

ANALYSIS-Latam faces unrest as mining investment revives

Posted by Reuters News on 01 February 2010, 07:53 AM

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* Miners revive projects in Latin America

* Investments giving rise to social conflict

By Patricia Velez

NEW YORK, Jan 29 (Reuters) - Latin America faces another wave of social unrest as investment in mining, an economic anchor for the region, recovers from the global slump and local communities and workers demand a larger slice of the profits.

Buoyed by rising metals prices, companies are aggressively investing in the resource-rich area after delaying projects at the end of 2008, when the global financial market meltdown rocked confidence.

In No. 1 copper producer Chile, BHP Billiton recently said it would revive billions of dollars worth of projects it froze during the worst of the downturn.

In Peru, the world's third largest copper producer and a major metals exporter, mining giants Chinalco and Xstrata, said at the end of 2009 they will go ahead with plans worth some \$7 billion.

Latin America has a history of tense relations between unions, companies, indigenous people and environmental groups. The tension sometimes has escalated to violent standoffs or extended labor strikes.

So some of the revived projects may be greeted with protests. Analysts say this could slow or stop some developments in the region, which relies on mining revenues to fill state coffers and bolster foreign exchange reserves.

For a graphic on Latin America copper mining, click on: <http://link.reuters.com/qet46h>

For a graphic on copper and zinc prices, click on: <http://link.reuters.com/ret46h>

"In certain areas, where communities oppose projects, then yes -- as they advance there's a higher chance you'll see opposition to those projects," said Daniel Kerner, an analyst at Eurasia Group focused on Latin America.

Local communities say they don't get enough benefit from the billions of dollars mining companies earn in the region.

Governments seek to find a balance between luring foreign investment and protecting the environment and local interests.

"The conflicts we see now could mean a project, instead of being completed in five years, could take seven or eight. It's an cumulative impact we'll see over time," said Juan Carlos Guajardo, head of the influential industry think tank CESCO in Chile.

In June, three dozen people died near the town of Bagua, in Peru's northern jungle, as police broke up roadblocks set by indigenous groups opposed to natural resource exploration on their ancestral lands.

In Ecuador, one person died in September during indigenous protests against proposed water and mining policies.

For Peruvian Mining Vice Minister Fernando Gala, good communication between communities and the government is key to preventing potential conflict.

"Companies have to be more sincere with the government and communicate the problems they have with the local communities," he said.

In Brazil, the Landless Workers' Movement (MST) -- probably the world's largest land reform group - has pushed the government for 25 years to expropriate land and settle poor peasants.

The MST and similar groups frequently occupy farms, block highways and stage rallies to protest against foreign and Brazilian companies like Vale, the world's largest iron ore producer and a key supplier to metals voracious China.

Still, Kerner said that in Brazil "you must see some noise but less than in the other countries."

TOUGHER DEMANDS, INCREASED REGULATION

Rising investment could also mean tougher labor talks and, in some countries, increased regulation.

In Chile, workers staged a two-day strike in January at the world's No. 2 copper complex Chuquibambilla demanding an improved wage offer from top global copper producer Codelco.

After negotiations extended for weeks, workers accepted a revised wage deal that included bonuses worth around \$24,000 per worker.

With this precedent "we could possibly see negotiations with higher level demands," said Guajardo from CESCO.

Copper prices rose 140 percent last year after being hard hit by the financial crisis, along with other metals.

On the London Metal Exchange, benchmark copper for three-month delivery was at \$6,825 a tonne at 1506 GMT, from \$6,890 at the close on Thursday.

In 2009, Chile and Peru's copper output rose slightly to 6.7 million tonnes, more than 35 percent of the copper mined in the world, according to government data.

In recent years, some Argentine provinces, like La Rioja, passed laws that limited exploration work in some areas.

"Mining projects are more and more difficult to develop in the whole world and that is one of the elements that many analysts take into consideration when they say copper prices will be high for a long time," said Guajardo.

(Reporting by Patricia Velez; Editing by Alden Bentley and David Gregorio)