Extractive industries: development and social conflicts

Anthony Bebbington

http://www.sed.manchester.ac.uk/research/andes/
The development argument

- Foreign direct investment
- Tax and royalty income
- Borrowing against future income
- Multiplier effects
- Converting natural assets into other assets
“The natural resource curse” or “The paradox of plenty”

- Dutch disease
- Enclave economies
- Underinvestment in education
- Poor political institutions
  - Disincentive to developing broad based tax systems
  - Cronyism
  - “Rent seeking”
  - Long-lived authoritarian regimes
- Civil strife and war
# Recent Civil Wars in Oil and Mineral Dependent States

<table>
<thead>
<tr>
<th>Country</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>1991-2002</td>
</tr>
<tr>
<td>Angola (UNITA)</td>
<td>1975-2002</td>
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<tr>
<td>Chad</td>
<td>1975-1982</td>
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<tr>
<td>Colombia</td>
<td>1984-present</td>
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<tr>
<td>Congo, Republic</td>
<td>1997-1999</td>
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<tr>
<td>Indonesia (Aceh)</td>
<td>1986-present</td>
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<tr>
<td>Liberia</td>
<td>1989-1995</td>
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<tr>
<td>Papua New Guinea</td>
<td>1988-2003</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>1991-2002</td>
</tr>
<tr>
<td>Sudan</td>
<td>1983-present</td>
</tr>
</tbody>
</table>

Source: Karl, 2008; Ross, 2008
..even so, extractive industries have expanded in developing economies
Why the expansion?

• Price
• Growing demand: China, India
• Technology
• Policy
  – National
    • More favourable investment climate
    • Laxer environmental standards
    • The governance question
  – International
    • IFIs promoting extractive industries
    • Rise of private sector lending in IFIs?

[Source: Cooperación]
Issues

• **Competition/conflict over space**

  – Surface uses and subsurface access
  – Land, subsoil or territory?

  – Concerns over existing livelihoods
  – Concerns over governance
  – Concerns over who should benefit
  – Straight sense of invasion
Information symmetries: power differences

• Exploration
  – Concessions are given without community knowledge
  – Limited knowledge of communities’ rights and company obligations
  – Understanding the science

• Exploitation
  – What happens to the money?
Inter-regional conflicts
Participation issues

• Free, prior informed consent (or consultation??)

• Who should participate?
  
  – Conflicts over drawing boundaries
  – Should participation be defined by:
    • Proximity to deposit
    • Drainage basin
    • Territory
Perceptions of risk, value and responsibility

• What is manageable risk for companies is sheer uncertainty for communities

• “Old mining” / “new mining”

• Different senses of “loss”: where a company may see environmental remediation, a community may see permanent loss of a cultural landscape

• Direct responsibilities vs. indirect responsibilities
“Aggravating” factors

• Junior companies

• Distortion of key public institutions
  – The media
  – The legal system

• Company strategy – conscious cultivation of support and difference

• Local politics, prior conflicts, wider agendas and local differences
Conflict

• Protest through democratic channels seems not to work
  – The example of “Consultas” (referenda)

• Conflict is hardly surprising

• Is conflict necessarily bad?
• Conflict and new institutions
  – Ecuador’s Constituent Assembly process
  – Peru’s Ministry of the Environment
The CAMISEA Pipeline

- Camisea was the largest natural gas field in the Americas

- The concessions and pipeline cuts across the territories of some of the last non-contact peoples of South America

- Much activism around this one-time Shell project
Mining and Development in Peru

With special reference to the Rio Blanco Project, Piura

Delegates

Anthony Bebbington: Geographer; rural development in Andes; mining conflicts

Michael Connarty MP: Economist; planning expert; Chair, APPG Peru (inter alia)

Wendy Coxshall: Anthropologist; peace commissions; social conflict

Hugh O’Shaugnessy: Journalist; politics and economics of Latin America

Mark Williams: Hydrologist; Principal Investigator National Science Foundation high altitude Long-Term Ecological Research site; mining and water
Timeline

• 2002-3
  – Exploration activities begin
  – Community assemblies state to MEM they did not give permission

• 2004
  – “Massive” community assembly, march on mine site, one death

• 2005
  – Dialogue fails, second march, one death, maimings
  – Media campaign: accusation of “network of terror” involving priests, bishops and Oxfam staff

• 2006
  – March 12th: violence which police reports link to MM staff
  – March 21st: PSG meeting at Portcullis House; heated debate
  – Ombudsman’s report 1: citizenship rights infringed
  – September 11th: Majaz publishes apology
– Ombudsman’s report 2: MEM knew MM had not satisfied legal provisions to gain surface rights
– MEM affirms MM surface rights; ignores Ombudsman’s report

• 2007
– Two supreme decrees further limit citizen participation and municipal powers to affect mining
– Ombudsman’s office: MEM is going against the law; decree is explicit way of ignoring Ombudsman’s report
– Death threat against human rights lawyer involved in case (March 15th)
– MM taken over by Zijin, China
– Referendum rejects mining (September)

• 2008
– Company offices to move to Hong Kong
• Issues:
  – Export agriculture, water, mining
  – Growth and public revenue shortfalls
  – Tradeoffs – over time, across space
  – What does the region want? …
    • Which region?
    • Who decides?

– What is the argument about?
  • mining?
  • development?
  • democracy?
• Relevant Websites

• Earthworks, http://www.earthworksaction.org/
• International Council on Mining and Metals, www.icmm.com
• Mines and Communities, http://www.minesandcommunities.org/
• Mining, Minerals and Sustainable Development project, http://www.iied.org/mmsd/
• No Dirty Gold, http://www.nodirtygold.org/
• Oxfam America, http://www.oxfamamerica.org/whatwedo/issues_we_work_on/oil_gas_mining