



**anglo – american plc:
financing the summit,
plundering the earth**

a briefing by friends of the earth international

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"The aim of this group is, and will remain, to make profits for our shareholders, but to do it in such a way as to make a real and lasting contribution to the communities in which we operate." Anglo American founder, Sir Ernest Oppenheimer

UK registered Anglo-American Plc, a copper and diamond mining corporation, is a funder of the Johannesburg Earth Summit. It is involved in the Summit so that it can 'have the business viewpoint heard, understood and acted upon'ⁱ and one of its directors is part of the official UK delegation. But is this company acting in the interests of people and the planet? Unfortunately Anglo has a poor social and environmental track record.

south africa

Anglo-American has left a legacy for the environment and communities around Johannesburg itself which is far from the ideals of sustainability. During the apartheid era it was a big part of the South African economy. It benefited from the cornerstones of apartheid - the Labour Regulation Act, the Job Reservation scheme, the prohibition of strikes and other measures – even expanding its operations. Conflicts at mines were notorious during the apartheid era and there were massive strikes in the 1970s and 1980s.

zambia

Anglo has been mining copper in Zambia for over 70 years. Local communities and NGOs on Zambia's copper belt have reported unstable waste dumps and polluted tailings dams which provide a breeding ground for mosquitoes (as a consequence, malaria is a significant health problem). Heavy metals and industrial chemicals are pumped into the atmosphere from smelters and acid plants and contaminate streams and rivers. Exposure to this kind of toxic cocktail is associated with birth defects, cancer, respiratory problems and a weakening of the human immune system.ⁱⁱ Anglo has announced it may pull out of the mines but a clear acknowledgement of environmental liabilities after 70 years of mining in Zambia is still in question.

Anglo's conduct is in violation of OECD Guidelines for Multinational Enterprises. The failure of such voluntary schemes to effectively control corporations, though, has meant a failure of justice for affected communities. When Zambia's copper mines were privatised in 2000, Anglo showed its power as a major transnational by obtaining secret agreements on tax, royalty payments, repatriation of profits and non-liability for past and future pollution. These agreements sidestepped environmental protection laws and provided Anglo with legal immunity or indemnity for 20 years. Anglo has now announced it intends to withdraw from its Zambian operations claiming they have not been profitable.

UK based NGO RAID (Rights and Accountability in Development) and the Zambian NGO AFRONET have presented a complaint under the OECD Guidelines on Multinational Enterprises to the UK Government about the corporation saying it used its influence to frustrate other buyers, unfairly circumvent competition and secure tax concessions. In the 1980s, internal company documents revealed that Anglo established 12 holdings in the Netherlands to limit its tax exposure by transporting its capital from its world wide areas of operations to South Africa.ⁱⁱⁱ

The complaint, accusing the mining conglomerate of anti-competitive behaviour and abuse of its powerful and privileged position as the preferred bidder is currently being investigated by the UK Government. The UK Government and its Prime Minister Tony Blair have commented on the importance of the OECD Guidelines and consider them their main strategy for securing corporate accountability. It is therefore all the more surprising given it is under investigation that Anglo executive Chris Fay is on the UK official delegation to the WSSD.

peru

Anglo is pressing forward with plans for a major new copper mine in southern Peru. The mine threatens to use large volumes of water at almost no cost to the company in one of the driest regions in the world where the daily struggle for adequate water is a preoccupation for local farmers and their community. In addition, Anglo intends to create a deep and highly acidic hole in the ground, divert a river and dispose waste in the old river bed. While all this would allow the corporation to run a cost-efficient operation, the affected local communities feel the plans threaten their farms and their local economy while offering few jobs.

One of the threatened water sources locally is the Chilota wetland, rich in birdlife and grazing for local farmers. However, in this poor region many locals say they would like to believe the dream that the exploitation of the minerals will provide jobs, generate income and use the newest technology. Anglo-American has told them there will not be any negative impacts. However international mining expert Robert Moran states: 'it is simply untrue that NO significant impacts will occur as a result of the project'.^{iv} The mine is very likely to cause and exacerbate local tensions since it threatens to:

- aggravate water-scarcity and create conflicts over the resource;
- degrade ground and surface water through the release of contaminants from tailings, waste rock, explosives, fuels etc.;
- lead to pollution when heavy rains wash mining waste out of the old river bed into the route of the diverted river, endangering frogs, fish and other animal and plant life that are a source of income and food;
- dry up springs reducing available water to present users who will be required to change the method of irrigation used and crops cultivated; and
- provide few long term jobs for local people.

The Peruvian subsidiary of Anglo, the Quellaveco Mining Corporation, has not secured the confidence of the affected communities. They are not being compensated for the use of 'their' water with a negligible amount of money being offered to the Peruvian government for abstraction. Yet the project is likely to affect a whole region of farmers and llama breeders. Local farmers have now stated they will not sell their land and the water in it. But they are afraid that the company will fence off wetlands if they do not cooperate.

The future for farmers in the area does not look bright. Five km from the planned mine site, a *campesino* community has turned a steep and dry hill into a productive agriculture area. Local *campesinos* grow diverse crops and were planning to shift to organic farming and export their products. But they lost that hope when they heard about the mine. Their experience with other mines in the region leads them to believe the wind will spread the dust from the mine all through the valley and cover their land with waste. The farmers believe none of them will find a long term job at the mine.

The company's environmental impact assessment is seriously inadequate judged by the criteria of the World Bank. It lacks reliable data and does not take into account the long term effects of the mine. Another concern is the lack of monitoring: 'They say they will use 700 l w/s, but who checks this? What happens if they use more?' said a local farmer, knowing that governmental oversight of water use is largely non-existent.

harmless, hopeless, helpless

In both Zambia and Peru, the World Bank Group holds equity shares in Anglo operations. It is effectively helping it gain control over much of the world's copper reserves. The Governments of Zambia and Peru are not in a strong position to argue for good practices given the parlous state of their countries' economies, the decline in world prices for copper, and the fact that opening up markets for foreign investment is a condition for continuing international aid and debt relief.

Anglo clearly fails to comply with the (voluntary) OECD Guidelines for Multinational Enterprises. These advise companies '*to raise the level of environmental performance in all parts of their operations even where this may not be formally required*'^v. Companies are expected '*to take due account of the need to protect the environment, public health and safety, and generally to conduct their activities in a manner contributing to the wider goal of sustainable development*'^{vi}.

In the words of one Zambian group, the corporation has ensured that 'affected communities would be harmless, hopeless and helpless'^{vii}. It is unlikely that its financial and political involvement in the Johannesburg Summit will give the public in the developing nor the developed World confidence that the Summit will lead to proper accountability of big business.

FoEI is calling for an international framework to secure corporate accountability (including liability) at the WSSD.

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ⁱ Statement on the Johannesburg Summit from the World Business Council for Sustainable Development, in which Anglo is a major participant, at <<http://www.wbcsd.org/summit/why.htm>>

ⁱⁱ Tricia Feeney, Oxfam UK, The Limitations of Corporate Social Responsibility on Zambia's Copperbelt, May 2001

ⁱⁱⁱ *De Miljardenroof van Anglo*, Enclosure with BLUF! 228, Netherlands, July 1986

^{iv} Robert Moran, PhD, in *The Quellaveco Mine; Free water for Peru's driest desert?*, March 2002, at <www.foei.org/ifi/quellaveco.html>.

^v Paragraph 40. Commentary on the Environment, *The OECD Guidelines for Multinational Enterprises*, Revision 2000

^{vi} Preamble to Chapter V. Environment, *The OECD Guidelines for Multinational Enterprises*

^{vii} Peter Sinkamba, Citizens for a better environment, Zambia, *Seventy years of Anglo Mining in Zambia*, LINK magazine no 101, 2002