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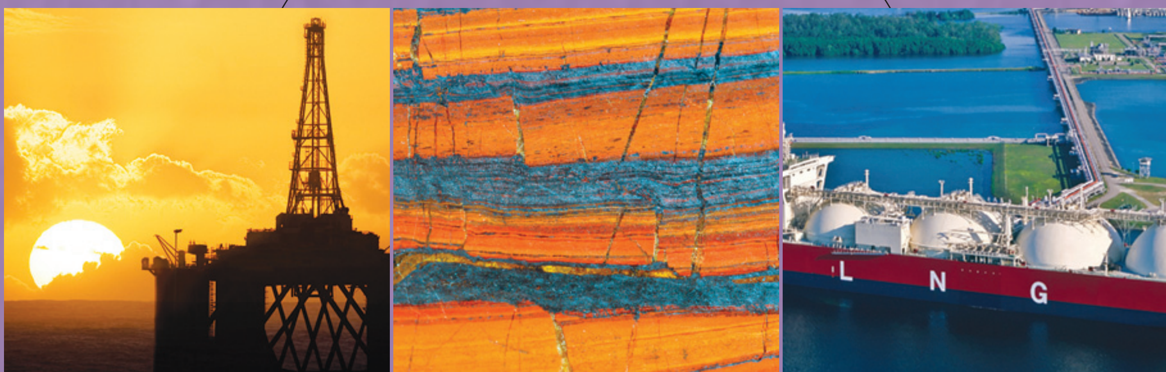
Overview of State Ownership in the Global Minerals Industry



Long Term Trends and Future

Raw Materials Group

THE WORLD BANK

Countries

Table 3 was calculated based on the figures in Appendix 1 and table 1. Countries are ranked according to their total state controlled share measured as a percentage of the value of metal production at the mine stage.

It should be mentioned that the table above does not include diamonds and industrial minerals. Among those there is also considerable state ownership and control of production. (See tables 4 and 5 below.) In the diamond industry there are examples of successful state holdings in Botswana and Namibia. Both countries have formed joint venture companies with De Beers. In each case the state has a 50 percent share in the national diamond mines. The companies are called Debswana and Namdeb respectively. In the case of Botswana the country also has a 15 percent direct interest in the holding company of the DeBeers group, with board representation (two directors) and direct influence on the strategy of the Group.

Table 3: State Shares of Global Metal Mine Production Value 2008

Rank 2008	Total Production 2008 (1)	State Control 2008 (1)	State Share 2008 (%)	State Share 2006 (%)	Rank 2006
1. China	14.8	14.8	100	100	1
2. Chile	7.7	2.0	26	32	2
3. India	5.7	1.6	28	39	4
4. Iran	0.9	0.9	100	100	5
5. Poland	0.8	0.8	100	100	3
6. Uzbekistan	0.7	0.7	100	100	6
7. Indonesia	2.1	0.6	30	16	7
8. Venezuela	0.61	0.53	87	80	8
9. Sweden	0.74	0.5	78	50	9
10. Mauritania	0.32	0.24	75	100	na

Note (1): Percent of total value of all metal production globally.
The state share varies with both the produced volumes but also with the relative value of the metals produced in each country.
Source: Raw Materials Data 2010.

China

Chinese ownership and control

The Chinese mining sector is still largely under state control whether by central government or by regional or local authorities. The rapid growth of mineral production in China can probably be explained by the unique combination of a culture of central planning with the dynamic forces created by the market economic approach of each enterprise. It remains to be seen if this model can continue to be as successful as it has been in the past decade. Serious challenges lay ahead as the rapid growth has created problems such as severe environmental impacts and health and safety issues. The industry structure is fragmented with many small, by international standards very small operations, and the cost of production is relatively high.

No comprehensive literature exists on the path of partial privatization that the Chinese government has chosen for the Chinese mining industry. The energy industries and in particular the oil sector have been much better covered. Given the similarities between the sectors, the approach used when describing the energy sector, has also been selectively applied to metals and minerals.[18] Fuel minerals and metals and non-fuel minerals are resources in the ground owned by the nation. Both industries require large amounts of capital, long lead times and pay back times, and in general a longer term perspective than manufacturing industries. Although some metals and minerals have gradually become vitally important to modern society, metals do not have the overall strategic importance and direct impact on all aspects of the economy as energy, resulting in a much lower political interest in the mining sector. Over a period of time, from the mid-1980s to the mid 2000s, politicians in both China and the industrialized countries did not focus on metals at all.

In the early 2000s Chinese economic growth advanced so fast and the economy reached such a size that domestic mineral supplies were not sufficient to support the current and projected growth in demand. It became necessary to look for new resources abroad and to make the exploitation of domestic resources more effective and less wasteful. A new "two pronged" mineral supply policy was adopted: (i) intensify and

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[18] The following section draws largely on Andrews-Speed, Philip and Zhenning, Cao, "Prospects for privatization in China's energy sector," Chapter 10, in *Exit the Dragon? Privatization and state ownership in China*, edited by S. Green and G.S. Liu Centre for Energy, Petroleum and Mineral Law and Policy, University of Dundee and also Andrews-Speed, Philip and Dannreuther, Roland, "China, Oil and Global Politics," Chapter 4, *China's Growing Presence in the International Oil and Gas Arena*, Routledge, 2011.