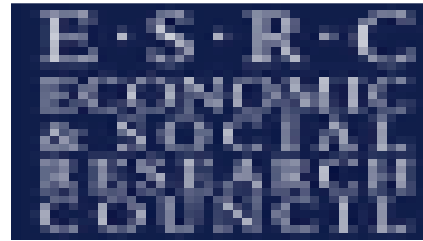




The University of Manchester



Climb every mountain : mining and development strategy in Peru

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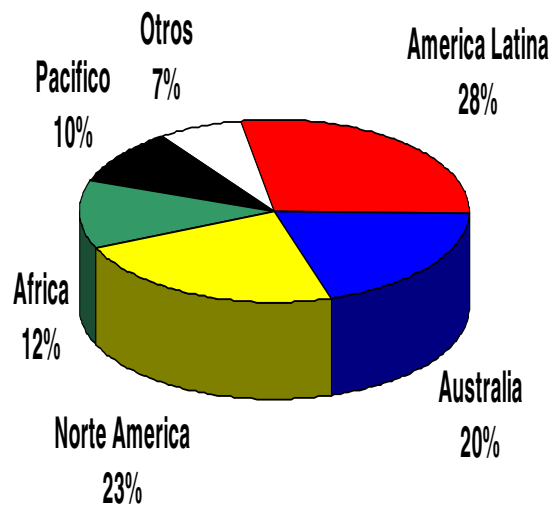
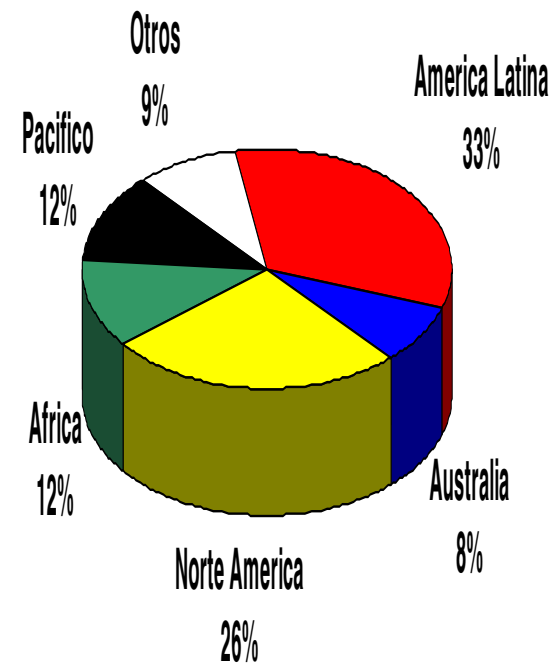
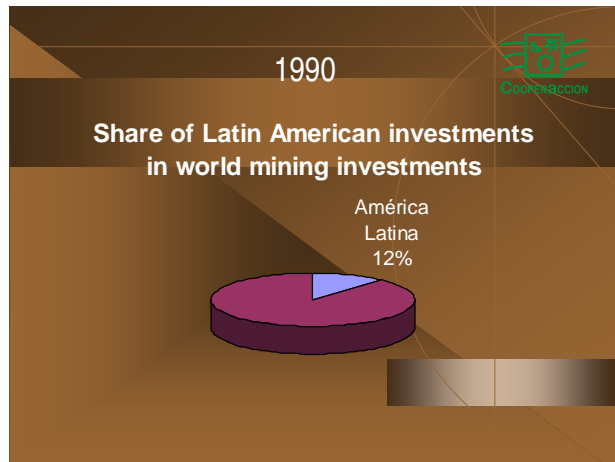
Outline

- Context: mining expansion and social conflict
- Illustrations from Rio Blanco/Majaz
- Mining, poverty and development

Context

There has been a massive surge in extractive industry investment in Latin America since the early 1990s, and especially the mid 1990s

Mining investments, 1990, 1995, 2000



- Why?
 - Technological and price changes
 - New government policies and institutional arrangements
 - Neo-liberal policies – especially favourable in Peru (Bridge, 2004)
 - Peru: “the legislation created an extremely attractive investment regime for the large multinational mining companies” (ICMM, 2007)
- Between 1990-97,
 - global investment in mining *exploration* increased 90%
 - in América Latina it increased 400%
 - in Perú it increased 2000 % (Banco Mundial, 2005).
- Between 1990 y 2001 (Bridge, 2004)
 - 12 of 25 largest mining *investment* projects were in LAC (9 in Chile, 2 en Perú [Antamina, Yanachocha], 1 in Argentina)
 - Worldwide, of the 10 countries that saw most investment in mining, 4 are in LAC (Chile, 1; Peru, 6; Argentina, 9; Mexico 10)

This investment is going to traditional areas of extraction, but also to new frontiers with no history of extraction

– Among countries

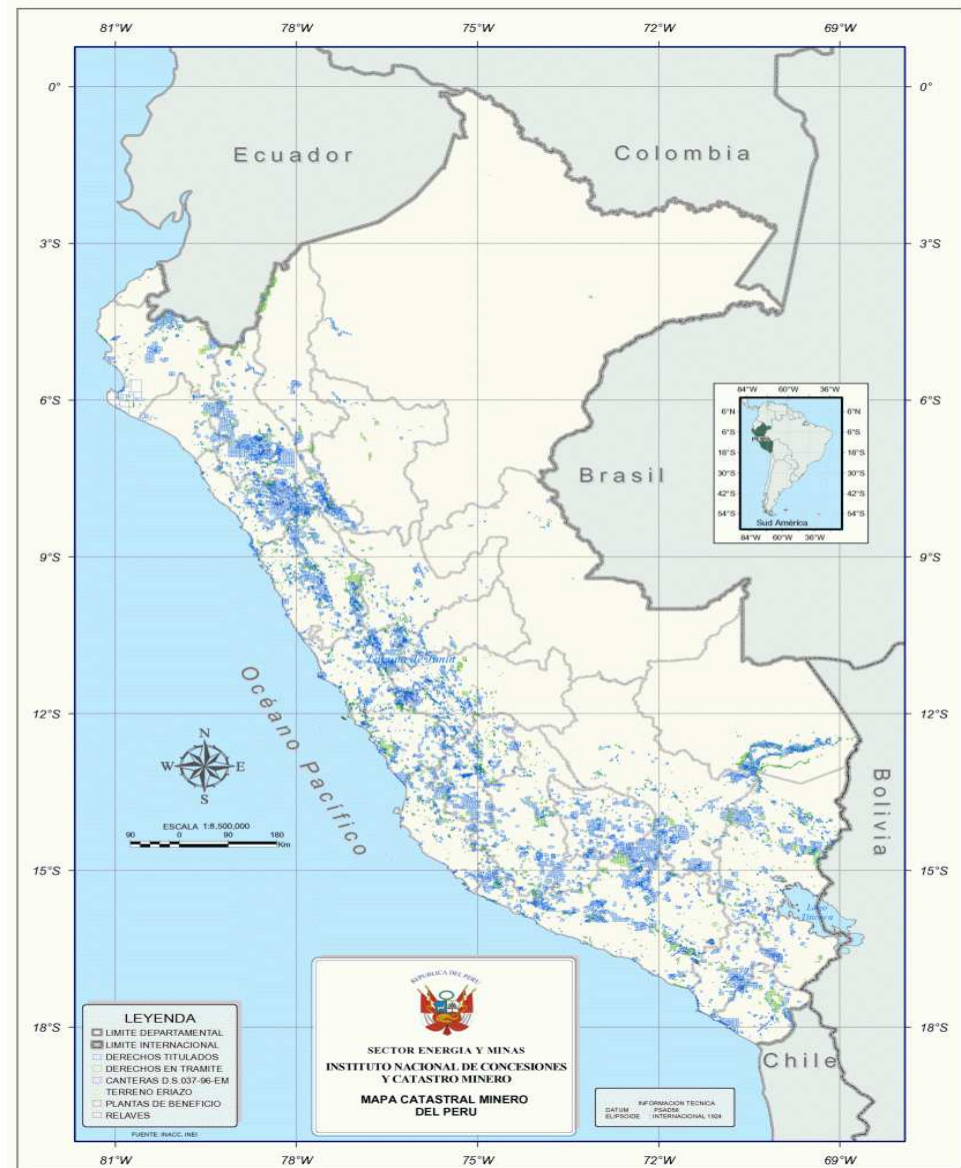
- E.g. Central America, a new frontier

– Within countries

- Traditional mining areas in Peru (Pasco, Huancavelica, Junin)
- New mining areas in Peru (Piura, Ayacucho, Apurimac)

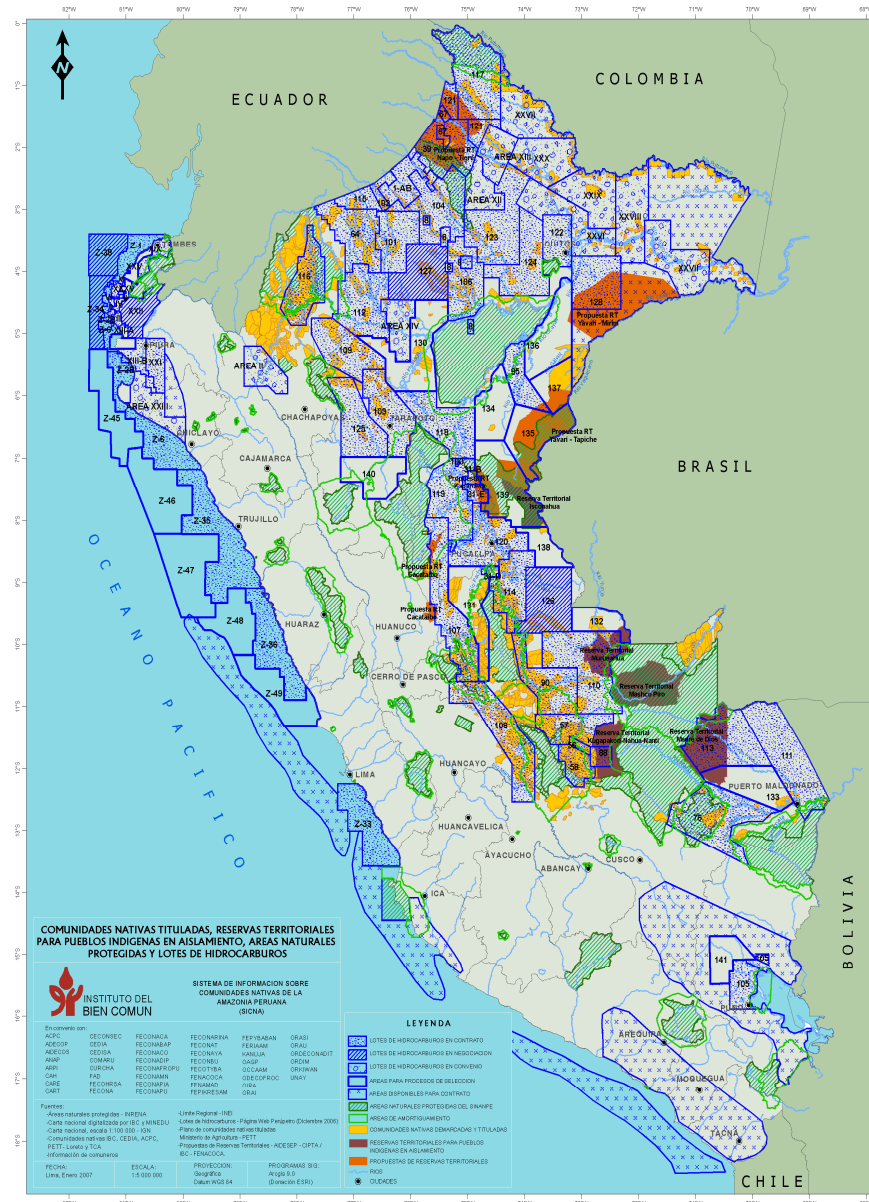
- Post 1991: Peru's new mining economy
 - 1990-2000, mining investment increases five-fold
 - World's second largest supplier of silver, third of zinc, fifth of copper and sixth of gold
 - Mining – c. 6-7% of GDP
 - 1990-2003, mineral exports pass from US\$ 1447 million to US \$ 4554 million
 - Over 50% of foreign currency generated by exports
 - c. 37% of FDI 2001-3 (WB, 2005)
 - 2003: mining sector paid for c. 4% of government's actual spending and contributed just over 5% to government's total tax intake (ICMM 2007)
 - 1992 and 2004 domestic and international mining companies undertook total investments of about US\$9.8 billion (ICMM, 2007)
 - Some recent suggestion of declining growth: concessions increase in response
 - A country concessioned?

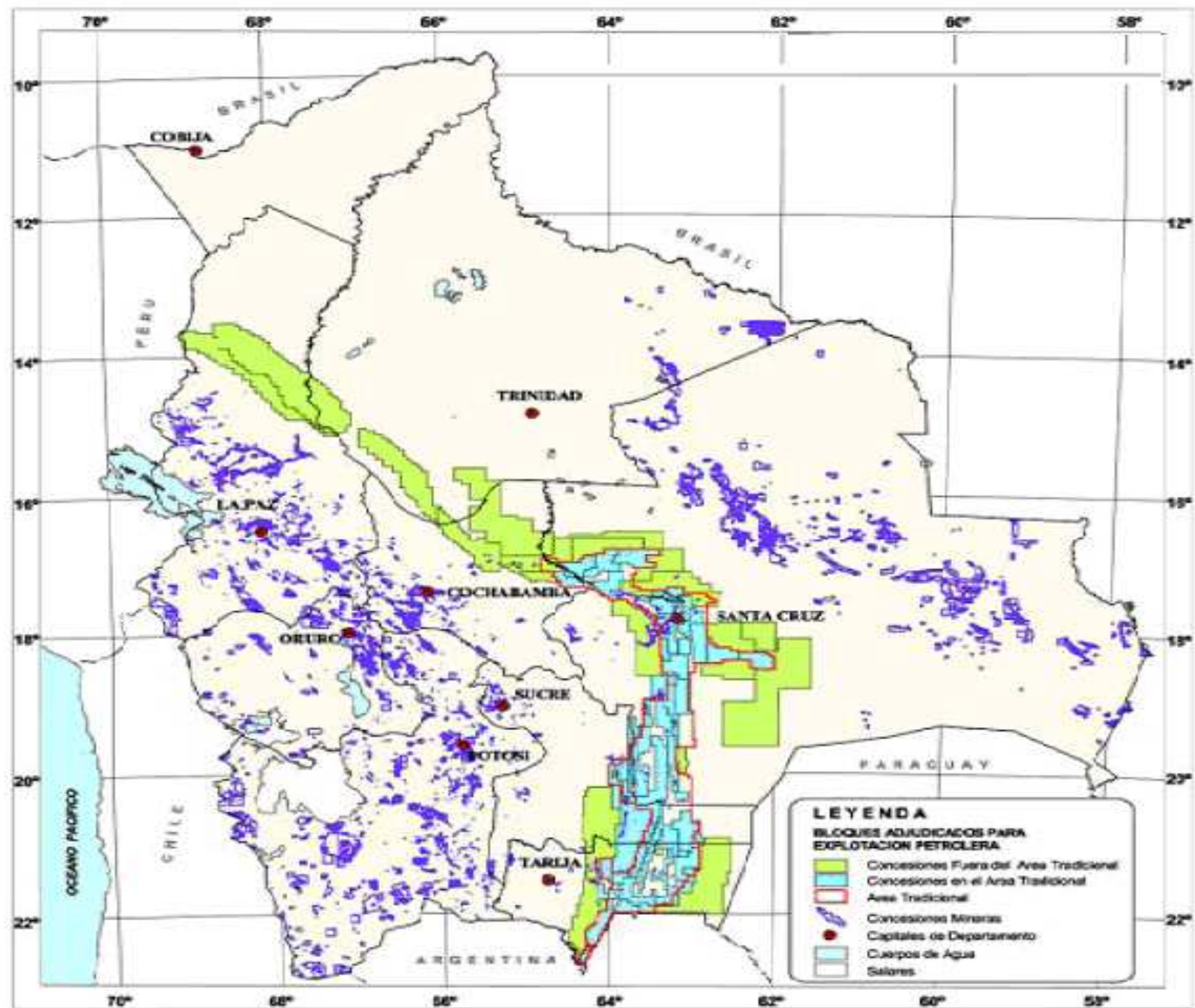
- 1990s: area affected by mining concessions increases from 4 million to 16 million hectares (1997 peak)
- 2002-2007, concessions increased 77.4%: from 7,045,000 ha to 13,224,000 ha
- Around fifty-five per cent (3126) of Peru's six thousand or so *campesino* (peasant) communities influenced in one way or another by mining (de Echave, 2006)



- 2004 – 2007 hydrocarbon concessions have jumped from c. 13-14 % of territory to 70 %

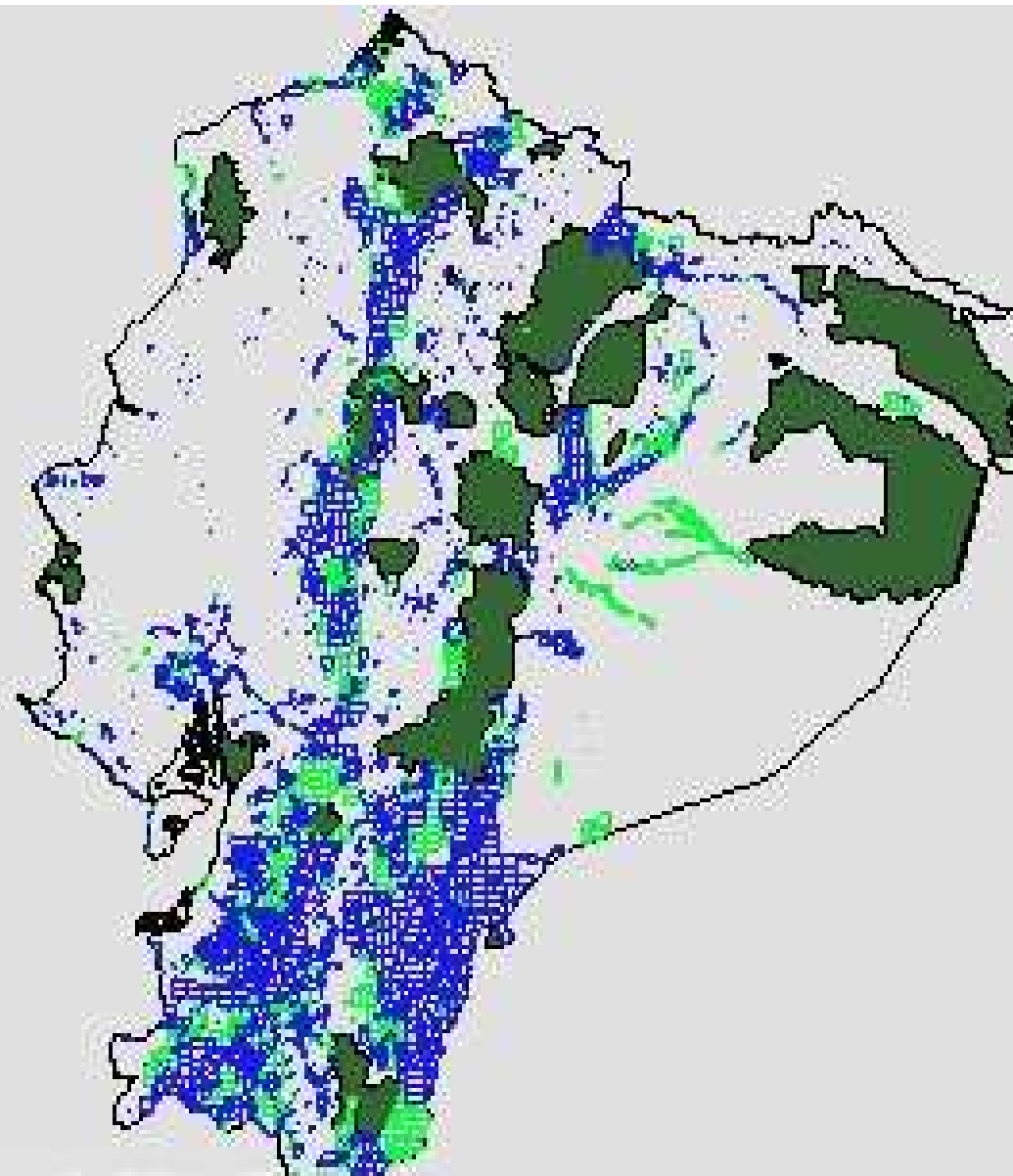
- Note overlap with:
 - Protected areas
 - Indigenous communities
 - Reserved land





Elaboración propia en base a:
 YPFB
 SETMIN
 IGM

0 100 200 300 400 500 Km.
 Escala 1 : 8.000.000



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0 250000

- What is the significance of this?
 - Concessions \neq mines/wells
 - Concessions **do** mean uncertainty and change for residents/local authorities
- New conflicts over
 - Land transactions/markets
 - Resource use and control
 - Territorial occupation
 - Relationships between existing livelihoods and mining investment

- Aggravating factors

- Little evidence that past mining fostered local development
- Weak presence of state in exploration processes
- No land use planning system
- No independent environmental safeguards
- Juniors lack capacity to de-fuse conflict
- Other conflicts played out through mining conflicts

- Amplifying factors
 - Forms of central government response
 - Use of force
 - Authoritarian practices
 - “Ambivalence” to local concerns and complaints
 - Learning and linkages among communities and activists across the region
- Worth viewing processes of expansion and conflict in the region as inter-linked
 - By economic processes
 - By activist networks

Illustrations from Rio Blanco/Majaz

- Concessions on community lands, due process not followed according to various commentators – sufficient doubt to create unrest
- Regional “pasivos” as memories of undesirable impacts
- Absent state: Minera Majaz handled relationships with communities, not well

- No prior planning process for thinking through, participatively:
 - Relationships between mining and existing livelihoods (ecological certification, livestock)
 - Relationships between mining and water – regional concerns
 - Relationships between mining and land cover – local and regional concerns
- Minera Majaz/Monterrico become the default planning departments for these relationships
 - Perceived/real conflicts of interests
 - Their planning claims therefore lack any real legitimacy

- Conflict emerges
 - Use of special operations troops to handle it
 - Courts find no-one responsible for deaths and injuries
 - Forces of law and order seen as protecting foreign company assets against Peruvian citizens
- No government response to complaints
 - From population
 - From Ombudsman's Office

- Co-existence of other political projects
 - State and mining sector determined to expand mining in Piura via Rio Blanco
 - State and mining sector determined to avoid other Tambogrande via Rio Blanco
 - Local political manoeuvres and partisan projects
- Linkages with other resistance processes
 - National
 - Latin American
 - The example of the consulta

Mining, poverty and development

Emerging government positions on mining, conflicts and development

- Garcia: changes between campaign commitments and government practices
 - Frontal attack on those questioning current forms of mining expansion
 - Rio Blanco/Monterrico as the lightning rod
 - “False prophets,” red priests and “outdated ideologies”
 - Commitments to companies
 - Tax stability agreement for Minera Majaz/Monterrico
 - 20 projects in the national interest
 - Recent statements by AGP – mining throughout the land
 - Allowing oil exploration in Bahuaja Sonene
- How happy are the mining companies about this government orientation?

El Perro del Hortelano: Alan Garcia in El Comercio: 28/10/07

The problem:

- “Hay millones de hectáreas para madera que están ociosas, otros millones de hectáreas que las comunidades y asociaciones no han cultivado ni cultivarán, además cientos de depósitos minerales que no se pueden trabajar y millones de hectáreas de mar a los que no entran jamás la maricultura ni la producción.”
- “el viejo comunista anticapitalista del siglo XIX se disfrazó de proteccionista en el siglo XX y cambia otra vez de camiseta en el siglo XXI para ser medioambientalista”

Agriculture:

- “hemos caído en el engaño de entregar pequeños lotes de terreno a familias pobres que no tienen un centavo para invertir”
- “Esa misma tierra vendida en grandes lotes traería tecnología de la que se beneficiaría también el comunero, pero la telaraña ideológica del siglo XIX subsiste como un impedimento. El perro del hortelano.”

Amazonia – forestry and hydrocarbons:

- “la propiedad formal por grandes empresas colectivas como los fondos de pensiones permitiría hacer inversiones de largo plazo desde la siembra hasta la cosecha años después”
- Y contra el petróleo, han creado la figura del nativo selvático 'no conectado'

Mining

- “apenas la décima parte de esos recursos [mineros] está en proceso de explotación, porque aquí todavía discutimos si la técnica minera destruye el medio ambiente, lo que es un tema del siglo pasado
-en la actualidad las minas conviven con las ciudades sin que existan problemas y en todo caso eso depende de lo estricto que sea el Estado en la exigencia tecnológica a las empresas mineras y en negociar mayor participación económica y laboral para los departamentos donde estén las minas.”

What is the development strategy here?

- A modern hacienda based model of development? (Eguren)
 - Re-concentrate land and resources
 - Development to be delivered by large property, technology and foreign capital
 - Territory to be governed more efficiently by large property owners
- Large scale capital plus a strong state = well regulated development

Issues emerging

- Ambiguous attitudes to ethnic difference?
- A sense of rights being bestowed by efficiency more than citizenship?
- An optimistic conception of state capacity?
- Attitudes to dissent: frustration or intolerance?
- What is the evidence base?

Mining and economic conceptions of poverty and development

National indicators (ICMM)

- Between 1994 and 2003, Peruvian GDP grew on average at 3.4% per year and per capita GDP grew at 1.7% per year. Without mining's total contribution to GDP, these would have been 3.1 and 1.4% respectively. Thus without mining, by 2003 per capita income in Peru would have been \$4,113 compared to \$4,395 with mining, a difference of 6.4 %

National success, local disappointment? (ICMM again)

- Difficult to assess the sector's contributions to poverty reduction at the regional level.
 - No clear patterns or proof that mining improved (or undermined) regional living conditions relative to national averages.
- *Canon Minero* transfers constituted only slightly more than 1% of total actual government spending
- No automatic link between higher amounts of public money spent at the sub-national level and better outcomes for local communities as well as less social tensions.
 - Risk of a “local resource curse”
- Institutional and governance arrangements supporting economic development and economic diversification through a local supply chain remain incomplete.

ICMM:

- “It is important to note that a country’s ability to govern needs to grow parallel to the rise of mining investment to prevent social conflict and to ripen long-term benefits from that investment.”
- “To presume that better governance can somehow be grafted on to a society fails to recognize the complex processes that are likely to be involved in putting this into practice.”

Questions:

- Do these conclusions question the existence of the state that AGP argues needs to exist?
- Under what conditions will mining contribute to, or further weaken, these governance requirements?

Conclusions from Rio Blanco similar to ICMM's

- For mining to foster local development requires institutional arrangements:
 - To help mining investment develop local markets and opportunities
 - That give company social responsibility programmes sufficient legitimacy so that they can trigger opportunity
 - That ensure ability of all groups to coordinate and reach agreement on use of fiscal transfers (the *canon minero*)

- None of these existed to any significant degree
 - Serious mistrust among communities, local government, central government and company
 - Mistrust and tensions within communities
 - Authoritarian practices (among all actors) that frustrate participation and collective action
 - Local judiciary loses legitimacy
 - No public sphere in which to debate development options

- Furthermore, the exploration process and the arrangements surrounding exploration, weaken these very institutions
 - Absence of any sensible and participatory land use planning process – concessions awarded independently of land use concerns
 - Recurring sense of conflicts of interest
 - Deeply inadequate possibilities of participation
 - Sense among population that there is simply no independent arbiter to go to:
 - State explicitly aligns with mining
 - Executive office criticises and insults local population
 - Defensoria del Pueblo responds but is ignored
 - No independent environmental authority
 - State attacks legitimacy of the Church
 - Use of force reduces legitimacy of:
 - State and company vis-à-vis local population
 - Local leaderships vis-à-vis state and company

The centrality of institutions

- You can never play a good game of [choose your sport of choice] if the players don't agree on the same rules, or accept those rules as legitimate.... Otherwise there'll be red cards everywhere
- The issue is not to get the development plan right but to get the governance issues right

- In this case, this seems to mean above all building:
 - An autonomous, participatory land use planning system
 - An autonomous environmental authority
 - An autonomous and binding human and social rights authority

- But these cannot be grafted onto society (ICMM)

➤ A different lens for viewing conflict

- In debate in Peru mining conflicts are always presented as a problem
- But states (especially welfare states) have historically been produced through conflict
- Do we see the beginning of this in Peru
 - Eg. Opened the debate on independent environmental authority
 - Eg. Created some space for Defensoria
- Will conflict
 - Deepen democracy?
 - Induce authoritarianism?