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THE EUROPEAN ECONOMIC COMMUNITY AND SOUTH AFRICA :
THE MINERALS SUPPLY FACTOR

This report analyses the extent to which the issue of minerals supply impinges upon the existing relationship between South Africa and those member-states which together make up the European Economic Community (EEC). First, the EEC's definition of the term 'strategic minerals' is established. Then, the existing minerals supply position is outlined, and the attitudes and response to it on the part of South Africa and the EEC are discussed. Finally, the wider perspective of South African-EEC relations is offered, wherein the bilateral minerals supply position is considered within a broader political and economic framework. This briefing concludes that, while political issues are of undoubted importance, economic considerations will continue to dominate EEC-South African relations for as long as South Africa maintains her considerable significance as a supplier of raw materials to the Community.

Strategic Minerals: in search of a definition

In a 1982 report, an EEC Select Committee dealing with the question of strategic minerals defined 'strategic' on the basis of two criteria: 'criticality' and 'vulnerability'. Criticality was related to the contribution a particular mineral or metal made to a member-state's economy, while vulnerability denoted reliance by a consuming country on imports of minerals. The EEC concluded that strategic minerals comprised those which could be identified as being both critical to vital sectors of the economy and that could not be produced to a great extent within the Community.

Following this definition, minerals regarded by the EEC as strategic, included: chromium, manganese, phosphate rock, and platinum-group metals. Other minerals, more amenable to substitution, were also termed strategic, although to a lesser degree. These were: antimony, cobalt, molybdenum, nickel, niobium, titanium, tantalum and vanadium.

The report gauged the degree of EEC dependence on imports of these minerals. With the exception of antimony (92% imported) and nickel (93% imported), there is no primary production whatsoever of any of these minerals within the Community. According to the British Institute of Geological Sciences, the geological probability of improving this situation was "small or non-existent".

The Minerals Supply Position: the view from Brussels

The EEC has, for a number of years, been acutely aware of the importance of South Africa as a producer and exporter of raw materials. A 1977 report by the EEC Committee on Economic and Monetary Affairs, noted that 80% of global raw materials production is restricted to five states - the USA, the USSR, Canada, Australia and South Africa. A 1982 Select Committee report confirmed South Africa's significance to the EEC, and also noted the equivalent position of the USSR with regard to reserves and exports of several strategic minerals. This situation was viewed as constituting a vulnerable state of affairs, one conducive to the possible disruption of supply. Although other supplier countries could, with time, make up for the loss of South African or Soviet supply access, the report believed that importing European countries could ill-afford the inevitable lead-time delay.

A 1978 study by the West German government substantiated this point by concluding that if supplies of chromium were reduced by 30% for one year, the GNP of West Germany would fall by 25%. A 1982 European Parliament resolution, on the EEC's supplies of mineral and vegetable raw materials, called attention to the "disastrous consequences of disruption of supplies, in particular for employment".

The Community does not regard dependence upon external supply per se as cause for alarm. Rather it is the risk of a disruption of supply that seems to concern the EEC. In this regard the potential for political upheaval in several supplier countries is noted with concern. A confidential 1977 EEC document on the supply of chrome to the Community, classified southern Africa (principally South Africa and Zimbabwe) along with the Eastern bloc, as regions with a high degree of insecurity of supply. The EEC is well aware of its reliance on South Africa for a number of strategic minerals (see fig. 1). It also regards South Africa as an insecure source of supply. The Community's desire to ameliorate this situation is reflected in several measures to reduce its position of minerals dependency on South Africa.

In the late 1970s the governments of France, Britain and West Germany evinced increasing interest in the establishment of emergency mineral reserves. These have since been completed with the emphasis reportedly on those minerals usually obtained from the southern African region. In addition, Britain, France and Germany are actively involved in the diversification of supply lines, improvements in the reclamation and recycling of metals, and the promotion of substitution research and development.

With sharply decreasing rates of mineral exploration and development in the less developed countries (LDCs), the Community is endeavouring to reorientate its supplies in favour of its African, Caribbean and Pacific (ACP) partners.

The EEC/ACP treaty, Lomé II, established SYSMIN, which was designed to assist the ACP states in the maintenance of their minerals export capacities and thereby help stabilise their export earnings by means of the provision, by the Community, of technical and financial assistance. Applying to copper, phosphates, manganese, bauxite, alumina, tin and iron ore, SYSMIN now, under Lomé III, concentrates on restoring the viability of the mining sector through rehabilitation, maintenance and rationalisation in the less developed ACP states. All SYSMIN aid is in the form of contributions to clearly defined projects in the affected ACP member-states. In this way, the EEC hopes gradually to increase minerals production in

fig. 1: SELECT LIST OF METALS AND MINERALS SUPPLIES - SOUTH AFRICA/EEC

(% of certain metals and minerals to the EEC supplied by South Africa)

	FRANCE					FEDERAL REPUBLIC OF GERMANY					ITALY					UNITED KINGDOM					EEC - Average				
	'79	'80	'81	'82	'83	'79	'80	'81	'82	'83	'79	'80	'81	'82	'83	'79	'80	'81	'82	'83	'79	'80	'81	'82	'83
Antimony ore	7	4	14	19	24	3	16	27	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	5	10	10	19	24
Chrome ore	40	31	43	45	75	48	68	70	58	55	22	23	41	19	14	69	73	62	81	92	45	49	54	51	59
Ferrochrome	49	29	29	42	NA	55	58	24	56	60	41	40	16	26	19	42	45	3	NA	NA	42	36	16	41	40
Manganese ore	40	40	41	45	23	60	66	59	66	67	43	46	42	28	55	56	49	49	54	52	50	48	46	46	47
Manganese metal	NA	NA	NA	NA	NA	61	56	57	62	50	59	55	33	33	32	84	63	45	45	60	68	58	45	47	47
Ferromanganese ¹	-	-	-	-	-	8	14	8	10	6	42	25	25	40	28	57	52	83	73	85	36	30	39	41	40
Nickel metal	17	11	10	10	10	15	9	5	6	6	19	19	20	14	6	-	-	-	-	-	17	13	12	10	7
Platinum-group metals ²	12	26	18	5	3	1	9	11	3	8	17	NA	12	NA	3	62	17	12	53	2	23	17	13	20	4

NA - statistics not available

Percentage figures are rounded off to the nearest whole number

1 Total high carbon only

2 Total platinum unwrought

SOURCE: Metal Bulletin Handbook, vol. 2, 1982 and vol. 2, 1984

the ACP states and thereby diversify the sources of supply to the Community.

The Minerals Supply Position: Pretoria's arguments

South Africa is keenly aware of its dominant position as regards mineral reserves, production and supply. This fact is frequently incorporated into the government's foreign policy stances. Pretoria defines the word 'strategic' in essentially military terms. South Africa's minerals are variously described as "of crucial importance" and "of the utmost importance" to the Western economies facing, as the South African authorities argue they do, the Soviet threat to South Africa, and thus to the Western world as a whole. The Minister of Mineral and Energy Affairs warned Parliament in 1980 that "the disruption of stability in South Africa, with a view to gaining direct or indirect control over our mineral resources, is the main aim of Russian strategy in South Africa". Pretoria argues that South Africa, the 'Persian Gulf of minerals', and the key to the continued economic and, by extension, political well-being of the West, should receive all possible assistance from her Western allies.

A 1982 EEC Select Committee commented on the necessity for adopting a "positive attitude" towards South Africa, in order to assist in bringing about "equitable solutions" to the problems of southern Africa. Just what is this "positive attitude"? To what extent is it affected or dictated by the prevailing minerals supply position?

South African-EEC Relations: a wider perspective

There is little doubt that the European Community recognises the significant contribution made by South African minerals supplies to its member-states' economies. In addition, there is evidence to suggest that in some Community quarters at least, South Africa's threat perceptions are shared. In 1978 Leo Tindemans, then Belgian Prime Minister, declared Africa to be the central target in a global conflict. He warned that if suppliers to the EEC of hard minerals came to be controlled by Marxist regimes, which might provide facilities for the Soviet navy and air force, then Western Europe would face the possibility of neutralisation or finlandisation.

However, the Community also has other increasingly important political, cultural and economic links to consider with its LDC partners under the Lomé Treaties; namely those with the ACP states. The ACP group currently consists of 66 states. In 1977, the ACP states supplied the third largest amount of raw materials to the Community; that is supplying 10% of Community imports. The Community believes that these developing countries will play an ever-increasing role in the supply of raw materials to the EEC, in addition to providing expanding market opportunities for EEC goods and services. EEC planners do not regard the present minerals supply position as pre-ordained or static. A 1975 Commission Bulletin declared that the narrow geographic limits of the known reserves of many minerals cannot be regarded as definitive. Possibly, these limits reflect previous exploration trends. In 1982, a Select Committee report noted that the ACP states possessed "potential resources of most of the metals and minerals considered in this enquiry". It seems that EEC governments view greater and more assured access to ACP minerals supplies as the best answer to their future raw materials needs.

The ACP states are not only important producers, but increasingly they are important consumers as well. This region provides an ever-expanding market for EEC goods and services. In 1977, for instance, 37,6% of all Community exports went to the developing countries, compared with 12,5% to the United States and 9% to Eastern Europe. More specifically, EEC trade within black, southern and central Africa is growing. The 1983 trade figures reveal that ACP central Africa and ACP east and southern Africa increased their shares of

exports to the Community to 18% and 12% respectively. The EEC believes that the future economic growth of the Community will depend to a great extent on the rate of development in the less developed countries.

EEC-South African relations have a potentially prejudicial effect upon this situation developing, as most ACP states regard any contact with South Africa as a bolstering of apartheid. EEC governments are aware of this, and it impinges upon their relationship with South Africa. Notwithstanding the historic and economic links between South Africa and Britain, France and the Netherlands, and between West Germany and Namibia, the EEC rejects apartheid for both moral and practical reasons.

EEC concern with South Africa's internal policies is very real, and has been so for a number of years. The question of relations with South Africa is one of very few which have produced a degree of political consensus within the Community. In recent years the EEC has consistently condemned Pretoria's racial policies and attacked its intransigence over the Namibian question. The Community has refused to recognise the autonomy of the black homelands, while the governments of both Britain and France have intervened to minimise sporting links with South Africa. In 1977, the then nine EEC member-states agreed on a Code of Conduct for companies with subsidiaries, branches or representatives in South Africa. A 1983 European Parliament resolution "condemned unreservedly the policy of apartheid in all its manifestations" and urged Pretoria to accept UN Security Council Resolution 435 on granting independence to Namibia.

In the aftermath of the Coloured and Indian elections of 1984, the ten EEC member-states issued a statement expressing their concern over the township violence and the accompanying spate of detentions. They reiterated their call for the dismantling of apartheid and the inclusion of all South Africans in the electoral process.

Following the shootings at Uitenhage, the ten Heads of Government of the EEC issued a communiqué expressing "grave concern" at the "increased tension which is presently developing in South Africa as a result of the continued enforcement of the policy of apartheid", and called on South Africa to initiate a comprehensive dialogue embracing reforms which would guarantee full and equal participation of all South Africans in the political process. The European Parliament passed three motions against South Africa at its April meeting in Strasbourg, although less than one-quarter of its members were present. One of the motions included the imposition of economic, financial, cultural and military sanctions by the ten member-states against South Africa. This was followed by the EEC Commission reportedly drawing up a plan for economic sanctions against South Africa, with particular focus on tightening up the effectiveness, monitoring and observation of the EEC Code of Conduct.

EEC antipathy is understandable. Black Africa is all too willing to make political capital out of the fact that those Europeans - English, French, Dutch and German - who settled in southern Africa failed, in the main, to bring with them those democratic ideals which Europe boasts of as its legacy to the world.

South Africa is a moral embarrassment to the Community but, more importantly, the South African-EEC connection hinders the growth of good EEC-ACP trade relations. The Community's relations with South Africa have prompted the African National Congress to declare the existence of a link between continued minority rule in Pretoria and EEC ties with that regime. Not unnaturally, Community policymakers wish to avoid providing the basis for such accusations. Former French Foreign Minister and currently EEC Commissioner for Mediterranean Policy and North-South Relations, Claude Cheysson, has warned of the dangers of the EEC becoming identified with the white minority. He also cautioned

against the slogan of defending the West against Soviet encroachment. He declared that to put all the problems of Africa under the heading of East-West conflict would be totally incorrect.

The European Community has gone so far as to provide special funding for guerilla movements in southern Africa. In February 1982, an EEC spokesman announced that the Community had approved US \$6 million to help SWAPO refugees. In the same year, SWAPO leader Sam Nujoma, on the occasion of an 'official' visit to EEC member-states, was accorded treatment in Brussels just short of that given to a foreign minister of an associated African state.

However, notwithstanding such apparent sympathy for black liberation, the EEC has repeatedly signalled its unwillingness to disinvest from, or to reduce or suspend trade links with, South Africa. EEC actions against South Africa have yet to take a more concrete form than political rhetoric and/or non-enforceable policy decisions. Even the Code of Conduct - a piece of legislation which perhaps held the most promise of concrete action by the Community - has not been enforced owing to a lack of commitment on the part of EEC member-states. Until this year, calls by members of the European Parliament for sanctions against the Republic have been defeated. In 1983 Commissioner Edgard Pisani admitted that EEC investments in South Africa could not be withdrawn and immediately transferred to other southern African states, owing to the underdeveloped infrastructure in, and the singular lack of manpower and technical capability of, those states.

According to a 1982 report by the Institute for European Economic Studies in London, the European Community has increased its economic stake in South Africa. Britain then had 10% of all its direct overseas investment committed to South Africa, while West Germany doubled its direct investment in the Republic between 1978 and 1981, from DM 857 million to DM 1,7 billion. According to the same report, South Africa remained France's most important market in Africa south of the Sahara. It is of note that more recently, trade between South Africa and Italy rose by 14% in 1984, and is expected to increase during 1985; while German exports to South Africa increased by a third in 1984, despite the South African economic downturn. For its part, South Africa's exports of raw materials to the Federal Republic increased by 17,9% in the same period.

Turning back to the 1982 report, it noted that it is not only the countries of Western Europe which trade with South Africa. On the African continent, 49 out of 52 states reportedly trade with Pretoria despite ideological differences. Of these, Zambia, Zaïre and Mozambique are among South Africa's fastest-growing export markets. Such economic interdependence must temper calls for punitive economic actions against the Republic on the part of the ACP states.

The Assessment:

To what extent, then, does the minerals supply position affect the relationship between the EEC and South Africa? Certainly it does not wholly determine the nature of that association. If this were the case, EEC rhetoric and support for black liberation in southern Africa would be non-existent. But, as the lack of concrete Community action demonstrates, economic pragmatism predominates. Despite its growing trade with the ACP countries, the EEC is not yet prepared to minimise its economic links with South Africa. In the uncertain economic climate of the 1980s, Community member-states are unwilling to risk the inevitable structural dislocations (such as a rise in unemployment) that would result from such actions. Newsweek recently pointed out that the issue of unemployment consistently ranked as the prime concern of European voters (above those of pollution, nuclear disarmament, inflation and crime).

Trade and direct investment undoubtedly enter into the equation. The Community has a considerable economic stake in South Africa which member-states can ill-afford to lose. But it is the risky minerals supply position of the EEC that predominates over moral and political considerations, and over expanding trade with the ACP states. However, the EEC has formally committed itself to fighting apartheid under the terms of the Lomé III Treaty (signed in late 1984), despite attempts by some member-states (especially Britain) to cancel any reference to South Africa in the Treaty itself. The EEC's commitment to the southern African region has recently been increased with the accession of both Mozambique and Angola to the Lomé arrangement. For the foreseeable future, EEC policy with regard to minerals supply access to South Africa's resources will remain consistent. The determining factor in any slight or major policy shift on this issue is the South African government's handling of its domestic policy and regional foreign policy. Any future EEC action beyond the level of rhetoric will variously affect many in the private sector in South Africa - particularly those with direct business interests in the Community. In the event of such action, it would certainly be in the best interests of the private sector to make government aware of this when formulating policy. As a senior official in the Commission recently pointed out: "the very fact that we're working on (sanctions) will put the frighteners on businessmen in South Africa".

Owing to greater industrial output by the EEC, and the development of ever more sophisticated technologies which require a wider range of raw materials, the continued industrial well-being of the Community is now increasingly determined by the assurance of a constant supply of particular raw materials. This fact would seem to be appreciated, not only by the EEC, but by its ACP partners as well. Replying to queries during the negotiations for Lomé II in 1979, the Commission admitted that no ban was imposed on raw materials originating in South Africa and that no measures to restrict the importation of these were contemplated. The ACP states themselves, at that stage, were also reluctant to demand restrictions by the Community on the importation of South African raw materials. The provisions under Lomé III, however, point to possible policy shifts in EEC mineral supply access in the long-term, given its growing commitment to its ACP partners.

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NOTE:

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