



social



EXTRACTIVE INDUSTRIES

POVERTY

WELFARE

SEVERE ENVIRONMENTAL IMPACTS

GLOBAL

COMMUNITIES

DAMAGE

extractive industries: blessing or curse?

Extractive industries impacts on developing countries

Many developing countries have large reserves of natural resources like oil, gas, coal, gold, copper and other mining products. While there is an assumption that this wealth of resources should contribute to the capacity of these countries to develop their economies, reality is a very different story.



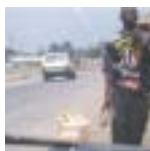
A traditional elder from the Shivankoreni indigenous community, Peru, affected by the Camisea gas project.

© aaron goldzimer, environmental defense



Mining projects jeopardize the livelihoods of Colombia's U'wa indigenous people.

© terence freitas, project underground



Communities impacted by the West African gas pipeline.

© leslie fields, foe us

does oil ensure a country's welfare?

According to World Bank data on real per capita gross domestic product (GDP), developing countries with few natural resources grew two to three times faster than resource-rich countries over the period 1960–2000. Of 45 countries that did not manage to sustain economic growth during this time, all but six were heavily dependent on extractive industries- oil, gas and mining- and a majority of these also experienced violent conflict and civil strife in the 1990s.¹

Globally, extractive industries are important for the economies of over 50 developing countries; yet up to 1.5 billion people in these countries are estimated to live on less than two dollars per day. Twelve of the most mineral-dependent nations and six of the world's most oil-dependent states are classified as Highly Indebted Poor Countries by the World Bank. Furthermore, World Bank programs designed to increase Northern private investment in Southern oil production have drastically increased debt. Northern multilateral and bilateral "aid" for oil exporting projects in the South has also exacerbated, rather than alleviated, debt.²

There is also evidence that states dependent on extractive industries tend to suffer from unusually high rates of:

- Corruption.
- Authoritative governments.
- Government ineffectiveness.
- Military spending.
- Civil war.
- Social and human rights violations.

where is Nigerian oil?

For decades oil has been the main export product of Nigeria. However, oil revenues have not brought about prosperity for most Nigerians. According to the World Bank, the portion of the population living in poverty grew from 28 percent in 1980 to 66 percent by 2000.³ And the remaining sectors of the non-oil economy almost disappeared. The World Bank confirms that Nigeria experienced symptoms of the so-called "Resource Curse" or "Paradox of Plenty." So while resource benefits could improve the welfare of the entire population, it can't be said that oil definitely will.

On the other end of the spectrum are countries dependent on oil imports. For example, the cost of Tanzania's oil imports rose from roughly USD 190 million in 2002 to about USD 480 million in 2006, representing an additional USD 290 million in payments each year for roughly the same amount of oil. While debt cancellation was expected to free up about USD 140 million for Tanzania in 2006, this is still less than half of the additional amount that the country is paying for oil imports each year. Similar trends on the impact of rising oil prices can be detected in a variety of countries around the world.⁴

SCALE

IMPACTS

EXAMPLE

SEVERE ENVIRONMENTAL IMPACTS	EXTRACTIVE INDUSTRIES	POVERTY	WELFARE
		GLOBAL	COMMUNITIES

SCALE

impact on local communities

Mining, oil and gas extraction, and pipeline construction disproportionately affects poor, indigenous and rural communities. These people often lose their lands and livestock- their main sources of food, income and livelihood. Very often they are forced to work in dangerous conditions for little pay, and suffer as a result of pollution and environmental degradation caused by these investments. Furthermore, people in local communities, lacking the necessary skills and education, often fail to benefit from jobs created in the extractive industries, as in many cases, employees are brought in from outside of the area. Often these negative impacts from a project occur before it even starts to generate revenues.

human rights

In a number of countries, extractive industries have been linked to human rights abuses and civil conflict. Such abuses have been documented, for example, in cases where the army has been called in to guard extractive industries projects. Indigenous peoples and local communities may be forced off their lands to make way for projects, and those protesting this development may be locked up or physically harmed. In many countries, lawful protests of local people against projects involving foreign corporations have led to violations of their right to freedom of expression.

Yanacocha gold mine, Peru

The Yanacocha mine is a 251square-kilometre open pit mine near the town of Cajamarca. The World Bank's International Finance Corporation has provided loans totalling USD 150 million for the project, which is a joint venture between Newmont in the US and Buenaventura in Peru. According to local people, the region of Cajamarca would be better served by investments in tourism, forests and agriculture.

The mining operations, which use large quantities of cyanide in a very fragile region, have contaminated the water sources, leading to the disappearance of fish and frogs. Cattle have become sick, the air has been polluted, and medicinal plants have been lost.

Although the Peruvian government established a special law to ensure that half of the taxes paid by the mine would be invested back into the region, Cajamarca has become the second poorest district in Peru since the start of mining operations in 1993. Yet while Cajamarca's rural poverty increases, a few individuals in the city benefit tremendously.

In 2006, activists from GRUFIDES, a Peruvian organization working on behalf of local communities, received anonymous death threats and were subject to video surveillance. An investigation by the Peruvian press uncovered that individuals with ties to the security firm FORZA, hired by Newmont to provide security at Yanacocha, were involved in the surveillance of the GRUFIDES staff members. The spying and harassment have been investigated by human rights bodies from the United Nations and Organization of American States, and denounced by various human rights organizations, including Amnesty International.

our demands:

- Extractive industries should stop destroying and wrecking people's lives around the world. There should be a ban on any new projects unless free, prior and informed consent of local communities has been fully implemented.⁵

information resources: Drilling into Debt: An Investigation into the Relationship Between Debt and Oil, Oilchange International, 2005 | The Impact of Higher Oil Prices on Select HIPC Countries, Center for American Progress, 2006 | World Bank Extractive Industries Report, 2003 | Extractive Sectors and the Poor, Michael Ross, Oxfam USA, 2001 | High Oil Prices: Undermining Debt Cancellation and Fueling a New Crisis?, Time for a Clean Energy Revolution, Jubilee USA, Oilchange International, July 2006.



Local People near the Yanacocha gold mine in Peru.
© sjoerd panhuysen



Communities affected by the Baku-Ceyhan oil pipeline.
© manana kochladze

- 1 World Bank Extractive Industry Report, 2003.
- 2 Drilling into Debt: An Investigation into the Relationship Between Debt and Oil, Oilchange International, 2005.
- 3 Worldbank, report 'Implementation of the Management Response to the Extractive Industries Review', December 2006.
- 4 The Impact of Higher Oil Prices on Select HIPC Countries, Center for American Progress, 2006.
- 5 'Free' means that nobody should be forced or manipulated. 'Prior' stands for consultation in advance of planned activities. 'Informed' means that planned activities are fully disclosed in accessible and understandable forms. 'Consent' means approval of planned activities by the community.



This Fact Sheet has been produced with the financial assistance of the European Union. The contents of this Fact Sheet are the sole responsibility of Friends of the Earth Europe, Friends of the Earth Netherlands, Friends of the Earth France, CEE Bankwatch and can under no circumstances be regarded as reflecting the position of the European Union.

IMPACTS

EXAMPLE

DEMANDS

RESOURCES

CONTACT