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THEDIALOGUE

FEATURED Q&A

Will New Reforms Improve Brazil's Mining Sector?

Brazilian Mines and Energy Minister Bento Albuquerque would be wise to address concerns over small-scale and illegal miners as he proposes reforms, commentators say below. // File Photo: Brazilian Government.

Q Brazil's government is planning to propose legislation to give more liberties to the country's mining industry. The bill reportedly would allow mines on indigenous land and may allow some small-scale mines, many of which currently operate illegally, Brazilian Mines and Energy Minister Bento Albuquerque said this month. How would the legislation affect Brazil's mining industry? What are the measure's drawbacks? How likely is the proposal to become law?

A R. Kirk Sherr, president of Clearview Strategy Group: "Brazil is a leading global producer of iron ore (including Vale, the world's leading producer), bauxite, nickel and gold, and the mining industry contributed nearly $50 billion in export revenue in 2018—accounting for about 20 percent of all Brazilian exports. Thus, it is natural that President Bolsonaro would seek to further increase mining investment and improve enforcement related to illegal mining as a follow-on to significant changes to the mining law made under President Temer late in 2018. Illegal gold mining is one of the biggest 'little secrets' across all Latin America and a critical regional environmental issue. Stopping the scourge of illegal mining is an immense challenge—even more so in Brazil, which must balance many competing interests, weak regulatory enforcement, a ponderous legal system and immense distances. Serious concern about any changes that make small mining possible on indigenous lands is merited due to the long-standing development and environmental conflicts with indigenous tribes. However, given Brazil's

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TODAY'S NEWS

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Violent Protests Rage Across Chile

Looting and arson continued across Chile on Sunday as protesters set more buses on fire, smashed up metro stations and clashed with riot police after Friday's outbreak of violence over transit fare increases.

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ECONOMIC

Venezuela Growth, Inflation Data Worsen

Inflation in Venezuela rose 52.2 percent in September compared with 34.6 percent in August. Prices rose 4,679 percent through the first nine months of the year. The economy shrank by 27 percent.

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POLITICAL

Bolivia's Election Headed to Runoff

Bolivian presidential candidate Carlos Mesa celebrated his second-place result in Sunday's election. Winning 38 percent of the vote, he appears to have forced the race to a Dec. 15 runoff, according to preliminary data released by authorities.

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Mesa // Photo: via Twitter @carlosdmesag.

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POLITICAL NEWS

Violent Protests Rage Across Chile

Looting and arson continued across Chile on Sunday as protesters set more buses on fire, smashed up metro stations and clashed with riot police after Friday's outbreak of violence over transit fare increases, BBC News reported. Seven people have been killed since riots broke out, according to the report, with several dying when a garment factory was set ablaze by looters Saturday near Chile's capital Santiago. Many stores remained closed Sunday, with banks and businesses expected to be shuttered today as well. After meeting with the heads of the legislature and judicial system Sunday, President Sebastián Piñera said they discussed solutions to the current crisis and that he aims "to reduce excessive inequalities, inequities abuses, that persist in our society," the Associated Press reported. Jaime Quintana, president of the Senate, said that "the political world must take responsibility for how we have come to this situation." The cities of Santiago, Valparaíso, Coquimbo and Biobío remained under a night curfew. The protests were sparked by a now-suspended metro fare hike. Interior Minister Andrés Chadwick reported that 62 police officers and 11 civilians were injured in Santiago, almost all public transport was suspended and flights out of the international airport were canceled. Video shot at the scene shows metro transit cars set afire. More than 1,400 people were detained across the country during the unrest, officials said. The unexpected outbreak marks the worst violence in Chile in decades. On Saturday, Piñera suspended the rise in the Santiago metro fare, saying he had listened "with humility" to "the voice of my compatriots." Subway system chief Louis De Grange said workers would try to have at least one line running today, but he said it could take weeks or months to have the four others back in service, the AP reported.

Piñera // Photo: @sebastianpinera via Twitter.

Bolivia's Presidential Election Headed to Second Round

Bolivia's presidential election Sunday appears headed for a runoff, with no candidate capturing the 10 percent margin required to win outright, La Razón reported. Preliminary data released late Sunday by Bolivia's Supreme Electoral Tribunal, or TSE, showed President Evo Morales, South America's longest-serving head of state, with 45 percent of the vote with most of the ballots counted. His opponent, former President Carlos Mesa, trailed with 38 percent, with other candidates far behind. Mesa celebrated the news as a victory, saying the nation's democracy was at stake and depended on a change in leadership. However, Morales was hesitant to concede, saying he was certain outstanding votes from rural areas, where he tends to have stronger support, would deliver him a victory. Late Sunday, international election observers with the Organization of American States questioned the TSE after it stopped updating election results, Deutsche Welle reported. "The OAS Electoral Observation Mission continues to rigorously monitor the electoral process in Bolivia. It is fundamental that the Supreme Electoral Commission explain why the transmission of preliminary results was interrupted and that the process of publishing the data is carried out smoothly," it wrote on Twitter. Morales' opponents say he has wielded power for too long, with increasingly authoritarian tendencies, as well as corruption and cronyism creeping into his administration. If Morales wins the second round, he will be in power until 2025, nearly two full decades in office. The runoff vote is scheduled for Dec. 15. [Editor's note: See related **Q&A** in Wednesday's issue of the Advisor.]

NEWS BRIEFS

Canada Election Shaping Up As a Dead Heat

Polls have Prime Minister Justin Trudeau of the Liberal Party and Conservative Party leader Andrew Scheer in a dead heat to win Canada's national election today, The Wall Street Journal reported. The race lacks consistent support nationally for either candidate, according to pollsters. "Whether it's Quebec vs. English Canada, West vs. East or young vs. old, unity is hard to find in the 2019 federal race," columnist John Ibbitson wrote for the Toronto Globe and Mail.

Venezuela Inflation, Growth Indicators Continue to Worsen

Venezuela's central bank published updated data on consumer prices and gross domestic product on Friday showing the economy continues to spiral out of control, Reuters reported. Inflation rose 52.2 percent in September compared with 34.6 percent in August. Prices rose 4,679 percent through the first nine months of the year. The country's gross domestic product contracted by 26.8 percent in the first quarter of 2019 with respect to the same period a year earlier, the bank said.

Halliburton Sees Q3 Revenue Up 6 Percent in Latin America

Houston-based oil sector services company Halliburton said today its revenue from Latin America rose in the third quarter to $608 million, a 6 percent increase sequentially. The gains resulted primarily from higher activity in Argentina and Mexico, the company said. Those improvements were partially offset by lower completion tool sales in Brazil, however. Halliburton booked $1.76 billion in revenue from the Latin America region during the first nine months of 2019, up from $1.45 billion in the same period last year.

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Brazil: Bolsonaro Tries to Bring Own Party Back Together

Brazilian President Jair Bolsonaro on Sunday sought to get control of a chaotic and increasingly public power struggle within his own Social Liberal Party, or PSL, Folha de S.Paulo reported. "I talk to everyone. It is the role of a president. I want peace to be able to rule. We have huge problems to solve," Bolsonaro told reporters. The spat originally centered on how the party was allocating its funds, with party leaders jockeying for position and conspiring to unseat each other. Within the space of two days last week, Bolsonaro had severed ties with two senior politicians within the PSL, a minor party he adopted when he ran for president as a far-right fringe candidate last year before surprising the world with a victory. PSL party bosses retaliated by taking the leadership of São Paulo and Rio de Janeiro away from his sons, Eduardo and Flávio Bolsonaro, respectively. Now, Bolsonaro finds it difficult to pass his reform agenda through Congress without a strong caucus of political support. "Bolsonaro decided not to articulate a solid governing coalition in Congress, thinking (erroneously) that he could govern via ad hoc arrangements, potentially weakening his ability to pass legislation through an already fractured and cantankerous Congress," Brasília-based political scientist David Fleischer wrote in Brazil Focus on Friday. Brazil's Senate is likely to vote on Bolsonaro's massive pension reform bill on Tuesday, Agência Brasil reported. The legislation, which would cut deep into Brazil's generous social security system and aims to save some $200 billion over the next 10 years, requires 49 votes to pass. The dispute within the bloc resulted in Bolsonaro last Thursday deciding not to nominate his son as ambassador to the United States, according to media reports. However, some observers say that the nomination was already uncertain because of hurdles in the Senate, and that the PSL crisis was used by the president as an excuse to reverse course on the nomination, analysts at XP Investments said in a research note Friday.

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long history of illegal mining, a way needs to be found to address these issues. Brazil also needs to continue to improve enforcement and monitoring of mining activity. If the proposed law addresses illegal mining and adds funding and mechanisms to do so, all the better. Note that the expected tremendous success of the upcoming offshore oil and gas auction, where the government may bank as much as $25 billion, will add wind to the sails of further efforts to improve efficiency and rationalization of the mining sector to attract investment."

Mónica Banegas, consultant at BMJ Consultores Associados: "Due to the Brumadinho crisis earlier this year, Bolsonaro's administration had to shift from a more economically driven agenda toward a reactive one. Before the tragedy, the government's focus for the mining sector studied the possibility of allowing the activity to be developed on indigenous regions, but new circumstances shifted directions. Since then, Congress managed to organize three different initiatives to address the issue, by creating committees destined to analyze mining issues. As a result, it produced eight bills and indicted representatives from the companies involved in disasters. Since July this year, discussions have remained stagnant. On another note, the context surrounding the government's mining agency, ANM—a regulatory body that supervises mining activities—has not been favorable from an economic point of view. The ANM is a recently created organ that lacks enough resources to operate properly. The agency has noticeably failed to promptly attend the volume of demands it receives daily from different players, affecting the propositional front inside the organ. Also worth mentioning is that Bolsonaro openly supports mining regulation on indigenous lands and borderlines with neighbor countries. Nevertheless, in order to make progress on this front, a law has to be published to allow the activity in Brazil. The government is studying the subject, but at the same time, there are at least 23 other bills created in Congress to develop criteria for regulation that have not been able to enter the main priorities of any government before."

Carlos Vilhena, partner at Pinheiro Neto Advogados in Brasília: "Brazil should welcome legislation to regulate exploration and mining in land designated to indigenous populations. In vast portions of the country, particularly in indigenous occupied areas, the country's mineral wealth is practically unknown. Current and future Brazilian generations should be guaranteed the right to learn about the country's mineral endowment and then make a decision of when and how to exploit such richness. Obviously, regulation of exploration and mining in indigenous areas and other protected areas should balance different interests, contemplate environmental protection and carefully consider impacts on communities. Brazil's mining industry and governmental authorities are equipped and experienced enough to properly deal with these matters. Special attention should be given to small-scale miners. More important than having an excessively restrictive set of rules is creating a strong and effective system to enforce regulations and punish those that do not abide by the law. It will not be easy, but the current system of turning a blind eye and having weak and inefficient enforcing and monitoring structures is not sustainable. We all know the results: illegal activities that are extremely prejudicial to the environment, local populations and the society as

> **"Special attention should be given to small-scale miners."**
>
> **— Carlos Vilhena**

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a whole. It is hard to say what reaction will come for Congress, NGOs, environmentalists and civil society. There is a large number of propositions before Congress to try to regulate mining in indigenous areas, with some dating back 30 years. A couple of years ago, when the previous government attempted to open up a copper reserve to investors, there was very strong opposition—mainly as a result of ignorance over what was really being proposed and bad communication from the previous government. Hopefully, a lesson has been learned, and everyone is now better prepared to have an open and constructive debate."

Christian Poirier, program director at Amazon Watch: "The Bolsonaro regime's proposal to open Brazil's indigenous territories to mining would permit a destructive and largely unregulated industry—with a recent history of crimes such as the Brumadinho and Mariana disasters—to expand aggressively into highly protected indigenous lands. A primary—and entirely neglected—consideration is whether indigenous peoples are being consulted about this major shift, and how industrial and wildcat mining activities would affect their communities and the Amazonian ecosystems as a whole. It is estimated that more than 500 illegal mines have been carved into Munduruku lands, in Pará State, and into Yanomami lands, in Roraima State. In Yanomami lands alone, more than 20,000 miners are destroying forests and poisoning waterways with impunity, in the hope that the state will soon 'regulate' their delinquency. Mining on indigenous lands openly violates environmental and human rights safeguards enshrined in Brazil's Constitution, including the indigenous rights to consultation and to a healthy environment. This toxic industry threatens to devastate indigenous lands and Amazonian forests, with dire global implications. According to members of Brazil's indigenous agency, FUNAI, the Bolsonaro regime intends to ram its mining proposal forward by circumventing Brazilian legislation and its duty to abide by International Labor Organization Convention 169, which requires the prior consultation of indigenous peoples on projects that could affect their lands. While a recent poll showed that 86 percent of Brazilians disapprove of Bolsonaro's proposal, the plan nonetheless stands a good chance of being advanced by the regime's allies in Congress."

Isabella Alcañiz, associate professor in the Department of Government and Politics at the University of Maryland: "As a far-right candidate, Bolsonaro promised to remove all protections from indigenous communities in the Amazon rain forest in order to develop it. Brazil has close to a million indigenous persons who mostly live in the Amazonian states, as well as the highest number of isolated tribes. Indigenous people, whose lives and livelihoods depend on the integrity of the Amazon rain forest, historically have been the target of political violence and represent one of the most vulnerable communities in the world. As a far-right president, Bolsonaro is trying to make good on his promise of extracting all profitable natural resources from the region, without concern for rising deforestation and the resulting spread of wildfires occurring under his administration. While the economic potential may greatly appeal to the mining industry, the risk of conflict entailed in a 'take no prisoners' extractive tactic may concern investors. They only need to look at how long it has taken to get the bidding underway for pre-salt oil development because of litigation and inter-state conflict. To remove protections from indigenous lands, Bolsonaro and his minister of mines and energy need Congress to pass a new law, but without a majority in Congress this seems highly unlikely."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at **gkuleta@thedialogue.org**.

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