Who should lead a mining cluster strategy? A burning issue for the Chilean case.

Martin Arias
PhD Student
Bartlett School of Planning
UCL
Mariasloyola.11@ucl.ac.uk
The challenges of a mining Global Production Network (GPN)

• Literature about extractive resources:
  – Mineral wealth as a *blessing* and a *curse*.
  – However, the relationship between MNCs and State in the extractive GPN has been absent (Bridge, 2008).

  • This is vital for the kind of agglomeration that takes place (*clusters/enclaves*) and its development outcomes (Arias et al, 2014).

  – Case study: Chilean mining GPN.
Outline

1. A mining Global Production Network (GPN).

2. Why the Chilean case?

3. Mining in Chile: Between enclaves and clusters.

4. Who should lead the mining cluster strategy?

5. What now?
If there is Power to MNCs

- Regional Assets
- MNCs’ Assets

If there is Power to regional institutions

- Diversification
- Possibilities for strategic coupling

If there is Mining ENCLAVE

- External control and dependency
- Capture of value and public goods

If there is Mining CLUSTER

- Local’s Interests
- MNCs’ Interests

- MNCs’ Assets
- MNCs’ Interests

- Possibilities for strategic coupling
- Diversification

- Regional Assets
- MNCs’ Assets

- Mining ENCLAVE
- Mining CLUSTER
Why the Chilean case?

- Historically the mining industry has been a key for Chilean growth.

- Largest producer of copper worldwide
  - 31.8% of global production and 34.4% of exports (COCHILCO, 2012).

- Largest deposit of copper, iodine, lithium among other minerals (U.S. Geological Survey, 2014).

- Considered as an “example” of sustainable development by international institutions (ECLAC, OECD)

- The historical relationship between MNCs and State has changed over the years
  - Promotion of enclave (by the State) and cluster (State and MNCs) policies.
The Antofagasta Region, Chile

Major Copper Mines in the Region of Antofagasta:

1. El Abra
2. Radomiro Tomic
3. Chuquicamata
4. Spence
5. Michilla
6. El Tesoro
7. Gaby
8. Mantos Blancos
9. Lomas Bayas
10. Zaldivar
11. Escondida
Mining in Chile: Between enclaves and clusters

• Mining Enclaves

  – 1880 – 1930 Chile as the world’s largest nitrate producer.

  – FDI promoted by the State created several mining enclaves (company towns) (Cademartori, 2008).
    
    • Weak productive linkages.
    • Firms controlled almost every aspect of the social life.
    • Caused unsustainable growth and social issues.

Outcomes of the Chilean mining enclaves
Mining in Chile: Between enclaves and clusters

• 1940: Copper became the most important product for the Chilean economy.

• 70’s: CODELCO is created and the copper industry is nationalized.

• 1973: Coup d'état. Beginning of the neoliberal era.
  – Increase of FDI in Chile.

• Cluster voices appear in the Antofagasta Region based on Ramos (1998) work.
Mining in Chile: Between enclaves and clusters

• Mining Clusters
  – 90’s: Cluster policies were applied, but the State kept pulling back from the economy (interviews, 2013).
  – Early 2000’s: Super cycle in the extractive market.
    • Second wave of FDI causes some issues.
    • Piñera’s government abandoned the cluster policy.
    • State played only a “supervising role”.
  – 2009: The gap was filled by the mining MNCs (private and public) which created the “Programme for the creation of worldwide class suppliers” (also known as “cluster programme”).

Lack of a development strategy
What now?

• Policy analysis of the impact over the regional/national productive fabric of:
  – Of the mining MNC led cluster policy “Programme for the creation of worldwide class suppliers” (2009 – today).
  – Of the State mining cluster policy.

• Focus on suppliers.
  – What do they supply.
  – Where are they located.
  – Power relationships.
Data sets

• Primary Data
  – Survey taken to 561 SMEs, related with the mining industry in the Antofagasta Region.
  – Analysis of interviews gathered in the main nodes of the Chilean mining GPN (45 interviews made on 2013).
  – Second fieldwork in order to consider the changes that the new government is implementing (2015).

• Secondary data.
  – Database from State owned and MNCs regarding suppliers.
  – Reports from other institutions related with the mining industry.
Research questions

• What kind of cluster?
  – National?
  – Regional?

• What is the role of the State and firms in the promotion of a mining cluster policy?
  – Need of a national/regional development strategy that involves all the agents.
  – The Chilean State needs to address the persistent characteristics of a mining enclave.

• Who should lead the cluster?
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Figure 3: Foreign Investment Statute (D.L. 600) - Materialized investment 1974-2012 (in nominal US$ thousand)

Source: Foreign Investment Committee, 2014.