

Latin America Watch

Chile's frustrated ambition

Orlando Massari-Beníquez

December 2022



LONDON POLITICA



About the Author

Orlando Massari-Beníquez is a recent graduate from the Geneva Graduate Institute with a Master's in International History and Politics, writing his thesis on Nostalgia as a political tool. He holds a Bachelor's in Political Science with a concentration in International and Regional Security and a minor in History from Hamline University. In the past, Orlando has worked in government agencies, with a local representative, and in a non-profit. Orlando is interested in cultural and economic identity alongside internet identity. He also enjoys understanding perceptions of power and power dynamics in Geopolitics.



Chile's frustrated ambition

Currently, Chile and the rest of the Americas are at a crossroads. Nevertheless, they can play an essential role on the international stage with the transition to renewable energy. This transition has a lot of potential for these countries to grow economically and give their society the wealth they crave. Yet, there is also the potential for missed opportunities and unrealised gains. With countries like the [United States](#), [China](#), and [Brazil](#) and blocks such as [the European Union](#) moving quickly away from fossil fuels, it is only a matter of time before lithium becomes the world's most critical mineral and energy resource. It will be a crucial couple of decades for Chile and South America to position themselves as an essential player in renewable energy and environmental policies.

For a long time, governments have prioritised securing the necessary raw materials to support their population's demands and economic interests. In the last few centuries, the main interest of governments and private actors has been to secure energy resources. In the past, these have been oil, coal, gas, uranium, and in some cases, secure hydroelectric power with the construction of dams. Although fossil fuels and nuclear power still play a crucial role in countries' economies, lithium has become the ["new" resource in energy consumption](#).

This is because the world is rapidly transitioning into renewable energy and more sustainable energy production. Lithium is essential for this transition because of its usefulness in [battery production and energy storage](#). But as it happens, Lithium is not a widely available resource. This powdery metal is concentrated in Australia, the west of the United States, and some places in China. Yet one of the largest deposits sits in what is known as the [lithium triangle](#) between Argentina, Chile, and Bolivia. These countries already export large quantities of raw materials to the world. For instance, Chile has been one of the leaders in mining this substance and is very well positioned to be a world leader in the lithium market. However, Chile is economically, politically, and environmentally at a complicated crossroads, juggling multiple crises and priorities.

Chile: the economic giant

Chile is a significant country in the Latin American region and is usually seen as the most stable and predictable country in the area. Chile has been growing economically and becoming a significant player in the global economy. So much so that Chile became a member of the OECD in 2010, joining a club of mostly rich countries. To become a member of the OECD, countries must achieve high levels of democratic stability, such as the rule of law and human rights protections, and have free-market policies.

Chile has a very dynamic economy with an important agricultural and industrial sector, making it one of the most [advanced economies in the region](#).

Yet one of Chile's most important industries is mining, composing about [10% of its economy](#). Chile's main mining export is copper, lithium, and nitrate, being the largest producer of copper and second largest in lithium mining. [Thomas Graham](#) states, "Chile produced roughly 150,000 metric tons of lithium carbonate in 2021—more than a quarter of global production". Chile could be on a trajectory to be a significant player in the transition to renewable energy that is currently happening. Yet environmental policies, domestic politics, and security reasons make lithium extraction a contentious topic in Chile, making it difficult for this green transition. In this article, let's begin by discussing lithium's security dimensions and which bodies regulate the mineral.



By law, lithium is controlled and monitored by the [Chilean Commission of Nuclear Energy](#) (CCHEN) because of its importance for producing nuclear energy and weapons. As a result, the state sees it as a strategic mineral that has to be regulated and protected. But now that lithium is an essential component for the production of batteries in the production of electric cars, solar panels, and wind turbines, lithium has become a priority for the government to mine and export. In doing this, the government wants to benefit directly from this [mining, making plans](#) to open up the region to investments and development to improve lithium extraction for wider market consumption. Yet all of these economic gains were not shared with the wider population and would eventually explode in massive social unrest across the country.



Chile wakes up to reality

The politics of Chile have been contentious for decades, but this has been more evident over the last couple of years. In October 2019, Chile was rocked by massive protests after a proposed price increase in its transportation services. The “[Estadillo Social](#)” as the protests were called, was because of its spontaneous mobilization against the political order in Chile.

People went to the streets demanding political change in the country, calling on the government to tackle inequalities and demanding reforms to tackle the cost of living crisis and to improve access to education, among other things. At the heart of this was changing Chile's constitution since it was adopted during the dictatorship of General Augusto Pinochet. People [wanted greater political freedoms, expansive representation, improved levels of democracy, and greater protections from the state.](#)

Every presidential administration comes in with significant policy goals and promising fundamental changes to the country. The Boric administration has been no different. Gabriel Boric came to power at the height of the protest in Chile. When elections were held on November 21, 2021, [Boric was elected with 55.87% of the vote](#), making him the youngest president in Chilean history and having one of the widest margins in Chilean electoral history. Boric started with a strong mandate in a country that wanted a change from the status quo.

A referendum was held on [October 25, 2020](#), to change the Chilean constitution, in which 78% voted to implement a constitutional convention to draft a new constitution. This went hand in hand with the wave of support for a change in Chile as Boric became president with a leftist manifesto, resulting in a wider, left-leaning wave in the continent. As [Catherine Osborn](#) writes, this new constitution would expand the role of the government in the lives of Chileans.

This [constitution](#) intended to expand indigenous people's rights, reduce gender disparity, and provide greater economic and social benefits to people. The constitution would also focus on protections over its mining and [natural resources, such as forests and bodies of water](#). Ultimately, [on September 4, 2022](#), the constitution referendum failed to gain support from the majority of the population, with 62% of the population voting against it, making Chile's future uncertain and putting the political ambitions of Boric and his government on hold.

The government of Gabriel Boric has tried to make the environment a priority within his government. Yet there are the unfortunate realities of wanting a greener environmental policy and while also trying to benefit from the lithium deposits the country has and the global appetite for renewable energy.

Dirty green energy

Extractive industries are not the most environmentally friendly of sectors. This is because extracting a mineral from the earth requires vast amounts of energy and chemicals to have a result. Lithium mining is no different from other extractive industries, yet it's essential to consider the origin of lithium in Chile.

Chile's lithium deposits sit on the Atacama desert, which is regarded as one of the most inhospitable places on earth because of its high temperature. Although living in the Atacama is challenging, it's not devoid of life.

It contains a variety of species and indigenous groups, such as [Colla Pai-Ote, and communities in Coyo](#), those that have inhabited the area for centuries. With more significant mining in the area, these groups are under threat and competing for scarce resources such as water.

Lithium is mined in the Atacama with a process called [brine](#), which is done by filling an area with water and salt and waiting for it to dry up with the sun's power. This takes time and energy, and in simple terms, it makes it challenging to mine the mineral efficiently. And in an area where [water is scarce](#), it ends up competing with the [inhabitants](#). This, of course, is nothing new. It's the struggle of who benefits from scarce resources and who is the priority for development. There is no easy way for mining to happen in an environmentally friendly way. Yet, the government in Chile has signaled it wants all Chileans to benefit, which brings us to the other point of contention in Chile, which is politics.

Domestic Lithium

Although President Boric's wish list was extensive, with big ambitions for the mining sector, Boric has shown support for creating a [National Lithium Corporation](#). Yet, the government faces challenges in creating the Corporation and ensuring that not only the country profits but that the Corporation will also bring social benefits. As stated before, lithium mining in Chile is quite complicated. But the [senate](#) in Chile has begun to hold hearings and is interested in seeing the different ways

this state-backed corporation could potentially function. A possibility is creating an association between private and state corporations. The government certainly has little desire actually to continue privatising its lithium mining. Instead, they would like to part ways with the past and have better control of their resources.

Some analysts have pointed out that Chile shouldn't only just think about mining and exporting Lithium, it should also begin plans to produce Lithium batteries and become a key player in the renewable energy sector. However, these projects have not been executed due to high costs, lack of local industry, and opposition by environmental and indigenous groups. These factors have made Chile's lithium mining a bottleneck, [with some deals collapsing and being abandoned](#). A foreign policy project that might not see the light of day is the goal of creating a lithium block in Latin America that would control the price of lithium and shape regional and global politics.

Lithium OPEC

In the background, there are also regional aspirations of creating cooperation and perhaps a block of Latin American countries that control the mining and export of lithium to the world. The countries interested are the ones in the lithium triangle, Argentina, Bolivia, and Chile. Oscar Hernández points out that these three countries have access to the [largest proven lithium deposits](#), or about 67% of all lithium reserves. They have a lot of potential to grow their mining output. Yet, these

countries have yet to benefit from the lithium boom. As expert [Patricia I. Vázquez](#) points out, the three countries have slowly developed their mining capabilities with slow investments.

Yet as it happens, these countries are increasingly cooperating in creating a block of lithium-producing countries and controlling the price and supply of the mineral. David Feliba writes that there have been some movements in these countries making moves to integrate their lithium ambitions further. But there is still much work to be done on this front. Creating a lithium block similar to OPEC would undoubtedly make these countries very powerful and influential on the global stage. But for this to happen, their domestic politics and investment must increase.

Chile has a lot of potential to become a significant player in the energy market. But domestic political problems will most likely preoccupy Boric's government, making it challenging to execute most of his agenda and ambition. This sentiment is not just limited to Chile since most countries in the region are occupied with their domestic challenges and rebuilding their economies after the COVID pandemic, and dealing with the instability of the international system due to the war in Ukraine.

The cooperation and ambition of twenty years ago seem to be lacking in a region with a lot of potential to grow. Chile, of course, is not immune to this, with any ambitious long-term goal falling short due to domestic pressures and ultimately falling short of its potential.

