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## Investments Continue to Increase in Mexican Mining Sector

by LADB Staff

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Domestic and foreign companies are expected to continue their strong interest in Mexican mining projects despite a generally weak global market for minerals and metals. At a conference in mid-April, the Camara Minera de Mexico (CAMIMEX) and the Secretaria de Comercio y Fomento Industrial said investment in Mexican mining projects will total US\$6.5 billion for the period 1995-2000. This compares with earlier projections of US\$5.1 billion. The projections are based on the large number of mining concessions awarded by the government since 1995. SECOFI statistics show more than 6,000 mining concessions were awarded between 1995 and mid-1998 to Mexican and foreign companies.

Canadian companies, which in recent years have accounted for more than 42% of all foreign investment in the Mexican mining sector, invested US\$600 million in mining projects between 1995 and 1997. Canadian-based companies have committed to another US\$1.3 billion between 1998 and 2000. US companies account for roughly 36% of foreign investment in the mining sector, said SECOFI. But growth in the Mexican mining sector could be hampered by a sharp decline in demand from countries like Indonesia and Singapore, which were affected by the financial crisis in Asia last year.

CAMIMEX president Mateo Quiroga Villarreal said the weak global demand caused prices for 29 metals and minerals produced in Mexico to decline last year. CAMIMEX said weak prices have already caused some mining companies to reduce investment projections for this year to about US \$1.4 billion, compared with earlier commitments of US\$1.7 billion. The price slump has continued into this year.

A report published in late March by the government's statistics agency (Instituto Nacional de Estadisticas, Geografia e Informatica, INEGI) said weak global prices for many metals and minerals caused overall production of basic and precious metals to slump by 8.3% during January relative to the same month in 1998. The production decline was most apparent for products such as lead, iron, fluorite, and gold. Production increased for other minerals, such as zinc and silver, as strong export demand helped compensate for weak global prices.

### *Labor and environmental concerns arise with expansion*

Expansion of the mining sector has been accompanied by increased attention to environmental contamination and the welfare of miners employed by the companies. In recent months, environmental groups have accused companies like Compania Minera de Cobre and Grupo Penoles of causing extensive contamination at sites in Sonora and Coahuila states. Emissions from Penoles' Met-Mex plant just outside Torreon are suspected of causing lead poisoning among children in the area (see SourceMex, 1999-02-10). Some Coahuila state legislators are pushing a bill to force Penoles to relocate its plant away from the Torreon metropolitan area.

Some groups such as Greenpeace de Mexico have organized campaigns to prevent mining developments. In February of this year, Greenpeace led an effort to stop the Cerro San Pedro gold- and silver-mining project in San Luis Potosi state because of the project's potential to create toxic emissions (see SourceMex, 1999-02-10). But CAMIMEX and the Zedillo administration have dismissed the claims by environmental groups and health advocates as unfounded.

At this year's annual conference in Mexico City, CAMIMEX president Quiroga Villarreal said the industry is in full compliance with all federal environmental norms and regulations. He said organizations like Greenpeace are engaged in "ecological terrorism" and are using false or incomplete information to halt legitimate mining projects. Mining companies also argue that the expansion of the mining sector has increased jobs in Mexico. A new Penoles zinc mine in Zacatecas is expected to create about 500 direct jobs and employment for another 1,500 persons who work in industries that serve the mine.

But the growth in the mining industry has also brought attention to the mistreatment of some of the mine workers. In mid-February, 800 miners affiliated with the Organizacion Minera Guerrerense marched to the Guerrero state capital of Chilpancingo to protest poor working conditions. The miners accused the 22 foreign mining companies operating in the state of ignoring the welfare of their workers and of nearby communities. Fausto Acevedo, a spokesman for the organization, said the mining companies have failed to offer sufficient protective equipment and medical treatment for workers who have been injured or become ill on the job.

In a more prominent labor action involving the mining sector, 1,300 workers at Mexicana de Cobre's Cananea copper mine went on strike in November for almost three months to protest the company's refusal to give workers a productivity bonus and for its decision to shut down a smelter ahead of schedule. The strike was also extended by the company's insistence that workers compensate Grupo Mexico for the cost of the strike. The two sides reached a settlement in mid-February with mediation from Sonora state labor authorities. However, the settlement appeared to benefit management more than the union.

The company agreed to implement the productivity bonus in exchange for the union's acceptance of a restructuring plan at the Cananea mine. The plan involved closing several obsolete facilities and eliminating 600 to 700 jobs out of a work force of 2,000. "It certainly looks like the company has won and you have to question what happened with the union leaders since the workers did not end up with any better deal at all, but are worse off," a mining industry analyst told Reuters. (Sources: The News, 01/14/99; Reuters, 02/11/99, 02/16/99, 02/18/99, 02/22/99, 02/23/99, 03/08/99, 03/18/99, 03/22/99; Excelsior, 01/29/99, 02/17/99, 03/23/99; Novedades, 03/31/99, 04/13/99; El Economista, 02/05/99, 02/22/99, 04/12/99, 04/13/99)

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