

Comparing sub-national experiences with Canadian mining investments

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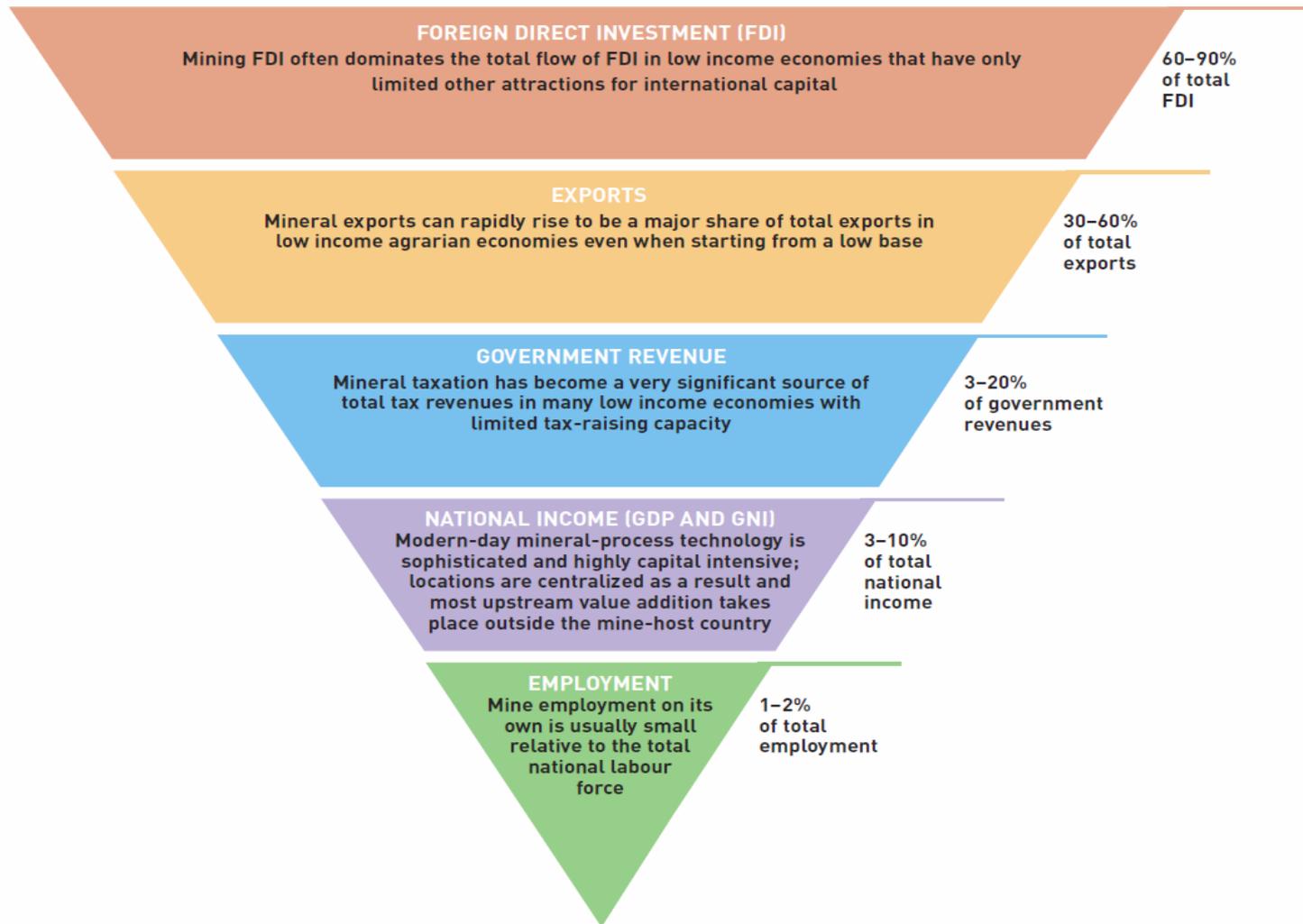
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Canadian Mining Investments in Latin America

- According to NRCan, \$68.6 bn (30% of global CMI). That includes projects in all phases; most in exploration, fewer in development and operation.
- 510 Canadian companies, most smaller but a few very large ones (Barrick, Goldcorp, Teck, Yamana).
- According to own estimates, 66 mines from 42 companies operating in 10 countries, generating revenues for \$18.7 bn in 2011.
- Most mines Chile, Mexico, Argentina, Peru and Brazil. Typical mine is open pit or mixed and extracts gold and silver.

ICMM's view on economic impact of mining FDI

Figure 4: Macroeconomic contributions to low and middle income economies



How to maximize gains for the host country?

- FDI flows: performance measures, ideology changing, BITs and FTAs still limiting.
- Exports: taxes on exports, often linked to degree of processing.
- Fiscal revenues: corporate income taxes, royalties, other levies.
- GDP: main contribution comes from local contracting and labour components.
- Employment: national vs local labour. Emphasis ought to be on linkages, multipliers vary.

Why do jurisdictions matter?

- Criticisms on mining and economic development are:
 - MNCs are profit maximizing and couldn't care less.
 - CSR is irrelevant (0.3% of revenues on average)
 - DC's governments just can't handle it well.
 - Govs are corrupt, unsophisticated, weak, unstable, etc.
 - Sector's own logic and characteristics make it laden with negatives externalities.
 - Unsustainable, globalized, foreign-input-dependent, violence-inducing, culture-wrecking, etc.

Is it always, everywhere, to the same degree?

- From a policy viewpoint, it doesn't matter as mining is happening regardless.
 - Extractivism, left and right, growing.
- So, what can be done?
 - Look into private behaviors, structural forces and public actors.
- Choice here is to look into public actors (less researched, faster changing, still relevant)

But which governments?

- Variation of responsibility on M&EC across the region:
 - Most federal: Brazil, Argentina, Mexico
 - Intermediate: Peru, Colombia, Venezuela
 - Most unitary: Chile, Central American countries
- Matters to how mining investments can assist or not economic development.
 - How mining FDI is regulated:
 - Employment, taxation, environmental impacts, CSR interface, use of local funds.

Mining history and today's experience

- Current boom in metal prices has expanded the frontiers of mining in Latin America.
 - 1990s: most mines in Andean countries and Mexico.
 - 2010s: mining investments in all Latin American countries, except a couple forbidding it.
- What happens in jurisdictions with little mining history or experience?
 - Are issues of asymmetry (MNC vs sub-national) heightened?
 - Is leap-frogging possible? Cross-industry regulatory learning?
- What happens in Jurisdictions with more mining experience?
 - Is the state-led or technology-poor phase helpful nowadays?

Thinking future research

- Hypothesis is that degrees of decentralization and historical experience matter in the “absorption” capacity of mining FDI.
- Current cases: Peru, Mexico, Argentina
- Future cases: Chile, Colombia, Guatemala
- Applications:
 - Setting contours of mining “usefulness” for ED
 - Assisting intra-LAC cross-border learning.