The Morningside Post
April 25, 2013

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The student-run newspaper of COLUMBIA | SIPA

AMERICAS, DEVELOPMENT

April 25, 2013

Great Debate: Mining in Latin America

Is Mining the Key to Latin American Prosperity? Lisa Sachs, Jenik Radon, Leonith Hinojosa, and others weigh in.

Mining represents a great opportunity for economic growth, especially for emerging economies. It is often seen as the path to prosperity. However, the mining industry is a double edged sword. Countries in Latin America are managing to attract significant foreign investment. In Chile, the extractive sector's participation in the economy has tripled in the last 10 years, reaching 15% of GDP. In Colombia and Peru, it has doubled to 10% of GDP. The Santos administration in Colombia has made mining one of its top policy priorities.

However, there may be significant downsides to mining, as governments are forced to offer favorable conditions to mining companies and investors. This is having negative consequences for the environment, national revenues, and human rights. If badly managed, the mining boom might even harm long-term economic growth. This week, communities from Colombia, South Africa, Mongolia, and the U.S. will demonstrate in London against some of the world's largest mining companies.

To shed light on this, *TMP*'s "The Great Debate" turned to the experts to ask:
"IS MINING THE KEY TO LATIN AMERICAN PROSPERITY?"

Lisa Sachs, Columbia University

Foreign investment in mining can contribute significantly to sustainable development, through the transfer of capital and technology, job creation, linkages with local industries, infrastructure development and capacity building. However, the extent to which these benefits actually accrue to host countries depends heavily on the policies of the host country and the investor, and the institutions available to find mutually satisfactory outcomes for both. And the stakes are high— mining has sometimes been a springboard to development and at other times a source of corruption, social degradation, and environmental catastrophe.

Successful resource-based sustainable development requires a multi-pronged collaboration among governments, companies, communities and international partners to ensure a long-term mutually beneficial framework for all stakeholders.

First, governments must have transparent and robust legal frameworks and fiscal regimes that maximize government revenues, implemented and monitored by strong governmental and societal institutions.

Second, governments must incorporate mining in their development plans, including the strategic allocation of revenues into priority public investments.

Third, governments and companies should leverage potential synergies between government priorities and company investments — for instance, developing downstream industries, capacity-building for local suppliers and leveraging mining-based infrastructure (e.g. transportation and power) for broader development.

Fourth, governments and their partners should support integrated development within and beyond the mining regions to ensure that local communities are benefiting from the mineral extraction.

Finally, governments must understand and manage the environmental impacts of potential investments, especially in ecologically vulnerable regions.

Mining *can* be transformative for development but requires proper planning, policies, transparency and collaboration.

Lisa Sachs is the Director of the Vale Columbia Center on Sustainable International Investment. Her academic research focuses on extractive industries, foreign investment, corporate responsibility, human rights, and integrated economic development. She is a member of the UN Sustainable Development Solutions Network thematic group on the Good Governance of Extractive and Land Resources.