Extractive industries and stunted states: conflict, responsibility and institutional change in the Andes

Anthony Bebbington
University of Manchester

Forthcoming in R. Raman (ed.) *Corporate Social Responsibility: Discourses, Practices and Perspectives*. London. Palgrave MacMillan.

Introduction

In this chapter I reflect on ways of interpreting programmes of corporate social responsibility in the extractive industries sector. By extractive industries I am referring to economic activities that remove a natural resource from the environment, submit it to marginal or no processing, and then sell it on: industries such as mining, oil, gas, and timber extraction. My specific emphasis will be on the mining sector, with a geographical focus on the Andes, Peru in particular. Peru is especially interesting because, while it has a long history of mining, the extractive industries sector has grown at remarkable rates over the last fifteen years. This growth has been accompanied by changes in public policy, a proliferation of social conflicts, shifts in patterns of ownership and a rapid expansion of business-led social responsibility and community development programmes. This correlation in time is not accidental, and is relevant for any interpretation that one might offer of corporate social responsibility – both in its Andean form, and as a more general phenomenon.

In addition to thinking about social responsibility programmes from this geographical and historical context, the chapter also locates them in the context of policy and theoretical debates on the relationships between extractives and development. This debate – most often referred to as the "resource curse" debate – explores the relationships between the growth of extractive industries, macroeconomic tendencies, patterns of industrialization, processes of state formation and relationships between state, citizen and interest groups. I argue that placing social responsibility programmes in this context helps one think about them in terms of their more general place in development processes rather than in the context of place and company specific processes. Put another way, this approach helps understand such programmes in terms of development understood as a process of systemic, political economic change rather than as a specific, intentional, goal seeking intervention (c.f. Cowen and Shenton, 1996).

The chapter does not argue that social responsibility programmes should merely be dismissed as exercises in "greenwashing" – efforts to project more socially and environmentally friendly images to consumers, investors or regulators. Whether they do or do not have such intentions or results is less interesting than the broader "instrument effects" (Ferguson, 1994) that they have, and the wider assemblages of which they are parts. These latter concerns are the focus of this essay.

The chapter begins by laying out elements of both the resource curse discussion and the context of extractive industries in the Andean countries as a canvas on which to locate corporate responsibility. In these discussions, institutional questions figure prominently, and the following section discusses the relationships between these

institutional themes, the emergence of social conflicts around extraction, and the issues that these raise for extractive industry companies. The third section discusses social responsibility programmes in terms of their relationships to these institutional questions and social conflicts. The paper concludes suggesting that the importance of social responsibility programmes resides less in any simple argument about their role within corporate public relations initiatives, and much more in their institutional effects. In particular, I suggest that these programmes short circuit relationships between conflict and the social production of a developmental and welfare state and that as a consequence, and most ironically, they undermine the processes that would construct the very institutions needed to avert the resource curse effect.

Resource curses: in theory, and in the Andes

The relationships between extractive industries, democracy and development are ambiguous and contested. While some observers point to the historical experiences of countries such as Canada, Australia and the UK to argue that mining can play a central role in a nation's march towards modernity, others remain unconvinced. They point instead to more recent historical experiences of Peru, Bolivia, Zambia, PNG and various other countries to suggest that mineral rich economies perform less well than those with less resource wealth (Auty, 1993, 2001). In response, the former group(or mining proponents?) point to Botswana, Chile and Norway to argue that this is not necessarily the case and that extractive industry has made critical contributions to development and modernization in more recent times as well as historically ….. and so the argument goes on and on. While some see mineral and hydrocarbon deposits as a gift from God, the more skeptical group speak of a "resource curse."

The "resource curse" argument hinges around several sub-arguments, some emphasizing issues of economic management, others focusing on issues that are more political and institutional in nature. Bridge (2004a:228) summarizes these arguments as follows: extractive industry booms generate significant resources that governments use to postpone other needed reforms; consequently extractive economies generate predatory and patronage states lacking the autonomy required to pursue coherent economic policies; the growth of extractive industry sectors creates imbalances in the economy that attract investment resources away from other sectors; and government accumulation of rents leads to overvalued exchange rates that are also prejudicial to other sectors. These distortions, coupled with processes of state formation that lead to close ties between states and certain sectors of the economy, and that abrogate the need to develop broader based taxation systems of the type that foster greater government accountability, each contribute to socio-political environments that tend toward instability and conflict, not least because citizens end up viewing the state as illegitimate and wedded to special interests. They also generate macroeconomies characterized by under-investment in the productive sectors and a consequent lack of diversification, as well as institutional arrangements that have been distorted, delegitimized and corrupted . The effect is a resource extraction without development, in the short to medium term, coupled with reduced possibilities for development in the medium to long-term.

While extractive industry companies dispute the argument that the existence and extraction of subsoil resources *cause* such effects, a good number of companies would

accept that the relationships between extraction, democratization and development have often been disappointing. The International Council for Metals and Minerals (ICMM), a body representing many of the largest mining companies in the world, is currently running a programme of research and outreach that acknowledges this disappointing relationship, and on that basis has conducted country studies in order to understand the conditions under which such effects do *not* occur (ICMM, 2006 a,b). The programme is founded on the recognition that the resource curse argument, and the reality of resource curse effects, is a strategic problem for the sector because it creates serious legitimacy problems for mining at global and national levels. The intent of the programme is to demonstrate that these effects can be explained in terms of pre-existing and current national institutions and arrangements, not by the economy of resource extraction per se. The resource curse, it is argued, will be avoided when the institutions are right.

The resource curse is not just an empirical and theoretical problem for the sector, it is also a material and political problem. In the Andean region (my focus is on Peru, Bolivia, Ecuador) it is extremely difficult to point to localities where extractive industry has been associated with local or regional development. Indeed, the opposite seems to be the case: if one conjures up the image of any locality with extractive industries, the associations that come to mind are ones of environmental damage, relative poverty coupled with evidence of quite concentrated forms of (at times spectacular) accumulation, and limited economic diversification. In some cases, public health conditions in such areas have been appalling – the town of La Oroya at the centre of a regional mining and smelting complex in Peru has been identified as one of the world's ten most polluted places by the Blacksmith Institute for both 2006 and 2007 (BBC, 2006; Blacksmith Institute, 2007).

These antecedents become important points of reference when populations in other areas are confronted with the possibility that mining might become part of their future. Such confrontations have become ever more frequent over the last decade and a half, a period during which Latin America has experienced a veritable boom in mining investment. While in 1990 the region accounted for some 12 per cent of global investment in mining, by 2000 this figure had increased to 33 per cent (de Echave, 2007). During the same period four of the ten countries in the world experiencing most investment in mining were in Latin America (Bridge, 2004b), and while between 1990 and 1997 global investment in mineral exploration increased 90 percent, in Latin America it grew by 400 percent, and in Peru by two thousand percent (World Bank, 2005). One consequence of this has been a geographic expansion of concessions that are given to mining companies in order to allow them to explore for minerals (and eventually extract them). Between 2002 and 2007, the total area concessioned for mining increased from seven million to 13.2 million hectares – a jump of some 77.4% which left over half of the country's formally constituted peasant communities influenced (affected?) in one way or another by mining (de Echave, 2007). Many of these concessions are also in environmentally sensitive high altitude areas – cloud forests, water sources and the like.

Something similar has been happening with hydrocarbon concessions in Peru, though in a more recent period. Most of these concessions are found in the Amazon basin or along the Pacific coast (including both on-land and off-shore sites). Between 2004 and 2008, the extension of concessions in Peru's part of the Amazon basin increased

from 14% to 75% - that is fully three quarters of Peru's lowland rainforest areas have been concessioned out to hydrocarbons companies. As in the case of mining concessions, these oil and gas concessions overlap with already occupied lands, fragile ecosystems, indigenous territory and areas protected for non-contact indigenous peoples. When activists drew attention to this, the President of Peru argued that the concept of non-contact peoples was a mere fabrication of environmentalists in order to block Peru's development (García, 2007): the sighting of one such group in May 2008 (BBC, 2008) forced the government of Peru to qualify its earlier position.

Peru is perhaps an extreme case, a country that has witnessed a fire sale of its natural resources over the last decade. That said, not dissimilar processes are found throughout the region. Indeed, this growth of extractive industries activity has been felt not only in countries and regions with an important tradition in extractive sectors - it has also affected social and political dynamics in countries and regions with no such tradition. As just two examples, the last decade has seen rapid expansion of mineral exploration and initial steps towards exploitation in countries such as Ecuador and El Salvador. Meanwhile hydrocarbon's concessions have been granted in parts of Bolivia (for instance, the highland department of Potosí) whose residents would never have dreamed that they might one day be producers of oil or gas.

As the extractive frontier expands, local populations respond, and their responses are influenced by the arguments that surround the resource curse thesis. Not that this is the language used by any but the most articulate and professionalized activists, but the issues of concern are very closely related. People ask for evidence from elsewhere that would show that extractive industries can foster development in the areas in which extraction occurs. At the same time, they already have their own popular knowledge of cases in which the effects appear to have been more negative than positive. Activists, NGOs and social justice workers linked to the church often offer information from cases whose natural resource endowment clearly has been a curse. Meanwhile mining companies do just the opposite, and look to present (and take villagers to) cases where resources (in their view) have been a blessing not a curse.

The resource curse – in the form of empirical experiences that are mobilized in order to show that the curse does or does not exist – is thus *part of* negotiations around extractive industry: it is not merely a topic of intellectual or macroeconomic debate. Indeed, the very idea of the curse is likely one cause of those conflicts around mining that occur during the phase of exploration, even before actual extraction has begun. As exploration begins, local populations experience a new range of uncertainties and both real and potential future costs and disturbances related to changes in local land markets, reduced control over territorial dynamics, threats to their access to water, land and other natural resources, threats to their livelihood and productive strategies, among others. Without having to argue that these populations are all rational calculators and act accordingly, it is reasonable to suggest that in the face of these costs and uncertainties, people *do* conduct their own assessments as to the quantity and quality of evidence that would justify tolerating these disturbances and risks on the grounds that the likely future benefits of mining would outweigh any short term losses. In these calculations, evidence from other locations that offer real world, historical experiences of the relationships between mining and development becomes

an important factor. The less convincing the evidence that extraction fosters development, the more likely that resistance and conflict will ensue.

It is into this terrain that corporate social responsibility programmes tread. To reflect on some of what happens in this process, and some of the consequences that it has, the focus now moves specifically to the case of mining expansion in Peru.

Curses, concessions, conflicts: the legitimacy problem

The evidence supporting popular belief in the resource curse in Peru provides mining with a serious problem of legitimacy. It is not, however, the only source of this legitimacy problem. Mining also loses legitimacy because of the institutional context in which mining companies operate, as well as the actions and behaviours of companies and state alike.

The behavioral issues are the simpler to describe and will be familiar to many readers. The mining sector is not known for its great skill in handling community relationships. Geologists and engineers are in the business of locating and extracting deposits, and in some sense communities are simply in their way. Furthermore, for many of these company professionals their project is self-evidently a civilizational and modernizing one. They are working in corners (*"rincones"*) of Peru in which few others work, places that stand no chance of development, or so they would argue. In bringing mining and science to these places, they are saving them from the poverty and exclusion to which they have been condemned. They are bringing them into a modern Peru. This narrative (often heard in interviews) is at times combined with a certain racism – the project is one of saving "primitive" (also an oft-used word), usually indigenous people, and making them Peruvian. What these people were is valued far less than what they will become. Notwithstanding another discourse in the sector about the "new" mining, a mining that is more socially aware and technologically advanced than all that preceded it, such attitudes persist. This is so not least because, while the discourse may have changed, most staff in companies remains the same. The former head of the social responsibility programme of a very large Canadian led company in Peru suggested that the resistance, attitudes and sabotage exercised by these "old" miners was the principal obstacle to his work (Camino, 2006).[1]

These behavioral predispositions translate into interactions with communities that are less than sensitive, and prone to foster everyday micro-conflicts that slowly undermine company credibility. This dynamic is aggravated in so-called "junior companies." These are the smaller, higher risk companies that specialize in exploration and which are often the first to have contact with communities. Because they have less capital with which to work, and have to turn their investments around more quickly (reflecting the speculative nature of their investors and the high risk

---

[1] Over the last decade, the mining sector in Peru has repeatedly argued that this new round of expansion involves a "new" mining characterized by advanced technology both for production and environmental management, coupled with much improved ("modern") work conditions and socially responsible behaviour. This "newness" is framed in contradistinction to "old" mining that was the mining of appalling working conditions, basic technology, environmental damage and general irresponsibility.

financial markets in which they raise their capital), they have fewer resources and less time to cultivate relationships with communities beyond anything other than what is needed for the instrumental purpose of gaining access to the subsoil in order to conduct detailed geological and mineralogical survey.

Meanwhile, as conflicts escalate, companies have proven themselves willing to request support from police, military and at times special counter-terrorist military forces in order to quell unrest. The government, absolutely wedded to the extractive industry led model of macroeconomic growth, has supported this. The behaviour of these forces– through the use of violence and occasional deaths and injuries - has again created ill-will.

While behavioural sources of il-legitimacy are the easier to point to, there are a series of institutional arrangements that constitute more structural and more significant sources of illegitimacy. Indeed, in many instances the mining sector has lobbied for, and certainly welcomed, these institutional arrangements because they are deemed to facilitate business. In practice, however, such arrangements may well be as much a source of friction as of lubrication for these miners. We note three senses in which this is so:

First, the rules governing the granting of concessions in Peru do not give communities the right of free, prior and informed consent to decide whether mineral exploration and extraction should proceed beneath the lands that they own - an issue on which a number of human rights and environmental groups have lobbied (Alayza, 2007). This is perhaps not surprising. However, it is also the case that current rules – and regulatory practices linked to them – do not even ensure adequate consultation or even information provision, neither prior to the onset of exploration and even less so prior to the granting of a concession. This is a point that has been made formally by the Human Rights Ombudsman's Office both for specific mining conflicts as well as in a more general sense (Defensoría del Pueblo, 2006a,b; 2007).[2] Consequently it is often the case that the first time that communities discover that the subsoil beneath their feet has been concessioned is when company staff arrive. Not surprisingly this fosters resistance and and a predisposition to conflict – all the more so if company behaviour is less than tactful.

Second, the responsibility for evaluating the environmental impact statements prepared by companies as they present both exploration and exploitation plans are evaluated by the same Ministry of Energy and Mines whose primary responsibility it is to promote mining and hydrocarbons extraction. Until 2007 responsibility for monitoring companies' environmental performance was also in the same Ministry. This conflict of interests further reduces local populations' sense that the state will guarantee that companies will behave (or be made to behave) in ways that are environmentally and socially responsible (Bebbington et al., 2007).

Third, and perhaps most significantly, there is no planning process through which the expansion of extractive industries is planned in relation to other development and environmental priorities. There is no joint planning of mining expansion and water

---

[2] During 2008 the Peruvian government has sought legislation that would reduce the vote within a village assembly necessary to allow lands to be sold, inter alia to extractive industries.

resource management, no *ex ante* definition of areas in which extraction should not occur (except protected areas, and even in this case the government has sought to redraw boundaries in order to allow hydrocarbon extraction and has taken away local governments' power to declare municipal protected areas), and no consideration of the relationships between existing and desired regional economies and patterns of mineral expansion. Instead, patterns of expansion are determined by company strategy and the Ministry of Energy and Mines sitting in Lima. As a consequence concessions have been given in areas providing water nourishing production systems in adjacent water constrained areas, in areas that have recently acquired organic labeling for their products after years of trying and even underneath urban settlements.

Again, the extractive sector lobbies against any change in these institutional arrangements – they want neither to be planned nor told that there are no-go areas for mining. However, in the presence of a public sector institutional environment in which there are no mechanisms to jointly plan mining and local development, the companies themselves become the agents of such planning – through their community development programmes, their discourses on the compatibility of mining and agriculture, and their own investments in infrastructure. Combined with the frequently isolated location of many of the areas in question, areas in which the state has relatively little organized presence, the effect is that the company walks into roles that are more commonly assumed to be those of the state: roles of area based planning, of conflict management, of investment in public goods etc. Corporate social responsibility programmes have to be interpreted and understood in this context.

Institutional arrangements and forms of organizational behaviour are therefore central to the legitimacy problems of mining in Peru. The implication is that resolving these problems would require change in these organizational and institutional domains. In the first case, this implies a need for different forms of behaviour on the part of companies and state agencies. In the latter case, the change required is one of building institutions that would help "rationalize" relationships between environment, society, mining and development and in the process improve the quality of the relationship between rural people and the state and give the sense of democratic practice. The question is whether corporate social responsibility programmes contribute to these sorts of changes, or whether they ultimately work against them. The question is important because the institutional changes in question are also among the types of change that, it is suggested, are required if the resource curse is to be avoided.

Social responsibility and social conflict: two pathways to institutional change

The growth of social responsibility in Peruvian mining cannot be separated from the growth of social conflict around Peruvian mining. Indeed, beyond any corporate sense of ethical responsibility (a sense which may well exist), these programmes emerge in order to do something about conflict. In some cases they emerge to de-fuse conflict while in others they emerge to anticipate conflict in the hope of preventing it. In all cases, though, these programmes seek to delegitimize conflict as a valid means of expressing concerns and as a legitimate pathway towards institutional change. In the process these programmes help usher in forms of institutional change that are quite distinct from those that might otherwise have been created through conflict.

There are different models for the forms taken by such programmes, with the forms varying with the economic size and geographic scope of the companies' impacts. In some cases, corporate responsibility programmes are confined to areas in the immediate vicinity of the mine, and are implemented through community development and community relations teams within the company. In larger companies there is some tendency to combine this model for the immediate vicinity of the mine with other instruments that have a broader geographical reach. One of these instruments is the external relations unit – teams that can deal with a range of regional and national actors and that have a budget that allows them to fund requests for support in a one off, responsive mode – this at the same time as projecting a particular company image. In some of the largest companies these instruments might be combined with yet another instrument. This is the freestanding nonprofit association or foundation that, though funded or endowed by the company, is argued to have some degree of autonomy to engage in regional development work – generally in areas beyond the immediate influence of the mine but in which, for various reasons, the company still prefers to have good standing. Finally, in rare instances, social responsibility initiatives might be conducted at an inter-company level, articulated through their representative bodies or via strategic alliances among companies. In Peru the most significant example of this came in 2006/7 in the face of increasing public demands that company tax contributions should increase. These demands came in a context in which commodity prices were soaring and company profits were booming, at the same time as these same companies enjoyed pre-existing agreements with the national government that exempted them companies from paying royalties, and that fixed tax rates on the basis of far lower commodity prices. Sensing that something had to be done in response to these pressures, the sector's response was to insist it would pay no more tax, but *would* make an extraordinary voluntary contribution of $770million over five years. However, it insisted that the management and expenditure of this contribution would remain within the remit of the companies: it would be a private not a public decision as to how the money would be spent. As noted earlier, the government not only welcomed this move, but endorsed the idea.

In most cases, the actions of social responsibility programmes have the effect of reducing the extent to which conflict targeted at the company is coordinated across a range of social actors – in short, it disarticulates conflict. This happens for various reasons. In some cases, certain groups begin to receive targeted benefits from these programmes. This leads their calculations to shift and they tend to become more favourably disposed towards mining. In other cases, leaders are effectively bought off with these resources, with the effect being similar. In yet other instances – such as that of the voluntary contribution – different actors within broader based bodies that were previously critical of the sector form different views on the initiative, with some being supportive while others are less sympathetic. The effect is that these different actors begin to discuss and disagree among themselves rather than with the company.

This is not to say that social responsibility programmes resolve all conflicts for companies. Nor is it to deny that they can also elicit new conflicts, as groups that do not initially receive transfers begin to protest as they seek their own share of the pie. While such conflicts do emerge, they are more bilateral in nature and far easier for the company to handle than more articulated mobilization. They are, moreover, rent

seeking rather than ideological conflicts and as such do not call into question the overall legitimacy of the extractive activity in the first place. They are arguments over distribution at the margin more than over the raison d'être of mining.

Arguably one of the most important effects of social responsibility programmes – and this is related to the previous point – is to close down public debate. They have this effect in several senses, some perhaps more intentional than others. In some cases, they are quite clearly used to close down particular debates that would threaten the extractive project at hand. A clear example of this is that of Monterrico Metals and its subsidiary Minera Majaz's Rio Blanco Project in Northern Peru. This project has been dogged by arguments (sustained also by the Ombudsman's Office) that its presence in community lands had not followed legal process (Bebbington et al., 2007; Defensoría del Pueblo, 2006 a, b). Conflict around the project escalated since 2003, and the mine initially responded with both authoritarian responses and a community development programme (stick and carrot). When these instruments failed to defuse conflict the company then offered an $80 million endowed fund for community development, that would however only be given on condition that the communities surrendered all claims that the company's presence was illegal. While to date the communities have not accepted the offer, the intention here is to use a social responsibility instrument to close down debate on a specific issue.

In other cases social responsibility initiatives have the effect of narrowing (and defining) debates on development options. This is more likely in the case of larger companies that are able to finance large foundations or associations that in turn finance local development. Typically these initiatives (of which examples would be the Associación los Andes de Cajamarca, supported by Minera Yanacocha, or the Fundación Ancash supported by Antamina) [3] support enterprise development, micro-finance, and broadly entrepreneurial private sector led development – and by their very size (and instruments) crowd out debates about the nature of development that ought occur in their respective regions. Certain initiatives also rein in debates on how far (and by whom) development ought to be planned. In Cajamarca again, in the face of concerns that Minera Yanacocha was not triggering regional development, that the economic changes that were occurring were quite concentrated, and that regional water resources were being compromised by the scale of the operation,[4] Yanacocha led an initiative to bring together the largest companies in the region in an alliance called the Grupo Norte, whose self appointed role was to elaborate development plans and proposals for the region and in the process ensure that the path for support future mineral expansion. These proposals - unsurprisingly - imply no planning or regulation of mineral expansion, while their very scale and the weight of the companies involved meant that they became a focus of debate and attention.

Social responsibility programmes, therefore, anticipate and dissipate conflict (to a lesser or greater degree), while both closing down and themselves occupying the spaces for public debates on development. Whether or not these are intentions, they appear to be effects of this form of corporate intervention – effects that are of course

---

[3] Yanacocha is jointly owned by Newmont, Minera Buenaventura and the International Finance Corporation of the World Bank Group. Antamina is jointly owned by Xstrata, BHP Billiton, Tech-Cominco and Mitsubishi. Antamina has since reabsorbed the Foundation into the structures of the business.
[4] This is Latin America's largest gold mine, an open pit operation visible from space.

functional to corporate interests in survival and expansion. However, they also have the effect of increasing even more obviously the centrality of the extractive company in regional and national polity and society. The relationship between this effect and company interests is far more ambiguous, for while companies clearly seek to control their environment they are also forceful in arguing that they do not want to be a quasi state, for this attracts rather more visibility than they would normally wish. Yet at the same time as they say this, they assume interventions that lead them in this direction. In the process, a packet of interventions emerges that combines control of large territories, regional economic power, social responsibility and very close relationships with political and military-police authorities. This is a packet of interventions that combines market transactions and patronage relationships, and that in the process builds a wide-ranging web of relationships centred on the company. This is an assemblage that begins to look very much like the hacienda model that dominated the Andean (and South American) countryside up until the land reforms of the 1960s. Furthermore, if Camino (2006) is correct in claiming that "modern" social responsibility programmes exist alongside very traditional and retrograde forms of behavior among the "old" workforce – behavior in which community needs and capacities are looked down upon – then the parallel seems even stronger: for the hacienda combined forms of patronage and social security provision with deeply retrograde attitudes toward (and regulation of) indigenous labour.

The comparison between the socially responsible mine and the hacienda is not an idle one in Peru. In a series of newspaper editorials, speeches and policy initiatives since mid 2007, the President's office has outlined a vision of development for Peru that looks very much like a modern form of the hacienda model (see García, 2007 for the most cogent summary of this vision).[5] President García has suggested that what Peru needs in order to modernize is a political economic model in which: property in land and natural resources in concentrated in large estates; these large property owners add foreign direct investment and modern technology to this land; and production processes are environmentally responsible and offer decent arrangements for workers. Rejecting the country's historic experience of land reform, he argues that (García, 2007) "we've been fooled into giving small lots of land to poor families who don't have a penny to invest." He goes on to argue that: "that same land, if sold in large plots, would attract technology from which the community members would also benefit" and that "there are millions of hectares for timber lying idle, millions more that communities and peasant associations have not cultivated and will never cultivate, in addition to hundreds of mineral deposits that can't be worked and millions of hectares of sea which will never be made productive nor used for mariculture."

In this context, reconcentration of property is the way forward. For instance, in the forestry sector "formal property for large corporate enterprises such as pension funds would allow us to make long term investments, beginning from the initial planting through to harvest many years later." Meanwhile, for the case of mining he complains that "barely a tenth of those (mineral) resources are being exploited, because here we are still discussing whether mining technology destroys the environment, which was only an issue last century." Yet, he argues, "today mines coexist with cities without any problems, or at least this is the case when the state demands strict technological standards of mining companies, and negotiates a greater

---

[5] I draw here on conversations with my colleague Fernando Eguren.

share of profits and employment possibilities for the departments in which the mines operate."

This is a call, in short, for socially responsible capitalism based on a very significant concentration of ownership in land and natural resources – the modernized hacienda. Furthermore, it is a model that has already been partly elaborated in the form of mines combining high technology forms of extraction and large scale social and environmental responsibility programmes.

For García, what stands in the way of the march towards this model are environmentalist and human rights activists. Whether one agrees with his characterization of them or not - he talks of ".. the old anticapitalist communists of the 19th century disguised themselves as protectionists in the 20th century and have once again changed their tee-shirts in the 21st century to become environmentalists" – for our purposes, what *is* true is that the modern, socially responsible hacienda is most certainly *not* the institutional model that these activists have in mind for the future of Peru. Their institutional demands are different. They are demands that hinge around changes that would (another irony) in practice rectify some of the self-same institutional sources of conflict that complicate life for mining companies in the first place. While it is impossible to characterize these demands as being the same across all groups that protest, there are certain recurrent themes. These include demands for planning institutions that, while not banning mining, would at least identify areas where it made more or less sense (in environmental, social and livelihood terms) to expand extractive industry. They are also demands for regulatory institutions independent of agencies charged with promoting extractive industry development, and that therefore will have both more legitimacy and more teeth. And finally they are demands for fiscal arrangements that would ensure distribution of rents generated by extractive industries in ways that are increasingly linked to participatory and strategic planning processes. In essence these are demands for a far stronger set of public (state) institutions that can play a more rational and competent role in development processes and not delegate such roles to companies and investors.

The irony in all this is that – looked at closely – activists are demanding the types of institution that would likely need to be in place in order to revert aspects of the resource curse. They are demanding institutions that would address some of the legitimacy problems of the extractive industries sector. Yet both in the ways in which social responsibility programmes are presented publicly and in the positions assumed by the government, these activists and the conflicts of which they are a part, are deemed to be the problem, and very far from being part of the solution. Meanwhile, the sector, with the government's blessing, elaborates a model of resource and territorial governance that fifty short years ago elicited mass rural protests and armed movements that ultimately culminated in far-reaching land reform programmes.

Conclusions: responsible corporations, stunted states

In the face of corporate social responsibility programmes, analysis seems more valuable than skepticism. Such programmes *are* of course exercises in public relations, though they *may* also be more than this – in some instances, certain companies might become persuaded that it really is their role to do more than merely

maximize their bottom line. Arguing over whether they do or do not really mean this, or whether they are doing enough runs the risk of missing the larger issues at stake. Perhaps it is more useful to enquire critically not so much (or at least not only) into the *intentions* of these programmes but rather into their *effects*.[6]

In this essay I have argued that the most significant effects of social responsibility programmes relate to their effects on pathways of institutional change in society – via their effects on the state, both as idea and as a bundle of institutions, and on conflict. Social responsibility programmes, at least those of any reasonable scale, are presented and justified to the public not only as acts of corporate good will, but also as responses to states that lack significant capacities in the delivery of programmes of social welfare and environmental protection. In the face of such lack of capacity, the argument goes, corporations assume roles that they really would rather not but feel they have to in order to ensure that programmes reach beneficiaries. That is, social responsibility programmes are crafted through arguments that at the same time as claiming more space for corporations, repeatedly question the legitimacy of the state. This was most palpably so when the mining sector in Peru agreed to increase its financial contributions to society though refused to do so in the form of extra tax payments but rather in the form of a "voluntary contribution" that they would decide how to spend. Worse still, the President's and Prime Minister's offices and cognate ministries supported this argument.

These moves must also be read alongside others in which the sector argues vigorously against any enhanced role for the state in industrial regulation. The sector insists that the state should neither, *ex ante*, define certain areas as off-limits to extractive industry nor plan mining expansion in terms of more strategic regional development plans (regional development should be a derivative of mining expansion, not vice versa). In these different ways the sector weakens the very idea of the State as a body for regulating economic activity in the pursuit of a common good (though the sector *does* argue that the state should regulate civic and political activism).

At the same time as having these effects on the idea of the state, social responsibility programmes also short-circuit the relationship between conflict and state building. Part of this is clearly deliberate: these programmes do seek to resolve conflicts because these are bad for business. Conflicts can frustrate company access to new deposits or to the water they need; they can also shut down production on those occasions when roads are blocked for extended periods. Social responsibility programmes aim to prevent this by cultivating less turbulent relationships with the population. However, in doing this individually – but above all collectively – they have the effect of taking pressure off state and business to change in more institutionalized ways. Tilly and others have suggested that the emergence of European welfare state institutions has to be understood as a product of conflict, an organized expression of societal demand for change. The welfare state should not be seen as a product of technocrats of corporate good will, but rather as one of societal demand expressed through conflict. In defusing conflict, social responsibility

---

[6] Having appraised these effects, the question of intentions does become important because it helps the analyst/activist/political representative etc. determine how far they might be able to build alliances with particular corporations (or groups within these corporations) in trying to do something about those effects that are less than desirable in the pursuit of particular forms of social change and human advancement.

programmes break this causal relationship between collective demands and institutional change.

Ironically, in weakening the idea of the state, and in interrupting the relationship between social conflict and state building, social responsibility programmes may end up contributing to the resource curse effect – even as the industry as a whole is seeking ways of avoiding this same effect (ICMM, 2006a, b) on the recognition that it generates genuine problems of legitimacy for the sector. If "escaping the resource curse" requires institutions that are better able to plan local and national development, foster strategic investment of rents, and ensure that such investment addresses growth, poverty reduction and equity enhancement, then to dissipate social pressures that demand that the state makes precisely such changes, may ultimately deepen rather than avert the resource curse. Meanwhile, to the extent that responsibility programmes have the effect of aggravating conflicts within populations, they also weaken the very community based institutions that are so important in fostering local development.

To the extent some of these observations hold, then sector wide commitments to social responsibility may reflect forms of (corporate) behaviour that while individually rational, are collectively irrational – in the sense that their effects aggravate the main strategic problem that the sector as a whole recognizes that it needs to address. Exploring and demonstrating how far this is the case might ultimately be a more effective activist(-academic) strategy than simply name calling. Shouting at corporations that they are neo-liberal and self-serving will not stop them from being so; suggesting to them that certain forms of neo-liberal and self-interested action might ultimately do them more harm than good might deliver more fruit.

Acknowledgements

References

Alayza, A. (2007) *Si Pero No: Comunidades y Minería*. Lima. Cooperación.

Auty, R. (1993) *Sustaining Development in Mineral Economies: The Resource Curse Thesis*. London: Routledge.

Auty, R. (ed) (2001) *Resource Abundance and Economic Development*. Oxford: Oxford University Press.

BBC (2008) 'Peru to protect isolated tribes' BBC, June 4th, 2008 http://news.bbc.co.uk/1/hi/world/americas/7435272.stm

BBC (2006) 'Los 10 lugares más contaminados' *BBC World* 19th October, 2006

Bebbington, A., Connarty, M., Coxshall, W., O'Shaughnessy, H., Williams, M. (2007) *Mining and Development in Peru: With Special Reference to the Rio Blanco Project, Piura.* London: Peru Support Group.

Blacksmith Institute (2007) 'World's Worst Polluted Places 2007'. http://www.blacksmithinstitute.org/ten.php

Bridge, G. (2004a) ' Contested terrain: mining and the environment.' *Annual Review of Environment and Resources* 29 205-59

Bridge, G. (2004b). 'Mapping the Bonanza: Geographies of Mining Investment in an Era of Neoliberal Reform' *The Professional Geographer* 56(3): 406–421.

Camino, A. (2006) 'Intentando una innovación institucional para promover una cultura de desarrollo sostenible en el contexto de la minería.' In *Industrias Extractivas. Transparencia y Desarrollo Sostenible*. Grupo Propuesta Ciudadana, Revenue Watch y Vigilia Perú (eds.). Propuesta Ciudadana. Lima.

Cowen, M. and R. Shenton (1998) Agrarian doctrines of development: Part 1. *Journal of Peasant Studies* 25: 49-76.

Cowen, M. and R. Shenton (1996) *Doctrines of development.* London: Routledge.

de Echave, J. (2007) 'La Minería en el Perú: Entre la Transformación de los Conflictos y el Desafío Programático' Presentation to the seminar on Territory, Conflicts and Development, Manchester, October 22nd, 2007. http://www.sed.manchester.ac.uk/research/andes/seminars/

Defensoría del Pueblo, 2007 *Informe Extraordinario de la Defensoría del Pueblo: Los conflictos socioambientales por actividades extractivas en el Perú.* Lima. Defensoría del Pueblo.

Defensoría del Pueblo, 2006a Oficio No. 0178-2006-DP/ASPMA. Lima. Defensoría del Pueblo.

Defensoría del Pueblo, 2006b Informe No. 001 - 2006/ASPMA-MA. Lima. Defensoría del Pueblo.

Ferguson, J. (1994) *The Anti-Politics Machine: Development, Depoliticization and Bureaucratic Power in Lesotho*. Minneapolis: University of Minnesota Press.

García, A. (2007) 'El Perro del Hortelano" *El Comercio*, October 28th, 2008

ICMM (2006a) *Resource Endowment initiative - Synthesis of four Country Case Studies*. London: International Council on Mining and Metals.

ICMM (2006b) *Resource Endowment initiative - Spotlight 7 – Chile*. London: International Council on Mining and Metals.

World Bank (2005)   *Riqueza y Sostenibilidad: Dimensiones Sociales y Ambientales de la Minería en el Perú*. Lima, World Bank - Unidad de Gestión del País-Perú, Desarrollo Ambiental y Social Sostenible, Región Latinoamérica y El Caribe.