

Extractivism and Social Acceptability

By Sean Phipps, MICLA, 2014

Gaspésie, Abitibi, the Ecuadorean Amazon and the Andes of Argentina may seem very different worlds, yet all are bound together as frontiers of resource extraction. As our demand for natural resources such as petroleum and metals grows, so does the potential for conflict between communities and resource extracting companies. To counter this, companies have developed new methods and new language to acquire greater community legitimacy. The development of Corporate Social Responsibility (CSR) and the idea of “social license to operate” have been put forward by the industry as a way to counter the abuses of the past, however, communities and activists have questioned whether CSR is able to meet its stated goals. In particular concerns about consent, power imbalances and the role of national governments in promoting resource extraction as all served to undermine the industry's claims to social legitimacy. Looking at how these claims have actually played out in communities in Latin America and Quebec presents a very different story, in which the issues of consent, coercion and competing sovereignty cannot be ignored.

What Is Extractivism?

Developed by academics in Latin America, extractivism (*extractivismo*) refers to a capitalist economy in which the exploitation of natural resource, is seen as key to the nation's wealth¹ Under extractivism, the economy is export driven, with resources sold on the international market at externally determined prices.² Traditionally extractivist economies have been identified with enclave development around the site of extraction.³ However, recent leftist governments in Latin America, such as that of Evo Morales in Bolivia or Rafael Correa in Ecuador, have attempted to spread the benefits of extractivism to the nation as a whole, while leaving its basic structure intact.⁴ While some countries

¹ Gudynas. “Diez tesis urgentes sobre el nuevo extractivismo.” *CLAES*.

² Hébert et Tremblay-Pepin. “Qu'est-ce que l'extractivisme?” *IRIS*.

³ Gudynas. “Diez tesis urgentes sobre el nuevo extractivismo.” *CLAES*.

⁴ *Ibid.*

such as Bolivia and Venezuela are associated with state-led extractivism, most resource development is undertaken by foreign multi-nationals, who many argue are the primary beneficiaries of the model.⁵ This has led to claims that extractivism does little to actually develop countries or communities, but serves to strengthen their dependency on unstable, externally controlled commodity markets.⁶ While the term extractivism was originally developed to describe countries in Latin America and other parts of the Global South, it can be useful when looking at traditional resource producing regions of Quebec and their relationship with foreign and national companies. Like their counterparts in Latin America communities in places such as Val d'Or or Schefferville, find themselves in a similar situation of dependence on an extractivist economy, controlled by market and political forces beyond the community's control.⁷

CSR and Social License to Operate: The Official Story

As even supporters of the industry admits, resource extraction companies don't have a particularly good rep.⁸ High profile cases such as the Ok Tedi disaster and the Exxon Valdez spill have all eroded public trust⁹ **Beginning in the 1960's, but really coming to prominence in the 1990's, Corporate Social Responsibility (CSR) has been promoted as a way to prevent social conflicts through better community relations, environmental policies and local development schemes.**¹⁰ CSR is also voluntarist, with proponents arguing that companies, engaging fairly with communities, are more effective and ensuing environmental protection and national development, than government intervention or regulation.¹¹

A key part of CSR is the concept of **“social license to operate”, the idea that for companies to operate effectively, they must be seen as legitimate by the community.**¹² Social license to operate is

⁵ Acosta and Schuldt. “Petróleo, Rentismo y Subdesarrollo ¿una maldición sin solución?” *Nueva Sociedad*.

⁶ *Ibid.*

⁷ Hébert et Tremblay-Pepin. “Qu'est-ce que l'extractivisme?” *IRIS*.

⁸ Yakovleva. *Corporate Social Responsibility in the Mining Industry*.

⁹ *Ibid.*

¹⁰ “Sustainable Development and Corporate Social Responsibility: Tools, Codes and Standards for the Mineral Exploration Industry.” *PDAC*.

¹¹ Yakovleva. *Corporate Social Responsibility in the Mining Industry*.

¹² “Emerging Trends in Corporate Social Responsibility in the Mining Industry.” *PDAC*.

seen by companies as away to improve public perceptions, prevent social conflict and develop a competitive advantage.¹³ PDAC (Prospectors and Developers' Association of Canada), Canada's main mining lobby, recommends that companies seek the approval of local authorities, invest in development projects and educate community members about the economic benefits of mining, so as to win social license.¹⁴ It must be remembered however, that companies and communities are never on an even playing field, with structural inequalities giving corporations a huge advantage, an advantage that is often exploited when seeking “social license”.

Consultation vs. Consent

A key component of CSR policy is the idea that communities have a right to consultation by companies any time a project may affect them.¹⁵ Most jurisdictions in Canada now recognize the duty to consult before a mine is developed, especially in the case of indigenous communities whose rights to consultation are protected under the constitution.¹⁶ Quebec has its own public consultation mechanism, the *Bureau d'audiences publiques sur l'environnement* (BAPE), however, for many projects, such as a mine which processes less than 7000 tonnes a day, the BAPE is not automatically required¹⁷ As well it takes time for the BAPE process to be conducted, by which time a project may already be way underway. In the case of the Osisko mine in Malartic, the company began moving people from there houses, while the BAPE was still going ahead.¹⁸ As well, why the BAPE is useful as a consultative mechanism and as a way to spur public debate about a project, it has no binding power, with the final decision of whether a project goes ahead resting in the hands of the Quebec government, not the affected communities.¹⁹

The **difference between consultation and consent** is an important one, and a subject of much

¹³ *Ibid.*

¹⁴ *Ibid.*

¹⁵ “Sustainable Development and Corporate Social Responsibility: Tools, Codes and Standards for the Mineral Exploration Industry.” *PDAC*.

¹⁶ Hart and Hoogeveen. “Introduction to the Legal Framework for Mining in Canada.” *MiningWatch Canada*.

¹⁷ “Pour que le Québec ait meilleure mine: Réforme en profondeur de la loi sur les mines du Québec.” *Ecojustice*.

¹⁸ “Pour un développement responsable de nos ressources: Non aux «méga» mines à ciel ouvert.” *Audiences publiques du BAPE projet de mine d'or à ciel ouvert Canadian Malartic de la corporation minière Osisko*.

¹⁹ “Pour que le Québec ait meilleure mine: Réforme en profondeur de la loi sur les mines du Québec.” *Ecojustice*.

dispute between the government, industry, and affected communities.²⁰ The United Nation's Declaration on the Right's of Indigenous Peoples, which Canada is a signatory too, declares that a projects affecting indigenous people must have their Free, Informed and Prior Consent (FPIC).²¹ Despite this neither the Canadian or Quebec government has passed laws to make this declaration a reality,²² while the industry continues to refer to non-binding consultation or “working in the spirit” of consent.²³

Competing Legitimacy: Who Approves the Mine?

Companies will sometimes seek social legitimacy by pointing out the benefit a mine brings to the nation as a whole. A project, which brings development to a country, will be seen then as in the national interest, potentially pitting it against those of local communities.²⁴ This is further complicated by the fact that in most jurisdictions across Canada and Latin America **it is national and provincial governments, not communities, which decide whether or not projects are approved.**

In Quebec this **disconnect between national interests (as far as the government was concerned) and local opposition** was present during the debates over **shale gas** three years ago. According to the Charest government, fracking, with its 250 million \$ of revenue, was an important national project, with government ministers going to great lengths to promote shale gas development and defend the industry from those who doubted the safety of its techniques.²⁵ Whats more **the government used its power to undermine the BAPE, giving the commissioners only 35 days to prepare, while refusing to halt exploration while consultation was underway.**²⁶ The burden of proof was placed, not on the **companies, but on communities**, undermining their right to self-determination, while bestowing an air of legitimacy to the companies actions.

A more drastic example of this local-national conflict can be seen in Ecuador, where President

²⁰ Hart and Hooegeveen. “Introduction to the Legal Framework for Mining in Canada.” *MiningWatch Canada*.

²¹ “United Declaration on the Rights of Indigenous People's.” *UN*.

²² Hart and Hooegeveen. “Introduction to the Legal Framework for Mining in Canada.” *MiningWatch Canada*.

²³ Cariño and Doyle. “Making Free, Prior & Informed Consent a Reality: Indigenous People's and the Extractive Sector.” *PIPLinks*.

²⁴ Martin. “Mining in Latin America: Navigating the Divide Between National Policies and Local Opinion.” *BSR*.

²⁵ Foisy and McEvoy. *Le Scandale du Gaz de Schiste*.

²⁶ *Ibid*.

Rafael Correa, has declared revenue from foreign mining essential in funding the social programs of his “Citizen's Revolution”.²⁷ This has put Rafael Correa in direct conflict with many of the indigenous movements that brought him to power.²⁸ Starting in 2010, Correa has denounced indigenous groups as putting their own parochial interests above the good of the nation, and repressing ant-mining activists.²⁹

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Equal Partners? Communities, Companies and the Balance of Power

Even when it appears that a project is operating with a community's consent, it is important that we look at the ways **imbalances of power, misinformation and coercion** are used by companies to gain this crucial social license.

While companies are increasingly compelled to consult affected communities, that does not mean it is done in good faith or in a way respectful of community autonomy. The case of Cerro Colorado in Panama is one egregious example. In 2009 Don Clarke, a member of the Black River First Nation and head of a consulting firm working for Canadian company Corriente, set up a number of public relations programs in the Ngöbe-Buglé Comarca (a semi-autonomous indigenous territory).³¹

The Corriente funded pro-mining groups encouraged Ngöbes to attend meetings and sign the attendance book, using their signature as proof that attendees had been consulted and that they supported the mine.³² Community members became automatically enrolled in the pro-mining group without their explicit consent and regardless of their actual views of the project.³³

Cerro Colorado is not the only case in which a project has fueled community divisions, with the company supporting one faction so as to gain “social licence”. San José del Progreso in Oaxaca, Mexico is a town so divided that there are two taxi services: one for those in favour of the mine and one for

²⁷ “Rafael Correa dice que desarrollará minería a gran escala.” *El Universo*.

²⁸ “Ecuador indigenous protesters march against Correa.” *BBC*.

²⁹ “Correa plantea a Perú, Colombia y Ecuador abordar problemas de radicales antimineros.” *Andina*.

³⁰ Picq. “Indigenous resistance is the new 'terrorism'.” *Al Jazeera English*.

³¹ “Letter from the Congreso General de la Comarca Ngöbe-Buglé to the Standing Committee on International Trade.” *Congreso General de la Comarca Ngöbe-Buglé*

³² Cuffe. “Marketing Consent.” *The Dominion*.

³³ *Ibid.*

those against.³⁴ Since the arrival of Canadian Fortuna Silver the town has been the site of violent social conflict between the two factions, resulting in the death of one pro-mining mayor, and the murder of multiple anti-mining activists by security forces and unknown assailants.³⁵ The company denies any wrongdoing and insists it maintains good community relations.³⁶

In many cases though communities will accept the benefits offered by a new mine, however, even this must be examined. **One of the key aspects of extractivist economies is their tendency to create dependency, especially in traditionally resource producing areas.**³⁷ During the debate over the development of Osisko's mine in Malartic, it was argued by some in the town that the region's economic history of mining left them with little option but to accept the project if their community was to survive.³⁸ In keeping with national legislation encouraging sustainable development (*La loi sur le développement durable*), they argued it was the government of Quebec's responsibility to work with the community to develop alternative livelihoods and break this cycle of dependence.³⁹ Recalling a conversation I was recounted of two men in the mining town of Cañazas, Panama, a pro-mining man replied to his anti-mining friend **“find me another job and I'll be anti-mine.”**⁴⁰

What Real Social License Looks Like: Re-assertions of Community Sovereignty

While the practices of corporations and legislation of governments has, for the most part, proved ineffective in ensuring community concerns about resource extraction are heard, that has not prevented them from developing their own notions of social license. One emblematic case was Tambogrande, where community opposition to Vancouver based Manhattan Minerals, lead citizens to organize a community referendum in which the project was overwhelmingly rejected.⁴¹ Eventually the Peruvian government invalidated the project, and Tambogrande's actions have gone on to inspire

³⁴ Barrington-Bush and Wilton. “Conflict Dogs Canadian Mining Abroad.” *The Tye*.

³⁵ De la O. “The Way the Town is Now.” *The Dominion*.

³⁶ O'Neil. “Canadian mining company denies link to shooting death of protester in Mexico.” *National Post*.

³⁷ Acosta and Schuldt. “Petróleo, Rentismo y Subdesarrollo ¿una maldición sin solución?” *Nueva Sociedad*.

³⁸ “Pour un développement responsable de nos ressources: Non aux «méga» mines à ciel ouvert.” *Audiences publiques du BAPE projet de mine d'or à ciel ouvert Canadian Malartic de la corporation minière Osisko*.

³⁹ *Ibid*.

⁴⁰ Phipps. “Alternative Development as an Ecological Defence against Mining Development.” *McGill/STRI*.

⁴¹ “Local Votes and Mining in the Americas.” *MiningWatch Canada*.

similar initiatives across the Americas.⁴²

Through referendums, marches, blockades, even through the extremely flawed consultative process, communities have tried to ensure their voices are heard, and deny companies the social license they seek. In Famatina, Argentina, community members have fought against first Barrick Gold, and later Osisko Mining, to protect their lands. At last, in July 2012, the government of the province of La Rioja, revoked Osisko's contract, saying that it was obvious from the community's actions, that they did not have the necessary social consensus to operate.⁴³ Here in Quebec, it was a similar story, when widespread public opposition and actions on behalf of affected communities, lead to the Charest government placing a moratorium on shale gas,⁴⁴ with continued opposition prompting a further five year moratorium in 2013.⁴⁵ While corporations and governments may seek to impose their vision of what social license entails, communities across the Americas are mobilizing, redefining notions of both social legitimacy and community sovereignty, in defence of their environment and their livelihoods.

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⁴² *Ibid.*

⁴³ Famatina: rescinden el contrato con una minera canadiense." *Clarín*.

⁴⁴ Foisy and McEvoy. *Le Scandale du Gaz de Schiste*.

⁴⁵ Shields. "Gaz de schiste: Québec propose un moratoire de cinq ans." *Le Devoir*.

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