

Chile: A Fragile Ecosystem; A Fragile Economy



Report and Campaign Proposals on Extractive Industries and the US-Chile Free Trade Agreement

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EXECUTIVE SUMMARY

INTRODUCTION

Chile is overly dependent on extractive industries such as mining and logging, and has some of the highest levels of inequality in the world, which has only been exacerbated by the Free Trade Agreement with the United States, in force since 2004. It is also home to some of the most unique environments in the world - ones that would become endangered by an expansion of mining and logging industries. With a brutal history under the dictator Pinochet, known for his neoliberal economic agenda, which he later backtracked from when he saw that no benefit could be gained from it, Chile is the perfect subject for a campaign against Free Trade, Free Trade Agreements, and extractive industries. Using resources already provided by previous campaigns against mining and logging in the area, we could combine the two sources of information, locate and inform the public on new issues, and shed some light on the history of Chile. Too often used as a prime example of how well free trade works, we could work to change that perception and hold Chile up high as an example of how free trade destroys lives and the environment. As Forest Ethic's Aaron Sanger put it: "It did/does exacerbate environmental and social problems in Chile by boosting the revenue, and therefore the influence, of companies such as Arauco and CMPC--without requiring any new enviro/social safeguards and even lowering some existing safeguards."

KEY FACTS

- Exports are 90% primary materials, with 60% of that focused on mined minerals.
- Chile has some of the highest levels of inequality in the world
- Voluntarily removed and/or reduced many of its highly successful duty drawback system and several sectoral policies as part of the run-up to the FTA because the government dubbed them "WTO-illegal export subsidies." Without these initiatives to expand industry, the Chilean economy runs the risk of becoming even more dramatically dependent on a few extractive industries.
- Barrick Gold Corp. has been target of government reports that just an exploratory mission of the corporation has rendered significant damage to the glacier around the site.
- ForestEthics published reports of over-exploitation of Chile's rare forests and planting of non-native tree species in the forests
- Two of the major logging companies are: Arauco (sometimes called 'Celco') and CMPC (sometimes called 'Mininco')
- Chile has a privatized water system that has caused social and environmental problems, such as ignoring environmental protection, and rising prices that takes water out of the hands out of the poor
- Hydroelectric industries are growing in Chile, which poses a risk to the environment, and which could spiral out of control thanks to the FTA
- Chile would make an excellent campaign as two groups, ForestEthics and Protest Barrick, have done work on mining and lumber problems.
- No Dirty Gold is a campaign being done by Earth Works that focuses on making jewelry stores have "responsible sourcing" of gold. It is possible that we could work with them.
- International Rivers has been doing a campaign against Home Depot for their involvement in helping to fund a dam in Patagonia, Chile, that would be dangerous to the environment. Maybe we could help them?

CAMPAIGN PROPOSALS

Campaigns:

Broader campaign versus Gold Mining companies, including Barrick, partnership with No Dirty Gold campaign (Earth Works)

Focused anti-corporate campaign vs: Home Depot, with support from International Rivers

Get Chile on the TRADE Act: its not on there, along with most FTAs. I don't understand why it shouldn't be. Do you?

Advantages of doing work that involves Chile:

A campaign against the exploitation of the resources here could easily fit with campaigns against the high inequality in Chile, and to a condemnation of the history of neoliberal experiments as brutal affairs, and its obvious failure as an experiment. There are also incredibly unique circumstances in Chile's ecosystem that would allow for easy propaganda - from "save the oldest tree", to "protect the smallest deer".

CHILE, TRADE POLICY, AND EXTRACTIVE INDUSTRIES

Chile's ecosystem relies upon the glaciers in the mountains melting down and flowing throughout the country. Many groups of people living in Chile also rely deeply upon these glacial rivers. The many unique animals, such as the world's smallest deer, the pudu, now listed as Vulnerable in the IUCN list of threatened species, depend upon this balance, and on the incredibly isolated ancient forest in and around the Andes that make up Chile. (8) Not for long, with the FTA.

Similarly, Chile's economy relies upon a tenuous balance between government and the private sector. With some of the only financial system controls of an OECD (Organisation for Economic Co-operation and Development) member, and requirements for investment that make only long-term, profitable investments worthwhile, Chile's economy is as unique as its fauna. And with exports that are 90% primary materials, with 60% of that focused on mined materials, in particular copper, Chile is, also, less uniquely, overly sensitive to the common shocks of the market. (7.) Which is encouraged by the FTA.

Unfortunately, thanks to the Chile-U.S. Free Trade Agreement, which contains NAFTA-like provisions in Chapter 10, both of these rare systems are at risk. Chile voluntarily removed and/or reduced many of its highly successful duty drawback system and several sectoral policies as part of the run up to the FTA, because the Chilean government dubbed them "WTO-illegal export subsidies". Without these initiatives to expand industry, the Chilean economy runs the risk of becoming even more dramatically dependent on a few extractive industries, and so more sensitive to shocks. (7.)

The Atacama desert in northern Chile, the driest in the world, is also the home of the mining industry of Chile, and its most precious stone - copper. The altiplano (which includes Chile, parts of Argentina, parts Bolivia, and parts of Peru) produces 40% of the world's copper. One of the largest open-pit copper mines in the world, Chuquibambilla produces 18% of the world's copper. Chuquibambilla also, in order to keep this mine running, pumps in 15 billion gallons of water a year - 8 times the consumption of the capital of Santiago. This can cause aquifers, the natural wells under the rocks that farmers have been relying on for more than 2,000 years. (11) It also pollutes the Loa River, the longest river in the country. (10) Codelco, which owns this mine, is a state owned corporation, nationalized by Allende and, after the violent military coup, Pinochet formalized the creation of this corporation by decree. (9) I don't know how this connects to free trade, but I think it shows that obsession with extractive industries is a deeper issue than just the agreements, and being thrown open to the global market without proper protections is the beginning of serious risks.

A not so treasured rare system of Chile is known as the "Chilean Model", and is a way to privatize water sources. A system wherein the president, investors, the Ministry of Public Works, and the Water Cadastre all work together to ensure investment in the Chilean water system. Unfortunately, for Chileans, this has meant a decrease in availability of water, with price increases of anywhere between 41% to 240% between the years 1986-2000. In 2005, a reform bill called the Water Code Reform was passed that was intended to deal with the many social and environmental problems resulting from this privatization of water. The Major changes were: "1) Giving the President authority to exclude water resources from economic competition in cases where necessary to protect the public interest. 2) Obliging the General Directorate of Water Resources (DGA) to consider environmental aspects in the process of establishing new water rights, especially in terms of determining ecological water flows and protecting sustainable aquifer management. 3) Charging a license fee for unused water rights and limiting requests for water use rights to genuine needs, as a deterrent against hoarding and speculation." (10) This problem is exacerbated by the FTA.

~40% of electricity is produced by hydroelectric dams. Endesa and Colbun, two electric companies, formed a joint venture called HidroAysen to develop hydroelectric dams. This venture proposes to build 5 dams on the Baker River and Pascua River. "The HidroAysén project is being opposed by the Natural Resources Defense Council (NRDC), Ecosistemas, the Citizen Coalition for Aysen Life Reserve, and Chilean celebrities. The opposition argues the project would be environmentally devastating, lead to more destructive projects, ruin pristine ecosystems, and that alternatives such as conservation policies remain to be instituted." (10) This problem will grow as more and more foreign investors look to make a profit off of this expanding, dangerous, industry. International Rivers is heading a campaign against Home Depot for their support of the project, through financing by purchasing materials produced by two companies which are the pawns of two larger companies. These two pawns also happen to be the two named by ForestEthics having having the most impact on the Chilean environment. Go figure....

Barrick Gold Corp. has been pulling the moves on Chile for some time, actions that not only the people, but the government is suspicious of, especially after government reports that just an exploratory mission of the corporation has rendered significant damage to the glacier around the site that Chile depends so much on. (1, 2) This is known as the Pascua-Lama project, which is strongly opposed by the indigenous population there. Said one woman from a group of 250 indigenous families that inhabit this "the last unpolluted valley of northern Chile" to Barrick Gold Corp., "We do not need your money, and we are not seeking compensation," she said. "We just want you to leave our lands and allow us to live in peace." (12) With the FTA, Barrick Gold Corp may be in a better position to attack the Chilean government and ignore the wishes of the people in the area, and sue for the right to mine areas that whole communities rely on to be clean.

ForestEthics has also published reports of over-exploitation of Chile's forests, which are some of the rarest in the world (.2% of the world's forests are similar to Chile's), and home of the world's oldest tree (the 5,000 year old Monkey Puzzle Tree), and the planting of non-native tree species in the forests. (3) New gateways for foreign investment in logging may throw this delicate area of the world more out of balance. Arauco and CMPC are two companies that have been having a negative impact on this environment, which are owned by two larger companies

that are funding the dam that International Rivers is protesting.

Here is what Aaron Sanger, of ForestEthics, had to say on the effects of those logging companies taking advantage of Chile's age old forests, and the effects of FTAs on Chile:

“It did/does exacerbate environmental and social problems in Chile by boosting the revenue, and therefore the influence, of companies such as Arauco and CMPC--without requiring any new enviro/social safeguards and even lowering some existing safeguards. Of course, with China now replacing the US as Chile's 'most desirable customer', and revenues to Chilean companies from the US in decline, it would be good to consider whether China or the TLC is currently the bigger 'exacerbater'.”

CAMPAIGN PROPOSALS

Chile would make an excellent new campaign, as two groups (ForestEthics, Protest Barrick) have done extensive work on mining and lumber problems in Chile. Chile is also a perfect subject for extractive industries, as the nation is overly dependent on them for its growth. It also has some of the highest levels of inequality in the world and a unique economy that arose out of the original site of the (failed) neoliberal experiment in Chile under its dictator Pinochet. A campaign against the exploitation of the resources here could easily fit with campaigns against the high inequality in Chile, and to a condemnation of the history of neoliberal experiments as brutal affairs, and its obvious failure as an experiment (Pinochet himself, after a few years of experimenting with the privatizations recommended by Milton Friedman, his close friend, backtracked when he saw the glaringly obvious poor performance of the experiment). (7) There are also incredibly unique circumstances in Chile's ecosystem that would allow for easy propaganda - from “save the oldest tree”, to “protect the smallest deer”.

Dirty Gold Campaign. Earth Works is doing a campaign to convince jewelers to sign on to their agreement to have “responsible gold sourcing”, called No Dirty Gold. This campaign would involve working with them, protesting outside jewelers that have not signed onto this (notably, Target), and educating people through protests and...I don't know, teach-ins or some shit...about how horrible gold mining companies like Barrick Gold are, and all the horrible things they have done, and why we should be careful when mining gold. Or stop mining gold almost all together, as jewelry seems to hardly justify an extractive industry. But that's just me...Anyway, the main goal would be adding more jewelers, with the added benefit of raising some awareness about the horrors of gold mining at a popular store.

Adding US-Chile FTA to the TRADE Act . This would involve bugging the co-sponsors and sponsors of this bill that will never be voted on to add Chile to the TRADE Act. The point of this is...well, who knows! Since this bill isn't going to be voted on, or supported, by these people anyway, especially not if we think to add another country that has the same problems as the other countries implicated in the trade agreements on the bill! But I don't think this is a good campaign anymore, because MOST trade agreements aren't implicated in the bill anyway, and I hardly see the point in adding Chile to this. But maybe someone else will disagree, so I'm keeping this in here.

Patagonia/Home Depot Campaign Next we turn toward a specific anti-corporate campaign against Home Depot, for their financial support of the dams in Patagonia, and also two lumber companies that chop down the Chilean temperate rainforest. Our allies would be International Rivers and Forest Ethics. We would make flyers and protest outside of Home Depots, handing them to customers. Wetlands,GJAE's parent organization, has a history of successful campaigns against Home Depot – we were part of a national campaign against them from 1998-2000 that led to the company agreeing to phase out wood products from endangered forests. We still have many campaign signs and banners from that campaign that could easily be updated to the current issue. Our volunteer base would also be excited to take another shot at an old foe.

The following was ForestEthics' reply when asked what might be an effective focus for a campaign on Chilean forest resource extraction and the US-Chile FTA.

“Hi Howl, the two specific company names that would be useful to you, based on my experience, are Arauco (sometimes called 'Celco') and CMPC (sometimes called 'Mininco'). See attached for a report we did with our Chilean partners in 2008, based on direct audits of Arauco and CMPC and other information. Give me a call if you have questions about the attached. You will see reference in the file name and the document to 'JSP'. That stands for "Joint Solutions Project," which started in November 2003 and ended in August 2007. Since August 2007, ForestEthics has not had any direct interactions with either Arauco or CMPC, but we are aware of campaigns started since then (e.g., the Patagonia Campaign of International Rivers) that have focused on Arauco and CMPC. We have supported those campaigns.

And I'd love to know about your possible campaign. Looks like it might be focused on wetlands threatened by Arauco and/or CMPC. And based on my experience in Chile, that focus would be very helpful.

Best,

Aaron Sanger, M.S., J.D.
Director, U.S. Campaigns
ForestEthics
360 734 2951 ext 203”

In a followup letter Aaron commented on the role of the FTA in relation to environmental destruction in Chile,

“In Chile, here's what they call the FTA with the US: Tratado de Libre Comercio (TLC). It did/does exacerbate environmental and social problems in Chile by boosting the revenue, and therefore the influence, of companies such as Arauco and CMPC--without requiring any new enviro/social safeguards and even lowering some existing safeguards. Of course, with China now replacing the US as Chile's 'most desirable customer', and revenues to Chilean companies from the US in decline, it would be good to consider whether China or the TLC is currently the bigger 'exacerbater'.”

Below are details on International Rivers Network's campaign against Home Depot for colluding in the destruction of Patagonia

From International Rivers:

Dam Home Depot, Save Patagonia's Rivers

Read about International Rivers' Action at The Home Depot's Annual Shareholder Meeting:

The Home Depot is the largest US buyer of timber products from the Matte Group, one of the companies planning to build five big dams on two pristine rivers in Patagonia, southern Chile. The dams and their associated transmission lines would ruin rivers, flood rare endangered forests and destroy livelihoods.



Why The Home Depot? Every year The Home Depot purchases 50 million dollars worth of timber products from the Matte and Angelini groups – owners of wood products companies CMPC and Arauco– which together control the main Chilean owner of the dam consortium called HidroAysén. The Home Depot claims that it works to protect Chilean native forests, but [the dams and their transmission lines would require clearcutting and flooding of untouched temperate rainforests of a type found nowhere else on the planet.](#)

The Endangered Wilderness of the Pascua

Patagonia Campaign supporters have sent thousands of emails and postcards asking Home Depot to stop buying timber from suppliers that plan to destroy the rivers and forests of Chile's Patagonia. International Rivers is also [working closely with leading US Socially Responsible Investment firms](#) to encourage The Home Depot to conduct business in a socially and environmentally responsible manner and discontinue their support for companies involved in HidroAysén.

However, The Home Depot continues to drag their feet on this issue, ignoring the demands of their customers, their shareholders and the environmental community. Although the company is at risk of ruining their reputation as a leader in environmental responsibility, The Home Depot is attempting to downplay the influence they could have on the Patagonia dams scheme. We're calling on The Home Depot to protect Patagonia and [stop buying timber products from the Matte and Angelini groups.](#)

Organize an Action at The Home Depot Near You!

Thanks for your interest in taking action to Save Patagonia from a 5 dam scheme called HidroAysén. Actions are already happening around the country and will continue in order to pressure The Home Depot into protecting Patagonia's rivers.

Why The Home Depot?

The Home Depot is the largest buyer of timber products from the Matte Group, one of the owners of the company behind HydroAysén – a plan to build 5 big dams on the Baker and Pascua rivers in Patagonia, southern Chile. The dams and their associated transmission lines would require clearcutting and flooding of a type of forests found nowhere else in the world.

We're calling on The Home Depot to protect Patagonia and stop buying timber products from the Matte and Angelini groups.

How You Can Help

Educate your community and mobilize US opposition to the Patagonian dams. Organize a community action at your local Home Depot store.

Fill out the form below to receive materials and information on how to organize an action at your local Home Depot store.

We'll email you a Patagonia Action Kit that will provide background information and ideas and tools to take action. **Let us know how many flyers, factsheets, and stickers you want us to mail you, along with the store location, approximate date you'll do the action, how many people will be involved, and what type of action you're planning.**

If you've never organized an event before, send us an email or give us a call; we can help you work out the details.

Together, we can get The Home Depot to do the right thing.

SOURCES

1. <http://www.miningwatch.ca/en/halifax-initiative-publishes-canadian-mining-map>
2. <http://halifaxinitiative.org/updir/miningmap.pdf>
3. <http://www.forestethics.org/chilean-government-weak-on-native-forest-protection-and-illegal-logging-1>
4. http://www.ustr.gov/sites/default/files/uploads/agreements/fta/chile/asset_upload_file1_4004.pdf
5. <http://www.citizen.org/Page.aspx?pid=3049>
6. <http://www.citizen.org/documents/CTCpressreleaseCHILE.pdf>
7. <http://www.citizen.org/documents/chilealternatives.pdf>
8. (plus, a nature show on chile's unique ecosystem on PBS, and some wiki articles on some animals)
9. <http://en.wikipedia.org/wiki/Codelco>
10. http://en.wikipedia.org/wiki/Water_resources_management_in_Chile#cite_note-FAO-12
11. <http://www.orionmagazine.org/index.php/articles/article/158/>
12. <http://protestbarrick.net/article.php?id=595>