

MINING BOOM IN LATIN AMERICA *FACTSHEET*



Mining project Yanacocha, Cajamarca, Peru (Photo: Golda Fuentes, CC BY 2.0)

The mining industry is booming in Latin America. Regardless of their political orientation, governments are strongly encouraging the extraction and export of raw materials. This has serious social and environmental repercussions and is the cause of critical debate on the role that mining should play in Latin America. Increasingly, criticism also centres on raw materials policies in the European Union (EU), the largest importer of commodities.

Mining in Latin America

Since colonial times, Latin America has been providing commodities for the global economy. Despite ambitious attempts at industrial activity in the 20th Century, the economies of most Latin American countries still substantially rely on natural resources. Regardless of their political orientation, governments from Mexico to Tierra del Fuego continue to rely on extractivist development strategies based on the maximum exploitation of raw materials and agricultural land and are geared solely towards exporting. The importance of mining has actually increased in the past two decades. In traditional mining countries, such as Chile, Peru, or Bolivia, the industry plays a central role for their GDP and exports, even though it only generates comparatively few jobs.

And even countries without a mining tradition – like Argentina – increasingly promote the industry. The share of Latin America in the worldwide production of minerals is shown below and has almost doubled, e. g., with gold. (see figure 1).

Until the onset of the global financial crisis, commodity prices had been rapidly rising (see figure 2). Between 2003 and 2007, the price for copper quadrupled and the value of gold and silver increased by 350 %. From 1990 to 2010, Latin America's share in global gold production rose from 10.3 % to 19.2 %. In copper production, the share rose from 24.9 % to 45.4 %.

Because it has a wealth of natural resources that are important to the global economy, Latin America is at

Mineral	1990	1995	2000	2005	2010	The 3 biggest producers in the region
Bauxite	22,9	26,7	26,0	27,5	19,0	Brazil, Jamaica und Surinam
Aluminium primary	9,2	10,4	8,9	7,5	5,7	Brazil, Argentina und Venezuela
Zinc	16,8	20,6	19,0	21,0	21,7	Mexico, Bolivia und Brazil
Zinc refined	7,5	8,5	7,3	7,9	7,0	Mexico, Brazil und Peru
Copper	24,9	32,3	43,0	46,5	45,3	Chile, Peru und Mexico
Copper refined	15,7	23,2	25,1	23,7	21,9	Chile, Peru und Mexico
Gold	10,3	12,5	14,4	18,1	19,2	Peru, Brazil und Mexico
Silver	34,2	38,3	26,4	26,3	30,8	Peru, Mexico und Bolivia
Tin	28,3	27,8	26,0	21,2	19,5	Bolivien, Peru und Brazil
Tin refined	23,1	15,8	14,9	18,0	16,6	Peru, Bolivia und Brazil
Iron	22,6	24,9	26,1	26,0	23,1	Brazil, Venezuela und Mexico
Molybdenum	15,8	18,2	35,2	37,3	31,8	Chile, Peru und Mexico
Nickel	11,5	11,7	14,1	15,1	12,9	Cuba, Brazil und Colombia
Nickel refined	9,7	10,1	10,7	13,4	11,6	Colombia, Cuba und Brazil
Lead	13,3	15,5	14,7	14,6	14,5	Peru, Mexico und Bolivia
Lead refined	7,8	7,6	8,4	7,2	7,4	Mexico, Brazil und Argentina

Figure 1: Latin America and the Caribbean: Shares in the worldwide mining industry, 1990–2010 in percent (Source: Comisión Económica para América Latina y el Caribe (CEPAL), J. Acquatella, J. Larde "Panorama regional del sector minero en América Latina y el Caribe", Santiago de Chile, en prensa, 2012, Based on: Oficina Mundial de Estadísticas del Metal, Base de datos Gold Fields Mineral Services y Conferencia de las Naciones Unidas sobre Comercio y Desarrollo (UNCTAD). * Data from 2009.)

the heart of global commodity political interests. In no region in the world, do corporations invest more in the exploration and implementation of new mining projects (see figure 3). Among the 10 most important investment targets for mining are four Latin American countries, which make up a total of 39 %. At 80 %, the largest

number of investing corporations is Canadian. Additionally, companies from South Africa, Japan, Australia, the US, and increasingly also from China, are present. Aside from the ample supplies of raw materials, they are also attracted by low taxes and lower environmental standards.

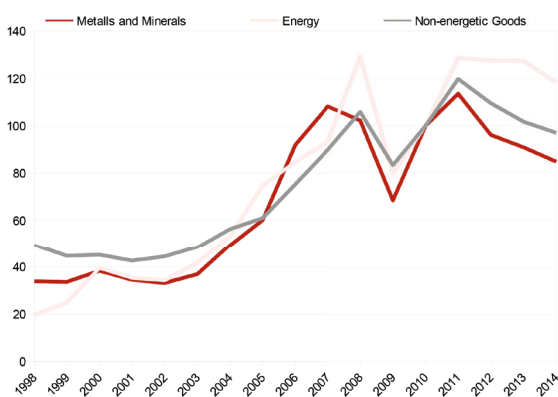


Figure 2: Development of International Commodity Prices, 2010=100, nominal US-\$ (Source: Worldbank Data: Global Economic Monitor (GEM) Commodities Last Updated: 07/31/2014)

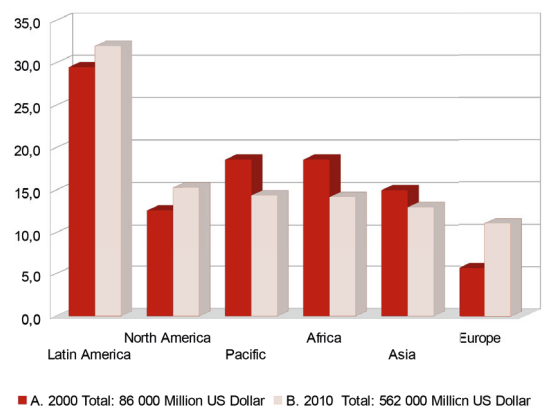


Figure 3: World: Investment in Mining by Region, 2000 and 2010, shares in percent. (Source: Comisión Económica para América Latina y el Caribe-CEPAL. "La Unión Europea, América Latina y el Caribe: Inversiones para el crecimiento, la inclusión social y la sostenibilidad ambiental." 2013, based on: CEPAL, información de la encuesta realizada por Engineering and Mining Journal.)

Latin American Mining Policies

In the 1990s, most Latin American countries passed mining laws aimed at attracting large numbers of private investors. Countries like Colombia and Mexico continue to hold on to their weakly regulated, neoliberal raw materials policies. But the (centre-) left governments, which came to power in most Latin American countries by the end of the 1990s, have set new tones. In contrast to the deregulated extractivism, some countries were able to raise state revenues and invest in social, education, and health programmes. The governments of Bolivia and Ecuador in particular strengthened the role of the state in the extractive industries. Initially, the two governments

also took a progressive stance regarding environmental policies. Both Ecuador and Bolivia have included “good living” (buen vivir) in their new constitutions, as a social objective, which is based on indigenous values and meets critical of the Western concept of development. Furthermore, Ecuador included rights of nature. But beyond the socio-ecological discourse, very little has changed in the Latin American focus on raw materials exports. Nevertheless, the mining lobby has also suffered isolated setbacks. In October 2010, for example, the Argentinian Congress passed a law on the protection of glaciers that prohibits the extraction of raw materials in specific territories.

The Impact of Mining

In all Latin American countries in which mining takes place, the repercussions on the eco-systems and the health of people living in the adjacent areas are severe. High water usage and the danger of water pollution are problematic, for instance. Corporations divert rivers and destroy glaciers. There are no reliable standards on the mining industry’s contamination legacy in the region. In many countries, they are not even recorded statistically and not uniformly defined.

Additionally, mining is very energy-intensive. On a global scale, the sector uses between 8 and 12 % of the total primary energy. The Spanish research institute CIRCE recently predicted a rise from 15 % to 20 % by 2035. The necessary power generation in itself creates environmental and land conflicts, for example over the construction of mega dams.

In conjunction with the mining-boom, the number of conflicts between commodity companies and local populations has grown. The Observatory of Mining Conflicts in Latin America (OCMAL) has counted 208 conflicts, mostly in Mexico, Peru, and Chile (see figure 4). The communities affected by the mining industry distrust transnational corporations, as well as their governments. Local residents, small-scale farmers, and indigenous peoples fight against new mining concessions and rights, as well as oil and gas exploration. They fear the loss of their traditional access to land and forests, the destruction of biodiversity, the contamination of eco-systems and water resources, as well as the associated health risks.

Opponents of extractivism have to fear for their lives in many countries. According to a study by the international nongovernmental organization Global Witness, at least

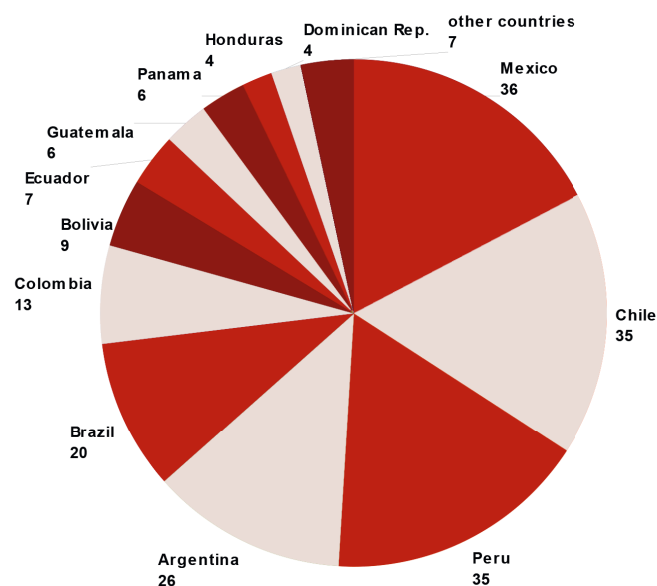


Figure 4: Mining Conflicts in Latin America 2015 (Source: Observatorio de Conflictos Mineros de América Latina – OCMAL. “Mapa de Conflictos Mineros en América Latina”)

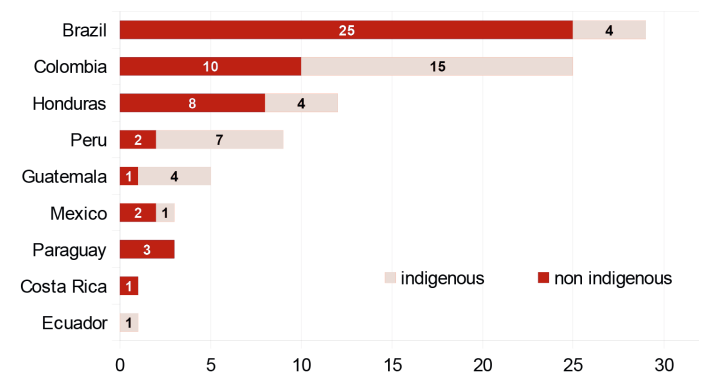


Figure 5: 116 Environmentalists were murdered in 17 countries in 2014 (Source: Global Witness. “¿Cuántos Más? El medio ambiente mortal de 2014: Intimidación y asesinato de activistas ambientales y de la tierra”, 2015)

116 environmentalists have been murdered worldwide in 2014. The most dangerous region for them is Latin America, where three-quarters of these murders were committed (see figure 5). In countries still governed by neoliberal policies, like Mexico or Colombia, the state

meets local protests with open repression. Even in leftist countries that promote extractivism to raise state revenues, responses to conflict and questions regarding the sustainability of the commodity model have caused heated debates and sometimes-violent confrontations.

The Debate on Raw Materials Policies

Critical intellectuals and activists in Latin America describe the raw materials policies of the (centre-) left governments as “neo-extractivism”. They say that while the fair distribution of revenues helps legitimize the resource exploitation, criticism of the negative social, environmental, and economic impacts of the extractivist model has been politically marginalized and criminalized. The critics demand that the mining of raw materials be limited and a transition to a less commodity-based, “post-extractivist” development model be implemented.

To achieve a fair raw-materials policy on a global level, the northern countries with the highest raw material consumption outside China, too, must become active. In the past few years, several initiatives have been created to avoid the grievances caused by corporations and governments. However, many of these are on a voluntary basis. Initial attempts at increased transparency regarding the payment flows of corporations, as well as production and supply chains, are important steps on the path to the socio-environmentally sustainable regulation of the extrac-

tivist sector. But additional legally binding due diligence standards tied to enforceable sanction mechanisms for corporations in the commodities sector, financial service providers, and investors are necessary. In July 2015, an intergovernmental working group on the UN-level started drafting a binding international instrument to regulate due diligence human rights standards regarding transnational corporations. However, this binding UN-treaty, initiated by a majority of southern countries, continues to be blocked by European member states.

Germany and the European Union continue to place the unrestricted access to raw materials above public interests, such as environmental protection and human rights in countries of the global south. Nevertheless, the debate regarding a sustainable raw material policy in north and south, regardless of the different and unequal conditions, must seek to promote an environmental re-routing. It is imperative to overcome a policy that relies on lasting economic growth and a continuing liberalisation of the commodity market.

In a series of publications, the Forschungs – und Dokumentationszentrum Chile-Lateinamerika (FDCL) focuses on the issue of mining. In addition to a booklet on the mining-boom in Latin America and a background paper on the regulation of corporate responsibility, we have created fact sheets and background papers on the Andean countries; Argentina, Bolivia, Chile, Ecuador, Colombia, and Peru, in conjunction with the Observatory of Mining Conflicts in Latin America (OCMAL). More country papers are planned.

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