CONSEIL DE L'ATLANTIQUE NORD
NORTH ATLANTIC COUNCIL

EXEMPLAIRE / COPY N° 164

NATO CONFIDENTIAL

ORIGINAL: FRENCH
5th March, 1976

DOCUMENT
AC/127-D/527

ECONOMIC COMMITTEE

METAL COMMODITY ACTIVITIES OF COMECON MEMBER COUNTRIES IN THE DEVELOPING COUNTRIES (SITUATION IN JANUARY 1976)

Note by the German Delegation

INTRODUCTION

Apart from tin, the Soviet Union is fully self-sufficient as regards metal commodities. The other COMECON countries, in contrast, depend fairly heavily on imports of these commodities.

2. The USSR is the most active in the field of commodities and is followed by Rumania and Czechoslovakia. The GDR is not active in this sector. Taking known projects as a whole, priority has been given to Africa. Soviet motivation is mainly political whereas in the case of the other COMECON countries economic interests prevail.

3. An analysis of the reasons which prompt the COMECON countries to engage in certain activities in the developing countries must be preceded by a consideration of how they stand as regards the supply of metal commodities.

I. COMECON COUNTRY SUPPLIES OF METAL COMMODITIES

A. USSR

4. The Soviet Union holds between 8% and 18% of world reserves of copper, lead, zinc, tin and nickel. It also holds 45% of world reserves of iron ore and is the second largest producer of lead, zinc and nickel. Apart from tin, which the Soviet Union will need to import for some years yet, it is a net exporter of the above-mentioned metals to the Communist countries and, increasingly so, to the West.

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5. Reserves of bauxite are limited and the Soviet Union therefore has to use alternative commodities for its aluminium production or else import bauxite from elsewhere. One-third of its aluminium output is dependent on imported bauxite and one-quarter of its production is exported, primarily to the Communist countries.

6. The USSR holds a large proportion of world reserves of the commodities which go into steel production, namely, manganese, chromium, tungsten, cobalt, titanium and molybdenum. It exports manganese and chromium and, to a lesser extent, titanium both to the Communist countries and to the West.

7. The Soviet Union is even better placed as regards reserves of precious metals (20% of world gold reserves, 24% of silver reserves, 40% of platinum); it is the world's largest producer of platinum and the second largest producer of gold.

8. It likewise leads the field for most of the complementary and rare metals; it exports antimony, beryllium, cadmium and magnesium both to the Communist countries and to the West.

B. Other COMECON countries

9. Certain COMECON countries with deposits of their own are major metal producers and even account for a large proportion of world output, e.g.:

- Bulgaria: lead (3% of world production), zinc;
- Cuba: nickel (5% of world production);
- Poland: copper (2.5% of world production), zinc (3.5% of world production), lead, cadmium and silver;
- Rumania: bauxite and aluminium;
- Hungary: bauxite (3.4% of world production).

10. Apart from the metals listed above, certain COMECON countries are self-sufficient in other, home-produced metals. This is true of Bulgaria (as regards copper) and for Rumania (as regards lead and zinc). The COMECON countries are dependent on one another and more especially on the USSR particularly as regards iron ore. The two most industrialised countries, namely, the GDR and Czechoslovakia, are also the most heavily dependent on imports of raw materials.

11. While keeping up their imports from one another, the different COMECON countries are steadily increasing their imports from the industrialised West and from the developing countries. This is due to rapidly rising requirements, to the fact that the USSR is unwilling and unable to provide unlimited supplies (high extraction costs in remote areas) and to the fact that in the past two or three years it has brought her raw material prices into line with world market rates.

II. COMECON COUNTRY AID TO THE DEVELOPING COUNTRIES FOR PROJECTS IN THE METAL COMMODITY SECTOR

12. So far, the COMECON countries have a hand in the production of metal commodities in 34 developing countries of which 19 are in Africa, 6 in the Middle East, 5 in the Far East and 4 in South America. Most of these countries already receive general economic aid from the COMECON countries particularly in the form of credits.

13. A comparison of the number of projects on a geographical basis clearly shows the priority which has been given to Africa: Africa 61, Middle East: 13%, Far East: 8%, South America: 17% (see consolidated tables at Annex).

A. USSR

14. The USSR has a sizeable lead as regards the number of projects (59%). A large number of these consist of general exploration work and were carried out in the fifties and sixties. The results were unspectacular. Only a few of the projects contributed to the harnessing of untapped resources for the benefit of the host country economies.

15. The cases in which the projects have likewise helped Soviet supplies have likewise been limited. Because of the geographical location of tin deposits and inadequate enrichment capacity, the USSR, in spite of its large reserves, has a heavy shortfall in tin which it has to cover by imports. In 1974, these imports totalled 5,200 tons representing about 20% of requirements and of this figure 722 tons (14%) came from Bolivia; in 1975, the latter was to supply at least 1,720 tons. The Soviet construction in Bolivia of a tin ore foundry and plans for two others must be seen in this context. It seems probable that Soviet credits are repaid either in part or in full from tin deliveries.

16. The Soviet Union, as an exporter of aluminium, is attempting to ensure long-term deliveries of those commodities which it lacks (see above). The bauxite mining project in Guinea is a case in point. Seventy-five per cent of production will be sent to the USSR over a period of 30 years in repayment of its investment credit. The most recent projects provide for the construction and financing, by the USSR, of a large aluminium plant in India, total output of which will also go to the Soviet Union.

B. Rumania

17. Rumania, which is behind 21% of the projects in the developing countries, ranks second among the COMECON countries in this respect. It began its activities some 10 years after the USSR, at about the time of the founding, in 1969 and 1970, of GEOMIN, a foreign trade corporation formed by the Ministries of Mining, Petroleum and Geology.

18. The aims of the GEOMIN are to obtain a stake in foreign deposits as a means of obtaining raw materials and to export prospection and mining equipment. The corporation is staffed by some 100 mining engineers and 70 geologists. It has five main departments:

- overseas co-operation;
- technical know-how;
- plant and mining equipment;
- mixed companies and co-operation with mixed companies;
- administration.

Another section, "crude oil, natural gas" was transformed into an independent foreign trade corporation, PETROM, in 1973.

19. In most cases, the projects have been conceived and carried out by Rumania alone, in other words without the involvement either of the USSR or of the other COMECON countries. In the early stages of negotiations, the only condition on which Rumania insisted was that it should supply the necessary plant. Generally speaking, it meets 49% of costs, the developing countries meeting the remaining 51%. Rumania's real aim however, apart from the supply of plant, is to share in the working of the deposits but since production is low in the early years, this is not disclosed at the start of the negotiations.

20. A closer look at Rumanian projects will show that there is a special interest in copper (7 out of a total of 16 projects), followed by bauxite, lead/zinc, nickel and tungsten (one project per commodity). At the present time, Rumania is trying to get in on the working of a large nickel deposit recently found in Burundi.

21. Only one Rumanian project, the Boke project (in Guinea), seems to have been followed by a supply agreement. Here, Rumania, which has its own substantial bauxite and aluminium industry, has negotiated long-term supplies of bauxite and aluminium in exchange for an investment credit.

C. Czechoslovakia

22. Czechoslovakia takes third place among the COMECON countries with interests in metal commodities in the developing countries (12% of the total number of projects). It has four principal aims in this connection:

(1) to obtain long-term deliveries of metals, provided that these are cheaper than on the world market, in exchange for its own involvement in the developing countries;

(2) to create the conditions in which its own mechanical engineering industry can step up its exports;

(3) to cash in on its know-how; and

(4) to contribute to the economic development of the countries concerned.

23. Czechoslovakia, an industrialised country which is short of raw materials, has prepared a wide-range of projects which reflect its needs for different commodities. A start has only just been made on achieving the aims referred to above and nothing is known about Czechoslovak purchases of metal commodities from the developing countries.

D. Bulgaria, Hungary, Poland

24. These countries account for only 3% of COMECON country projects in the developing countries for the working of metal deposits. The aims behind these projects are believed to be the same as those of Rumania and Czechoslovakia. Hungary, a country which is short of copper, is interested first and foremost in supplies of this particular metal (copper projects in Jordan and Bolivia). Data on copper deliveries are not available.

E. GDR

25. Up to the present time, the GDR, a highly industrialised country which is however lacking in raw materials, has taken no action to obtain metals from the developing countries. This fact is not without interest given that it is sometimes heavily dependent for its supply of metal commodities on the industrialised West and on the developing countries (copper 25%, lead 12%, zinc 20%, tin 50%. antimony 70%, tungsten 90%).

III. CONCLUSIONS AND OUTLOOK

26. The conclusion to be drawn from the present account is that the various COMECON countries, for reasons which are common to all of them but which also differ, are playing an active part in the metal commodities sector of the developing countries.

27. All the indications are that the Soviet Union, which is self-sufficient commodity-wise, except for tin, is primarily pursuing political aims, its purpose being to strengthen and consolidate its influence in the countries concerned.

28. The other COMECON countries, for their part, have a keen interest in obtaining commodity supplies and selling plant and machinery.

29. Greater activity by those countries in pursuit of their commodity policy can be expected in the future. Prospection and the extraction of raw materials is on the increase throughout the world. In addition, the developing countries are becoming aware that their raw materials give them power and influence in their dealings with the industrialised countries.

30. At the end of 1975, the USSR and Poland both stated that they would limit their copper production to help the CIPEC countries derive economic benefit from their own output. If this concession by the Communist countries to this particular group of developing countries continues and if it is extended to other commodities and other Third World countries - which are tending to press for such action - the COMECON country commitment in the Third World will grow automatically and this commitment will extend to the build-up of prospection, extraction and processing.

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COMECON country projects in developing countries which relate to metal commodities and on which agreements exist, are under negotiation or have been carried out

I. USSR

Project	Status
AFRICA	
Egypt	
Working of iron deposits in the Bahariah oasis	February 1966: implementary protocol 1967: postponed because of the war 1970: despatch of ore samples to USSR
Exploration for manganese ore east of the Sinai desert	1961: conclusion of exploration
Exploration for manganese ore at Quadi Elba	1961: exploration in progress
Exploration for iron ore with 30% iron content in the Western and Eastern desert	1961: conclusion of exploration, despatch of samples to USSR
Exploration for minerals in the "black sands" (ilmenite, monazite, zircon etc.)	1958: agreement; 1961: end of prospection
Geological exploration, prospection for and extraction of lead and zinc (near Ghig, Eastern desert)	1958: agreement; 1961: conclusion of deliveries for analysis. Extraction scheduled for 1967
Geological exploration and prospection (iron, copper, aluminium, tungsten, chromium, lead, zinc, manganese)	1958: agreement; creation of eight exploration zones 1962: replacement of Soviet experts by experts from the firm of Powell Duffrin Technical Services

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Project	Status
Ethiopia	
Working of gold deposits	1960: agreement and start of work
Geological exploration (minerals) at Galla Sidamo	1960: agreement and start of work
Geological exploration (minerals) in the provinces of Begemdir and Tigré	1968: protocol
Algeria	
Prospection for underground deposits (lead, zinc, tin, nickel, cobalt, gold, platinum)	1968: agreement; 1968: arrival of Soviet technicians
Geological exploration in northern Algeria and in the Hoggar	1972: agreement 1975: prospection work in progress
Dahomey	
Analysis of minerals mined	1971: contract
Ghana	
Geological exploration (Tamale area)	1960: conclusion of an agreement 1962: start of work. Discovery of gold and manganese
Guinea	
Working of bauxite deposits at Debele (Kindia area)	1969: agreement; 1970: implementary protocol; 1972: start of work and arrival of geologists and Soviet engineers specialising in project studies

Project	Status
Geological exploration (gold)	1960: agreement; 1962: agreement on technical aid; 1962: delivery of equipment
People's Republic of the Congo	
Geological exploration at Pointe Noire (non-ferrous metals, gold)	1964: agreement; 1966: Soviet engineers at work; 1971: further sampling; discovery of major deposits of multi-metal ores
Mali	
Geological exploration in the northern part of the country	1962: start of work; 1964: discovery of gold; 1971: contract for further geological exploration in 1971 and 1972
Working of gold deposit near Kalana (western Mali)	1972: agreement
Morocco	
Working of underground deposits near Bou Medine (lead, silver, gold, zinc)	1966: protocol 1967: co-operative agreement
Working of cobalt deposits at Abou Azzer	1967: agreement; 1970: discovery of large deposits in the Quarzazate area
Nigeria	
Geological exploration (ferrous metals and heavy non-ferrous metals)	1970: agreement (for five-year period) 1973: conclusion of iron ore exploration: discovery of iron ore deposits with high metal content in the State of Rvara

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Project	Status
Senegal Gold prospection in Eastern Senegal	1969: protocol; 1972: arrival of Soviet geologists
Sudan Mineral exploration in the Red Sea area (geophysical and geological exploration)	End 1970: arrival of technicians
Tanzania Geological exploration at Mpanda, Sumbawanga and Kigoma	1969: contract; 1971: geologists at work in Western Tanzania (lead, gold, copper, nickel, cobalt and manganese); 1972: further prospection (probably for uranium)
Chad Geological exploration	1968: agreement
Central African Republic Prospection	1970: agreement
MIDDLE EAST	
Afghanistan Prospection for underground resources (sulphur ore, gold, iron ore)	1958: agreement; the prospection was successful
Iraq Exploration of iron ore deposits	1960: agreement

Project	Status
Yemen Working of ore deposits	1972: agreement
Jordan Geological exploration	1969: agreement on economic and technical co-operation; 1972: ratification
Syria Exploration of iron ore, manganese and chromium deposits	1957: agreement; 1960: conclusion of exploration. Fairly large deposits of iron ore, manganese and chromium were discovered in several places
FAR EAST	
Burma Exploration of tin and tungsten mines at Mawchi	July 1970: arrival of experts
India Metal prospection	1972: mission assigned to the USSR by ONUDI
Preparation and extraction of copper at Malanjahand	1973: contract
Indonesia Geological exploration in Borneo	1964: agreement. Work was probably stopped in 1965
Nepal Geological assistance with mineral working	1969: discovery by the USSR of fairly large magnesium deposits

Project	Status
Pakistan	
Exploration for underground resources	1966: agreement
SOUTH AMERICA	
Bolivia	
Exploration of iron deposits in the Mutun region, enlargement of the tin foundry at Oruro	1970: despatch of Soviet experts October 1970: agreement on the despatch of a Soviet fact-finding commission 1972: implementary agreement 1974: agreement on the delivery of plant and despatch of experts by the Soviet Union
Tin processing plant at Potosi	Plans drawn up by the USSR were submitted to Bolivia in 1972 1975: plant under construction (second and third plant at planning stage)
Construction of a tin foundry on the edge of Lake Titicaca	1970: agreement on the despatch of experts 1972: agreement on a feasibility study for this foundry in the La Paz area 1973: feasibility study believed to have been submitted by the Soviet Union

Project	Status
Chile Geological exploration (copper, underground deposits)	1972: agreement
Peru Co-operation in the mining industry	1971: agreement

II. RUMANIA

Project	Status
AFRICA	
Algeria Prospection for precious metals in the Hoggar	1969: contract; gold and uranium are believed to have been found in 1970/71 1974: discovery of ore deposits
Working of copper deposits in the Cavallo area	1969: contract; discovery of copper deposits
Guinea Extraction and processing of bauxite in the Boke region	1974: credit agreement
Kenya Working of lead, silver and zinc in the Kilifi area	1970: agreement. Deposits estimated at 1 million tons of mineral ores which will be processed in Kenya itself

Project	Status
People's Republic of the Congo Geological exploration	1969: agreement. Early in 1970, a team of experts studied iron deposits at Mayoko, and gold deposits at Kelle, and in the Pointe Noire area
Morocco Prospection for copper and nickel in the Ariana and High Atlas areas respectively	July 1973: agreement
Zambia Exploration and extraction of minerals	Early 1970: arrival in Zambia of Rumanian mining experts and geologists
Tapping of underground resources	1970: agreement on copper prospection April 1973: agreement on the working by the Rumanian experts of copper deposits found near Mokambo
Tanzania Working of copper deposits in the Kigugwe area (about 100 km east of Mbeya)	January 1971: agreement
Tunisia Working of mineral deposits	May 1967: agreement
Central African Republic Working of ore deposits, extraction of crude oil, diamond mining	Decree issued in 1974 on the creation of a mixed company

Project	Status
MIDDLE EAST	
Iran	
Prospection for copper	1968: agreement; discovery of deposits in Abbassabad and in Kerman
Assistance with ore extraction	November 1970: co-operative agreement. Exploration for mineral ores, project for the creation of a floatation plant, delivery of a processing plant
SOUTH AMERICA	
Argentina	
Working of tungsten ore at Guandacol	Agreement reached in 1974/75 between the Rumanian State Corporation GEOMIN and a private Argentine firm
Chile	
Copper, lead, zinc and tungsten exploration in the North	1972: agreement
Peru	
"Antamina" copper-zinc project and construction of ore extraction and processing plants	October 1973: agreement

III. CZECHOSLOVAKIA

Project	Status
AFRICA	
Egypt Exploration of copper deposits and analyses	Exploration probably took place in 1957/58
Algeria Geological exploration in the Bechar area	April 1969: agreement
Morocco Exploration of copper deposits at Naour (Middle-Atlas area)	Agreement between the Czechoslovak Foreign Trade Corporation METALINEX and the Moroccan BRPM State Corporation 1972: start of work
Nigeria Working of tin ore on the Jos plateau	1966: start of work (work was still in progress in 1973)
Zambia Prospection for copper and feasibility studies (Hook Batholitu, Kawiri-Konkala, Cheova-Rufunza, Mweze)	1971 or 1972: creation of the Czech METALINEX (Zambia) Mining Ltd in Lusaka
MIDDLE EAST	
Iran Lead ore processing plant	1959: brought on stream
Yemen Prospection for minerals	1974: agreement

Project	Status
SOUTH AMERICA	
Bolivia	
Geological exploration for tin and tungsten	January 1971: arrival of two Czechoslovak mining experts
Antimony foundry at Vinto	February 1971: agreement April 1971: supply contract

IV. BULGARIA

Project	Status
AFRICA	
Somalia	
Construction of a tin ore processing plant	Plant completed: 4th December, 1973
Tunisia	
Geological exploration at Bizerba, Beja, Ghardimaou	1968: agreement

V. HUNGARY

Project	Status
MIDDLE EAST	
Jordan	
Copper prospection	1972: agreement

Project	Status
SOUTH AMERICA	
Bolivia Construction of a copper foundry (probably at Vinto/ Oruro)	December 1970: agreement

VI. POLAND

Project	Status
AFRICA	
Algeria Geological exploration of lead deposits and working of zinc-bearing ore at Guerrouma and Sakamody	Probable agreement in 1969: July 1970: about 30 Polish experts engaged in the Guerrouma area on geological exploration
SOUTH AMERICA	
Bolivia Zinc foundry at Potosi	December 1972: agreement on the preparation of a feasibility study. Six Polish experts have been in the area since early in March 1973. Major zinc deposits have been found