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E C L A C

Economic Commission for Latin America and the Caribbean

Workshop on Technical and Economic Co-operation
for the Latin American Mining and Metallurgical
Sector organized by the Economic Commission for
Latin America and the Caribbean (ECLAC) and the
Latin American Integration Association (ALADI)
under the auspices of the Commission of European
Communities (CEC)

Santiago, Chile, 19 to 23 November 1984



ANNOTATED PROVISIONAL AGENDA

84-11-1989



BACKGROUND

An inventory of proven and potential reserves in Latin America indicates the existence of substantial wealth in both metallic and non-metallic minerals. The majority of the countries of the region draw attention to the need for better knowledge of these resources in order to exploit them continuously in the future. In addition, the region does not have sufficient financial and technological resources to identify and exploit this wealth which will be highly beneficial to its economic and social development. Despite the diversity of the region's mining resources, a high percentage of its productive structure is currently comprised of only eight metallic minerals, most of which is intended for the national market. However, since Latin America's share in metallurgical production, exports and profit is out of proportion to its share in world mining reserves, there is a greater possibility of increasing that share in the international minerals and metal supply. If consumption continues at the growth rates of past decades, the relative importance of Latin America as an international centre of demand for minerals and metals may be expected to increase towards the end of the century, and this situation will require a rapid process of industrialization of the minerals of the region with the attendant needs in new investments and technological knowledge. Given the possible magnitude of its mining resources however, Latin America would always have a certain level of exportable surpluses. The countries of Latin America have differing degrees of experience and development possibilities of the mining and metallurgical sector. This situation led to the setting up of a regional co-operation programme which culminated in the creation of the Latin American Mining Agency (OLAMI) and the presentation, by the delegates of the different countries, of around 100 horizontal co-operation proposals. The challenge raised by Latin America for satisfying its growing internal consumption needs and increasing its share in international minerals supply, would involve a large-scale technical-economic-financial effort by the region; this effort would need the support of the international community. In this respect new forms of co-operation could be identified, through which countries and agencies in the region and those of the European Economic Communities could play a very important role towards achieving greater complementarity and integration of Latin American industry with that of the countries of Western Europe, both in the production and supply of the two markets and that of other centres of consumption of mining products.

GENERAL OBJECTIVES

To elaborate proposals making possible the formulation and implementation of policies in the countries of the region for better use of their mining resources, to increase their share in the formation of the Gross Internal Product, the creation of foreign currency, public sector income, the generation of more productive employment and the acceleration of the industrialization process.

To contribute to the efforts being carried out by the countries of the region to promote the development of mining resources, in the formulation of joint action programmes at the regional and interregional level, the promotion of co-operation between countries, the obtaining of equitable agreements in the area of investments, transfer of technology, marketing, integration and industrial and market complementarity of mining and metallurgical activities.

SPECIFIC OBJECTIVES

- To examine the possibilities of stepping up the production and trade of minerals and metals among the countries of Latin America and diversifying regional supply towards the international market.

- To promote technical and financial co-operation for the development of the mining resources of Latin America.

- To examine the possibilities for industrial complementarity within the mining, metallurgical and metal-working industry.

- To combine the different proposals presented in the workshop into a programme which would contribute to the harmonious development of the mining and metallurgical sector of the region, by seeking effectively to follow up the tasks and actions specified in the workshop.

PARTICIPANTS

Recognized technical experts from different international, regional and national bodies of Latin America and the countries comprising the European Communities have been invited in their personal capacity for the preparation of documents, comments and participation in workshop debates.

ANNOTATED AGENDA

Item I: Possibilities for increasing international trade in minerals and metals from Latin America

I.a Possibilities for diversifying the production and achieving the complementarity and integration of Latin American mining activity

(i) Analysis of the general performance of mining products supply in Latin America; production, consumption and export structures. Development of the metallurgical phases with greatest added value.

(ii) Impact of the world crisis on the behaviour patterns of production, consumption, exports and prices of the mining products of the region. Analysis of the main theories of recovery in the industrialized countries and its potential influence on the evolution of the import structure. Requirements for the reactivation and development of Latin America: Expansion of mines and the external debt service, investments and technology transfer.

(iii) Latin American prospects for supplying the international minerals and metals market. The region's stocks and level of geological knowledge. Requirements for diversifying production and export structures. Needs for commercial and industrial complementarity at the regional level.

(iv) Conclusions.

I.b Possibilities for diversifying the production and achieving the complementarity and integration of mining activity in the countries of the Andean subregion

(i) Diversifying the production and achieving the complementarity and integration of mining activity.

(ii) Marketing systems for minerals and metals.

(iii) Projection of supply and demand for mining products.

(iv) Policies for development of the mining sector of the Andean Group: Technical assistance, technology transfer, horizontal co-operation, the role of public and private enterprises.

(v) Conclusions.

I.c Possibilities of increasing intra-regional trade in minerals and metals

(i) Challenges and the natural resources of Latin America.

(ii) Implications of industrial and marketing policies in the mining and metallurgical sector.

(iii) Present status and prospects of the Latin American mining and metallurgical industry and market.

(iv) Proposal of general and specific lines of action at the regional level for the development of trade in minerals.

(v) Conclusions.

I.d Major marketing systems for minerals and metals

(i) Analysis of the different marketing systems for minerals and metals: Agents, direct sales, centres for mineral purchase, producers' and consumers' agreements and associations, long-term contracts. Influence of the transnational marketing companies. Price formation, structure and evolution: Main determining factors.

(ii) Improvement of the marketing capacity of Latin America in the international minerals and metals market; Improvement of long-term sales contracts; possibilities for forming a regional agency for marketing minerals and metals; other marketing systems or forms.

(iii) Conclusions.

General discussion of Item I

Item II: Development policies of the Latin American mining sector

II.a Technical assistance and technology transfer in the Latin American mining and metallurgical sector

(i) Current state of the technological development of Latin America in the mining and metallurgical sector. The frontier technologies. Policies and standards for technology transfer. Towards a new technological system.

(ii) Regional technical co-operation: Machinery and equipment production; comprehensive programmes for training and research in technology. Exchange of scientific and technological knowledge.

(iii) Co-operation from the developed countries: Access to technological information; decommercialization of certain technological levels; support to technological training and research programmes.

(iv) Conclusions.

II.b Horizontal co-operation in the Latin American mining and metallurgical sector

(i) Background and creation of the Latin American Mining Agency: Objectives and organization; experiences in organizing the National Co-ordination Units.

(ii) Proposals for regional co-operation projects.

(iii) Proposals for bilateral co-operation projects.

(iv) Conclusions.

II.c Investment and development promotion policy, sources and forms of financing

(i) Evolution of the investment levels in the mining and metallurgical sector of Latin America. Installed and utilized capacity, technological levels. Preparation and competitive bidding processes for mining and metallurgical projects.

(ii) Investment requirements and the different stages of the prospection, exploration, production and marketing processes. Investment policy, development and priorities. Policy and management of incentives for domestic and external private investment.

(iii) Investment financing possibilities. Internal and external financing sources: Self-financing, stock market, credit institutions, development banks, loans from machinery and equipment suppliers and minerals and metals purchasers, insurance and risk coverage; direct investments.

(iv) Conclusions.

II.d Financial effects on mining development agreements: Some notes on recent mining agreements in Latin America

(i) Effects of the legal régime on the financing of mineral exploitation.

(ii) Recent events in mining investment legislation and in mining contracts.

(iii) Fiscal régime for mining.

(iv) Settlement of controversies and renegotiation.

(v) Recent mining agreements in South America.

II.e The role of the public and private sectors in the development of the Latin American mining sector

(i) Analysis of some experiences in Latin America, cases of Chile, Peru, Bolivia, Jamaica and Mexico. Conclusions drawn from these experiences: Degrees of sovereignty over natural resources and direct profits, strengthening and effectiveness of the public sector, barriers to the processing and marketing of the region's mining exports, impact at the investment and technology transfer level.

(ii) Effects of the economic and financial crisis on comprehensive medium- and long-term plans and programmes. Requirements in intra-regional and South-South co-operation and the formation of multinational corporations for minerals and metals processing and marketing. Information and training requirements.

(iii) Modalities for North-South co-operation. Mutual interest of the industrialized and Latin American countries in the use of capital, technology and entrepreneurial capacity for guaranteeing a continuous and stable supply of minerals and metals. Common projects for redeployment of minerals and metals processing activities. Possibilities for participation by the transnational corporations in the Latin American multinational corporations. Capitalization of the external debt with commercial banks in favour of mining projects. Principal aspects of new forms in long-term contracts or in mining agreements: Local participation in minerals and metals processing; tax incentives and régimes; purchase of machinery, equipment and terms of technology transfer; administration, marketing and technical assistance services.

(iv) Conclusions.

General discussion of Item II

Item III. Possibilities for regional and interregional complementarity within the mining, metallurgical and metal-working industry

III.a Vertical integration options for Latin American mining

(i) Analysis of the gap between the levels of metallurgical production and the levels of minerals production and reserve potential. Economic analysis of the advantages of the different stages of industrial processing and of the conditions of the international minerals and metals market. Influence of the basic metals industries in the diversification of the economic structure.

(ii) Factors conditioning industrial processing; availability of basic elements and inputs for production; transport costs; technological changes; economies on market scale and size of economies; degree of environmental deterioration; trade barriers; development policies.

(iii) Future expansion of the Latin American market and possibilities for industrial redeployment: Towards a new international division of work?

(iv) Conclusions.

III.b Supply and demand for capital goods in the Latin American mining sector

(i) Production capacity and degree of utilization of the capital goods industry in Latin America. Contract and series manufacturing. Main obstacles facing the capital goods producing sector in the region.

(ii) Machinery and equipment demand for metals mining in Latin America. Size of current and potential regional market, structure of demand for mining equipment and machinery.

(iii) Conclusions.

General discussion of Item III

Final report: Conclusions and recommendations.



