Resource Wars: The Lure of South Africa

Are the Soviets on a drive to monopolize scarce mineral deposits? Should Reagan latch onto South Africa as a mineral ally?

When God laced the earth's crust with rare and strategically essential minerals, he smiled on South Africa, the Saudi Arabia of mineral wealth. Down-to-earth considerations have ensured that South Africa exports ever-increasing amounts of these minerals to the United States.

With the election of Ronald Reagan, an escalation is likely in the long-running debate over just how dependent the United States should be on South African minerals.

During the Carter years, the Administration deemed an embargo of mineral imports an appropriate threat against South Africa for the purpose of encouraging human rights and discouraging the development of an atomic bomb. With Reagan's downplaying of human rights, the new Administration's policy toward South Africa may well revert to business as usual. In addition, some Reagan advisers suggest that the Soviets are out to monopolize scarce mineral deposits in unstable parts of the world, and the specter of this "resource war" may further reinforce new U.S. ties to South Africa. A cutoff of minerals is still a possibility, however; the outbreak of large-scale unrest or civil war in South Africa could cause a halt in mineral exports of unpredictable duration.

South Africa, according to its own figures, has 86 percent of the world's known platinum reserves (used in oil refining and catalytic converters), 83 percent of the chromium ore (an anticorrosive additive), 64 percent of the vanadium (for high-strength steels), 49 percent of the gold (used, among other things, in electronics), and 48 percent of the manganese ore (a basic raw material in steel).

Despite this wealth, it was felt during the Carter Administration that any hint of U.S. reliance on South African minerals would hand Pretoria and its friends in the United States a weapon with which to resist pressure for the liberalization of its race policies. Instead, Carter Administration officials sponsored studies on alternative mineral supplies and conservation methods, wooed "moderate" African states rich in minerals, and tried to keep alive the tacit threat of an embargo on the import of South African minerals, which, if enacted, would deny South Africa critically needed revenue. No longer.

In October, Reagan formed a 23-person Strategic Minerals Task Force, made up for the most part of business and mining company officials and chaired by R. Daniel McMichael, president of the World Affairs Council of Pittsburgh. Though they have yet to deliver any formal recommendations, many of these thinkers hold that the United States is engaged in a "resource war" with the Soviet Union—one that calls for a strengthening of U.S. ties to South Africa.* They point to Soviet thrusts into Africa, saying these moves reflect a long-standing ambition of the Soviets, who are largely self-sufficient in raw materials, to target the "weak links" in vulnerable Western supply chains.

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Reagan's defense advisers have already called for a strengthening of South African ties. In June, Joseph Churba, a Reagan adviser and president of the Center for International Security, a conservative research firm in Washington, D.C., spoke in Johannesburg and charged the Carter Administration with "criminal neglect" in failing to take account of South Africa's critical importance to the United States as a supplier of strategic minerals. He said he would urge Reagan to end the U.S. arms embargo against South Africa and to set up a U.S. Navy presence at the Simonstown base.

Of late, fears concerning U.S. dependence on unstable sources of raw materials have been fed by the threat of a cutoff of oil from the Persian Gulf. The school of thought that says the West is vulnerable loves to point out that 70 percent of the world's tin and tungsten reserves are in the Third World. One-third of the world's cobalt comes from Zaire.

For obvious reasons, the South African government actively promotes its role as a minerals supplier to the West. In his 1980 New Year's message, Prime Minister P. W. Botha said, "Naturally we are disappointed that Western nations who are dependent on our mineral resources, who have an interest in our stability and are fully informed on our strategic importance, are apparently not prepared to stand up and be counted in defense of what is of decisive importance to the free world in Southern Africa."

The minerals, of course, are also important to South Africa. The value of minerals produced in 1979 was about $13 billion, or 18 percent of South Africa's gross domestic product. Striving to increase these revenues, the South African government takes an active role in promoting its mineral riches. For instance, the South African Trade Organization, which is government-subsidized, has held a series of "economic seminars" in the United States for corporate executives. At the first one, held in 1977 in Rye, New York, former Treasury Secretary William Simon (and a potential choice for that post in a Reagan Administration) stressed the critical U.S. need for South Africa's chrome, manganese, and vanadium and pointed out that the United States has access to these treasures "under most favorable conditions."

In terms of total imports, according to the U.S. Bureau of Mines, the United States from 1974 to 1977 relied on South

*See, for example, the report of a conference chaired by McMichael: *The Resource War in 3-D: Dependency, Diplomacy, Defense* (World Affairs Council of Pittsburgh, 1980).

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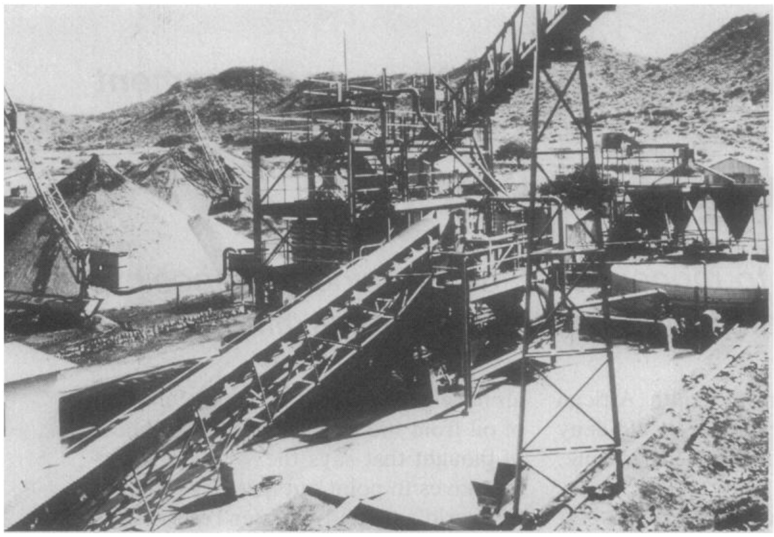

A strategic stockpile? The Groothoek Chrome Mine, near Lydenburg in the North Eastern Transvaal.

Chamber of Mines of South Africa

Africa for 35 percent of its chromite, 38 percent of its ferrochromium, 9 percent of its manganese ore, 30 percent of its ferromanganese, 56 percent of its vanadium, and 42 percent of its platinum. For many of these minerals, this dependence has been increasing since 1977. In a world every day more unstable, this dependence is seen by some as increasingly necessary. Former NATO commander Alexander M. Haig (who is being considered by Reagan for high office) is one who believes that "the era of the resource war has arrived."

While the U.S. dependence on South Africa is admittedly great, the Carter Administration has stressed possible alternatives—conservation measures, alternative technologies, increased exploration and mining elsewhere. A 1979 study for the State Department by Robert Dean, a British mining expert, concludes that "the strategic dependence of the West on mineral supplies from South Africa can be lessened" by investing in the mineral economies of the black-ruled countries neighboring South Africa, despite inadequate transportation and a lack of skilled workers. In comparison to the investment that has poured into the minerals industries of Zimbabwe and South Africa since the end of the last century, the investment funds going to Mozambique, Zambia, Botswana, Lesotho, and Malawi have thus far been a trickle.

U.S. mines might also produce alternative supplies. John D. Morgan, Jr., chief staff officer of the Bureau of Mines, recently testified for the Carter Administration on Capitol Hill, saying that "present submarginal" U.S. chromium deposits could be sources in the near future. They were, after all, in the past. Chromite was discovered in Maryland in 1827, and thereafter the United States was briefly the principal world supplier, but domestic production ceased in 1961 because it had become uneconomic. In general, rich overseas deposits and the availability of cheap foreign labor have decreased the importance of domestic supplies. Tax laws have also encouraged production overseas.

There are additional ways to diversify, according to Carter Administration officials. When South Africa boasts that it has 48 percent of the world's reserves of manganese ore, this only takes account of the land-based reserves. Another provenance is manganese nodules on the sea floor—a source that may, with the successful completion of the Law of the Sea Conference, come into play in the 1990's. In addition to manganese, mineral companies want to mine the sea for nickel, cobalt, and copper.

Minerals seemingly not plentiful on land, moreover, can often be found in abundance—if the price is right. In 1958, for instance, the Bureau of Mines was asked to determine the extent of U.S. supplies of columbium. Morgan says that little was found in the United States and that the consensus was that worldwide production could not exceed 1 million pounds per year. "The price of columbium concentrates at the time was $1.60 per pound," he recalls, "and we said we'd pay a bonus of $1.60 for every pound meeting the specifications established by the government. In 3 years, the government had 15 million pounds of columbium in the stockpile."

Cobalt is another example of how a substantial increase in price can make recovery of unexploited reserves in other countries economically feasible. Two years ago the West went into spasms when Zaire's mineral-rich Shaba Province was thought to have been invaded by rebels. Prices soared. In fact, the high prices resulted in expanded production of cobalt in neighboring Zambia. In addition, a new mine in Canada will soon add large quantities to world supplies. As the cobalt market floods, prices are expected to drop.

The rebel scare in Zaire also encouraged substitution and conservation. For example, Pratt & Whitney, the world's leading builder of jet engines, modified the design of a military engine so that a cobalt superalloy used for making turbine blades could be replaced with a cobalt-free nickle alloy. This change saved 65,000 pounds of cobalt last year in just one spare parts order. For its most widely used jet engine, Pratt & Whitney estimates a similar reduction of 30 to 35 percent in the need for cobalt, starting next year.

Although the Carter Administration has stressed alternatives to South Africa's minerals, the invasion of Afghanistan by the Soviets and the belief that the Russians will grow increasingly dependent on sources of minerals outside their country after the mid-1980's, has made the issue of national security more urgent. Responding to pressure from Congress, the Domestic Policy Review staff of Stuart E. Eizenstat last summer called on the National Security Council, in cooperation with the State Department, to prepare an analysis of U.S. dependence on South African minerals. Because of its potential for undermining the Administration's stance on human rights issues, however, that effort soon collapsed. Picking up the initiative, Congress on 2 October gave final approval to legislation requiring the President to develop a coordinated long-term minerals access plan that would take national defense considerations into account.

Just how a Reagan Administration will address these issues has not been explicitly stated, but its intentions are clear. Reagan has consistently berated the Carter Administration for ignoring realpolitik and idealistically "bullying" countries for violations of human rights. Reagan's pragmatic attitude will probably only be reinforced by suggested threats of a Soviet monopolization of scarce minerals in politically unstable parts of the world. "Let us not delude ourselves," Reagan told the *Wall Street Journal*. "The Soviet Union underlies all the unrest that is going on. If they weren't engaged in this game of dominoes, there wouldn't be any hot spots in the world." Add to this the Reaganite notion that nations ought to be judged on the basis of which side they take in the global chess game, and South Africa with its mineral wealth and market economy may appear to a Reagan Administration as an island of certitude in a world every day more unstable.

—WILLIAM J. BROAD