Greenwash or Blueprint?

Rio Tinto[1] in Madagascar

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1 Are TNCs Beginning to Act Responsibly?

The growth of TNCs acting, (or appearing to act), in an environmentally and socially responsible way has variously been labelled 'corporate environmentalism' by supporters, and 'greenwash' by sceptics (see Beloe, this volume). An increase in environmental awareness helps to explain the phenomena, as do two other significant factors.

(i) *Concern over the increasing power of TNCs*
Concern has risen over the increasingly unregulated power of TNCs. The sheer size of TNCs gives them enormous financial muscle without the constraint of democratic channels of accountability (Korten 1995). It has been estimated that in 1988 there were 20,000 TNCs with total assets worth over $4 trillion (Dunning 1993: 14) and that they now control up to 70 per cent of world trade (World Bank figures quoted in Lang and Hines 1993: 34). In the early 1990s there were only 60 countries with GNPs in excess of $10 billion, whereas there were more than twice that number of TNCs with annual sales greater than $10 billion (Sklair 1994: 166–7).

It is not just the number and size of TNCs that has raised concerns however, but also their global reach. The global ascendancy of neo-liberal ideology has facilitated economic globalisation via market deregulation and promoted by institutions such as the World Trade Organisation (WTO) and the attempted Multilateral Agreement on Investment (MAI). Not only has economic globalisation been given the fillip of such structures, but also the demise of institutions monitoring and regulating TNCs, such as the United Nations Centre on Transnational Corporations, has been significant (Greer and Bruno 1996: 23). Corporate lobby groups were also successful in removing examination of the environmental impact of TNCs from the UNCED process in Rio (Chatterjee and Finger 1994; Hildyard 1993: 28–9).

It is therefore claimed that TNCs are frequently more powerful than the states in which they operate (Waters 1995: 33). 'Given the increasing economic

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[1] As QIT, the company proposing the mining venture, is a wholly owned subsidiary of Rio Tinto, the parent company is generally refered to throughout this article.

power of these corporations and their ability to slip between the network of the sovereignty of individual states, there will continue to be concerns about their activities' (Luard 1990: 151). The case study presented in this article is an attempt to examine how some of these concerns play out in Madagascar.

(ii) *The increasing role of NGOs*

Where NGOs have been established to monitor TNCs they have traditionally been associated with attempts to moderate their behaviour and impact. It can be argued that the role of NGOs in this process is more important now than it ever has been. Globalisation has affected NGOs as much as it has affected TNCs, expanding their number, size and geographical coverage (Willetts 1998: 207, see also Fabig and Boele, this volume). The growth of international communications technology has facilitated international networking and alliances, which increasingly transcend geographical boundaries, broadening the power and influence of NGOs (Watts 1998: 24).

NGOs influence the activities of TNCs in three crucial ways. First, through lobbying and encouraging others to lobby, they have brought pressure to bear on TNCs. Second, they have helped set and enforce regulations and standards which, at the risk of financial loss, TNCs are keen to aspire to. For example World Wide Fund (WWF) have worked with industry to develop the Forest Stewardship Council, which is designed to provide environmental labelling for timber. The International Organisation for Standardisation (ISO) has, at the same time, broadened the scope of its certification, moving from a concern over product standards to process, management, environmental and now even social standards (Finger, this volume). Third, NGOs have helped generate consumer concern to the extent that it is now in a company's long term competitive interests to act responsibly. TNCs are increasingly attempting to gain greater environmental kudos than their competitors by having their activities associated with good practice (Beloe, this volume).

In association with the two key processes indicated above, the global and electronic media have helped place environmental and social issues firmly on the international political agenda. TNCs are increasingly operating in a 'global goldfish bowl' (Watts 1998: 24) in which their operations in specific localities are being judged by a worldwide audience. All of this has meant that TNCs which operate internationally 'need more and more to take account of opinions which are formed internationally' (Mitchell 1998: 1). TNCs, therefore, are exhibiting their green credentials simultaneously to a broad audience internationally, nationally, and locally.

Businesses are starting to recognise they need to respond to (or at least be seen to respond to) the 'triple bottom line' (Elkington 1998) of not only meeting existing profit margins, but also environmental and social concerns. One key aspect of this ethical approach to business is the need to increasingly involve and engage with indigenous people when a company's activities change local environments. Even with the increasing unregulated powers of TNCs noted above, this element is likely to become ever more important as NGOs and other pressure groups expand social norms of what is tolerable behaviour and help set higher moral standards for business practises.

For all of these reasons TNCs are now keen to present themselves as socially and environmentally aware to a variety of actors at the international level. First, there are actual and potential investors, including shareholders, shareholding institutions, and multilateral and bilateral donor agencies. Second, it is often valuable to have the support for a project of inter-governmental bureaucratic structures such as agencies of the United Nations. Third, NGOs with their ever-growing power within the global political arena are targeted for their support. Fourth, it is important for TNCs to present themselves and their products favourably to consumers. The last main actor at the international level is the media. In recent years high level bursts of negative media coverage have necessitated diversions from the pursuit of short-term profit by several TNCs (Gray 1998: 75), a situation most would rather avoid. These factors have combined to engage TNCs with other interested actors in complex interactions, both directly and indirectly, across the global political system.

In addition to this, at the national level, TNCs must also gain the acceptance of states in the form of governments, politicians, civil servants and advisors. While most states are keen to demand high

environmental and social standards within their borders, at least rhetorically, the reality of escalating debts can make the imperative of attracting investment greater than that of stipulating (or enforcing) social and environmental regulations.

At the local level too, many similar actors must be reached, such as local government, NGOs, and the media, as the increasingly interconnected nature of global systems allows the rapid transfer of local issues to national and international arenas, and vice versa. The key area for TNCs now is to engage with, involve and gain the consent of local people affected by their activities. Previously it was possible for TNCs to focus more on gaining state agreements and attracting international finance than on working with local people. Now, however, the climate is changing and TNCs are finding it ever more important to be seen to be working with the local communities where they operate. They can no longer ignore local values and impose changes upon communities (Willetts 1998: 225).

2 The Case Study – Rio Tinto in Madagascar

Much of the material in this article is drawn from fieldwork conducted during 1997–8 in and around the village of Evatra, which is at the centre of a proposed mining site[2] by Rio Tinto. Examination of Rio Tinto's current mining venture is informative as it offers a contemporary opportunity to try and distinguish where the boundaries between ethical reality and rhetoric lie. It enables an assessment to be made of the company's attempts to gain legitimisation and provides the opportunity to suggest areas that need more attention.

Rio Tinto's environmental and social record has received much criticism in the past (Friends of the Earth 1995; Moody 1990 and 1996; PARTiZANS[3] quarterly). As the biggest and most global mining company in the world, Rio Tinto are regularly engaged in controversial projects. Past criticism when working in environmentally sensitive areas and lands occupied by indigenous peoples has led the company to adopt a new strategy for its

Madagascar project. Whereas TNCs in the past have been associated with attempts at lowering standards, here the company is voluntarily seeking to set its own standards of environmental and social responsibility at a very high level. Acknowledging that business will only lead the way in such ethical standard setting as far as profit margins allow, the question here is how reconcilable are concerns about the environment and social development, utilitarian interests in maintaining long-run business viability, and attaining more immediate public relations goals.

Madagascar is one of the world's poorest countries, with an external debt of approximately $4,175 (Economist Intelligence Unit 1998: 20). The proposed project, to mine titanium dioxide (mainly to be used as an industrial whitener), would require investment of $400 million over 40 years. There are clear benefits from the project, particularly: regional economic development, infrastructural improvements (such as a new port, road building, electrification and water supply), employment, and associated social development initiatives. However, there are also a number of potential drawbacks. Setting aside the finite nature of mineral extraction which makes it an inherently unsustainable activity, there are also questions as to the extent to which existing local economic activities will be undermined and whether the economic multiplier of the project will be as great as these activities (particularly tourism and seafood operations). There will be significant changes to land use in and around the project area, most notably for the resident villagers who currently utilise may natural resources in the vicinity. Sacred lands, including cemeteries (which are highly significant within the context of Malagasy ancestral veneration) are likely to be affected by the venture, as is the region's biodiversity, elements of which are endemic. Although Rio Tinto has entered a partnership arrangement with the Malagasy government, questions remain to be answered about the extent of local involvement and consent.

There are three main elements to Rio Tinto's current strategy of legitimation in relation to the project. First, rather than waiting to respond to criticism

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[3] PARTiZANS is People Against Rio Tinto Zinc And Subsidiaries.

about the project, Rio Tinto have from an early stage publicly acknowledged the environmental and social problems that mining in the area is likely to cause. Along with this they have accepted that responsibility for dealing with these problems, to a large extent, lies with them and as such they are trying to find appropriate solutions. A number of social and environmental satellite projects have been proposed to mitigate the negative impacts of the mining. Instead of operating in a secretive or even hostile manner, they are currently pursuing a strategy of engagement and open dialogue with various stakeholders and potential opponents.

> Whereas in 1981 one RTZ (now Rio Tinto) director said he would 'crush Survival International like a fly' if the tribal peoples' support organisation did not call off its campaign against the Cerro Colorado mine in Panama, today the company invites its detractors to lunch. When Friends of the Earth in 1995 vehemently condemned RTZ's plan to exploit mineral sands in rainforests in south-east Madagascar, the environmental organisation was invited by company chairman Derek Birkin 'to be part of the process of appraising our plans, at some stage in the future' (Moody 1996: 50).

Second, great effort and expense has been incurred in recruiting various 'experts' to work on the project. The roll-call of renowned academics and recognised specialists involved with the extensive Environmental Impact Assessment and current social study (involving a public consultation exercise) is impressive, and helps explain how the company have so far spent over $30 million on the project's development. A research station has been set up which is at the cutting edge of understandings about the region's complex biodiversity. And while the company has carefully recruited appropriate personnel, it still recognises the need to bring in outside expertise as and when necessary, such as environmental and social scientists.

The third element of the legitimisation process has been to work in partnership with the government. Although the company has strategic interests in gaining state support,[4] by working with the government

Rio Tinto are demonstrating their broader commitment to the country. An operating company has been established to run the project, in which the government holds a 20 per cent share. Rio Tinto are also encouraging government efforts to implement a regional development plan for the southeast of the country where the mining project would take place. The company is keen to emphasise that the ultimate decision as to whether the project can go ahead or not rests with the government and not them. They also stress the independence and high standards of various governmental organisations with responsibility to vet the progress of the proposed project.

2.1 Positive aspects of the legitimising process

As well as a number of undoubted benefits the mine would bring to the region, there are several positive aspects of the company's conduct. Fundamentally, it is commendable that Rio Tinto is *attempting* to act in a responsible way, which is better than a lack of corporate responsibility. Its acknowledgement of certain problems associated with the project means that at least attempts are being made to minimise the negative impacts of such development on the environment and local people. The company is already engaged in a number of social development projects and has plans for more should the project commence. Through these initiatives, the sustainability of local livelihood systems is being encouraged and there is recognition by the company that the needs of the poorest must be addressed.

Likewise, the company is committed to the use of what they believe are appropriate methods and best practise in generating research concerning the project. They are not rushing into the region and are careful not to irresponsibly raise expectations. They have spent over ten years so far producing baseline data and conducting surveys and feasibility studies. As well as bringing in outside experts where necessary, the company is committed to employing local people at all levels. It is also encouraging to witness the company operating in a more transparent manner, with the research material they have commissioned becoming available within the public domain.

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[4] For example, it was necessary to create new legislation allowing the project to proceed, and the company requires substantial government spending on regional infrastructure for the project to remain financially feasible.

2.2 Areas of concern with Rio Tinto's attempts at legitimisation

Anxieties about the project can be divided into three categories.

(i) *Greenwash*

When a company with an ethical record like Rio Tinto's seems to have undergone such a turnaround, it is tempting to question its motivation. However, the problematic nature of this exercise should be noted, as it is difficult to prove motivation and different branches or departments within the company may hold multiple, or even contradictory motives simultaneously. It is also worth noting that for the local people affected by the project, the question of motivation is not necessarily an important one. Actions offer some indication of the company's intentions however, and although Rio Tinto appear to have spent a considerable sum on laudable undertakings, $30 million over the last 12 years is negligible compared to annual sales, which in 1997 alone were $7.7 billion (The Industry Standard 1999).

Taking a broader picture, it is useful to judge TNCs not only by the efforts they are making on the projects they themselves put forward as examples of best practice, but also to look at a wider spectrum of their activities. The 'greening' of one project may, intentionally or otherwise, divert attention from other less acceptable practices. In the case of Rio Tinto, open cast mining continues in Irian Jaya, where local people have not been consulted or compensated and sacred sites have been destroyed (World Development Movement 1999); uranium mining proceeds at Kintyre in Australia; and in Bougainville mining has destroyed the environment while indigenous rights have been ignored (Rowell 1996: 275). Taking a wider company perspective allows a more balanced assessment as to whether a project like the one in Madagascar is a 'flagship', setting standards for other business ventures to meet, or if it is a 'smokescreen' behind which less acceptable activities hide. If these less acceptable activities exist they can seriously undermine the credibility of positive efforts being made elsewhere.

One indication of the extent to which the enlightened thinking of the subsidiary operating in Madagascar has permeated the rest of the company, will be whether it sets up structures to transplant what they learn in Madagascar to their existing and forthcoming projects elsewhere.

(ii) *Participation*

Two factors are significant here. The first concerns the meaningfulness of the participation that Rio Tinto are promulgating. Local villagers (in almost every case) are ill-informed about most aspects of the mining venture, to such an extent as to question how meaningful participation with the mining company has been. Not only this, but the limited worldview that most of the villagers[5] have draws into question the worth of the current consultation exercise. While this exercise may be comprehensive, extensive, and even expensive, if it fails to recognise that most villagers would have difficulty in comprehending the scale of the project or the extent and ways in which their lives are likely to be altered, it is also of limited value in terms of meaningful participation. For local consent of the project to be truly legitimate, it must be gained from people with full understanding of what they are consenting too. This is necessary to avoid claims of 'teleguided' participation where people 'do not feel they are being forced into doing something, but are actually being led to take actions which are inspired or directed by centres outside their control' (Rahnema 1996: 116). However, the difficulty for all external actors (not just the mining company) in trying to gain meaningful consent and understanding of that which is outside the worldview of the villagers should be recognised.

The second factor, in relation to participation, concerns land rights. The company does not recognise customary local land rights, but instead upholds the government's assertion that all land without legal title belongs to the state. It is hardly surprising that virtually no villagers are in possession of legal title to the land they use or that villages do not collectively hold legal title to their traditional commons. In not recognising local ownership of ancestral lands, the mining company do not have to give the

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[5] The majority of the villagers studied had never travelled far and had limited understanding of a broader geopolitical context. Some were illiterate (including having difficulty in recognising simple pictures) and many were unclear about the concept of a 'country' and knew almost nothing of life outside the region, let alone Madagascar.

participation of local people as much importance as they would to the 'owners' of the land.

(iii) *Subtle corporate strategy*

The remaining concerns are over more subtle mechanisms and techniques that are being utilised by the company in their attempt to gain legitimacy for their actions. First, through use of and reference to 'experts' and 'expert knowledge' the company is able to claim an intellectual monopoly over debates concerning the project. The company, by establishing certain forms of knowledge as valid, is able to marginalise in the debate those groups incapable of participating in these forms of discourse.

Second, by emphasising the abundant nature of processed titanium dioxide in everyday products that most people (in the North) use (such as toothpaste, paper, plastic, paint, etc.), the company implicates consumers as being complicit in the environmental and social externalities of production. Attributing blame to consumers in this case is somewhat unfair, however, as people generally do not know that they are using the product and are not given a choice of alternatives. They are also unaware of the social and environmental costs associated with its production.

Third, company research has called into question the current sustainability of local livelihoods, as population growth impacts on already increasing rates of forest destruction. While this may well be an accurate interpretation of natural resource use, constructing local livelihoods as unsustainable helps justify the case for the mine as an economic alternative for the region. What is problematic here is that these claims of local unsustainability originate from some of the most unsustainable societies in the world. Not only that, but they are being made by a company that has historically derived most of its money in environmentally unsustainable ways.

Finally, one should be aware of the dominance Rio Tinto have in setting the agenda of the proposed project and governing its operation. There is a danger that the company, which is the main force behind the project, will also become its implementer and assessor. The whole process of environmental and social impact studies is designed to co-opt people into a process of approval. Outcomes are validated by a process whose terms are set by the company. If the process were not being driven by the company, then instead of the current focus on how the project might best be carried out, there might be more attention paid as to whether the project should be implemented at all. With such a shift in emphasis a more community-centred approach to development in the region would be achieved.

In a world where states are less willing or able to act in the regulation of TNCs, new forms of governance are expected by TNCs in conjunction with environmental NGOs (Newell 1999). This leaves the question of who governs the governors as yet unanswered and can inevitably lead to local conflicts of interest when TNCs act as states within states or as *de facto* states.

3 Policy Implications

A number of policy implications stem from the case study presented here, which, while specific to the example in question, are broadly transferable to other similar situations.

1. In order to gain meaningful consent, the project's pros *and cons* should be presented to the local people in a way that is comprehensible to them. This may require some education as to what the project actually involves, what alternatives exist and how existing economic practices will be affected.

2. There should be independent auditing and monitoring, with input from those affected by the project, throughout the different stages of the venture. In order to maintain the credibility of the project and those involved with it, it should be made clear that when experts are consulted it is for knowledge and advice rather than validation. Giving consultants editorial freedom and allowing them to retain copyright of material produced could help facilitate this. One possible strategy to help maintain the independence of monitors, advisors and researchers would be to pay for them from a 'blind fund' of monies given to a holding body, possibly in conjunction with other companies that have similar interests. Alternatively 'blind funds' could be established with particular institutions, rather than companies funding specific people at institutions to carry out individual pieces of research.

3. There should be some recognition of collective indigenous land rights by the company, as expounded in the draft Declaration of the United Nations Working Group on Indigenous Peoples (United Nations 1992). These land rights should include the rights to subsurface mineral deposits (see Donigi (1994) on the legal case for this). This recognition could be in the form of a lease or profit share arrangement with the village, giving the villagers a stake in the mining project. It should be clearly stated and agreed by all sides what the project entails and what the villagers can expect. A limited 'get-out' clause if the villagers became unhappy with the project would act as an incentive for the mining company to act responsibly. 'Strict civil liability agreements' may serve this purpose (Greer and Bruno 1996: 254–6). These agreements would have to be sensitive to where the villagers' interests fit into the wider economic needs of the region. This would avoid the risk of one village being able to hold up unreasonably the economic development of the whole region.

4. One of the ideological successes of TNCs is the way in which they blur the distinction between their own and national interests (Lang and Hines 1993: 33). In this light the power of Rio Tinto to influence the formation of the regional development plan in their favour must be recognised; 'RTZ, its subsidiaries and its partners maintain an extraordinary capacity to influence domestic power brokers in the regions where they operate' (Moody 1996: 48). The independence of the regional plan must be maintained, including the proposal and fair consideration of alternatives to the mining project. The lower levels of financial and cultural capital that proponents of alternative development plans may have should be recognised and taken into consideration. Any plan for the region must include the long-term interests of the area, recognising the finite nature of the mineral deposits. Strategies to deal with changes to the region that are likely to result

from the establishment of the project and the subsequent ending of the project should be put in place.

Finally it should be noted that while none of the above policy recommendations would necessarily guarantee socially beneficial or environmentally responsible practice, they would help allow for the possibility of it.

4 Conclusions

Before judgement can fully be made about the project a number of factors should be born in mind. These include the potential economic value of the project to the region and local community, a sense of what it is reasonable to expect of companies, and the repercussions of non-investment by this or any other mining company. It has to be remembered that TNCs are profit-seeking organisations and cannot be expected to adopt the same concerns as NGOs or the people affected by their development projects.

In terms of this particular case it remains to be seen how meaningful the current process of dialogue is. There is a strong case for independent assessment during and after the project to help establish that this is taking place. This is because the impotence of the state and its weak financial position call into question its ability to be able to do this effectively and the capacity of TNCs to regulate themselves has yet to be established. There are some fundamental problems with Rio Tinto's current efforts to gain legitimacy, particularly over the issue of not recognising forms of indigenous land ownership and problems with the meaningfulness of villager participation and consent. Nevertheless, what is clear is that companies are increasingly subject to new pressures. This article has sought to examine how Rio Tinto have responded in the context of one project in one country. The challenge, in a wider context, is to develop best practice models of NGO–TNC engagement centred on the needs of affected communities.

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