

PRESS RELEASE: MEPs call for moratorium on public financing of mining projects

BRUSSELS - In an open letter [1] addressed to the EU president, the EU presidency and the European commission, 50 MEPs from 4 different political parties (S&D, Greens, Gue/Nordic Left and ALDE) call for “a moratorium on EU public financing for mining projects until adequate standards and regulations are in place.”

“The added value of mining projects for development is highly debatable” says Thijs Berman (S&D) who presented the letter in the European Parliament today. “Due to favourable tax regimes, low labour standards and a significant environmental impact, it is rarely the hosting country or its population benefiting from these mining projects. It is rather the international mining companies that make the profit and I don’t see why they would need public financial support for that. At least not until standards and regulations are in place that can guarantee a positive outcome for those who need it: poor countries and their population.” The letter refers to previous successful processes in other sectors such as the World Commission on Dams or the World Bank’s Extractive Industries Review as worth following.

This initiative came as a result of big misuses by Mopani Copper Mine (MCM), a consortium that is mining copper and cobalt in Zambia. MCM has been siphoning its profits out of Zambia to avoid paying tax. It relocated its profits to its mother company, the world’s largest commodity trader Glencore AG, based in the tax-attractive Canton of Zug, Switzerland. A Counter Balance report released just before in December 2010 was also very critical for the mining company’s weak social policy and its heavy impact on the environment. Despite these findings the company was able to obtain a €48 million publicly backed loan from the European Investment Bank (EIB) whose aim is to support development. Today Glencore fully entered the London Stock Exchange as one of the biggest companies around.

This topic has been dominant in the Zambian public debates for months, one of the main drivers of this debate is Savior Mwambwa, director from the Centre for Trade Policy and Development (CTPD): “These companies bring little social or economic benefits to our country. In contrary, they are depriving the people of Zambia of their right to social and economic benefits. By financially supporting them the EIB is doing more harm than good.”

Despite the European Investment Bank’s own policy on “secrecy jurisdictions”, it does not prevent European public money being put into tax havens: In April five different NGOs filed a complaint against Glencore for violating the OECD arm’s length principles. “It’s clear we need stronger regulation and more transparency”, says Maria Jose Romero from Eurodad. “If multinational companies were to report the profits they make and the taxes they pay on a country-by-country basis, abuses would much easier to detect. It’s high time the European Commission proposed effective legislation to address this issue.”

Notes:

[1] The entire open letter and a list of signatories can be found below

Relevant Documents

- Counter Balance report [‘The Mopani copper mine, Zambia: How European development money has fed a mining scandal’](#) – December 2010

- CTPD briefing paper 'A fools Paradise?: Zambia's Mining Tax Regime' - December 2010
Available at <http://www.ctpd.org.zm>

- [The pilot tax audit of MCM](#)

- Article: ["EU development funds doing more harm than good: EIB supports company that dodges taxes in Zambia"](#)

- [Press release on complaint against Glencore](#) – 12 April 2011

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