

Conference in Bogota, Colombia:



Environmental & social impact in the extractive industry

# A Global Economic Perspective

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The Fraser Institute

# Why is Mining Policy Important

A large, faint, blue-tinted image of a globe showing the continents of North and South America, serving as a background for the slide.

# Poverty and Mining Policy

- Mining policy is often shaped by a call to help the poor and nationalize resources in their name.
- Nations that adopt such policies tend to do so for both the mining sector and for the overall economy.
- Similarly, anti-mining activists, usually from rich nations, will try to mobilize local opposition to frustrate mining development on the grounds mining does not benefit the poor.

# Time for Facts



So the important question for government and the mining industry is:

- What policies reduce poverty and create prosperity – in other words, what policies are most *economically and socially responsible?*
  - Free market policies that favor private investment including in the mining industry
  - Government directed economies and expropriation of resources “for the people”
  - Blocking mining development

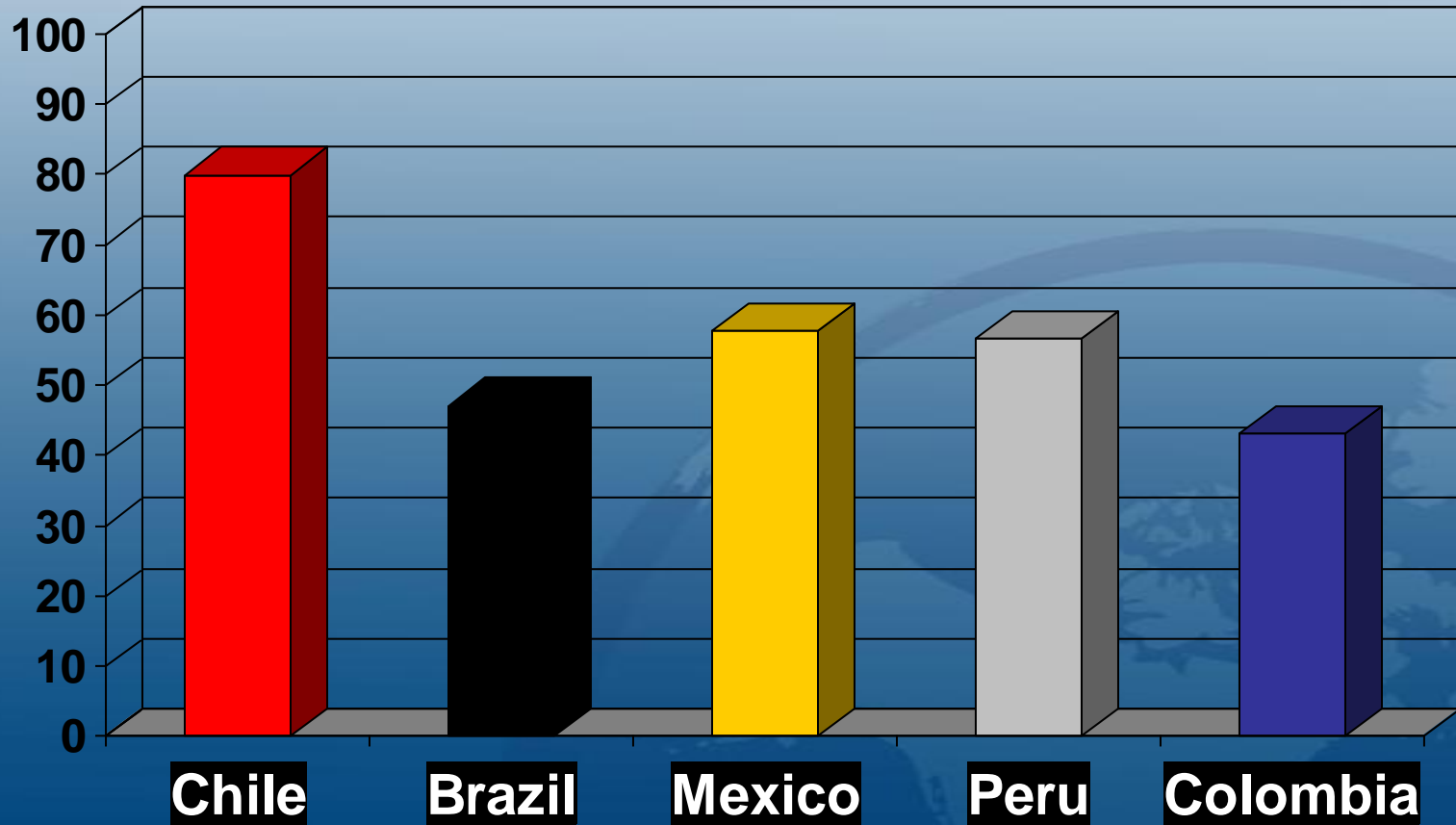
# A Latin America Example: Reducing Poverty



- Chile remains a world leader in the mining survey and has a market friendly economy
- Peru, Brazil, and Mexico have mediocre scores from the mining community and a weaker commitment to markets than Chile.\*
- Which approach has best served the people, particularly the poor?

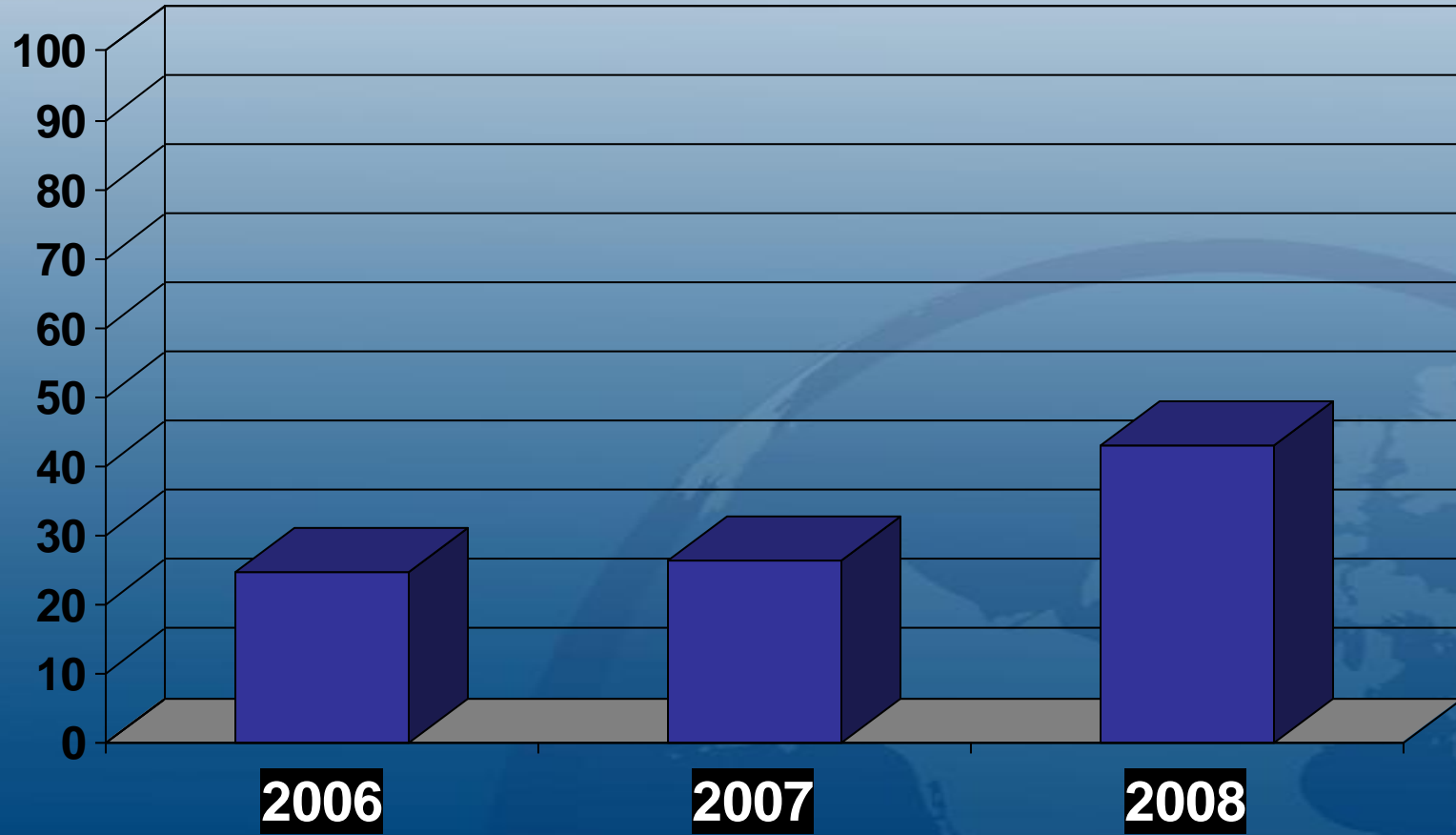
\* Colombia is included in the following charts for illustrative purposes though violence has disrupted the economy, making economic patterns of development unstable and difficult to analyze

# Mining survey score



# Colombia: Mining Survey Score:

The mining industry may have been slow to realize the great improvements in Colombia

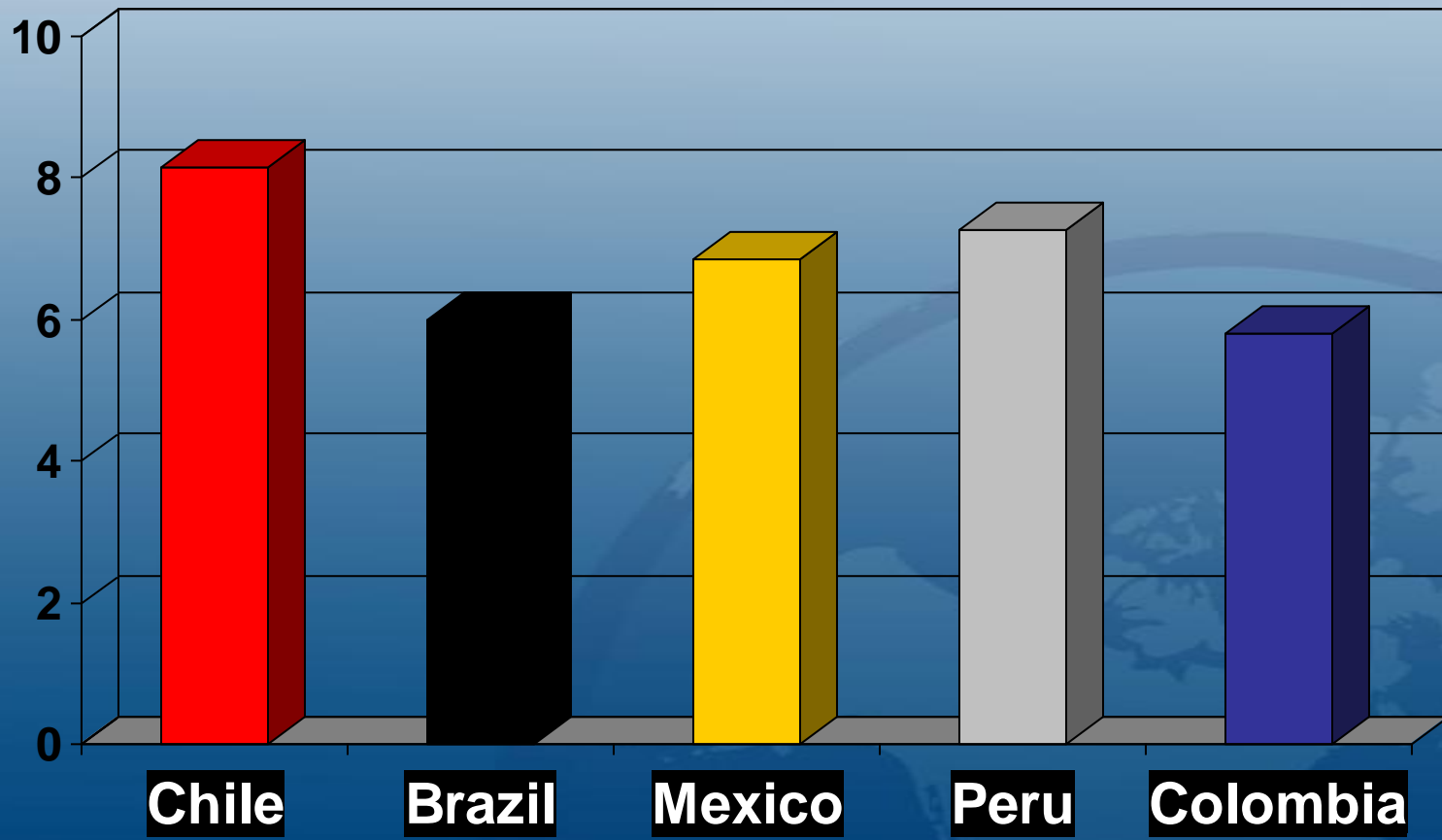


# Commitment to markets

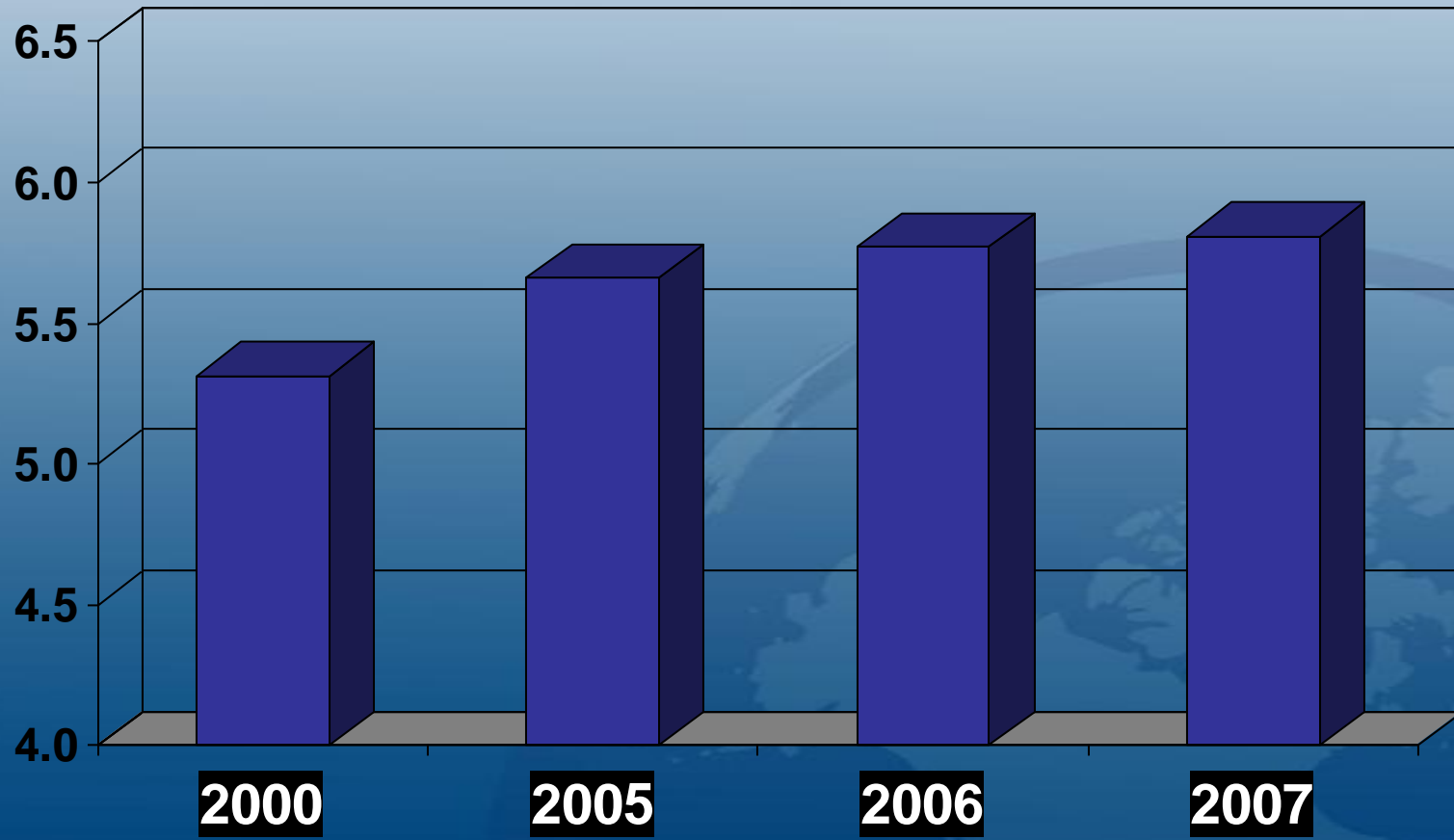


- Economic Freedom index, a collaboration of institutes in 76 nations and territories, including Israel and the Gaza strip, Georgia and Russia, Colombia and Venezuela.
- Described as the “best available description ... of efficient markets” by Nobel Laureate Douglass North.
- Used by the IMF as its key measure of market institutions in its report, “*Building Institutions*”

# Economic Freedom Score



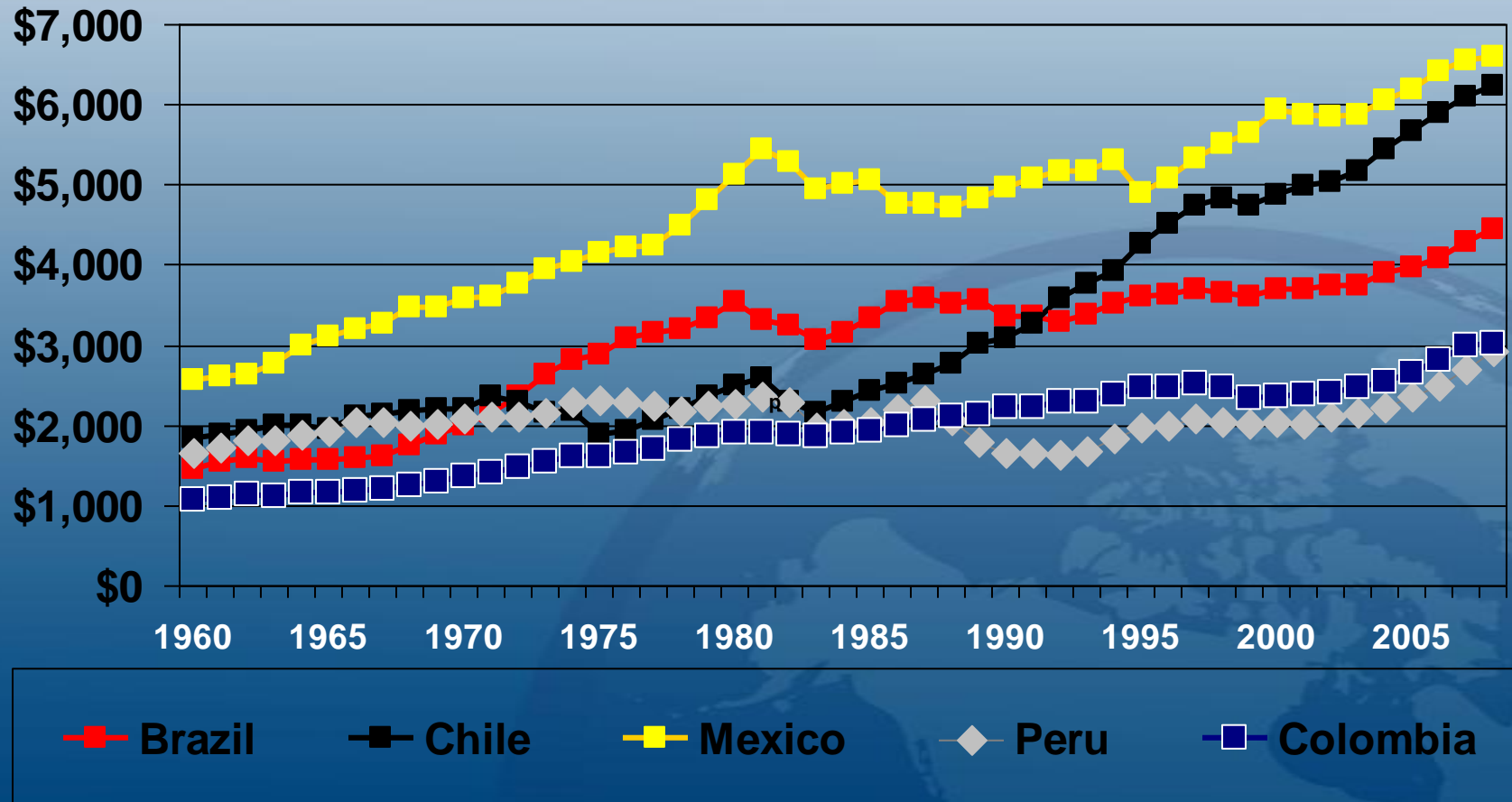
# Colombia: Economic Freedom Score



# So what works for economic growth?



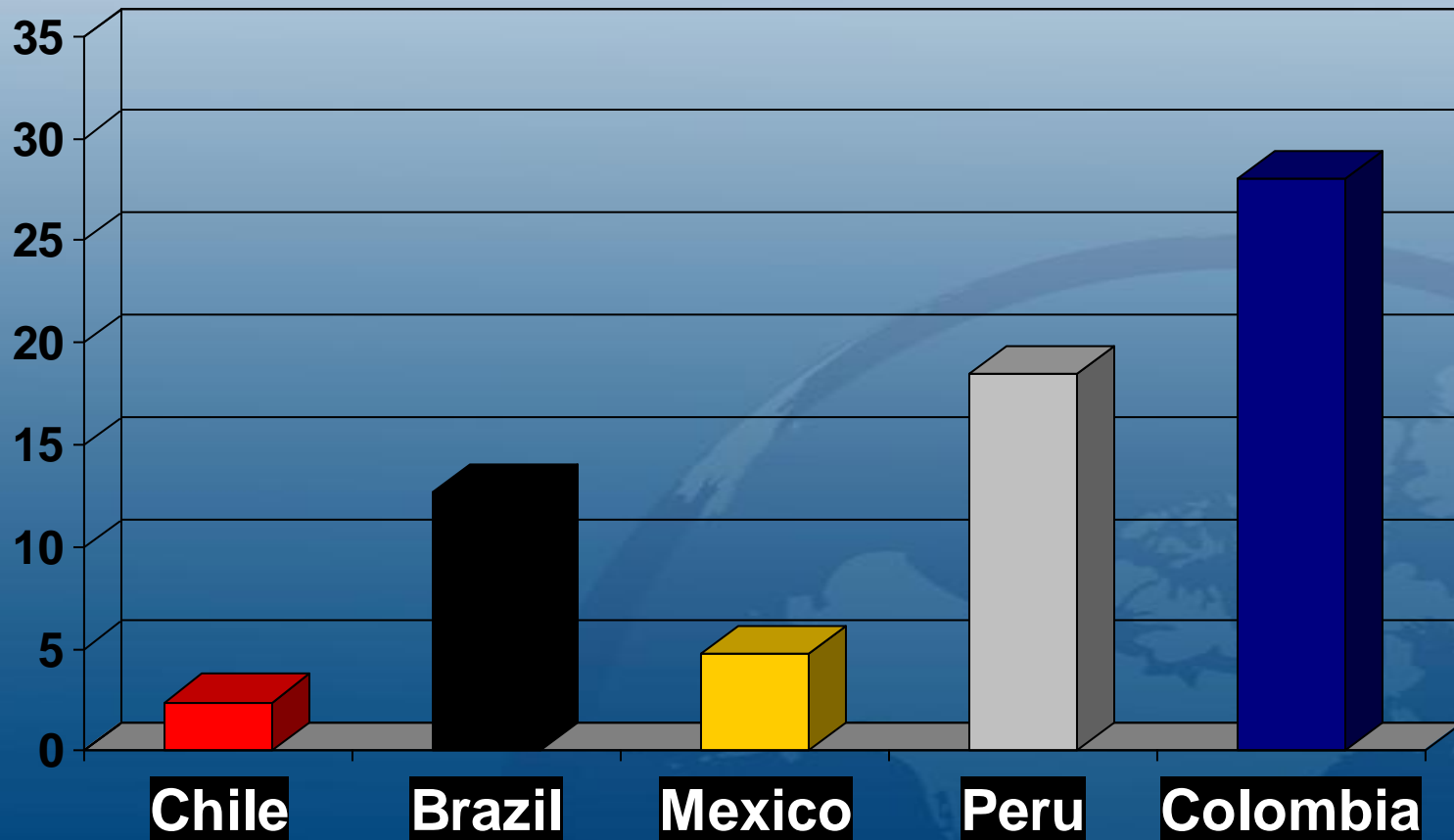
# Per capita GDP: Constant US dollars



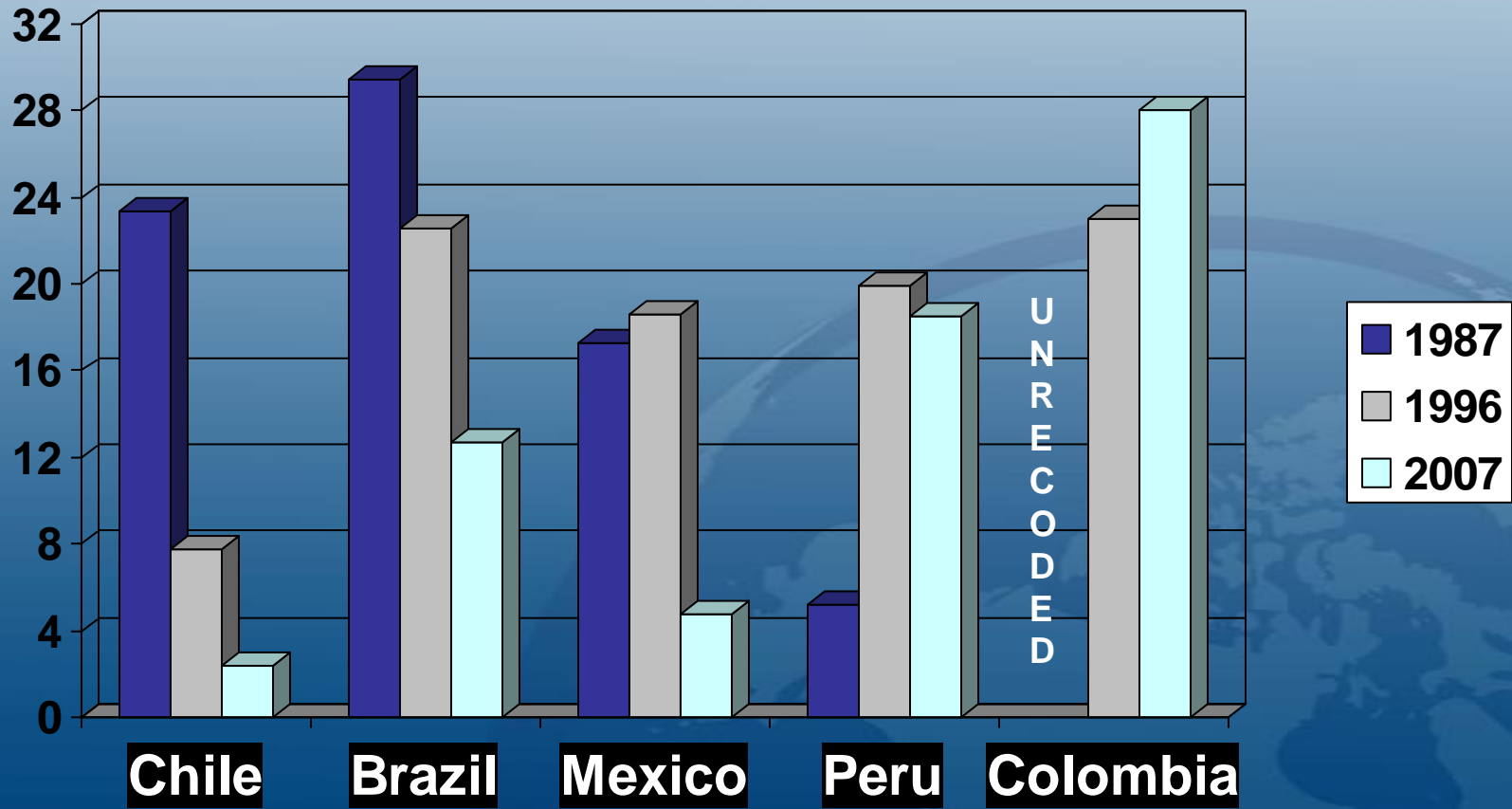
But, what about the poor  
and other indicators of  
social well-being



# Percent in poverty \$2 a day: 2007



# Percent in poverty \$2 a day: 2007



# The best social program of all

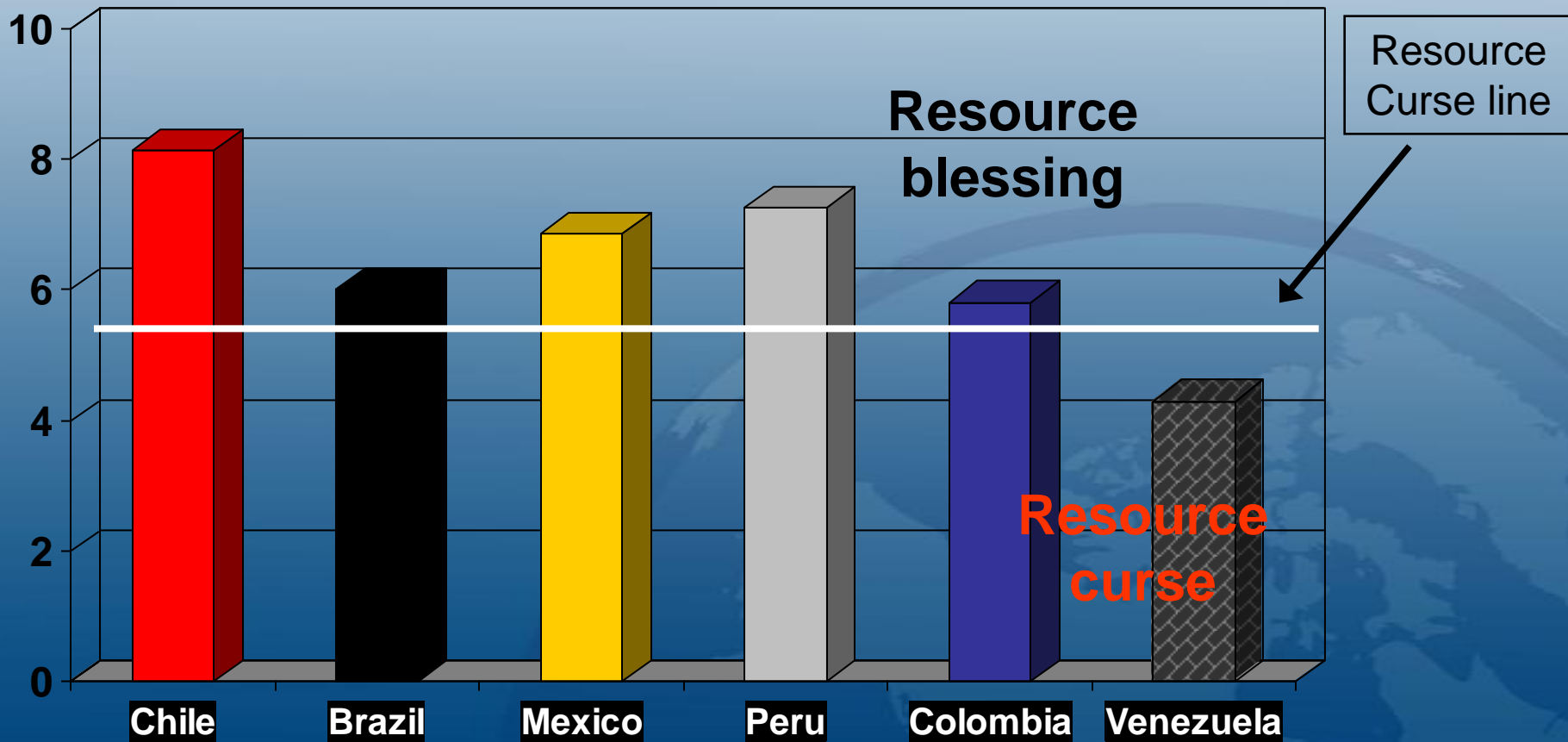


- A job
- Some history—Canada, United States, Australia, New Zealand, ...and now Chile, Botswana, and hopefully Colombia
- An aboriginal example from Canada

# The Resource Curse



# Economic Freedom Score: Empirical Research on Institutional Structures



Let's look at Colombia's score  
on mining policy



# The Fraser Institute Mining Survey

Providing valuable information to the mining industry and policy makers since 1997 on political risk by examining 13 policy areas such as taxation, regulation, land claims, etc.

# The Survey



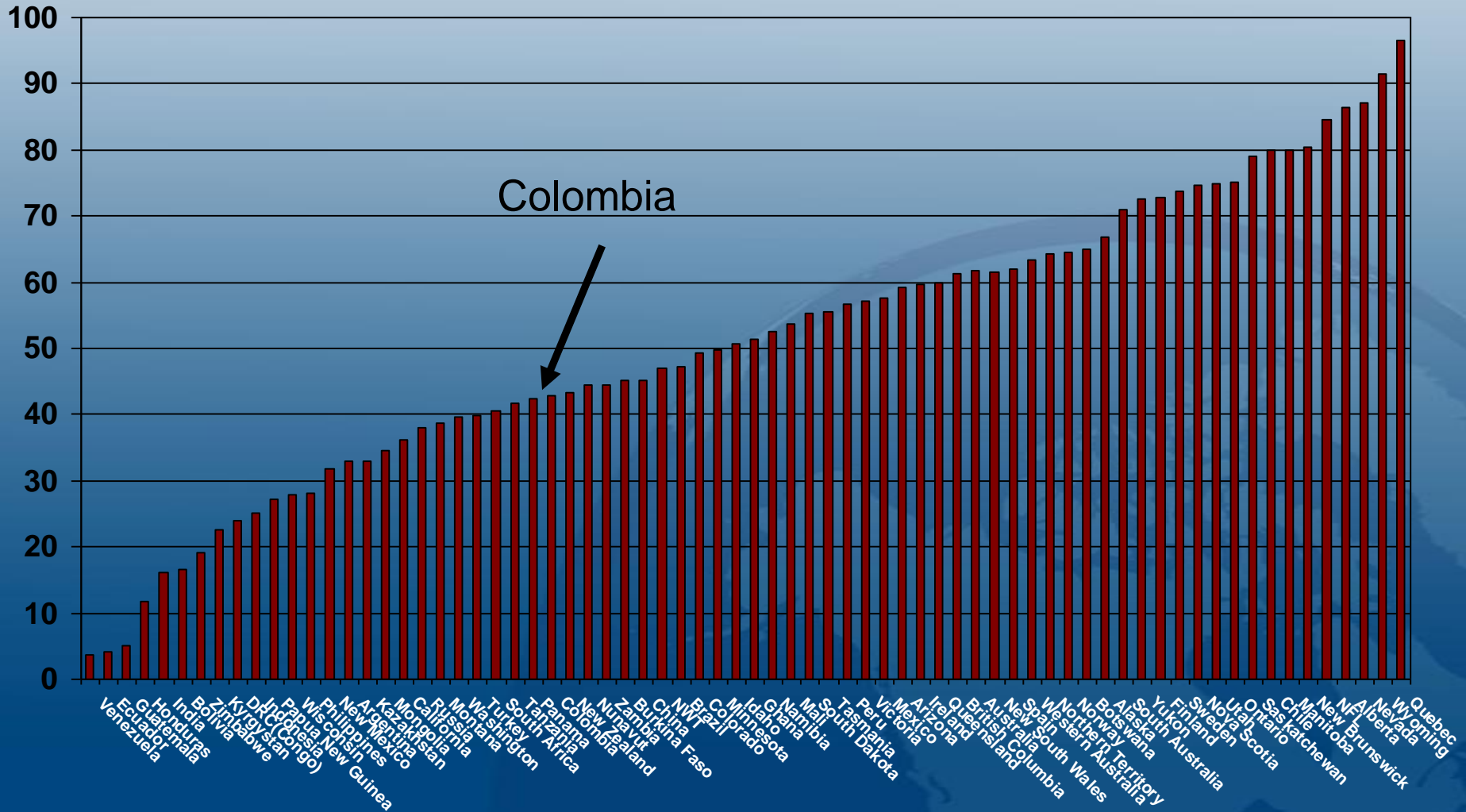
- Sent to 3,000 executives at exploration, development, and mining consulting companies
  - Asked to respond only for jurisdictions which they know
- Responses from 658 executives
- Representing \$3.4 billion in exploration spending in 2007 or 18% of global spending according to Metals Economics Group

# Policy Potential Index



- A composite index of the 13 policy areas we examine
- 0 is worst policy; 100 is best

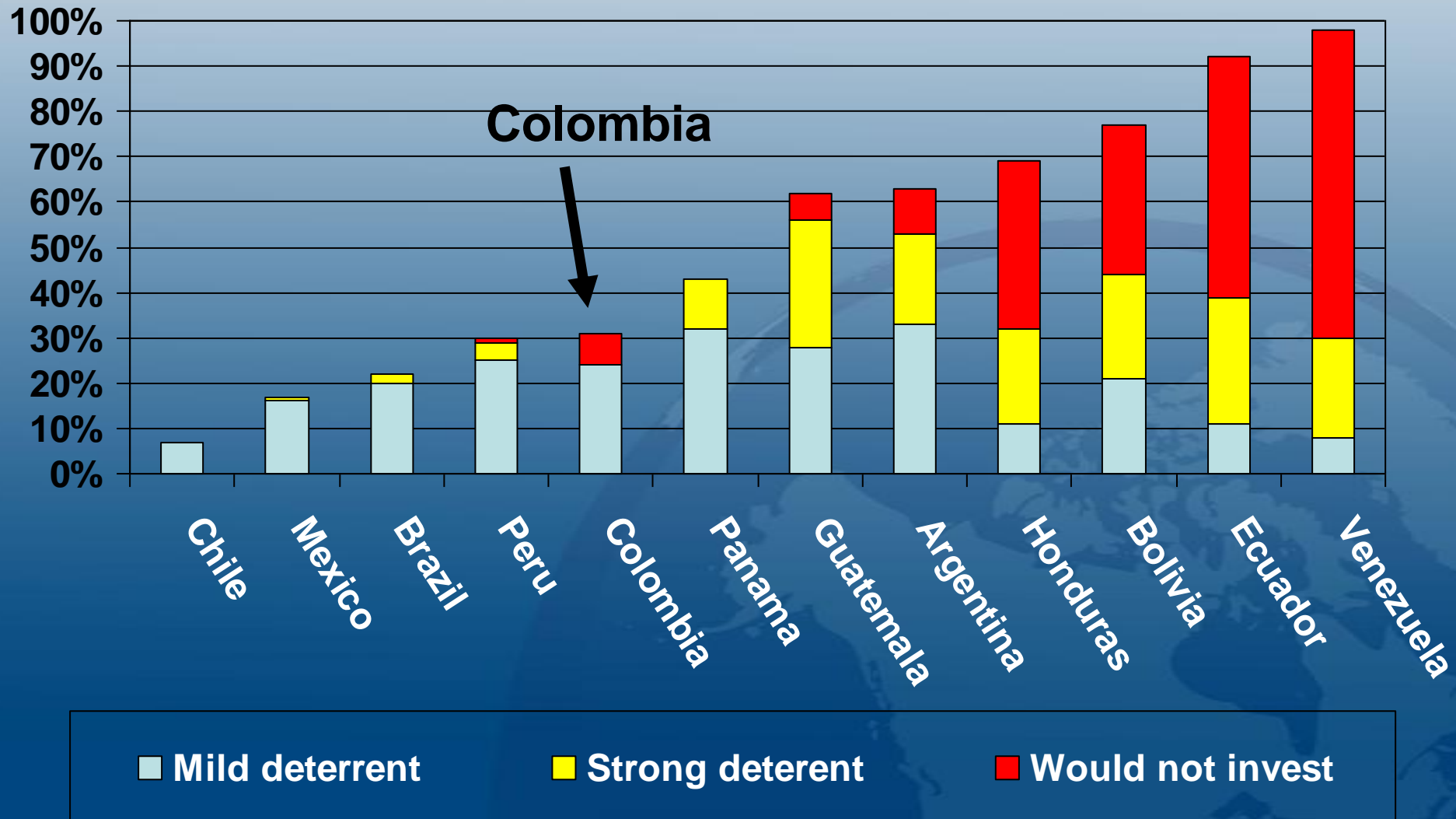
# Policy Potential Index



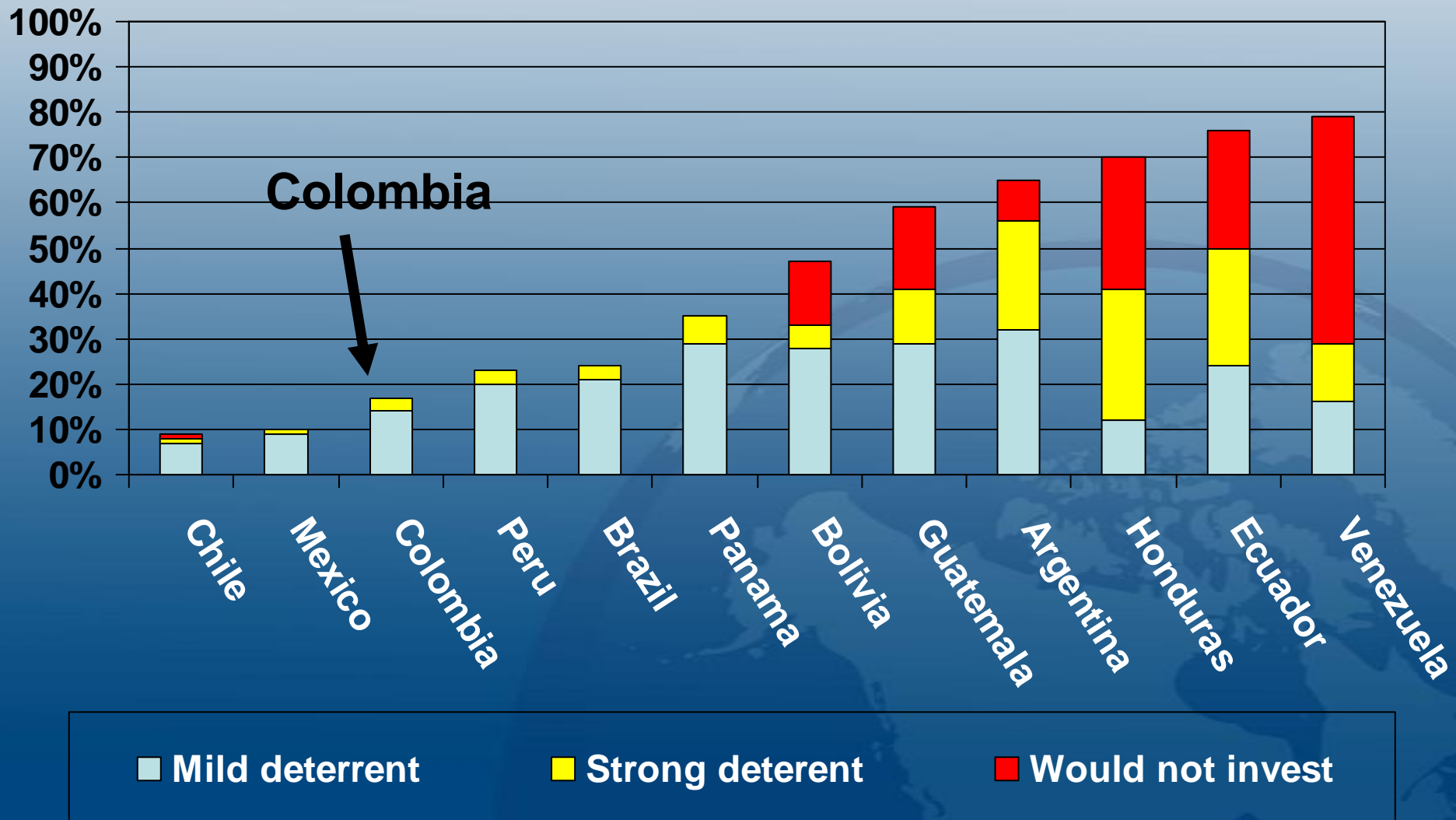
# Individual Policy Areas



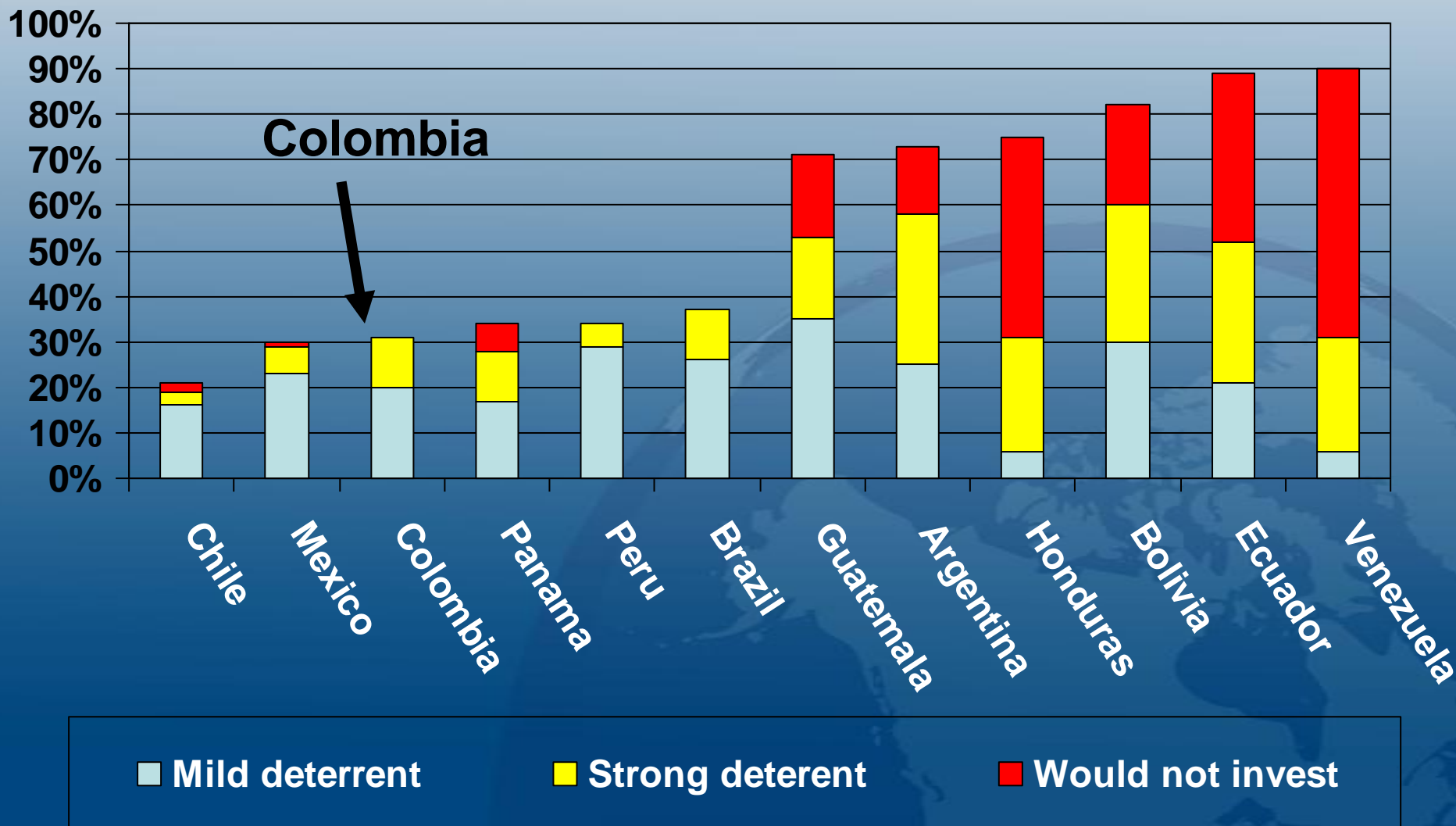
# UNCERTAINTY REGARDING THE ADMINISTRATION, INTERPRETATION, OR ENFORCEMENT OF EXISTING REGULATIONS



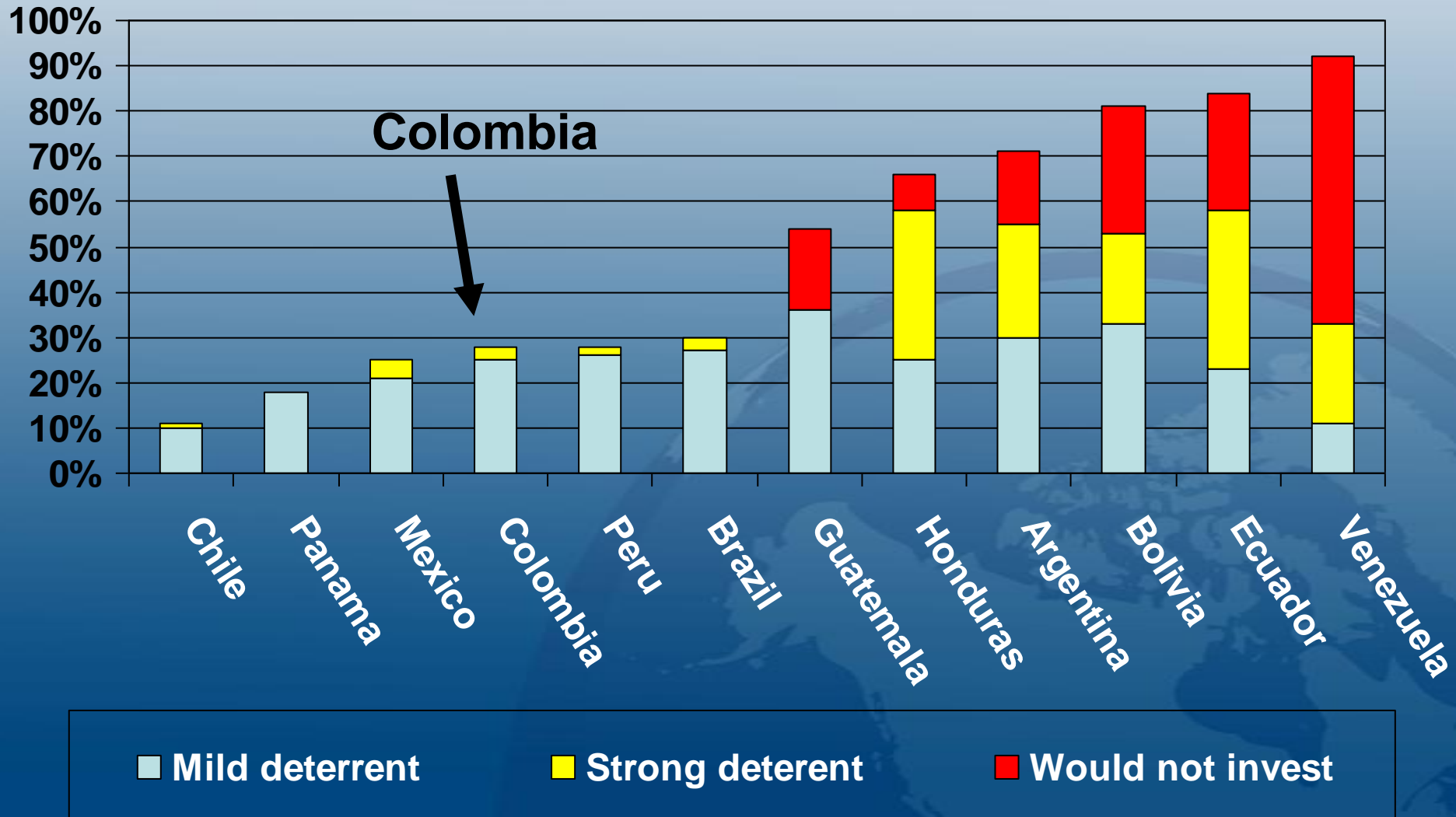
# UNCERTAINTY CONCERNING ENVIRONMENTAL REGULATIONS



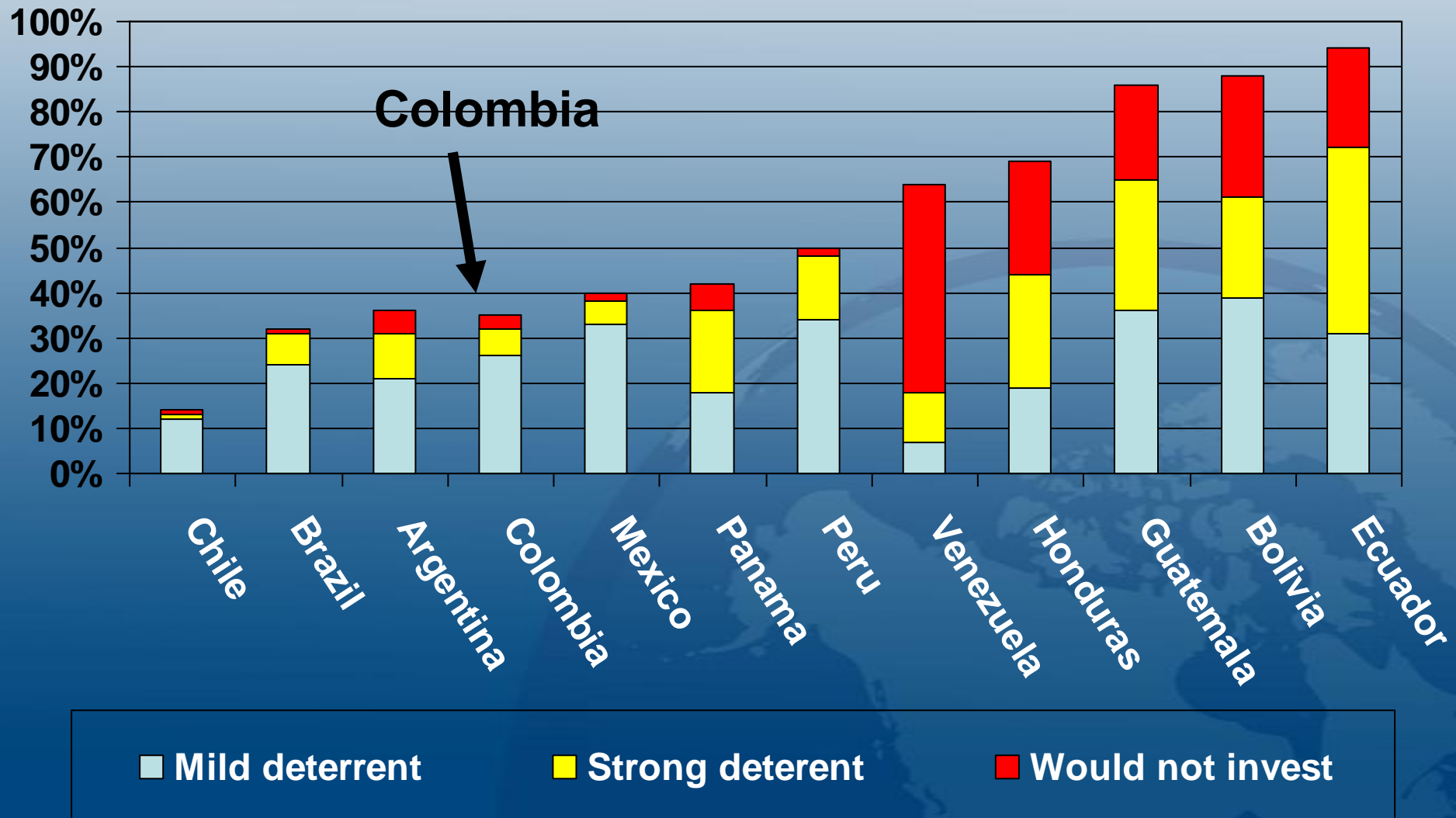
# REGULATORY DUPLICATION AND INCONSISTENCIES (includes federal/provincial, federal/state, inter-departmental overlap, etc.)



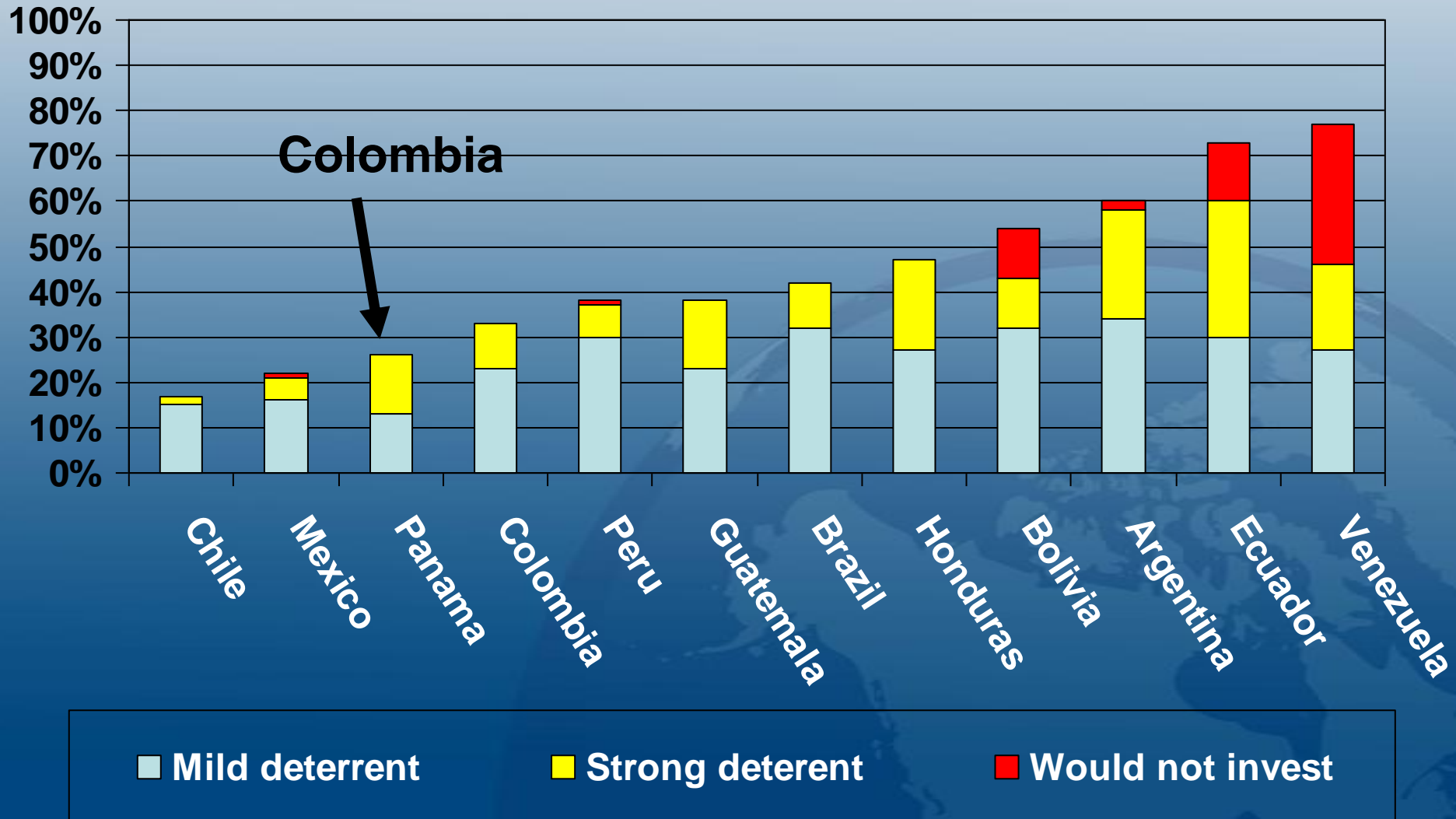
# TAXATION REGIME (includes personal, corporate, payroll, capital, and other taxes, and complexity of tax compliance)



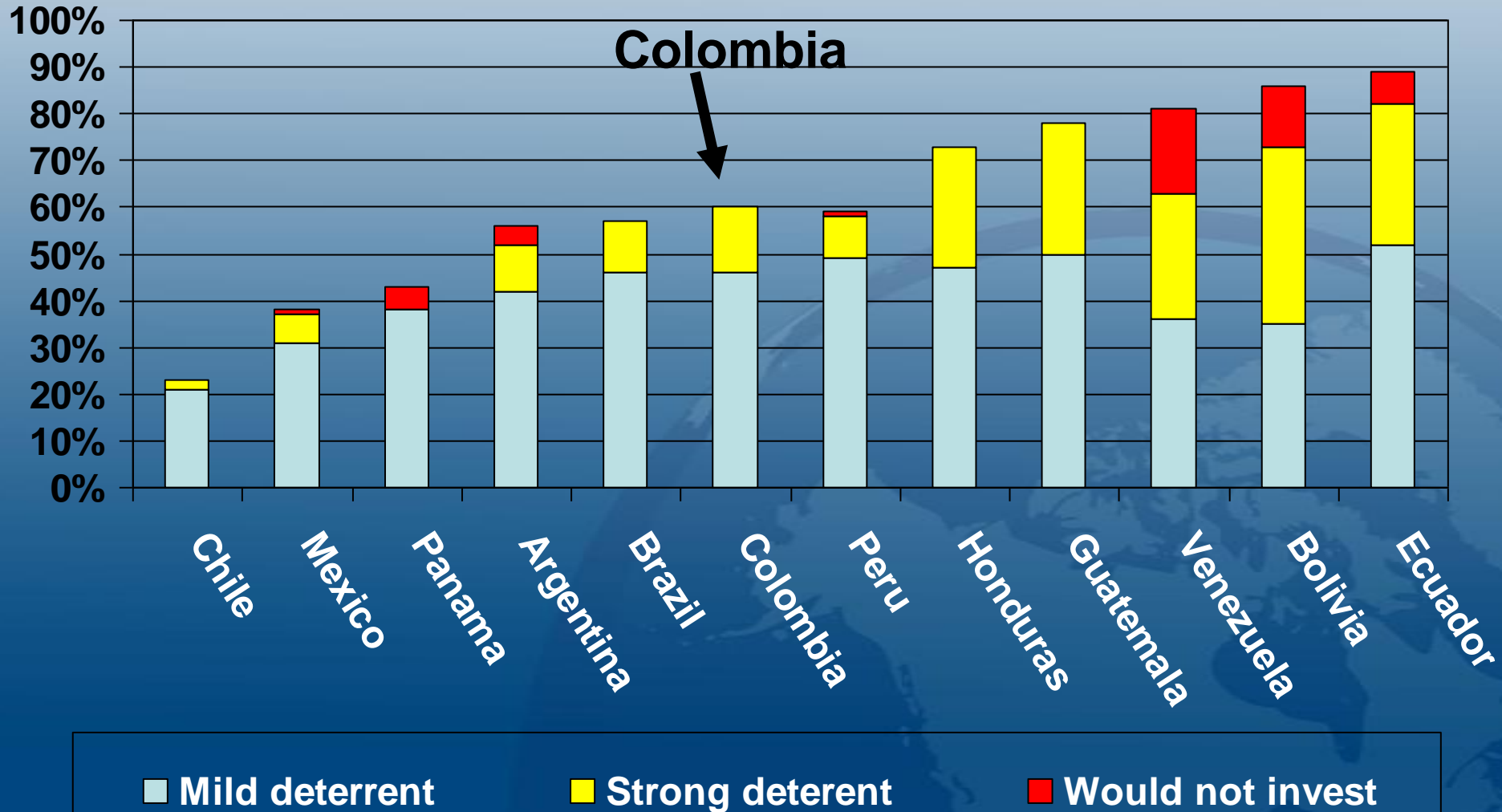
# UNCERTAINTY CONCERNING NATIVE / ABORIGINAL LAND CLAIMS.



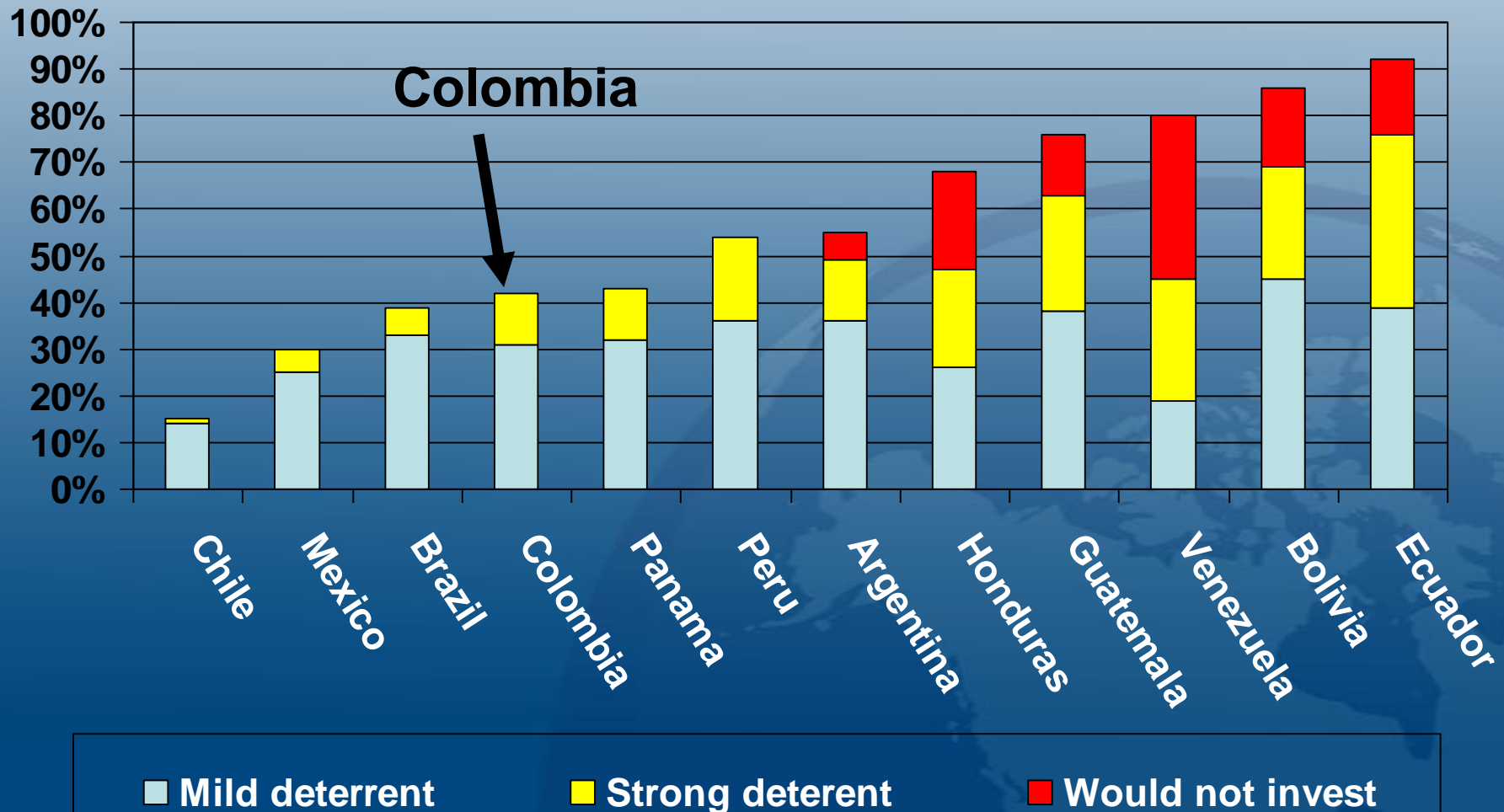
# UNCERTAINTY CONCERNING WHAT AREAS WILL BE PROTECTED AS WILDERNESS OR PARKS



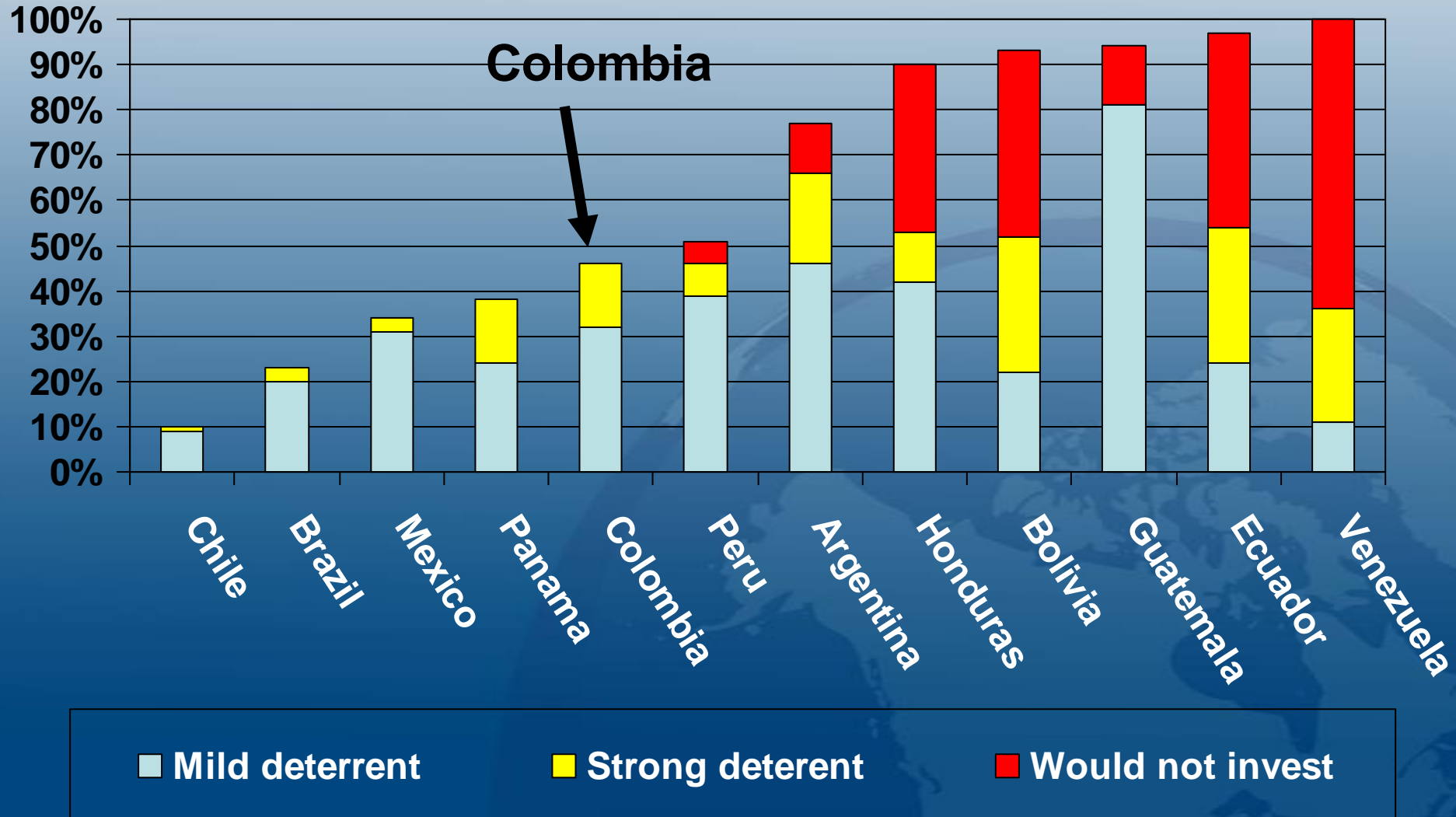
# INFRASTRUCTURE (includes access to roads, power availability, etc.).



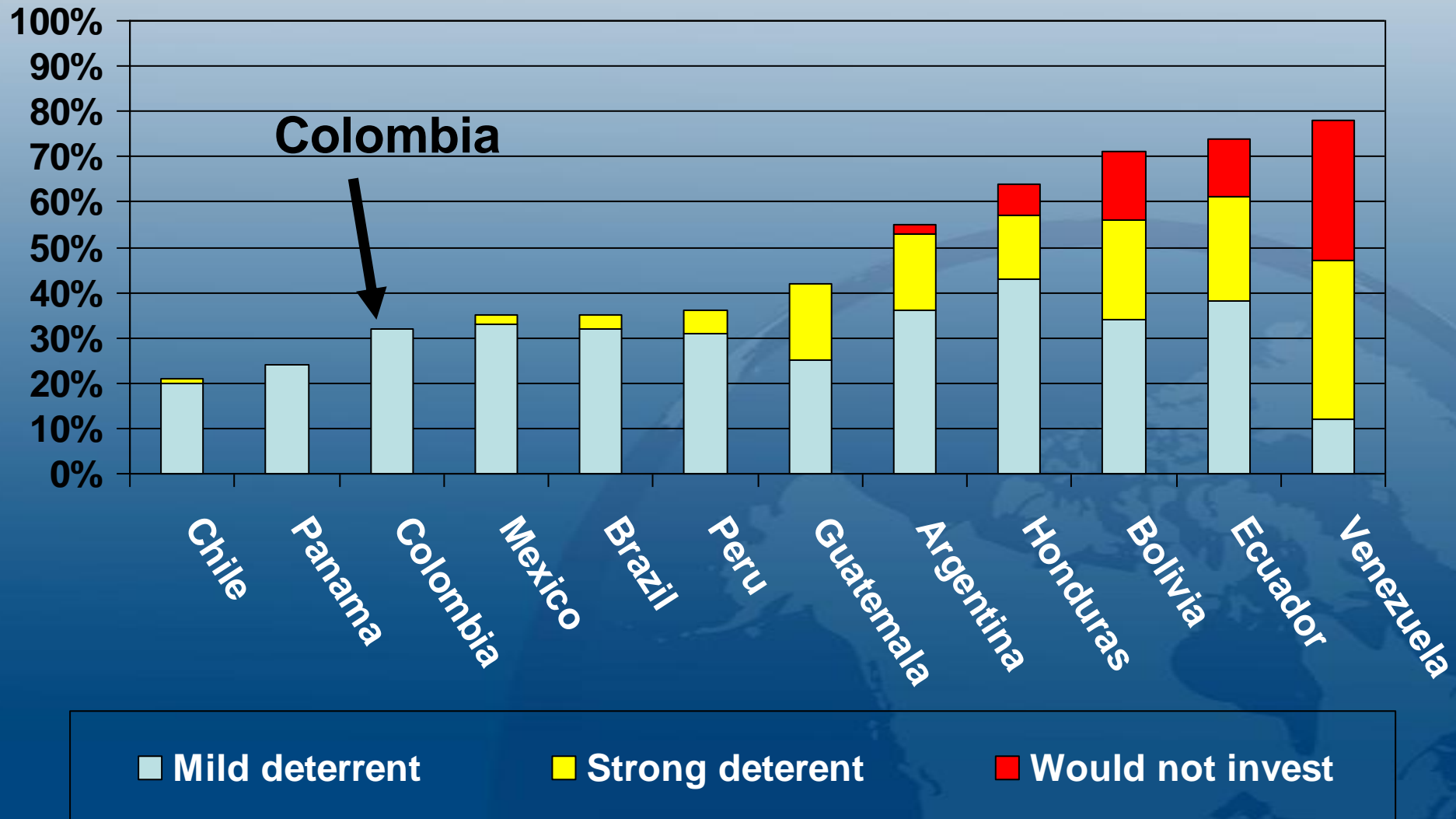
# SOCIOECONOMIC AGREEMENTS / COMMUNITY DEVELOPMENT CONDITIONS (includes local purchasing, processing requirements or supplying social infrastructure such as schools or hospitals, etc.)



# POLITICAL STABILITY

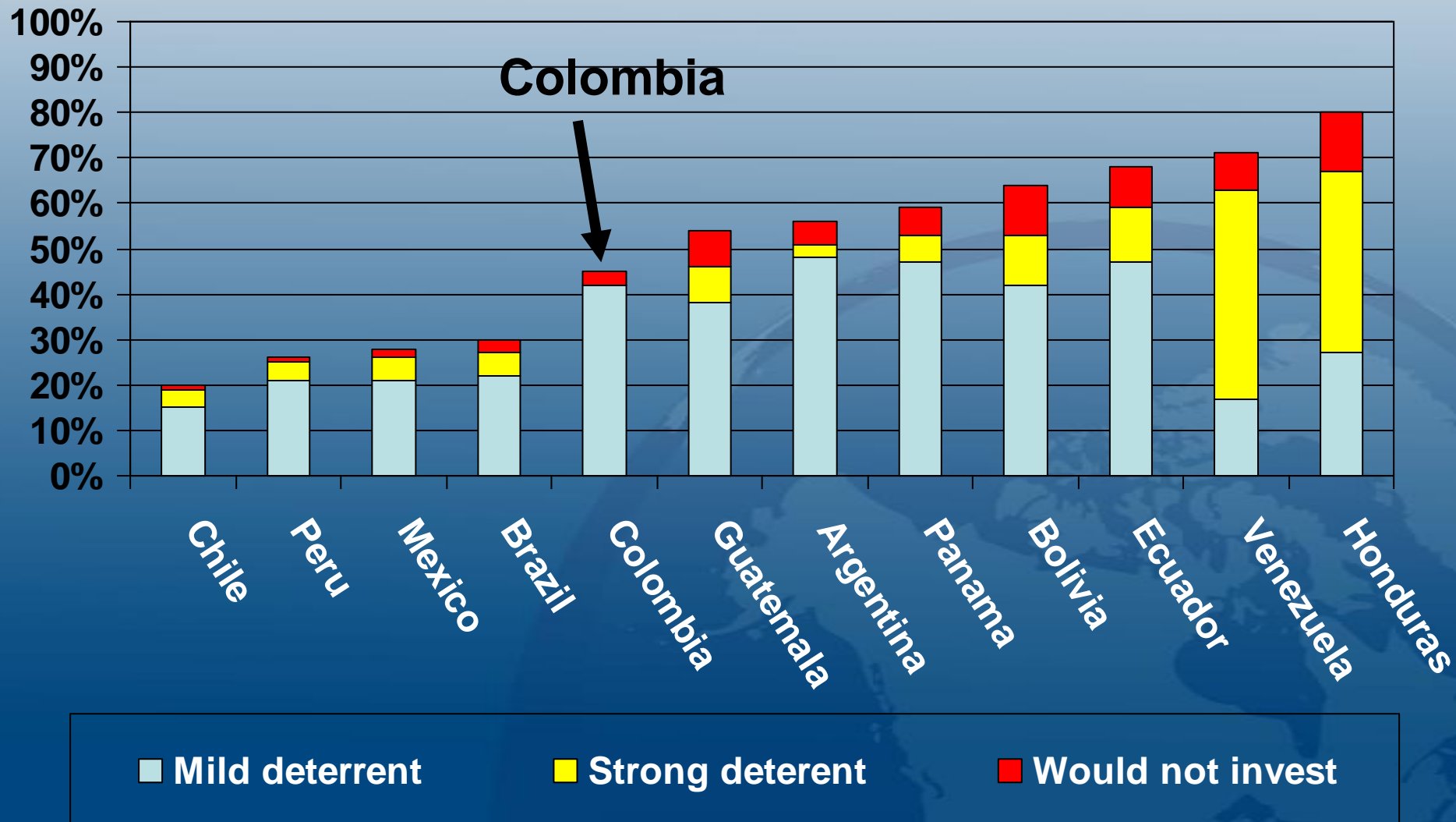


# LABOUR REGULATIONS / EMPLOYMENT AGREEMENTS

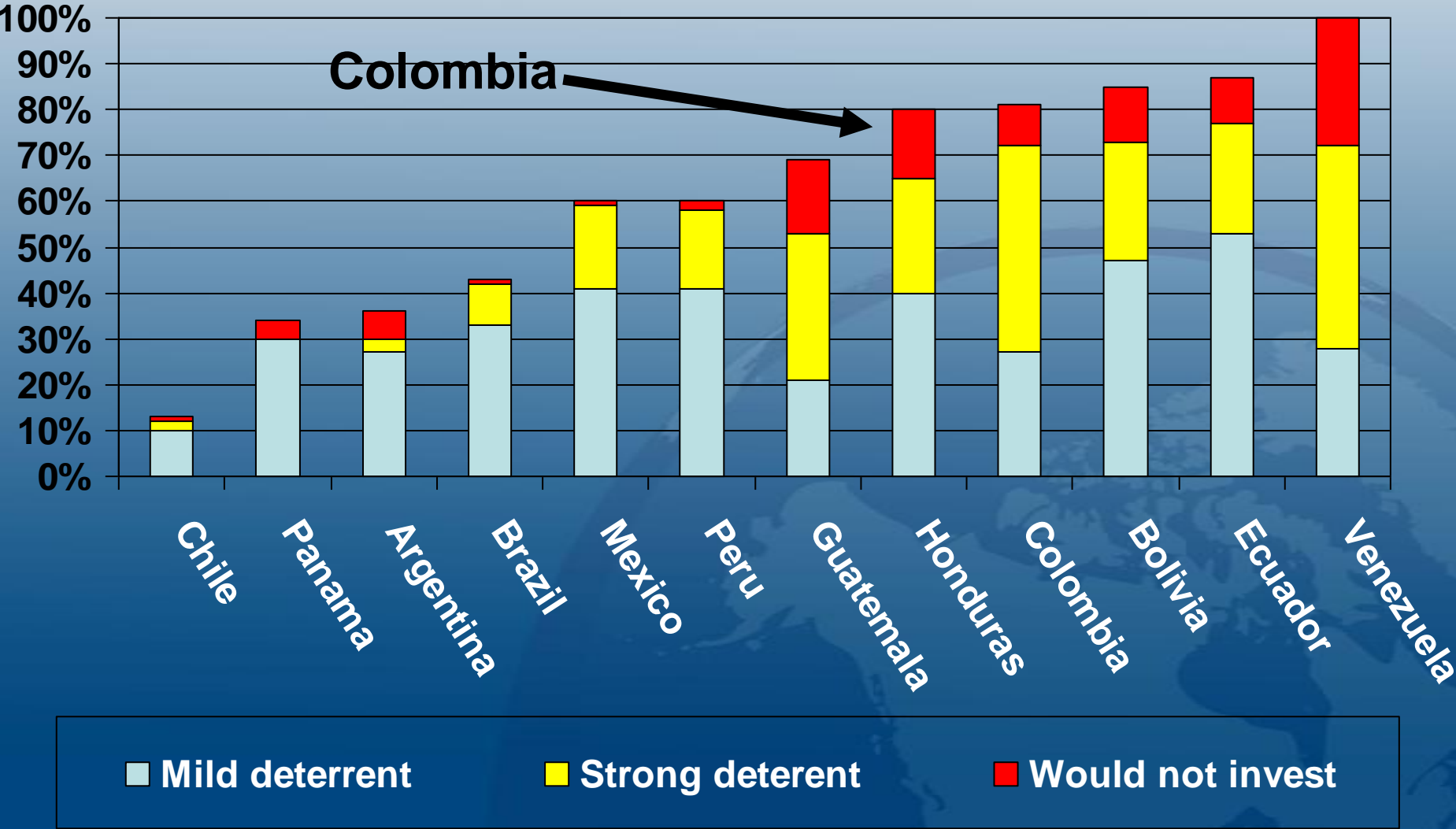


# QUALITY OF THE GEOLOGICAL DATABASE

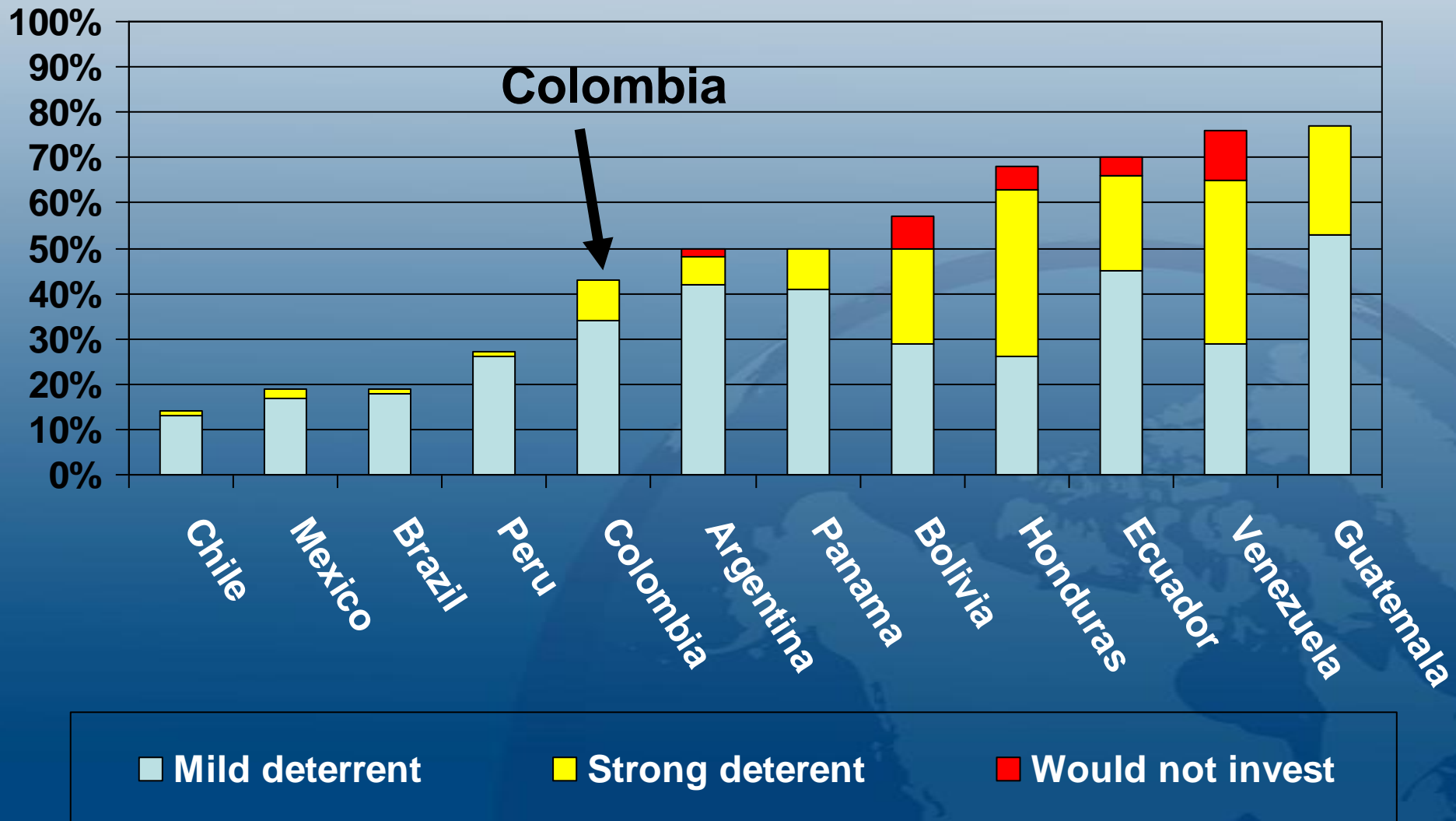
(includes quality and scale of maps, ease of access to information, etc.)



SECURITY (includes physical security due to the threat of attack by terrorists, criminals, guerrilla groups, etc.)



# AVAILABILITY OF LABOUR / SKILLS



# Conclusions

- Colombia is moving up
- The top competition is primarily from North American jurisdictions and Chile, Spain, Sweden, Finland, Norway and Botswana.
- Competition is worldwide for mining investment; so Colombia should seek policy improvements

# What to do

- Improve transparency and certainty of regulatory environment
- Provide local information to exploration companies to help both work together
- Provide information to local residents and be proactive when false stories and accusations are circulated

# Fraser Institute Global Center for Mining Studies



- Research the actual socio/economic impact of mining development
  - Should not be left to anecdotal tales of the NGOs
- Develop procedures for “best practices”
  - Smooth the path to development and production
- Educate policy-makers and the public
  - Lots of bad information out there



Thank you for the Opportunity

*The Fraser Institute  
Annual Survey of Mining Companies*

Available for free download at

**[www.fraserinstitute.org](http://www.fraserinstitute.org)**