

## **Mining and Stakeholder Involvement: Rhetoric or Reality? Recent Experience in Chile**

*Hernán Blanco and Nicola Borregaard, CIPMA, CHILE, [www.cipma.cl](http://www.cipma.cl)*

### **Introduction**

In this panel we are asked to think about the relationship between trade, mining and stakeholder involvement. In particular, the focus of the panel is on identifying possible opportunities for trade liberalization to contribute to an environmentally and socially better mining. The question is difficult because the link between trade policies, mining production and performance is not as direct as we would think.

In Chile decisions on production and environmental protection in mining have not been *directly* related to specific trade liberalization initiatives. Instead, the unilateral opening of the foreign investment regime, the modifications to the mining code —giving more guaranties to mining companies—, the companies' internal environmental policies and management systems, the recent environmental legislation, and the minerals prices seem to have been fundamental in mining development and performance during the last 15 years. On the other hand, recent trade and investment agreements have not considered explicit provisions regarding mining and the environment, nor have environmental cooperation agreements involved this subject.

There are, however, other *indirect* links between trade, mining and the environment. These links are expressed in international, mainly mining-related forums like the international minerals study group (particularly the International Copper Study Group, sponsored by governments), specific conventions and treaties, like the Basel Convention, ISO 14000, and recent global initiatives, such as the Mining, Minerals and Sustainable Development project, within the Global Mining Initiative (sponsored by the industry).

After presenting basic background information, we briefly review some relevant aspects of the context of mining in Chile, and then we analyze part of the recent experience on mining and stakeholder involvement. We argue that mining today is an extremely globalized activity, and that the environmental and social issues are, at least at the level of production of minerals, of a local nature. This dichotomy makes the involvement of all relevant stakeholders an urgent and difficult task. The paper ends with some suggestions and thoughts about the possible link between trade and the environmental and social performance of mining.

## Background

Mining in Chile has been historically important. The mining of metals, mainly copper, exported an average of US\$ 6,986,3 million per year in the period 1995-99 (over 40 percent of exports). Over 95 percent of total copper production is exported. During the last decade, the mining sector has contributed 8,5 percent of the country's annual Gross Domestic Product. The foreign flow into the mining sector between 1974 and 1999 reached US\$ 14,723 million, equivalent to 36.2 percent of the total Foreign Direct Investment in Chile in this period (US\$ 40,660 million), thus maintaining its position as the sector with the highest contribution and of greatest attraction for foreign investment; and in the years 1989 and 1994 this participation was 72 and 70 percent, respectively. Whereas in the four northern regions, out of thirteen in Chile, mining is the main source of growth and income, quality of life is publicly recognized as poor.

Mine sites in Chile are generally in unpopulated areas in the desert and close to the Cordillera de Los Andes. There are a limited number of small villages, some of indigenous people, about 40-60 kilometers away of the bigger mines. Big cities, such as Antofagasta (250,000 inhabitants), are on the coast, about 100 kilometers from the bigger mines.

Among the main challenges to sustainability are<sup>1</sup>: i) historical, current and future problems associated with the abandonment of mines and mining facilities, ii) water access, use and conflict with other water-demanding sectors, iii) some limited problems and threats to biodiversity in the fragile *altiplano* environment, and iii) economic, social and cultural development in the mining regions beyond the life time of the mines.

To analyze stakeholder involvement, particularly of local interest groups, it is necessary to deepen in the social and cultural characteristics of the mining regions in Chile. This is briefly done in the following section.

### Participation and the “Camp Culture”<sup>2</sup>

In the region of Antofagasta —the most important mining region in Chile—, as in all other regions in the country, the historical influence of political centralization has implied, at the local community level, a culture of dependence on decisions made by the central powers. However, unlike other regions, for Antofagasta's population this political centralist dependence has been strengthened by the further dependence on a single production sector: the mining sector. No other region in Chile depends to such a high degree on a single production sector. As mining has often meant locating workers to remote areas, the industry has taken on the responsibility for housing requirements, including building complete mining towns. The responsibility for running the town, education and health has historically been the responsibility of the company. The reliance of a large percentage of

---

<sup>1</sup> There are other issues, such as air contamination due to smelters, that are being addressed and enforced through regulations and standards.

<sup>2</sup> This section is based, to a great extent, in the partial results of the project “Sustainability Fund for the Antofagasta Region”, funded by UNEP.

the people in the region on the mining sector, and the development of the “camp culture”, has meant the Region has a different social structure and different social involvement.

The mining companies have always provided in a specific manner for their employees and for many of them leaving the “protection” of the company is very hard. Taking responsibility and being involved in local community concerns is a big jump from everything being taken care of by the company. In the last ten years, with new mines being opened, there has been a change in company policies, and a change in the method of helping the miners and their families. There has been an attempt to “wean” the employees away from their dependency.

Even though there has been a change from housing all miners in the same area or building a mine town, nevertheless, workers from one mine tend to have a strong identity with their mine and their fellow workers, and many activities will be with the people from this mine. This is possibly the explanation behind the observation that there is a lack of interest in participating in neighbourhood committees. Scarcely 4 percent of the population of Antofagasta are registered in the neighbourhood committees, compared to 10 percent nationally, and 15 percent maximum. In reality this is not an indication of a group of people who do not care about their environment or who do not want to contribute to the community. It reflects the strong identity with a particular mine and group of workers. All these aspects add to the feeling that the old “camp culture” still exists. Furthermore, it seems in Antofagasta and Calama (130,000 inhabitants) that there is the perception — particularly among the managerial personnel that come from other regions— that this is the place they live at the moment and earn money, but it is not the place they intend to remain.

### **Stakeholder involvement – recent experience**

There are formal (or statutory) and informal opportunities for public participation and stakeholder involvement. The former are defined in the environmental framework law and are mainly related to the Environmental Impact Assessment (EIA) of new projects. The latter are associated with the different forms in which companies and communities interrelate on a more permanent basis. A third possibility for stakeholder involvement has been the international forums related to mining and sustainable development.

In Chile there are very few channels for formal public participation, apart from the permanent political elections. Although extremely limited, the EIA system offers an opportunity for participation. The law states that the Environmental Impact Study, developed by a proponent and submitted to the environmental authority, is of public access, and that organizations and affected citizens can review the Study and send written observations to the authority. The authority, according to the law, should consider public observations in its final decision. This procedure is far away from stakeholder *involvement*, which refers to enabling citizens to commence and take responsibility for a specific process. The approach in the EIA system is, therefore, more consultative than engaging in nature, and hence involvement is quite limited.

The EIA system has been an important milestone in the way decisions, particularly those with environmental implications, are made in Chile. It has also raised the expectations for

public participation in other arenas and beyond decisions for new projects. One important lesson from the experience has been the fact that participative procedures for managing the relationship between companies and communities are badly needed, as well as for designing and implementing policies, plans and programs.

The mining sector, with its explosive growth since the mid 80s, when the EIA system did not exist, contributed significantly to its development and practice. The difficult social and cultural context in which mining is developed has also forced the sector to go beyond formal ways of participation, and to involve with the communities in more direct ways.

A recent interesting experience is the set up of cooperation initiatives between companies, local government and communities, for instance for the joint monitoring of specific environmental components. Mining companies, apart from their direct contribution in terms of employment and taxes, are now contributing to the communities in different indirect ways. It is increasingly apparent that the development of mining areas, particularly in the Antofagasta Region, and the quality of life for the inhabitants has been enhanced by the voluntary contributions, support and help provided not only by the mining companies directly, but also by the workers who have formed innumerable help groups. This help is not always in the form of monetary donations but on many occasions it is a donation of time or expertise. Additionally mining companies have been active in contributing to specific educational or health cooperation initiatives.

In the Region of Antofagasta there is one Foundation, *Fundación Escondida*, that has been created by a mining company in order to systematically confront social aspects, and to create funds making a contribution to the local community that would last beyond the life of the company's mining operation. The Foundation has concentrated its work in three areas: education, health, and technology. It is working to provide minors and adults with the necessary technical formation for working in trades, and in technical and business activities; to establish, maintain and fund medical and educational facilities; to develop technological research for the development of natural resources; to make a positive, long-lasting impact on the standard of living of communities in the Region.

There are a number of interesting elements in the idea of the Foundation. It is a decentralized body from the company that created it (its board includes representatives from the community). Its funding priorities are not anticipated by the Foundation, but are those identified by the community itself. And, it will continue working after the company is gone.

There is another level of stakeholder involvement in the mining sector. This is at an international level. There are many forums related to mining and sustainable development, such as the International Copper Study Group (sponsored by governments), international standards such as ISO 14000, and the Basel Convention. Although in some of these forums there is some sort of participation from NGOs, it seems that much has still to be done to achieve a wider involvement from NGOs, particularly from mining communities.

An interesting initiative in this latter sense is the Mining, Minerals and Sustainable Development (MMSD) project ([www.ied.org/mmsd](http://www.ied.org/mmsd)). Originally an industry initiative,

now this project is also sponsored by non-industry organizations. Its goal is to look to the ways in which mining can better contribute to the transition to sustainable development. The project is being carried out in 6 regions of the world: Latin America, North America, Europe, Australia, South East Asia, and South Africa. The project is directed by the International Institute for Environment and Development (IIED) in London but has, in each of the regions, a partner organization or group of organizations that are working mainly in two related areas: research and stakeholder involvement. In Latin America the partner organizations are the Mining Policy Research Initiative ([www.idrc.org/mpri](http://www.idrc.org/mpri)) and CIPMA ([www.cipma.cl](http://www.cipma.cl)). The research and stakeholder involvement process in Latin America is implemented through partner organizations in the most important mining countries and will be coordinated and integrated by MPRI and CIPMA. The results of this project are expected for the beginning of 2002; they will be an important feedback for the industry, as well as relevant input for the forthcoming Rio + 10 conference.

### **The road ahead**

The road to more and better stakeholder involvement in mining is not easy. The context — historical, political, economic, social, cultural and environmental— is particularly complex. There are many dilemmas to face:

- For companies:
  - how to contribute to the education and well being of the community, without taking a paternalistic approach?
  - how to overcome the prevailing feeling in the communities that the companies provide for *everything*, without generating frustration and opposition?
  - how to change the perception of a number of stakeholders, particularly community leaders, that mining does not leave anything after is gone, without generating false expectations?
- For government and companies:
  - how to overcome the historical centralization in the way decisions are made, without challenging the power of central authorities?
  - how to benefit from good initiatives from single companies towards stakeholder involvement and sustainability —such as the setting up of Foundations—, without missing the opportunity of profiting from potential synergies that the coordination among companies and with local governments might offer?

Communities, on the other hand, need to create a sense of belonging with their cities. They need to look beyond their own mining companies and get organized, informed and participate in the context of their cities. The quality of life in the mining cities —regarded as very poor, particularly by people that come from other regions to work in mining— will probably not improve automatically by the initiatives of single mining companies. There is a need to coordinate the different efforts and take advantage of possible synergies.

Companies, communities and local governments need to establish and maintain sound relationships based on mutual trust. Companies are, in a way, responsible for building a bridge between their globalized world, where they do business, and local communities, where most of the effects stay. They should do an important effort of getting to know their communities, informing them timely and in culturally appropriate ways in a two way communication process, and involving them in the relevant decisions.

Although it is doubtful that future trade or investment agreements will directly address mining and its performance, the liberalization process might broaden its objectives to consider sustainability goals and concerns in general. In the meantime, other international forums —result of globalization, and indirectly related to trade— have to offer avenues for sharing experiences and, for example, designing and promoting codes of practice, standards and certification procedures.

## **Biography**

Hernán Blanco, [hblanco@cipma.cl](mailto:hblanco@cipma.cl)

He's a hydraulic and environmental engineer and holds a Master degree in Environment and Development from Cambridge University. He is currently project coordinator with CIPMA. For the last 4 years he has been actively working on public participation, conflict resolution and trade and the environment. He is the coeditor of the book “Mercosur and the environment”, and coauthor of the book “Public participation to address environmental conflicts”, both published by CIPMA in Spanish.

Nicola Borregaard, [nborregaard@cipma.cl](mailto:nborregaard@cipma.cl)

She is an economist and holds a PhD in Land Economics from Cambridge University. A former director of the economic unit of CONAMA (Chilean environmental agency), she has extensive experience on environmental economics, trade and the environment and the application of economic instruments to environmental issues. She is editor and author of a number of national and international publications, and is currently CIPMA's executive director.