers and consumers of the region and other parts of the world together in defense of higher metal prices. The strengthening of co-operation among the countries of Latin America in the metallurgical mining field, and particularly in the Andean Pact and with Brazil, in the latter's capacity as both producer and important consumer of metals, would also be a factor of major importance for the alternative of the future industrialization of Bolivia on the basis of tin and would undoubtedly strengthen the bargaining capacity of this country and other mining countries of the region with respect to foreign investors.

3. The case of copper in Peru (morning session,
10 December 1981)

The Peruvian experience in the development of the large-scale mining of copper in the past three decades includes the alternatives of mining policies of the neo-liberal type, with broad advantages for foreign investors in the 1950s and 1960s, the governing role of the State in the economy in general and mining in particular in the 1970s and, finally, the present stage of greater openness and incentives to foreign capital. It is thus understandable that the comparative assessment of these recent phases often lends itself to interpretations related to different ideological approaches

^{1/} "Physical" market of tin metal, originating mainly in Malaysia, which covers approximately 40% of world sales.

/with regard

with regard to the role of the State and private capital in an underdeveloped country, 50% of whose exports depend on mining. Aware of this problem, the participants in the seminar tried to objectivize the evaluation of the advantages and costs which would accompany each of these alternatives.

The first period in the origin of the large-scale copper mining industry is related to the application of the mining code of 1950, which facilitated large tax incentives and broad guarantees for the transnational corporations which participated in the large-scale mining projects of Toquepala and Cuacone (1954 and 1968). The first agreement was characterized by an exceptional system of taxation for a "marginal deposit", although its average fine metal content of copper mineral was initially 1.7%, or much higher than almost all the open pit mines worked in the home country of the transnational. This unjust deal for the economy of the country was later derogated as a result of a parliamentary investigation. The Cuacone agreement, negotiated by the military government which had just taken power, at a time of an economic and political difficulties in the country, was characterized by the distribution of the investment risk among a wide and complex network of investment and commercial banks, suppliers of equipment and material, and governmental and financial agencies, with the two TNCs concerned participating with only 35% of the total financial requirement. In the discussion of this strategic alternative for the TNCs, the need was expressed to approach it with a sufficient infrastructure and qualified staff in the governmental apparatus in order to negotiate and control the complex financial, commercial, customs, taxation and exchange aspects of a contract of this type. This condition, which did not exist in Peru at the end of the 1960s, could have particular importance for future large-scale mining and metallurgical projects in the region which require a considerable volume of financial resources.

The alternative of the "nationalist" policy of the 1970s mainly offers the experience of the establishment and performance of the public sector in the mining and refining of copper (9% of production and 20% of total exports by the end of the 1970s), of the participation of workers in the ownership, management and profits of the enterprises and of the renegotiation of the Cuacone contract to ensure priority of supply to the governmental refinery at Ilo. Among the benefits of these policies was the considerable increase in the production of copper (63% in the 1970s), and particularly refined copper (from 37 to 162 thousand tons in 1975-1978), which contributed to an increase in the value returned to the Peruvian economy. Acting in the same direction was the greater share of remunerations and domestic inputs in the industry's expenditures, the positive effects of the control of marketing by the public enterprise MINPECO and, particularly, the reduction in tax losses caused by the transfer prices between the different trade links of the foreign corporations (for example, through the arbitrary use of "reference prices" or "maquilas", similar to the case of Bolivia). In this regard MINPECO was able to replace partly the commercial intermediaries and diversify the international markets for Peruvian copper exports, achieving higher prices through direct sales, especially to the consumers in the countries of the region and to government enterprises in the socialist countries. MINPECO's

/comercial co-operation

commercial co-operation with the public and private enterprises of other countries of the region, as in the case of ENAF in Bolivia, also offered the opportunity to utilize the advantages of economic integration, especially within the Andean Pact.

In addition, the discussion pointed out the "costs of apprenticeship" of the public sector in the management of the mining policies of the government. Again, as in the Bolivian case, administrative and bureaucratic restrictions which affected public enterprises were denounced; in the case of Peru, these included an excessive centralism towards foreign trade, lack of autonomy and incentives to increase the profitability of public enterprises and, finally, excessive rigidity in the treatment of private capital. This last defect meant that in the 1970s no major investments in mining had been made, with the exception of the public projects of the Cerro Verde mine and the Ilo refinery.

The present mining policy alternative in Peru has been characterized by the maintaining of the public sector, as previously established, but limiting the control of marketing by the State to the sales from public enterprises only. Also in progress are negotiations with IFCs on new mining expansion projects, offering them majority participation in the equity, incentives and tax stability, etc.

4. The case of tin in Brazil (afternoon session of
10 December 1981)

The mining sector has had relatively little importance in Brazil's economy, with the exception of iron and manganese after the war. Iron ore accounts for 90% of mineral exports. Mining production in Brazil has greater significance as a supplier of the domestic needs. The case of tin is a typical one in the framework of mining development in Brazil, where the metallurgical activity preceded mining importing initially tin concentrates from Bolivia also. The mining and metallurgy of tin account for barely 2% of the gross value of the production of the sector which represents only 1% of the GDP. In exports, tin accounts for 6% of total metal exports. With respect to tax revenues, the tax on minerals alone represents only 1% of the total. The national production of tin, ore currently amounts to 7 000 metric tons (in metal equivalent) and the production of tin metal to 9 000 metric tons. The difference is supplied by imports of concentrates. As for the domestic use of tin metal, between 30% and 40% are used for soldering and the rest for tin plate and alloys. Metal exports have grown constantly, and in 1979 reached almost 5 000 metric tons.

The State's participation in tin mining is limited to setting norms and promoting private initiative, but without participating in production. The national production of tin ore is 80% controlled by three entrepreneurial groups, two of which are national, which account for 50%; the third is foreign (two enterprises). In the mining sector there are generally no restrictions to the inflow of foreign capital, and this is regulated by the general provisions existing in the country on this matter.

In the area of policy for the sector, due to its small significance, there are no specific norms, and it is dealt within general policies. The only

/special policy

special policy is the one related to the prices of concentrates and tin metal directed towards the priority of domestic supply of tin metal and favouring the production of concentrates, for which the mineral/metal price differential has been reduced, and the export of concentrates has been prohibited. When there is idle capacity in the smelters, imports of ore and exports of metals are encouraged in order to contribute to the improvement of the country's balance of payments.

5. The case of copper in Chile (morning session,
11 December 1981)

The Chilean experience is particularly interesting because of the fact that national control of the copper industry took place gradually and almost simultaneously with national staff learning to manage the mines. This trend could be noted -although with conjunctural ups and downs depending on the political orientation of the successive governments- during the entire postwar period from the creation of the Departamento del Cobre in 1955, to the "Chileanization" and nationalization of copper in the late 1960s and early 1970s, respectively, up to the present policy of full openness to foreign capital, although the public sector is still heavily involved in the production and marketing of copper. This same trend has also been reflected in the successive increases in the returned value of exports to the national economy from the low 30% to 40% of the first postwar period up to the 90% of total export earnings achieved as a result of the nationalization of copper during the 1970s.

The "Chileanization" of copper represents an interesting alternative for negotiating with the TNCs that established large-scale copper mining in the country, through joint ventures in which explicit agreements had been reached by the State and the TNCs concerning majority ownership by the first one, a concerted programme for expanding productive capacity under which investment capital and guarantees had been shared by the Government of the host country of the TNC and the banking entities (as in the case of Cuajone in Peru), a management contract with the TNC, tax incentives and stability, and, finally more effective participation of the Government and national technical staff in crucial decisions concerning the production and marketing of Chilean copper.

The public enterprise CODELCO, the largest in its field worldwide, was able to overcome the serious initial difficulties brought about by the nationalization of copper in 1971, which were reflected both in external pressures (embargoes on copper shipments -similar to the case of Bolivia in 1952- freezing of deposits and credits, etc.), and internal problems such as high production and overhead costs, labour problems, political sectarianism, etc. The Chilean participants in the seminar stressed the fact that CODELCO had contributed to the State, in 1980 for example, an income of US\$ 1 000 million and that, in that same context, it provided an important "bargaining parameter" for evaluating the costs and benefits of possible options for linking up with the TNCs in future expansion of copper mining. The question was raised as to whether, in view of its high degree of technical and financial capacity, CODELCO might be able to undertake large-scale projects with its own resources and only the partial participation of external agents. In

/response to

response to this question, reference was made to the present policy of "non-discriminatory" treatment of foreign capital in competition with the national one and the existing limitations of human resources, reflected in the fact that in 1980 only 14 mining engineers graduated from the Chilean universities. Finally, as regards the possible comparative advantage of increasing the processing of copper in Chile, mention was made of the advisability of doing so only in cases where joint international marketing is possible (as in the case of cathodes produced in co-operation with a firm from the Federal Republic of Germany); it was also pointed out that industrialized countries, customs duties are higher for more highly processed mining products.

6. General debate and closure of the seminar (afternoon session, 11 December 1981)

The general debate was introduced by the Chief of the CEPAL/CITC Joint Unit on Transnational Corporations, Mr. Arturo Núñez del Prado, and the Unit's regional expert, Mr. Jan Kůskal, who summarized the main subjects dealt with in the seminar. This summing up covered both substantive issues and proposals for the future work of CEPAL and the United Nations Centre on Transnational Corporations in this field.

Among the more important substantive issues raised and regarding alternatives for action and negotiation by governments and future research to be done by CEPAL in co-operation with the mining countries of the region, four critical areas were stressed:

(a) Viewing mining policies and negotiations with the TNCs within the framework of global strategies and plans for economic and social development and using adequate planning and information to evaluate alternatives for the expansion of mining and metallurgical operations, as well as the relevant international marketing and financing options.

(b) Strengthening of the existing public sector in its capacity as leader and supervisor of negotiations with foreign investors.

(c) New technological, commercial, administrative, financial and patrimonial links between the public sector and the TNCs and foreign investors, and policies and agreements leading to mutual benefits, clarity and stability in the rules of the game between the two parties.

(d) Horizontal co-operation between the mining countries of the region, particularly with regard to the systematic exchange of important information and their common positions vis-à-vis the foreign consumer and investor countries.

With regard to this latter point, some specific alternatives for action were identified which in turn might be carried out with the support of the respective international organisations:

(a) The mining countries might have their own data bank concerning agreements between the governments and external agents and relating, in particular, to marketing methods and processing fees (maquilas), the characteristics and operating methods of different foreign corporations, inventories of mining reserves, mining codes, tax policies and agreements including incentives for foreign investors, establishment and operation of joint ventures, etc.

/(b) A workshop

(b) A workshop might be organized for public officials in the mining countries of the region responsible for negotiating with transnational corporations that would include both a comparative evaluation of different national experiences and a systematic explanation of the various political and bargaining alternatives in the main fields mentioned above.

(c) These technical and economic co-operation activities among the mining countries of the region might be oriented towards the establishment of common positions and areas of agreement -pragmatic and flexible- between the TNCs and the governments.

The representative of the United Nations Centre on Transnational Corporations, Mr. Benny Widjono, mentioned some experiences, similar to the Latin American ones, of the countries of Southeast Asia that resulted from the studies carried out under the interregional project on negotiating capacity and distribution of gains in export oriented commodities. In addition, he informed the participants what forms of technical assistance were available in the CTC for developing countries.

The Undersecretary of the Ministry of Mining and Metallurgy of Bolivia, Mr. Guillermo Murguía S., stressed the usefulness of the seminar organized by CEPAL for the mining countries of the region and suggested that such meetings should be repeated at CEPAL.

The seminar was closed by the Executive Secretary of CEPAL, Mr. Enrique V. Iglesias, who thanked those present for their active participation and stressed the importance of their contribution to the work of the CEPAL Secretariat in this important aspect of the development of the region.

V. EVALUATION AND FUTURE ACTION

In the view of the participants in the seminar, expressed both officially to CEPAL staff and through informal contacts, the seminar was very useful as a means for directly exchanging national experiences relating to policies and negotiations with foreign corporations, as well as for evaluating certain common problems and approaches. The presence at CEPAL of geologists, economists, engineers, lawyers, public officials, academicians and executives of TNCs, many of whom had many years experience in this field, contributed towards finding a common professional language regardless of certain ideological differences, which are understandable considering the political sensitivity of the subject among the countries of the region. A better understanding of national differences and limitations, as well as of divergent interests, all contributed to the identification of various common positions and areas of agreement where pragmatic and flexible action could be taken, as mentioned earlier in this report.

The participants interest in CEPAL's activities in this field was also reflected in the request made by the Undersecretary of the Ministry of Mines and Metallurgy of Bolivia, Mr. G. Murguía, transmitted to the Executive Secretary of CEPAL, Mr. Enrique V. Iglesias, to the effect that the seminar should be repeated in La Paz during the second quarter of 1982 for public officials working in the mining-metallurgical sector and in negotiations with TNCs. The CEPAL Secretariat will respond to this Bolivian request through

/the CEPAL

the CEPAL/CTC Joint Unit, which will co-operate with the CEPAL Division of Natural Resources. CEPAL will respond similarly to the other proposals, mentioned above, relating to the data bank for mining countries and the organization of a workshop for negotiators of the mining countries of the region.

Finally the results of the seminar will be used in the documents prepared by CEPAL within the aforementioned Interregional Project on Export Oriented Commodities and will be published in 1982 in order that they may be used by other countries of the region that did not participate in the seminar.

- Annexes: 1 List of participants
2 Annotated agenda and list of documents.

Annex 1

ECONOMIC COMMISSION FOR LATIN AMERICA/
UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS

SEMINAR ON ALTERNATIVES FOR NEGOTIATION WITH FOREIGN INVESTORS AND
TRANSNATIONAL CORPORATIONS IN THE COPPER AND TIN INDUSTRIES

(Santiago, 9-11 December 1981)

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Annex 2

ECONOMIC COMMISSION FOR LATIN AMERICA/
UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS

SEMINAR ON ALTERNATIVES FOR NEGOTIATION WITH FOREIGN INVESTORS AND
TRANSNATIONAL CORPORATIONS IN THE COPPER AND TIN INDUSTRIES

(Santiago, 9-11 December 1981)

Annotated Agenda

Wednesday, 9 December 1981

- 9 a.m. - 10 a.m. Reception and registration of participants.
- 10 a.m. - 10.30 a.m. Inauguration of the seminar: Mr. Enrique V. Iglesias, Executive Secretary of CEPAL.
- 11 a.m. - 12.30 m. Evolution and prospects of the mining sector in Latin America
- Introduction to the discussion: Mr. Rolando Sanz Guerrero, Division of Natural Resources, CEPAL.
 - Document: Evolution and prospects of the mining sector in Latin America (E/CEPAL/R.265)*
 - Topics and questions:

What role do the mining resources of the region play in light of the major development problems of the 1980s as regards external indebtedness, technological development and industrialization?

The experience of the mining countries of the region and of the public sector of these countries in utilizing non-renewable resources: expansion and costs of mining production, international marketing and increased local processing, incorporation and utilization of modern technologies and preparation and financing of new mining and metallurgical development projects;

The need for large investments in order to increase substantially mining income and the current situation with regard to disequilibria in the market and world inflation: UNCTAD and World Bank programmes, participation of consumer countries and of their transnational corporations and banks;

* Documents marked with an asterisk are also available in English.

Strengthening of the bargaining capacity of the mining countries, horizontal co-operation and new alternatives for negotiation and links with international corporations and banks: the problem of information, organization, co-ordination and planning in the public sector, producer associations and other forms of co-operation between the mining and consumer countries of the region, diversification of the forms of participation of external agents in prospecting and mining production, technological and administrative know-how, international financing and marketing.

3 p.m. - 6 p.m.

The experience in the case of tin in Bolivia

- Introduction to the discussion: Mr. Jan Křákal, Regional Advisor, CEPAL/CTC Joint Unit on Transnational Corporations.

- Documents: Links of the transnational corporations with the tin industry in Bolivia (E/CEPAL/R.249)*; Transnational corporations in the mining development of Bolivia, Chile and Peru, by Jan Křákal, CEPAL Review, August 1981.*

- Topics and questions:

Experience in the marketing of tin ore in the context of dependence on foreign smelters and new alternatives for negotiations and agreements between the public enterprise ENAF and tin consumers in the world markets;

The advantages, achievements and problems of integration of the mining and metallurgical industries, reactions of transnational corporations and limits and possibilities for the industrialization of tin;

How to improve the effectiveness of the public sector in the production, processing and marketing of tin (problems relating to the disequilibrium of the market and unilateral sales by the United States, world inflation, increased energy costs, exchange policies, fiscal policies and incentives, co-ordinated organization and programming of COMIBOL and ENAF, solutions to technological problems and problems of financing new projects, etc.).

Thursday, 10 December 1981

9.30 a.m. - 12.30 m. The experience in the case of tin in Brazil

- Introduction to the discussions:
Mr. Antonio Cerqueira Antunes and Mr. Michael Wilberg,
Secretariat of Planning of the Presidency of the
Republic (IPLAN).

- Document: El estaño en la economía del Brasil.

- Topics and questions:

Changes in the tin economy in Brazil in light of the
evolution of the market structure and experience
with integration of the mining and metallurgical
industries;

The main mining and metallurgical enterprises and
government policies for self-sustaining development
and links with the transnational corporations;

Reserves and prospects of the tin economy in Brazil,
its importance for reducing external indebtedness
and possible alternatives for interregional
co-operation.

3 p.m - 6 p.m.

Experience in the case of copper in Peru

- Introduction to the discussions:
Mr. Fernando Sánchez Albavera, Consultant, CEPAL/CTC
Joint Unit on Transnational Corporations.

- Documents: Policies and negotiations with
transnational corporations in the copper industry in
Peru (E/CEPAL/R.270);* Transnational corporations
in the copper industry (ST/CTC 21).

- Topics and questions:

New links with the transnational corporations and
international banks in financing the Guajone Project
and the marketing of copper ore and experience with
regard to the negotiations for supplying the State
refinery at Ilo;

Achievements and problems in the international marketing of copper through the public enterprise MINPECO and its new functions;

The mining potential of Peru and its improved development through new links with transnational corporations in mining expansion projects for the 1980s.

Friday, 11 December 1981

9.30 a.m. - 12.30 m. The experience in the case of copper in Chile

- Introduction to the discussion: Mr. Juan Eduardo Herrera and Carlos Vignolo, consultants, CEPAL/CTC Joint Unit on Transnational Corporations.

- Document: Development of the copper industry and transnational corporations: the experience of Chile (E/CEPAL/R.239).*

- Topics and questions:

The experience with regard to the joined venture between the State and the transnational corporations: achievements and problems of the "Chileanization" of copper, with new alternatives for mutual links (shared ownership, common expansion programme and financing, taxes, incentives and guarantees, management contract, etc.);

Terms, forms and results of the nationalization of large-scale mining, negative reactions of the transnational corporations and problems of the first post-nationalization period;

What is the role of "gradualism" in the appropriation by the State of Chilean copper and of the continuous and upward learning process in the current results as regards the production, marketing and profitability of the public enterprise CODELCO?

The mining potential of Chile and its improved development through new links with transnational corporations in mining projects for the 1980s.

3 p.m. - 6 p.m.

Summary of the main topics discussed in the Seminar: Mr. Arturo Núñez del Prado, Chief, CEPAL/CTC Joint Unit on Transnational Corporations.

GENERAL DEBATE

- 6.30 p.m. Closure of the seminar: Mr. Enrique V. Iglesias,
Executive Secretary of CEPAL.
- 7 p.m. Reception for participants.

