



Third world mining: no limits on pollution?

By Thomas Wälde

A recent international conference in Berlin brought together international mining companies, aid agencies, developing countries and a forlorn environmentalist to discuss what environmental policies are, and should be pursued towards the mining industry in the Third World. In the first of two articles Thomas Wälde summarizes the discussions. The second is a document adopted by the conference.

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Mining is, in most of Western Europe, becoming the dirty part of history. Existing mines are depleted, and some have become tourist traps. Creating big holes and lumps of dirt is not a fashionable industry any longer.

On the other hand, mankind needs a continuing supply of metals and minerals for the needs of an ever growing population.

So where does the supply come from? To an increasing extent from the large reserves of the Third World. Western countries are restricting existing mining activities for many reasons: water reservoir areas must be protected against acid leaching from mine tailings; forest areas from destruction. Agriculture has more defenders than mines. Civilized people do not like to live close to big holes, smell perhaps poisonous fumes from large metallurgical complexes. Tourists like to visit historical minesites - with "son et lumière" and wax figures of historical miners, but they do not come to valleys and mountains where real mines spew out dirt and smoke.

Environmentalism, in short, is a strong force to move mining away from the developed world. Mining is anathema to environmentalism, it attacks mother earth with massive, heavy technology; it uses modern technology with all sorts of chemical compounds to extract metal from ores. It leaves unsightly scars in what is called the natural landscape, and it feeds the greedy mouths of the behemoth of modern economies with loads of materials which produce an endless array of consumer products. Since the needs of the modern economy, as of any economy, cannot do without the products of the mining industry, it moves to where the earth's geology promises a more virgin geology and where the poverty of the people and the hope for wealth leads to less resistance than in the well-to-do, aesthetic and sensitive societies of the West.

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mining companies, the aid agencies, developing countries and a forlorn environmentalist to discuss what kind of environmental policies are, and should be pursued towards the mining industry in the Third World. Eastern European countries - they look like the bad part of the Third World, but are too proud to feel like it - were invited, but did not come (apart from a Hungarian). Two East Germans - where lignite mining and consumption is one of the biggest polluters - sang a song of socialist environmentalist success.

For the developing countries the big issue is: If they adopt the type of stringent environmentalist policies Western countries now pursue, will they give up the hope of faster development?

Mining represents one of the important growth industry in much of the Third World. Foreign investment mostly goes to where huge market demand is, i.e. into the rich countries. Only in mining, where the geology, and not the market, determines the location of industry, can the Third World hope to attract the large capital typical for modern mining investment.

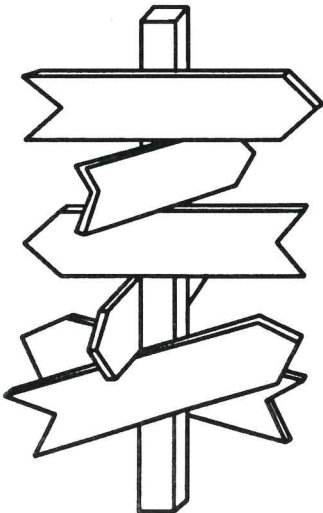
The developing countries hope to generate income, the foreign exchange necessary to buy the many tempting products of the Western consumer society, but also to generate employment and to open up remote areas with roads, ports, power generation and townships. Some developing countries have an overwhelming dependence on petroleum or other mineral industries.

Is environmental protection a good thing, as they hear from multitudes of Western consultants, advisers, preachers - both Christian and environmental or both, or is it another hypocrisy of the rich to deny them their fair share of wealth?

In Western countries, there is all the interest to push the Third World towards strict environmentalism: Western mining companies, now under strict regulation, would not wish to see their Third World

competitors produce at lower costs due to a lax environmental regime. They have established an international environmental council to propagate "green mining" and aim at global reach. Western governments are criticized by their domestic environmentalists for helping Third World governments pollute their countries, cut down their tropical forest and contribute to the greenhouse effect: their aid bureaucracies cannot but look to export environmental policies, at least to make a show of Third World environmentalism to satisfy domestic pressures.

Environmentalists, as most movements of protest in Western countries over the last thirty years, take a particular interest in the Third World, the tabula rasa of world politics. There is a garden of Eden, spoilt by greedy transnationals. Let us bring virtue back to this paradise! The charm of happy tropical countries does not include big mining projects, with giant trucks and shovels. It seems also easier to bring pressure on Western companies operating in the Third World than to face hyper-consumption of polluting hydrocarbon energy by the masses of frenzied consumers in the rich nations. Easier to call to justice a mining project despoiling a virgin tropical forest than to get your own people to give up home heating, air-conditioning or driving cars! The international aid agencies running,



as ever, after the latest fad, have written the environment into their ever hungry agenda - conferences, programmes, titanic battles for jurisdiction among the mighty warriors of the international bureaucracies and jobs for the boys - good jobs, green jobs, even decent and praiseworthy jobs for the more gentlemanly of the wild environmentalists looking for a green afterglow with the jetsetting oldish boys of the world development banks.

What is the result of the discussion on environmental policies for the mining industry in the Third World?

First, environmental protection will have to go through the advanced transnational mining companies: they have adapted most successfully to the challenges of more stringent regulation, they have developed advanced high-tech solutions, and they will continue to do so. They stand to gain, and the weak mining companies, the Third World state mining companies or the smaller companies, are likely to lose out in a race to comply with stricter environmental standards. Environmental protection will therefore be seen as a new ploy of the rich to enslave the world's poor, and the Third World rich will see to it that this view is well appreciated.

Secondly, whatever Third World governments decide will be difficult to translate from policies to actual compliance. Underdevelopment means that much of the law is law on paper, but not in life. The dictates of the state are, outside the realm of Protestant and similar cultures, not much respected. Obedience to the law is already differentiated in the European Community - from North to South, from the Protestant to the Mediterranean cultures, but ever more so when we reach the distant shores of Africa and Latin America. Poorly paid civil servants feel strongly, and perhaps rightly, they need greater income, and any costly regulation of a cash-rich industry - such as environmental rules for mining - is a good way to get such income to everybody's satis-

faction, except mother nature. Many of the innovations in environmental policies - trading in pollution rights, taxing pollution so a polluter can not generate external environmental costs which do not influence his bottom line - are impossible at least hard to introduce in Third World tax and administrative practice. Environmental groups causing trouble and nuisance to everybody are a powerful lever both to evolve environmental regulation and to force compliance, but they play a very minor role in most developing countries. People who are hungry care less about the aesthetics of nature and are not so much moved by the ideal of caring for the sustainable development of future generations, but about today's dinner and tonight's shelter, they may even go so far as to resent the rich world's environmental envoys who wish to care on their behalf. The more educated ones - including those at the Berlin meeting - even mention that most of the greenhouse effect is due to the x-fold energy per-capita consumption in the rich countries.

What can be done and what will be done?

Whatever justification and fairness, it seems clear that environmental pressures on Third World governance will grow. There are many levers for such pressures, subtle and less subtle ones, and since such levers are now exercised on behalf of a noble environmental purpose, there are less scruples in using them.

The Third World is absolutely dependent on *Western finance, markets and technology*. Such dependence gives leverage to the environmental levers: Green conditionality will be attached to loans to the Third World - world bank loans, government loans and perhaps even private bank loans. Green conditionality is already being an explicit or implicit part of most aid programmes - if recipients want it or not, environmental impact assessment is becoming part of the aid process, and the development ver-

sus environment quid-pro-quo will be largely determined in the agencies.

The second lever is *trade*: Calls to penalize "environmental dumping" have already been raised in the United States where the domestic copper industry is most worried about low-cost Chilean copper competition. Environmental countervailing duties (levies on metal imports from countries with a lax regime) are already the worry of the Chileans. Mining is an export-oriented industry, and the market's dictate will ultimately determine mining policies. If Western countries wish to enforce environmental policies in the producer countries, they have the tool to do so.

The third lever is *technology*: Mining technology evolves in Western countries and responds to the regulatory climate. Accordingly, modern mining technology will be very much environmental technology.

Finally, the long arm of environmental law can reach into the Third World: If the Bhopal chemical disaster has established some form of liability of a remote US parent company, can an environmental disaster, or pollution in "normal" operations, not be found by some judge in California or in Europe to be the basis of massive liability of a US or European parent company, quite irrespective of domestic standards in the country of operation?

Not all of this is bad. It is becoming clear that environmental protection is an add-on cost - a kind of costly filter to remove the pollution the operation generates: The best mining technology can no longer be separated from environmental technology - it is both mining and environmental technology. Modern mining technology is based on a complete view of the complete product cycle, on having the optimal mix of technologies based on a very early perspective on the total cycle and its environmental implications. The obsolete perspective would build a mine, and then add the filters. An advanced method is different: It chooses and de-

signs elements of the complete process, from exploration through mining to metallurgical production of metals, perhaps even through the fabrication of products to minimize all costs - production cost and environmental cost. Putting pressure on the mining companies will make the best companies respond creatively. By injecting an environmental concern into the engineers' heads, they will find solutions which at little, or no cost, or even at a cost saving, will produce the metal and minimize environmental damage. The scope for achieving large reduction of environmental costs may be dramatic in the Third World, as it is for energy saving.

Compliance is a problem in the Third World, but there are solutions: Privatizing compliance control has been practised in the most corrupt countries for the most corrupt government sector: Customs. Why should it not be possible to contract out environmental control to internationally recognized and reputed environmental companies who would carry out an independent environmental audit. Companies with a satisfactory audit could get tax benefits, trading benefits, funding benefits, technology benefits. Most companies at this day praise the virtues of the internal audit, but are quite cautious about the external audit. But which internal revenue service will fully confide into a fiscal self-audit, which prudent investor would reasonably trust a bond rating, or a balance sheet merely on the strength of the internal services of a company hired and fired by its top officers? The way to increase compliance must be to go through an independent auditing method.

The spectre of a new environmental colonialism by the advanced Western mining companies needs to be dealt with. Otherwise, worthy goals will be discredited in those eyes where it counts. International aid, financing and the use of the Third World's main asset - its power to grant right of access to promising mines - will have to devise workable methods

to transfer modern environmental technology to those who need it most and can not pay for it.

Finally, while we do indeed have many ways to build better and more beautiful new mines, even in the Third World, something needs to be done about those where most pollution comes from: Large, old, existing mining and metallurgical complexes spewing out noxious fumes and losing acid leach water, and much of those in the realm of the once really existing Socialism. These countries and industries can not afford to purchase environmental high-tech. They do not have the means to retrofit existing polluting plants, monsters of the 1930s, to advanced standards. There seems to be no way but money, Western money, to gradually reconvert or close those dinosaurs of Communism wherever they were built and exported.

Will we have the same environmental standards worldwide? International mining companies probably wish so, and Western aid pressures may soon indicate so. Developing governments will vociferously defend national sovereignty, including the right to pollute as they see fit or, to use a more scientific jargon, to determine the economic development versus environment equation according to their policies and criteria. We feel that a double standard will emerge: A strict standard in the Western countries, particularly in Europe, a transitory more lax standard for the countries bearing the environmental burden of Communism, and a minimum standard for the Third World. The minimum standard will allow, to some extent, developing governments to define what their environment and their people can and should tolerate in the name of industrialization, but it will, enforced by the economic and financial levers of the West, take into account global environmental concerns (mainly cross-border pollution and air pollution from smelters) and bar importation of metals produced in what may be viewed as atrocious pollution, atrocious by any standards.