

**Comments: Anthony Bebbington, Higgins Professor of Environment and Society and Director of the Graduate School of Geography, Clark University, USA; Professorial Research Fellow, University of Manchester, UK; Member, US National Academy of Sciences**

Thank you for the invitation. My comments focus on the relationships between mining and development. They draw on a decade of research exploring the relationships among extractive industries, social conflict, governance, livelihoods and development in Latin America. This work has involved post-graduate students, research partners and myself. They also draw on close collaborations with civil society and governmental organizations.

Before getting to specifics, I want to begin suggesting that rather than talk first of development, it is more appropriate to talk of the relationship between mining and ***transformation***. The appearance and expansion of large-scale mining changes so much, so profoundly, that achieving development becomes particularly complicated and difficult. While these transformations do not make development impossible, they are of such a magnitude that any effort to foster development cannot focus on ***projects***. Instead it must focus on ***institution building and regulation***. It must also get the sequence right. Almost always, mining expansion happens first and then efforts are made to build capacities later, usually after conflicts begin to emerge. By then it is too late – the train has already left the station.

With this opening gambit in mind, I organize my remaining comments under the following headings:

1. **Mining and social conflict**
2. **Mining and possible pathways to development**
3. **What's legal matters much less than what is legitimate**

### **1. Mining and social conflict**

Not all mining leads to social conflict. However, the Peruvian Human Rights Ombudsman consistently reports that over half of social conflicts in Peru are socio-environmental, related mostly to mining and secondarily hydrocarbons. Natural resource extraction related conflicts have also increased significantly in Bolivia and Ecuador, and are one of the principal tensions between these two governments and indigenous and rural populations. Mining related conflicts are a serious governance problem for the Government of El Salvador.

There is a narrative that says that these conflicts are manipulated, though who is deemed to be the manipulator depends on who is making the allegations, and can range from the communist party, to international NGOs to USAID. This very diversity in who is being accused already

weakens this interpretation of conflicts. More seriously it is impossible to explain why so many people take to the streets, risk their physical safety and invest so much time in protest if they are simply being manipulated. It seems more reasonable to conclude that their own motivations and frustrations lead them to put themselves in harm's way and, occasionally, to be killed or injured. It is also worth noting that often those who protest are themselves market oriented business people – dairy farmers, fruit farmers, organic exporters and so on. This is not radical anti-market activism.

Maps of mining concessions in the Andes (see the end of the handouts) help us think about these motivations and frustrations. The maps reveal very significant areas affected by concessions. They also reveal that:

- Concessions overlap with water resources. 15 of Peru's largest rivers have 25% or more of their drainage basin under concession; the three river basins feeding Lima, a city in the desert, have between 30 and 41 % of their area under concession. In Cajamarca 64% of the valley's main basin is under concession;
- Concessions overlap with other forms of governing territory. Experts calculate that some 55% of Peru's campesino communities are affected by concessions; Guarani territories in Bolivia have street signs bearing the logos of hydrocarbon companies;
- Concessions overlap with landscapes that *mean* something to many people.

Of course, concessions are not mining projects, and projects cover far smaller areas. So do these concession maps tell us anything? I suggest that these maps are best understood as maps of uncertainty. When people know their land has been concessioned their understandings of the future change profoundly. They perceive new risks, new threats, new opportunities. How much threat they see also depends a lot on the context. In cases like Peru or El Salvador, where people – across all classes and ethnicities – really worry about water, it is not surprising that these concession geographies are accompanied with such widespread geographies of conflict.

While some people see threats, others see opportunities. Indeed, a recurrent feature in our research has been that areas caught in the expansion of the mining frontier are characterized by severe internal divisions. To illustrate, in 2008 I was present at the public Consultation of Ecuador's Constituent Assembly on mining (I attended as an invited speaker). We went to Loja and Zamora Chinchipe, a region where Canadian mining was active. At two meetings, each of around 1000 people, the room was divided down the middle by police – pro-miners on one side, anti-miners on the other. The much more detailed work of one of my graduate students in Zamora shows how this polarization reaches down to the everyday scale. School kids fight in playgrounds depending on whether their families are pro or anti-mining, and people's decisions

on where to buy food, where to have their hair done, which taxi to use are also affected by whether people are pro or anti. *Shopping, she notes, has never been so complicated.*

Under conditions where everyday social relations have become so polarized, achieving development is so much harder. And if your concept of development includes a notion of well being, of feeling “good” in your environment, then the challenge is greater still.

I also want to say one more thing about social conflict, and this relates to the transfer of taxes and royalties back to the regions in which mining is occurring. In the 2000s, Peru introduced just such a mechanism – the “canon minero”. My colleague, Dr. Javier Arellano-Yanguas has done very careful econometric and field work to study the effects of these transfers. While one of his findings is that there is very little statistically significant evidence to conclude there is any relationship between the size of these transfers and poverty reduction, I want to focus on another of his findings – namely that these transfers have become the most significant source of conflict in Peru, at the community, municipal and departmental level. These conflicts take different forms:

- Conflicts between political movements seeking access to power in order to control the transfers
- Conflicts among interests within communities over control and use of such funds
- Conflicts between elected authorities and citizens over the way in which these funds are being used
- Conflicts between neighboring administrative units over distribution of funds
- Conflicts over the size of transfers

One example might be illustrative. Quoting Arellano-Yanguas (2012)<sup>1</sup>

*“In June 2008, Moquegua hit the national headlines in Peru when its population paralyzed the region and for ten days took control of and closed the bridge that linked the rest of the country to Tacna and, from there, Chile. Disruption of trade and economic activity caused significant loss of business, damaging the country as a whole. When the government tried to restore public order, the mob took the Chief of Police and 60 of his officers’ hostage, leaving several of them injured.*

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<sup>1</sup> Javier Arellano-Yanguas. Mining and conflict in Peru: sowing the minerals, reaping a hail of stones. Pp. 89-111 In Anthony Bebbington (ed.) Social Conflict, Economic Development and the Extractive Industries: Evidence from South America. London: Routledge, 2012

*This protest had been triggered by disagreements between Moquegua and Tacna over how canon minero transfers were being distributed. The Southern Peru Copper Corporation (SPCC) paid taxes on the total profits of its operations in Tacna and Moquegua, and the central government was required by law to distribute the transfers in proportion to the copper processed in each region. However, because the ore in Tacna is of a lower grade, the region processed 78 per cent of the raw material while producing only 22 per cent of the total refined copper in the year 2007. Nonetheless, in 2008, Tacna received 78 per cent of the canon minero transfers that SPCC's taxes had generated. This was too much to bear for the people of Moquegua, who felt cheated of the proceeds of 'their' copper. Consequently, they demanded that the central government amend the regulation immediately.*

*..... In October 2008, the national parliament modified the law, making canon minero transfers proportional to the value of the minerals produced in the locality/region. This amendment prompted fresh riots in Tacna, where three people were killed and many were injured. The central government finally declared a state of emergency for 60 days."*

If the *canon minero* causes so much conflict, why not change it? But this will not be straightforward. People's determination to protect their transfers reflects just how embedded these transfers have become in local politics. Municipalities have used the canon for widespread patronage and job creation. Any reduction of transfers would threaten both. So authorities and municipal workers are highly motivated to take to the streets.

## **2. Mining and possible pathways to development**

Such conflict is undesirable in itself – it is a negative development outcome. It also affects other possible linkages between mining and development.

Discussions of mining and development identify three general pathways from mining to local and regional development.

1. The first pathway operates through multiplier effects and employment generation. Because direct employment generation is limited in the medium term, the multiplier effects are the more important element of this channel.
2. The second operates through the community development, CSR, compensation transfer and other interventions of companies. These interventions have diverse motivations, but all ultimately put money and projects into communities.
3. The third operates through fiscal transfers to local authorities.

(a fourth channel operates through the use of tax revenue by central government for targeted and other cash transfer programs and infrastructure. I will say less about this).

These “pathways” do not occur automatically. They require certain institutional and organizational conditions if they are to operate – as the literature in institutional economics would say: “institutions matter.” For instance,

- the first pathway requires institutions that will train skilled labour, and companies with capacity to respond to these demands and diversify so they are not only dependent on value chains related to mining;
- the second pathway requires that the CSR/community development arms of the mining company operate independently of the company and respond to development dynamics rather than company strategy; it also requires relationships of trust between the population and the company;
- the third pathway requires:
  - relations of trust and collaboration within society and between society, government and companies so that collective agreements can be reached on how to use such resources;
  - capacities in local authorities to use these resources well;
  - the absence of patronage politics; and
  - the existence of a local press that enables independent discussion of the sort of development that local and regional stakeholders want.

So the critical questions to be asked are:

1. Do these institutions actually exist?
2. Can these institutions be built, and how easily?
3. Does the presence of mining facilitate or undermine this institution building process?

I think the answer to the first question is “very often not” and to the second question, “generally yes, but that this takes time and has to precede the expansion of mining.” The third question is the more troubling, because there is plenty of evidence to suggest how the

presence of mining has weakened the very institutions that need to be in place for mining to foster development.

- First, the different conflicts I noted all suggest the absence of collective trust and of the collective action needed to translate financial resources into agreed upon forms of development to which a wide coalition of stakeholders will be committed.
- Second, as they seek supporters for their particular position on mining, different actors foster clientelism rather than collective action. Mining companies do this, NGOs do this, political parties do this. Consequently, in areas affected by mining one encounters parallel organizations.
- Third, the public sphere in mining affected areas is very weak. The press is often biased (and at a local level frequently dependent on advertising revenue from mining companies), the local judiciary and police are too often seen as biased, people can feel intimidated and afraid to speak, and more generally they lose faith in information because information seems so biased to one or other actor.

### **3. What's legal matters much less than what is legitimate**

A twice former Minister of Energy and Mines in Peru once said in a panel on mining investment that we once shared in Lima, what matters is what is legitimate, not what is legal. If distrust and uncertainty are so dominant in areas affected by mining expansion, if trust is so central to economic development and to the fostering of partnerships, and if actors and processes must have some legitimacy before others will begin to trust them, then it is absolutely vital to seek legitimacy. For you, this means that it is vital that CIDA, Canadian companies, and NGOs working with them seek such legitimacy, *and* act in ways that give the sector legitimacy.

Even if companies are not all of one feather, this is far from being a moot point. If a Canadian company in Northern Ecuador even appears to be associated with the use of force as it pursues what it considers its legal rights, what does that do for possibilities of partnership and trust in the future? Or if a different Canadian company in El Salvador professes its commitment to development but then opens an international legal case to sue the government of El Salvador for various tens of millions of dollars, its claims to be committed to local development lose all credibility. How will this affect the legitimacy of other Canadian companies in the future? One of the lessons of Cajamarca in Peru is that Minera Yanacocha has so often acted in ways that undermine its legitimacy that many local actors will simply never trust them.

The same problem of legitimacy applies sector-wide. One might argue that as long as mining projects take precedence over other land uses, and as long as mining is not part of some collectively agreed upon long term land use plan, efforts to establish projects will have legitimacy problems. Likewise, as long as governments have minimal professional and technical

capacity to exercise binding environmental oversight over companies, then many will simply not believe in the environmental claims of mining companies (e.g. El Salvador's Dirección Reguladora de Hidrocarburos y Minas has only 3 professionals, none trained in environmental or mining sciences). Until the approval of EIAs, and the monitoring of environmental and social performance of mining companies are placed in autonomous environmental authorities that are not dependent on the President or government of the moment, the approval of Environmental and Social Impact Assessments will have legitimacy problems with the population. And finally, as long as governments do not have their own sources of hydrological and other information, and have to rely on companies to produce this information, the data that is used to make decisions about mining will lack legitimacy.

These are the sorts of long-term institution and capacity building that need to precede the expansion of mining if that mining is to have the legitimacy it needs to contribute to development. **Once again, making the link between mining and development is not a question of funding development projects – it first involves addressing these institutional constraints.**

One final observation, also related to these thoughts on legitimacy. While my comments have not been Canada-specific, the case of Canada does come up in our research and interviews, and I want to share three quotations – two literal, one paraphrased. The first two are from a pretty middle of the road Minister of Environment concerned with mining. He said to me, in the context of a discussion about mining and Canadian policy:

- “I don't know if Canada has been quite so discredited in its history.”

He went on:

- “I don't think they really care”

And the paraphrased quotation from a then Sub-secretary in a Ministry of Energy and Mines:

- “as far as I can tell, the Canadian Ambassador here is a representative for Canadian mining companies.”

Noting that you are a Committee on Foreign Affairs, it seems to me that these sorts of comments matter. They are not from raving, left of centre activists. They are from politically appointed technocrats trying to build public policy and address poverty and vulnerability in very practical ways. If someone were to say similar things about my faculty members or department, then I would conclude that something was seriously wrong.