



re-sourcing

‘Responsible Sourcing’ in Argentina: challenges, discourses, and pathways for international collaboration

A conversation with Pía Marchegiani

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‘Responsible Sourcing’ in Argentina: challenges, discourses and pathways for international collaboration

Dra. Pía Marchegiani is Director of Environmental Policy at the Fundación Ambiente y Recursos Naturales (FARN), based in Buenos Aires, Argentina.

RE-SOURCING: How is the responsible sourcing concept understood in Argentina? What is the direction of the public discourse and which stakeholders are actively involved?

Dra. Pia Marchegiani: In Argentina, we hear more and more about the notion of ‘*responsible mining*’, but the debate is very polarized. On one side, there are government authorities and companies trying to convince people that mining is an effective strategy for development. This top-down approach sees the extraction of mineral resources as an important asset in order to improve Argentina’s competitive position in the global arena through increased exports. Lithium has a special position compared to gold, silver and other minerals because of its role for the energy transition. This position overlooks its social and environmental impacts.

On the other, there are communities, NGOs, researchers and the wider environmental movement contrasting this narrative and top-down approach. While governmental authorities—both federal and provincial—portray extractive activities as responsible and sustainable, civil society actors highlight the many incongruences and inconsistencies underlying this approach. For instance, concerning the distribution of benefits and costs and the role of local communities that are the ones most affected by extractive projects. The two positions are not finding a common ground where to connect, making it very challenging to talk about responsible sourcing. Whatever a company says about responsible sourcing will be met with a lot of resistance because of the history of non-compliance with rights and regulations (i.e. lack of disclosure of environmental information, lack of respect of the exclusion zones for mining in the law of glaciers, repression of protest).

What does the governance framework for mining activities look like?

It is very much of a neoliberal framework. Extraction is done by the private sector, which can have a permit to extract from certain mineral deposits, while the state has minimum intervention and control capacity. This framework aims at increasing Argentina’s exports, looking at countries like Chile, Bolivia and Peru, which have historically been stronger players in the mining sector. Argentina is newer to this model, which has been pushed in the 1990s with a reform in legislation that gives fiscal benefits over a 30 years’ timespan for companies willing to invest in Argentina.

The current governance structure does not allow actors to equally participate in the decision-making process. Indigenous rights and community rights are being continuously breached, as in the case of prior and informed consent, which is not happening in the way it should. ILO Convention 169 stipulates clear guidelines for how the consultation process should take place and demands the government to conduct the consultation in order to guarantee impartiality. However, it is often the case that the private sector is left to lead the consultation, without any standard to abide by. As many communities are in a vulnerable socio-economic position, consultation and participation tools are not really implemented, and when they are they come with a lot of flaws and controversies.

There is not space for public consultations and discussions on the legislative proposals advanced by civil society to protect natural ecosystems, such as glaciers and wetlands. And when laws are already in place, implementation is also a problem. For more than ten years, a law has been in place to protect glaciers in the Andes mountains, but this law is not implemented by mining authorities.

So the implementation of existing laws and international conventions is a big part of the problem?

Exactly. Provincial governments are the ones most interested in getting the investments and therefore promoting extractive activities. Even where there is an environmental assessment process, authorities are not willing to take many suggestions as they want the project to move forward as quick as possible. The public debate about a new extractive project happens very quickly. Communities often do not understand all the details included in a complex description of the project. This goes against ILO Convention 169 which stipulates that they should be provided with all the information in an easy to comprehend way. While stakeholders from business and policy want to have the project approved quickly, the communities would require time and the government is not mediating. This creates an asymmetry of power.

When we look at implementation, there are three types of regulations that should be followed: mining regulations, environmental regulations and indigenous regulations. The mining sector only wants to mining regulations, which indicate how they should operate on the permit. However, this is a very narrow frame, which does not enable a full understanding of the capacity of natural ecosystems. If you look at lithium, it is extracted in salt flats, which is a liquid environment like a watershed. Companies do not want to acknowledge that their project can have an impact beyond the permit area they are allowed to exploit.

What solutions would you propose to overcome these challenges?

First, more capacity of the local governments to plan and evaluate the impacts of extractive processes. We advocate for carrying out a strategic environmental assessment that goes beyond the project approach and looks more holistically at policy. For instance, if Argentina wants to extract lithium and has 20 salt flats, a holistic process is needed to discuss techniques, ecosystem limitations, role of communities and benefits for the country. This would go beyond looking merely at investments coming in for a single project. When looking at water resources, maybe there is a certain area that would allow for one extractive project or two, but not three. We need to include a cumulative valuation of the projects and investment decisions, while today the only dimension considered is the economic one. And even in a very limited way.

On the industry side, more efforts are required to ensure that consultations are happening following international standards and with high transparency. Finally, we should have more discussions about the technology employed. We are talking about applying complex technologies to contexts where there is water scarcity and we should have an open, informed public discussion about them.

You co-authored an [empirical study on indigenous peoples' rights to natural resources in Argentina](#). How can be ensured that indigenous communities are at the core of an effective dialogue shaping public decision-making?

We need the presence of impartial stakeholders. Trust is a very important element, and you need mediators who are not necessarily interested in moving the project forward and could take time to lead a public debate about the project. Another important element is the role that the government plays for these communities, such as providing infrastructure and access to sanitation and healthcare. Communities sometimes lack access to basic services, such as water and sanitation. Here we see some

positive impact from the side of mining companies who help with their trucks to take someone to the hospital if needed. This is very valuable for the communities, but it also creates a vicious circle, with a mixture of the roles which is complex to disentangle. It should be the government and not companies responsible for that. Otherwise, it becomes hard for communities to say no to extractive projects. And that should be the bottom line: according to regulations, they have the right to say no because they own the land. Companies and government should understand that and respect their right to say no.

Do you think there is a public discussion open and deep enough to discuss what the distribution of costs and benefits from extractive activities should be in Argentina? For instance, on how to best make use of revenues from mining in order to foster sustainable development.

I don't think there is anything that goes as far as that. We see disconnections at many different levels. First, the communities are the ones that bear the costs of mining, but do not benefit from it. While they are contributing to the energy transition, they do not have access to the energy themselves. They feel like they need to give away everything they have – their historical connection with the land – to save a planet they have hardly contributed to get into this state in the first place.

Then, if you look at the salt flats where lithium is mined, there are some micro-organisms living there, called *stromatolites*, which have the capacity to absorb carbon dioxide and release oxygen. They are the ones that give information about the origins of life on the planet. So, it feels like in order to save the planet, we need to destroy its foundations. There is a lot of disconnections and a lack of an integrated discussion.

What about the benefits from mining projects? Whom do they accrue to?

Multinational companies and countries in the Global North are benefitting, not local companies and countries in the Global South. We have huge bottlenecks in the energy transition in the region, and the lithium being mined does not even feed the national energy transition. It is helping the energy transition somewhere else, where there is an interest and policy around it.

The whole investment structure is such that a multi-national mining company is in association with the state company, which has a small percent of the project, and then you have a foreign automotive company already in the joint venture. This means that these companies are able to export lithium at a price lower than market value. Often this means that all the lithium is exported to South-East Asia and there is not a lot of margin on who should be benefitting from this. This highlights a very narrow focus on the export sector, not looking at other possible positive economic effects, such as sustaining local employment.

Argentina's debt crisis is a very typical balance of payments crisis: imports are expensive, exports are cheaper. And this is the case for lithium as well. Argentina will extract all its lithium and then we need to buy electric vehicles, which are more expensive. So we create debt, and then have to extract more natural resources to pay for the debt. It's a vicious cycle, again due to the lack of an integrated discussion.

When it comes to international collaboration, what do you think could be beneficial to create higher benefits for Argentina?

Working on knowledge transfer is important, as well as collaboration between companies and developing capacity in the country. There is a need to improve knowledge of how biodiversity in these ecosystems provide important services to mitigate the climate crisis, and consequently provide clear protection measures. Limiting demand, more honest knowledge transfer and getting capacity here

are some of the aspects that international collaboration should foster. Another point is about creating a level playing field, without double standards. Right now, everything governments in the Global North buy outside has to be as cheap as possible while their workers are protected. The same rules should apply everywhere. I understand this is challenging but it deserves further thinking and common reflections.

Let's conclude by looking at the notion of 'responsible sourcing'. What does it mean to you?

We need the energy transition to consume less nature, not more nature. Today is lithium, tomorrow it will be something else. We need to change the framing through which we look at things and we need to integrate all the different dimensions. For instance, when it comes to mobility, we do not need more (electric) vehicles, but rather a different way to move people around with less resources. Responsible mining or sourcing should mean something else than what we understand today. It should be less consumption, more distribution, other type of players, other type of collaborations, and always respecting environmental and indigenous rights. How responsible sourcing is thought of could be very different between the Global North and the Global South.

Responsible sourcing also means bilateral collaboration between local companies and international actors, in order to learn together and build capacity in the country. Otherwise, it's just a drain of resources and knowledge. This would call for higher government engagement in the conversation around the need to do more than just extracting resources, being able to industrialize, create a business model around recycling and recovery of resources.

Dra. Pía Marchegiani

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