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Extractive industries and Indigenous peoples: A changing dynamic?

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ABSTRACT

Indigenous peoples and other rural or remote populations often bear the social and environmental cost of extractive industries while obtaining little of the wealth they generate. Recent developments including national and international recognition of Indigenous rights, and the growth of 'corporate social responsibility' initiatives among mining corporations, offers the prospect that for Indigenous peoples at least their former economic and social marginalisation may be reduced. A case study of Liquefied Natural Gas (LNG) development in a remote region of Western Australia shows that these changes are indeed creating opportunities to shape the local impacts of extractive industries. It also illustrates that effective political mobilization by Indigenous peoples is essential if they are to grasp these opportunities, especially as growing pressures to expand extractive industries across the globe increase demands for access to Indigenous lands. Recent Indigenous experience holds implications for theory on the regional political economy of extractive industries and lessons for other rural and remote populations.

1. Introduction

The economic and social marginalisation of residents of many remote and rural areas affected by extractive industries is well documented. Local people obtain few of the benefits created by mining, and the environmental, social and economic effects of extractive industries can threaten existing, viable livelihoods (Cademartori, 2002; Freudenburg, 1992). Indigenous peoples have been especially susceptible to marginalisation and the destruction of livelihoods, because they rely heavily on land and resources that are susceptible to environmental damage from resource extraction; are vulnerable to the impact of immigrant populations; and lack political influence because of their small numbers combined with discrimination and social disadvantage. Indigenous peoples frequently live in poverty adjacent to mining complexes that generate enormous wealth for their owners and for sub-national and national governments (Langton and Mazel, 2008; Sawyer and Gomez, 2012).

Growing national and international recognition of Indigenous rights, changes in corporate policy and greater Indigenous political capacity are changing the legal and political context for extractive industries. Australia, Canada, Colombia, Nicaragua and the Philippines are among a number of countries that have granted or expanded legal recognition of Indigenous rights (see for example Bartlett, 2004; Holden, 2005). Pressure by international Indigenous organisations and their allies has resulted in the enactment of a series of international declarations and conventions recognising Indigenous rights, including the 2007 United Nations Declaration on the Rights of Indigenous Peoples (Muehlebach, 2003; Pitty and Smith, 2011). In South America, the Inter-American Court of Human Rights, established by the American Convention on Human Rights, has handed down a number of decisions requiring national governments to abide by human rights principles set out in the Convention in their dealings with their Indigenous populations. The Court found against Nicaragua, for instance, in a case brought against it by the Awis Tingi community, after Nicaragua had granted forestry leases over Awis Tingi ancestral lands without seeking their consent and in doing so had 'violated the rights of the Mayagna Awis Tingi Community to use and enjoyment of their property …' (cited in Bankes, 2004, p. 3).

International financial institutions have also increasingly recognised Indigenous rights. For example in 1998 the Inter-American Development Bank adopted a policy requiring prior informed consent in the case of indigenous people possibly affected by involuntary resettlement as part of a Bank-financed projects (Deruyttere, 2004). The International Finance Corporation (IFC), the arm of the World Bank that provides funding for private enterprise development in developing countries, has for some time required that projects the IFC invests in must avoid, or 'minimize, mitigate or compensate for', impacts on Indigenous communities, and engage in a process of consultation and 'informed participation' (IFC, 2007). The IFC substantially expanded this latter requirement in revised

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Performance Standards introduced in January 2012. It now requires clients to obtain the free prior informed consent of affected Indigenous communities for projects that affect Indigenous lands, natural resources or critical cultural heritage, or which require the relocation of Indigenous people (IFC, 2012, pp. 48–50).

Significant changes have occurred in corporate policies towards Indigenous peoples. Many mining and oil and gas companies now proclaim their respect for Indigenous rights and seek to enter agreements with Indigenous peoples before operating on their traditional lands (ICMM, 2010; O'Faircheallaigh and Ali, 2008). Some at least have declined to proceed with developments approved by state authorities in the face of Indigenous opposition (Rio Tinto, 2005).

The increased willingness of states, international institutions and corporations to acknowledge Indigenous rights reflects in part growing Indigenous political capacity, and in particular the ability of Indigenous landowners to disrupt, delay and in some cases force the abandonment of planned projects or operating mines (Denoon, 2000; Trebeck, 2007).

Will this changing legal and political context end the historical marginalisation of Indigenous peoples, allowing them to assert control over, and benefit from, extractive industries on their ancestral lands? What implications, if any, does the experience of Indigenous people have for non-Indigenous residents of rural and remote regions affected by extractive industries? The next section establishes a foundation for considering these questions by outlining a range of theoretical perspectives on extractive industries in rural and remote regions. The discussion is not limited to theories focussing specifically on Indigenous peoples, reflecting the reality that they share some of the characteristics and experiences of other residents of remote and rural areas affected by mining. In certain respects the situation and experiences of Indigenous peoples *are* different. These differences may actually heighten the relevance of general theories, for instance those focussing on the ecological effects of resources extraction, though additional and specific theoretical insights are sometimes required.

The following sections use a case study of a proposed Liquefied Natural Gas (LNG) project in a remote region of Western Australia to explore in more detail the possibilities opening up for Indigenous peoples, and the constraints they continue to face. It illustrates that while the changes mentioned above are certainly creating opportunities for greater Indigenous participation and control, extensive and sustained political mobilisation is required if those opportunities are to be exploited. The article concludes by considering the theoretical implications of the discussion and its relevance for non-Indigenous rural populations affected by extractive industries.

2. Theoretical perspectives

Liberal economic theory is an appropriate starting point for the discussion. It provides the foundation for the efforts of national and sub-national governments in many parts of the globe, and of international financial institutions, to promote extractive industries as a foundation for development in rural and remote regions, including in the traditional territories of Indigenous peoples (Campbell, 1999; Sawyer and Gomez, 2012).

In liberal economic theory, the development of extractive industries in rural and remote regions reflects a growing comparative advantage they enjoy as resources closer to major industrial centres are depleted. Local populations will benefit from this situation because the market ensures that extractive industries pay higher wages (or wages significantly in excess of unemployment benefits) to bid labour away from its existing uses. Extractive industries generate additional incomes by creating opportunities for employment and profit in industries supplying inputs to extractive activities, in processing minerals, and in meeting growing needs for consumer goods and public services (Ahammad and Clements, 1999; Aragon and Rud, 2009, pp.11–14; Crowson, 2009).

Liberal economic theory wins empirical support from the historical role of mining in promoting industrial development in what are now advanced economies (Davis, 1995, p. 1767); and from contemporary research showing that regions with a high reliance on mining tend to have above-average and/or rising incomes (Aragon and Rud, 2009, pp. 24–26; Stedman et al., 2004).

Liberal economic theory has been criticised on a number of grounds. Empirical research shows that at least in some rural and remote regions extractive industries are associated with persistent poverty rather than rising incomes, that they can undermine existing economic activity, and often fail to generate significant input-supplying or processing industries (Gaventa, 1980; Richardson and Denniss, 2011; Zarsky and Stanley, 2011). Some analysts attribute these limited or negative outcomes to the unstable nature of international mineral markets and prices; to the absence in remote regions of complementary resources and facilities, for example energy and transport infrastructure, that were present close to mining activities in earlier historical periods; and to changes in transport and other technologies that allow labour and material inputs to be sourced from metropolitan centres (Freudenburg, 1992; Radetzki, 1982). Others propose a more radical critique.

For example a number of writers, drawing on dependency theory and world system theory, argue that the perceived failure of mining to promote broadly-based development in rural and remote areas reflects fundamental, structural features of extractive industries and their position within national and global economies. In the Canadian context Bradbury (1979) has stressed that extractive industries and towns associated with them are dominated by large, vertically-integrated capitalist firms which are multinational in the scope of their operations and in their approach to allocating resources. They aim to maximise capital accumulation in their operations as a whole. Individual resource towns or regions are developed because *at a particular point in time* relative cost and other considerations render it advantageous for firms to do so, but if circumstances change and the dictates of successful capital accumulation demand it, production will be switched to other regions or countries and the inhabitants of the original centres of production left to bear the burden. This situation creates structural conditions which place resource communities in a vulnerable position, highly dependent on a single economic activity which may cease at the dictate of an international corporate bureaucracy whose primary loyalty is to the firm rather than to any particular resource producing region or country. The role of the state, and of domestic political elites which control it, tends to be a cooperative and supportive one, to 'assist with accumulation and to legitimize the relations of production and the class relations within the private sector' (1979: 151).

The other major thrust of Bradbury's argument is that the relationship between regions and towns dominated by extractive industries and the industrial centres they serve is essentially exploitative. Human, physical and capital resources flow from the former to the latter, underdeveloping the resource region, distorting its economy and leading to patterns of growth which are highly uneven in spatial, sectoral and temporal terms, while permitting accumulation of capital at, and enriching, the industrial centre (Bradbury, 1979). Similar analyses are offered by Newton (1979) for Australia and Peluso et al. (1994) for the United States.

Bunker (1984), in his work on resource extraction and development in the Amazon, adds a specifically ecological dimension to the analysis. He argues that extractive industries represent