



## Original Article

Challenges with resolving mining conflicts in Latin America<sup>☆</sup>

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## ABSTRACT

Despite violent protests across Latin America, policies to make mining more environmentally sound and socially acceptable remain elusive. This essay explores the factors that hinder progress in resolving mining conflicts. It describes the fiscal incentives that drive governments to promote mining, the environmental risks inherent in open pit mining, and the divisive property rights that contribute to conflict. While no mining is environmentally benign, more can be done to protect the health and livelihoods of local communities. Progress requires not only improving the technical capacity of institutions tasked with environmental monitoring but also resolving the deeply rooted social divisions in the region. Affirming the rights of local communities – nonindigenous as well as indigenous – to control zoning, water supplies and the financial benefits of mining would both better link governance to those most affected and, in many cases, reduce poverty.

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*“Their reason for killing and destroying such an infinite number of souls is that the Christians have an ultimate aim, which is to acquire gold, and to swell themselves with riches in a very brief time and thus rise to a high estate disproportionate to their merits.”*  
De las Casas (1542)

## 1. Introduction

The recent boom in mineral prices has set off violent protests over the environmental degradation and inequitable distribution of benefits from mining in Latin America. Subsistence farmers have been displaced from land, water supplies have been poisoned, and the protests themselves have led to fatalities. In recent years, protests have occurred in almost every country. Consider the following:<sup>1</sup>

- Six protesters, including two teenage boys, were shot in April 2013 while opposing the environmental harm caused by a Canadian-owned Tahoe Resources mine in San Rafael dos Flores, Guatemala.

- Police tore down highway blockades erected by Ngöbe-Buglé Panamanians who opposed mining projects near their lands, killing two people.
- Suspicions over closed-door planning meetings in Doima, Colombia, boiled over into violent protests against the AngloGold Ashanti mining company.
- In April 2014, Ecuadorian campesino leader Javier Ramirez was arrested without a warrant while returning from a meeting with the Interior Minister, triggering a wave of anti-mining violence.
- Two Mexican environmental rights activists were shot on the steps of City Hall in San Jose del Progreso by gunmen allegedly connected to the Trinidad/Cuzcatlán mining project.
- 10,000 Uruguayans marched down the Avenida 18 de Julio in Montevideo in August 2013 in opposition to large-scale mining regulations proposed by the government.

In response to these conflicts, new initiatives to promote less hazardous and more equitable mining have been implemented by Latin American governments, international institutions, nonprofit organizations and mining firms. Governments have promised moratoria against mining in sensitive areas and greater inclusion of local communities in planning processes; international organizations have sought fiscal transparency as a means of combatting corruption; foreign governments have threatened sanctions against firms to deter human rights violations; and nonprofit groups have launched consumer awareness campaigns to support sustainability certification. Even mining firms – cognizant that political stability enhances profitability – have

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<sup>1</sup> Mining has generated conflict in every country in Latin America. These examples are drawn from Acosta (2013), Lakhani (2014), *Latin American Herald Tribune* (2012), Stringer (2013), Treat (2012), Zorilla (2014).

voluntarily contributed funds to local communities in the name of sustainability. Yet the protests and violence continue.

What accounts for the failure to resolve these conflicts? Can governments ensure that mining is done sustainably – i.e., safely and fairly – and if so, what stands in the way of progress? The obvious barriers to the resolution of these conflicts include poorly enforced environmental standards, insecure land tenure, disputes over national versus regional governance, unresolved aspects of fiscal decentralization, and the contested jurisdiction of international trade tribunals. Underlying these issues are deep divisions within Latin America over economic inequality, cultural identity and political enfranchisement. These problems vary considerably across Latin American countries, as do the mineral endowments that ignite conflict.

The focus of this paper is open pit or surface mining, which accounts for most gold, copper and silver mining in the region.<sup>2</sup> It is this kind of mining that has generated widespread protests against multinational corporations, free trade agreements, and corrupt regimes. Artisanal gold mining also poses serious environmental and occupational risks in the Amazon regions of Peru, Brazil, Bolivia, Colombia and Venezuela. However, the issues at stake and strategies for resolving problems associated with this type of mining are very different and thus the topic of a different line of research.

Given its tiny direct economic contribution in several countries, many activists ask, “Why not just stop mining altogether?” Declarations of moratoria in El Salvador, Costa Rica and Honduras notwithstanding, the prospects for moratoria elsewhere are poor. Section 1 discusses the economic role of mining in Latin America, including its contribution to GDP, exports, and tax revenue. Mining dominates the economies of Bolivia, Chile and Peru, and elsewhere the allure of potential growth driven by mining has proven irresistible.<sup>3</sup> While it is true that until about 2004 mining firms paid few taxes, this has changed in recent years as tax holidays have expired. The payoff to governments – which have proven incapable of tax reform in other areas – often outweighs incentives to protect those hurt by mining.

Industry representatives insist that modern techniques can minimize environmental damage, an issue taken up in Section 2. Many risks such as those from spills of cyanide can be reduced, but the scale of natural disruption associated with low-grade ore defies easy remedy. By its nature, surface mining destroys ecosystems and creates hazards from acid mine drainage that persist for decades. Because each mine poses a unique set of risks, uncertainty clouds environmental assessments. And where the impact is on disenfranchised poor people who lack access to healthcare, claims of long-term health effects are easily dismissed as unrelated to mining. Yet even if benign mining were feasible, few environmental agencies have the resources and political mandate to strictly enforce strict mining laws. International tribunals, created as a result of trade agreements, have exacerbated policy failures by undermining the role of already weak domestic environmental institutions.

The challenges of distributional governance are addressed in Section 3. Inconsistent property rights, patterns of regional inequality, and a lack of alternative employment opportunities confound efforts to compensate those who suffer a loss of

<sup>2</sup> In much of the region, ore grades are low and labor-intensive underground mining is uneconomical. Even Chile, home to the world’s largest underground copper mine (El Teniente) and renowned for the rescue of miners trapped in Copiapó, holds four of the world’s ten largest open-pit copper mines ([Miningtechnology.com](http://Miningtechnology.com), 2013).

<sup>3</sup> Except in Chile, almost all mining is managed by the private sector. This is true even in socialist Bolivia, where the San Cristobal mine managed by Sumitomo of Japan produces half of the country’s mineral exports. In socialist Nicaragua, where gold is one of the top five exports, public sector mining is negligible.

livelihoods as a result of mining. Often it isn’t clear who deserves to be compensated and how best to help people to reconstruct their lives. The redistribution of mineral revenues from national to state and municipal coffers has failed to mitigate conflict, in part because so little is actually distributed in most countries, and because local governments lack fiscal discretion and the administrative capacity to fully address local needs.

Section 4 examines potential solutions to these problems, and explores the extent to which the global sustainable mining movement can address the underlying causes of environmental and social injustice. This movement entails both local protests and supporting efforts by transnational organizations. For example, a coalition of developed and developing countries created the Extractive Industry Transparency Initiative (EITI) to discourage corruption; the *No Dirty Gold* Movement has called for a boycott of unjustly mined gold; and some foreign officials (e.g., in Canada) have sought to restrict access to public financing and trade support if mining companies violate human rights.

Beyond moral suasion, sustainability proponents outside the host country have little direct power to force mining companies to adopt best practices and to pressure governments to promote equity. Nonetheless, developed country governments and multi-lateral organizations can do more than merely insist upon transparency and a mechanistic application of rules regarding indigenous consultation. They can cooperate in building the technical capacity of environmental agencies in Latin America; they can end subsidies to mining companies in the form of low cost financing and trade promotion; they can deny the use of trade tribunals to intimidate governments that seek greater control over mining activity; and they can redefine how multilateral agencies promote mining as a path to poverty alleviation.

Changes must also come from within Latin America, from governments that value social inclusion and ecological integrity as the essence of development. This entails enforcing environmental standards, establishing credible mechanisms for public participation in mining policies, resolving conflict over entitlement to mineral revenue, providing economic security for vulnerable populations, and securing the sovereignty of domestic courts. Even with such efforts, mining will be a dirty process that imposes substantial costs on local communities and habitats.

The challenge of sustainable mining is likely to persist well into the future, despite a recent decline in mineral prices. As Asian wealth grows, the demand for minerals will rise in the long term, even if prices remain volatile. The question is whether Latin American institutions – and those outside the region that frame the rules of investment, trade and economic aid – can make mining more equitable and environmentally sound.

## 2. Why not just stop? The mineral boom and its significance to Latin American governments

Why do governments not act more decisively to defuse conflict by limiting mining activity? Only Chile, Peru and Bolivia draw more than a quarter of export revenues from hard minerals. Elsewhere – in most of Central America, Brazil and the Dominican Republic – the sector has been too small to drive national development. Mining typically accounts for 1% to 3% of GDP in these countries (see [Table 1](#)). The employment impact of mining is equally small: according to CEPAL, it accounts for less than 3% of employment, even in Chile and Peru ([United Nations, 2013](#)). Fiscally, many mining companies paid little or no royalty tax until recently because of tax holidays written into contracts under neoliberal regimes eager to attract investment in the 1990s.

Despite mining’s relatively minor economic impact, nearly every Latin American country has been drawn into mining exploration and extraction in the past decade – in part due to

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